Balfour Beatty

BALFOUR BEATTY PLC RESULTS FOR THE FULL YEAR ENDED 31 DECEMBER 2023

13 March 2024

Solid performance with expectations delivered

Operational momentum with immediate and mid-term opportunities

Leo Quinn, Balfour Beatty Group Chief Executive, said: "The Group's reliability and resilience has again delivered a solid performance, with increased revenue and profit from our earnings-based businesses and strong operating cash flow. This success against a challenging economic backdrop is driven by our disciplined contract risk management across a geographically and operationally diversified portfolio.

"The Board remains confident in Balfour Beatty's ongoing ability to deliver sustainable cash generation for significant shareholder returns, with growth from our earnings-based businesses in 2024 underpinned by the strength of the Group's order book. Looking to 2025 and beyond, we expect our unique capabilities and complex infrastructure project experience to drive further earnings growth, with attractive opportunities being pursued in the UK energy, transport and defence markets and in the US."

Solid performance with continuing momentum from earnings-based businesses

- Revenue up 7% to £9.6 billion (2022: £8.9 billion)
- Underlying profit from operations (PFO) from earnings-based businesses up 2% to £236 million (2022: £232 million)
- Underlying profit before tax down 10%, due predominantly to lower gains on investment disposals as guided
- Underlying EPS of 37.3p down 21%: £55 million increase in tax charge, following £56 million credit recognised in 2022

Resilience against economic challenges, with diversified portfolio providing stability

- Construction Services: PFO up 5% to £156 million (2022: £149 million)
- Support Services: PFO margin of 8.0% (2022: 8.4%) at top of 6-8% targeted range
- Infrastructure Investments: £1.2 billion Directors' valuation (2022: £1.3bn) impacted by exchange and discount rates
- Sixth consecutive year of improved employee engagement

Continued shareholder returns supported by consistent cash generation and balance sheet strength

- 10% increase in recommended full year dividend at 11.5 pence per share (2022: 10.5 pence per share)
- £100 million share buyback commenced for 2024, with total expected cash returns of c.£160 million (2023: £208 million)
- Average net cash of £700 million (2022: £804 million) as forecast

Strategic focus on strong delivery of order book and significant medium-term growth opportunity

- Earnings growth in current year underpinned by £16.5 billion order book (2022: £17.4 billion)
- Unique Group capabilities aligned to significant future opportunities
- Earnings growth accelerating in 2025, driven by energy, transport and defence in UK and buildings in US

(£ million unless otherwise specified)	2023		2022	
	Underlying[2]	Total	Underlying[2]	Total
Revenue[1]	9,595	9,595	8,931	8,931
Profit from earnings-based businesses	236[#]	223	232[#]	233
Profit from operations	228[#]	211	279[#]	275
Pre-tax profit	261	244	291	287
Profit for the year	205	194	290	287
Basic earnings per share	37.3p	35.3p	47.5p	46.9p
Dividends per share		11.5p		10.5p

	2023	2022
Order book[1]	£16.5bn	£17.4bn
Directors' valuation of Investments portfolio	£1.2bn	£1.3bn
Net cash – recourse[3]	842	815
Average net cash – recourse[3]	700	804

Segment analysis	2023			2022		
	Revenue[1]	PFO[2,#]	PFO margin[2]	Revenue[1]	PFO[2,#]	PFO margin[2]
	£m	£m	%	£m	£m	%
UK Construction	3,027	69	2.3%	2,763	59	2.1%
US Construction	3,697	51	1.4%	3,651	58	1.6%
Gammon	1,357	36	2.7%	1,068	32	3.0%
Construction Services	8,081	156	1.9%	7,482	149	2.0%
Support Services	1,006	80	8.0%	989	83	8.4%
Earnings-based businesses	**9,087**	**236**	**2.6%**	**8.471**	**232**	**2.7%**
Infrastructure Investments	508	31		460	81	
Corporate activities	–	(39)		–	(34)	
Total	9,595	228		8,931	279	

Notes:

[1] Including share of joint ventures and associates

[2] Before non-underlying items (Note 9)

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

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

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

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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 13 March 2024. There will be a live webcast of this on: www.balfourbeatty.com/webcast. The webcast will be recorded and subsequently available at Results, reports and presentations – Investors – Balfour Beatty plc.

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

GROUP CHIEF EXECUTIVE'S OVERVIEW

Full year Group expectations achieved

Balfour Beatty's solid performance in 2023 resulted in the Group delivering underlying profit from operations (PFO) from the earnings-based businesses (Construction Services and Support Services) of £236 million, incrementally ahead of the prior year (2022: £232 million). As expected, the Group's underlying profit for the year reduced to £205 million (2022: £290 million) as gains on investment disposals reduced as planned and the £56 million tax credit relating to the recognition of additional UK tax losses in 2022 did not repeat. Capital expenditure doubled in the year as the Group invested to support growth, and £208 million of cash was returned to shareholders (2022: £208 million) through a combination of dividends and share buybacks. Average net cash reduced as expected to £700 million compared to £804 million in 2022.

Resilient portfolio delivering stability

Balfour Beatty demonstrated the importance of its geographical and operational diversity in 2023, by delivering an overall improvement in underlying financial results from its earnings-based businesses during challenging economic conditions. The results were a further proof point in the strategy to reduce Balfour Beatty's risk profile, with the Group focusing on opportunities which utilise its end-to-end capabilities and large-infrastructure project experience, as well as only contracting on terms consistent with our disciplined risk framework

The underlying PFO from Construction Services increased in 2023 by 5%. UK Construction continued to improve project delivery, making further progress with its ambition to move towards the top of the 2-3% UK industry standard margin target range, Gammon achieved strong margins while growing revenue and US Construction profitability reduced due to the cost of delays at a small number of civils projects. Support Services had another successful year, delivering at the top of its 6-8% margin target range, and Infrastructure Investments achieved its disposal targets. The Directors' valuation of the Investments portfolio decreased by 6% due to foreign exchange movements and an increase in discount rates.

Orders continue with improved second half

The Group's 2023 year end order book remains significant at £16.5 billion, which is 5% lower than 2022 or 2% lower at constant exchange rates. Both the UK Construction and US Construction order books have remained flat on a local currency basis, which is encouraging given the high interest rate environment faced by customers throughout 2023. The second half of the year showed a clear improvement in orders compared to the first half as interest rates in both markets stabilised. In the UK, the proportion of the order book signed on lower risk target-cost or cost-plus contracts compared to higher risk fixed-price contracts remained high at 82%. In the US, where work is predominantly contracted on a fixed-price basis, the Group ensures early issuing of subcontracts for buildings jobs and insurance of the supply chain in order to protect its margin.

The order book for Gammon has reduced in the year, driven by the acceleration of major airport project activity in Hong Kong and lower order intake, and Support Services backlog has grown following the addition of significant road maintenance contracts. Beyond the reported order book, Balfour Beatty has been selected as one of ten preferred bidders on SSEN Transmission's c.£10 billion Accelerated Strategic Transmission Investment (ASTI) framework, with early works for nine projects underway, and the Group's awarded but not contracted position remains high, having added notable airport and major road awards in 2023.

Infrastructure disposals completed above Directors' valuation

The Directors' valuation of the Infrastructure Investments portfolio has reduced to £1.2 billion in 2023 (2022: £1.3 billion), due equally to a weakening of the US dollar against sterling and an increase in discount rates given the interest rate environment and market data. The other usual changes to the valuation, including the equity invested, cash yield received, unwind of discounting, asset disposals and operational performance all largely offset.

The two asset disposals completed in the year were sold at above the Directors' valuation and contributed proceeds of £61 million and a gain on disposals of £26 million. The Group continues to invest in new opportunities (targeting a minimum 2x end-to-end multiple) whilst optimising value through the disposal of further operational assets.

Growth opportunities in chosen markets

The principal markets in which Balfour Beatty operates are showing signs of continued growth backed by government supported spending that prioritises modern and reliable infrastructure to support economic growth and help tackle climate change. In the UK, the requirement for clean and domestically generated energy is a priority for both the incumbent Conservative party and Labour opposition and Balfour Beatty is targeting opportunities on both the supply and demand sides of the energy equation. On supply, steep growth in the volume of UK power transmission and distribution projects will begin in 2025, with an acceleration of work to strengthen and stabilise the power networks, while nuclear, wind, carbon capture and hydrogen projects continue to develop. On the demand side, given the Group's involvement in HS2, construction of greener railways is a large part of the Group's UK operations today and the importance of continued investment in the transport sector is evident for both political parties. Balfour Beatty has also identified the UK defence and security infrastructure industry as a growth area, as the Group's capabilities align well to market opportunities, including projects with close adjacencies to the work delivered by the Group for civil nuclear.

In the US, the Group's buildings operations are focused primarily on specific, high growth regions. These areas are population hubs with growth and migration projected to continue driving increased investment, particularly in transportation and social infrastructure. The stabilisation of interest rates and reduced inflation have released some pressure on the commercial office sector, while other market segments targeted by the Group, such as aviation, leisure, education and federal, remain strong. In Hong Kong, the Government's pipeline of infrastructure projects continues to grow, with further major works announced to increase connectivity within the Greater Bay Area, aligned to plans to develop the Northern Metropolis.

Retention and investment in capability vital for meeting future demand

Now more than ever, Balfour Beatty is focused on making sure the right people, culture, policies and procedures are in place to enable sustainable business performance; prioritising attention on developing an environment where all employees can perform, grow personally and enjoy coming to work. The Group operates in markets where there can be tough competition for the best people; therefore, this is critical to enable the retention and development of talented experts and attract and recruit the diverse skills and experiences that the business needs to deliver today and for the future.

The annual employee engagement survey remains the key tool for the Group to gauge how well it is performing in this space and the 2023 results showed an improvement for the sixth consecutive year. Overall employee engagement increased to 81% (2022: 80%). Compared to peers, Balfour Beatty was 7 percentage points above an industry average and 8 percentage points above companies of a similar size. Aligned to the strong survey results, the Group's retention rates improved in 2023.

The challenge of attracting talent into construction is industry-wide and Balfour Beatty, with its size and prominence, can lead the market with its innovation. The Group has diversified its hiring channels in 2023, with increased recruitment from talent pools including military talent, ex-offenders and those from underprivileged backgrounds, while it also continues with its commitment to train the next generation of employees. At year-end, 7.4% of the UK workforce were apprentices, graduates and sponsored students in 'earn and learn' positions, exceeding both The 5% Club's base target and overall average.

Further work required in journey to Zero Harm

It is a matter of deep regret that two colleagues have tragically lost their lives in 2023. The Company offers its deepest sympathy and support to their family, friends and co-workers. To ensure that lessons are learnt from these events, and with both fatalities being caused in part by stored energy, Balfour Beatty has established a new Stored Energy Fatal Risk Working Group and is designing digitally-assured processes to improve controls over such safety-critical activities.

The Group remains determined that all colleagues who walk onto a Balfour Beatty site should return home safe and well. While the Group's lagging indicators of lost time injury rate and accident frequency rate have improved in 2023, the two fatalities make evident to all the importance of maintaining focus on health and safety. As such, it is encouraging to see voluntary safety observations increasing to nearly 400,000 in 2023 and proactive programmes having an impact on site. In 2023 these included a Slips, Trips and

Falls focus in the UK, which reduced these types of incidents by 33%, and the second year of the What3Things? conversations, which have focused on a back to basics approach.

Balfour Beatty is committed to being an innovative leader in the world of health and safety and launched a programme of digital safety initiatives in 2023, which target improvements in not only the safety of the Group's construction sites, but also productivity and assurance.

Next steps in sustainability journey

Balfour Beatty's sustainability strategy, Building New Futures, was launched in 2020 to improve the Group's approach to environment, materials and communities by setting firm 2030 targets and longer-term ambitions for 2040. The 2030 targets set were the achievement of a science-based carbon reduction target, a 40% reduction in waste generated and the delivery of £3 billion in social value. It also outlines the Group's 2040 ambitions to go Beyond Net Zero Carbon, to Generate Zero Waste and to Positively Impact More than 1 Million People. In the year, the UK business delivered £936 million of social value and achieved a 40% reduction in tonnes of waste generated per £million revenue compared to the restated 2021 baseline. The Group also achieved a 2% absolute reduction and a 7% intensity reduction in Scope 1 & 2 greenhouse gas (GHG) emissions.

In 2023, the Group launched its Bridging the Gap action plan, which is designed to help colleagues focus their efforts on initiatives that will have the biggest impact in delivering Balfour Beatty's targets and ambitions. By adopting a uniform approach, Bridging the Gap will also support best practice and encourage greater collaboration across the organisation whilst setting out minimum expectations of sustainable leadership, carbon, materials, communities and biodiversity.

In late 2023, Balfour Beatty formally submitted Science-Based Targets and a related carbon abatement plan, aligned with the 1.5°C global warming limit. The Group's submission is awaiting validation by the Science Based Targets initiative in 2024.

Dividend growth and further share buybacks

The Group's capital allocation framework has been in place since 2021, facilitating the delivery of attractive shareholder returns, while ensuring the appropriate balance between investment in the business, and a strong capital position. When considering the strength of the Group's order book and balance sheet with the depth of opportunities in its chosen markets, Balfour Beatty is confident of continuing to deliver significant future shareholder returns. As such, the Board is today recommending a final dividend of 8.0 pence per share (2022: 7.0 pence), giving a total recommended dividend for the year of 11.5 pence per share (2022: 10.5 pence). Additionally, the Company intends to repurchase £100 million of shares during the 2024 phase of its multi-year share buyback programme, bringing the cumulative return to shareholders since the introduction in 2021 of the multi-year capital allocation framework to over £750 million.

The total cash return to shareholders in 2024 (including the final 2023 dividend and 2024 interim dividend) is therefore expected to be c.£160 million.

Outlook

The Board expects an increase in PFO from its earnings-based businesses in 2024, with growth accelerating in 2025.

Infrastructure Investments is expected to continue to deliver attractive end-to-end returns from its recurring income, by divesting assets and making new investments in line with the Group's capital allocation framework. For 2024, gains on investment disposals are expected in the range of £20 - £30 million.

The Board expects net finance income of around £30 million for 2024 and for the effective tax rates in each of the three geographies to remain close to statutory rates, albeit with cash tax payments in the UK remaining below statutory levels in the medium term as losses are utilised. Capital expenditure in 2024 is expected to return closer to pre-2023 levels of around £35 million and the Group's average cash in 2024 is expected to be roughly in line with 2023.

The Group's longer-term outlook remains positive and the growth forecast in 2025 and beyond is driven by the opportunities in the energy, transport and defence sectors in the UK and the Group's chosen buildings sectors in the US. This gives the Board confidence in Balfour Beatty's continued ability to deliver profitable managed growth and sustainable cash generation, and in turn significant ongoing shareholder returns.

RESULTS OVERVIEW

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

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

Group financial summary

The Group's results for 2023 show a solid performance against a backdrop of challenging economic conditions. Revenue increased by 7% (8% at constant exchange rates (CER)) to £9,595 million (2022: £8,931 million) driven by an increase in Construction Services. Statutory revenue, which excludes joint ventures and associates, was £7,993 million (2022: £7,629 million).

The underlying profit from operations for the year reduced to £228 million (2022: £279 million) despite an incremental increase in PFO from the earnings-based businesses, as gains on investment disposals reduced by £44 million. Corporate activity costs rose in 2023, due largely to higher salaries following inflationary increases, audit fees and share-based remuneration. Statutory profit from operations was £211 million (2022: £275 million).

Underlying profit / (loss) from operations[2]	2023 £m	2022 £m
UK Construction	69	59
US Construction	51	58
Gammon	36	32
Construction Services	156	149
Support Services	80	83
Earnings-based businesses	236	232
Infrastructure Investments pre-disposals operating profit	5	11
Infrastructure Investments gain on disposals	26	70
Corporate activities	(39)	(34)
Total underlying profit from operations	228	279

[2] Before non-underlying items (Note 9)

Net finance income of £33 million (2022: £12 million) improved as a result of higher interest rates. Underlying pre-tax profit was £261 million (2022: £291 million). The taxation charge on underlying profits increased to £56 million (2022: £1 million) as there were no tax credits relating to the recognition of additional UK tax losses (2022: £56 million). This resulted in underlying profit after tax of £205 million (2022: £290 million). Total statutory profit after tax for the year was £194 million (2022: £287 million), as a result of the net effect of non-underlying items.

Underlying basic earnings per share was 37.3 pence (2022: 47.5 pence), which, along with a non-underlying loss per share of 2.0 pence (2022: 0.6 pence), gave a total basic earnings per share of 35.3 pence (2022: 46.9 pence). This included the benefit from the basic weighted average number of ordinary shares reducing to 558 million (2022: 612 million) as a result of the Group's share buyback programme.

Non-underlying items

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

Non-underlying items after taxation were a net charge of £11 million for the period (2022: £3 million). Items included a £9 million post-tax charge in relation to an increase to a provision, which was recognised in 2021 for stone cladding rectification works, updated to current price expectations, and a £2 million post-tax charge relating to the amortisation of acquired intangible assets. Further detail is provided in Note 9.

Cash flow performance

The Group's net cash increased by £27 million in the year (2022: £25 million), resulting in a year end net cash position of £842 million (2022: £815 million), excluding non-recourse net borrowings and lease liabilities. Operating cash flows were ahead of profit from operations. Cash from operations, which included a working capital inflow, was largely offset by shareholder returns and a higher than normal programme of capital expenditure. 2023 was a peak year for capital expenditure, with increased levels of investment in Support Services to aid the Group's medium-term growth plans. 2024 capital expenditure is expected to be close to 2022 levels.

Cash flow performance	2023 £m	2022 £m
Operating cash flows before working capital movements and pension deficit payments	258	282
Working capital inflow / (outflow)	63	(54)
Pension deficit payments+	(28)	(43)
Cash from operations	293	185
Lease payments (including interest paid)	(63)	(58)
Dividends from joint ventures and associates∞	59	89
Capital expenditure	(66)	(31)
Share buybacks	(151)	(151)
Dividends paid	(58)	(58)
Infrastructure Investments		
- disposal proceeds	61	93
- new investments	(31)	(30)
Other	(17)	(14)
Net cash movement	27	25
Opening net cash*	815	790
Closing net cash*	842	815

* Excluding infrastructure investments (non-recourse) net borrowings and lease liabilities

+ Including £3 million (2022: £2 million) of regular funding

∞ Excluding £1 million (2022: £59 million) dividends received in relation to Investments asset disposals within joint ventures and associates

Working capital

A working capital inflow of £63 million (2022: £54 million outflow) was favourable to the outflow previously expected for the year, driven by a spike in the negative working capital position during the final weeks of December. The inflow reported for 2023 is not reflective of the trend observed throughout the year of average negative working capital reducing.

Working capital flows^	2023 £m	2022 £m
Inventories	(11)	(6)
Net contract assets	(48)	(137)
Trade and other receivables	(73)	34
Trade and other payables	177	57
Provisions	18	(2)
Working capital inflow / (outflow)^	63	(54)

^ 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 £1,230 million (2022: £1,167 million). In the medium term, the Group expects negative working capital as a percentage of revenue to be around the top of its historical long term average of 11-13% (2023: 15.4%; 2022: 15.3%) 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 reduced to £700 million in 2023 (2022: £804 million). The Group's year end net cash position, excluding non-recourse net borrowings and lease liabilities, was £842 million (2022: £815 million).

Non-recourse net borrowings, held in Infrastructure Investments entities consolidated by the Group, were £264 million (2022: £242 million). The balance sheet also included £143 million for lease liabilities (2022: £132 million). Statutory net cash at 31 December 2023 was £435 million (2022: £441 million).

Share buyback

On 3 January 2023, Balfour Beatty commenced an initial £50 million tranche of its 2023 share buyback programme, which was subsequently increased, following the release of its 2022 full year results, to £150 million on 20 March 2023. The Group completed the 2023 share buyback programme on 15 December 2023, having purchased 43.3 million shares, which were held in treasury. These shares were subsequently cancelled on 20 December 2023. The Group commenced the initial £50 million tranche of its 2024 share buyback programme on 2 January 2024.

Banking facilities

In June 2023, the Group completed the refinancing of its core £375 million revolving credit facility, which was set to expire in October 2024, replacing it with a new £475 million facility that will expire in June 2027 (the RCF). The RCF has an extension option for a further year to June 2028, with the agreement of the lending banks, and its terms and conditions are materially the same as the prior facility. The RCF is a Sustainability Linked Loan, retaining the KPIs that featured in the prior facility. The RCF ensures the Group will retain strong liquidity support from a diverse banking group.

In March 2023, the Group repaid US$209 million of US Private Placement (USPP) notes as they fell due. The repayment was funded primarily from the proceeds of debt issuance arranged in 2022, specifically US$158 million of new USPP notes issued in June 2022 (US$35 million 6.31% notes maturing in June 2027, US$80 million 6.39% notes maturing in June 2029 and US$43 million 6.45% notes maturing in June 2032) and a new bilateral committed facility, which expires in December 2024 and was fully utilised through a US$36 million drawdown in March 2023. The US$36 million drawdown was repaid in September 2023. This £30 million bilateral facility has an extension option for a further three years subject to certain specific conditions that were met on the completion of the refinancing of the Group's core facility in June 2023. As at the end of the year the Group had not triggered the bilateral facility's extension option.

Going concern

The Directors have considered the Group's medium term cash forecasts and conducted stress-test analysis on these projections in order to assess the Group's ability to continue as a going concern. Having also made appropriate enquiries, the Directors consider it reasonable to assume that the Group has adequate resources to continue for the period of at least 12 months from the date of approval of the financial statements and, for this reason, have continued to adopt the going concern basis in preparing the full year 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 reconfirmed their commitment to a journey plan approach to managing the BBPF whereby the BBPF is aiming to reach self-sufficiency by 2027. The Company and the trustees have agreed the 31 March 2022 formal valuation, and as a result Balfour Beatty paid deficit contributions to the BBPF of £19 million in 2023 and will pay deficit contributions of £24 million in 2024 and £6 million in 2025. The Company and the trustees are making good progress with plans to reduce the overall risk in the scheme and the Company has agreed that additional amounts will become payable at £2 million per month from March 2025 if the BBPF's performance is materially different from that expected. The next formal triennial funding valuation of the BBPF is due with effect from 31 March 2025.

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. A formal triennial funding valuation of the RPS as at 31 December 2022 is currently ongoing. The trustee and Balfour Beatty have reached agreement in principle as to the financial and demographic assumptions to be adopted for the purpose of this valuation, which would include the Group continuing to make deficit contributions of £6 million per annum until February 2025.

The Group's balance sheet includes net retirement benefit assets of £69 million (2022: £223 million) as measured on an IAS 19 basis, with the surpluses on the BBPF (£101 million) and RPS (£3 million) partially offset by deficits on other schemes (£35 million).

Dividend

The Board is committed to a sustainable ordinary dividend which is expected to grow over time, targeted at a pay-out ratio of 40% of underlying profit after tax excluding gains on disposal of Investments assets.

Following the 3.5 pence per ordinary share interim dividend declared at the half year, the Board is recommending a final dividend of 8.0 pence per share, giving a total recommended dividend for the year of 11.5 pence per share (2022: 10.5 pence per share).

DIVISIONAL REVIEWS

CONSTRUCTION SERVICES

Financial review

Revenue at £8,081 million was up 8% (2022: £7,482 million), an 8% increase at CER, with higher volumes in the UK and Gammon. Underlying profit from operations increased to £156 million (2022: £149 million) due to improved profitability in UK Construction and higher volumes at Gammon, partially offset by reduced profitability in US Construction. Statutory profit for the year was £143 million (2022: £150 million). The order book reduced by 9% (6% at CER) in the year to £13.7 billion (2022: £15.0 billion), due to a reduction at Gammon and foreign exchange movements.

Construction Services	2023			2022		
	Revenue[1]	PFO	Order book[1]	Revenue[1]	PFO	Order book[1]
	£m	£m	£bn	£m	£m	£bn
UK Construction	3,027	69	6.1	2,763	59	6.1
US Construction	3,697	51	5.6	3,651	58	6.0
Gammon	1,357	36	2.0	1,068	32	2.9
Underlying[2]	8,081	156	13.7	7,482	149	15.0
Non-underlying	–	(13)	–	–	1	–
Total	8,081	143	13.7	7,482	150	15.0

[1] Including share of joint ventures and associates

[2] Before non-underlying items (Note 9)

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

UK Construction: Revenue in UK Construction increased by 10% to £3,027 million (2022: £2,763 million) driven primarily by higher transport volumes.

UK Construction underlying profit from operations increased to £69 million (2022: £59 million), driven by higher revenue and improved project delivery. This represents a 2.3% PFO margin (2022: 2.1%) and demonstrates progress in the Group's medium term ambition to achieve a 3% PFO margin in UK Construction, with further improvement expected in 2024.

The UK Construction order book remained flat at £6.1 billion, with 91% of those orders from public sector and regulated industry clients.

US Construction: Revenue in US Construction increased by 1% (1% at CER) to £3,697 million (2022: £3,651 million). Underlying profit from operations for US Construction reduced by 12% to £51 million (2022: £58 million) as a small number of civils projects have taken longer than initially scheduled. Due to the fixed-price nature of the contracts, the cost of these delays has impacted profitability in 2023 and we now expect PFO to be flat in 2024.

The US Construction order book decreased by 7% to £5.6 billion (2022: £6.0 billion) due to foreign exchange movements and was flat at CER. Following a difficult period for orders in the first half of 2023, the stabilisation of interest rates has contributed to an improvement in market conditions, particularly in the commercial office sector, resulting in a stronger period of order intake in the second half.

Gammon: The Group's share of Gammon's revenue increased by 27% (27% at CER) to £1,357 million (2022: £1,068 million) driven by an increase in major civils volumes, including the Terminal 2 expansion at Hong Kong Airport. Underlying profit increased to £36 million (2022: £32 million) representing a 2.7% profit margin (2022: 3.0%).

The Group's share of Gammon's order book decreased by 31% (29% at CER) to £2.0 billion (2022: £2.9 billion) with the accelerated utilisation of the order book only partially offset by new orders, which included a HK$3.7 billion contract to construct a new development at Cyberport, which is the largest Fintech community in Hong Kong, from a wholly owned company of the Hong Kong Special Administrative Region Government.

Operational review

UK Construction

Breadth of opportunities in chosen markets

The next UK general election is expected in the second half of 2024 and both the incumbent Government and the Opposition have set out their plans to help accelerate the delivery of critical infrastructure in the UK, which address industry challenges such as slow decision making, planning delays and the uncertainty which has hindered private investment. With both the Conservative and Labour parties recognising the importance of infrastructure development to economic growth, the outlook for Balfour Beatty in the UK remains positive. The Group's chosen focus areas in the UK of energy and transportation infrastructure are high on the priority list for both parties and represented 81% of the Infrastructure and Project Authority's £775 billion National Infrastructure and Construction Pipeline published in February 2024. In the same month, the Labour party revised down its previous green investment policy due to economic pressures, however the new commitment represents an increase to current levels of spending and does not impact Balfour Beatty's view of the broad opportunity in the medium term.

Balfour Beatty's end-to-end capabilities position it well to capitalise on the market opportunities in UK energy security and transition infrastructure. During 2023, the number of conversations with potential customers and the volume of work being pursued in this space has grown significantly, aided in part by favourable fundamentals and Government support. Recent developments include:

- As part of the 2023 Spring Budget, the UK Government allocated £20 billion of funding to the development of carbon capture and hydrogen production technologies. Opportunities include Net Zero Teesside, a first-of-a-kind integrated power and carbon capture project, for which Balfour Beatty was involved in the front-end engineering and design study;
- In July, the UK Government stated that up to £20 billion could be spent on the development and construction of small nuclear reactors (SMR), and in October, Holtec's SMR-160 pressurised light-water nuclear reactor, for which Balfour Beatty is the main construction partner, was selected as one of six designs to progress to the next stage of a government competition for the development of innovative technology to boost Britain's energy security and sustainability;
- In January 2024, the Development Consent Order (DCO) for Sizewell C was triggered and the UK Government made an additional £1.3 billion available for the new nuclear power station, specifically to support ongoing preparatory works such as improvements to roads and rail lines around the Suffolk site.

The Group also continues to pursue opportunities in offshore wind and hydrogen, and from 2025 onwards, the UK Construction division's civil engineering expertise is expected to be drawn on further as a result of the forecast expansion of power transmission and distribution volumes within Support Services.

In the UK transport sector, the Group's order book was unaffected by the Government's decision in October 2023 to cancel HS2 Phase 2, as this stage of the project had yet to be contracted. The Group continues to expect to deliver material volumes of HS2 work across the balance of the decade and is awaiting results for its bids submitted in November on four new packages of HS2 work covering overhead catenary and track installation. Aligned to the cancellation of HS2 Phase 2, the Government announced Network North, a £36 billion plan to improve the roads, buses and railways that people use every day. With Balfour Beatty holding material market positions with both Network Rail and National Highways, Network North could introduce new opportunities for the Group.

Balfour Beatty was awarded a £1.2 billion contract by National Highways in January 2023 to deliver the 'Roads North of the Thames' package of works for the proposed Lower Thames Crossing. As part of the announcement by the UK transport secretary on 9 March

2023 regarding a £40 billion investment in transport schemes across 2023-2025, Lower Thames Crossing was delayed by two years, with the notice to proceed from the Department for Transport now not expected prior to 2026.

In the UK defence and security sector, in which Balfour Beatty has been a long term participant, the Group have identified opportunities to grow its market share at a time when funding is also increasing. The Group's experiences in civil nuclear construction hold close adjacencies with some of the projects being tendered, while its end-to-end capabilities can simplify high security project delivery by reducing complex interfaces. The Ministry of Defence has £110 billion of funding ringfenced for the Defence Nuclear Enterprise (DNE) for the ten years to 2033, which will in part be used to upgrade defence infrastructure, and during 2023, the Group started work at two of the sites funded by the DNE.

Improved delivery driving margin momentum

Balfour Beatty's market-leading position in the UK infrastructure market is built on its unmatched scale and vertically integrated capability for delivering major and regional projects. In 2023, 95% of UK Construction revenue was from public sector and regulated industry clients (2022: 91%). Balfour Beatty will continue to be selective in the work that it bids, through increased bid margin thresholds and utilisation of risk frameworks and contract governance. To this end, the Group's involvement in the Central London high-end private sector property market concluded in 2023. Alongside the Group's focus on reducing the risk within the order book is its determination to provide industry leading project delivery across the UK Construction portfolio.

At HS2, the scale and complexity of construction activity continued to grow in 2023. At Area North, the 2,000 tonne tunnel boring machine completed its second one mile journey underneath an ancient Warwickshire wood, marking the culmination of a three-year operation, from site set-up to the completion of the second breakthrough. The team also completed the first Birmingham viaduct pier in the city centre and three major bridge slides. At Old Oak Common, the HS2 station in West London, the diaphragm walls and piling to the HS2 Box have been completed, with over 660,000 tonnes of London clay removed from site during the year and transported 1.7 miles via conveyor to Willesden Euroterminal.

At Hinkley Point C, good progress continues to be made on the marine works for the new nuclear power station. During the year the six vertical liners that will ultimately connect the previously bored tunnels with the concrete tunnel heads, which were placed on the seabed in 2022, were safely installed using specialist marine vessels and equipment. In addition, the side walls of the bored outfall tunnel were expertly broken through to allow underground mining works to progress. When all the connections in both the outfall and intake tunnels are completed, the cooling water system will have the capacity to circulate 120,000 litres of water per second directly from the sea to the nuclear power station through the tunnels and underground caverns.

At the Thames Tideway Tunnel project, the Balfour Beatty joint venture's construction work at Putney has been substantially completed and the new riverside area created has been opened to the public, and at its main site, Carnwath Road in Fulham, the team has reached the major milestone of completing the shafts and tunnel works.

Major Highways is a year into the major improvement scheme at the interchange between Junction 10 of the M25 and the A3, which is expected to complete in the summer of 2025. In October, the team enforced a full closure of part of the A3 over one weekend for the installation of ten 33-metre pre-cast concrete beams to form a new bridge, which will provide a safer route for walkers, cyclists, horse-riders, and drivers. This work was completed safely, with the A3 reopened for traffic four and a half hours earlier than anticipated. The Major Highways team also completed concrete safety barrier work on the M3 and M1/A1 in the year and made progress on the A63.

UK Construction currently has around 700 live projects in the portfolio, which is slightly higher than recent years. During 2023, work was completed on a wide range of projects including the Mayfield Retirement Village in Watford, the Forder Valley link road and bridge in Plymouth, the National Treatment Centre Highland Hospital in Inverness and the Institute for Regeneration and Repair at the University of Edinburgh. New projects which started in the year included a new building at the AWE Aldermaston site near Reading, civils work at Devonport Dockyard in Plymouth, the Central Rhyl Coastal Defence scheme in North Wales and the Dunfermline Learning Campus for Fife College.

In addition to projects started in the year, work added to the order book in 2023 included the £300 million West Slope student accommodation development a Sussex University, which is a Balfour Beatty Infrastructure Investments project, and a £67 million contract for a replacement Liberton High School in Edinburgh.

US Construction

Interest rate stability aids progress in commercial office sector

Balfour Beatty's US Buildings business accounted for 85% of US Construction revenues in 2023 (2022: 78%). With most of the projects undertaken by US Construction contracted on fixed-price terms, Buildings remains the lower risk business within the division, as the early issuing of subcontracts for works packages and insurance of the supply chain protects the Group's US margin. The Buildings business operates in five geographies, each with a different mix of customers, and therefore the macroeconomic conditions seen throughout the year have had more of an influence on some areas than others. As a result of this diversification, the result of the upcoming US election is not expected to have a material impact on the US Construction business.

During 2023, the education market in California remained strong, while the federal market in the Mid-Atlantic, and hospitality and aviation markets in the Southeast, have shown growth. In the Northwest, the technology market has started to show early signs of recovery, while the business is also servicing new end-markets. In Texas, where the Group has the majority of its commercial office exposure, there have been positive signs towards the end of the year that the impact of inflationary pressures and high interest rates is reducing. The Group converted US$800 million of commercial office projects from awarded to contracted in the fourth quarter and with the awarded but not contracted position remaining significant, an easing of economic pressures should lead to another strong year of order intake in 2024.

Early successes in US Buildings growth strategy

The US Buildings business has adopted a growth strategy to add further diversification to its regional businesses. By targeting additional cities in states with existing Balfour Beatty offices, and broader end-markets in some regions where the business is already active, new opportunities are being identified. The new locations were chosen based on market fundamentals and adjacency to established offices, and include Sacramento in California, Savannah in Georgia, Charleston in South Carolina, Richmond in Virginia, and Tampa in Florida. These offices will take time to reach scale, but there are early signs of promise such as the construction of a three-storey building at Sierra College in Rocklin, California, an elementary school in Savannah, a senior living facility in Charleston, a student housing project at The College of William and Mary near Richmond, and a multifamily housing project in Tampa.

By broadening the regions in which it serves certain end-markets, the US Buildings business can further utilise its inhouse expertise and customer relationships held locally to drive organic growth. This has helped secure the award of over US $1 billion of combined airport work at Raleigh-Durham International Airport in North Carolina, Jacksonville International Airport in Florida and Sacramento International Airport in California, which is expected to be added to the order book in phases when contracted. The Buildings business is also working on a theme park in Texas and renovations at a theme park in California, which follow many years of successful construction at theme parks in Florida, as well as a data centre project in Seattle, continuing on the successes in Oregon.

Strong delivery and work winning in 2023

During the year, progress has been made on significant Buildings projects including:

- Substantial completion of Block 216, the fourth tallest building in Portland, Oregon;
- Topping out of the Broward County Convention Center's East Expansion and Hotel in Florida;
- Completion of the Icon Marina Village, a group of luxury apartments in West Palm Beach, Florida;
- Substantial completion of the Del Sol High School in Oxnard, California;
- Completion of the ilani Casino Hotel in Ridgefield, Washington.

In the year, the Buildings business booked material new phases of existing contracts and standalone new contract awards including:

- US$350 million of data centres in the US Northwest;
- Two commercial office projects in Texas totalling US$800 million;
- US$480 million of additional Federal work in Washington D.C.

Progress made on major US Civils jobs

The US Civils business focuses on highways projects in Texas and the Southeast and mass transit rail in major US cities. Order intake improved compared to the prior year, with additions including a US$242 million design-build highways contract in North Carolina, however the volume of civils jobs coming to market and aligned to the Group's capabilities has not increased notably since the passing of the Inflation Reduction Act in 2022.

Balfour Beatty remains cautious in its approach to complex civils contracts in the US, as the combination of fixed-price contractual terms and the self-perform nature of the work gives limited scope to mitigate inflation and schedule risk. As a result, the Group's civils bidding is focused on those projects which closely align to its core capabilities.

Progress at the major US Civils projects in 2023 included:

- As part of the LINXS Constructors joint venture at Los Angeles International Airport, Balfour Beatty achieved energisation of the two Intermodal Transportation Facilities and the traction power substations;
- At the Caltrain rail project in California, testing of the electric trains, operated under power from the overhead contact system, has begun;
- At the Oak Hill Parkway highways project in Texas, the team completed key traffic switches and opened the new William Cannon Bridge;
- Completion of the US$300 million Tertiary Treatment Facilities project at the EchoWater Project in California;
- Completion of the US$60 million Harkers Island bridge in North Carolina a year ahead of schedule. The bridge is the first structure in the state to utilise non-corroding, carbon fibre reinforced polymer strand and glass fibre reinforced polymer rebar to combat corrosion in coastal environments.

Gammon

Strong position in buoyant Hong Kong construction market

Gammon, Balfour Beatty's 50:50 joint venture with Jardine Matheson based in Hong Kong, has forged a reputation for delivering high quality projects in Southeast Asia. The business is well placed to capitalise on the high level of major infrastructure investment in the region, which will bring the development of additional land, creating significant development opportunities for both the public and private sectors. The current pipeline of infrastructure projects is driven by the Hong Kong Government's drive to increase connectivity within the Greater Bay Area, as it announced three new strategic railways and three new major roads. It has identified the Northern Metropolis as a new engine for future development and is exploring the benefits of developing the Kau Yi Chau Artificial Islands as a third central business district.

Gammon continues to have a strong share of both the buildings and civils markets in Hong Kong. In buildings, the focus is on the use of Design for Manufacture and Assembly (DfMA) and modular construction to improve productivity and efficiency and expanding the customer base on a selective basis. In civils, the strategy is to lever engineering excellence, with a key area of future work likely to be from significant infrastructure programmes in Hong Kong and in Singapore.

During 2023, Gammon completed a project at Hong Kong International Airport, which included the construction of a bridge to connect the two islands which accommodate the airport and the boundary crossing facilities for the Hong Kong-Zhuhai-Macao bridge. Work continued on two other major projects at the airport, with completion of the concrete structure for the new Terminal 2 facility and its roof fabrication largely complete, and steady progress on the tunnel construction and the electrical and mechanical works for the automated people mover.

At the student hostel project for City University of Hong Kong, which will be the world's largest student hostel to be constructed using modular integrated construction (MiC), the final MiC module out of a total of 1,344 was successfully installed. It resulted in the safe and efficient installation of all the units in less than eight months.

As part of the Central Kowloon Route project, a 4.7km dual three-lane trunk road that will enhance connectivity between the east and west Kowloon districts, Gammon continued to deliver the Kai Tak West tunnelling contract and the route wide buildings, electrical and mechanical works contract. During the year, excavation of the second stage of underwater tunnelling was completed, with work beginning on the construction of the tunnel structure.

New orders in the year included a HK$3.7 billion contract to construct a new development at Cyberport, which is the largest fintech community in Hong Kong, from a wholly owned company of the Hong Kong Special Administrative Region Government.

SUPPORT SERVICES

Financial review

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

Support Services revenue increased by 2% to £1,006 million (2022: £989 million), mainly due to the commencement of two new major road maintenance contracts. Underlying profit from operations at £80 million (2022: £83 million) was lower than the prior year, partially due to the new road contracts incurring additional costs in the start-up phase, as expected. This resulted in PFO margin of 8.0% in the year (2022: 8.4%), which is at the top of the targeted 6-8% PFO margin range and represents a further strong year for the power, road and rail maintenance businesses.

The Support Services order book increased by 17% to £2.8 billion (2022: £2.4 billion) driven by the addition of the £297 million East Sussex road maintenance contract and the £330 million six-year extension to the Lincolnshire road maintenance contract.

Support Services	2023	2022
Order book[1] (£bn)	2.8	2.4
Revenue[1] (£m)	1,006	989
Profit from operations[2] (£m)	80	83
Non-underlying items (£m)	–	–
Statutory profit from operations (£m)	80	83

[1] Including share of joint ventures and associates

[2] Before non-underlying items (Note 9)

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

Operational review

Market leading position in rapidly growing Power T&D industry

The UK power transmission and distribution construction industry, in which Balfour Beatty holds a market leading position, is expanding sharply. Due to the necessity of upgrading the UK's electricity network, Ofgem introduced the Accelerated Strategic Transmission Investment (ASTI) regulatory framework to fund the large strategic onshore transmission projects required to deliver the Government's net zero targets. The £20 billion ASTI fund supports the accelerated delivery of network upgrades, with an ambition to cut delivery times in half. This is in addition to the RIIO-T2 spend period (2021-2026) investment, which includes £30 billion for energy networks and potential for a further £10 billion on green energy projects.

This has led to Balfour Beatty's power transmission and distribution team bidding for record levels of work and being selected in August as one of ten preferred bidders on SSEN Transmission's c.£10 billion ASTI framework. The Power business has now commenced early contractor involvement works on nine electricity transmission projects across the north of Scotland under the framework, which are expected to convert to full awards at a later date, and has submitted a bid to be included in National Grid's Great Grid Upgrade ASTI framework. As a result, the Group expects volumes in the Power business to grow steeply across 2025 and 2026.

Operational highlights delivered by the Power business in 2023 include:

- Completion of SSEN Transmission's first major project under the RIIO T2 framework, which was energised after Balfour Beatty installed 148 new steel-lattice towers across a 45km stretch from Port Ann substation near Lochgilphead to the substation at Crossaig.
- Completion of 116 T-pylon structures for National Grid's Hinkley Connection Project. The 8.5km underground cable section under the Mendip Hills Area of Outstanding Natural Beauty (AONB) is now connected to the new line of T-pylons and also energised and transporting electricity.
- Completion of National Grid and Energinet's record-breaking new 'Viking Link' interconnector, for which Balfour Beatty was responsible for the onshore cable installation stretching for 67km between Bicker Fen and Sutton-on-Sea. The link between the UK and Denmark will be able to transport enough green electricity to power up to 2.5 million UK homes.

In November, Balfour Beatty was awarded a significant scheme by National Grid to remove 4.6km of overhead high voltage electricity line and replace it with underground cables in the North Wessex Downs AONB. This is part of National Grid's Visual Impact Provision (VIP) project to reduce the visual impact of high voltage power lines in protected areas.

Further opportunities in rail

The rail maintenance market also has a positive trajectory, with the UK Government's commitment to invest £43 billion (as set out in the Statement of Funds Available (SoFA)) in operations, maintenance and renewal for the period 2024-2029 as part of Network Rail's Control Period 7 (CP7) strategic business plan. The cancellation of HS2 Phase 2 may also bring further funding forward for other rail projects, as pressure grows on the UK Government to direct investment into the North and Midlands. The Group is particularly focused on electrification schemes, as part of its ambition to deliver more net zero infrastructure in the UK.

The Rail business has had a successful year with good work volumes arising on the Core Valley Lines upgrade project in South Wales and the technically challenging emergency repairs of Nuneham Viaduct over the River Thames just south of Oxford, which were completed at pace and ahead of schedule.

Growing market share in road maintenance

The addressable road maintenance market remained positive in 2023. In addition to local council budgets increasing by around 50% in 2022 following the start of a five-year £2.7 billion scheme for road patching, the Government announced in December that £8.3 billion previously allocated to HS2 Phase 2 would be redirected to highway maintenance over the next 11 years. Balfour Beatty's market share also increased in 2023 as the £176 million eight-year contract for highways services for Buckinghamshire County Council started in April and the £297 million seven-year contract for the maintenance of highways assets and the delivery of infrastructure services across East Sussex started in May. In the second half of the year, the Group secured a £330 million six-year contract extension with Lincolnshire County Council and a £54 million two-year extension with Herefordshire County Council.

Looking to the future, there are several Local Authority contracts, like those won by Balfour Beatty for Buckinghamshire and East Sussex in 2022, coming to market in the next year for which the Group is well positioned.

INFRASTRUCTURE INVESTMENTS

Financial review

Underlying pre-disposals profit from operations in the year decreased to £5 million (2022: £11 million) due largely to increased costs relating to the independent compliance monitor's work across the US military housing portfolio. The sale of two assets delivered a gain on disposal of £26 million (2022: £70 million) and resulted in underlying profit from operations of £31 million (2022: £81 million).

Balfour Beatty continues to invest in attractive new opportunities, each expected to meet its investment hurdle rates. In the year, the Group invested £31 million in new and existing projects with one new student accommodation project added to the portfolio. Balfour Beatty also continues to sell assets, timed to maximise benefit to shareholders. Two assets were disposed of in the second half of the year and delivered £26 million gains on disposal, within the Group's targeted range of £15 - £30 million. Both transactions were above the Directors' valuation and total proceeds of £61 million comprised £56 million from the disposal of the Group's 49.5% interest in UBB Waste (Gloucestershire) Holdings Limited, the owner of the energy from waste facility at Javelin Park near Gloucester, and £5 million for its interest in the Moretti Apartments multifamily housing project in Birmingham, Alabama.

Net investment income of £16 million was £8 million lower than the prior year (2022: £24 million) due largely to a net £8 million impairment of joint ventures and associates subordinated debt and accrued interest receivable (2022: £2 million) as the cost to repair a faulty OFTO cable was provided for whilst contractual cost recoveries are being pursued. Underlying profit before tax was £47 million (2022: £105 million) and statutory profit before tax was £43 million (2022: £100 million).

Infrastructure Investments	2023 £m	2022 £m
Pre-disposals operating profit[2]	5	11
Gain on disposals[2]	26	70
Profit from operations[2]	31	81
Net investment income[~]	16	24
Profit before tax[2]	47	105
Non-underlying items	(4)	(5)
Statutory profit before tax	43	100

[2] Before non-underlying items (Note 9)

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

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

Operational review

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, however in challenging market conditions, the Group's focus must remain on its disciplined approach to investments and disposals with each expected to meet its investment hurdle rates. The Group is currently assessing investment opportunities in:

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

In the UK, the Group has commenced construction of a new student accommodation project – the 1,899 bedroom West Slope development – on behalf of the University of Sussex. In addition to £171 million of wrapped bond financing raised through a private placement, Balfour Beatty will invest equity of £32 million, 81% of the project equity, with the University of Sussex as a co-investor providing the remaining 19%. The first new student accommodation and the health and wellbeing centre are expected to be open in time for the 2026/27 academic year, with more accommodation, catering and retail facilities opening over the following two years. The Group also remains preferred bidder on a further UK student accommodation project and is investigating opportunities to invest in off-campus student accommodation.

In the US, the Group added a student accommodation project in Tallahassee, Florida to the portfolio and started construction on the William & Mary University project in Virginia, having completed the construction of the Vanderbilt University student accommodation project for which rentals started in the Fall 2023 semester.

In US military housing, the Group completed demolition works at Fort Carson as part of a proposed multi-phase project for the construction of new homes at the base, with the preparation phase of work underway. This project is an example of similar upgrade work opportunities likely to be required across the Group's military housing portfolio. The Group continues to work with the independent compliance monitor, who was appointed by the Department of Justice in 2021 and commenced work in 2022.

The Group continued its investment in the UK energy transition with entry into the on-street Electric Vehicle (EV) charging market, partnering with EV chargepoint company Urban Electric Networks to form Urban Fox. The partnership combines Urban Electric Networks' innovative and entrepreneurial spirit with Balfour Beatty's scale, while building on the Group's experience and longstanding relationships with local authorities. Urban Fox's innovative 7kW on-street chargepoint, which is installed into the pavement and fully retractable underground, is the first of its kind to the market.

Directors' valuation

The Directors' valuation decreased by 6% to £1,212 million (2022: £1,291 million) due equally to a weakening of the US dollar against sterling and an increase in discount rates. The portfolio is 58% weighted towards the US (2022: 58%). The number of projects in the portfolio remained at 59 (2022: 59).

Movement in value 2022 to 2023

£m	2022	Equity invested	Distributions received	Sales proceeds	Unwind of discount	Operational performance	FX	Changes to discount rates	2023
UK	**548**	9	(20)	(56)	38	15	–	(25)	**509**
US	**743**	22	(28)	(5)	49	(16)	(43)	(19)	**703**
Total	**1,291**	31	(48)	(61)	87	(1)	(43)	(44)	**1,212**

Balfour Beatty invested £31 million (2022: £30 million) in new and existing projects, with UK investment focused on the Eastwick and Sweetwater redevelopment and US investment predominantly relating to the addition of a student accommodation project in Tallahassee, Florida. The West Slope student accommodation project at the University of Sussex, which reached financial close in December 2023, has now been included as a separate project.

Cash yield from distributions amounted to £48 million (2022: £89 million). Balfour Beatty continued disposals in the year with proceeds of £61 million (2022: £93 million). This comprised £56 million from the sale of its stake in Gloucestershire Waste PFI, and £5 million from the sale of the Moretti Apartments multifamily housing project in Birmingham, Alabama.

Unwind of discount at £87 million (2022: £85 million) is a function of moving the valuation date forward by one year with the result that future cash flows are discounted by twelve months less.

Operational performance movements resulted in a £1 million decrease (2022: £139 million increase). The operational performance movements in the UK were primarily due to a revaluation of a student accommodation project due to higher than forecast rental increases, and an increase in short term interest rates. In the US, the decrease arose in the US military housing portfolio due to increased insurance and independent compliance monitor costs, partially offset by higher annual rents.

The foreign exchange movement was a £43 million decrease, as sterling appreciated against the US dollar (2022: £85 million increase).

Methodology and assumption changes

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

The valuation methodology used at the previous Directors' valuation is unchanged. The discount rates used for the valuation at 31 December 2023 have been increased to reflect changes in secondary market discount rates, which have progressively responded to increases in long term interest rates. As a result, the implied weighted average discount rate for the UK portfolio increased by 0.4% to 8.3% (2022: 7.9%) and the implied weighted average discount rate for the US portfolio increased by 0.2% to 8.1% (2022: 7.9%).

Discount rates applied to the UK portfolio range from 7.25% to 9.25% (2022: 6.75% to 8.75%) depending on the maturity and risk of each project. The implied weighted average discount rate for the UK portfolio is 8.3% (2022: 7.9%) and a 1% change in the discount rate would change the value of the UK portfolio by approximately £50 million.

Discount rates applied to the US portfolio range from 6.25% to 10.5% (2022: 6.0% to 10.5%). The implied weighted average discount rate for the US portfolio is 8.1% (2022: 7.9%) and a 1% change in the discount rate would change the value of the US portfolio by approximately £77 million.

The portfolio remains positively correlated to inflation. A 1% change in the long term inflation rate in the UK portfolio would change the valuation by approximately £26 million and a 1% change in the long term rental growth rate in the US portfolio would change the valuation by approximately £75 million.

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

Sector	**2023**	2022	**2023**	2022
	No. projects	No. projects	**£m**	£m
Roads	**12**	12	**168**	171
Healthcare	**2**	2	**129**	126
Student accommodation	**6**	5	**137**	128
Energy transition	**4**	5	**44**	101
Other	**2**	2	**31**	22
UK total	**26**	26	**509**	548
US military housing	**21**	21	**562**	615
Student accommodation and other PPP	**4**	3	**83**	59
Residential housing	**8**	9	**58**	69
US total	**33**	33	**703**	743
Total	**59**	59	**1,212**	1,291

Value by phase

Phase	**2023**	2022	**2023**	2022
	No. projects	No. projects	**£m**	£m
Operations	**55**	55	**1,164**	1,239
Construction	**3**	3	**46**	47
Preferred bidder	**1**	1	**2**	5
Total	**59**	59	**1,212**	1,291

Value by income type

Income type	**2023**	2022	**2023**	2022
	No. projects	No. projects	**£m**	£m
Availability based	**17**	17	**353**	353
Demand – operationally proven (2+ years)	**37**	36	**807**	761
Demand – early stage (less than 2 years)	**5**	6	**52**	177
Total	**59**	59	**1,212**	1,291

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 announcement with the aim of providing transparency and clarity on the measures adopted internally to assess performance.

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

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

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

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

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

Readers are encouraged to review this announcement in its entirety.

Performance measures used to assess the Group's operations

Underlying profit from operations (PFO)

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

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

Underlying profit before tax (PBT)

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

These returns take the form of subordinated debt interest receivable, interest receivable on PPP financial assets and fair value gains on certain investment assets, which are included in the Group's income statement in investment income. These are then offset by the finance cost incurred on the non-recourse debt associated with the underlying projects, fair value losses on certain investment assets and any impairment of subordinated debt and accrued interest receivable, 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 announcement when reporting performance, both in absolute terms and also in comparison to earlier years:

Statutory measures

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

Where a standard allows certain interpretations to be adopted, the Group has applied its accounting policies consistently. These accounting policies can be found on pages 190 to 195 of the Annual Report and Accounts 2023.

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

Performance measures

In assessing its performance, the Group has adopted certain non-statutory measures because, unlike its statutory measures, these cannot be derived directly from its financial statements.

The Group commonly uses the following measures to assess its performance:

a) Order book

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

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

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

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

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

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

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

		2023 £m	2022 £m
Order book (performance measure)		**16,532**	17,390
Less:	Share of orders included within the Group's joint ventures and associates	**(2,344)**	(3,275)
Less:	Estimated orders under framework agreements included in the order book disclosure	**–**	(25)
Add:	Transaction price allocated to remaining performance obligations in Infrastructure Investments+	**1,917**	2,009
Transaction price allocated to remaining performance obligations for the Group+ (statutory measure)		**16,105**	16,099

+ Refer to Note 4.3 in the Annual Report and Accounts 2023.

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 9.

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 2023 statutory results to performance measures

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

Reconciliation of 2023 statutory results to performance measures by segment

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

Reconciliation of 2022 statutory results to performance measures

	2022 statutory results £m	Non-underlying items: Intangible amortisation £m	Non-underlying items: Release of Heery provision £m	Non-underlying items: UK deferred tax assets revaluation £m	2022 performance measures £m
Revenue including share of joint ventures and associates (performance)	8,931	–	–	–	8,931
Share of revenue of joint ventures and associates	(1,302)	–	–	–	(1,302)
Group revenue (statutory)	7,629	–	–	–	7,629
Cost of sales	(7,202)	–	–	–	(7,202)
Gross profit	427	–	–	–	427
Amortisation of acquired intangible assets	(6)	6	–	–	–
Other net operating expenses	(251)	–	(2)	–	(253)
Group operating profit	170	6	(2)	–	174
Share of results of joint ventures and associates	105	–	–	–	105
Profit from operations	275	6	(2)	–	279
Investment income	50	–	–	–	50
Finance costs	(38)	–	–	–	(38)
Profit before taxation	287	6	(2)	–	291
Taxation	–	1	–	(2)	(1)
Profit for the year	287	7	(2)	(2)	290

Reconciliation of 2022 statutory results to performance measures by segment

Profit/(loss) from operations	2022 statutory results £m	Non-underlying items: Intangible amortisation £m	Non-underlying items: Release of Heery provision £m	2022 performance measures £m
Segment				
Construction Services	150	1	(2)	149
Support Services	83	–	–	83
Infrastructure Investments	76	5	–	81
Corporate activities	(34)	–	–	(34)
Total	275	6	(2)	279

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:

		2023 £m	2022 £m
Underlying profit from operations (section (b) and Note 5)		**31**	81
Add:	Subordinated debt interest receivable+	**34**	27
Add:	Interest receivable on PPP financial assets+	**2**	2
Add:	Fair value (loss)/gain on investment asset+	**(1)**	6
Less:	Non-recourse borrowings finance cost+	**(11)**	(9)
Less:	Net impairment of subordinated debt and accrued interest receivable+	**(8)**	(2)
Underlying profit before tax (performance)		**47**	105
Non-underlying items (section (b) and Note 5)		**(4)**	(5)
Statutory profit before tax		**43**	100

+ Refer to Note 7 and Note 8.

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.

Reconciliation from statutory basic EPS to performance EPS

	2023 pence	2022 pence
Statutory basic earnings per ordinary share	**35.3**	46.9
Amortisation of acquired intangible assets after tax	**0.4**	1.2
Other non-underlying items after tax	**1.6**	(0.6)
Underlying basic earnings per ordinary share (performance)	**37.3**	47.5

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 Statement of Cash Flows.

Reconciliation from statutory cash generated from operations to OCF

	2023 £m	2022 £m
Cash generated from operating activities (statutory)	**285**	168
Add back: Pension payments including deficit funding (Note 21)	**28**	43
Less: Repayment of lease liabilities (including lease interest payments)	**(63)**	(58)
Add: Operational dividends received from joint ventures and associates	**59**	89
Add back: Cash flow movements relating to non-operating items	**9**	(12)
Less: Operating cash flows relating to non-recourse activities	**(8)**	(11)
Operating cash flow (OCF) (performance)	**310**	219

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 (£28 million): 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) (£63 million 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 (£59 million 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 are 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 (£9 million): the Group's OCF measure excludes certain working capital movements that are not directly attributable to the Group's operating activities.

Operating cash flows relating to non-recourse activities (£8 million): 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 by excluding elements that are non-recourse to the Group as well as lease liabilities.

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

Net cash/borrowings reconciliation

	2023 statutory £m	**Adjustment £m**	**2023 performance £m**	2022 statutory £m	Adjustment £m	2022 performance £m
Total cash within the Group	**1,414**	**(306)**	**1,108**	1,179	(19)	1,160
Cash and cash equivalents – infrastructure concessions	**306**	**(306)**	**–**	19	(19)	–
– other	**1,108**	**–**	**1,108**	1,160	–	1,160
Total debt within the Group	**(979)**	**713**	**(266)**	(738)	393	(345)
Borrowings – non-recourse loans	**(570)**	**570**	**–**	(261)	261	–
– other	**(266)**	**–**	**(266)**	(345)	–	(345)
Lease liabilities	**(143)**	**143**	**–**	(132)	132	–
Net cash	**435**	**407**	**842**	441	374	815

h) Average net cash/borrowings

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

The average net cash/borrowings measure excludes non-recourse cash and debt and lease liabilities, and this performance measure shows average net cash of £700 million for 2023 (2022: £804 million).

Using a statutory measure (inclusive of non-recourse elements and the lease liabilities recognised) gives average net cash of £438 million for 2023 (2022: £430 million).

i) Directors' valuation of the Investments portfolio

The Group uses a different methodology to assess the value of its Investments portfolio. As described in the Directors' valuation section, the Directors' valuation for most of the investments in the portfolio has been undertaken using forecast cash flows for each project on an asset by asset basis, based on progress to date and market expectations of future performance. These cash flows have been discounted using different discount rates depending on project risk and maturity, reflecting secondary market transaction experience. As such, the Board believes that this measure better reflects the potential returns to the Group from those investments. The Directors have valued the Investments portfolio at £1.21 billion at year end (2022: £1.29 billion).

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

	2023 £m	2022 £m
Net assets of the Infrastructure Investments segment (refer to Note 5.1)	**596**	593
Less: Net assets not included within the Directors' valuation – Housing division	**(53)**	(30)
Comparable statutory measure of the Investments portfolio under IFRS	**543**	563

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

	2023 £m	2022 £m
Statutory measure of the Investments portfolio (as above)	**543**	563
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 • fair value	**669**	728
Directors' valuation (performance measure)	**1,212**	1,291

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

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

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

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

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

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

j) Constant exchange rates (CER)

The Group operates across a variety of geographic locations and in its statutory results, the results of its overseas entities are translated into the Group's presentational currency at average rates of exchange for the year. The Group's key exchange rates applied in deriving its statutory results are shown in Note 4.

To measure changes in the Group's performance compared with the previous year 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 year's figures at the current year'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:

2023 statutory growth compared to performance growth

	Construction Services						
	UK	**US**	**Gammon**	**Total**	**Support Services**	**Infrastructure Investments**	**Total**
Revenue (£m)							
2023 statutory	3,027	3,668	–	6,695	1,006	292	7,993
2022 statutory	2,763	3,646	–	6,409	988	232	7,629
Statutory growth	**10%**	**1%**	**–**	**4%**	**2%**	**26%**	**5%**
2023 performance^	3,027	3,697	1,357	8,081	1,006	508	9,595
2022 performance retranslated^	2,763	3,647	1,066	7,476	989	460	8,925
Performance CER growth	**10%**	**1%**	**27%**	**8%**	**2%**	**10%**	**8%**
Order book (£bn)							
2023	6.1	5.6	2.0	13.7	2.8	–	16.5
2022	6.1	6.0	2.9	15.0	2.4	–	17.4
Growth	**–**	**(7)%**	**(31)%**	**(9)%**	**17%**	**–**	**(5)%**
2023	6.1	5.6	2.0	13.7	2.8	–	16.5
2022 retranslated	6.1	5.6	2.8	14.5	2.4	–	16.9
CER growth	**–**	**–**	**(29)%**	**(6)%**	**17%**	**–**	**(2)%**

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

Forward-looking statements

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

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

A number of factors could cause actual results and developments to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, developments in the global economy, changes in UK and US Government policies, spending and procurement methodologies, failure in Balfour Beatty's health, safety or environmental policies and those factors set out under Principal Risks on pages 96 to 103 of the Annual Report and Accounts 2023.

No representation or warranty is made that any of these statements or forecasts will come to pass or that any forecast results will be achieved, and projections are not guarantees of future performance. Forward-looking statements speak only as at the date of this announcement 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 announcement. No statement in this announcement 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.

Group Income Statement

For the year ended 31 December 2023

	Notes	2023 Underlying items[1] £m	2023 Non-underlying items (Note 9) £m	2023 Total £m	2022 Underlying items[1] £m	2022 Non-underlying items (Note 9) £m	2022 Total £m
Revenue including share of joint ventures and associates		**9,595**	**–**	**9,595**	8,931	–	8,931
Share of revenue of joint ventures and associates	15	**(1,602)**	**–**	**(1,602)**	(1,302)	–	(1,302)
Group revenue		**7,993**	**–**	**7,993**	7,629	–	7,629
Cost of sales		**(7,581)**	**(12)**	**(7,593)**	(7,202)	–	(7,202)
Gross profit/(loss)		**412**	**(12)**	**400**	427	–	427
Gain on disposals of interests in investments	23.2	**24**	**–**	**24**	–	–	–
Amortisation of acquired intangible assets	14	**–**	**(5)**	**(5)**	–	(6)	(6)
Other net operating (expenses)/income		**(261)**	**–**	**(261)**	(253)	2	(251)
Group operating profit/(loss)		**175**	**(17)**	**158**	174	(4)	170
Share of results of joint ventures and associates excluding gain on disposals of interests in investments		**51**	**–**	**51**	35	–	35
Gain on disposals of interests in investments	23.2	**2**	**–**	**2**	70	–	70
Share of results of joint ventures and associates	15	**53**	**–**	**53**	105	–	105
Profit/(loss) from operations		**228**	**(17)**	**211**	279	(4)	275
Investment income	7	**82**	**–**	**82**	50	–	50
Finance costs	8	**(49)**	**–**	**(49)**	(38)	–	(38)
Profit/(loss) before taxation		**261**	**(17)**	**244**	291	(4)	287
Taxation	10	**(56)**	**6**	**(50)**	(1)	1	–
Profit/(loss) for the year		**205**	**(11)**	**194**	290	(3)	287
Attributable to							
Equity holders		**208**	**(11)**	**197**	291	(3)	288
Non-controlling interests		**(3)**	–	**(3)**	(1)	–	(1)
Profit/(loss) for the year		**205**	**(11)**	**194**	290	(3)	287

[1] Before non-underlying items (Note 9).

	Notes	2023 pence	2022 pence
Earnings per share			
- basic	11	**35.3**	46.9
- diluted	11	**34.8**	46.3
Dividends per share proposed for the year	12	**11.5**	10.5

Group Statement of Comprehensive Income

For the year ended 31 December 2023

	2023			2022		
	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 year	**141**	**53**	**194**	182	105	287
Other comprehensive (loss)/income for the year						
Items which will not subsequently be reclassified to the income statement						
Actuarial (losses)/gains on retirement benefit assets/liabilities	**(197)**	**(1)**	**(198)**	(52)	1	(51)
Fair value revaluations of investments in mutual funds measured at fair value through OCI+	**1**	–	**1**	–	–	–
Tax on above	**49**	**–**	**49**	20	–	20
	(147)	**(1)**	**(148)**	(32)	1	(31)
Items which will subsequently be reclassified to the income statement						
Currency translation differences	**(17)**	**(13)**	**(30)**	32	23	55
Fair value revaluations – PPP financial assets	**–**	**20**	**20**	(3)	(124)	(127)
– cash flow hedges	**–**	**2**	**2**	3	29	32
– investments in mutual funds measured at fair value through OCI	**–**	**–**	**–**	(5)	–	(5)
Recycling of revaluation reserves to the income statement on disposal^	**–**	**(3)**	**(3)**	–	(3)	(3)
Tax on above	**(1)**	**(5)**	**(6)**	(1)	25	24
	(18)	**1**	**(17)**	26	(50)	(24)
Total other comprehensive (loss)/income for the year	**(165)**	**–**	**(165)**	(6)	(49)	(55)
Total comprehensive income for the year	**(24)**	**53**	**29**	176	56	232

	2023	2022
Attributable to		
Equity holders	**32**	233
Non-controlling interests	**(3)**	(1)
Total comprehensive income for the year	**29**	232

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

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

Group Statement of Changes in Equity

For the year ended 31 December 2023

	Called-up share capital £m	Share premium account £m	Capital redemption reserve £m	Share of joint ventures' and associates' reserves £m	Other reserves [µ] £m	Retained profits £m	Non-controlling interests £m	Total £m
At 1 January 2022	345	176	1	72	144	631	7	1,376
Total comprehensive income/(loss) for the year	–	–	–	56	25	152	(1)	232
Ordinary dividends	–	–	–	–	–	(58)	–	(58)
Joint ventures' and associates' dividends	–	–	–	(148)	–	148	–	–
Non-controlling interests' dividends	–	–	–	–	–	–	(1)	(1)
Purchase of treasury shares	–	–	–	–	–	(151)	–	(151)
Cancellation of ordinary shares	(51)	–	51	–	–	–	–	–
Movements relating to share-based payments[+]	–	–	–	–	1	(16)	–	(15)
At 31 December 2022	294	176	52	(20)	170	706	5	1,383
Total comprehensive income/(loss) for the year	**–**	**–**	**–**	**53**	**(17)**	**(4)**	**(3)**	**29**
Ordinary dividends	**–**	**–**	**–**	**–**	**–**	**(58)**	**–**	**(58)**
Joint ventures' and associates' dividends	**–**	**–**	**–**	**(60)**	**–**	**60**	**–**	**–**
Purchase of treasury shares	**–**	**–**	**–**	**–**	**–**	**(151)**	**–**	**(151)**
Cancellation of ordinary shares	**(22)**	**–**	**22**	**–**	**–**	**–**	**–**	**–**
Movements relating to share-based payments[+]	**–**	**–**	**–**	**–**	**4**	**(7)**	**–**	**(3)**
Capital contribution	**–**	**–**	**–**	**–**	**–**	**–**	**8**	**8**
At 31 December 2023	**272**	**176**	**74**	**(27)**	**157**	**546**	**10**	**1,208**

[µ] Other reserves include £22m of special reserve (2022: £22m).

[+] Movements relating to share-based payments include £nil tax credit (2022: £2m) recognised directly within retained profits.

Group Balance Sheet

At 31 December 2023

		Notes	2023 £m	2022 £m
Non-current assets				
Intangible assets	– goodwill	13	**845**	876
	– other	14	**288**	292
Property, plant and equipment			**141**	104
Right-of-use assets			**135**	127
Investment properties			**66**	27
Investments in joint ventures and associates		15	**389**	426
Investments			**28**	40
PPP financial assets			**24**	26
Trade and other receivables		17	**308**	286
Retirement benefit assets		21	**104**	262
Deferred tax assets			**188**	176
			2,516	2,642
Current assets				
Inventories			**124**	114
Contract assets		16.1	**300**	300
Trade and other receivables		17	**894**	881
Cash and cash equivalents	– infrastructure investments	20.3	**306**	19
	– other	20.3	**1,108**	1,160
Current tax receivable			**16**	6
Derivative financial instruments			**1**	1
			2,749	2,481
Total assets			**5,265**	5,123
Current liabilities				
Contract liabilities		16.2	**(600)**	(663)
Trade and other payables		18	**(1,734)**	(1,595)
Provisions		19	**(216)**	(204)
Borrowings	– non-recourse loans	20.3	**(9)**	(30)
	– other	20.3	**(104)**	(173)
Lease liabilities			**(50)**	(49)
Current tax payable			**(6)**	(8)
			(2,719)	(2,722)
Non-current liabilities				
Contract liabilities		16.2	**(2)**	(2)
Trade and other payables		18	**(122)**	(141)
Provisions		19	**(201)**	(197)
Borrowings	– non-recourse loans	20.3	**(561)**	(231)
	– other	20.3	**(162)**	(172)
Lease liabilities			**(93)**	(83)
Retirement benefit liabilities		21	**(35)**	(39)
Deferred tax liabilities			**(160)**	(152)
Derivative financial instruments			**(2)**	(1)
			(1,338)	(1,018)
Total liabilities			**(4,057)**	(3,740)
Net assets			**1,208**	1,383
Equity				
Called-up share capital			**272**	294
Share premium account			**176**	176
Capital redemption reserve			**74**	52
Share of joint ventures' and associates' reserves			**(27)**	(20)
Other reserves			**157**	170
Retained profits			**546**	706
Equity attributable to equity holders of the parent			**1,198**	1,378
Non-controlling interests			**10**	5
Total equity			**1,208**	1,383

Group Statement of Cash Flows

For the year ended 31 December 2023

	Notes	2023 £m	2022 £m
Cash flows from operating activities			
Cash from operations		**293**	185
Income taxes paid		**(8)**	(17)
Net cash from operating activities		**285**	168
Cash flows from investing activities			
Dividends received from:			
- joint ventures and associates – infrastructure investments		**24**	114
- joint ventures and associates – other		**36**	34
- other investments		**3**	4
Interest received – infrastructure investments – joint ventures		**7**	10
Interest received subsidiaries - infrastructure investments		**4**	7
- other		**33**	–
Acquisition of businesses	23.1	**–**	(3)
Purchases of: - intangible assets – infrastructure investments		**(30)**	(1)
- property, plant and equipment		**(66)**	(31)
- investment properties		**(42)**	–
- other investments		**(2)**	(7)
Investments in and long-term loans to joint ventures and associates		**(14)**	(29)
Return of equity from joint ventures and associates		**4**	34
PPP financial assets cash expenditure		**(2)**	(2)
PPP financial assets cash receipts		**6**	5
Disposals of: - investments in joint ventures – infrastructure investments		**56**	–
- investments in joint ventures – other		**–**	1
- property, plant and equipment – other		**4**	8
- other investments		**12**	2
Net cash from investing activities		**33**	146
Cash flows used in financing activities			
Purchase of ordinary shares		**(18)**	(25)
Purchase of treasury shares		**(151)**	(151)
Proceeds from new loans relating to: - infrastructure investments assets	20.4	**336**	8
- other	20.4	**28**	130
Repayments of loans relating to: - infrastructure investments assets	20.4	**(8)**	(7)
- other	20.4	**(197)**	–
Repayment of lease liabilities		**(57)**	(52)
Ordinary dividends paid	12	**(58)**	(58)
Other dividends paid – non-controlling interests		**–**	(1)
Capital contribution – non-controlling interests		**8**	–
Interest paid – infrastructure investments		**(11)**	(9)
Interest paid – other		**(30)**	(24)
Net cash used in financing activities		**(158)**	(189)
Net increase in cash and cash equivalents		**160**	125
Effects of exchange rate changes		**(29)**	55
Cash and cash equivalents at beginning of year		**1,179**	999
Cash and cash equivalents at end of year	20.2	**1,310**	1,179

Notes to the financial statements

1 Basis of accounting

The annual financial statements have been prepared on a going concern basis in accordance with UK-adopted international accounting standards and in conformity with the requirements of the Companies Act 2006 (the Act). The presentational currency of the Group is sterling.

The financial information in this announcement, which was approved by the Board of Directors on 12 March 2024, does not constitute the Company's statutory accounts for the years ended 31 December 2023 or 2022, but is derived from those accounts. Statutory accounts for 2022 have been delivered to the Registrar of Companies and those for 2023 will be delivered following the Company's Annual General Meeting. The auditor has reported on the 2023 accounts; the report is unqualified, did not draw attention to any matters by way of emphasis without qualifying the report and did not contain statements under Section 498(2) or (3) of the Companies Act 2006.

Whilst the financial information included in this preliminary announcement has been computed in accordance with IFRS, this announcement does not itself contain sufficient information to comply with IFRS. The Company expects to publish full financial statements for the Group that comply with IFRS in April 2024.

2 Going concern

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 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 96 to 103 of the Annual Report and Accounts 2023.

The Group's US private placement and committed bank facilities contain certain financial covenants, such as the ratio of the Group's EBITDA to its net debt which needs to be less than 3.0 and the ratio of its EBITA to net borrowing costs which needs to be in excess of 3.0. These covenants are tested on a rolling 12-month basis as at the June and December reporting dates. At 31 December 2023, both these covenants were passed as the Group had net cash and net interest income from a covenant test perspective.

The Directors have carried out an assessment of the Group's ability to continue as a going concern for the period of at least 12 months from the date of approval of the financial statements. This assessment has involved the review of medium-term cash forecasts of each of the Group's operations. The Directors have also considered the strength of the Group's order book which amounted to £16.5bn at 31 December 2023 and will provide a pipeline of secured work over the going concern assessment period. These base case projections indicate that the headroom provided by the Group's strong cash position and the debt facilities currently in place is adequate to support the Group over the going concern assessment period.

At 31 December 2023, the Group's only debt, other than non-recourse borrowings ring-fenced within certain concession companies, comprised US private placement (USPP) notes. Of the USPP notes issued in 2013, US$209m matured in March 2023 and the remaining US$50m will mature in March 2025. The Group raised US$158m in June 2022 through the issue of new USPP notes which will mature in tranches in 2027, 2029 and 2032. In December 2022, the Group secured a new £30m bilateral committed facility which was undrawn at 31 December 2023 and expires in December 2024; the Group retains an option to extend the maturity of the facility to December 2027. In March 2023, the funds raised through the new USPP notes issuance and the new bilateral committed facility were utilised towards repayment of the US$209m USPP notes. The US$36m drawn under the bilateral committed facility was repaid in September 2023.

The Group's £475m committed sustainability linked bank facility which was signed in June 2023, remained undrawn at 31 December 2023 and remains fully available to the Group until June 2027. At the first anniversary of the facility (June 2024), the Group has an option to extend the maturity of the facility to June 2028, with the consent of the lending banks.

2 Going concern continued

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

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

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

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

3 Accounting policies

3.1 Adoption of new and revised standards

The following accounting standards, interpretations and amendments have been adopted by the Group in the year ended 31 December 2023:

- IFRS 17 Insurance Contracts
- Amendments to the following standards:
    - 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
    - IAS 12 Incomes Taxes: International Tax Reform – Pillar Two Model Rules
    - IFRS 17 Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information

These new and amended standards did not have a material effect on the Group.

3.2 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 31 December 2023:

- 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: Non-current Liabilities with Covenants
    - IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements
    - IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability
    - IFRS 16 Leases: Lease Liability in a Sale and Leaseback

The Directors do not expect the standards above to have a material effect on the Group and have chosen not to adopt any of the above standards and interpretations earlier than required.

3.3 Judgements and key sources of estimation uncertainty

The Group's principal judgements and key sources of estimation uncertainty are set out in Note 2.27 of the Annual Report and Accounts 2023.

4 Exchange rates

The following key exchange rates were applied in the financial statements.

Average rates

£1 buys	**2023**	2022	Change
US$	**1.24**	1.24	–
HK$	**9.73**	9.72	0.1%

Closing rates

£1 buys	**2023**	2022	Change
US$	**1.27**	1.20	5.8%
HK$	**9.95**	9.39	6.0%

5 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, multifamily residences, offshore transmission networks, waste and biomass and other concessions. This segment also includes the Group's housing development division.

5.1 Total Group

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

[1] Before non-underlying items (Note 9).

Income statement – performance by activity	Construction Services 2022 £m	Support Services 2022 £m	Infrastructure Investments 2022 £m	Corporate activities 2022 £m	Total 2022 £m
Revenue including share of joint ventures and associates	7,482	989	460	–	8,931
Share of revenue of joint ventures and associates	(1,073)	(1)	(228)	–	(1,302)
Group revenue	6,409	988	232	–	7,629
Group operating profit/(loss)[1]	129	83	(4)	(34)	174
Share of results of joint ventures and associates	20	–	85	–	105
Profit/(loss) from operations[1]	149	83	81	(34)	279
Non-underlying items:					
- amortisation of acquired intangible assets	(1)	–	(5)	–	(6)
- other non-underlying items	2	–	–	–	2
	1	–	(5)	–	(4)
Profit/(loss) from operations	150	83	76	(34)	275
Investment income					50
Finance costs					(38)
Profit before taxation					287

[1] Before non-underlying items (Note 9).

5 Segment analysis continued

5.1 Total Group continued

Assets and liabilities by activity	Construction Services 2023 £m	Support Services 2023 £m	Infrastructure Investments 2023 £m	Corporate activities 2023 £m	Total 2023 £m
Contract assets	**203**	**69**	**28**	**–**	**300**
Contract liabilities – current	**(506)**	**(90)**	**(4)**	**–**	**(600)**
Inventories	**45**	**25**	**54**	**–**	**124**
Trade and other receivables – current	**768**	**73**	**33**	**20**	**894**
Trade and other payables – current	**(1,491)**	**(176)**	**(48)**	**(19)**	**(1,734)**
Provisions – current	**(187)**	**(4)**	**(7)**	**(18)**	**(216)**
Working capital*	**(1,168)**	**(103)**	**56**	**(17)**	**(1,232)**
Total assets	**2,168**	**459**	**1,260**	**1,378**	**5,265**
Total liabilities	**(2,484)**	**(385)**	**(664)**	**(524)**	**(4,057)**
Net assets	**(316)**	**74**	**596**	**854**	**1,208**

* Includes non-operating items and current working capital.

Assets and liabilities by activity	Construction Services 2022 £m	Support Services 2022 £m	Infrastructure Investments 2022 £m	Corporate activities 2022 £m	Total 2022 £m
Contract assets	209	62	29	–	300
Contract liabilities – current	(550)	(112)	(1)	–	(663)
Inventories	50	32	32	–	114
Trade and other receivables – current	730	91	37	23	881
Trade and other payables – current	(1,374)	(171)	(44)	(6)	(1,595)
Provisions – current	(179)	(3)	(8)	(14)	(204)
Working capital*	(1,114)	(101)	45	3	(1,167)
Total assets	2,342	443	940	1,398	5,123
Total liabilities	(2,421)	(378)	(347)	(594)	(3,740)
Net assets	(79)	65	593	804	1,383

* Includes non-operating items and current working capital.

5 Segment analysis continued

5.1 Total Group continued

Other information	Construction Services 2023 £m	Support Services 2023 £m	Infrastructure Investments 2023 £m	Corporate activities 2023 £m	Total 2023 £m
Capital expenditure on property, plant and equipment	**8**	**47**	**–**	**11**	**66**
Capital expenditure on intangible assets (Note 14)	**–**	**–**	**30**	**–**	**30**
Depreciation	**28**	**48**	**2**	**9**	**87**
Gain on disposals of interests in investments (Note 23.2)	**–**	**–**	**24**	**–**	**24**
Gain on disposals of interests in investments within joint ventures and associates (Note 23.2)	**–**	**–**	**2**	**–**	**2**
	2022 £m	2022 £m	2022 £m	2022 £m	2022 £m
Capital expenditure on property, plant and equipment	13	15	–	3	31
Capital expenditure on intangible assets (Note 14)	–	–	1	–	1
Depreciation	30	41	2	10	83
Gain on disposals of interests in investments within joint ventures and associates	–	–	70	–	70

Performance by geographic destination	United Kingdom 2023 £m	United States 2023 £m	Rest of world 2023 £m	Total 2023 £m
Revenue including share of joint ventures and associates	**4,192**	**4,035**	**1,368**	**9,595**
Share of revenue of joint ventures and associates	**(101)**	**(138)**	**(1,363)**	**(1,602)**
Group revenue	**4,091**	**3,897**	**5**	**7,993**
	2022 £m	2022 £m	2022 £m	2022 £m
Revenue including share of joint ventures and associates	3,894	3,954	1,083	8,931
Share of revenue of joint ventures and associates	(98)	(130)	(1,074)	(1,302)
Group revenue	3,796	3,824	9	7,629

5.2 Infrastructure Investments

Underlying profit/(loss) from operations[1]	Group 2023 £m	Share of joint ventures and associates (Note 15)[+] 2023 £m	Total 2023 £m	Group 2022 £m	Share of joint ventures and associates (Note 15)[+] 2022 £m	Total 2022 £m
UK^	**(1)**	**3**	**2**	3	1	4
North America	**7**	**12**	**19**	18	14	32
Gain on disposals of interests in investments	**24**	**2**	**26**	–	70	70
	30	**17**	**47**	21	85	106
Bidding costs and overheads	**(16)**	**–**	**(16)**	(25)	–	(25)
	14	**17**	**31**	(4)	85	81

[+] 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 9).

6. Revenue

6.1 Nature of services provided

6.1.1 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	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. The contract length depends on the complexity and scale of the building and contracts entered into for these services are typically fixed price. 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.
Infrastructure	1 to 3 months for small-scale infrastructure works 24 to 60 months for large-scale complex construction	The Group provides construction services for three main types of infrastructure assets: highways, railways and other large-scale infrastructure assets such as waste, water and energy plants. 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. 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. Other infrastructure assets include construction, design and build services on large-scale complex assets predominantly servicing the waste, water and energy sectors. 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. 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 6.1.2.

6 Revenue continued

6.1 Nature of services provided continued

6.1.2 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	Within the Group's services contracts, the Group provides support services to various types of utility assets. 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 wind farm 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 wind farm 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.
Infrastructure	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. 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.

6 Revenue continued

6.1 Nature of services provided continued

6.1.3 Infrastructure Investments

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

Types of services	Nature, timing of satisfaction of performance obligations and significant payment terms
Service concessions	The Group operates a UK and US portfolio of service concession assets comprising assets in the roads, healthcare, student accommodation, biomass and waste and offshore transmission sectors. The Group accounts for these assets under IFRIC 12 Service Concession Arrangements. Where the Group constructs and maintains these assets, the two services are deemed to be separate performance obligations and accounted for separately. If the maintenance phase includes a lifecycle element, this is considered to be a separate PO. Contract terms can be up to 40 years. The Group recognises revenue over time using the input method. Consideration is paid through a fixed unitary payment charge spread over the life of the contract. *Revenue from this service is presented across Buildings, Infrastructure or Utilities in Note 6.2.*
Management services	The Group provides real estate management services such as property development and asset management services. Contract terms can be up to 50 years. The Group recognises revenue over time as and when service is delivered to the customer. *Revenue from this service is presented within Buildings in Note 6.2.*
Housing development	The Group also develops housing units on land that is owned by the Group. Revenue is recognised on the sale of individual units at the point in time when control of the asset is transferred to the purchaser. This is deemed to be when an unconditional sale is achieved. *Revenue from this service is presented within Buildings in Note 6.2.*

6 Revenue continued

6.2 Disaggregation of revenue

The Group presents a disaggregation of its 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 6.1. This disaggregation of revenue is also presented according to the Group's reportable segments as described in Note 5.

For the year ended 31 December 2023

Revenue by 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	3,025	3,697	1,359	8,081
	Group revenue	3,025	3,669	1	6,695
Support Services	Revenue including share of joint ventures and associates	1,003	–	3	1,006
	Group revenue	1,003	–	3	1,006
Infrastructure Investments	Revenue including share of joint ventures and associates	164	338	6	508
	Group revenue	63	228	1	292
Total revenue	**Revenue including share of joint ventures and associates**	**4,192**	**4,035**	**1,368**	**9,595**
	Group revenue	**4,091**	**3,897**	**5**	**7,993**

Revenue by types of assets serviced		Buildings £m	Infrastructure £m	Utilities £m	Other £m	Total £m
Construction Services	Revenue including share of joint ventures and associates	3,954	3,442	593	92	8,081
	Group revenue	3,284	2,738	581	92	6,695
Support Services	Revenue including share of joint ventures and associates	9	661	326	10	1,006
	Group revenue	9	661	326	10	1,006
Infrastructure Investments	Revenue including share of joint ventures and associates	346+	146	16	–	508
	Group revenue	289+	3	–	–	292
Total revenue	**Revenue including share of joint ventures and associates**	**4,309**	**4,249**	**935**	**102**	**9,595**
	Group revenue	**3,582**	**3,402**	**907**	**102**	**7,993**

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

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

6 Revenue continued

6.2 Disaggregation of revenue continued

For the year ended 31 December 2022

Revenue by 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	2,761	3,650	1,071	7,482
	Group revenue	2,761	3,645	3	6,409
Support Services	Revenue including share of joint ventures and associates	982	–	7	989
	Group revenue	982	–	6	988
Infrastructure Investments	Revenue including share of joint ventures and associates	151	304	5	460
	Group revenue	53	179	–	232
Total revenue	**Revenue including share of joint ventures and associates**	3,894	3,954	1,083	8,931
	Group revenue	3,796	3,824	9	7,629

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	3,878	2,960	639	5	7,482
	Group revenue	3,387	2,401	616	5	6,409
Support Services	Revenue including share of joint ventures and associates	5	625	349	10	989
	Group revenue	5	625	348	10	988
Infrastructure Investments	Revenue including share of joint ventures and associates	291+	154	15	–	460
	Group revenue	229+	3	–	–	232
Total revenue	**Revenue including share of joint ventures and associates**	4,174	3,739	1,003	15	8,931
	Group revenue	3,621	3,029	964	15	7,629

Timing of revenue recognition	Construction Services £m	Support Services £m	Infrastructure Investments £m	Total £m
Over time	7,475	984	430	8,889
At a point in time	7	5	30	42
Revenue including share of joint ventures and associates	7,482	989	460	8,931
Over time	6,402	983	202	7,587
At a point in time	7	5	30	42
Group revenue	6,409	988	232	7,629

+ Includes rental income of £49m including share of joint ventures and associates or £16m excluding share of joint ventures and associates.

7 Investment income

	2023 £m	2022 £m
Subordinated debt interest receivable	**34**	27
Interest receivable on PPP financial assets	**2**	2
Fair value gain on investment asset	**–**	6
Interest received on bank deposits	**33**	8
Other interest receivable and similar income	**–**	2
Impairment reversal of joint ventures and associates – accrued interest	**1**	–
Net finance income on pension scheme assets and obligations (Note 21)	**12**	5
	82	50

8 Finance costs

		2023 £m	2022 £m
Non-recourse borrowings	– bank loans and overdrafts	**11**	9
US private placement	– finance cost	**12**	15
Interest on lease liabilities		**6**	6
Fair value loss on investment asset		**1**	–
Other interest payable	– committed facilities	**3**	2
	– letter of credit fees	**2**	2
	– other finance charges	**5**	2
Impairment of joint ventures and associates	– loans	**9**	–
	– accrued interest	**–**	2
		49	38

The net impairment of loans to joint ventures and associates and accrued interest receivable of £8m (2022: £2m) relates to expected credit loss assessments performed. All of these impairments relate to subordinated debt and accrued interest receivable from joint ventures and associates held within the Infrastructure Investments segment.

9 Non-underlying items

	2023 £m	2022 £m
Items (charged against)/credited to profit		
9.1 Amortisation of acquired intangible assets	**(5)**	(6)
9.2 Other non-underlying items:		
– provision recognised for rectification works to be carried out on a development in London	**(12)**	–
– release of indemnity provisions relating to sale of Heery International Inc.	**–**	2
Total other non-underlying items	**(12)**	2
Charged against profit before taxation	**(17)**	(4)
9.3 Tax credit/(charge):		
– tax on rectification works provision	**3**	–
– tax on other items above	**3**	(1)
– impact of tax rate change on deferred tax assets previously recognised through non-underlying	**–**	2
Total tax credit	**6**	1
Charged against profit for the year	**(11)**	(3)

9.1 The amortisation of acquired intangible assets comprises: customer contracts £4m (2022: £5m); and customer relationships £1m (2022: £1m).

The charge was recognised in the following segments: Construction Service £1m (2022: £1m); and Infrastructure Investments £4m (2022: £5m).

9.2 In 2021, the Group recognised a provision of £42m in relation to rectification works to be carried out on a development in London which was constructed by the Group between 2013 and 2016. The rectification work includes the replacement of stone panels affixed to the façade of the development to meet performance requirements. The provision was initially calculated in line with a methodology based on an independent expert's assessment of the rectification at that time and included an estimate of costs associated with any potential consequential disruption to the development as a result of these rectification works. Rectification works are expected to complete in 2025. The most recent assessment carried out in 2023 resulted in a £12m increase in the estimated cost of rectification.

The Group initially presented the provision recognised in 2021 in non-underlying due to its size. In line with this presentation, the Group continues to present this within non-underlying. The provision does not include potential recoveries from third parties.

This charge was recognised in the Construction Services segment.

9.3.1 As explained in Note 10.2.1, a non-underlying charge of £12m was recognised in relation to the rectification works to be carried out on a development in London. This expense has given rise to a tax credit of £3m.

9.3.2 The remaining non-underlying items recognised in the Group's operating profit gave rise to a tax credit of £3m which was recognised mainly on the amortisation of acquired intangible assets (2022: £1m charge).

10 Income taxes

	Underlying Items[1] 2023 £m	Non-underlying items (Note 9) 2023 £m	Total 2023 £m	Total 2022 £m
Total UK tax	**38**	**(3)**	**35**	(35)
Total non-UK tax	**18**	**(3)**	**15**	35
Total tax charge/(credit)[x]	**56**	**(6)**	**50**	–
UK current tax				
– current tax	**7**	**(3)**	**4**	2
	7	**(3)**	**4**	2
Non-UK current tax				
– current tax	**2**	**(1)**	**1**	18
– adjustments in respect of previous periods	**(3)**	**–**	**(3)**	(3)
	(1)	**(1)**	**(2)**	15
Total current tax	**6**	**(4)**	**2**	17
UK deferred tax				
– origination and reversal of temporary differences	**30**	**–**	**30**	(22)
– UK corporation tax rate change	**2**	**–**	**2**	(13)
– adjustments in respect of previous periods	**(1)**	**–**	**(1)**	(2)
	31	**–**	**31**	(37)
Non-UK deferred tax				
– origination and reversal of temporary differences	**17**	**(1)**	**16**	17
– adjustments in respect of previous periods	**2**	**(1)**	**1**	3
	19	**(2)**	**17**	20
Total deferred tax	**50**	**(2)**	**48**	(17)
Total tax charge/(credit)[x]	**56**	**(6)**	**50**	–

[x] Excluding joint ventures and associates.

[1] Before non-underlying items (Note 9).

The Group has recognised a £6m tax credit (2022: £1m) within non-underlying items in the year. Refer to Notes 9.3.1 and 9.3.2.

The Group tax charge excludes amounts for joint ventures and associates (refer to Note 15), except where tax is levied at the Group level.

In addition to the Group tax charge, tax of £43m has been credited (2022: £44m) directly to other comprehensive income, comprising: a tax credit of £48m for subsidiaries (2022: £19m); and a tax charge in respect of joint ventures and associates of £5m (2022: £25m credit). A tax charge of £nil (2022: £2m credit) has been recognised directly in equity relating to share-based payments, comprising a current tax credit of £2m (2022: £nil) and a deferred tax charge of £2m (2022: £2m credit).

11 Earnings per share

Earnings	2023 Basic £m	2023 Diluted £m	2022 Basic £m	2022 Diluted £m
Earnings	**197**	**197**	288	288
Amortisation of acquired intangible assets – including tax credit of £3m (2022: £1m charge)	**2**	**2**	7	7
Other non-underlying items – including tax credit of £3m (2022: £2m)	**9**	**9**	(4)	(4)
Underlying earnings	**208**	**208**	291	291

	Basic m	Diluted m	Basic m	Diluted m
Weighted average number of ordinary shares	**558**	**566**	612	620

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

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

Potential dilutive effect of ordinary shares issuable under equity-settled share-based payment arrangements is 8m (2022: 8m).

Earnings per share	Basic pence	Diluted Pence	Basic pence	Diluted Pence
Earnings per ordinary share	**35.3**	**34.8**	46.9	46.3
Amortisation of acquired intangible assets after tax	**0.4**	**0.4**	1.2	1.1
Other non-underlying items after tax	**1.6**	**1.6**	(0.6)	(0.6)
Underlying earnings per ordinary share	**37.3**	**36.8**	47.5	46.8

12 Dividends

	2023 Per share pence	2023 Amount £m	2022 Per share pence	2022 Amount £m
Proposed dividends for the year				
Interim – current year	**3.5**	**19**	3.5	21
Final – current year	**8.0**	**43**[&]	7.0	40
	11.5	**62**	10.5	61
Recognised dividends for the year				
Final – prior year		**39**		37
Interim – current year		**19**		21
		58		58

[&] Amount dependent on number of shares on the register on 17 May 2024.

Subject to approval at the Annual General Meeting on 9 May 2024, the final 2023 dividend will be paid on 3 July 2024 to holders on the register on 17 May 2024 by direct credit or, where no mandate has been given, by cheque posted by 3 July 2024. The ordinary shares will be quoted ex-dividend on 16 May 2024. The last date for Dividend Reinvestment Plan (DRIP) elections will be 12 June 2024.

13 Intangible assets – goodwill

	Cost £m	Accumulated impairment losses £m	Carrying amount £m
At 1 January 2023	1,106	(230)	876
Currency translation differences	**(37)**	**6**	**(31)**
At 31 December 2023	**1,069**	**(224)**	**845**

Carrying amounts of goodwill by cash-generating unit	**2023** £m	**2023** Pre-tax discount rate %	2022 £m	2022 Pre-tax discount rate %
UK Regional and Engineering Services	**248**	**10.7**	248	9.1
Balfour Beatty Construction Group Inc	**437**	**11.1**	464	9.3
Rail UK	**68**	**11.0**	68	9.3
Balfour Beatty Investments US	**52**	**11.3**	55	11.1
Other	**40**	**11.0**	41	9.3
Group total	**845**		876	

The recoverable amount of goodwill is based on value-in-use, a key input of which is forecast cash flows. The Group's cash flow forecasts are based on the expected future revenues and margins of each CGU, giving consideration to the current level of confirmed and anticipated orders. Cash flow forecasts for the next three years are based on the Group's Three-Year Plan, which covers the period from 2024 to 2026. The cash flow forecasts for each CGU were compiled from each of its constituent business units as part of the Group's annual financial planning process.

The other key inputs in assessing each CGU are its long-term growth rate and discount rate. The discount rates have been calculated using the Weighted Average Cost of Capital (WACC) method, which takes account of the Group's capital structure (financial risk) as well as the nature of each CGU's business (operational risk). Long-term growth rates are assumed to be the estimated future GDP growth rates based on published independent forecasts for the country or countries in which each CGU operates, less 1.0% to reflect current economic uncertainties and their consequent estimated effect on public sector spending on infrastructure.

In the derivation of each CGU's value-in-use, a terminal value is assumed based on a multiple of earnings before interest and tax. The multiple is applied to a terminal cash flow, which is the normalised cash flow in the last year of the forecast period. However, due to the long-term nature and the degree of predictability of some contracts within Balfour Beatty Investments US, the forecast period used in the derivation of this CGU's value-in-use extends beyond the Group's three-year cash flow forecast period in line with the duration of the contracts within the CGU. The EBIT multiple is calculated using the Gordon Growth Model and is a factor of the discount rate and growth rate for each CGU. The nominal terminal value is discounted to present value.

13 Intangible assets – goodwill continued

	2023			2022		
	Inflation rate %	**Real growth rate %**	**Nominal long-term growth rate applied %**	Inflation rate %	Real growth rate %	Nominal long-term growth rate applied %
UK Regional and Engineering Services	**2.8**	**1.1**	**3.9**	2.3	0.8	3.1
Balfour Beatty Construction Group Inc	**2.2**	**1.7**	**3.9**	2.2	0.7	2.9
Rail UK	**2.8**	**1.1**	**3.9**	2.3	0.8	3.1
Balfour Beatty Investments US	**2.2**	**1.7**	**3.9**	2.2	0.7	2.9
Other	**2.6**	**1.3**	**3.9**	2.3	0.8	3.1

Sensitivities

The Group's impairment review is sensitive to changes in the key assumptions used. The major assumptions that result in significant sensitivities are the discount rate and the long-term growth rate, and for certain CGUs, changes to underlying cash projections.

A reasonable possible change in key assumptions would not give rise to an impairment in any of the Group's CGUs.

14 Intangible assets – other

	Cost £m	Accumulated amortisation £m	Carrying amount £m
At 1 January 2023	668	(376)	292
Currency translation differences	**(18)**	**15**	**(3)**
Additions	**30**	**–**	**30**
Fair value movement on loan associated with Infrastructure Investment intangible asset	**(19)**	**–**	**(19)**
Charge for the year	**–**	**(12)**	**(12)**
At 31 December 2023	**661**	**(373)**	**288**

Other intangible assets comprise: acquired intangible assets of customer contracts, customer relationships, and brand names; Infrastructure Investments' intangible assets on student accommodation projects in which the Group bears demand risk; and software and other.

15 Investments in joint ventures and associates

	2023					
			Infrastructure Investments			
	Construction Services £m	Support Services £m	UK^ £m	North America £m	Total £m	Total £m
Income statement						
Revenue	**1,386**	**–**	**103**	**113**	**216**	**1,602**
Operating profit excluding gain on disposals of interests in investments	**33**	**–**	**2**	**21**	**23**	**56**
Gain on disposals of interests in investments	**–**	**–**	**–**	**2**	**2**	**2**
Operating profit	**33**	**–**	**2**	**23**	**25**	**58**
Investment income	**10**	**–**	**74**	**16**	**90**	**100**
Finance costs	**(1)**	**–**	**(73)**	**(25)**	**(98)**	**(99)**
Profit before taxation	**42**	**–**	**3**	**14**	**17**	**59**
Taxation	**(6)**	**–**	**–**	**–**	**–**	**(6)**
Profit after taxation	**36**	**–**	**3**	**14**	**17**	**53**
Balance sheet						
Non-current assets						
Intangible assets:						
- Infrastructure Investments intangible	**–**	**–**	**14**	**–**	**14**	**14**
- other	**–**	**–**	**12**	**–**	**12**	**12**
Property, plant and equipment	**21**	**–**	**–**	**–**	**–**	**21**
Investment properties	**–**	**–**	**–**	**232**	**232**	**232**
Investments in joint ventures and associates	**7**	**–**	**–**	**–**	**–**	**7**
Money market funds	**–**	**–**	**–**	**44**	**44**	**44**
PPP financial assets	**–**	**–**	**905**	**244**	**1,149**	**1,149**
Military housing projects	**–**	**–**	**–**	**113**	**113**	**113**
Other non-current assets	**107**	**–**	**24**	**13**	**37**	**144**
Current assets						
Cash and cash equivalents	**340**	**–**	**146**	**20**	**166**	**506**
Other current assets	**310**	**3**	**55**	**5**	**60**	**373**
Total assets	**785**	**3**	**1,156**	**671**	**1,827**	**2,615**
Current liabilities						
Borrowings – non-recourse	**–**	**–**	**(36)**	**–**	**(36)**	**(36)**
Other current liabilities	**(549)**	**(3)**	**(158)**	**(30)**	**(188)**	**(740)**
Non-current liabilities						
Borrowings – non-recourse	**(94)**	**–**	**(767)**	**(461)**	**(1,228)**	**(1,322)**
Other non-current liabilities	**(90)**	**–**	**(147)**	**(5)**	**(152)**	**(242)**
Total liabilities	**(733)**	**(3)**	**(1,108)**	**(496)**	**(1,604)**	**(2,340)**
Net assets	**52**	**–**	**48**	**175**	**223**	**275**
Goodwill	**31**	**–**	**–**	**–**	**–**	**31**
Reclassify negative investment to provisions	**10**	**–**	**–**	**–**	**–**	**10**
Loans to joint ventures and associates	**–**	**–**	**73**	**–**	**73**	**73**
Total investment in joint ventures and associates	**93**	**–**	**121**	**175**	**296**	**389**

^ Including Ireland.

The Group's investment in military housing joint ventures' and associates' projects is recognised at its remaining equity investment plus the value of the Group's accrued returns from the underlying projects.

15 Investments in joint ventures and associates continued

	2022					
			Infrastructure Investments			
	Construction Services £m	Support Services £m	UK^ £m	North America £m	Total £m	Total £m
Income statement						
Revenue	1,073	1	99	129	228	1,302
Operating profit excluding gain on disposals of interests in investments	24	–	(3)	21	18	42
Gain on disposals of interests in investments	–	–	–	70	70	70
Operating profit	24	–	(3)	91	88	112
Investment income	3	–	72	13	85	88
Finance costs	(1)	–	(66)	(20)	(86)	(87)
Profit before taxation	26	–	3	84	87	113
Taxation	(6)	–	(2)	–	(2)	(8)
Profit after taxation	20	–	1	84	85	105
Balance sheet						
Non-current assets						
Intangible assets:						
- Infrastructure Investments intangible	–	–	40	–	40	40
- other	–	–	13	–	13	13
Property, plant and equipment	33	–	–	–	–	33
Investment properties	–	–	–	257	257	257
Investments in joint ventures and associates	5	–	–	–	–	5
Money market funds	–	–	–	26	26	26
PPP financial assets	–	–	984	260	1,244	1,244
Military housing projects	–	–	–	119	119	119
Other non-current assets	106	–	27	13	40	146
Current assets						
Cash and cash equivalents	385	–	150	26	176	561
Other current assets	275	–	46	5	51	326
Total assets	804	–	1,260	706	1,966	2,770
Current liabilities						
Borrowings – non-recourse	(89)	–	(37)	–	(37)	(126)
Other current liabilities	(579)	–	(124)	(12)	(136)	(715)
Non-current liabilities						
Borrowings – non-recourse	–	–	(885)	(502)	(1,387)	(1,387)
Other non-current liabilities	(80)	–	(180)	(5)	(185)	(265)
Total liabilities	(748)	–	(1,226)	(519)	(1,745)	(2,493)
Net assets	56	–	34	187	221	277
Goodwill	33	–	–	–	–	33
Reclassify negative investment to provisions	10	–	–	–	–	10
Loans to joint ventures and associates	–	–	106	–	106	106
Total investment in joint ventures and associates	99	–	140	187	327	426

^ Including Ireland.

16 Contract balances

16.1 Contract assets

	£m
At 1 January 2022	214
Currency translation differences	6
Transfers from contract assets recognised at the beginning of the year to receivables	(196)
Increase related to services provided in the year	304
Reclassified from contract provisions (Note 19)	(1)
Reclassified from contract liabilities (Note 16.2)	(21)
Impairments on contract assets recognised at the beginning of the year	(6)
At 31 December 2022	300
Currency translation differences	**(4)**
Transfers from contract assets recognised at the beginning of the year to receivables	**(241)**
Increase related to services provided in the year	**265**
Reclassified from contract liabilities (Note 16.2)	**(11)**
Impairments on contract assets recognised at the beginning of the year	**(9)**
At 31 December 2023	**300**

16.2 Contract liabilities

	£m
At 1 January 2022	(678)
Currency translation differences	(39)
Revenue recognised against contract liabilities at the beginning of the year	578
Increase due to cash received, excluding amounts recognised as revenue during the year	(547)
Reclassified to contract assets (Note 16.1)	21
At 31 December 2022	(665)
Currency translation differences	**19**
Revenue recognised against contract liabilities at the beginning of the year	**561**
Increase due to cash received, excluding amounts recognised as revenue during the year	**(528)**
Reclassified to contract assets (Note 16.1)	**11**
At 31 December 2023	**(602)**

17 Trade and other receivables

	2023 £m	2022 £m
Current		
Trade receivables	**484**	526
Less: provision for impairment of trade receivables	**(8)**	(3)
	476	523
Due from joint ventures and associates	**16**	16
Due from joint operation partners	**4**	6
Contract fulfilment assets	**19**	13
Contract retentions receivable	**227**	194
Accrued income	**13**	15
Prepayments	**57**	56
Other receivables	**82**	58
	894	881
Non-current		
Due from joint ventures and associates	**111**	86
Contract fulfilment assets	**40**	31
Contract retentions receivable	**150**	166
Other receivables	**7**	3
	308	286
Total trade and other receivables	**1,202**	1,167

18 Trade and other payables

	2023 £m	2022 £m
Current		
Trade and other payables	**602**	605
Accruals	**788**	741
Contract retentions payable	**213**	175
VAT, payroll taxes and social security	**131**	74
	1,734	1,595
Non-current		
Accruals	**9**	10
Contract retentions payable	**104**	122
Due to joint ventures and associates	**9**	9
	122	141
Total trade and other payables	**1,856**	1,736

19 Provisions

	Contract provisions £m	Employee provisions £m	Other provisions £m	Total £m
At 1 January 2022	321	36	22	379
Currency translation differences	9	–	1	10
Reclassified from accruals	–	–	1	1
Charged/(credited) to the income statement:				
– additional provisions	134	6	2	142
– unused amounts reversed	(48)	(2)	–	(50)
Utilised during the year	(80)	(7)	(3)	(90)
Reclassified to contract assets (Note 16.1)	(1)	–	–	(1)
Reclassified negative investment in Group's investments in joint ventures and associates	–	–	10	10
At 31 December 2022	335	33	33	401
Currency translation differences	**(3)**	**–**	**(1)**	**(4)**
Charged/(credited) to the income statement:				
– additional provisions	**170**	**9**	**4**	**183**
– unused amounts reversed	**(59)**	**(2)**	**–**	**(61)**
Utilised during the year	**(91)**	**(7)**	**(4)**	**(102)**
At 31 December 2023	**352**	**33**	**32**	**417**

20 Notes to the statement of cash flows

20.1 Cash from/(used in) operations

	Underlying items[1] 2023 £m	Non-underlying items 2023 £m	Total 2023 £m	Total 2022 £m
Profit from operations	**228**	**(17)**	**211**	275
Share of results of joint ventures and associates	**(53)**	**–**	**(53)**	(105)
Depreciation of property, plant and equipment	**28**	**–**	**28**	27
Depreciation of right-of-use-assets	**57**	**–**	**57**	54
Depreciation of investment properties	**2**	**–**	**2**	2
Amortisation of other intangible assets	**7**	**5**	**12**	13
Amortisation of contract fulfilment assets	**15**	**–**	**15**	15
Pension deficit payments, including regular funding	**(28)**	**–**	**(28)**	(43)
Movements relating to equity-settled share-based payments	**15**	**–**	**15**	9
Gain on disposal of interests in investments	**(24)**	**–**	**(24)**	–
Profit on disposal of property, plant and equipment	**(2)**	**–**	**(2)**	(4)
Other non-cash items	**(3)**	**–**	**(3)**	(4)
Operating cash flows before movements in working capital	**242**	**(12)**	**230**	239
Decrease/(increase) in operating working capital			**63**	(54)
Inventories			**(11)**	(6)
Contract assets			**(4)**	(78)
Trade and other receivables			**(73)**	34
Contract liabilities			**(44)**	(59)
Trade and other payables			**177**	57
Provisions			**18**	(2)
Cash from operations			**293**	185

[1] Before non-underlying items (Note 9).

20.2 Cash and cash equivalents

	2023 £m	2022 £m
Cash and deposits	**890**	828
Term deposits	**218**	332
Cash balances within infrastructure concessions	**306**	19
Bank overdrafts	**(104)**	–
	1,310	1,179

20.3 Analysis of net cash/(borrowings)

	2023 £m	2022 £m
Cash and cash equivalents (excluding infrastructure concessions)	**1,108**	1,160
Bank overdrafts	**(104)**	–
US private placement	**(162)**	(345)
Net cash excluding infrastructure concessions	**842**	815
Non-recourse infrastructure concessions project finance loans at amortised cost with final maturity between 2024 and 2072	**(570)**	(261)
Infrastructure concessions cash and cash equivalents	**306**	19
	(264)	(242)
Net cash	**578**	573

The Company, together with certain of its UK subsidiaries, operates a notional pooling facility with a main relationship UK clearing bank where overdraft balances are offset with cash balances and interest is calculated on a net basis. During the year ended 31 December 2023, the Group maintained a net cash position on this pooling facility, so there was no interest payable to the bank in respect of these bank overdrafts. Overdraft balances and cash held at this bank have been reported gross in the Group balance sheet at 31 December 2023 as there was no intention to settle the bank overdrafts at that date.

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

Term deposits are held on a short-term basis and are readily accessible to the Group at any time with insignificant break costs.

Included in cash and cash equivalents is restricted cash of £12m (2022: £3m) held by the Group's self-insurance company, Delphian Insurance Company Ltd, which is subject to Isle of Man insurance solvency regulations.

Cash and cash equivalents also include: £77m (2022: £194m) within construction project bank accounts which is used for project specific expenditure; £369m (2022: £253m) in relation to the Group's share of cash held by joint operations which is used for expenditure within the joint operation projects; and £306m (2022: £19m) relating to maintenance and other reserve accounts in Infrastructure Investments subsidiaries, of which £277m is reserved for the construction of University of Sussex's West Slope student accommodation project.

20.4 Analysis of movements in borrowings

	Infrastructure concessions non-recourse project finance £m	US private placement £m	Bilateral committed facility £m	Bank overdrafts £m	Total £m
At 1 January 2023	(261)	(345)	**–**	**–**	(606)
Currency translation differences	**–**	**14**	**–**	**–**	**14**
Proceeds of loans	**(336)**	**–**	**(28)**	**(104)**	**(468)**
Repayments of loans	**8**	**169**	**28**	**–**	**205**
Fair value adjustment to loan	**19**	**–**	**–**	**–**	**19**
At 31 December 2023	**(570)**	**(162)**	**–**	**(104)**	**(836)**

20.4 Analysis of movements in borrowings continued

In March 2023, the Group repaid US$209m of US Private Placement (USPP) notes as they fell due. The repayment was funded from the proceeds of debt issuance arranged in 2022, specifically US$158m of new USPP notes issued in June 2022 (US$35m 6.31% notes maturing in June 2027, US$80m 6.39% notes maturing in June 2029 and US$43m 6.45% notes maturing in June 2032), and a US$36m drawdown in March 2023 under the £30m bilateral committed facility. In September 2023, drawings under the £30m bilateral committed facility were repaid and the facility was undrawn at 31 December 2023. This facility is on similar terms to the Group's core facility and has an initial maturity of December 2024, but the Group holds an extension option to extend the expiry to December 2027. At 31 December 2023 the Group had not triggered the bilateral committed facility's extension option.

In June 2023 the Group completed the refinancing of its core £375m revolving credit facility, which was set to expire in October 2024, replacing it with a new £475m facility that will expire in June 2027 (the RCF). The RCF has an extension option for a further year to June 2028, with the agreement of the lending banks, and its terms and conditions are materially the same as the prior facility. The RCF is a Sustainability Linked Loan, under the terms of which the Group is incentivised to deliver annual measurable performance improvement in three key areas: Carbon Emissions, Social Value generation and an independent Environment, Social and Governance (ESG) rating score – these areas of performance and the associated metrics are to be reviewed and updated in 2024. The RCF remained undrawn at 31 December 2023.

At 31 December 2023, £303m was included within non-recourse borrowings relating to the construction of the West Slope student accommodation project, of which £171m relates to external funding obtained from a third party bank and £132m relates to a loan provided by the University of Sussex. The funding from the university represents a loan arrangement which was entered into separately with the university at the same time as the concession arrangement.

21 Retirement benefit assets and liabilities

IAS 19 Employee Benefits (IAS 19) prescribes the accounting for defined benefit schemes in the Group's financial statements. Obligations are calculated using the projected unit credit method and discounted to a net present value using the market yield on high-quality corporate bonds. The pension expense relating to current service cost is charged to contracts or overheads based on the function of scheme members and is included in cost of sales and net operating expenses. The net finance income arising from the expected interest income on plan assets and interest cost on scheme obligations is included in investment income. Actuarial gains and losses are reported in the statement of comprehensive income.

The investment strategy of the Balfour Beatty Pension Fund (BBPF) is to hold assets of appropriate liquidity and marketability to generate income and capital growth. The BBPF invests partly in a diversified range of assets including equities and hedge funds in anticipation that, over the longer term, they will grow in value faster than the scheme's obligations. The BBPF has been undertaking a phased withdrawal from equities and hedge funds. The only residual equities held are a very small amount of emerging market equities held via pooled funds. The remaining BBPF assets are principally fixed and index-linked bonds and derivatives, providing protection against movements in inflation and interest rates and hence enhancing the resilience of the funding level of the scheme. The performance of the assets is measured against market indices.

The Group operates a Scottish Limited Partnership (SLP) structure which holds the Group's 40% interest in the Birmingham Hospital PFI investment and the Group's 15% share of the Connect Plus (M25) asset. The BBPF is a partner in the SLP and is entitled to a share of the income of the SLP. In accordance with IFRS 10 Consolidated Financial Statements, the SLP is deemed to be controlled by the Group, which retains the ability to substitute the investment in the Birmingham Hospital PFI investment and the Connect Plus (M25) asset for other investments from time to time.

Under IAS 19, the investment held by the BBPF in the SLP does not constitute a plan asset and therefore the pension surplus presented in these financial statements does not reflect the BBPF's interest in the SLP. Distributions from the SLP to the BBPF will be reflected in the Group's financial statements as pension contributions on a cash basis. In 2023, the BBPF received distributions of £2m from the SLP (2022: £2m).

21 Retirement benefit assets and liabilities continued

Balfour Beatty and the trustees of the BBPF have reconfirmed their commitment to a journey plan approach to managing the BBPF with the aim of reaching self-sufficiency by 2027. The Company and trustees have agreed the 31 March 2022 formal valuation and as a result Balfour Beatty made deficit contributions to the BBPF of £19m in 2023 (2022: £35m) and has agreed to pay deficit contributions to the BBPF of £24m in 2024 and £6m in 2025. The Company and the trustees expect to take further steps over the coming months to reduce the overall risk in the scheme and the Company has agreed that additional amounts will become payable at £2m per month from March 2025 if the BBPF's performance is materially different from that expected. The next formal triennial funding valuation is due with effect from 31 March 2025.

This agreement constitutes a minimum funding requirement (MFR) under IFRIC 14 IAS 19: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. The Group has not recognised any liabilities in relation to this MFR as any surplus of deficit contributions to the BBPF would be recoverable by way of a refund and the Group has the unconditional right to the surplus and controls the run-off of the benefit obligations once all other obligations of the BBPF have been settled.

Principal actuarial assumptions for the IAS 19 accounting valuations of the Group's principal schemes

			2023		2022
		Balfour Beatty Pension Fund %	**Railways Pension Scheme %**	Balfour Beatty Pension Fund %	Railways Pension Scheme %
Discount rate		**4.65**	**4.65**	4.95	4.95
Inflation rate	- RPI	**3.15**	**3.15**	3.35	3.35
	- CPI	**2.60**	**2.75**	2.75	2.90
Future increases in pensionable salary		**2.60**	**2.75**	2.75	2.90
Rate of increase in pensions in payment (or such other rate as is guaranteed)		**2.95**	**2.85**	3.10	2.95

	Number	**Number**	Number	Number
Total number of defined benefit members	**25,535**	**2,946**	26,208	2,972

Following the completion of the BBPF's 31 March 2022 triennial valuation, the future improvements assumption adopted for the BBPF and RPS has also been updated for 2023 to reflect the most recent model available, with the Group setting future improvements in line with the Continuous Mortality Investigation (CMI) 2022 core projections model.

BBPF life expectancies

	2023 Average life expectancy at 65 years of age		2022 Average life expectancy at 65 years of age	
	Male	**Female**	Male	Female
Members in receipt of a pension	**21.3**	**23.0**	21.7	23.4
Members not yet in receipt of a pension (current age 50)	**22.2**	**23.9**	22.6	24.3

RPS life expectancies

	2023 Average life expectancy at 65 years of age		2022 Average life expectancy at 65 years of age	
	Male	**Female**	Male	Female
Members in receipt of a pension	**20.8**	**22.7**	20.7	22.7
Members not yet in receipt of a pension (current age 50)	**21.6**	**23.6**	21.6	23.7

21 Retirement benefit assets and liabilities continued

Amounts recognised in the Balance Sheet

	2023				2022			
	Balfour Beatty Pension Fund £m	**Railways Pension Scheme £m**	**Other schemes^ £m**	**Total £m**	Balfour Beatty Pension Fund £m	Railways Pension Scheme £m	Other schemes^ £m	Total £m
Present value of obligations	**(2,501)**	**(320)**	**(35)**	**(2,856)**	(2,464)	(300)	(39)	(2,803)
Fair value of plan assets	**2,602**	**323**	**–**	**2,925**	2,689	337	–	3,026
Assets/(liabilities) in the balance sheet	**101**	**3**	**(35)**	**69**	225	37	(39)	223

^ Investments in mutual funds of £19m (2022: £20m) are held to satisfy the Group's deferred compensation obligations.

The defined benefit obligations comprise £35m (2022: £39m) arising from wholly unfunded plans and £2,821m (2022: £2,764m) arising from plans that are wholly or partly funded.

Movements in the retirement benefit assets and obligations for the year		**£m**
At 1 January 2023		223
Currency translation differences		**2**
Current service cost		**(4)**
Net finance income		**12**
Actuarial movements	– on obligations from reassessing the difference between RPI and CPI	**(4)**
	– on obligations from changes to other financial assumptions	**(101)**
	– on obligations from changes to demographics	**16**
	– on obligations from experience losses	**(2)**
	– on assets	**(106)**
Contributions from employer	– regular funding	**3**
	– ongoing deficit funding	**25**
Benefits paid		**5**
At 31 December 2023		**69**

Sensitivity of the Group's retirement benefit obligations at 31 December 2023 to different actuarial assumptions

	Sensitivity to increase in assumption			Sensitivity to decrease in assumption		
Assumption	**Percentage points/years**	**(Decrease)/ increase in obligations %**	**(Decrease)/ increase in obligations £m**	**Percentage points/years**	**Increase/ (decrease) in obligations %**	**Increase/ (decrease) in obligations £m**
Discount rate	**0.5%**	**(5.7)%**	**(160)**	**(0.5)%**	**6.3%**	**177**
Market expectation of RPI inflation	**0.5%**	**4.0%**	**112**	**(0.5)%**	**(3.9)%**	**(111)**
Salary growth	**0.5%**	**<0.1%**	**–**	**(0.5)%**	**<(0.1)%**	**–**
Life expectancy	**1 year**	**4.0%**	**114**	**(1 year)**	**(4.1)%**	**(117)**

Sensitivity of the Group's retirement benefit assets at 31 December 2023 to changes in market conditions

	Percentage points	**(Decrease)/ increase in assets %**	**(Decrease)/ increase in assets £m**
Increase in interest rates	**0.5%**	**(5.4)%**	**(158)**
Increase in market expectation of RPI inflation	**0.5%**	**3.9%**	**113**

The asset sensitivities only take into account the impact of the changes in market conditions on bond-type assets. The value of the schemes' return-seeking assets is not directly correlated with movements in interest rates or RPI inflation.

21 Retirement benefit assets and liabilities continued

The BBPF includes a defined contribution section with 15,512 members at 31 December 2023 (2022: 15,382 members) with £48m (2022: £52m) of contributions paid and charged in the income statement in respect of this section. The total pension cost recognised in the income statement in respect of employee service for defined benefit and defined contribution schemes was £58m (2022: £63m).

22 Share capital

During the year ended 31 December 2023, 5.1m (2022: 9.8m) shares were purchased at a cost of £18m (2022: £25m) by the Group's employee discretionary trust to satisfy awards under the Performance Share Plan, the Deferred Bonus Plan and the Restricted Share Plan.

In 2023 the Company commenced the third phase of its share buyback programme, which completed on 15 December 2023. The Company purchased 43.3m (2022: 52.0m) shares for a total consideration of £150m (2022: £150m) and held these shares in treasury with no voting rights. The purchase of these shares, together with associated fees and stamp duty amounting to £1m (2022: £1m), utilised £151m (2022: £151m) of the Company's distributable profits.

On 20 December 2023, the Company cancelled the 43.3m treasury shares purchased through the 2023 phase of its share buyback programme (2022: 102.3m). This cancellation resulted in a decrease in called-up share capital in issue of £22m (2022: £51m) and a corresponding increase in the capital redemption reserve.

23 Acquisitions and disposals

23.1 Current and prior year acquisitions

There were no material acquisitions in 2023 or deferred consideration paid during 2023 in respect of acquisitions completed in earlier years (2022: deferred consideration £3m).

23.2 Current year disposals

During the year, the Group disposed of two Infrastructure Investments assets as detailed below. The gain recognised from the disposal of assets that were held within joint venture entities of the Group is recognised within the Group's share of results of joint ventures and associates.

Notes	Disposal date	Entity/asset	Structure of sale	Percentage disposed %	Cash consideration £m	Net assets disposed £m	Amount recycled from reserves £m	Underlying gain £m
23.2.1	28 September 2023	Moretti Apartments^	Asset sale	n/a	5	(3)	–	2
23.2.2	8 November 2023	Gloucester Waste	Equity interest sale	49.5	56	(35)	3	24
					61	**(38)**	**3**	**26**

^ Disposal of asset within a joint venture entity.

23.2.1 On 28 September 2023, the Group disposed of its Moretti Apartments multifamily property asset located in Homewood, Alabama, and received total cash consideration of £5m. The asset disposal resulted in an underlying gain of £2m being recognised in the Group's share of joint ventures and associates.

23.2.2 On 8 November 2023, the Group disposed of its entire 49.5% interest in UBB Waste (Gloucestershire) Holdings Limited (Gloucester Waste) for a cash consideration of £56m. The disposal included the Group's share of joint venture net assets of £31m and £4m of accrued interest receivable and resulted in a net gain of £24m being recognised in underlying operating profit, including a loss of £6m in respect of PPP financial asset reserves and a gain of £9m in respect of hedging reserves recycled to the income statement on disposal.

24 Contingent liabilities

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

Provision has been made for the Directors' best estimate of known legal claims, investigations and legal actions in progress. The Group takes legal advice as to the likelihood of success of claims and actions and no provision is made where the Directors consider, based on that advice, that the action is unlikely to succeed, or that the Group cannot make a sufficiently reliable estimate of the potential obligation. However, in certain cases where assessments are ongoing and the Group cannot yet conclude whether it is probable the claim is valid, a possible obligation may exist at 31 December 2023. In respect of these cases, it is not practicable to estimate the financial effect based on the current status of the assessments.

25 Related party transactions

Joint ventures and associates

The Group has contracted with, provided services to, and received management fees from, certain joint ventures and associates amounting to £445m (2022: £447m). 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 17 and 18 respectively.

Transactions with non-Group members

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

	2023 **£m**	2022 £m
Site Assist Software Limited		
Purchase of services	**1**	1

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

During 2023, a member of the Group's staff was seconded on a full-time basis to The 5% Club, a charity which is a dynamic movement of employer-members working to create a shared prosperity across the UK by driving 'earn and learn' skills training. The expense for the salary cost was borne by the Group and no consideration was received in return.

26 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 Annual Report and Accounts 2022.

27 Events after the reporting date

In the period from 1 January 2024 to 11 March 2024 (the latest practicable date prior to the date of this announcement) the Company purchased 8.2m ordinary shares, which are held in treasury with no voting rights, for a total consideration of £28m (including stamp duty and fees).

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