24 February 2022

MORGAN SINDALL GROUP PLC
(‘Morgan Sindall’ or ‘Group’)

The Construction & Regeneration Group

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

RESULTS FOR THE FULL YEAR (FY) ENDED 31 DECEMBER 2021

	FY 2021	FY 2020	Change	*FY 2019[2]*	*Change[2]*
Revenue	£3,213m	£3,034m	+6%	*£3,071m*	*+5%*
Operating profit – adjusted[1]	£131.3m	£68.5m	+92%	*£93.1m*	*+41%*
Profit before tax – adjusted[1]	£127.7m	£63.9m	+100%	*£90.4m*	*+41%*
Earnings per share – adjusted[1]	226.0p	108.6p	+108%	*161.2p*	*+40%*
Net cash at year end	£358m	£333m	+£25m	*£193m*	*+£165m*
Total dividend per share	92.0p	61.0p	+51%	*21.0p*	*+338%*
Operating profit - reported	£129.8m	£65.4m	+98%	*£91.3m*	*+42%*
Profit before tax – reported	£126.2m	£60.8m	+108%	*£88.6m*	*+42%*
Basic earnings per share – reported	212.4p	99.8p	+113%	*157.9p*	*+35%*

[1] 'Adjusted' is defined as before intangible amortisation of £1.5m and (in the case of earnings per share) deferred tax charge for future changes in tax rates of £5.1m (FY 2020: before intangible amortisation of £3.1m and deferred tax charge of £1.5m, FY 2019: before intangible amortisation of £1.8m)
[2] FY 2019 and % change against FY 2019 numbers are provided as a more relevant trading comparative
[3] Divisional comparatives below have been restated to reflect the reorganisation of the Investments business. See Other Financial Information

FY 2021 summary:

- Record results for the Group, with trading substantially ahead of ‘pre-pandemic’ 2019[2] levels
  - Revenue up 6% (up 5% on FY 2019[2])
  - Adjusted operating margin up to 4.1% (FY 2019[2]: 3.0%)
  - Adjusted profit before tax up 100% to £127.7m (up 41% on FY 2019[2])
- Strong balance sheet
  - Net cash of £358m (FY 2020: £333m, FY 2019: £193m)
  - Average daily net cash increased significantly to £291m (FY 2020: £181m, FY 2019: £109m)
- High quality and growing order book; secured workload of £8.6bn, up 4% on the year end
- Medium-term divisional targets upgraded to provide the framework for the next stage of growth

- Capital allocation framework formalised
  - Dividend cover expected to be in the range of 2.0x-2.5x on an annual basis
  - Total dividend up 51% to 92p per share
- MSCI 'AAA' rating awarded for Group's ESG performance
  - CDP 'A' rating maintained for Group's leadership on climate change
  - Good progress made towards delivering the Group's goal of achieving 'net zero' by 2030
- Divisional highlights
  - Substantial margin and profit growth in ***Construction & Infrastructure***; operating margin up to 3.8% (FY 2020: 2.2%, FY 2019: 2.2%) with operating profit up to £58.1m (FY 2020: £35.7m, FY 2019: £32.3m)
  - Excellent performance from ***Fit Out***; operating margin up to 5.6% (FY 2020: 4.6%, FY 2019: 4.4%) with operating profit up to £44.2m (FY 2020: £32.1m, FY 2019: £36.9m)
  - Strong contribution from ***Property Services*;** operating profit[1] of £4.1m (FY 2020: £1.0m, FY 2019: £4.3m)
  - Significant increase in profit and returns target exceeded at ***Partnership Housing***; operating profit[3] up to £33.2m (FY 2020: £16.0m, FY 2019: £21.7m) with return on capital in year of 21%
  - Good progress with long-term regeneration schemes in ***Urban Regeneration***; operating profit[3] of £12.1m (FY 2020: £8.8m, FY 2019: £19.9m)

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

"2021 has been an excellent year for the Group with progress across the board. Our record results reflect the high quality of our operations and the huge talent and commitment of our people.

The Group is in its best shape ever. Our strategic focus on construction and regeneration is driving positive momentum across the Group and is enabling us to upgrade our divisional medium-term targets today which provide the framework for our next stage of growth.

Underpinning these targets is our commitment to maintaining a strong balance sheet at all times and to hold a substantial net cash position. This continues to allow us to make the right long-term decisions for the business.

We remain committed to delivering economic, social and environmental value for all our stakeholders, and to this end, we have made good progress towards achieving our ambitious target of achieving 'net zero' by 2030.

We continue to make strong positive progress in our chosen markets, with the size and quality of our secured workload increasing in the year. This leaves us well-positioned for the future and on track to deliver a result for 2022 which is slightly above our previous expectations."

Enquiries

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Presentation

- There will be an analyst and investor presentation at 09.00am at Numis Securities Limited, 45 Gresham Street, London EC2V 7BF. Coffee and registration will be from 08.30am
- A copy of these results is available at: www.morgansindall.com
- Today's presentation will be available via live webcast from 09.00am at www.morgansindall.com. The presentation will be available via playback on our website in the afternoon.

Note to Editors

Morgan Sindall Group

Morgan Sindall Group plc is a leading UK Construction & Regeneration group with annual revenue of £3.2bn, employing around 6,900 employees and operating in the public, regulated and private sectors. It reports through five divisions of Construction & Infrastructure, Fit Out, Property Services, Partnership Housing and Urban Regeneration.

Group Strategy

The Group's strategy is focused on its well-established core strengths of **Construction** and **Regeneration** in the UK. The Group has a balanced business which is geared toward the increasing demand for affordable housing, urban regeneration and infrastructure and construction investment.

Morgan Sindall's recognised expertise and market positions in affordable housing (through its Partnership Housing division) and in mixed-use regeneration development (through its Urban Regeneration division) reflect its deep understanding of the built environment developed over many years and its ability to provide solutions for complex regeneration projects. As a result, its capabilities are aligned with sectors of the UK economy which are expected to see increasing opportunities in the medium to long term and which support the UK's current and future regeneration and affordable housing needs.

Through its Construction & Infrastructure division, the Group is also well positioned to meet the demand for ongoing investment in the UK's infrastructure, while its geographically diverse construction activities are focused on key areas of education, healthcare and commercial.

The Fit Out division is the market leader in its field and delivers a consistently strong operational performance. Fit Out, together with the Construction & Infrastructure division, generates cash resources to support the Group's investment in affordable housing and mixed-use regeneration. The Group also has an operation in Property Services which is focused on response and planned maintenance activities provided to the social housing and the wider public sector.

Group Structure

Under the two strategic lines of business of **Construction** and **Regeneration**, the Group is organised into five reporting divisions as follows:

Construction activities comprise the following operations:

- ***Construction & Infrastructure***: Focused on the education, healthcare, commercial, industrial, leisure and retail markets in *Construction*; and on the highways, rail, energy, water and nuclear markets in *Infrastructure*. *Infrastructure* also includes the BakerHicks design activities based out of the UK and Switzerland
- ***Fit Out***: Focused on the fit out of office space with opportunities in commercial, central and local government offices and further education
- ***Property Services***: Focused on response and planned maintenance activities provided to the social housing and the wider public sector

Regeneration activities comprise the following operations:

- ***Partnership Housing***: Focused on working in partnerships with local authorities and housing associations. Activities include mixed-tenure developments, building and developing homes for open market sale and for social/affordable rent, 'design & build' house contracting and planned maintenance & refurbishment
- ***Urban Regeneration***: Focused on transforming the urban landscape through partnership working and the development of multi-phase sites and mixed-use regeneration

The prior year results for Partnership Housing, Urban Regeneration and Group Activities have been restated for comparative purposes to reflect revised segmental reporting adopted from 1 January 2021. See Paragraph 8 Reporting Segments in the Other Financial Information section below.

Basis of Preparation

In addition to presenting the financial performance of the business on a statutory basis, adjusted performance measures are also disclosed. Refer to the Other Financial Information section which sets out the basis for the calculations. These measures are not an alternative or substitute to statutory UK IAS measures, but are seen as more useful in assessing the performance of the business on a comparable basis and are used by management to monitor the performance of the Group.

In all cases the term 'adjusted' excludes the impact of intangible amortisation of £1.5m (FY 2020: £3.1m, FY 2019: £1.8m) and (in the case of earnings per share) a deferred tax charge of £5.1m (FY 2020: £1.5m, FY 2019: nil).

Group Operating Review

Summary

2021 has been an excellent year for the Group, delivering a record set of results following the operational disruption experienced in 2020 due to the Covid-19 (C-19) pandemic and reflects the high quality of the Group's operations and the huge talent and commitment of its people.

Group revenue increased by 6% up to £3,213m (FY 2020: £3,034m), while adjusted operating profit increased 92% to £131.3m (FY 2020: £68.5m). Operating margin increased to 4.1%, up 180bps from the prior year period (FY 2020: 2.3%).

Referencing the results to the Group's 2019 'pre-pandemic' performance may provide a more meaningful indicator of the considerable operational and strategic progress made in the year. Against this comparative period, Group revenue was 5% higher (FY 2019: £3,071m), while adjusted operating profit was up 41% (FY 2019: £93.1m) and operating margin increased by 110bps (FY 2019: 3.0%). The movements by division compared to the FY 2019 results are shown below in the Divisional Review section and are reproduced in the divisional tables. The commentaries reference only the FY 2020 results as they are the direct prior year comparatives.

The strong Group performance in the year was the result in part of its relentless focus over many years on disciplined contract selectivity, risk management, operational delivery, long-term customer relationships and improved quality of earnings. This focus will continue and is the bedrock which underpins future performance.

On a divisional basis, Construction & Infrastructure delivered a very strong set of results, with its operating profit increasing 63% to £58.1m (FY 2020: £35.7m) despite revenue reducing 7% to £1,520m (FY 2020: £1,637m), while its margin was up 160bps to 3.8% (FY 2020: 2.2%). Fit Out delivered another excellent performance, with revenue, profit and margin all increasing. Revenue grew 14% to £795m (FY 2020: £700m), while profit increased by 38% to £44.2m (FY 2020: £32.1m) at a margin of 5.6% (FY 2020: 4.6%). Property Services performed well in the year delivering improved results on the prior year as volumes recovered from C-19 disruption in 2020. Revenue increased by 20% to £134m (FY 2020: £112m) and operating profit[1] increased 310% to £4.1m (FY 2020: £1.0m). Its operating margin[1] of 3.1% represented an increase of 220bps ahead of the prior year (FY 2020: 0.9%).

Of the Group's regeneration divisions, Partnership Housing had a very strong year, with significant strategic and operational progress made. Revenue for the year was up 21% to £572m (FY 2020[2]: £474m) while operating profit increased substantially, more than doubling to £33.2m, an increase of 108% (FY 2020[2]: £16.0m). Its operating margin increased to 5.8%, up from 3.4%[2] and its return on capital was up to 21% in the year. Urban Regeneration made good progress with its long-term regeneration schemes and delivered an operating profit of £12.1m in the year, an increase of 38% on the prior year (FY 2020[2]: £8.8m) with ROCE increasing to 13%.

In order to provide a framework for future performance, each division operates to a medium-term financial target or set of targets which have been updated and are set out in the Outlook section below.

Across the Group, inflationary pressures and supply issues have been a feature of most of the year, with a number of significant price increases experienced in certain product categories and increases in lead times for certain product deliveries to site. The additional costs attached to sourcing some materials have generally been offset by a combination of contractual protection, operational efficiencies and (in the case of Partnership Housing) by house sales price inflation. As a result, in most instances the impact of this has been managed at a divisional and local level without any consequent disruption to operations.

General cost inflation has also placed some project budgets under pressure particularly in Construction & Infrastructure, which in turn has led to some delays in decision-making, while in Urban Regeneration specifically, construction cost inflation has provided additional challenges to the viability of some of its development schemes.

Inflationary pressures remained at the year end and are expected to continue into much of 2022, however it is expected that the impact will continue to be minimised through focused sourcing through the supply chain and ongoing operational efficiency.

The Group's position in relation to cladding and building safety is detailed in the separate Cladding & Building Safety section below.

The net finance expense reduced to £3.6m (FY 2020: £4.6m), primarily as a result of the prior year including the costs of drawing down the facility in full during the early stages of the C-19 pandemic.

This resulted in adjusted profit before tax of £127.7m, up 100% (FY 2020: £63.9m). The statutory profit before tax was £126.2m, an increase of 108% on the prior year (FY 2020: £60.8m).

The tax charge for the period was £28.3m, an effective rate of 22.4% and is higher than the UK statutory rate of 19% primarily due to the effect of changing the tax rate used to calculate deferred tax to account for the announced future increase in the UK statutory rate to 25% from 1 April 2023.

The adjusted earnings per share increased 108% to 226.0p (FY 2020: 108.6p), with the statutory basic earnings per share of 212.4p, up 113% (FY 2020: 99.8p).

Maintaining contract selectivity and bidding discipline to ensure the appropriate risk balance in the order book remains of critical importance to the future success of the Group. The total secured workload for the Group at the year end was £8,614m, up 4% on the prior year (FY 2020: £8,290m) and 3% higher than at the half year (HY 2021: £8,324m).

Balance sheet & cash

The Group maintained a strong financial position throughout the year.

Operating cash flow for the year was an inflow of £117.6m (FY 2020: inflow of £178.7m), which equated to 90% of adjusted operating profit and thereby demonstrating the high level of cash-backed profit and high quality of earnings across the Group.

Net cash at the year-end increased to £358m, an increase of £25m on the prior year (FY 2020: £333m). Of this total, £59m was held in jointly controlled operations or held for future payment to designated suppliers (JVs/PBAs).

The average daily net cash for the year was £291m (including £69m in JVs/PBAs), up from £181m in the prior year.

The Group's cash balances benefited from the introduction of the reverse charge VAT scheme, introduced on 1st March 2021; at the year end, c£66m was the incremental benefit of additional VAT held for payment in the first quarter of 2022, while the incremental benefit to the average daily net cash position was c£39m.

Looking ahead, the Group expects that the average daily net cash for 2022 will be at broadly similar levels to that reported for 2021.

Dividend

The final dividend has increased by 55% to 62.0p per share (FY 2020: 40.0p), resulting in a total dividend for the year of 92.0p per share (FY 2020: 61.0p), an increase of 51%. This represents dividend cover of 2.46x and reflects the result for the year, the strong balance sheet and the Board's confidence in the future prospects of the Group.

As detailed in the Group Capital Allocation Framework section below, during the year the Board formally adopted a dividend policy such that dividend cover is expected to be in the range of 2.0x-2.5x on an annual basis.

[1] *before intangible amortisation of £1.5m (FY 2020: £1.2m)*

[2] *Restated – see Other Financial Information Section, Paragraph 8 - Reporting Segments. All FY 2020 and FY 2019 comparative numbers, including order book and capital employed, have been restated to include the impact of the revised reporting segments*

Environment & Social Summary

The Group is committed to delivering economic, social and environmental value to its stakeholders. Its approach is embodied in its responsible business strategy, which is built around its five Total Commitments: to health, safety and wellbeing, employee development, the environment, its supply chain and local communities. These Commitments have been in place since 2008 and are aligned to its purpose, the needs of its stakeholders and its obligations towards society. Its Commitments support the UN Sustainable Development Goals and each Commitment has clear targets and KPIs set to monitor progress which are supported by its divisions.

Subsequent to the year end in January 2022, the Group was awarded 'AAA' under MSCI's ESG ratings.

For full details, see the responsible business section of the 2022 annual report which will be published on 24 March 2022 on the Group's website (www.morgansindall.com).

(a) Environmental

The Group is a leader in its sector in addressing climate change and has been awarded an 'A' score again this year for its leadership on climate change from CDP, the international non-profit organisation focused on driving environmental disclosure to manage environmental impacts. This leaves the Group as one of just 206 companies globally to receive the grade A score. The Group has also been named by CDP as a Supplier Engagement Leader for the second year running for its work to drive action on climate change along its supply chain.

The Group has set science-based targets for reducing carbon emissions and was one of the first construction companies globally to have its science-based emission targets officially accredited back in 2018. During the year, the Group has been working with the Science Based Targets Initiative to re-align its science-based targets to limit global warming to no more than 1.5 degrees Celsius.

In early 2021, the Group set its goal of achieving 'net zero' in its Scope 1[1], Scope 2[2] and operational Scope 3[3] emissions by 2030. The Group has committed to reduce these emissions by 60% (based on its 2019 emissions) and will offset any residual emissions remaining in projects in the UK. To this end, during the year the Group invested in a 25-year project to create nine new woodlands on the Blenheim Estate in Oxfordshire. As well as providing measurable, demonstrable gains in terms of absorbing and storing carbon and improving soil, air and water quality, the woodlands will provide wellbeing benefits for people visiting the area.

Other activities in this area include investment in a scheme which will match clients with ethical offset schemes in communities local to their own construction and regeneration projects. The scheme will offer clients high quality carbon credits and the income raised will be used to support local authorities and housing associations with home improvements and to help address fuel poverty.

Other highlights and performance measures from the year in this area include:

- 37% reduction in Scope 1[1] and 2[2] and operational Scope 3[3] emissions compared to 2019 baseline emissions
- Carbon intensity[4] reduced to 5.3 (from 7.5 in 2020)
- 72% of electricity purchased from renewable sources
- 99% of waste diverted from landfill and total waste reduced by 30%

(b) Social

The Group seeks to leave a positive legacy through the delivery of its projects and the activities it undertakes to enhance and support the communities in which it works. The Group's value to its stakeholders lies in the provision of improved and efficient built environments and national infrastructure and our approach to delivering high levels of social value to the communities in which we operate and in being accountable for this.

It is critical that the Group's employees, suppliers and subcontractors all have the tools they need to deliver for its clients and partners; this includes a safe working environment, the right skills and an in-depth understanding of the Group's values. The Group was a founder member of, and continues to support, the Supply Chain Sustainability School (SCSS) which provides free training for its employees and supply chain partners.

The Group is also a founding member of the Work Radar Scheme which connects individual trades people, microbusinesses and social enterprises, with larger construction firms working on projects in the area. Work Radar is helping the business to develop local supply chains and to address skills shortages as well as reducing carbon emissions by shortening distances travelled to projects.

The Group's relationships with its supply chain partners are of major strategic importance and the prompt payment of its suppliers remains a key component of this. Strong supply chain relationships can provide a competitive advantage and support superior operational delivery. For the formal Payment Practices Reporting period of 1 July 2021 to 31 December 2021, Construction & Infrastructure, the largest operating division by revenue, further improved and reduced its average time taken to pay invoices at 25 days, with 98% of its invoices paid within 60 days. Fit Out reported its average time taken to pay invoices at 23 days, with 97% of invoices paid within 60 days, while Partnership Housing reported 32 days as its average time to pay, an improvement of 1 day from the last reporting period, with 96% of its invoices being paid within 60 days. Property Services showed an average of 37 days to pay invoices, an improvement of 1 day from the prior reporting period and with 96% of its invoices being paid within 60 days.

Disappointingly, the number of RIDDOR[5] incidents increased to 44, up from 28 in 2020, while the lost time incident rate[6] increased to 0.29 against a 2019 baseline of 0.23. In response, the Group has launched safety improvement plans and increased investment in our Human Factors initiative to better understand how people behave. This knowledge has then been applied to the design of construction sites to try and reduce the risk of accidents, particularly those that may cause harm to people.

During the year, the Group has supported the Domestic Abuse Housing Alliance in developing a formal DAHA Accreditation for contractors to help identify people who could be at risk. In 2021, 650 employees were trained in identifying signs of domestic abuse in addition to support provided for employees who may experience or have experienced domestic abuse.

The Group promotes diversity in its broadest sense and seeks to ensure that all employees feel included and valued. It values and encourages diversity of thought, perspective and experience to help challenge the status quo and drive innovation. The Group-wide diversity and inclusion survey undertaken in Q4 2020 indicated a need to do more to address inclusivity. Each division has introduced actions appropriate to their specific business needs, broadly aligned to changing behaviours, improving recruitment and retention processes, promoting construction as a career and supporting diversity and inclusion in our supply chain.

25% of employees are female and 15% are from an ethnic minority background. Our 2021 median gender pay gap is 29.6% (2020: 29.1%[7]%). This remains high and reflects a higher number of senior male employees in the Group. Women make up 11% (2020: 10%) of the upper pay quartile compared to 39% (2020: 40%) in the lower quartile.

Some other performance measures and actions in this area include:

- 532 (2020: 540) people sponsored to complete national vocational qualifications and professional qualifications
- 275 (2020: 221) directly employed apprentices and graduates sponsored
- Employee voluntary turnover rate of 13.0% (2020: 7.8%). The low turnover rate in 2020 is viewed as being unrepresentative due to the impact of the pandemic. Over the last 12 months in common with many industries, voluntary turnover rate has increased as people have also chosen to leave employment due to a combination of seeking lifestyle or career changes.
- Launched a virtual work experience (VWEx) programme of weeklong placements for students, involving them digitally designing a building to a brief delivered to them from experts within the Group. These placements are focused on increasing students' confidence by developing skills in maths, digital design, presentations, communication, working inclusively as part of a team and knowledge of the industry.

[1] Direct emission from owned or controlled sources
[2] Indirect emissions generated from purchased energy
[3] All indirect emissions not included in Scope 2 that occur in limited categories of our value chain as measured by the Toitu carbon reduce scheme
Note: Vehicle carbon emissions are included in the calculation of Scope 1 emissions but are reported separately as they are a significant source of the Group's emissions
[4] Carbon Intensity is measured as 'Carbon emissions (in tonnes) per £m revenue'
[5] RIDDOR = The Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013.
[6] Number of incidents resulting in absence from work for a minimum of one working day, excluding the day the incident occurred per 100,000 hours worked
[7] This prior year figure has been calculated using the methodology set out in the Gender Pay Gap Regulations, however it is based on the November payroll data rather than our April payroll data, which is the payroll period we are required to report on under the Regulations. Based on the Group's payroll data as of April 2020, the 2020 median gender pay was 33.56%, however the April data was impacted by the number of people across the Group who had agreed to reduce their salaries due to the C-19 pandemic for three months to 30 June 2020 and the number of people on furlough. The November payroll data was not distorted by CC-19-related measures and therefore paints a more accurate picture

Outlook

Outlook for 2022

The Group continues to make strong positive progress in its chosen markets, with the size and quality of its secured workload increasing in the year. This leaves it well-positioned for the future and on track to deliver a result for 2022 which is slightly above its previous expectations.

Medium-term divisional targets

To provide a framework for future performance, each division operates to a medium-term financial target or set of targets (the 'target' or 'targets').

The initial set of medium-term targets were issued in February 2017, with a number updated in subsequent periods. Based on the actual performance in 2021, all the targets have been reassessed and where appropriate, have been amended to reflect the Group's current views on the growth opportunity for each division.

The targets relate to revenue, operating margin, return on capital employed and/or profit and are referred to in the Business review.

The 'new' medium-term targets are shown in the right-hand column in the table below and are current as from 24 February 2022.

Division	Previous target	Actual FY 2021	'New' target (as from 24 February 2022)
Construction	Operating margin of between 2.5% and 3% per annum	Revenue of £694m, Operating margin of 3.2%	Revenue of £1bn, operating margin of between 2.5% and 3% per annum
Infrastructure	Operating margin of 3.5% per annum	Revenue of £826m, Operating margin of 4.4%	Revenue of £1bn, operating margin of between 3.5% and 4% per annum
Fit Out	Operating profit at or around c£35m per annum	Operating profit of £44.2m	Average annual operating profit through the cycle of £40m-£45m
Property Services	Operating profit of at least £10m	Operating profit of £4.1m	Operating profit of £15m
Partnership Housing	Operating margin of 6% / return on capital in excess of 20%	Operating margin of 5.8% / return on capital of 21%	Operating margin of 8% / return on capital up towards 25%
Urban Regeneration	3-year rolling average return on capital up towards 20%	3-year rolling average return on capital of 12%	3-year rolling average return on capital up towards 20%

Cladding & Building Safety

The Group has considered the public letter to the Residential Property Developer industry from the Department for Levelling Up, Housing & Communities dated 10 January 2022, as well as the letter dated 22 January 2022 to the Construction Products Association and all other related Government press releases, communications and publications.

The Group fully agrees that the costs of remediation should not be borne by leaseholders and is supportive of working with the Government, industry and other key stakeholders to determine a solution to the issue of historic cladding and fire safety defects in buildings.

The Group has considered the scope of relevant cases across its business in line with the criteria set out in the 10 January 2022 letter and this review is ongoing. It is possible that a relatively small number of cases will be identified where the Group has a liability leading to remediation. In accordance with the Group's past practice, the Group is committed to meeting its liabilities as they are identified. Whilst any such costs incurred are not expected to be material and will likely span a number of years, the industry-wide solution to the issues set out in the 10 January 2022 letter is still being determined and therefore any liability arising therefrom cannot be reliably estimated.

In common with the rest of the industry, the Group will begin paying the Residential Property Developer Tax in 2022.

Divisional Review

The following Divisional Review is given on an adjusted basis, unless otherwise stated. Refer to Note 2 of the consolidated financial statements for appropriate reconciliations to the comparable UK IAS measures.

Headline results by division (vs FY 2020)

	Revenue		Operating Profit		Operating Margin	
	£m	**Change**	**£m**	**Change**	**%**	**Change**
Construction & Infrastructure	1,520	-7%	58.1	+63%	3.8%	+160bps
Fit Out	795	+14%	44.2	+38%	5.6%	+100bps
Property Services	134	+20%	4.1	+310%	3.1%	+220bps
Partnership Housing[1]	572	+21%	33.2	+108%	5.8%	+240bps
Urban Regeneration[1]	203	+64%	12.1	+38%	n/a	n/a
Group/Eliminations[1]	(11)		(20.4)			
Total	**3,213**	**+6%**	**131.3**	**+92%**	**4.1%**	**+180bps**

[1] *Prior year FY 2020 comparative numbers have been restated – see Other Financial Information Section, Paragraph 8 - Reporting Segments*

Results compared to the reported 2019 'pre-pandemic' full year results (FY 2019)

Due to the prior year FY 2020 results being significantly impacted by the pandemic, FY 2019 is viewed as being more relevant and informative for comparative purposes. On this basis, the movement by division compared to the FY 2019 results is shown below, together with the actual FY 2019 reported results shown in *italics*. These are reproduced in the tables of the divisional commentaries in the sections below.

	Revenue	*FY 2019[1] £m*	**Operating Profit**	*FY 2019[1] £m*	**Operating margin**	*FY 2019[1] %*
Construction & Infrastructure	+2%	*1,486*	+80%	*32.3*	+160bps	*2.2%*
Fit Out	-5%	*839*	+20%	*36.9*	+120bps	*4.4%*
Property Services	+17%	*115*	-5%	*4.3*	-60bps	*3.7%*
Partnership Housing[1]	+10%	*520*	+53%	*21.7*	+160bps	*4.2%*
Urban Regeneration[1]	+69%	*120*	-39%	*19.9*	n/a	*n/a*
Group/Eliminations[1]	n/a	*(9)*	n/a	*(22.0)*	n/a	*n/a*
Total	**+5%**	***3,071***	**+41%**	***93.1***	**+110bps**	***3.0%***

[1] The 2019 FY comparative numbers are as reported and have been restated to take into account the impact of change in reporting segments. The impact of the restatement is to increase Partnership Housing revenue and operating profit by £7m and £3.4m respectively and to increase Urban Regeneration revenue and operating profit by £1m and £0.5m respectively. All other 2019 results of the Investments division are included in Group/Eliminations

Group secured workload[1] by division

The Group's secured workload[1] at 31 December 2021 was £8,614m, an increase of 4% on the prior year end (FY 2020: £8,290m). The divisional split is shown below.

	FY 2021 £m	**FY 2020 £m**	**Change**
Construction & Infrastructure	2,715	2,537	+7%
Fit Out	897	410	+119%
Property Services	945	970	-3%
'Construction' secured order book[2]	**4,557**	**3,917**	**+16%**
Partnership Housing	1,498	1,445[3]	+4%
Urban Regeneration	2,574	2,929[3]	-12%
'Regeneration' secured order book[2]	**4,072**	**4,374**	**-7%**
Inter-divisional eliminations	(15)	(1)	
Group secured workload[1]	**8,614**	**8,290**	**+4%**

[1] The Group secured workload is the sum of the Construction secured order book and the Regeneration secured order book, less any inter-divisional eliminations

[2] The 'Secured order book' is the sum of the 'committed order book', the 'framework order book' and (for the Regeneration businesses only) the Group's share of the gross development value of secured schemes (including the development value of open market housing schemes)

The 'committed order book' represents the Group's share of future revenue that will be derived from signed contracts or letters of intent. The 'framework order book' represents the Group's expected share of revenue from the frameworks on which the Group has been appointed. This excludes prospects where confirmation has been received as preferred bidder only, with no formal contract or letter of intent in place.

[3] FY 2020 comparative numbers have been restated following the change in reporting segments

Construction & Infrastructure

	FY 2021 £m	FY 2020 £m	Change	*FY 2019 £m*	*Change FY 2021 vs 2019*
Revenue	1,520	1,637	-7%	*1,486*	*+2%*
Operating profit	58.1	35.7	+63%	*32.3*	*+80%*
Operating margin	3.8%	2.2%	+160bps	*2.2%*	*+160bps*

Construction & Infrastructure delivered a very strong set of results in the year, with substantial margin and profit growth. Although revenue reduced to £1,520m (FY 2020: £1,637m), operating profit grew 63% up to £58.1m (FY 2020: £35.7m) with the operating margin increasing to 3.8%, up 160bps on the prior year (FY 2020: 2.2%). Both the ***Construction*** and ***Infrastructure*** *(*including *Design)*[1] contributed strongly to this overall result.

Of the divisional revenue split by type of activity, ***Construction*** accounted for 46% of divisional revenue at £694m, with 54% being ***Infrastructure***[1] at £826m.

The division also performed well in terms of winning work and growing its future workload. The secured order book at the year end was £2,715m, up 7% compared to the prior year.

(i) Construction

Construction's revenue increased 4% to £694m (FY 2020: £670m) while operating profit increased 167% to £21.9m (FY 2020: £8.2m). The focus on improved operational delivery, disciplined contract selectivity and risk management over many years, together with a favourable project mix in the year, all contributed towards increasing its operating margin to 3.2% (FY 2020: 1.2%). The first half margin was 2.4%, which increased to 3.9% in the second half primarily due to a higher weighting of project completions in the second half, particularly projects in the education sector.

In addition, Construction had a very strong year of winning work. The order book at the year end was £810m, an increase of 58% on the prior year (FY 2020: £512m) and up 25% from the half year position (HY 2021: £648m). Of the total, £599m (74% by value) is secured for 2022. In addition to the total order book, Construction also had c£540m of work at preferred bidder stage at the year end. In line with the preferred risk profile of work undertaken, c99% of the order book value is derived through either negotiated, framework or two-stage bidding procurement processes.

In education, Construction's largest sector, project wins included: a £61m project for the University of Hertfordshire to build a new home for its School of Physics, Engineering and Computer Science; Maybole Community Campus, a new £54m primary and secondary education campus in South Ayreshire; a £23m contract to build a new combined primary school campus (Carnbroe and Sikeside) in North Lanarkshire; and the new £31m Glebe Farm School in Milton Keynes. The division also won projects to expand Horsforth School in Leeds (£5m) which will create 365 new places and Chantry Academy in Ipswich (£3m) which will create 150 new places and a facility for children with special educational needs and/or disability (SEND). In addition, Construction was appointed to deliver a number of dedicated SEND schools, including the £18m Freemantle secondary school in Woking, Surrey; the £16.1m Summerdown School in Eastbourne; and the £9.8m Salmon's Brook Special School in Enfield for children with social, emotional and mental health needs.

Completions in the year included the £7.6m Castleward Spencer Academy primary school in Derby, delivered via the public sector procurement authority, SCAPE; and the £14.2m Wintringham Primary Academy in St Neots, Cambridgeshire.

In healthcare, Construction has been selected to deliver the initial works as part of the wider redevelopment of the North Manchester General Hospital in Crumpsall, one of the 40 new hospitals pledged under the UK government's health infrastructure plan, and appointed to build a new £13m facility for the London Institute of Healthcare Engineering at St Thomas' campus, London.

In other sectors, project wins included: the £107m Manor Road Quarter scheme in Canning Town, London, a 34-storey, mixed-use development of 355 apartments (50% affordable) and 8,000 square feet of commercial and retail space, being delivered through Urban Regeneration's English Cities Fund joint venture; and a c£18m manufacturing facility in East Sussex for GW Pharmaceuticals. Completions included a £48m, nine-storey Moxy Hotel and Residence Inn in Slough, delivered through Urban Regeneration's Slough Urban Renewal joint venture, which opened three months ahead of schedule; and Hackney Britannia Leisure Centre, set over four storeys and featuring rooftop sports pitches to make the best use of space.

Framework appointments included: the SCAPE Construction frameworks to deliver education, healthcare, housing and government building projects across England, Wales and Scotland, with a cumulative value of £5 billion over four years (two lots in England and Wales, valued up to £7.5m and £7.5m-£75m, and two lots in Scotland, valued up to and over £7.5m); Lots 4 (£7m-£14m), 5 (£14m-£25m) and 6 (£25m+) on the new £1.6bn Public Buildings Construction and Infrastructure (PB3) framework run by the public sector procurement organisation, LCH; and the medium band (£6m-£12m) of the Department for Education's four-year, £5bn construction framework.

(ii) Infrastructure[1]

Although ***Infrastructure's*** revenue was 15% lower at £826m (FY 2020: £967m) primarily due to the timing of its project workload, operating profit increased significantly, up 32% to £36.2m (FY 2020: £27.5m). This resulted in an operating margin of 4.4%, up from 2.8% in the prior year and was driven by strong operational delivery on site and by the type of work.

The first half margin was 3.3%, while this increased to 5.5% in the second half, benefitting from work mix, efficiencies and final account settlements on a number of projects.

Infrastructure's order book at the year end was £1,905m, down 6% on the previous year end (FY 2020: £2,025m), however was up 1% on the half year position (HY 2021: £1,894m). In excess of 90% of the value of the order book is derived through frameworks, consistent with the strategic focus on long-term workstreams from its clients.

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

In highways, work won included the appointment by National Highways (formerly Highways England) to the Concrete Roads Programme - Reconstruction Works Framework, a four-year programme worth c£130m to repair or replace the concrete surface of motorways or major A roads in England; and the detailed design for the Carlisle Southern Link Road by Cumbria County Council. In addition, Infrastructure was awarded a place on National Highways' new Scheme Delivery Framework, a £3.6bn, six-year programme to deliver vital renewals to maintain safety and reliability; the division was selected for the General Civil Engineering Central Region. Work was completed in the year on enhancements to the M1 junction 23 and A512 scheme in Loughborough to improve journey times and safety for motorists, delivered for Leicestershire County Council through the Midlands Highways Alliance.

In rail, Infrastructure secured a position as one of three partners on Lot 1 of Transport for London's London Rail Infrastructure Improvement Framework and was subsequently awarded early contractor involvement works for Surrey Quays and Surrey Canal Road stations. In addition, the division was appointed as principal contractor on Northumberland County Council's framework to build six new stations on the Northumberland Line. The initial part of the Northumberland project, which aims to restore regular passenger trains between Ashington and Newcastle by 2024, will see the conclusion of comprehensive design and delivery plans for the stations and bridges. Subject to government confirmation of funding and approval of the Transport and Works Act Order application, the framework provides for the division to undertake £40m of construction work, set to start in early 2022. Other wins included a £28m contract for Network Rail to construct an extension to the rockfall shelter over the railway line between Dawlish and Holcombe in Devon; a c£9m project to upgrade Maidenhead and Slough Crossrail stations as part of Network Rail's CP6 framework, Western region; and c£9m of station upgrade and access-for-all schemes via the Merseyrail framework. Work completed on the remodelling of London King's Cross station; the £160m Werrington Grade Separation project for Network Rail to increase passenger capacity; and the construction of the new Whitechapel Station for Crossrail, including a new ticket hall and step-free access.

In nuclear, the division secured a third term extension to the Infrastructure Strategic Alliance for Sellafield Ltd and continued to deliver the £1.6bn Programme and Project Partners contract, a 20-year programme to clean up the legacy of early operations at Europe's largest nuclear site. Infrastructure also continued its work on the 10-year Clyde Commercial Framework for the Defence Infrastructure Organisation.

In energy, National Grid awarded Infrastructure a place on its RIIO-2 electricity construction EPC (Engineer, Procure and Construct) framework which involves the construction, refurbishment and decommissioning of overhead line and underground cable systems operating between 33kV to 400kV across its transmission network. The framework, expected to be worth up to £1.5bn, is for an initial term of five years with an option for a two-year extension. The division secured additional work as part of the Scottish & Southern Electricity Networks (SSEN) overhead lines framework. Work completed on a £31.9m project in Cairngorms National Park to replace overhead lines and transmission towers with underground cables between Boat of Garten and Nethy Bridge, the first project in SSEN's VISTA (Visual Impact of Scottish Transmission Assets) initiative.

In water, work continued as part of the long-term AMP7 framework with Welsh Water and on the Thames Tideway 'super sewer' project to expand London's sewer network and help prevent pollution in the Thames.

In the BakerHicks design business[1], projects underway include the provision of principal designer advisory services on the Medicines Manufacturing Innovation Centre (MMIC) in Renfrewshire; a new advanced manufacturing facility in Macclesfield to enable AstraZeneca to meet demand for its cancer drug Zoladex; an extension to GlaxoSmithKline's Aseptic Manufacturing Facility in Barnard Castle; the provision of construction and design support for Boehringer Ingelheim's new biologicals development centre in Biberach, Germany; civil and structural engineering services for the £42.5m Allander Health and Leisure Centre in Bearsden, East Dunbartonshire; and the design of a new substation in Barking which will power 10,800 homes, local businesses and a new rail station.

Divisional outlook

The focus for Construction & Infrastructure remains on contract selectivity and risk management, operational delivery and developing long term relationships with its clients.

The new medium-term target for ***Construction*** has been upgraded, with a target of increasing revenue to £1bn per annum while maintaining its operating margin within the previous range of 2.5%-3.0% per annum. Progress towards this target is expected in 2022 with its margin moving back to within its target range.

Infrastructure's new and upgraded medium-term target is to achieve revenue of £1bn per annum while delivering an operating margin within the range of 3.5%-4.0% per annum. Progress towards this target is expected in 2022, although due to the timing and nature of its project workload for the year, its margin is expected to move back to within its target range off slightly lower revenue compared to 2021.

[1] *Design results are reported within Infrastructure*

Fit Out

	FY 2021 £m	FY 2020 £m	Change	*FY 2019 £m*	*Change FY 2021 vs 2019*
Revenue	795	700	+14%	*839*	*-5%*
Operating profit	44.2	32.1	+38%	*36.9*	*+20%*
Operating margin	5.6%	4.6%	+100bps	*4.4%*	*+120bps*

Fit Out delivered an excellent performance in the year, driven by consistently strong project delivery, a continued focus on enhanced customer experience and a high-quality workload. With revenue increasing 14% to £795m (FY 2020: £700m), operating profit increased 38% to £44.2m, a record result for the division. The operating margin of 5.6% was up 100bps on prior year (FY 2020: 4.6%).

As with previous years, there was a second half weighting to the operating margin (H1 2021: 5.1%, H2 2021: 6.0%) which was driven by project mix and by the successful completion of a number of contracts falling towards the end of the year.

As expected, the proportion of revenue derived from the commercial office sector reverted back to more normal levels contributing 76% of revenue (FY 2020: 66%), with work in the public sector and for local authorities dropping back to 16% of revenue (FY 2020: 25%). The higher education and retail banking sectors made up the remainder as usual.

Revenue outside of the London region increased strongly to 42% of the total, up from 31% in the prior period, however the London region remained the division's largest market at 58% of revenue (FY 2020: 69%). Looking ahead to future periods, the proportion of revenue from the London region is expected to revert back to a more normal proportion of c70% of divisional revenue.

In terms of type of work delivered in the year, 80% related to traditional fit out work (FY 2020: 86%), while 20% related to 'design and build' (FY 2020: 14%). The proportion of revenue generated from the fit out of existing office space increased slightly to 78% (FY 2020: 72%), with the fit out of new office space reducing to 22% (FY 2020: 28%). Of the fit out of existing office space, work was broadly split evenly between refurbishment 'in occupation' and non-occupied space.

The market for Fit Out's services remains strong. At the year end, the secured order book was £897m, more than double the size of the order book at the previous year end (FY 2020: £410m) and an increase of 54% on the position at the half year (HY 2021: £581m). Within this total, the division secured a number of larger contracts which will generate revenue over a number of years, thereby giving the division better long-term visibility compared to its usual project cycle.

Of the year-end order book of £897m, £528m (59%) relates to 2022 and this level of orders for the next 12 months is 36% higher than it was at the same time last year. In addition to these secured orders, the division had over £100m of potential work 'pending decision' at the year end, as well as in excess of £500m of tender opportunities identified for the first quarter of 2022. The average value of enquiries received through the year was around £4m.

'Traditional' fit out projects won in the year included: 366,000 sq ft of office space at Five Bank Street, Canary Wharf; 200,000 sq ft for BP in North Colonnade, Canary Wharf; 200,000 sq ft for BT in Bristol, awarded following completion of a 186,000 sq ft project for BT in Birmingham; 150,000 sq ft of Cat A space in Thames Valley Park, Reading; 93,000 sq ft of office, sales and support facilities for MathWorks in Cambridge; 90,000 sq ft of Cat A space in Coventry for landlord IM Properties; and 30,000 sq ft for landlord Quadrature Capital in the Leadenhall Building, London. Project completions included Norton Motorcycles' new 70,000 sq ft state-of-the-art facility in Solihull and a 56,000 sq ft office in Bristol for the BBC.

In 'design and build', significant project wins included: the Cat A fit out of 180,000 sq ft at Campus Reading, one of the largest office developments in the Thames Valley; Hutchison 3G UK/Three's new 117,000 sq ft workspace in Reading; nine projects for space provider Instant Group, creating 135,000 sq ft of lettable office space; and 17,000 sq ft in Bracknell for big data analytics provider, IRI.

Fit Out's public sector portfolio continued to expand in 2021 as the division secured: a 12,000 sq ft refurbishment of the North West Regional Control Centre for National Highways (formerly Highways England); a 60,000 sq ft fit out for the University of Leicester via the Pagabo framework; and multiple projects totalling £51.8m under The Mayor's Office for Policing and Crime (MOPAC) framework with a further £40.7m secured for 2022 and beyond.

Divisional outlook

Fit Out's new and upgraded medium-term target is to deliver average annual operating profit through the cycle of £40m-£45m. For 2022, based on timing of projects in the order book and the current visibility the division has of future workload later in the year, Fit Out is expected to deliver a performance which is around the mid-point of this target range.

Property Services

	FY 2021 £m	FY 2020 £m	Change	*FY 2019 £m*	*Change FY 2021 vs 2019*
Revenue	134	112	+20%	*115*	*+17%*
Operating profit[1]	4.1	1.0	+310%	*4.3*	*-5%*
Operating margin[1]	3.1%	0.9%	+220bps	*3.7%*	*-60bps*

Property Services performed well in the year, delivering improved results on the prior year as volumes recovered from C-19 disruption in 2020. Revenue increased by 20% to £134m and operating profit[1] increased 310% to £4.1m. The operating margin[1] of 3.1% represented an increase of 220bps ahead of prior year.

The division has continued to focus on delivering repairs and planned maintenance with a strong social value offering, servicing public sector housing through integrated contracts with housing associations and local authorities. Although most of the division's repairs contracts were restored to more normal volumes in the year, planned maintenance activity was slower to recover.

Investment continues in its technology offering for managing repairs and maintenance and planned activities, with a significant focus on the provision of data insight and the improvement of the all-round customer experience. During the year, the division launched its new software platform, goldeni, that provides social housing landlords and residents with real-time data to help ensure their properties are healthy, compliant and energy efficient. Of the overall investment in goldeni, £0.6m was expensed during the year and included in the operating result.

At the year end, the secured order book was £945m, down 3% from the prior year end (FY 2020: £970m) and down 3% from the half year position (HY 2021: £973m). Of this total, in excess of 85% is for 2023 and beyond.

In addition (and not yet reflected in the order book), the division was selected to deliver a new ten-year contract with South East housing association, Moat, to provide services to 11,500 homes across south east London, Kent, Essex and Sussex. The contract is worth over £200m and has the potential to be extended by a further five years. Moat residents were consulted extensively during the tendering process, with over 1,000 providing feedback on how Moat's new partner could deliver social value through the scheme. Contracts are expected to be signed in the first quarter of 2022 with the project to start in April 2022 following a three-month mobilisation period.

Divisional outlook

Based on the current order book and pipeline of opportunities, together with the division's operating model, the new medium-term target for Property Services has been upgraded to it delivering £15m operating profit per annum.

This target will be delivered through both revenue growth and continued margin improvement and progress will be made towards this in 2022.

[1] *before intangible amortisation of £1.5m (FY 2020: £1.2m)*

Partnership Housing

	FY 2021 £m	**FY 2020[1] £m**	**Change**	***FY 2019[1] £m***	***Change FY 2021 vs 2019***
Revenue	572	474	+21%	*520*	*+10%*
Operating profit	33.2	16.0	+108%	*21.7*	*+53%*
Operating margin	5.8%	3.4%	+240bps	*4.2%*	*+160bps*
Average capital employed[2] (last 12 months)	155.8	167.0	-£11.2m		
Capital employed[2] - at year end	155.6	130.6	+£25.0m		
ROCE[3] (last 12 months)	21%	10%			

Partnership Housing had a very strong year, with significant strategic and operational progress made. Revenue for the year was up 21% to £572m (FY 2020: £474m), with both ***Mixed-tenure*** and ***Contracting*** performing well. Split by type of activity, ***Mixed-tenure*** revenue was up 16% to £323m (56% of divisional revenue) and ***Contracting*** revenue (including planned maintenance and refurbishment) was up 27%[1] to £249m (44% of divisional total).

Operating profit increased substantially, more than doubling to £33.2m, an increase of 108% (FY 2020[1]: £16.0m). The operating margin increased to 5.8%, up from 3.4% supported by the higher mixed-tenure and contracting revenue as well as benefitting from continued operational efficiencies.

During the year, the division experienced a number of significant price increases in certain product categories and some increases in lead times for product deliveries to site. Any additional costs attached to sourcing some materials have generally been offset by a combination of operational efficiencies and sales price inflation.

The secured order book at the year end was £1,498m, an increase of 4% on the prior year end (FY 2020[1]: £1,445m).

The average capital employed[2] for the last 12-month period was £155.8m, a reduction of £11.2m on the prior year. The ROCE[3] increased to 21%, a much-improved performance and significantly in excess of prior years. The capital employed[2] at year end was £155.6m, an increase of £25.0m from the prior year end.

Mixed-tenure

A key aspect of the division's growth strategy is to increase the number and size of its mixed-tenure sites. Significant progress has been in this area, with currently a total of 48 mixed-tenure sites at various stages of construction and sales (up from 39 at the prior year end), with an average of 143 open market units per site (up from 101 at the prior year end). Average site duration is 48 months, providing long-term visibility of activity.

During the year, 1,653 units were completed across open market sales and social housing (including through its joint ventures), significantly higher than in the prior year (2020: 1,216 units). The average sales price of £249k compared to the prior year average of £229k.

Of the total divisional order book, the amount relating to the ***Mixed-tenure*** activities increased 9% to £992m (FY 2020[1]: £907m). In addition, the amount of mixed-tenure business in preferred bidder status or already under development agreement but where land has not been drawn down was c£750m at the year end.

Work won included the regeneration of the former Llanwern and Whiteheads steelworks sites in Newport, valued at £105m and £85m respectively. The two schemes, being delivered in partnership with Pobl Group, have started on site and will deliver a combined total of over 1,000 homes. Other significant wins included: a £120m scheme with Abri housing association to build 500 homes in Weymouth; and a 188-unit development in Whalley, Lancashire with Trafford Housing Trust. In addition, the division exchanged contracts for the former site of a Philips factory in Hamilton, South Lanarkshire to develop 166 new homes (42 affordable) for Clyde Valley Housing Association; and secured planning permission for a further 766 homes on its One Woolwich programme with the Royal Borough of Greenwich.

Partnership Housing formally executed a new, long-term joint venture in the year with West Sussex County Council, with an initial 10 sites (582 units) immediately under option. The aim of the joint venture is to develop surplus land owned by the council into new homes and commercial premises that will generate funds for reinvestment into frontline services. Preferred bidder status was achieved in December 2021 for a similar long-term strategic joint venture with Suffolk County Council. An initial five sites will be committed to the joint venture, including two significant urban extensions, potentially delivering approximately 2,800 homes across the county. Contract close is aimed for by Spring 2022.

Work started in the year on four new projects with Together Housing Trust to deliver 650 units in Pendleton, Lancashire; 244 in Kirk Ella, East Yorkshire; 153 in Holmewood, Chesterfield and 175 in Howden, East Yorkshire. In the Midlands, project starts included 234 homes in Oldbury, 329 in Donnington and 123 in Birmingham. Planning permission was secured and work started on two sites acquired from Homes England: 412 homes in Drummond Park, Wiltshire and 119 in Thorp Arch, Yorkshire.

Contracting

In ***Contracting***, the total number of equivalent units built was 1,477, up from 978 in the prior year.

Of the total divisional order book, the ***Contracting*** secured order book was 6% lower at £506m (FY 2020[1]: £538m), of which £224m is for 2022.

Key contracting schemes awarded in the year included: a £50m, 211-unit scheme at Tolworth for Guinness Partnerships; a contract with Norfolk County Council-owned Repton to build 400 plus homes in Norfolk; 301 homes at Crick Road, Portskewett for Monmouthshire County Council; and the appointment onto the Your Housing Group framework, including the initial award of a £25m, 216-unit scheme at Edge Lane, Openshaw.

The division was awarded a refurbishment project by Orbit Group to retrofit 69 homes in Warwick to increase their energy efficiency. Partnership Housing worked with Orbit to secure £4m towards the project from the Social Housing Decarbonisation Fund (SHDF) demonstrator, run by the Department for Business, Energy and Industrial Strategy (BEIS), to improve the energy efficiency of social housing.

Work started in the year at Ringswell Avenue in Exeter to provide 60 affordable homes for LiveWest, the South West's largest housing association. The development will be the first to meet LiveWest's new sustainable homes standards following the launch of its 'Creating Greener Futures Together' strategy.

Divisional outlook

Partnership Housing has made significant strategic and operational progress over recent years, which has been evidenced by its vastly improved financial results. The market opportunity for Partnership Housing remains substantial and the pathway for Partnership Housing's next stage of development is set out in its new and upgraded medium-term targets; firstly, to generate a return on average capital employed[2] of up to 25% and secondly, to deliver an operating margin of 8%. In 2022, the average capital employed[2] is expected to increase up towards c£190m and further progress is expected.

[1] Restated – see Other Financial Information Section, Paragraph 8 - Reporting Segments. All FY 2020 and FY 2019 comparative numbers, including order book and capital employed, have been restated to include the impact of the revised reporting segments
[2] Capital employed is calculated as total assets (excluding goodwill, intangibles and cash) less total liabilities (excluding corporation tax, deferred tax, inter-company financing and overdrafts)
[3] Return On Average Capital Employed = (Adjusted operating profit plus interest from JVs) divided by average capital employed

Urban Regeneration

	FY 2021 £m	FY 2020[1] £m	Change	*FY 2019[1] £m*	*Change FY 2021 vs 2019*
Revenue	203	124	+64%	*120*	*+69%*
Operating profit	12.1	8.8	+38%	*19.9*	*-39%*
Average capital employed[2] (last 12 months)	98.7	124.0	-£25.3m		
Capital employed[2] at year end	84.0	100.8	-£16.8m		
ROCE[3] (last 12 months)	13%	7%			
ROCE[3] (average last 3 years)	12%				

Urban Regeneration delivered an operating profit of £12.1m in the year, an increase of 38% on the prior year (FY 2020[1]: £8.8m). The ROCE[3] in the year increased to 13%, based on the average capital employed in the year of £98.7m.

Key contributors to performance were profit and development fees generated from the Salford Central regeneration scheme, being delivered by the English Cities Fund (ECF) joint venture with Legal & General and Homes England; the delivery of 520 new homes at New Victoria in Manchester; a land sale at Hucknall; the continuation of development at Phase 2 of Lewisham Gateway; and completion of the first phase at Hale Wharf in Tottenham via Waterside Places, the division's joint venture with the Canal & River Trust. Profits were also earned from the sale of new homes at: Salford Central; Wapping Wharf, Bristol; Griffon Fields, Hucknall; Novus, Slough; Northshore, Stockton-on-Tees; and Millbay, Plymouth.

The operating result also includes the £5.6m non-cash impairment of the division's investment in the Bournemouth Development Company, a joint venture with Bournemouth Christchurch and Poole Council. The impairment relates to one specific scheme within the joint venture where construction cost inflation as well as other factors have challenged the viability of the scheme. Following the impairment, the carrying value of the division's investment in the joint venture is reduced to £3.2m. Adjusting for the impact of this impairment, the ROCE for the year would be 19%.

During the year, the division signed a major deal at New Victoria, Manchester with Morgan Capital investing £60m to take forward a 150,000 sq ft office building, the second and final phase of the £190m scheme. In addition, agreements were exchanged for 96 affordable homes designed to the Passivhaus 'Classic' energy performance standard at Salford and a land sale was completed at Chester to Progressive Living for the development of up to 128 homes. The last remaining plot at Logic Leeds was sold to MCM Investments.

Significant new appointments included: preferred development partner to West Sussex County Council to deliver Horsham Enterprise Park, a new, 18.5 acre neighbourhood situated on a former Novartis site that will provide up to 270,000 sq ft of offices, research and development facilities, an 'Enterprise Hub', up to 300 new homes (35% affordable), local amenities and generous outdoor spaces; preferred development partner to Barnet Council to redevelop Bunns Lane car park in London, which will provide c130 homes for rent (50% affordable), commuter parking and retail and leisure space; and, via the Pagabo framework, development partner to Scarborough Borough Council to deliver a new bus interchange integrated into the town's rail station, a new commercial building for the council, redevelopment of the council's office building, repurposing of a Victorian spa building, and public realm. In addition, Bury Council approved a joint venture with the division to regenerate Prestwich village, with proposals including a community hub, library, fitness suite and performance area.

Construction began during the year on two developments at Salford Central: a 175,000 sq ft office for BT and 115,000 sq ft of speculative office space that will be ultra-low in energy consumption and fossil-fuel free. Work also started on two office buildings in Birkenhead totalling 150,000 sq ft, both pre-let to Wirral Council; residential-led schemes at Islington Wharf (106 homes), Manor Road Quarter (355 homes with 50% affordable) and West Cliff Mansions, Bournemouth (44 homes); and a 144-room Holiday Inn in Blackpool. Enabling works began on Phase 2 of Hale Wharf and Phase 3 of Brentford Lock West.

Residential developments completed included 256 new homes at Wapping Wharf, Bristol, 211 at Atelier and Valette Square in Salford Central and 46 for rent at Treetops, Bournemouth. Work also completed on a new Jobcentre Plus in South Shields; a 45,000 sq ft office development for Eli Lilly in Basingstoke; and the transformation of the Old Library site in Slough, delivering a Moxy Hotel and Residence Inn, together with 64 apartments.

The division achieved a number of planning consents in the year, including for 1.4m sq ft of mixed-use development at Birkenhead, Wirral; 312 new homes and public realm at Stoke Wharf, Slough; 274 homes (51% affordable) at Stroudley Walk, London; 212 homes at Montem Lane, Slough; a 64,000 sq ft office development and 400-space multi-storey car park at Stockport Exchange; and One City Park, a 56,400 sq ft office development in Bradford**.**

Urban Regeneration's development portfolio continues to be both active and diverse, with 14 projects on site at the year-end across 11 developments, totalling £980m gross development value, and a further 17 projects expected to start on site in 2022.

At the year end, the division’s regeneration order book amounted to £2.57bn, a reduction of 12% on the prior year end, and within this there is a diverse geographic and sector split:

- by value, 38% is in the North West, 52% in London and the South East, 8% in Yorkshire and the North East and 2% in the rest of the UK; and

- by sector, 52% by value relates to residential, 33% to offices, and the remainder is broadly split between retail, leisure, and industrial.

Divisional outlook

Based upon the current profile and type of scheme activity across the portfolio, the average capital employed[2] for 2022 is expected to increase to c£110m.

The medium-term target for Urban Regeneration has not changed and is to increase its rolling three-year average ROCE[3] up towards 20%. Good progress towards this target is expected in 2022.

[1] Restated – see Other Financial Information Section, Paragraph 8 - Reporting Segments. All FY 2020 and FY 2019 comparative numbers, including order book and capital employed, have been restated to include the impact of the revised reporting segments
[2] Capital employed is calculated as total assets (excluding goodwill, intangibles and cash) less total liabilities (excluding corporation tax, deferred tax, inter-company financing and overdrafts)
[3] Return On Average Capital Employed = (Adjusted operating profit plus interest from JVs) divided by average capital employed

Group Capital Allocation Framework

The Group's Capital Allocation Framework was formalised and announced in August 2021 at the time of the half year results and is reproduced below.

The Board's single, overarching principle governing capital allocation is a commitment to maintain a strong balance sheet and to hold significant net cash balances at all times.

In support of this principle, the Group's capital allocation framework comprises:

- ***Maintaining balance sheet strength to enhance our competitive advantage and win future work***

Fundamental to the Group's organic strategy is engaging in long term partnerships with its public and private sector clients, whether it be through joint ventures or other arrangements in its Regeneration activities, or through frameworks in its Construction activities.

When assessing the suitability of long-term partners, potential clients are increasingly looking for security and assurance of long-term solvency and the availability of cash resources to ensure their partners can fulfil their long-term contractual obligations. A strong balance sheet and significant levels of net cash are considered by the Group as a market differentiator and a competitive advantage when bidding and winning future work to support the future growth of the business.

- ***Ensuring downside protection - maintaining a 'buffer' in the event of a macro downturn***

Maintaining significant levels of net cash is considered as key to offsetting any potential consequence of a future downturn in the economy and reduction in revenue in the Construction activities of Construction & Infrastructure and Fit Out.

These activities operate with a negative working capital model, which in turn can lead to cash outflows in the event of declines in revenue. Maintaining a net cash 'buffer' therefore allows the Group to continue with its strategy of disciplined contract selectivity and prudent approach to risk management throughout the whole economic cycle.

- ***Maximising investment in the current business to drive growth***

As detailed in the Group Strategy section above, the Group's capabilities are aligned with sectors of the UK economy which are expected to see increasing opportunities in the medium to long term and which support the UK's current and future regeneration and affordable housing needs, as well as being well positioned to meet the demand for ongoing investment in the UK's physical and social infrastructure. Consequently, significant opportunities are expected to arise through the medium and long-term to invest in the business to support and accelerate the organic growth of these activities.

Specifically, investment in the regeneration activities is a strategic priority:

- For *Partnership Housing*, the growth potential remains substantial. The new and upgraded medium-term target is for an operating margin of 8% and for return on capital to be up towards 25% on an annual basis. These investment returns are targeted for its next phase of growth and the scalability of the partnership housing model provides the potential to significantly increase the capital employed above current levels over the medium to long term.

- Within *Urban Regeneration*, its development activities across multi-phase sites and mixed-use regeneration are targeted to generate an average return on capital of up to 20% on a three-year basis over the medium term. Based on the identified pipeline of future opportunities as well as the investment profile of schemes already secured, the capital employed in the division is expected to increase over the medium term.

Within the overall investment programme for the Regeneration activities, the Group may occasionally identify opportunities to complement the existing growth strategy by acquiring pre-existing development schemes or positions in existing schemes from third parties. Any such acquisition opportunities would only be considered where they would accelerate the strategic growth through the Group's existing divisional structure and capabilities.

- ***Maintaining an attractive dividend policy***

Dividends are considered by the Board to be an important component of shareholder returns. The Board has formally adopted a dividend policy such that dividend cover is expected to be in the range of 2.0x-2.5x on an annual basis. This revised policy is effective from 2021 onwards.

This capital allocation framework is designed to balance the needs of all stakeholders whilst enhancing the Group's market competitiveness and capabilities and maintaining its financial strength. The Board will prioritise attractive investment opportunities in the business to support and accelerate growth, generate the best returns for shareholders and ensure the continued support of the ordinary dividend. The Board will continue to assess the needs of the business and the optimum balance sheet structure within the context of the principle and framework described above, and any capital then deemed surplus above these requirements may be returned to shareholders.

Other Financial Information

1. Net finance expense. The net finance expense was £3.6m, a decrease of £1.0m compared to FY 2020, which is broken down as follows:

	FY 2021 £m	FY 2020 £m	Change £m
Interest payable on drawings on bank facilities	-	(1.3)	1.3
Amortisation of bank fees & non-utilisation fees	(2.5)	(1.7)	(0.8)
Interest expense on lease liabilities	(1.5)	(1.7)	0.2
Interest from JVs	0.6	0.6	-
Other	(0.2)	(0.5)	0.3
Total net finance expense	**(3.6)**	**(4.6)**	**1.0**

2. Tax. A tax charge of £28.3m is shown for the year (FY 2020: £15.4m). This equates to an effective tax rate of 22.4% on profit before tax. The adjusted tax charge is £23.5m (FY 2020: £14.5m).

	FY 2021 £m	FY 2020 £m
Profit before tax	126.2	60.8
Less: share of net profit in joint ventures	(5.4)	(2.3)
Profit before tax excluding joint ventures	**120.8**	**58.5**
Statutory tax rate	19.0%	19.0%
Current tax charge at statutory rate	**(23.0)**	**(11.1)**
Tax on joint venture profits[1]	(0.7)	(0.6)
Effect of change in tax rate used to calculate deferred tax	(5.1)	(1.5)
Prior year adjustments	1.4	(0.2)
Other adjustments	(0.9)	(2.0)[2]
Tax charge as reported	**(28.3)**	**(15.4)**
Tax on amortisation	(0.3)	(0.6)
Effect of change in tax rate used to calculate deferred tax	5.1	1.5
Adjusted tax charge	**(23.5)**	**(14.5)**

[1] *Most of the Group's joint ventures are partnerships where profits are taxed within the Group rather than the joint venture*
[2] *Includes £1.8m repaid to HMRC in additional corporation tax as result of repayment of furlough claims in the year*

3. Net working capital. 'Net Working Capital' is defined as 'Inventories plus Trade & Other Receivables (including Contract Assets), less Trade & Other Payables (including Contract Liabilities)' adjusted as below.

	FY 2021 £m	FY 2020[3] £m	Change £m
Inventories	288.5	294.2	-5.7
Trade & Other Receivables[1]	559.9	405.1	+154.8
Trade & Other Payables[2]	(1,002.0)	(904.8)	-97.2
Net working capital	**(153.6)**	**(205.5)**	**51.9**

[1] *Adjusted to exclude capitalised arrangement fees of £1.0m (FY 2020: £1.3m)*
[2] *Adjusted to exclude accrued interest payable of £0.5m (FY 2020: £0.4m)*
[3] *Includes the restatement to correct an historic error – see paragraph 9 below and Basis of Preparation*

4. Cash flow. The operating cash flow was an inflow of £117.6m (FY 2020: inflow of £178.7m). Free cash flow was an inflow of £87.6m (FY 2020: inflow of £155.6m).

	FY 2021 £m	FY 2020 £m
Operating profit - adjusted	**131.3**	**68.5**
Depreciation	20.5	22.0
Share option expense/(credit)	12.1	(0.1)
Movement in fair value of shared equity loans	1.9	0.5
Share of net profit of joint ventures	(5.4)	(2.3)
Other operating items [1]	31.1	6.4
Change in working capital [2]	(52.7)	102.6
Net capital expenditure (including repayment of finance leases)	(21.8)	(19.5)
Dividends and interest received from joint ventures	0.6	0.6
Operating cash flow	**117.6**	**178.7**
Income taxes paid	(28.3)	(19.9)
Net interest paid (non-joint venture)	(1.7)	(3.2)
Free cash flow	**87.6**	**155.6**

[1] *'Other operating items' includes shared equity redemptions (£2.1m), disposal of investment properties (£1.9m), impairment of investments (£1.2m), and provision movements (£26.4m), less gain on disposal of property, plant & equipment (£0.5m)*
[2] *The cash flow due to change in working capital excludes non-cash movements relating to the unwinding of discounting on land creditors (£0.2m) and other non-cash creditor movements (£0.6m)*

5. Net cash. Net cash at the year end was £358.0m as a result of a net cash inflow of £25.2m from 1 January 2021.

	£m
Net cash as at 1 January 2021	**332.8**
Free cash flow (as above)	87.6
Dividends	(32.3)
Other[1]	(30.1)
Net cash as at 31 December 2021	**358.0**

[1] *'Other' includes the purchase of shares in the Company by the employee benefit trust (£33.6m); less net loan repayments received from joint ventures (£1.5m), proceeds from the issue of new shares (£0.3m) and proceeds from the exercise of share options (£1.7m)*

6. Capital employed by strategic activity. An analysis of the capital employed in the **Construction** activities shows an increase of £4.4m since the prior year, split as follows:

Capital employed[1] in Construction	FY 2021 £m	FY 2020[2] £m	Change £m
Construction & Infrastructure	(269.4)	(272.8)	3.4
Fit Out	(86.2)	(63.7)	(22.5)
Property Services	37.9	14.4	23.5
	(317.7)	**(322.1)**	**4.4**

An analysis of capital employed in the **Regeneration** activities shows an increase of £8.2m since the prior year, split as follows:

Capital employed[1] in Regeneration	FY 2021 £m	FY 2020[3] £m	Change £m
Partnership Housing[3]	155.6	130.6	25.0
Urban Regeneration[3]	84.0	100.8	(16.8)
	239.6	**231.4**	**8.2**

[1] Total assets (excluding goodwill, intangibles, inter-company financing and cash) less total liabilities (excluding corporation tax, deferred tax, inter-company financing and overdrafts)
[2] Includes the restatement to correct an historic error – see paragraph 9 below and Basis of Preparation
[3] Restated – see paragraph 8 below - Reporting Segments

7. Dividends. The Board of Directors has proposed a final dividend of 62p per share, an increase of 55% on the prior year. This will be paid on 18 May 2022 to shareholders on the register at 29 April 2022. The ex-dividend date will be 28 April 2022.

8. Reporting segments. From 1 January 2021, the Group reported five operating segments plus the Group activities. For prior periods, a further operating segment for Investments was separately reported. The responsibility of the operations of the Investments division was divided and allocated between Partnership Housing, Urban Regeneration and Group Activities from 1 January 2021.

The reallocation of the 2020 Investments segment is presented below and these allocations are included for comparative purposes in 2021 reporting.

Reallocation of Investments – 31 December 2020 £m	Investments	Partnership Housing	Urban Regeneration	Group Activities
Revenue	34.2	32.5	1.7	-
Adjusted Operating Loss	**(6.9)**	**(0.1)**	**(0.4)**	**(6.4)**
Amortisation of Intangible Assets	*(1.9)*	-	-	*(1.9)*
Operating Loss	**(8.8)**	**(0.1)**	**(0.4)**	**(8.3)**
Capital employed at 31 December 2020 (£m)	**21.9**	**8.4**	**15.7**	**(2.2)**

As a result of this restatement, the revised comparative numbers for Partnership Housing, Urban Regeneration and Group Activities are as follows:

Restated comparatives – 31 December 2020 £m	Partnership Housing	Urban Regeneration	Group Activities
Revenue – as reported	441.4	122.8	-
Revenue – as restated	**473.9**	**124.5**	**-**
Adjusted Operating Profit/(Loss) – as reported	16.1	9.2	(18.7)
Adjusted Operating Profit/(Loss) – as restated	**16.0**	**8.8**	**(25.1)**
Capital employed – as reported	122.2	85.1	n/a
Capital employed – as restated	**130.6**	**100.8**	**n/a**

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

A difference has been identified relating to the acquired business of Amec. This error is an historic unsubstantiated asset of £9.9m that has continued to be recorded on the consolidated statement of financial position within Trade and other payables. Therefore, the error has been corrected by restating each of the affected financial statement line items for the prior periods, as follows:

Impact on equity ((decrease) in equity)

	31 December 2020	1 January 2020
	£m	£m
Trade and other payables	9.9	9.9
Total liabilities	9.9	9.9
Net impact on equity	**(9.9)**	**(9.9)**

The change did not have an impact on the consolidated income statement, consolidated statement of comprehensive income, basic and diluted earnings per share or the Group's operating, investing and financing cash flows for each period presented.

See Basis of Preparation also.

10. Principal risks and uncertainties. The Board continues to take a proactive approach to recognising and mitigating risk with the aim of protecting and safeguarding the interests of the Group and its shareholders in the changing environment in which it operates.

Details of the principal risks facing the Group and mitigating actions will be included in the 2021 Annual Report which will be published on 24 March 2022. These are still considered to be relevant risks and uncertainties for the Group at this time and are summarised below (in no order of magnitude):

Economic change and uncertainty - If profitable opportunities in our chosen markets reduce, we need to ensure that we carefully allocate resources and capital to minimise reductions in our profitability and cash generation.

Exposure to UK housing market - Inflationary pressures could challenge scheme viability, slowing down our secured order book conversion. If mortgage availability and affordability are reduced this could make existing schemes difficult to sell and future developments unviable, reducing profitability and tying up capital.

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

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

Climate change - Failure to protect the environment in which we work by reducing carbon emissions and waste and to fully consider potential environmental risks on projects could cause delays to projects and damage the Group's reputation.

Failure to attract and retain talented people - Talented people are needed to provide excellence in project delivery and customer service. Skills shortages in the construction industry remain an issue for the foreseeable future.

Insolvency of key client, subcontractor, joint venture partner or supplier - An insolvency could disrupt project works, cause delay and incur the costs of finding a replacement, resulting in significant financial loss. There is a risk that credit checks undertaken in the past may no longer be valid.

Inadequate funding - A lack of liquidity could impact our ability to continue to trade or restrict our ability to achieve market growth or invest in regeneration schemes.

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

Poor project delivery (including changes to contracts and contract disputes) - Failure to meet client expectations could lead to disputes and incur costs that erode profit margins, lead to the withholding of cash payments and impact working capital. It may also result in reduction of repeat business and client referrals.

UK cyber activity and failure to invest in information technology - Investment in IT is necessary to meet the future needs of the business in terms of expected growth, security, and innovation, and enables its long-term success. It is also essential in order to avoid reputational and operational impacts and loss of data that could result in significant fines and/or prosecution.

Cautionary forward-looking statement

These results contain forward-looking statements based on current expectations and assumptions. Various known and unknown risks, uncertainties and other factors may cause actual results to differ from any future results or developments expressed or implied from the forward-looking statements. Each forward-looking statement speaks only as of the date of this document. The Group accepts no obligation to publicly revise or update these forward-looking statements or adjust them to future events or developments, whether as a result of new information, future events or otherwise, except to the extent legally required.

Consolidated income statement
For the year ended 31 December 2021

	Notes	2021 £m	2020 £m
Revenue		**3,212.8**	3,034.0
Cost of sales		**(2,830.0)**	(2,718.2)
Gross profit		**382.8**	315.8
Administrative expenses		**(258.3)**	(252.3)
Share of net profit of joint ventures		**5.4**	2.3
Other operating income		**1.4**	2.7
Operating profit before amortisation of intangible assets		**131.3**	68.5
Amortisation of intangible assets		**(1.5)**	(3.1)
Operating profit		**129.8**	65.4
Finance income		**0.6**	0.9
Finance expense		**(4.2)**	(5.5)
Profit before tax		**126.2**	60.8
Tax	3	**(28.3)**	(15.4)
Profit for the year		**97.9**	45.4
Attributable to:			
Owners of the Company		**97.9**	45.4

Earnings per share			
Basic	5	**212.4p**	99.8p
Diluted	5	**204.4p**	98.1p

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

Consolidated statement of comprehensive income
For the year ended 31 December 2021

	2021	2020
	£m	£m
Profit for the year	**97.9**	45.4
Items that may be reclassified subsequently to profit or loss:		
Foreign exchange movement on translation of overseas operations	**-**	(0.2)
Loss/(gain) arising during the year on net investment in foreign operations	**(0.2)**	0.2
	(0.2)	-
Other comprehensive (expense)/income	**(0.2)**	-
Total comprehensive income	**97.7**	45.4
Attributable to:		
Owners of the Company	**97.7**	45.4

Consolidated statement of financial position
at 31 December 2021

	Notes	2021 £m	2020 re-stated[1] £m	01 January 2020 re-stated[1] £m
Assets				
Goodwill and other intangible assets		**221.9**	222.1	223.6
Property, plant and equipment		**66.6**	65.8	79.5
Investment property		**0.8**	2.7	5.1
Investments in joint ventures		**94.1**	91.4	84.3
Other investments		**-**	-	1.3
Shared equity loan receivables		**-**	5.5	8.4
Non-current assets		**383.4**	387.5	402.2
Inventories		**288.5**	294.2	338.1
Contract assets		**232.6**	171.8	186.8
Trade and other receivables	6	**328.3**	234.6	275.7
Current tax assets		**4.7**	-	-
Shared equity loan receivables		**1.5**	-	-
Cash and cash equivalents	9	**468.6**	400.5	251.2
Current assets		**1,324.2**	1,101.1	1,051.8
Total assets		**1,707.6**	1,488.6	1,454.0
Liabilities				
Contract liabilities		**(78.5)**	(55.6)	(56.2)
Trade and other payables	7	**(891.4)**	(847.9)	(842.3)
Current tax liabilities		**-**	(1.0)	(9.6)
Lease liabilities		**(13.4)**	(12.1)	(12.8)
Borrowings	9	**(110.2)**	(67.3)	(58.5)
Provisions	8	**(33.4)**	(4.9)	(7.1)
Current liabilities		**(1,126.9)**	(988.8)	(986.5)
Net current assets		**197.3**	112.3	65.3
Trade and other payables	7	**(32.6)**	(1.7)	(3.8)
Lease liabilities		**(39.4)**	(38.9)	(46.9)
Borrowings	9	**(0.4)**	(0.4)	-
Retirement benefit obligation		**(0.2)**	(0.2)	-
Deferred tax liabilities		**(10.0)**	(12.5)	(8.1)
Provisions	8	**(23.9)**	(26.0)	(21.8)
Non-current liabilities		**(106.5)**	(79.7)	(80.6)
Total liabilities		**(1,233.4)**	(1,068.5)	(1,067.1)
Net assets		**474.2**	420.1	386.9
Equity				
Share capital		**2.3**	2.3	2.3
Share premium account		**45.8**	45.5	38.5
Other reserves		**(1.0)**	(0.8)	(0.8)
Retained earnings		**427.1**	373.1	346.9
Equity attributable to owners of the Company		**474.2**	420.1	386.9
Total equity		**474.2**	420.1	386.9

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

Consolidated cash flow statement
For the year ended 31 December 2021

	Notes	**2021 £m**	2020 £m
Operating activities			
Operating profit		**129.8**	65.4
Adjusted for:			
Amortisation of intangible assets		**1.5**	3.1
Share of net profit of equity accounted joint ventures		**(5.4)**	(2.3)
Depreciation		**20.5**	22.0
Share option expense/(credit)		**12.1**	(0.1)
Gain on disposal of interests in joint ventures		**-**	(2.7)
Gain on disposal of property, plant and equipment		**(0.5)**	(1.0)
Revaluation of investment properties		**-**	0.6
Movement in fair value of shared equity loan receivables		**1.9**	0.5
Impairment of investments		**1.2**	3.3
Proceeds on disposals of investment properties		**1.9**	1.8
Repayment of shared equity loan receivables		**2.1**	2.4
Increase in provisions	8	**26.4**	2.0
Operating cash inflow before movements in working capital		**191.5**	95.0
Decrease in inventories		**5.7**	43.9
(Increase)/decrease in contract assets		**(60.8)**	15.0
(Increase)/decrease in receivables		**(94.0)**	41.6
Increase/(decrease) in contract liabilities		**22.9**	(0.6)
Increase in payables		**73.5**	2.7
Movements in working capital		**(52.7)**	102.6
Cash inflow from operations		**138.8**	197.6
Income taxes paid		**(28.3)**	(19.9)
Net cash inflow from operating activities		**110.5**	177.7
Investing activities			
Interest received		**0.6**	1.2
Proceeds on disposal of property, plant and equipment		**1.4**	1.4
Purchases of property, plant and equipment		**(6.7)**	(4.2)
Purchases of intangible fixed assets		**(1.3)**	(1.6)
Net decrease/(increase) in loans to joint ventures		**1.5**	(12.9)
Proceeds on disposal of interests in joint ventures		**-**	8.3
Proceeds from the disposal of other investments		**-**	0.5
Acquisition of subsidiaries, joint ventures and other businesses		**-**	(0.1)
Net cash outflow from investing activities		**(4.5)**	(7.4)
Financing activities			
Interest paid		**(1.7)**	(3.8)
Dividends paid	5	**(32.3)**	(9.6)
Repayments of lease liabilities		**(15.2)**	(15.1)
Proceeds from borrowings		**-**	180.4
Repayment of borrowings		**-**	(180.0)
Proceeds on issue of share capital		**0.3**	7.0
Payments by the Trust to acquire shares in the Company		**(33.6)**	(9.6)
Proceeds on exercise of share options		**1.7**	0.9
Net cash outflow from financing activities		**(80.8)**	(29.8)
Net increase in cash and cash equivalents		**25.2**	140.5
Cash and cash equivalents at the beginning of the year		**333.2**	192.7
Cash and cash equivalents at the end of the year	9	**358.4**	333.2

Cash and cash equivalents presented in the Consolidated cash flow statement include bank overdrafts. See note 9 for a reconciliation to Cash and cash equivalents presented in the Consolidated statement of financial position.

Consolidated statement of changes in equity
For the year ended 31 December 2021

	Share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	Total equity £m
1 January 2020	2.3	38.5	(0.8)	356.8	396.8
Adjustment for correction of an historic error (see basis of preparation)	-	-	-	(9.9)	(9.9)
1 January 2020 (re-stated)	2.3	38.5	(0.8)	346.9	386.9
Profit for the year	-	-	-	45.4	45.4
Total comprehensive income	-	-	-	45.4	45.4
Share option credit	-	-	-	(0.1)	(0.1)
Tax relating to share options	-	-	-	(0.8)	(0.8)
Issue of shares at a premium	-	7.0	-	-	7.0
Purchase of shares in the Company by the Trust	-	-	-	(9.6)	(9.6)
Exercise of share options	-	-	-	0.9	0.9
Dividends paid	-	-	-	(9.6)	(9.6)
1 January 2021	**2.3**	**45.5**	**(0.8)**	**373.1**	**420.1**
Profit for the year	-	-	-	97.9	97.9
Other total comprehensive expense	-	-	(0.2)	-	(0.2)
Total comprehensive (expense)/income	-	-	(0.2)	97.9	97.7
Share option expense	-	-	-	12.1	12.1
Tax relating to share options	-	-	-	8.2	8.2
Issue of shares at a premium	-	0.3	-	-	0.3
Purchase of shares in the Company by the Trust	-	-	-	(33.6)	(33.6)
Exercise of share options	-	-	-	1.7	1.7
Dividends paid	-	-	-	(32.3)	(32.3)
31 December 2021	**2.3**	**45.8**	**(1.0)**	**427.1**	**474.2**

Other reserves
Other reserves include:

- Capital redemption reserve of £0.6m (2020: £0.6m) which was created on the redemption of preference shares in 2003.
- Hedging reserve of (£0.8m) (2020: (£0.6m)) arising under cash flow hedge accounting and net investments in foreign operations. Movements on the effective portion of hedges are recognised through the hedging reserve, whilst any ineffectiveness is taken to the income statement.
- Translation reserve of (£0.8m) (2020: (£0.8m)) arising on the translation of overseas operations into the Group's functional currency.

Retained earnings
Retained earnings include shares in Morgan Sindall Group plc purchased in the market and held by the Morgan Sindall Employee Benefit Trust ('the Trust') to satisfy options under the Company's share incentive schemes. The number of shares held by the Trust at 31 December 2021 was 1,051,664 (2020: 278,383) with a cost of £25.3m (2020: £5.3m). All of the shares held by the Trust were unallocated at the year end and dividends on these shares have been waived. Based on the Company's share price at 31 December 2021 of £25.20 (2020: £15.32), the market value of the shares was £26.5m (2020: £4.3m).

1 Basis of preparation

General information

The financial information set out above does not constitute the Company's statutory accounts for the year ended 31 December 2021 or 2020 but is derived from those accounts. A copy of the statutory accounts for 2020 was delivered to the Registrar of Companies and those for 2021 will be delivered following the Company's annual general meeting. The auditor reported on those accounts: their report was unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain a statement under s498(2) or (3) of the Companies Act 2006.

This preliminary announcement has been prepared solely to assist shareholders in assessing the strategies of the Board and in gauging their potential to succeed. It should not be relied on by any other party or for other purposes. Forward looking statements have been made by the directors in good faith based on the information available to them up to the time of their approval of this preliminary announcement. Such statements should be treated with caution due to the inherent uncertainties, including both economic and business factors, underlying any such forward looking information. Actual future results may differ materially from those expressed in or implied by these statements.

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

The consolidated financial statements will be available in March 2022. A copy will be delivered to the Registrar of Companies following the Company's annual general meeting.

Further information on the Group, including the slide presentation document which will be presented at the Group's results meeting on 24 February 2022, can be found on the Group's corporate website www.morgansindall.com.

Basis of preparation

The Group's activities and the key risks facing its future development, performance and position are set out in this preliminary announcement and in its annual report and accounts for the year ended 31 December 2021.

Going concern

In determining the appropriate basis of preparation of the Financial Statements, the Directors are required to consider whether the Group and Company can continue in operational existence during the going concern period, which the Directors have defined as the date of approval of the 31 December 2021 financial statements through to 28 February 2023.

As at 31 December 2021, the Group held cash of £468.6m, including £55.7m which is the Group's share of cash held within jointly controlled operations, and total loans and borrowings of £110.6m, including £110.2m of overdrafts repayable on demand (together net cash of £358.0m). Should further funding be required, the Group has significant committed financial resources available including unutilised bank facilities of £180m, of which £165m matures in October 2024 and £15m matures in March 2024. The Group's secured order book at 31 December 2021 is £8.6bn (2020: £8.3bn), of which £2.9bn relates to the 12 months ended 31 December 2022.

The Group has continued to operate safely during the COVID-19 pandemic under the Site Operating Procedures ('SOP') agreed by the Construction Leadership Council and following the advice from the UK Government, the devolved administrations and public health authorities. The Group has operated profitably with positive operating cash flows for the year ended 31 December 2021 whilst under these restrictions and, whilst there continues to be uncertainty over any further restrictions due to the pandemic, the Group expects the business to remain resilient under any guidelines issued for the foreseeable future until the end of the pandemic.

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

Accordingly, the Directors consider there to be no material uncertainties that may cast significant doubt on the Group's ability to continue to operate as a going concern. They have formed a judgement that there is a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the going concern period. For this reason, they continue to adopt the going concern basis in the preparation of these Financial Statements. The period from the date of signing of these Financial Statements to 28 February 2023 has been assessed following consideration of the budgeting cycles and typical contract lengths undertaken across the Group.

Changes in accounting policies
There have been no significant changes to accounting policies, presentation or methods of preparation since the financial statements for the year ended 31 December 2020 other than the item noted below.

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

A difference has been identified relating to the acquired business of Amec. This error is an historic unsubstantiated asset of £9.9m that has continued to be recorded on the consolidated statement of financial position in accrued expenses within Trade and other payables. Therefore, the error has been corrected by restating each of the affected financial statement line items for the prior periods, as follows:

Impact on equity ((decrease) in equity)

	31 December 2020	1 January 2020
	£m	£m
Trade and other payables	9.9	9.9
Total liabilities	**9.9**	**9.9**
Net impact on equity	**(9.9)**	**(9.9)**

The change has no impact on the consolidated income statement, consolidated statement of comprehensive income, basic and diluted earnings per share or the Group's operating, investing and financing cash flows for each period presented. In accordance with IAS 1, a restated balance sheet at 1 January 2020 has been presented.

2 Business segments

For management purposes, the Group is organised into five operating divisions: Construction & Infrastructure, Fit Out, Property Services, Partnership Housing and Urban Regeneration, and this is the structure of segment information reviewed by the Chief Operating Decision Maker (CODM). The divisions' activities are as follows:

- Construction & Infrastructure: Morgan Sindall Construction & Infrastructure Ltd provides infrastructure services in the highways, rail, aviation, energy, water and nuclear markets, including tunnel design; and construction services in education, healthcare, commercial, defence, industrial, leisure and retail. BakerHicks Limited offers a multidisciplinary design and engineering consultancy based in the UK and Switzerland.
- Fit Out: Overbury plc specialises in fit out and refurbishment in commercial, central and local government offices, retail banking and further education. Morgan Lovell plc provides office interior design and build services direct to occupiers.
- Property Services: Morgan Sindall Property Services Limited provides response and planned maintenance for social housing and the wider public sector.
- Partnership Housing: Lovell Partnerships Limited delivers housing through mixed-tenure and contracting activities. Mixed tenure includes building and developing homes for open market sale, affordable rent, private renting or shared ownership in partnership with local authorities and housing associations. Contracting includes the design and build of new homes and planned maintenance and refurbishment for clients who are mainly local authorities, housing associations and the Defence Infrastructure Organisation.
- Urban Regeneration: Muse Developments Limited works with landowners and public sector partners to transform the urban landscape through the development of multi-phase sites and mixed-use regeneration, including residential, commercial, retail and leisure.

Group Activities represent costs and income arising from corporate activities which cannot be meaningfully allocated to the operating segments. These include the costs of the Group Board, treasury management, corporate tax coordination, Group finance and internal audit, insurance management, company secretarial services, information technology services, interest revenue and interest expense.

As from 1 January 2021, the activities of the former Investments division were reorganised with it no longer operating as a separate division. The operational management of the joint venture property partnerships and Later Living business formerly reported within Investments were transferred to Partnership Housing, Urban Regeneration and Group Activities. The prior year comparatives have been restated to reflect this reorganisation.

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

'Adjusted'	In all cases the term 'adjusted' excludes the impact of intangible amortisation of £1.5m (2020: £3.1m). This is used to improve the comparability of information between reporting periods to aid the use of the Annual Report in understanding the activities across the Group's portfolio. The below segmental analysis reconciles the statutory operating profit measure to the 'adjusted' measure and is used in reviewing the segmental performance. Adjusted profit before tax is used only in

monitoring the Group's performance which is the statutory measure excluding the impact of intangible amortisation of £1.5m (2020: £3.1m). Adjusted basic earnings per share and adjusted diluted earnings per share is the statutory measure excluding the post-tax impact of intangible amortisation of £1.2m (2020: £2.5m) and the deferred tax charge arising due to changes in UK corporation tax rates of £5.1m (2020: £1.5m). See note 5 for a detailed reconciliation of the adjusted EPS measures.

'Net cash'

Net cash is defined as cash and cash equivalents less borrowings and non-recourse project financing. Lease liabilities are not deducted from net cash. A reconciliation of this number at the reporting date can be found in note 9. In addition, management monitor and review average daily net cash as good discipline in managing capital. Average daily net cash is defined as the average of the 365 end of day balances of the net cash over the course of a reporting period.

'Operating cashflow'

Management use an adjusted measure for operating cashflow as it encompasses other cashflows that are key to the ongoing operations of the Group such as repayments of lease liabilities, investment in property, plant and equipment, investment in intangible assets, and returns from equity accounted joint ventures. The figures can be derived from the consolidated cash flow statement being: Cash inflow from operations (£138.8m) plus dividend from joint ventures (£nil), interest received from joint ventures (£0.6m, reported within £0.6m Interest received) and proceeds from the disposal of property, plant and equipment (£1.4m), less repayments of lease liabilities (£15.2m), purchase of property, plant and equipment (£6.7m), and purchase of intangible assets (£1.3m). Operating cash flow conversion is operating cashflow as defined above divided by adjusted operating profit as defined above.

'Return on capital employed'

Management use return on capital employed (ROCE) in assessing the performance and efficient use of capital within the Regeneration activities. ROCE is calculated as adjusted operating profit plus interest received from joint ventures divided by average capital employed. Average capital employed is the 12 month average of total assets (excluding goodwill, intangibles and cash) less total liabilities (excluding corporation tax, deferred tax, intercompany financing and overdrafts).

Notes to the consolidated financial statements
For the year ended 31 December 2021

The Group reports its segmental information as presented below:

2021	Construction & Infrastructure	Fit Out	Property Services	Partnership Housing	Urban Regeneration	Group Activities	Eliminations	Total
	£m	£m	£m	£m	£m	£m	£m	£m
External revenue	**1,509.0**	**795.3**	**133.8**	**572.2**	**202.5**	**-**	**-**	**3,212.8**
Inter-segment revenue	**10.6**	**0.1**	**-**	**-**	**-**	**-**	**(10.7)**	**-**
Total revenue	**1,519.6**	**795.4**	**133.8**	**572.2**	**202.5**	**-**	**(10.7)**	**3,212.8**
Operating profit/(loss) before amortisation of intangible assets	**58.1**	**44.2**	**4.1**	**33.2**	**12.1**	**(20.4)**	**-**	**131.3**
Amortisation of intangible assets	**-**	**-**	**(1.5)**	**-**	**-**	**-**	**-**	**(1.5)**
Operating profit/(loss)	**58.1**	**44.2**	**2.6**	**33.2**	**12.1**	**(20.4)**	**-**	**129.8**
Finance income								**0.6**
Finance expense								**(4.2)**
Profit before tax								**126.2**
Other information:								
Depreciation	**(12.3)**	**(3.0)**	**(1.0)**	**(2.4)**	**(0.8)**	**(1.0)**		**(20.5)**
Average number of employees	**3,966**	**839**	**786**	**884**	**88**	**103**		**6,666**

Year ended 31 December 2020 (restated)

	Construction & Infrastructure	Fit Out	Property Services	Partnership Housing	Urban Regeneration	Investments	Group Activities	Eliminations	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m
External revenue	1,623.8	700.1	111.7	473.9	124.5	-	-	-	3,034.0
Inter-segment revenue	13.0	-	-	-	-	-	-	(13.0)	-
Total revenue	1,636.8	700.1	111.7	473.9	124.5	-	-	(13.0)	3,034.0
Operating profit/(loss) before amortisation of intangible assets	35.7	32.1	1.0	16.0	8.8	-	(25.1)	-	68.5
Amortisation of intangible assets	-	-	(1.2)	-	-	-	(1.9)	-	(3.1)
Operating profit/(loss)	35.7	32.1	(0.2)	16.0	8.8	-	(27.0)	-	65.4
Finance income									0.9
Finance expense									(5.5)
Profit before tax									60.8
Other information:									
Depreciation	(12.2)	(2.5)	(1.6)	(3.6)	(0.9)	-	(1.2)		(22.0)
Average number of employees	4,084	823	759	864	91		116		6,737

Year ended 31 December 2020 (as reported)

	Construction & Infrastructure	Fit Out	Property Services	Partnership Housing	Urban Regeneration	Investments	Group Activities	Eliminations	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m
External revenue	1,623.8	700.1	111.7	441.4	122.8	34.2	-	-	3,034.0
Inter-segment revenue	13.0	-	-	-	-	-	-	(13.0)	-
Total revenue	1,636.8	700.1	111.7	441.4	122.8	34.2	-	(13.0)	3,034.0
Operating profit/(loss) before amortisation of intangible assets	35.7	32.1	1.0	16.1	9.2	(6.9)	(18.7)	-	68.5
Amortisation of intangible assets	-	-	(1.2)	-	-	(1.9)	-	-	(3.1)
Operating profit/(loss)	35.7	32.1	(0.2)	16.1	9.2	(8.8)	(18.7)	-	65.4
Finance income									0.9
Finance expense									(5.5)
Profit before tax									60.8
Other information:									
Depreciation	(12.2)	(2.5)	(1.6)	(3.0)	(0.8)	(0.7)	(1.2)		(22.0)
Average number of employees	4,084	823	759	850	77	49	95		6,737

3 Tax

Tax expense for the year

	2021 £m	2020 £m
Current tax:		
Current year	**22.9**	10.9
Adjustment in respect of prior years	**(0.3)**	0.9
	22.6	11.8
Deferred tax:		
Current year	**1.7**	2.8
Effect of change in tax rate used to calculate deferred tax balances	**5.1**	1.5
Adjustment in respect of prior years	**(1.1)**	(0.7)
	5.7	3.6
Tax expense for the year	**28.3**	15.4

Corporation tax is calculated at 19.00% (2020: 19.00%) of the estimated taxable profit for the year.

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

	2021 £m	2020 £m
Profit before tax	**126.2**	60.8
Less: post tax share of profits from joint ventures	**(5.4)**	(2.3)
	120.8	58.5
UK corporation tax rate	**19.00%**	19.00%
Income tax expense at UK corporation tax rate	**23.0**	11.1
Tax effect of:		
Adjustments in respect of prior years	**(1.4)**	0.2
Non-taxable income and expenses (including CJRS furlough repayment) [1]	**0.3**	2.7
Tax liability upon joint venture profits [2]	**0.7**	0.6
Gain on disposal of joint ventures not giving rise to a tax liability	**-**	(0.5)
Change in tax rate used to calculate deferred tax balances	**5.1**	1.5
Other	**0.6**	(0.2)
Tax expense for the year	**28.3**	15.4

[1] During 2020 the Group claimed £9.5m from HMRC under the UK Government's CJRS furlough scheme, upon which corporation tax of £1.8m was paid. Later in 2020 the Group voluntarily repaid the CJRS furlough claims. The repayment was structured such that £7.7m was repaid directly (being 81% of the total received), recognised in central Group costs, with the remaining £1.8m repaid to HMRC in additional corporation tax, as the repayment through central Group costs was not tax deductible.
[2] Certain of the Group’s joint ventures are partnerships for which profits are taxed within the Group rather than within the joint venture.

4 Dividends

Amounts recognised as distributions to equity holders in the year:

	2021	2020
	£m	£m
Final dividend for the year ended 31 December 2020 of 40.0p per share	**18.5**	-
Interim dividend for the year ended 31 December 2021 of 30.0p per share	**13.8**	-
Interim dividend for the year ended 31 December 2020 of 21.0p per share	**-**	9.6
	32.3	9.6

The proposed final dividend for the year ended 31 December 2021 of 62.0p per share is subject to approval by shareholders at the AGM and has not been included as a liability in these financial statements. The final dividend will be payable to shareholders on 18 May 2022 to shareholders on the register on 29 April 2022. The ex-dividend date is 28 April 2022.

5 Earnings per share

	2021	2020
	£m	£m
Profit attributable to the owners of the Company	**97.9**	45.4
Adjustments:		
Amortisation of intangible assets net of tax	**1.2**	2.5
Deferred tax credit arising due to change in UK corporation tax rates	**5.1**	1.5
Adjusted earnings	**104.2**	49.4

	2021	2020
	Number of shares (millions)	Number of shares (millions)
Basic weighted average number of ordinary shares	**46.1**	45.5
Dilutive effect of share options and conditional shares not vested	**1.8**	0.8
Diluted weighted average number of ordinary shares	**47.9**	46.3
Basic earnings per share	**212.4p**	99.8p
Diluted earnings per share	**204.4p**	98.1p
Adjusted earnings per share	**226.0p**	108.6p
Diluted adjusted earnings per share	**217.5p**	106.7p

The average market value of the Company's shares for the purpose of calculating the dilutive effect of share options and long-term incentive plan shares was based on quoted market prices for the year. The average share price for the year was £21.39 (2020: £13.60).

A total of 865,271 share options that could potentially dilute earnings per share in the future were excluded from the above calculations because they were anti-dilutive at 31 December 2021 (2020: 1,724,145).

6 Trade and other receivables

	2021	2020
	£m	£m
Trade receivables	**250.2**	202.9
Amounts owed by joint ventures	**13.5**	0.9
Prepayments	**13.2**	11.3
Insurance receivables	**30.4**	-
Other receivables	**21.0**	19.5
	328.3	234.6

The Group holds third party insurances that may mitigate the contract and legal liabilities described in note 8 - Provisions. Insurance receivables are recognised when reimbursement from insurers is virtually certain.

7 Trade and other payables

	2021	2020
		re-stated[1]
	£m	£m
Trade payables	**157.6**	189.2
Amounts owed to joint ventures	**0.2**	0.2
Other tax and social security	**107.5**	40.5
Accrued expenses	**602.7**	587.8
Deferred income	**8.9**	17.7
Other payables	**14.5**	12.5
Current	**891.4**	847.9
Other payables	**32.6**	1.7
Non-current	**32.6**	1.7

[1] The prior year balances for Accrued expenses within Trade and other payables have been re-stated as described in the basis of preparation, along with their respective totals.

8 Provisions

	Self-insurance £m	Contract & legal £m	Other £m	Total £m
1 January 2020	20.1	-	8.8	28.9
Utilised	(1.1)	-	(3.0)	(4.1)
Additions	4.7	-	2.6	7.3
Released	(0.9)	-	(0.3)	(1.2)
1 January 2021	**22.8**	**-**	**8.1**	**30.9**
Utilised	(1.6)	-	(5.0)	(6.6)
Additions	4.5	22.7	0.2	27.4
Reclassifications*	-	10.7	-	10.7
Released	(4.5)	-	(0.6)	(5.1)
31 December 2021	**21.2**	**33.4**	**2.7**	**57.3**
Current		33.4	-	33.4
Non-current	21.2	-	2.7	23.9
31 December 2021	**21.2**	**33.4**	**2.7**	**57.3**

* - A number of items previously presented as accruals have been reclassified to provisions in the current year.

Self-insurance provisions

Self-insurance provisions comprise the Group's self-insurance of certain risks and include £10.8m (2020: £11.4m) held in the Group's captive insurance company, Newman Insurance Company Limited (the 'Captive').

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

Contract and legal provisions

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

The Group also holds third party insurances that may mitigate the liabilities. Third party insurance reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. See note 6 for details of mitigating insurance assets recognised at the period end.

Other provisions

Other provisions include property dilapidations and other personnel related provisions.

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

9 Net cash

	2021	2020
	£m	£m
Cash and cash equivalents	**468.6**	400.5
Bank overdrafts presented as borrowings due within one year	**(110.2)**	(67.3)
Cash and cash equivalents reported in the Consolidated cash flow statement	**358.4**	333.2
Borrowings due between two and five years	**(0.4)**	(0.4)
Net cash	**358.0**	332.8

Included within cash and cash equivalents is £55.7m (2020: £53.8m) which is the Group's share of cash held within jointly controlled operations. There is £6.4m included within cash and cash equivalents that is held for future payment to designated suppliers (2020: £7.5m).

The Group has £180m of committed loan facilities maturing more than one year from the balance sheet date, of which £15m matures in March 2024 and £165m in October 2024. These facilities are undrawn at 31 December 2021. The Group has a further facility of £0.4m that was drawn down in full during 2021 and matures in July 2025.

10 Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. During the year, Group companies entered into transactions to provide construction and property development services with related parties, all of which were joint ventures, not members of the Group, amounting to £124.0m (2020: £50.7m). At 31 December 2021, amounts owed to the Group by joint ventures was £13.5m (2020: £0.9m) and amounts owed by the Group to joint ventures was £0.2m (2020: £0.2m).

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

	2021 £m	2020 £m
Short-term employee benefits	**9.8**	7.3
Post-employment benefits	**0.1**	0.1
Termination benefits	**-**	0.2
Share option expense/(credit)	**4.9**	(0.4)
	14.8	7.2

Directors' transactions
There have been no related party transactions with any director in the year or in the subsequent period to 24 February 2022.

Directors' material interests in contracts with the Company
No director held any material interest in any contract with the Company or any Group company in the year or in the subsequent period to 24 February 2022.

11 Contingent liabilities

Group banking facilities and surety bond facilities are supported by cross guarantees given by the Company and participating companies in the Group. There are contingent liabilities in respect of surety bond facilities, guarantees and claims under contracting and other arrangements, including joint arrangements and joint ventures entered into in the normal course of business. As at 31 December 2021, contract bonds in issue under uncommitted facilities covered £137.2m (2020: £124.6m) of contract commitments of the Group.

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

Cladding and fire safety review

The Group has considered the public letter to Residential Property Developer industry from the Department for Levelling Up, Housing & Communities dated 10 January 2022, as well as the letter dated 22 January 2022 to the Construction Products Association and all other related Government press releases, communications and publications.

The Group fully agrees that the costs of remediation should not be borne by leaseholders and is supportive of working with the Government, industry and other key stakeholders to determine a solution to the issue of historic cladding and fire safety defects in buildings.

The Group has considered the scope of relevant cases across its business in line with the criteria set out in the 10 January 2022 letter and this review is ongoing. It is possible that a small number of cases will be identified where the Group has a liability leading to remediation. In accordance with the Group's past practice, the Group is committed to meeting its liabilities as they are identified. Whilst any such costs incurred are not expected to be material and will likely span a number of years, the industry-wide solution to the issues set out in the 10 January 2022 letter is still being determined and therefore any liability arising therefrom cannot be reliably estimated.

In common with the rest of the industry, the Group will begin paying the Residential Property Developer Tax in 2022.

12 Subsequent events

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

We confirm to the best of our knowledge:

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

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

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

The contents of this announcement, including the responsibility statement above, have been extracted from the annual report and accounts for the year ended 31 December 2021 which will be available on publication at http://www.morgansindall.com. Accordingly, this responsibility statement makes reference to the financial statements of the Company and the Group and to the relevant narrative appearing in that annual report and accounts rather than the contents of this announcement.

This responsibility statement was approved by the Board on 24 February 2022 and is signed on its behalf by:

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