Morgan Sindall Group plc
Annual Report 2024

MORGAN SINDALL GROUP

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We are the partnerships, fit out and construction services group.

Our record full-year performance in 2024 reflects the strength and diversity of our operations and the talent and commitment of our people.

We continue to prioritise delivering social and environmental value, achieving an A CDP Climate score and an ESG rating of AAA from MSCI.[1]

1 MSCI is a provider of decision support services for the global investment community; its ESG ratings are used by the majority of our major shareholders. CDP is a charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts.

2024 in numbers

Strong operating performance

Revenue

£4,546.2m

(2023: £4,117.7m)

Operating profit (adjusted*)

£162.6m

(2023: £141.3m)

Operating profit

£162.0m

(2023: £140.6m)

Secured workload

£11,419.3m

(2023: £8,920.2m)

Financial strength and shareholder returns

Profit before tax (adjusted*)

£172.5m

(2023: £144.6m)

Profit before tax

£171.9m

(2023: £143.9m)

Average daily net cash

£374.2m

(2023: £281.7m)

Total dividend per share

131.5p

(2023: 114.0p)

Social and environmental value

Reduction in Scope 1 and 2 carbon emissions since 2019[1]

44%

(2023: 45%)

CDP Climate score

A

(2023: A)

Apprentices, sponsored students and professional learning[2]

1,087

(2023: 966)

Lost time incident rate[3]

0.23

(2023: 0.24)

Materiality

Our annual report aims to provide our investors with the information they need to make decisions, for example on whether to buy, hold or sell our shares, how to vote on their shares and whether to engage with our Board on any issue. We have included information we believe is material to these decisions and presented it in a way that we believe is fair, balanced and understandable. We recognise that this report will be read by a variety of other stakeholders including employees, our supply chain, clients and partners, funders and performance bond issuers, analysts and regulators. Where we believe that a topic is material to many of them, based on our latest materiality assessment (see page 39), we either include it in this report or refer to other reports and information on our website. We believe this approach meets the requirements of company law, the UK Corporate Governance Code, the Companies Act 2006 and UK-adopted international accounting and reporting standards, and that we go beyond these requirements where we feel it is useful for the reader.

* See note 28 to the consolidated financial statements for alternative performance measure definitions and reconciliations.

1 The 2019 baseline for Scope 1 and 2 emissions was 20,903 tonnes CO_2e. This figure represents our UK and European operations. See Appendix on pages 197 and 198 for emission scope definitions.

2 Includes number of apprentices, sponsored students and employees undertaking national vocational and professional qualifications.

3 Number of lost time incidents x 100,000 divided by the number of hours worked. Lost time incidents are those resulting in absence from work for a minimum of one working day, excluding the day the incident occurred.

The quick read

Harnessing the energy of our people to achieve the improbable

1. Our specialist divisions

Through six divisions, we provide fit out and construction services and work in partnerships to deliver housing and mixed-use regeneration.

Partnerships
- Partnership Housing
- Mixed Use Partnerships

Fit Out
- Fit Out

Construction Services
- Construction
- Infrastructure
- Property Services

See page 7

2. Our business model

We generate cash from fit out and construction services and invest in long-term partnership schemes which in turn create opportunities in construction.

Our capabilities match the UK's growing demand for affordable housing, regeneration and investment in public, commercial and social infrastructure.

See page 8

3. Our strategy

We pursue organic growth for the Group through the exceptional performance of our businesses.

Our priorities
- Achieve quality of earnings
- Excel in project delivery
- Secure long-term workstreams
- Keep innovating to deliver on our Total Commitments to our stakeholders and wider society
- Maintain financial strength

See page 10

4. Core Values

Our purpose, culture, strategy and performance are driven by our Core Values. We encourage our people to challenge the status quo and exceed our stakeholders' expectations.

See page 10

The quick read continued

5. A decentralised approach

At the heart of our Core Values is our decentralisation.

Our divisions are complementary but different, and our decentralised approach enables them to respond quickly to the specific needs of their markets.

Our people are empowered to make the right decisions for the business and our stakeholders.

See page 7

6. Being a responsible business

We have made five Total Commitments to our stakeholders and wider society.

See page 38

7. Dedicated to our stakeholders

Long-term relationships, based on dialogue, transparency and collaboration, are key to our success.

Our key stakeholders

- Our people
- Supply chain
- Clients and partners
- Local communities
- Shareholders
- Funders and performance bond issuers

See page 11

8. Our Total Commitments are aligned with the United Nations (UN) Sustainable Development Goals

We believe we can have the biggest impact in the following:

Visit morgansindall.com for more information

Chief executive's statement

Another record year for the Group

John Morgan
Chief Executive

Our performance reflects the quality of our diverse operations and the talent and commitment of our people.

2024 was another record year for the Group, delivering significant double-digit growth for both adjusted profit before tax and the full-year dividend, supported by our high-quality order book. We have continued to make strategic and operational progress and remain well positioned to support the government's affordable home and social infrastructure plans over the medium term. As a result, we have upgraded the medium-term targets for four of our six divisions. Our strong balance sheet, supported by a substantial average daily cash position, has allowed us to focus on making the right decisions to drive long-term sustainable growth while also supporting returns to shareholders.

Our strategy for long-term growth

At the half year, we announced a new way of describing ourselves, as the 'partnerships, fit out and construction services group'. We believe this better reflects the way the business has matured and our specialisms have increased. While it describes what we do as a Group, our individual businesses remain absolutely autonomous and their brand identities, which are very important to us, remain intact.

All of our three specialisms have their own dynamics and strategic priorities, and each is at a different level of maturity while remaining critical to the Group.

Partnerships consists of our Partnership Housing and Mixed Use Partnerships (previously 'Urban Regeneration') divisions. These businesses have very strong brands, and everything they do is in partnership. They need cash investment to grow but will be a key driver towards profitable growth for the Group in the medium to long term. Partnership Housing is growing its long-term partnerships with the public sector, while Mixed Use Partnerships has seen its order book grow from £1,825.6m in 2023 to £4,084.9m in 2024 and signed £2.36bn of development agreements during the year.

Fit Out is our most mature area. The business is the market leader, generating a significant amount of free cash and having almost no capital requirements. Our challenge here is to maintain this position.

Construction services includes Construction, Infrastructure (including the BakerHicks design business) and Property Services. This is one area where we wish to grow the businesses carefully, as margin has and will be a huge focus. If we hit challenging times, we would rather let the revenue fall and preserve margins. Like Fit Out, these businesses generate a significant amount of free cash and are capital-light.

Partnerships, fit out and construction services represent everything we do, now and in the foreseeable future.

Creating shared value

As the business grows, we must remain committed to operating as a responsible business by creating value for communities and decarbonising our activities. In 2024, we published our first Transition Plan for meeting our science-based carbon-reduction targets and identified new opportunities to achieve emissions reductions across the Group. We also took action to improve our data collection and to help our suppliers and clients reduce their emissions.

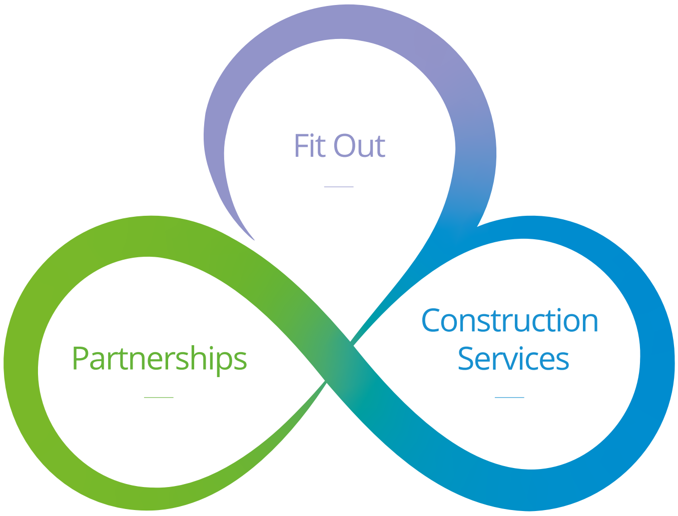
During the year, we refreshed our health and safety objectives and developed ways to track our positive safety interventions, which we believe will help further strengthen our safety performance. We have also expanded our ways of measuring and increasing the social impact of our projects; for example, in collaboration with HACT, the Housing Associations' Charitable Trust, and Simetrica-Jacobs, we have replaced our 'Social Value Bank' with the 'Built Environment Bank', which will better measure our contribution to social wellbeing. This year we have reported our contribution as measured by the Social Value Portal, which determined that our activities have contributed £4.6bn in social value since October 2023.

Our outlook for 2025

While there is continued uncertainty in the wider macroeconomy, we remain positive for the year ahead. With our high-quality and growing order book spread across a wide range of sectors, we are well positioned for the future and on track to deliver an outcome for 2025 which is in line with our current expectations. We remain focused on making our business better and better, and better again.

Our divisions

Offering expertise that meets the specific needs of our markets



Partnerships

Partnership Housing

Revenue

£861.2m

LOVELL

Partnerships with local authorities and housing associations. Mixed-tenure developments, building/developing homes for open market sale and for social/affordable rent, design and build house contracting, and planned maintenance and refurbishment.

lovell.co.uk

Mixed Use Partnerships

Revenue

£90.5m

MUSE

Transforming the urban landscape through partnership working and the development of multi-phase sites and mixed-use placemaking.

museplaces.com

Fit Out

Fit Out

Revenue

£1,300.3m

overbury

Fit out and refurbishment in commercial, central and local government offices, as well as further education.

overbury.com

Morgan Lovell

Office interior design and build services direct to occupiers.

morganlovell.co.uk

Construction Services

Construction

Revenue

£1,044.1m

MORGAN SINDALL CONSTRUCTION

Education, healthcare, commercial, industrial, leisure and retail markets.

morgansindallconstruction.com

Infrastructure

Revenue

£1,047.0m

MORGAN SINDALL INFRASTRUCTURE

Energy, nuclear, rail, highways, water and defence markets.

morgansindallinfrastructure.com

BakerHicks

Infrastructure includes the BakerHicks design activities based out of the UK and Switzerland.

bakerhicks.com

Property Services

Revenue

£223.2m

MORGAN SINDALL PROPERTY SERVICES

Response and planned maintenance services for social housing and the wider public sector.

morgansindallpropertyservices.com

Business model

A diverse business creating long-term value in the built environment

Our capabilities are aligned with sectors of the UK economy which support the current and future demand for affordable housing, urban placemaking and investment in public, commercial and social infrastructure.

Our decentralised approach allows our specialist divisions to respond quickly to the needs of their markets and achieve the best outcomes for our stakeholders. See page 7 for detail on our divisions' services and markets and pages 22 to 37 for an update on their respective business environments.

We use cash from our fit out and construction activities to invest in long-term housing and mixed-use schemes delivered through partnerships, which in turn provide opportunities for construction. More detail on investment in our partnership activities can be found on page 21.

For information on how we manage and sustain our resources, see pages 11 to 13 (our stakeholders); 38 to 51 (responsible business strategy and performance); 17 to 19 (financial review); 22 to 37 (operating review); and 52 to 62 (managing risk).

1. Our valued resources

Talented people

A positive health, safety and wellbeing culture

Long-term client relationships

National network of supply chain partners

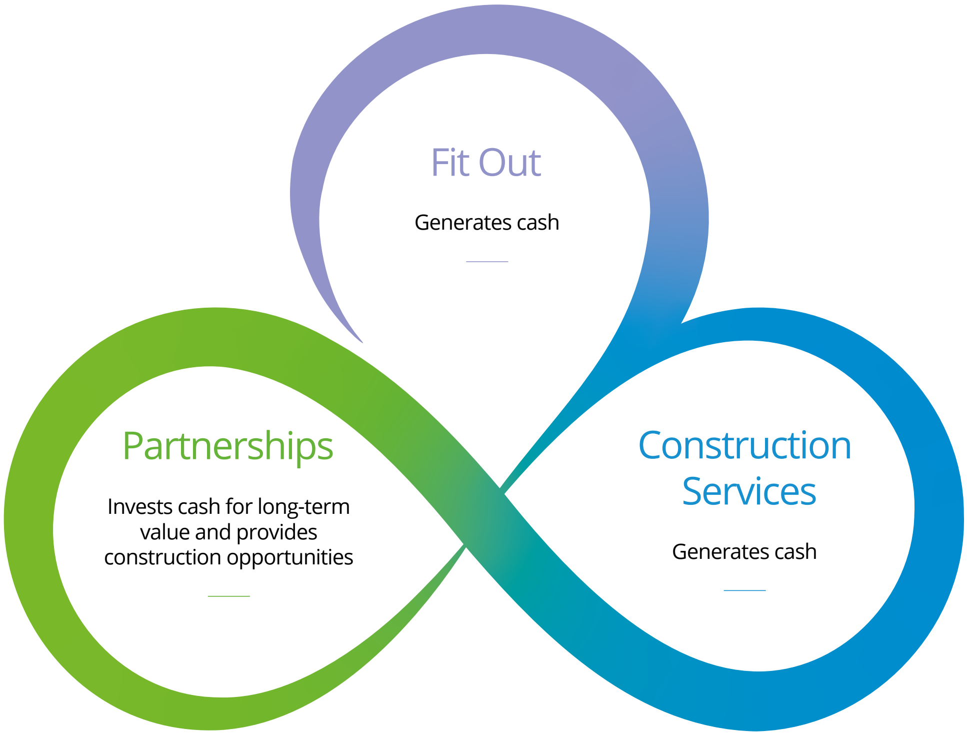
Capability and experience in delivering environmental and social value

Technology for innovation, efficiency and safety

Strong balance sheet and a significant net cash balance

Business model continued

2. How we operate



3. Value we create

Transforming the built environment:

New housing, schools and colleges, commercial and critical services infrastructure, mixed-use urban places, and property services for social housing.

High-quality projects:

91%

Perfect Delivery

Helping our people succeed:

662

promoted internally

Supporting our supply chain:

98%

invoices paid within 60 days

Social value:

£4.6bn

as determined by the Social Value Portal (see page 50 for detail)

Environmental value:

44%

reduction in Scope 1 and 2 carbon emissions since 2019

Shareholder returns:

131.5p

total dividend per share

Purpose, values and strategy

Focused on exceeding our stakeholders' expectations

Purpose

Harnessing the energy of our people to achieve the improbable.

We are a group of complementary but very different businesses and every project is unique.

Through our highly decentralised philosophy, our people have the responsibility and authority to make the right decisions at pace.

We encourage our people to think differently and find better ways of doing things. This way we can keep exceeding our stakeholders' expectations, even as those expectations increase.

Values

Our Core Values define our culture and drive our purpose and strategy.

The energy of our talented teams, together with our deeply held Core Values, enables us to exceed our stakeholders' expectations.

See page 92 for how the Board monitors our culture and ensures it aligns with our purpose, values and strategy

Strategy

Organic growth for the Group through the exceptional performance of our businesses.

Achieve quality of earnings by selecting the right projects aligned to our core strengths

Excel in project delivery for our customers and end users

Secure long-term workstreams, underpinned by our teams' strong and lasting client and partner relationships

Keep innovating to find new and better ways of delivering on our Total Commitments:

- Protecting people
- Developing people
- Improving the environment
- Working together with our supply chain
- Enhancing communities

Maintain financial strength, especially in adverse economic conditions, with a strong balance sheet, significant levels of cash, attractive dividend policy, and by investing in partnership activities and growth

See pages 14 and 15 for our performance against our strategic priorities and pages 53 to 61 for our principal risks

Our stakeholders

Understanding our stakeholders' priorities

We develop long-term relationships through close working and communication.

The quick read...

- The Board engages directly with our people, shareholders, analysts and funders; our divisions manage their relationships with their people, supply chain, clients, partners and local communities
- The executive directors are kept informed of the divisions' stakeholder engagement via regular divisional board meetings and update the Board as appropriate

Our people

The passion and expertise of more than 8,000 employees enable us to achieve the improbable for our stakeholders. Thirty-six percent of our people have been with the Group for six or more years.

How the Group engaged

Our divisions engage with their people through surveys to hear their views, conferences and other channels to keep them updated on business performance, forums for gathering ideas and innovations, initiatives to clarify career paths and improve conversations between employees and their line managers, and efforts to improve people's wellbeing and increase social interaction between colleagues.

Examples of actions taken during the year in direct response to feedback include the following:

- To enhance processes for career planning and opportunities, Infrastructure launched 'Development Conversations' and partnered with Cargyll leadership development consultants and Ashton Business School to launch a 'Reach Higher' programme. Partnership Housing advertised all vacancies internally and 69 employees were promoted.
- To address concerns around workload and work–life balance, Mixed Use Partnerships communicated its resource planning as part of regional roadshows on its strategic plan. BakerHicks strengthened its recruitment team, enhanced parental leave payments and introduced the opportunity for people to take a career break of up to one year while their role remains open.
- Property Services held a series of 'Town Hall' meetings where points raised included questions about the future financial performance of the business. The division held its first senior managers' conference in 2024 where it presented a five-year growth plan, and provided its leaders with content on its growth strategy to cascade to colleagues throughout their respective business areas.
- In response to comments related to safety, Fit Out has recruited health and safety business partners for each of its business units to provide proactive preventative health and safety planning and to provide its supply chain with one point of contact for incident reporting and investigation, while Property Services is trialling a personal safety device for operatives working alone.

How the Board engaged

All non-executive directors engage with employees as part of our annual strategy review, visiting project sites and meeting a broad range of employees, individually or in groups, sometimes without senior managers present. Non-executives also meet colleagues at divisional employee conferences and our annual senior management conference. Divisional managing directors and other internal experts present at Board and responsible business committee meetings, and each year the Board meets informally with representatives from two divisions.

No issues arose from discussions with employees in 2024 that impacted the Board's principal decisions. At its December meeting, the Board conducted its annual review of the divisions' engagement with their employees and noted that people were open, positive, engaged and willing to speak up, which aligns with the Group's culture. The Board also considered the effectiveness of its process for engaging with employees, and concluded that it remains effective, as it enables all non-executives to hear the perspectives of a wide range of employees.

See pages 40 to 43 for more information on our engagement with our people during the year

Supply chain

Our national network of selected suppliers and subcontractors are aligned to our values, and we regard them as strategic, long-term partners. Our strong relationships with our supply chain help us achieve superior project delivery and can give us a competitive advantage.

How the Group engaged

We engage through site inductions and toolbox talks conveying our culture, values and standards, discussions on topics such as safety, wellbeing and modern slavery, and data platforms providing online resources. Group and divisional networking events provide information on upcoming projects, procurement prospects, health and safety training opportunities, new technologies and site standards.

Our stakeholders continued

We offer our supply chain constructive feedback and, where needed, guidance on performance against set criteria.

Having launched our Supplier Code of Conduct in 2023, which shared details of our whistleblowing arrangements and encouraged our supply chain to let us know of any concerns they have, we noted during 2024 a higher number of calls made by members of our supply chain to our 'Raising Concerns' helpline, indicating an increased level of engagement.

How the Board engaged

The Board regularly reviews the divisions' payment practices, health and safety statistics, and strategies and actions to prevent modern slavery. The executive directors are updated on supply chain relationships at their monthly divisional board meetings and refer any significant issues to the Board.

During the year, the Board received regular reports on how the divisions were supporting their supply chains to help mitigate the risk of insolvency, for example by improving payment terms for suppliers facing difficulties or by directly procuring materials.

See pages 48 and 49 for more information on our engagement with our suppliers during 2024

Clients and partners

Our clients come from the public, commercial and regulated sectors and our partners include local authorities, landowners and housing associations. We also consider the needs and interests of the end users of the spaces and infrastructure we create. Securing work through partnerships, frameworks and repeat business is key to our organic growth strategy.

How the Group engaged

Regular dialogue with our clients and partners before and during our projects is essential so that we can understand and deliver their objectives. Our decentralised approach means we can tailor our services and respond quickly to clients from different sectors, with different needs.

In response to feedback at a client engagement day held during the year, Partnership Housing, as part of a 'one team' approach on a new joint development, will be selling both open market homes and its partner's shared ownership homes. Using just one show home and marketing suite, for example, rather than two will be a more cost-effective use of resources for the partnership.

Customer satisfaction and experience is a priority for us, and we use post-completion surveys and interviews, and metrics such as Perfect Delivery to drive ongoing improvements. Fit Out learned from a framework client that post-project reviews were not so suitable when dealing with a succession of fast-track, change-and-churn projects. The division therefore developed an alternative approach whereby it would conduct one session every six months to gain higher-level feedback on what was going well, what could be improved, and how the division could support the client's needs going forward. The first feedback session was trialled and well received.

Fit Out's framework client asked for advice relating to managing the increasing complexity of their projects and for support in helping them maintain their compliance with the Disability Discrimination Act 1995. Other divisions' clients have also asked for support with regulatory compliance, such as engineering standards, the Building Safety Act and laws relating to damp and mould.

How the Board engaged

Executive directors are kept informed of client and partner relationships at their monthly divisional board meetings and update the Board on matters such as key contracts or new relationships.

Local communities

We aim to create social and economic value for those who live or work near our projects. Local residents are a potential source of recruits and local suppliers provide valuable local knowledge.

How the Group engaged

Dedicated community liaison teams engage with local residents before and during projects. We have set up social enterprises and other schemes that offer training, employability skills and work opportunities and partner with schools to promote construction as a career option. We also support local charities and take part in local charitable events.

In 2024, Mixed Use Partnerships engaged with local people on each key stage of the design process to transform Prestwich in Greater Manchester. Two 'community conversations' included drop-in events, community and school workshops, liaison groups, bespoke social media channels, online Q&A and questionnaires, of which 1,259 were completed and returned. In response to what it heard from residents, Mixed Use Partnerships altered its plans to include live event spaces and a market hall, additional retail space, more green areas, a direct, walkable route to the Metrolink, and more parking for people with mobility challenges. The division also changed the height and location of key buildings, such as a community hub, and ensured that the designs embraced the town's character.

How the Board engaged

The executive directors are kept informed of community initiatives at their monthly divisional board meetings and update the Board on any matters of interest.

See pages 50 and 51 for more information on our engagement with local communities during the year

Shareholders

Our shareholders provide funds for investment in long-term growth. We value the stewardship of our institutional investors and the views of all shareholders and analysts.

How the Board engaged

The executive directors deliver live full- and half-year results presentations, with a video link to enable those unable to attend to take part in a live Q&A. We encourage shareholders to attend our AGM and vote, and to submit questions to the directors in advance if they are unable to attend. The Board receives copies of reports from Institutional Shareholder Services, the Investment Association, and Pensions & Investment Research Consultants ahead of our AGM each year. In advance of our 2024 AGM, we received questions relating to investor engagement and our Eden building project in Salford, and we published the questions and our responses on our website.

Our chair, senior independent director and committee chairs are available to meet with shareholders at any time. Our executive directors held 77 meetings during the year with major shareholders, including 30 to discuss our 2023 performance and strategy, and 33 following our 2024 half-year results. They shared feedback from their discussions with the rest of the Board.

The half-year results roadshows elicited good conversations around our cash and balance sheet, and shareholders were supportive of the Group continuing to maximise investment in organic partnership activities.

The chair's statement on page 84 and the remuneration committee report on page 111 describe the non-executive directors' engagement with shareholders during the year.

Funders and performance bond issuers

Our funders and performance bond issuers provide us with access to competitively priced banking, bonding and debt facilities. Performance bonds, often known as surety bonds, are issued by a financial institution to guarantee completion of a contract.

How the Group engaged

Our chief financial officer and director of tax and treasury meet regularly with our banks and performance bond issuers, including following the full- and half-year results, to update them on the Group's performance and discuss any expectations they may have.

In 2024, we secured the extension of our committed loan facilities (totalling £180m) from 2026 to 2027 (see page 18 for further detail).

How the Board engaged

The Board receives reports from our chief financial officer on any updates relating to the Group's funding arrangements. The Board also receives a monthly update on our bonding facilities.

Key performance indicators

Continuing to make strategic progress

Achieve quality of earnings

Partnership Housing operating margin

24	**4.2%**
23	3.6%
22	5.4%

Medium-term target

8%

Partnership Housing return on average capital employed[1,2] (last 12 months)

24	**11%**
23	12%
22	19%

Medium-term target

Up towards

25%

Mixed Use Partnerships three-year rolling average return on capital employed[2]

24	**12%**
23	16%
22	13%

Medium-term target

Up towards

20%

Fit Out operating profit

24	**£99.0m**
23	£71.8m
22	£52.2m

Medium-term target

£50m–£70m

Construction operating margin[3]

24	**3.0%**
23	2.7%
22	2.8%

Medium-term target

2.5%–3.0%

Construction revenue

24	**£1,044m**
23	£966.6m
22	£819.9m

Medium-term target

£1bn

Infrastructure operating margin

24	**3.7%**
23	4.3%
22	3.8%

Medium-term target

3.5%–4.0%

Infrastructure revenue

24	**£1,047m**
23	£886.7m
22	£767.7m

Medium-term target

£1bn

Property Services operating (loss)[4]

24	**£(17.8)m**
23	£(16.8)m
22	£4.3m

Medium-term target

£7.5m

Targets shown are those in place during 2024. See pages 22 to 37 for commentary on performance and targets going forward

1 Before exceptional building safety charge of £2.7m (2023: £nil).
2 Return on average capital employed = (adjusted operating profit plus interest from joint ventures) divided by average capital employed.
3 Before exceptional building safety credit of £0.1m (2023: charge of £11.5m).
4 Before intangible amortisation of £0.5m (2023: £2.9m).

Key performance indicators continued

Excel in project delivery

Projects achieving Perfect Delivery[5]

24	**91%**
23	92%
22	88%

The divisions are responsible for driving Perfect Delivery on their projects. Results are regularly monitored, reported and reviewed at divisional board level.

Secure long-term workstreams

Workload secured for the next three years

24	**£11,419.3m**
23	£8,920.2m
22	£8,458.9m

We monitor our secured workload for the current year and beyond as well as the pipeline of projects for which we are 'preferred bidder' (where we have been verbally awarded the project but there is no formal contract or letter of intent in place).

Maintain financial strength

Average daily net cash

24	**£374.2m**
23	£281.7m
22	£256.3m

Maintaining significant levels of cash gives us a real competitive advantage. Our cash levels are monitored on a daily basis.

Delivering on our Total Commitments

Reduction in Scope 1 and 2 carbon emissions[6] from 2019 baseline of 20,903 tonnes CO_2e

24	**44%**
23	45%
22	45%

2030 target

60%

Reduction in Scope 3 carbon emissions[6] from 2020 baseline of 1,300,271 tonnes CO_2e[7]

24	**1% increase**
23	5%

2030 target

42%

Number of training days[9,10] per year per employee

24	**3.2 days**
23	3.2 days
22	3.2 days

2030 target

6 days

Lost time incident rate[8,9]

24	**0.23**
23	0.24
22	0.22

2030 target

0.18

Percentage of invoices paid within 30 days[9]

24	**61.5%**
23	68.8%
22	66.6%

2030 target

80%

See pages 38 to 51 for commentary on performance against our Total Commitments

5 Perfect Delivery status is granted to Fit Out, Construction and Infrastructure projects that meet all four client service criteria specified by the division.

6 Carbon emissions data represents our UK and European operations. See Appendix on pages 197 and 198 for emission scope definitions.

7 We have chosen to disclose our Scope 3 emissions across all relevant categories for the first time to align with our net zero targets (this applies to both the 2023 and 2024 data). We previously reported 'operational' Scope 3 only (categories 3, 5 and 6). The baseline was recalculated in 2024 to apply new methodologies and assumptions.

8 Number of lost time incidents x 100,000 divided by number of hours worked. Lost time incidents result in absence from work for minimum one working day, excluding the day the incident occurred.

9 Within the last six months of the year.

10 A training day is a minimum of six hours' training.

Note: We are reviewing our metrics and targets for social value and have therefore not reported a KPI for our 'enhancing communities' Total Commitment this year.

Market conditions

Conditions have been relatively stable, but we are aware of uncertainty in the macroeconomic environment

The quick read...

- **Supply chain liquidity issues remain, although we have strong mitigations in place**
- **While the pace of recovery in the housing market has been subdued, the effects are cushioned by our long-term public sector partnerships**
- **Our partnership activities are exposed to a challenging planning environment**
- **The fit out market has remained strong**
- **Some delays in decision-making in construction and infrastructure, but impacts not material**

While market conditions have been relatively stable over the past year, we are cognisant of the uncertainty in the current macroeconomic environment and the effect that it may have on the broader markets we operate in. Cost increases have been more manageable and we hope to mitigate the impact of the employer National Insurance increases announced in the Autumn Budget over 2025.

UK construction and regeneration programmes continue to benefit from sustained government investment commitments. This supports our market sectors which remain structurally secure, particularly housing, mixed-use schemes, construction and infrastructure (primary areas in the UK targeted for growth). Liquidity issues across the supply chain remain a common theme requiring additional vigilance during both the preconstruction and delivery phases of projects, with the ongoing stability of the supply chain under constant review. Our exposure to this risk is largely mitigated by the diligence taken before project commencement, and the fact that no division is overly reliant on any one supplier.

The pace of recovery in the UK housing market remained subdued in 2024, tempered by affordability constraints impacted by high mortgage rates. In Partnership Housing, the partnership model, focusing on long-term partnerships with the public sector, has continued to provide some level of resilience and cushion against the impact of the softness in housing for sale activity. While the demand for contracting remained strong throughout the year, the sales rates of private homes on the division's mixed-tenure sites showed gradual recovery. We remain positive that the government has set out its ambitions for affordable home targets together with its broad framework for delivery, which we believe will bring about some positive momentum over the medium term, together with its intentions around planning reforms, which currently remain challenging.

In Mixed Use Partnerships, the combination of elevated build cost inflation and high interest rates continued to present short-term challenges on the timing of some of its development schemes prior to their commencement, although not significantly material to the overall portfolio of schemes and their future financial performance over the medium to long term. Similar to Partnership Housing, this division is currently exposed to a challenging planning environment.

The market for Fit Out's services has continued to be very strong, with a number of positive structural changes in the market; however, some normalisation seems likely following the recent period of exceptional performance. Looking ahead, the main drivers continue to be business or market changes impacting the tenant, lease-related events, the requirement for greater energy efficiency from offices, the move towards more flexible and collaborative workspaces, the use of office space as a tool for enhancing staff retention and brand image, and office relocations to the regions with clients requiring increasingly complex projects.

Construction's and Infrastructure's market environment remains stable due to the diversification of the segments in which these divisions operate. Where projects are currently underway, most include appropriate inflationary protection within the overall contract pricing, and this is not seen as a significant risk. Where projects are being priced for future delivery, funding constraints, and inflation to a lesser degree in some areas, continue to place some project budgets under pressure, which in turn has led to some delays in decision-making and project commencement. However, the impact of this has not been material and, in the majority of cases, any client budget constraints are being addressed by adjustments to project scopes, thereby allowing projects to proceed.

In Property Services, local authority and housing association clients are increasingly focused on housing maintenance and on the general state of repair of their housing stocks. In the delivery of reactive maintenance services, while cost inflation and particularly labour inflation severely impacted the profitability for some contracts in 2023 and 2024, contract pricing and exit renegotiations were concluded during the year for several contracts, limiting the exposure for the remaining unexpired term for those contracts.

Financial review

The Group delivered a record performance in 2024, reflecting the high quality, strength and depth of our operations.

Kelly Gangotra
Chief Financial Officer

The quick read...

- Record revenue and adjusted* operating profit levels as market conditions eased
- Adjusted* profit before tax up 19%
- Strong balance sheet supported by significant daily cash and committed bank loan facilities
- High-quality order book up 28% to £11.4bn
- Total dividend up 15%

Financial performance

Revenue for the year increased 10% to £4,546.2m (2023: £4,117.7m), with adjusted* operating profit increasing 15% to £162.6m (2023: £141.3m). This resulted in an adjusted* operating margin of 3.6%, an increase of 20 basis points (bps) compared to the prior year (2023: 3.4%). Reported operating profit was up 15% to £162.0m (2023: £140.6m). Details on performance by division are shown on pages 22 to 37.

The net finance income increased to £9.9m (2023: £3.3m), primarily due to increased interest income on deposits benefiting from higher interest rates during the year. Profit before tax was £171.9m, up 19% (2023: £143.9m), while adjusted* profit before tax was £172.5m, up 19% (2023: £144.6m). This resulted in an adjusted* profit before tax margin of 3.8%, an increase of 30bps compared to the prior year (2023: 3.5%).

	2024	2023
Revenue	**£4,546.2m**	£4,117.7m
Operating profit – reported	**£162.0m**	£140.6m
Operating profit – adjusted*	**£162.6m**	£141.3m
Profit before tax – reported	**£171.9m**	£143.9m
Profit before tax – adjusted*	**£172.5m**	£144.6m
Basic earnings per share – reported	**281.4p**	254.2p
Earnings per share – adjusted*	**278.8p**	247.7p
Year-end net cash*	**£492.4m**	£460.7m
Average daily net cash	**£374.2m**	£281.7m
Total dividend per share	**131.5p**	114.0p

* See note 28 to the consolidated financial statements for alternative performance measure definitions and reconciliations.

Financial review continued

The tax charge for the year is £40.2m (2023: £26.2m), which equated to an effective tax rate of 23.4% and was lower than the UK statutory rate of 25% (2023: 23.5%) due primarily to amounts relating to prior-year items. The adjusted tax charge is £42.0m (2023: £29.9m), which equated to an effective adjusted tax rate of 24.3%. Almost all of the Group's operations and profits are in the UK, and we maintain an open and constructive working relationship with HMRC.

Reported basic earnings per share was 281.4p (2023: 254.2p). The adjusted* earnings per share increased 13% to 278.8p (2023: 247.7p). The total dividend for the year increased 15% to 131.5p per share (2023: 114.0p).

Financing facilities

During 2024, the Group maintained a total of £180m of available bank facilities, of which £165m mature in October 2027 and £15m in June 2027. No drawings on the facilities were made during the year. The banking facilities are subject to financial covenants, all of which were met throughout the year.

In the normal course of our business, we arrange for financial institutions to provide client guarantees (performance bonds) to provide additional assurance to the clients that the contracted works will be carried out. We pay a fee and provide a counter-indemnity to the financial institutions for issuing the bonds. As at 31 December 2024, contract bonds in issue under uncommitted facilities covered £194.9m (2023: £174.7m) of our contract commitments.

Further information on the Group's capital management strategy and use of financial instruments is given in note 26 to the consolidated financial statements.

Tax strategy

The Group's tax strategy, which is approved by the Board, is published on our website.

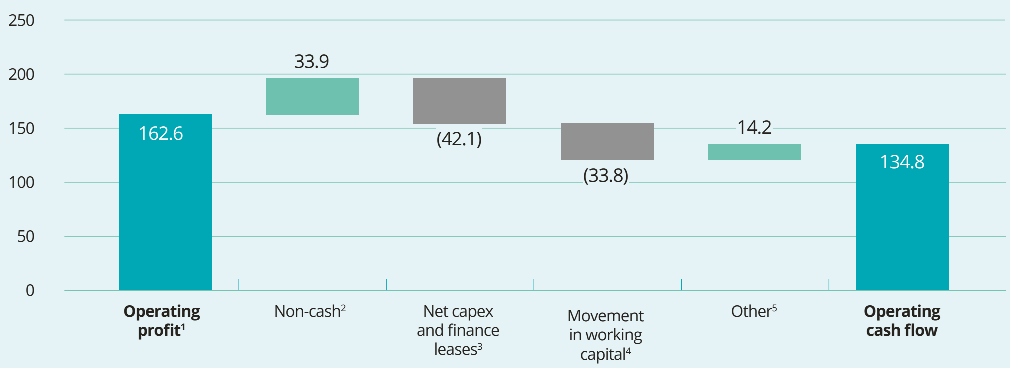
Net cash

Operating cash flow* in the year was an inflow of £134.8m (2023: £189.0m), after net decreases in working capital of £33.8m (2023: £59.7m net increases). The net cash inflow for the year was £31.7m, resulting in closing net cash of £492.4m (2023: £460.7m).

The average daily net cash* for the year was £374.2m (2023: £281.7m). Our strong cash position continues to provide significant balance sheet strength and competitive advantage.

Operating cash flow*

(£m)



1 Adjusted – before intangible amortisation of £0.5m and exceptional building safety charge of £0.1m.

2 Includes depreciation £33.1m and share option expense £10.5m; less reversal of impairment of joint ventures £5.1m and share of underlying net profits of joint ventures £4.6m.

3 Includes repayment of lease liabilities £25.8m, purchases of property, plant and equipment £18.2m; less proceeds on disposal of property, plant and equipment £1.9m.

4 Adjusted – before exceptional building safety debtors increases of £9.3m.

5 Increase in provisions £8.7m, increase in building safety debtors £9.3m and dividend received from joint ventures £4.2m; less exceptional building safety provision decrease £7.3m and gain on disposal of property, plant and equipment £0.7m.

* See note 28 to the consolidated financial statements for alternative performance measure definitions and reconciliations.

Net working capital

Net working capital is defined as 'inventories plus trade and other receivables (including contract assets), less trade and other payables (including contract liabilities) adjusted'. The Group's negative net working capital (excluding non-cash movements[3]) has reduced by £35.9m to £(116.6)m as shown below:

	2024 £m	2023 £m	Change £m
Inventories	**476.0**	344.7	+131.3
Trade and other receivables[1]	**664.2**	713.5	–49.3
Trade and other payables[2,3]	**(1,256.8)**	(1,210.7)	–46.1
Net working capital	**(116.6)**	(152.5)	+35.9

1 Adjusted to exclude capitalised arrangement fees and accrued interest receivable of £2.3m (2023: £2.2m).
2 Adjusted to exclude accrued interest of £0.5m (2023: £0.3m).
3 Movements in trade and other payables also include the non-cash movements relating to the unwinding of discounting on land creditors (£1.3m) and other smaller non-cash movements.

Movements in net working capital mainly relate to increased investment in the Group's partnership activities, particularly the Partnership Housing division.

Paying promptly

Paying our supply chain on time is essential and makes us attractive to work for, and we aim to pay our suppliers as promptly as possible. We do not use any supplier finance arrangements. Our divisions have reported the following data under the payment practices regulations for the six months to 31 December 2024:

Invoices paid within 60 days	2024 %	2023 %
Partnership Housing	**96**	97
Mixed Use Partnerships	**97**	95
Fit Out	**98**	97
Construction and Infrastructure[1]	**98**	99
Property Services	**99**	98

1 The Construction and Infrastructure divisions form a single legal entity for which this data is reported.

Provisions

Group provisions have increased by £9.4m to £105.5m, of which £56.8m relates to the building safety provisions (excluding provisions relating to joint ventures).

Secured workload

The Group's secured workload[1] at 31 December 2024 was £11,419.3m, an increase of 28% on the prior year end (2023: £8,920.2m). The divisional split is shown below.

	2024 £m	2023 £m	Change %
Partnership Housing	**2,174.0**	2,034.1	+7
Mixed Use Partnerships	**4,084.9**	1,825.6	+124
Fit Out	**1,438.9**	1,098.0	+31
Construction	**951.8**	796.4	+20
Infrastructure	**1,883.1**	1,689.4	+11
Property Services	**887.1**	1,477.6	–40
Inter-divisional orders	**(0.5)**	(0.9)	–
Total	**11,419.3**	8,920.2	+28

1 The secured workload is the sum of the committed order book, the framework order book and (for the partnership divisions 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 binding letters of intent. The framework order book represents the Group's expected share of revenue from the frameworks on which we have been appointed. This excludes prospects where confirmation has been received as preferred bidder only, with no formal contract or binding letter of intent in place.

Kelly Gangotra
Chief Financial Officer

Capital allocation

We are committed to maintaining a strong balance sheet and holding significant cash balances at all times

The quick read...

- Our capital allocation framework is based on a hierarchy of priorities
- A strong balance sheet enhances our competitive advantage and provides a buffer against any economic downturn
- Investment in our partnership activities is a strategic priority
- Our dividend cover is expected to be 2.0x–2.5x
- Bolt-on acquisitions, primarily in Partnership Housing, will be considered if they complement our existing growth strategy

The Board's single, overarching principle governing capital allocation is a commitment to maintain a strong balance sheet and to hold significant net cash balances at all times. This will provide a stable and firm foundation for the Group to make sound decisions for our long-term development, thereby enhancing our competitive advantage and future work winning.

As stated in the finance review on pages 17 and 18, our net cash at 31 December 2024 was £492m (2023: £461m) and the average daily net cash for the year was £374m (2023: £282m). The year-end cash position included £49m held in jointly controlled operations or held for future payment to designated suppliers.

Across 2024, the lowest net cash balance on any one day in the year was £293m (2023: £195m). Of this, £54m was held in jointly controlled operations or held for future payment to designated suppliers. The Board uses this net cash balance on the lowest day of the year as the initial reference point from which it then considers its application of its capital allocation hierarchy. This allows it to balance the needs of all stakeholders while enhancing the Group's market competitiveness and capabilities and maintaining our financial strength.

Our capital allocation hierarchy is set out below.

A / Maintaining a strong balance sheet

(i) to enhance our competitive advantage and win future work

Fundamental to our organic growth strategy is engaging in long-term partnerships with our public and private sector clients, whether through joint ventures or other arrangements in our partnership activities, or through frameworks in 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. We consider a strong balance sheet and significant levels of net cash as a key market differentiator and a competitive advantage when bidding for and winning work to support the future growth of the business.

(ii) to ensure downside protection – maintaining a 'buffer' in the event of a macro downturn

Maintaining significant levels of net cash is considered as key to offsetting any potential consequence of a future downturn in the economy and reduction in revenue in the 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 us to continue with our strategy of disciplined contract selectivity and prudent approach to risk management throughout the whole economic cycle.

B / Maximising investment in our partnership activities to drive sustainable growth

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

Specifically, investment in the partnership activities of Partnership Housing and Mixed Use Partnerships is a strategic priority:

- For Partnership Housing, the growth potential remains substantial despite the short-term market headwinds. The medium-term target is for an operating margin of 8% and for return on capital to be up towards 25% on an annual basis. The capital employed has increased significantly over the last five years, up from an average of £152m in 2019 to an average of £338m in 2024. The scalability of the partnership housing model provides the potential to further increase the capital employed significantly above current levels over the medium to long term.
- In Mixed Used Partnerships, development activities across multi-phase sites and placemaking are targeted to generate return on capital of up towards 25% on an annual basis over the medium term. The capital employed has reduced over the past five years, down from an average of £102m in 2019 to an average of £87m in 2024. Notwithstanding this reduction, based on the investment profile of schemes already secured, the sizeable new schemes at preferred bidder stage as well as the identified pipeline of future opportunities, the capital employed in the division will increase over the medium term, albeit modestly.

C / Ordinary returns to shareholders

Ordinary dividends are considered by the Board to be an important component of shareholder returns. The Board has previously formally adopted a dividend policy such that dividend cover is expected to be in the range of 2.0x–2.5x on an annual basis.

D / Investment by acquisition to accelerate sustainable growth

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

Other potential acquisition opportunities across our construction and fit out activities would only be considered where they would accelerate growth through the existing divisional structure and capabilities.

E / Special returns to shareholders

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

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

Operating review

Partnership Housing

Steve Coleby
Managing Director

> We have delivered a strong performance in a slowly recovering housing market while continuing to grow our long-term partnerships with the public sector.

The quick read...

- Strong public sector demand for contracting has shielded the impact of a gradual recovery of open market sales
- Stronger margins achieved in both mixed-tenure and contracting activities
- Continued investment is reflected in higher average capital employed
- High-quality secured order book
- Solid profit growth expected in 2025

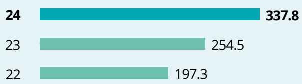
Key highlights and performance against KPIs

Revenue (£m)

+3%

Average capital employed[1,2] (last 12 months) (£m)

+£83.3m

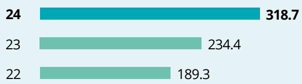


Operating profit[1] (£m)

+18.0%

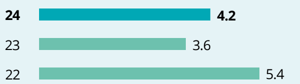
Capital employed[1,2] at year end (£m)

+£84.3m



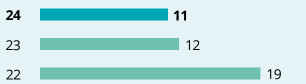
Operating margin (%)

+60bps



Medium-term target 8%

Return on capital employed[1,3] (last 12 months) (%)



Medium-term target up towards 25%

1 Before exceptional building safety charge of £2.7m (2023: £nil). See note 2 of the consolidated financial statements.
2 Capital employed is calculated as total assets (excluding goodwill, intangibles and cash) less total liabilities (excluding exceptional building safety provisions, corporation tax, deferred tax, inter-company financing and overdrafts).
3 Return on average capital employed = (adjusted operating profit plus interest from joint ventures) divided by average capital employed.

Operating review continued
Partnership Housing

Partnership Housing continued to grow its long-term partnerships with the public sector. Throughout the year, while we have seen a modest improvement in the housing market, demand for contracting with the public sector has remained strong, shielding the impact of a gradual recovery of open market sales within the mixed-tenure activities. The division continued to optimise construction of the contracted affordable homes on mixed-tenure sites to maintain activity.

Reflecting the above, revenue was up 3% to £861.2m (2023: £837.5m), driven by contracting which was up 19% to £564.5m (66% of divisional total) compared to the prior year. Mixed-tenure revenue declined by 19% to £296.7m (34% of divisional total) compared to the prior year.

Notwithstanding the composition of the division's revenue, both contracting and mixed-tenure activities achieved stronger margins over the year, led by contract type, mix of schemes and other income delivered (see note 12 to the consolidated financial statements), resulting in operating profit increasing by 18% to £36.1m (2023: £30.5m) with an operating margin of 4.2% (2023: 3.6%).

Despite the challenging macroeconomic environment, the longer-term development of the business and its partnerships with local authorities and housing associations has continued with planned momentum. Reflective of this ongoing activity and investment in future growth, the average capital employed for the last 12-month period increased by £83.3m to £337.8m (2023: £254.5m). The capital employed at the end of the year was £318.7m, an increase of £84.3m on the prior year (2023: £234.4m). As a result of continued investment in partnership activities and higher average capital employed, the overall return on capital employed for the last 12-month period reduced slightly to 11% (2023: 12%).

The division continues to maintain a high-quality secured order book through ongoing successful client engagement leading to work being awarded via frameworks or direct negotiation. The secured order book at the year end was £2,174m, 7% higher than the prior year end (2023: £2,034m) and with 58% of its total value for 2026 and beyond providing long-term visibility of workload.

Our strategy in action

Delivering much-needed affordable homes

Partnership Housing was appointed by Notting Hill Genesis housing association to deliver 238 new homes at Gallions 3B, part of a mixed-use riverside development at Royal Albert Wharf, London.

The project, due to complete in spring 2025, consists of five apartment blocks ranging from three to 12 storeys, with three quarters of the homes providing a form of social tenure.

Some key site challenges requiring coordination with other stakeholders included the presence of a Port of London Authority radar mast, safeguarding a nearby Thames Gateway site for future infrastructure, and height restrictions due to close proximity to London City Airport.

In line with the Building Safety Act, the division maintained a 'golden thread' of digital information about the buildings to evidence compliance with building regulations.

Operating review continued
Partnership Housing

Mixed tenure

Good progress was made with the strategy of increasing the number and size of mixed-tenure sites. At the year end, the division had 66 active mixed-tenure sites at various stages of construction and sales, up from 61 at the prior year end, with an average of 166 open market units per site (up from 163 at the prior year end). Average site duration is 47 months, providing long-term visibility of activity.

During the year, 1,808 units were completed across open market sales and social housing (including through joint ventures) compared to 1,923 units in 2023, noting that the number of open market sales within this increased by 5% to 874. The average sales price was £237k, which was broadly in line with the prior-year average of £239k.

Of the total divisional order book, the amount relating to mixed-tenure activities increased by 12% to £1,310m (2023: £1,167m). 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 £1,200m at the year end (2023: £821m).

Work won in the year included: 727 units as the division moved into phases 2 and 3 at South Thamesmead, in joint venture with Peabody; the 500-unit Grahame Park development in north London in partnership with the London Borough of Barnet; a 350-unit development in Williton, Somerset with Aster Group; a 309-unit development in Balderton, Newark; a 290-unit scheme at the Elm Grove Estate in partnership with Sutton Council; 176 units in Winchburgh, West Lothian; a 115-unit scheme in Haverfordwest, Pembrokeshire with Pobl Group; 112 units on phase 4 of the Castleward development in Derby with Riverside; and 82 units in Primrose Hill in partnership with Birmingham City Council.

Elsewhere, good progress continued to be made on other mixed-tenure schemes, in partnerships with Riverside, Clarion Housing, L&Q, Together Housing Group, Repton Property Developments (owned by Norfolk County Council), the Borough Council of King's Lynn & West Norfolk, Flagship Group, Pobl Group, West Sussex County Council, Suffolk County Council and Homes England.

Contracting

Partnership Housing continued to experience robust levels of demand with clients awarding work either through frameworks or direct negotiation.

The total number of equivalent units built increased by 15% to 3,299, up from 2,865 in the prior year. Of the total divisional order book, the contracting secured order book remained on a par with the prior year end at £863m (2023: £867m), of which c.40% is for 2026 and beyond.

Key contracting schemes awarded in the year included: an £80m, 321-unit project at Leaside Lock in east London for The Guinness Partnership; a £14m, 70-unit development in Castle Gresley for East Midlands Homes; an £11m, 38-unit scheme at Saffron Lane for Leicester City Council; a £10m, 45-unit development in Isleham, Cambridgeshire for Havebury Housing Partnership; a £10m, 56-unit scheme in Baginton, Warwickshire for Platform Housing Group; a £9m, 55-unit scheme at Crick Road, Portskewett for Candleston Homes; a £40m, 87-unit scheme at Carlton Dene for Westminster City Council; and a number of retrofit and refurbishment projects for local authorities and housing associations.

Divisional outlook

Partnership Housing's medium-term targets are to generate a return on average capital employed up towards 25% and to deliver an operating margin of 8%.

Looking ahead to 2025, while we expect another year of modest recovery in the housing market due to the uncertainty over the timing of future interest rate changes, solid profit growth is still expected, while the return on average capital employed is expected to be in line with 2024 levels as we continue to invest. We remain confident over the medium-term fundamentals of the sector and well positioned to support the government's affordable home plans across the country over the forthcoming years.

The average capital employed is expected to increase up towards c.£380m to £400m, reflecting the increased scale of the business and stage of its developments.

Mixed Use Partnerships

Phil Mayall
Managing Director

> While trading remained subdued due to the phasing of project completions, we have made excellent progress in securing new long-term agreements for future projects.

The quick read...

- Operating profit impacted by timing and lower level of completions
- Successful conversion of sizeable preferred bidder schemes into partnership agreements
- Exceptional growth of 124% in secured order book
- Named by Manchester City Council as partner for long-term regeneration of Wythenshawe Civic
- Medium-term target for return on capital upgraded to 25% from 2025

Key highlights and performance against KPIs

Revenue (£m)

–51%

24	90.5
23	185.3
22	244.0

Capital employed[2] (at year end) (£m)

+£14.7m

24	94.4
23	79.7
22	100.4

Operating profit[1] (£m)

–89.9%

24	1.5
23	14.8
22	18.9

Return on capital employed[3] (last 12 months) (%)

24	2
23	15
22	20

Average capital employed[2] (last 12 months) (£m)

–£11.7m

24	86.9
23	98.6
22	96.5

Return on capital employed[3] (average last three years) (%)

24	12
23	16
22	13

Medium-term target up towards 20%

1 Before exceptional building safety credit of £5.9m (2023: credit of £13.7m). See note 2 of the consolidated financial statements.
2 Capital employed is calculated as total assets (excluding goodwill, intangibles and cash) less total liabilities (excluding exceptional building safety provisions, corporation tax, deferred tax, inter-company financing and overdrafts).
3 Return on average capital employed = (adjusted operating profit plus interest from joint ventures) divided by average capital employed.

Operating review continued
Mixed Use Partnerships

Mixed Use Partnership's profits were significantly lower than previous years due to fewer project completions occurring in the year, resulting in an operating profit of £1.5m (2023: £14.8m). However, excellent progress was made in securing new long-term agreements for future projects. The return on capital employed for the last 12 months was 2%, significantly down on the prior year, based on average capital employed of £86.9m as a result of project completion phasing.

Despite the modest profit contribution, key contributors to performance during the year were profit from development fees generated from activity in Salford Central, Talbot Gateway in Blackpool, Stroudley Walk, Lewisham Gateway and Forge Island in Rotherham, and profit from a land sale in Hucknall, East Midlands.

At the end of the year, the division's order book amounted to £4,085m, substantially ahead of the prior year end (2023: £1,825m), reflecting the success the division has had in converting a number of sizeable, preferred bidder schemes into new and secured long-term partnership agreements. These include:

- a 30-year partnership with land-owning consortium Arden Cross Limited, to deliver development at the HS2 Interchange Station in Solihull. This nationally strategic and regionally significant site will deliver commercial space expected to employ c.27,000 people alongside an Innovation District, anchored by a HealthTech campus, and up to 3,000 new homes;
- a development agreement with Solihull Council to regenerate Mell Square, an iconic shopping hub in the heart of Solihull town centre, with a mix of uses including an improved retail offer, new public spaces, leisure facilities and homes; and
- a new partnership with Homes England and Pension Insurance Corporation to deliver over 3,000 low-carbon, low-energy homes nationally for rent, with a focus on affordable homes.

In addition, Mixed Use Partnerships was named by Manchester City Council as delivery and investment partner for the long-term regeneration of Wythenshawe Civic, with plans to deliver a new public square, shops, workspace, community and cultural space and more than 1,750 new homes, including significant affordable housing.

Through ECF, the division's strategic partnership with Homes England and Legal & General, the following agreements and partnerships were entered into during the year:

- a development agreement with Wolverhampton City Council to create a new city centre neighbourhood with 1,000 new homes (including affordable), enhanced market square with green spaces, and new shops, cafes and restaurants;
- a development agreement with Bradford Council to create a new sustainable city centre neighbourhood with 1,000 new homes alongside shops, workspace, community parks and public space. ECF secured £29m of funding to commence the scheme;
- a partnership with West Northamptonshire Council to explore the regeneration of Greyfriars in Northampton town centre. The 25-acre site will provide homes, retail and leisure, and the reimagining of the Corn Exchange, a heritage asset at the heart of the town centre; and
- an agreement with Stevenage Borough Council to explore the regeneration of up to 30 acres of land around Stevenage railway station that will focus on addressing the long-term needs of the local community, delivering new, high-quality homes and employment space, amenity and green space, a new railway station and a new theatre.

The division secured planning permission for: the final phases of Stockport Exchange, which will create new workspace, shops and a public square in the town centre; a new heart for Prestwich Village in Bury including new homes, a community hub and public space; the market-led revival and Town Hall refurbishment in Earlestown, St Helens; 90 affordable homes designed to Passivhaus standards at Oldfield Basin, Salford Central; and at Weston M6 in Basford East, hybrid consent was secured for a new state-of-the-art commercial and business park totalling 1.2 million sq ft of space and wellbeing-led green space. In addition, ECF secured planning permission for the Crescent Innovation Zone, which is part of the Crescent Salford programme and includes 933 new homes, 1.7 million sq ft of new commercial innovation, academic and research floorspace, active ground-floor space and a new movement hub, along with significant improvements to public spaces.

Operating review continued
Mixed Use Partnerships

During the year, good progress was made at Stroudley Walk in Bromley-by-Bow to create 274 homes, with 50% available for London Affordable Rent or shared ownership, and a 215,000 sq ft Civil Service Hub at Talbot Gateway, Blackpool, which will accommodate more than 3,000 civil servants.

Completions in the year included 256 mixed-tenure homes at Hale Wharf, Tottenham Hale through the Waterside Places partnership with the Canal & River Trust; the final phase of Lewisham Gateway, delivering 649 homes for rent, retail space, food and beverage space, workspace and a multiplex cinema; Forge Island in Rotherham, a leisure destination including a new cinema, restaurants and public space; 113 affordable homes at Northshore in Stockton-on-Tees; a 144-bed Holiday Inn at Talbot Gateway, Blackpool; and a new bridge connecting communities at Brentford Lock West.

The ECF partnership also made good progress on existing schemes. Work completed at Eden, a 115,000 sq ft workplace, designed to be 'net zero carbon in operation' with space let to accountancy firm BDO and law firm TLT, and a collection of 96 affordable Passivhaus homes at Greenhaus, both in Salford.

At Manor Road Quarter in Canning Town, the first phase of 355 homes was completed, including 140 affordable homes handed over to Metropolitan Thames Valley Housing. Construction commenced on Willohaus, a collection of 100 affordable Passivhaus homes, and major infrastructure project Salford Rise, as part of the 240-acre mixed-use regeneration of Salford Crescent, as well as 196 build-to-rent homes at New Bailey, Salford Central.

Divisional outlook

The increased medium-term target for Mixed Use Partnerships is to generate a return on capital up towards 25%.

While the division has experienced a substantial increase to its development order book for a number of sizeable long-term schemes, profits (and the resulting return on capital employed) in 2025 will continue to be moderate, albeit higher than 2024 levels. The average capital employed for the year is expected to be between c.£105m and £115m.

Our strategy in action

Lewisham – 20 years of placemaking

Lewisham Gateway, the £500m mixed-use regeneration of central Lewisham, completed in 2024 with its final phase delivering 649 new homes. Over the past 20 years, a congested traffic island has been transformed into a thriving new neighbourhood with over 1,000 homes, new shops, cafes and restaurants, workspace, gym and cinema. Complex works have included moving a roundabout, re-routing and uncovering the Quaggy and Ravensbourne rivers, and creating a new park where the rivers meet.

Lewisham Gateway has also reconnected its railway station, Docklands Light Railway and bus station with the high street, helping to drive thousands of passengers towards the city centre and promote economic growth for the community.

Mixed Use Partnerships' delivery partners on the scheme were Lewisham Council, the Mayor of London, Transport for London and Homes England.

Operating review continued

Fit Out

Chris Booth
Managing Director

> The market for fit out remains strong, and we have had another excellent year with significant growth in both revenue and operating profit.

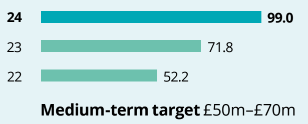
Key highlights and performance against KPIs

Revenue (£m)

+18%

Operating profit (£m)

+37.9%



Operating margin (%)

+110bps

The quick read...

- Continued focus on consistent operational delivery and enhanced customer experience
- Significant growth in revenue and operating profit
- High-quality workload through disciplined bidding
- Secured order book 31% higher than prior year
- Medium-term target for operating profit increased to £60m–£85m from 2025

Fit Out delivered another market-leading performance in the year, enjoying significant growth for both revenue and operating profit. With revenue increasing by 18% to £1,300m (2023: £1,105m), operating profit was up 38% to £99.0m (2023: £71.8m) resulting in strong margin expansion to 7.6% (2023: 6.5%), strongly influenced by the exceptional volumes and operational leverage. The division's focus on consistent operational delivery and enhanced customer experience continues to underpin its excellent performance, complemented by a high-quality workload through disciplined and focused bidding, which in turn supports its strong brand reputation and market position.

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

The London region continued to generate a strong proportion of the division's revenue, accounting for 72% of revenue (2023: 64%), while other key geographies served out of offices in the Thames Valley, Birmingham, Manchester, Leeds and Glasgow covered the remaining 28% of revenue (2023: 36%).

There was no significant change to the market sectors served. The commercial office market remained the largest, contributing 86% of revenue (2023: 80%), with higher education amounting to 6% of revenue (2023: 10%), government/local authority representing 6% (2023: 8%), and retail banking and other sectors covering the remaining 2% of revenue (2023: 2%).

In terms of type of work delivered in the year, 86% related to traditional fit out work (2023: 85%), while 14% related to 'design and build' (2023: 15%). The proportion of revenue generated from the fit out of existing office space remained relatively constant at 82% (2023: 79%), with the remainder attributable to the fit out of new office space. Of the fit out of existing office space, 46% of the work was refurbishment 'in occupation' compared to 54% where work was performed in non-occupied space.

Operating review continued

Fit Out

The market for fit out remains strong, with a number of different factors driving demand: lease events and significant project requirements in the London commercial office market; upcoming public and private sector schemes outside of London; carbon-driven planning restrictions for new buildings and energy efficiency of existing office space; and the continuation of repurposing of office space to accommodate new ways of working.

At the year end, the secured order book was £1,439m, an increase of 31% from the previous year end (2023: £1,098m). Of this total, £1,187m (83%) relates to 2025, 45% higher than it was at the same time last year for the 12-month look ahead, which continues to underpin the visibility and confidence for the forthcoming year.

Commercial

Commercial fit out projects won in London during the period included 380,000 sq ft for PwC at More London; 355,000 sq ft for A&O Shearman at 2 Broadgate in London; 277,000 sq ft for Latham & Watkins on Leadenhall Street; 156,000 sq ft for Unilever in Kingston-upon-Thames; 158,000 sq ft for Travers Smith; 129,000 sq ft for JLL at 1 Broadgate in London; 101,000 sq ft fit out for Investec on Gresham Street; 83,000 sq ft for Wise in Worship Square, London; 56,000 sq ft for Standard Chartered Bank; 48,000 sq ft for Rabobank London on London Wall; 37,000 sq ft for OMERS and Oxford Properties; 26,000 sq ft for Motability Operations at 22 Bishopsgate; 24,000 sq ft for Johnson Matthey at Gresham Street; and 8,500 sq ft for AstraZeneca at Pancras Square.

Regional project wins in the period included 185,000 sq ft for a UK consumer, corporate and wealth and private banking franchise in Northampton; 152,500 sq ft for Lloyds Banking Group in Birmingham; 43,000 sq ft for Bruntwood Estates in Manchester; 32,000 sq ft for an electric vehicle design and manufacturing company in Bicester; 27,000 sq ft for Evelyn Partners in Bristol; 20,000 sq ft across two floors for Vodafone in Newbury; and 12,700 sq ft across two projects for VISA in Basingstoke.

Commercial fit out projects on site or completed in London during the year included 1.2 million sq ft for Citi in Canary Wharf; 110,000 sq ft for a professional services firm in London; 109,000 sq ft for Aviva at 80 Fenchurch Street; 114,000 sq ft for law firm Reed Smith near Spitalfields; two projects totalling 99,500 sq ft for Deloitte at New Street Square; 51,500 sq ft for Berkeley Estate Asset Management in Mayfair; 40,000 sq ft for British Land on Bishopsgate; 17,000 sq ft for Boston Consulting Group on Charlotte Street; and an 11,000 sq ft fit out for Burges Salmon at New Street Square.

Regional projects on site or completed during the year included 160,000 sq ft for Lloyds Banking Group in Leeds; 144,000 sq ft for Wirral Borough Council; 50,000 sq ft for Dojo in Bristol; 44,000 sq ft for Samsung in Cambridge; 27,000 sq ft for Arup in Bristol; and 20,000 sq ft for Sky in Leeds.

Our strategy in action

One of the world's healthiest workplaces

GSK's new global headquarters in London's Knowledge Quarter aspires to be one of the world's healthiest workplaces. Its 13 floors support hybrid working for employees, with bright spaces, green terraces, best-in-class technology, a dedicated wellness floor and public restaurant called The Orangery.

The project was 'Perfectly Delivered', exceeding the client's cornerstone to "deliver at least 10 world-leading innovations that support human health and align with GSK culture". Fit Out delivered 13 such innovations, including a 53/50 Considerate Contractor Score; the permanent installation of a vertical farm whose produce equates to 1.5 acres of farming; and upskilling two social enterprises to become fit out contractors.

Designed by PENSON and delivered in partnership with tp bennett, the GSK fit out is on track to achieve BREEAM Outstanding, WELL Platinum and WELL Equity certifications.

Operating review continued

Fit Out

Science and research and higher education

Projects won in the year included 310,000 sq ft for British Land at 1 Triton Square in London; 64,000 sq ft for King's College London; 29,000 sq ft at Newcastle University; a 29,000 sq ft library refurbishment at the University of Wolverhampton; and two projects totalling 25,000 sq ft at Anglia Ruskin University.

Projects on site or completed during the year included a 150,000 sq ft HQ for GSK in London's Life Sciences Hub, known as the Knowledge Quarter; 100,000 sq ft at Durham University School of Business; five projects totalling 45,000 sq ft for Queen Mary University; upgrade works at the Francis Crick Institute as their project partner; 27,500 sq ft for Aston University; and a 12,500 sq ft fit out of Keele University's Clinical Skills department.

Design and build

Projects won and continuing on site during the year included 120,000 sq ft for Wood Group at Green Park in Reading; 50,000 sq ft for Mapletree at Green Park in Reading; 23,000 sq ft for Ultra Maritime in High Wycombe; and 6,000 sq ft for Molton Brown in Bishop's Stortford in Essex.

Projects won and completed during the year included 50,000 sq ft for Accrue Capital in Maidenhead; 30,000 sq ft of fully fitted labs and office space for Stanhope at MediaWorks in White City Place; 38,000 sq ft for Aurora Energy Research in Oxford; 21,000 sq ft for Kajima Properties (Europe); 24,000 sq ft for Greystar on Finsbury Square; 18,000 sq ft for Sage UK in Winnersh Triangle, Reading; 15,000 sq ft for Wavestone at Exchange Square in London; 13,500 sq ft for Smiths Group plc; 8,600 sq ft for Centiva; 8,000 sq ft for Spin Master Toys in Marlow; 8,000 sq ft for AEW UK Investment Management; 7,000 sq ft for Trinity Life Sciences in the Scalpel in London; and 7,000 sq ft for Just Climate (by generation) in London.

Frameworks

Projects won under frameworks and corporate partnerships included £30.0m of works for the Mayor's Office for Policing and Crime, with a future order book of £30.3m; £21.4m of works through Procure Partnerships, with a future order book of £9.6m; £11.2m of works through Pagabo, with a future order book of £3.5m; £7m of works through the Southern Construction Framework; £3.2m of works through Construction West Midlands Framework; and two projects through Scape to the value of £3.6m.

Divisional outlook

The increased medium-term target for Fit Out is to deliver an average annual operating profit of £60m–£85m.

Based on the timing of projects in the order book and the current visibility the division has of future workload for the forthcoming year, the division is expected to have another strong year in 2025, with profit towards the top end of this revised target range.

Construction

Pat Boyle
Managing Director

> We delivered a strong performance, achieving an operating margin at the top end of our target range and a secured order book 20% ahead of the prior year.

Key highlights and performance against KPIs

Revenue (£m)

+8%

Medium-term target £1bn

Operating profit[1] (£m)

+19.3%

Operating margin[1] (%)

+30bps

Medium-term target 2.5%–3.0%

1 Before exceptional building safety credit of £0.1m (2023: charge of £11.5m). See note 2 of the consolidated financial statements.

The quick read...

- Maintained prudent risk management in order book
- Strong year of winning new work, with secured order book seeing a 20% increase
- Further work available in the market, much through negotiated or existing frameworks
- Medium-term target for operating margin increased to 3.0%–3.5% from 2025

Construction's revenue increased by 8% to £1,044.1m (2023: £966.6m), while operating profit increased by 19% to £30.9m (2023: £25.9m), resulting in an operating margin of 3.0% (2023: 2.7%); this was at the top end of its targeted range for its operating margin of 2.5%–3.0%. The strong profit performance was driven by improving the overall quality of earnings through disciplined contract selectivity and operational delivery together with prudent risk management within its order book.

The division had a strong year of winning new work, with the secured order book at £952m, 20% ahead of the prior year (2023: £796m). Of the total, £771m (81% by value) is secured for 2025; this compares to £652m (82% by value) of work which was secured for the year ahead at the start of last year. In addition to the total order book, there continues to be a significant amount of suitable work available in the market, much of which is being generated through negotiated or existing frameworks. At the end of the year, the division had £1,179m of work at preferred bidder stage, providing confidence of a sizeable ongoing workload (2023: £1,284m) for the forthcoming period.

Education

Project wins included a £51m new-build 930-place secondary school in Dumfries, Scotland; the £50m Nine Elms two-form entry and special educational needs (SEN) primary school in Battersea; the £50m, 900-place Willows High School and SEN facility in Cardiff; a £34m secondary academy at Callerton in Newcastle upon Tyne for the Department for Education (DfE);

Operating review continued
Construction

the £25m Ravensdale special educational needs and disabilities (SEND) school in Mansfield for Derby City Council; the £19m Carleton High School in Pontefract; Maendy (£14m) and Goetre (£20m) primary schools in South Wales; and the £13m, 420-place Cable Wharf primary and SEN school in Kent for Kent County Council and the DfE to support a growing residential development.

During the year, work progressed on Orbiston Community Hub, a £42m facility near Glasgow accommodating two primary schools, a family learning centre and a community centre; a £32m, 1,900-place all-through school in Abergavenny; and the £21m new build and refurbishment of the School of Veterinary Medicine at the University of Central Lancashire.

Completions in the year included: the £35m 150-place Alconbury SEN school in Huntingdon; the £18m Pear Tree SEND school in Stockport; the £13.9m Little Reddings Primary School in Bushey, delivered via the DfE's School Rebuilding Programme; a £12m facility for Middlesbrough College to deliver training in specialist engineering; an £11m three-storey teaching block for Castle School in Thornbury, Bristol; Limebrook School in Maldon, Essex, a new 420-place primary school and nursery; the £24m London Institute for Healthcare Engineering, a state-of-the-art life sciences facility for King's College London and Guy's and St Thomas' NHS Foundation Trust; and a £19.5m 'Living Lab' public science centre for Anglia Ruskin University.

Healthcare

Project wins included a £35m theatre and ward expansion and refurbishment at Harrogate District Hospital; a £32m expansion to create a new 48-bed ward block and imaging facility at Milton Keynes University Hospital; a £9m extension to The Grange University Hospital's emergency department in Cwmbran; and a £9m redevelopment of Bradford Royal Infirmary's maternity department.

During the year, work progressed at the £24m Alder Hey Hospital surgical neonatal intensive care unit, the first specialist facility of its kind in the UK; a new £14m community diagnostic centre at St Margaret's Hospital, Epping for The Princess Alexandra Hospital NHS Trust; and multiple upgrades for Mid and South Essex Foundation Trust's Broomfield Hospital in Chelmsford. Elsewhere, work completed on the Norfolk and Norwich University Hospital's £25m community diagnostic and assessment centre.

Other sectors

Project wins included the £86m Devonshire Gardens mixed-use redevelopment scheme for Railpen in Cambridge; a £27m life sciences development in King's Cross; a £32m redevelopment and upgrade of a household waste recycling centre and waste transfer station in Aldridge, West Midlands for Walsall Metropolitan Council; a £32m major public realm development for Plymouth City Council; a £10.5m upgrade to Ashford Fire Station in Kent; and the £10m redevelopment of Reading Central Library. The £43m residential project in New Bailey Salford for English Cities Fund, being carried out in collaboration with Mixed Use Partnerships, made good progress in the period, while other completions included five fire station projects across the UK, including the new £15.4m Cosham Fire Station in Portsmouth.

Divisional outlook

The increased medium-term target for Construction is to deliver an operating margin between 3.0% and 3.5% per annum with an annual revenue target in excess of £1bn.

For 2025, based on its secured order book and the timing of projects at preferred bidder stage expected to convert into contract and commence in the year, the division's operating margin is expected to be towards the lower end of the revised range and its revenues to slightly exceed £1bn.

Our strategy in action

Creating an inspiring and sustainable learning environment

Prestley Wood Academy is a £36m SEND school for 150 pupils in Alconbury Weald, Cambridgeshire. Facilities include two sensory rooms, a state-of-the-art hydrotherapy pool, trampoline room and soft play area. The landscaped design will support forest school learning, specialist art creativity, and sport and fitness activities.

In line with the Council's 'Nearly Zero Energy Building Initiative', the team used CarboniCa, the Group's intelligent carbon-reduction tool, to help reduce the project's carbon by 1,220 tonnes, for example by re-assessing the foundation design, repurposing material, using diesel-free equipment and solar site cabins, and using a 25% PFA (coal waste) concrete mix. To save energy in running the school, an air source heat pump system was installed as well as 200 photovoltaic panels.

Infrastructure

Simon Smith
Managing Director

> We delivered a robust performance and achieved our medium-term targets while ensuring high-quality operational delivery.

The quick read...

- Growth in revenue while operating profit in line with prior year due to the timing and phasing of project starts and completions
- Order book up by 11%, mostly long term in nature
- Positions secured on long-term programmes including National Grid's Great Grid Partnership, Wessex Water's AMP8 and Network Rail's CP7 Eastern Framework
- Medium-term target for operating margin increased to 3.75%–4.25% from 2025

Infrastructure[1] delivered another strong performance in the year, with both profits and margin influenced by the timing and nature of projects delivered through its frameworks while still ensuring a high-quality operational delivery across the business. Revenue increased by 18% to £1,047.0m (2023: £886.7m) with operating profit of £38.5m, in line with the prior year (2023: £38.5m), supported by an operating margin of 3.7% in the middle of its targeted range of 3.5%–4.0% (2023: 4.3%).

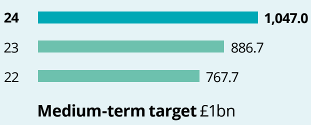
Infrastructure's order book of £1,883m was 11% up compared to the prior year (2023: £1,689m). The order book continues to remain long term in nature, with around 98% derived through existing frameworks.

The division remains focused on the key sectors of nuclear, energy, water, highways and rail, with visible opportunities in defence. Its markets have significant long-term committed investment programmes in place, largely driven by government and regulatory objectives. Infrastructure continues to see its clients awarding large long-term frameworks with its delivery partners, awarding projects focused on delivering strategic outcomes over the term of the framework.

Key highlights and performance against KPIs

Revenue (£m)

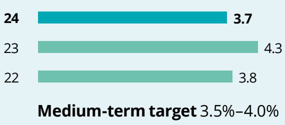
+18%



Operating profit (£m)

Operating margin (%)

–60bps



Energy

Infrastructure secured a position on the £9bn Great Grid Partnership, as part of the Accelerated Strategic Transmission Investment projects. The Great Grid Partnership will build new electricity network infrastructure required to reduce the UK's reliance on fossil fuels by connecting 50GW of offshore wind by 2030. In Scotland, the division secured a position as a strategic partner on ScottishPower's £5.4bn programme of contracts to deliver the biggest rewiring of the electricity grid since its inception. The partnership will run for an initial five years, with the option to extend up to 10 years.

1 Design results are reported within Infrastructure.

Operating review continued
Infrastructure

Elsewhere, work continued at Dinorwig in Wales, and commenced at ZA in Hertfordshire as part of the RIIO T2 electricity construction EPC (engineer, procure and construct) framework for National Grid. Work also continued in Shetland for Scottish and Southern Electricity Networks, which includes an 11km, 132kV twin circuit underground cable project and construction of Gremista substation; this project will play a key role in the connection of the Viking wind farm, capable of generating 500MW.

Nuclear

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

Rail

The division secured a position on the CP7 Eastern Framework for Network Rail, a £3.5bn framework which lasts through to 2029, adding to its position on the £2bn CP7 Wales and Western Framework secured in 2023. Announced late in 2024, the division was appointed by Network Rail as delivery partner for the overhaul of the Liverpool Street station roof at £22m. Work continued on the remodelling of Colindale station for Transport for London, including a new ticket hall and step-free access. Elsewhere, works continued to progress on the extension to Beckton Depot and a project to upgrade Surrey Quays station, both for Transport for London as part of its London Rail Infrastructure Improvement Framework.

Several schemes for Network Rail continued to progress at pace, including the Bangor to Colwyn Bay line, as part of the CP6 Wales and Western framework, the lift scheme at Liverpool Central station as part of the Merseyrail framework, and the Northumberland Line extension project.

Highways

Infrastructure continued to deliver the £87m M27 project as part of the National Highways' Concrete Roads programme to replace the concrete surface of motorways on major A roads in England. As part of the same framework, work completed on the A11 and A12 schemes, improving traffic flow safety for local commuters.

Water

Work continued on various environmental improvement projects and wastewater treatment upgrades as part of the long-term AMP7 framework with Welsh Water, and the division's 30-year-plus relationship with Welsh Water continues following its appointment on the AMP8 framework. Adding to its water portfolio, the division also secured a position on AMP8 with Wessex Water, as a capital delivery partner over a five-year period. In addition, civil engineering works continued to make good progress on the west section of the Thames Tideway 'super sewer' project to help prevent pollution in the River Thames, with the project on target to complete in 2025.

Our strategy in action

Helping the UK transition to green energy

Infrastructure has delivered an overhead electricity line upgrade for National Grid that will enhance the power flow into London and enable more clean energy projects in South England to be connected to the UK electricity network.

The line, between Elstree substation just south of Watford and Sundon substation just north of Luton, spans 35km, 104 overhead line towers and several major roads. The division used new 'CatchBlock' technology that allowed a seamless replacement of conductors from tower to tower, causing minimal disruption to infrastructure and third parties.

Infrastructure employed 14 people on the project who had been trained in overhead line work at a specially designed training centre set up by the division in Stone, Staffordshire.

Design

In the BakerHicks design business, HMP Highland received the final go-ahead for construction. Having been involved from the feasibility design stage, BakerHicks will continue to deliver multidisciplinary services, including architectural, building information modelling, civil and structural, mechanical and electrical, and principal designer services. The new facility is set to be the first net zero prison in Scotland, with improved education and health facilities to help with rehabilitation. Work continued during the year on an innovative feed additive facility for East Dunbartonshire Council in Dalry, North Ayrshire to reduce methane emissions from cattle.

Divisional outlook

The increased medium-term target for Infrastructure is to deliver an operating margin between 3.75% and 4.25% per annum, with an annual revenue target in excess of £1bn.

For 2025, based on the timing of projects and the projected type of work, Infrastructure's operating margin is expected to be in the middle of the revised range, while revenue is expected to be closer to £1bn. This is underpinned by the division's continued focus on long-term client relationships, disciplined contract selectivity, risk management and project delivery.

Our strategy in action

Transforming a vacant high street unit into a vibrant community hub

Paisley Learning and Cultural Hub was recognised at the 2024 Scottish Property Awards as 'ESG Refurbishment of the Year'.

The Victorian townhouse was transformed into a digitally connected learning space, adding an extra floor and modern frontage. The hub contains a library, children's library and storytelling area, outdoor terrace, community rooms, study area and computer access.

BakerHicks provided civil and structural engineering services from the initial feasibility study through to completion, conducting extensive surveys, investigative works and structural modelling to create the space Renfrewshire Council was looking for.

New foundations, steelwork and slabs within constrained spaces, together with meticulous planning of the construction sequence, helped retain much of the original building.

Operating review continued

Property Services

Jo Jamieson
Managing Director (reporting to Pat Boyle)

> We have successfully completed our business remediation programme and are positioned to return to profit in 2025.

The quick read...

- Completion of business remediation programme included a negotiated exit from a small number of contracts and operational restructuring of key existing contracts, which resulted in an operating loss for 2024
- Expected to return to modest profit in 2025
- 78% of the order book is for 2026 and beyond
- Secured a position on the Pagabo facilities management framework, supporting further expansion into this market

In 2023, Property Services reported an operating loss due to cost pressures and operational challenges, and initiated a business remediation programme which concluded at the end of 2024. Under the leadership of the new management team, the division successfully negotiated both the resetting of pricing levels and KPI levels for a number of contracts, together with early releases from a small number of underperforming contracts by way of mutual agreement. The latter resulted in exit costs recorded in the first half of 2024.

Key highlights and performance against KPIs

Revenue (£m)

+21%

24	223.2
23	185.2
22	163.5

Operating (loss) (£m)

–6.0%

24	(17.8)
23	(16.8)
22	4.3

Medium-term target £7.5m

Operating margin[1] (%)

+110bps

24	(8.0)
23	(9.1)
22	2.6

1 Before intangible amortisation of £0.5m (2023: £2.9m).

Operating review continued

Property Services

Elsewhere the division carried out a review of existing contract assets with impairments recognised, while also concluding its operational restructuring efforts across a number of its key contracts to achieve efficiencies, with improvement plans now implemented.

The impact of the above events has resulted in an operating loss in the year of £17.8m (2023: loss of £16.8m). While revenue increased by 21% to £223.2m (2023: £185.2m), the growth is driven by increased volumes of planned repair works for existing clients seeking to improve the condition of their residential assets. While the remediation programme was underway during the year, only a small number of less material contracts were bid for.

At the year end, the secured order book was £887m, down 40% from the prior year (2023: £1,478m), as revenues were removed for the unexpired term for those contracts which the division had negotiated an early release from. Of the order book remaining, 78% is for 2026 and beyond.

During the year, Property Services secured a two-year contract with The Guinness Partnership to deliver planned works in the London and South regions and was awarded a place on the Pagabo facilities management framework, which will support further expansion into this market. The division continues to work with four existing contracts to deliver retrofit and decarbonisation works under the Department for Energy Security and Net Zero's Social Housing Decarbonisation Fund Wave 2.1, with a combined two-year value of £31m.

Divisional outlook

The medium-term target for Property Services is to deliver £7.5m operating profit per annum.

Following the successful completion of the remediation programme, the division is now positioned to return to a modest profit in 2025.

Our strategy in action

Improving energy efficiency for residents

Property Services has partnered with Amplius (formerly Longhurst Group) to improve the energy efficiency of 581 homes throughout the East Midlands, North Lincolnshire and West Norfolk by mid-2025. The £15m project received grant funding from the government's Social Housing Fund.

The upgrades include wall and loft insulation, replacement windows and doors, draught-proofing and low-carbon heating.

During 2024, the energy ratings of over 450 properties were improved from Energy Performance Certificate band D and below to band C, supporting the health and wellbeing of residents and reducing carbon emissions and running costs.

The team engaged regularly with residents to encourage them to sign up to the works and reassure them about potential impacts.

Responsible business strategy and performance

Driving sustainable growth and creating shared value for the communities we serve

Overview

As the UK's leading partnerships, fit out and construction services group, we have a significant opportunity to create lasting value for people, planet and profit. With the built environment contributing around a quarter of the UK's total carbon emissions, it is vital that we play our part to accelerate the transition to a low-carbon economy by setting near- and long-term commitments to decarbonise our activities and reduce our value chain emissions. At the same time, we must also ensure that our projects continue to support the UK's housing, regeneration, development and infrastructural needs by generating long-term value for business and society to deliver a fair and just transition.

Our responsible business strategy supports our ambition to drive sustainable growth and create shared value for the communities we serve. Our expertise in partnerships enables us to collaborate with local authorities and housing associations to support the government's affordable housing and social infrastructure plans. Our focus on fit out and maintenance enables us to reimagine spaces in healthier and more sustainable ways. Finally, our construction projects establish vital infrastructure and buildings that keep the country running – from roads and railways to schools and hospitals.

Our strategy

Our responsible business strategy is driven by our five Total Commitments, which address the Group's most material environmental, social and governance (ESG) issues. By taking targeted action through our divisions, we are scaling our sustainable and responsible business activities to drive progress across each of our five priority areas.

Our Total Commitments support six of the UN Sustainable Development Goals where our activities can make the most significant impact. Our strategy is driven by our Core Values, which ensure we adopt a consistent set of behaviours across our decentralised organisation, including our commitment to operating with the highest standards of business ethics and conduct in all that we do.

We measure our progress through a series of medium- and long-term KPIs and targets.[1] These are reviewed periodically to ensure they remain relevant and ambitious as our business continues to grow.

1 Our responsible business metrics represent our UK operations only, with the exception of our carbon emissions data, which also includes our European operations.

2024 progress and highlights

We continued to decarbonise our activities in 2024 and drive progress against our net zero commitments. We retained our AAA MSCI ESG rating for the fourth consecutive year and an A for CDP Climate for the fifth year. In August, we published our first Transition Plan, which details our strategy for meeting our medium-term science-based targets of a 60% reduction in our Scope 1 and 2 emissions and a 42% reduction in our Scope 3 emissions by 2030, as well as our longer-term target of a 90% reduction in Scope 1, 2 and 3 emissions by 2045 (see page 44 for more detail).

To identify targeted emissions reduction opportunities across the Group, all divisions conducted internal decarbonisation audits during the year. We also updated our Scope 3 emissions inventory to improve the accuracy of our data and track our ongoing performance and progress.

Our Total Commitments

Our five Total Commitments drive ESG action across the Group by targeting our key material issues.

Responsible business strategy and performance continued

This has enabled us to disclose our Scope 3 emissions across all relevant categories for the first time (see page 45).

Our people are the lifeforce of our business and we depend on them to deliver services that delight our customers every day. To support their needs, we offer an inclusive and innovative culture that inspires them to achieve the improbable. During the year, we reinforced our ethos of zero harm by setting new leading health and safety indicators (see page 40). We also reinforced our commitment to supporting and developing our people, while securing new opportunities for the next generation of leaders, through training and development opportunities, apprenticeship roles, graduate schemes and student placements (see page 43).

As a business that operates at the very heart of communities, it is vital that we identify ways to accurately measure and increase the social and economic impact our projects have on society. In July 2024, in partnership with the Housing Associations' Charitable Trust (HACT) and Simetrica-Jacobs, we launched the Built Environment Bank, an online tool to measure the value we are creating through our projects. Our divisions also continued to participate in a range of community activities, including educational programmes, employability initiatives and environmental projects (see pages 50 and 51). The Social Value Portal has calculated that the Group has contributed £4.6bn in social value since October 2023.

More information about the Group's responsible business progress can be found on our website.

Protecting people

1. Physical and mental health, safety and wellbeing
2. Fair employment and no modern slavery

See pages 40 and 41

Developing people

3. Employee capabilities are strengthened and expanded
4. Diversity and inclusion
5. Youth training and employment

See pages 42 and 43

Improving the environment

6. Water use is minimised and socially equitable
7. Air quality is maintained to highest standards
8. Zero avoidable waste
9. Mitigation and adaptation to climate change
10. Protecting ecosystems
11. Net zero progress

See pages 44 to 47

Working together with our supply chain

12. Resilient, responsible and engaged supply chain
13. Diverse and local supply chain (SMEs)

See pages 48 and 49

Enhancing communities

14. Positive environmental and social procurement outcomes
15. Enhanced community health and wellbeing

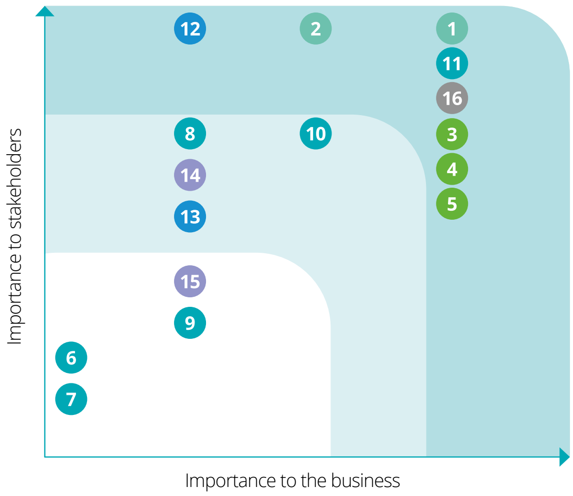
See pages 50 and 51

Governance

16. Ethical business and governance

See pages 38 and pages 81 to 134

Materiality assessment



We conduct a materiality assessment every two years to identify and rank the ESG issues that are most important to our stakeholders and business over the medium term.

Our last double materiality assessment was conducted in 2023, where we received input from 2,680 stakeholders, including 2,125 employees and 555 external stakeholders. The process was aligned to the Future-Fit Business Benchmark and the UN Sustainable Development Goals to ensure rigour and alignment to relevant topics and standards. The survey was also informed by the Global Reporting Initiative's sustainability context principle and the Sustainability Accounting Standards Board's five-factor test.

In 2025, we will undertake a refreshed double materiality assessment to align our approach to emerging regulatory standards, which will guide our responsible business strategy and future reporting.

Protecting people

We are committed to safeguarding our people and partners by implementing safe and healthy workplace practices. By putting in place rigorous measures and promoting our high standards of conduct across the value chain, we are protecting people at every stage of their journey with us.

The quick read...

- Introduced new leading safety indicators across the Group while also enhancing division-specific metrics
- Strengthened safety data management to provide detailed insights into performance and identify targeted actions
- Over 90% of projects accident-free and RIDDOR[1]-free
- Collaborated with leading construction companies to re-energise awareness of modern slavery in our industry

2024 progress

2024
0.23
lost time incident rate (LTIR)[2]

2025 target
0.21

2030 target
0.18

Horizon ambition
Zero incidents

1 Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013.
2 Number of lost time incidents x 100,000 divided by the number of hours worked. Lost time incidents are those resulting in absence from work for a minimum of one working day, excluding the day the incident occurred.

Creating a culture of safety

The health, safety and wellbeing of our people and the subcontractors who work on our sites is our highest priority. We reinforce safe practices by creating a culture that promotes positive behaviours, compliance and accountability.

During the year, our protecting people forum brought together divisional health and safety leads to implement processes and procedures throughout the Group, including targeted actions, training, and safety awareness initiatives. In 2024, the forum established a new set of leading indicators to better anticipate and prevent avoidable incidents while also increasing the number of positive interventions that take place. Additionally, the forum worked on implementing a new data management system to strengthen site supervision and improve our ongoing performance monitoring processes.

In 2024, over 90% of projects were accident-free and RIDDOR-free. Subsequently, our LTIR decreased marginally to 0.23 across the Group (2023: 0.24). While we have made strong progress to date, there is still some way to go to achieve our interim LTIR target of 0.21 by 2025. We are confident that our improved data collection, new leading safety indicators and increased positive interventions will enable us to achieve further reductions over the coming year.

Promoting responsible behaviours

We empower our divisions to establish targeted health and safety programmes that are applicable to the bespoke nature of their work and projects. Driven by our divisional health and safety teams, our first priority is incident prevention. To deliver this consistently, we provide effective onboarding, on-site training and awareness exercises, as well as regular near-miss reporting to ensure that all unsafe behaviours, hazards or near misses are reported.

In the unfortunate event that an incident does occur, a detailed investigation is undertaken to ensure that all lessons are captured, tracked and learned from. This typically involves targeted updates to policies, refresher training, new learning bulletins and detailed safety briefings. To ensure consistency in our approach, all divisions hold ISO 45001 accreditation for Occupational Health and Safety Management Systems and ISO 9001 accreditation for Quality Management, with BakerHicks holding SafeContractor certification.

In 2024, effective governance was reinforced through regular training. For example, Infrastructure rolled out a series of protecting people workshops to over 2,000 colleagues, which were delivered by 30 internal facilitators. The training received a 98% positive feedback rating, with 93% of participants saying they would recommend it to a colleague. Fit Out embedded best-practice health and safety principles from project implementation by inviting its health and safety team to attend all project pre-start meetings; Construction rolled out a series of immersive learning programmes covering key topics such as fire safety and buried services; and BakerHicks established a 100% Safe Ambassadors network to deliver targeted safety initiatives across all its locations.

Responsible business strategy and performance continued
Protecting people

Supporting physical and mental wellbeing

In addition to our high standards of health and safety across the Group, we are committed to encouraging our people to be fit, healthy and resilient. For us, this means putting in place effective measures to support their physical, emotional and mental wellbeing. As of 2024, 68% of employees across the Group received private medical insurance and 96% were covered by life insurance. We also offer a comprehensive benefits package that includes a digital GP service, a dedicated employee assistance programme and a range of other leading benefits (see page 43).

Our divisions continued to promote health-related activities and targeted campaigns throughout the year. For example, Infrastructure conducted around 2,000 colleague health and wellbeing assessments that included completing a lifestyle analysis questionnaire. Through the assessment and recommendations provided, many have taken active steps to seek medical intervention or pursue a healthier lifestyle. In Property Services, our team of qualified mental health first aiders were on hand throughout the year to assist employees in need, and in Mixed Use Partnerships, strong progress was made through the achievement of Great Place to Work accreditation for Employee Wellbeing.

Our work to deliver improved physical and mental wellbeing extends beyond our employees to the users of our buildings and spaces. All our divisions participate in the development of WELL Building-, BREEAM- or DREAAM-rated projects that require health and wellbeing principles such as air, water, nourishment, light, fitness, comfort and mind to be incorporated in building design and functionality.

Upholding human rights

We are committed to upholding the highest standards of human rights within our business and across our value chain by treating everyone who interacts with our business with dignity, wellbeing and respect. Our human rights policy outlines our support of the UN Guiding Principles on Business and Human Rights and the UN Universal Declaration of Human Rights. This includes a commitment to the principles of diversity and inclusion, non-discrimination and non-harassment, prevention of human trafficking, elimination of forced and child labour, workplace health and safety, freedom of association, and supply chain compliance.

To ensure alignment across the Group, our Code of Conduct sets out the behaviour we expect of our people when engaging with our clients, colleagues, suppliers and communities. The Code is supported by our Supplier Code of Conduct and our Modern Slavery Statement, which outline our obligations with regard to eliminating any and all forms of human trafficking and forced labour from within our business and across our supply chain. During the year, we continued to raise awareness of modern slavery and the steps our employees can take to prevent it (see case study below).

In 2024, we continued to promote our confidential whistleblowing service, 'Raising Concerns', independently operated by Safecall, to encourage our people to report any concerns or forms of non-compliance without fear of retaliation. In 2024, we received 36 calls to the hotline and our investigations found no instances of modern slavery within our business or in our immediate supply chain.

Eliminating modern slavery in construction

In 2024, we partnered with 11 construction companies and labour agencies to re-energise awareness of modern slavery in our industry and increase the chances of exploitation being reported.

Recognising the importance of training programmes and site inductions in raising awareness among site workers, we commissioned anti-slavery charity Unseen UK to produce a powerful film that highlights the everyday reality for victims of modern slavery and demonstrates signs of exploitation that site teams can look out for. The photo to the left is a still from the film.

The film was screened in October 2024 at the Supply Chain Sustainability School's 'Built Environment Against Modern Slavery' event, and has been shared on the social channels of all partners involved in the project to extend its reach across the sector.

Responsible business strategy and performance continued

Developing people

Our innovative and open culture facilitates our purpose to harness the energy of our people to achieve the improbable. We provide a wide range of tools to help our employees meet their personal ambitions while driving our success. We are also committed to creating a diverse and innovative workplace that extends opportunities to our own workforce and the next generation of leaders.

The quick read...

- Expanded our range of employee rewards and benefits to continue to attract and retain top talent
- Increased apprenticeship positions to support youth development opportunities and bring in new skillsets
- Embedded initiatives to eliminate bias and enhance diversity and inclusion across our divisions
- Continued to develop our leadership training programmes

2024 progress

2024
3.2
training days[1] per employee on average

2025 target
5 days

2030 target
6 days

Horizon ambition
7 days

1 A training day is a minimum of six hours' training.

Becoming an employer of choice

Talented people are critical to our success and we are committed to supporting them by providing a wide range of skills development opportunities, competitive benefits and attractive rewards. In doing so, we seek to create a unique culture that encourages our people to think differently to achieve their ambitions and delight our clients.

To drive consistent action across the Group, our HR forum meets monthly to bring together divisional HR leads to share ways of working and develop joined-up solutions to meet the evolving needs of our people. This includes identifying ways to improve skillsets, provide career development opportunities, strengthen core capabilities and support employees on their career journeys.

Accreditation remains a critical way to track progress in our ambition to be an employer of choice. In 2024, several of our divisions held or maintained their Investors in People accreditations: Construction re-accredited its Platinum status, with Infrastructure, Partnership Housing and Mixed Use Partnerships maintaining their Gold status. Additionally, Mixed Use Partnerships achieved Great Place to Work and Great Place to Work for Women accreditations.

Driving skills and career development

By consistently investing in the skills, knowledge and expertise of our people, we are creating a culture of leadership and innovation across our divisions. In 2024, employees participated in over 26,000 training days, covering a broad mix of on-the-job activities, e-learning and formal training. While the average number of training days per employee has remained flat at 3.2 days, in 2025 we will continue to work with our divisions to develop action plans to increase employee uptake in training. We will also continue to formalise our performance reviews, talent-mapping exercises and skills-sharing forums to enhance leadership development.

Our approach to career development begins with our recruitment process, which we aim to make equitable, fair and attractive to prospective employees. In 2024, several of our divisions introduced diversity steering groups to explore ways of attracting new and diverse talent. We also enhanced our internal recruitment processes and succession planning to retain talented people within the Group.

Leadership development remained a critical focus in 2024. In our divisions, Construction introduced an online mentor network to pair over 160 mentors and mentees across functions and regions to make new connections and promote leadership skills. Fit Out continued to focus on embedding its Perfect Delivery and exceptional experience ethos among new recruits by requiring all starters to attend a two-day introductory course. Additionally, Partnership Housing refreshed its recruitment process and onboarding event for new employees to embed leadership skills from day one.

Responsible business strategy and performance continued
Developing people

Creating a diverse culture

It is vital that we create an open and dynamic workplace that is reflective of the communities we serve. While we recognise that the construction industry has made progress in extending opportunities to less represented demographics in recent years, we know there is much more work to be done to drive progress across the built environment sector.

To play our part in attracting new and diverse talent, we participate in many national partnerships, including with Women into Home Building (via the Home Builders Federation), the Construction Inclusion Coalition, Inclusive Employers and BuildForce UK. These networks enable us to promote the construction industry to new pools of talent who may not have considered a role in the sector. We also give full and fair consideration to job applications from those with disabilities; we are committed to making reasonable adjustments to their roles and responsibilities, and offer the training and support they need to progress in their career.

We are passionate about enhancing female inclusion and ethnic diversity across the Group. In 2024, 26% of our UK workforce were women, including 27.3% of our Group management team and 42.9% of the Board (see pages 96 and 97).

Our mean gender pay gap was 25.7% in 2024 (2023: 26.8%) and our median gender pay gap was 28.9% (2023: 29.0%). Eleven percent of our employees self-identified as being from an ethnic minority background (2023: 10%). We will persist in our efforts to shift perceptions around our industry to attract new and diverse talent, while also supporting and encouraging the development of diverse talent into leadership roles.

During the year, we continued to implement initiatives, such as conscious inclusion training, to support, develop and promote gender diversity across the Group. Additionally, Construction revised and updated its people policies, including enhancing its set of family-friendly policies. Mixed Use Partnerships improved its ranking with Great Place to Work for Women from 100th position in 2023 to 28th in 2024, while Property Services refreshed its diversity forum to drive further action.

Supporting employment and employability

We believe in providing employment and employability opportunities to the next generation of industry leaders by providing apprenticeships, graduate programmes and immersive learning opportunities to emerging talent. In 2024, our direct employment of apprentices increased to 458 (2023: 359) and our teams sought to provide a broad range of engaging and educational work experience opportunities.

In 2024, we exceeded the 5% Club's target for employment of apprentices, graduates and sponsored students, with four of our divisions retaining or achieving Gold Standard membership (see below table). In addition, 588 employees participated in National Vocational Qualifications and/or professional qualifications. See our responsible business data sheet on our website for more metrics on how we develop our people.

	2024	2023
Apprentices	**458**	359
New graduates recruited	**71**	82
Students sponsored	**41**	42
Total	**570**	483
Percentage of total employees[1]	**7.0%**	6.0%

1 Based on total number of UK employees at 31 December 2024.

Our divisions also continued to hold workplace-based sessions to boost employability skills. For example, Property Services hosted a cohort of apprentices at its London Wall office for its annual Apprenticeship Academy, while Infrastructure's rail team partnered with non-profit organisation Girlguiding to deliver engineering days to young girls through the Northumberland Line project.

As well as helping young people find their feet in the workplace, we are passionate about providing working opportunities to other underrepresented groups, including veterans and people with disabilities or neurodiversity requirements. In 2024, we announced a major national corporate partnership with BuildForce UK to provide career opportunities in construction to skilled former service personnel. Several of our divisions also worked with Building Heroes to deliver construction skills training to veterans.

Providing competitive rewards and benefits

To attract the best talent from our industry and beyond, we offer competitive wages, employee rewards and industry-leading benefits. In 2024, our divisions enhanced their rewards and benefits offer to extend the range of physical, financial and wellbeing support available for our people.

We pay the real living wage or above as minimum practice, and several of our divisions are accredited Living Wage Foundation employers. We also respect our employees' right to freedom of association and collective bargaining, and currently 3.5% of our employees are covered under one of these schemes. More about our remuneration approach and our employee share plans can be found on page 113.

Responsible business strategy and performance continued

Improving the environment

We are decarbonising our activities and delivering solutions to accelerate the transition to a low-carbon economy. Through our science-based targets, we are committed to achieving net zero across our own operations and value chain by 2045. We are also passionate about conducting our activities in ways that support nature, regenerate green spaces and help our clients achieve biodiversity net gains.

The quick read...

- Reduced our Scope 1 and 2 emissions by 44% while helping clients decarbonise
- Deployed our intelligent software tool CarboniCa on 218 new projects
- Continued to support our three natural capital projects at Blenheim, Lakenheath and the Great North Bog
- Conducted internal decarbonisation audits to identify targeted emissions reduction opportunities

Targeting net zero carbon by 2045

We are committed to identifying ways to reduce emissions in our direct operations while also providing effective solutions to decarbonise our industry. For this reason, we resubmitted our carbon targets for validation by the Science Based Targets initiative (SBTi) in 2023 to align to a more ambitious 1.5ºC reduction scenario.

We recognise that our climate goals are ambitious; however, by taking proactive steps across our divisions we are making positive progress. In 2024, we were named as one of the Financial Times' Europe's Climate Leaders 2024 as part of the Climate Leader Special report highlighting the most successful companies in reducing their core emissions. We also continued to score highly in external climate ratings, retaining an A for CDP Climate for the fifth year running and an AAA MSCI rating for the fourth consecutive year.

To enhance transparency and disclosure, we published our first Transition Plan in August 2024, detailing our decarbonisation roadmap to 2045. Furthermore, we have reported our Scope 3 emissions for the first time in this year's annual report (see page 45). Our newly approved net zero targets commit us to reducing our Scope 1 and 2 emissions by 60% for 2030 and by 90% for 2045, as well as our Scope 3 emissions across all relevant categories by 42% for 2030 and by 90% for 2045. In addition, we have maintained our commitment to achieving a fully electric vehicle fleet by 2045. Further environmental performance metrics can be found in our responsible business data sheet on our website.

2024 progress

2024

44%

reduction in Scope 1 and 2 carbon emissions from 2019 baseline[1]

2025 target

30%

2030 target

60%

2045 target[3]

90%

2024

1%

increase in Scope 3 carbon emissions from 2020 baseline[2]

2025 target

no target due to this being a new KPI

2030 target

42%

2045 target[3]

90%

1 The 2019 baseline for Scope 1 and 2 emissions was 20,903 tonnes CO_2e.

2 The 2020 baseline for all relevant Scope 3 categories is 1,300,271 tonnes CO_2e. This figure was recalculated in 2024 to apply new methodologies and assumptions. We have chosen to disclose our Scope 3 emissions across all relevant categories for the first time to align with our net zero targets. We previously reported 'operational' Scope 3 only (categories 3, 5 and 6).

3 Our net zero targets are approved by the SBTi and the remaining 10% of residual carbon emissions will be offset.

See Appendix on pages 197 and 198 for more information, including emission scope definitions.

Scope 1 and 2 emissions

During the year, we continued to implement initiatives to reduce our direct emissions in line with our 2030 and 2045 science-based targets. These emissions stem mainly from the use of bulk fuel for generators, cabins and construction machinery, purchased electricity, and emissions from our company fleet. By the end of 2024, we had achieved a 44% reduction in Scope 1 and 2 emissions against a 2019 baseline. While our absolute year-on-year emissions increased marginally by 1% to 11,684 tonnes CO_2e (2023: 11,430 tonnes CO_2e), we have continued to improve our operational efficiency, reducing our carbon intensity by 7% from 2023 and by 62% since 2019. As illustrated in the chart below, we remain on track to deliver our 60% reduction target by 2030.

In 2024, we increased the number of electric and hybrid vehicles in the Group fleet to 72% (2023: 64%). Electric-only vehicles make up over a third of our fleet, which means we remain on track to transition to a fully electric fleet by 2045.

To drive consistent action across the Group, we conducted internal decarbonisation site audits in 2024. These assessments will help to accelerate progress towards our net zero ambitions through targeted initiatives such as the deployment of new energy-monitoring systems, switching to renewable energy tariffs, introducing more efficient machinery and increasing our use of alternative fuels such as hydrotreated vegetable oil over white diesel.

To ensure robust risk management, all sites maintained their ISO 14001 certification for environmental management. We also increased our internal carbon charge to £90 per tonne of CO_2e emitted to encourage our divisions to take consistent steps to decarbonise their activities (2023: £70 per tonne). In 2025, we will be increasing this to £115 per tonne. Capital raised through the charge is allocated to a fund which is used to invest in environmental restoration and high-quality carbon offset projects (read more about our Blenheim, Lakenheath and Great North Bog initiatives on page 47).

Scope 3 emissions

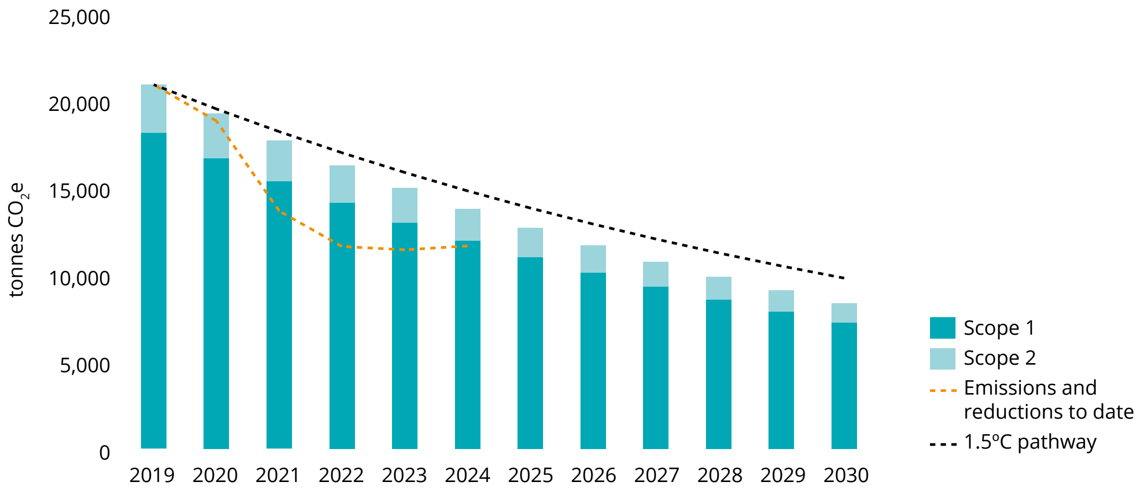
Our Scope 3 emissions account for c.99% of the Group's overall carbon footprint. The most significant of these derive from the products and services that we procure, including the embodied carbon in the materials we use, as well as the estimated carbon emitted from the operation of the buildings, homes and infrastructure we develop. As Scope 3 emissions are complex to measure, it is vital that we collaborate with our clients and supply chain partners to influence upstream and downstream data capture and emissions reductions.

To improve the transparency of our reporting and drive progress against our emissions reduction targets, we are reporting our total Scope 3 emissions data for the first time. Previously, we reported Scope 3 emissions relating to business travel, waste, and fuel- and energy-related activities; however, we have now updated our disclosure to include all material categories (see Appendix on page 198).

In 2024, our Scope 3 emissions amounted to 1,314,055 tonnes CO_2e. This represents an increase of 1% from our 2020 baseline and a 6.5% increase from 2023 due to the significant growth in our business activities. By continuing to improve the accuracy of our supplier data, we hope to identify targeted opportunities to decarbonise our value chain in 2025 to remain on track to achieve our medium- and long-term commitments.

Direct emissions reduction pathway

Scope 1 and 2 trajectory to achieve a 60% emissions reduction by 2030



Responsible business strategy and performance continued

Improving the environment

A full breakdown of our emissions, including our carbon intensity, can be found in our Streamlined Energy and Carbon Reporting (SECR) section on pages 73 and 74.

During the year, we continued to onboard major suppliers to deliver automated Scope 3 emissions reporting to improve the accuracy of our data set (see page 49). We also updated our Scope 3 emissions data across all 15 categories using new divisional data to broaden our focus. Subsequently, 2020 data was rebaselined across categories where new criteria and assumptions were applicable; see Appendix on pages 197 and 198 for baseline updates and relevant Scope 3 categories.

In addition to verifying our Scope 1 and 2 emissions, we began working towards validation of our Scope 3 emissions methodology in 2024 and our Construction and Fit Out divisions received external validation for their Scope 3 emissions. We will continue to encourage our divisions to externally validate their Scope 3 emissions in 2025 and beyond.

Helping our clients decarbonise

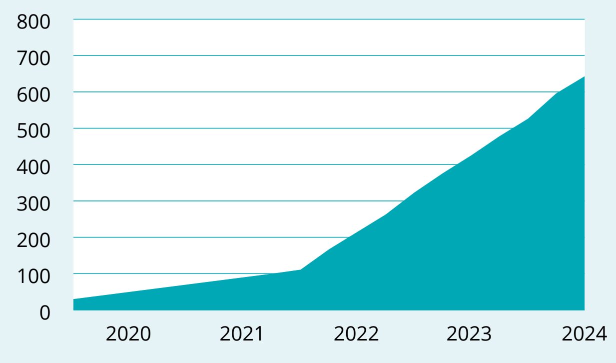
One of the most effective ways we can combat climate change is by empowering our clients not only to reduce emissions but also to actively avoid them by making more sustainable choices.

In 2024, we continued to promote our RICS-approved CarboniCa intelligence tool to help our teams, clients, designers and supply chain partners identify ways to map and reduce project emissions, including embodied carbon. This industry-leading software undertakes a Whole Life Carbon Assessment to highlight the most carbon-intensive elements of a project and recommend lower-carbon alternatives. By deploying this early in the design stage of a project, CarboniCa can generate significant emissions savings. Since the release of the tool in May 2022, it has been used on around 650 projects, with 218 new projects adopting it in 2024. Infrastructure deployed CarboniCa across its Programme and Project Partners pipeline of 20 major projects in Sellafield, West Cumbria, and Construction educated all its staff on use of the tool through its carbon training roadshow.

Throughout the year, we also continued to work with clients and suppliers to reduce embodied carbon through services such as post-occupancy evaluations. To drive further environmental action across our value chain, we became Madaster UK Pioneers in 2024. This will enable us to influence the development of 'material passports' that store all information about a material and Environmental Product Declarations (EPDs) that deliver improved environmental outcomes across the industry.

To build climate expertise within the business, we delivered training to upskill our people while promoting initiatives such as the 10-tonne challenge, which incentivises teams to reduce project emissions by at least 10 tonnes of carbon. Since 2021, Construction has achieved savings of over 44,367 tonnes through 111 different 10-tonne challenge project submissions. Infrastructure also launched a 20-tonne challenge on World Environment Day which resulted in the creation of fuel-free site standards.

Number of projects using CarboniCa



Delivering homes of the future

As well as helping our clients reduce and avoid emissions, we want to leverage our expertise and strong supplier relationships to develop innovative, sustainable and cost-effective housing solutions that support the UK's housing goals. During the year, we continued to deliver affordable housing projects and solutions aligned to best-practice built environment frameworks and standards.

In 2024, Mixed Use Partnerships became the largest private developer to join the Passivhaus Trust, delivering 96 affordable homes built to the sustainability standard as part of its Greenhaus development in Salford. Work has since commenced on Willohaus to create a further 100 homes through the £2.5bn Crescent Salford regeneration. Property Services continued to work with Amplius (formerly Longhurst Group) to retrofit its portfolio of homes under the Department for Energy Security and Net Zero's Social Housing Fund. At the end of 2024, 451 homes were retrofitted with energy-efficient features under the scheme (see page 37 for more detail). In addition, Partnership Housing launched its Tomorrow Home pilot programme to trial sustainable technologies in two eco-friendly demonstration homes that will inform new, cost-effective housing specifications.

By promoting retrofit and fit out projects that reduce the energy consumption of existing buildings, we can also deploy solutions that deliver more sustainable buildings and homes. In 2024, approximately 17% of Construction's live projects were retrofit jobs that include elements that will deliver improved energy efficiency through insulation and the use of more sustainable construction materials.

Reducing resource use

We are committed to reducing waste generated on our sites by working with our supply chain and waste management partners to embed circular solutions that deliver zero avoidable waste. In 2024, waste generated across the Group increased to 791,612 tonnes (2023: 485,722 tonnes) due to the growth of our projects and improved waste reporting. Despite this, we have increased the amount of waste diverted from landfill to 97% (2023: 94%).

Responsible business strategy and performance continued

Improving the environment

Our divisions continued to engage in initiatives to target waste reduction and improve recycling throughout the year. BakerHicks made positive strides by setting waste management plans for all its EPCM (engineering, procurement and construction management) projects. Construction continued to participate in the Pallet Loop initiative to reuse and repurpose wooden pallets used on site. Finally, Partnership Housing diverted 99.9% of waste from landfill in 2024 through its various activities and waste reduction initiatives throughout the year.

Divisional efforts were supported by our Group waste desk, which provides in-time notifications for divisions to monitor how efficiently waste containers and skips are being used on projects. Most importantly, the waste desk includes a tracker which applies a monetary and carbon cost to generated waste, which incentivises teams to take action to seek further reductions.

Beyond our own operations, we are helping our clients to reduce project waste through CarboniCa, which also incorporates water use and waste management data in addition to its carbon module. One of the key features of the tool is its recommended use of timber frames instead of steel ore core components on projects.

Creating natural capital

To reach our 2045 net zero commitment, we will use credible UK-certified offsets on our remaining residual emissions. To achieve this, our strategy is to invest in high-quality projects that enhance biodiversity and contribute to a healthier climate for local communities. In 2024, we continued to work on our three legacy natural capital projects which, as well as helping to address climate change, support the Group by enabling us to obtain carbon offset certification.

We have completed work to plant nine woodlands and around 270,000 trees at the Blenheim Estate in Oxfordshire as part of the Dorn & Glyme Woodlands project. As of 2024, the project has been successfully validated by the Woodland Carbon Code. Due to our critical investment, around 70,000 Peatland Carbon Units have been created, of which the Group owns 20,000 units. Separately, our partnership with Lakenheath and the Royal Society for the Protection of Birds (RSPB) has enabled RSPB to purchase 54 hectares of land next to its Lakenheath Fen reserve in Suffolk, which has been converted into rich peat, biodiverse wetland. Finally, our support of the Great North Bog initiative will restore 300 hectares of damaged blanket bog in the North Pennines AONB (Area of Outstanding Natural Beauty), UNESCO Global Geopark in Yorkshire (see case study below).

To further contribute to the protection of natural ecosystems, our divisions are required to complete BNG (biodiversity net gain) assessments on all new projects. This requires teams to measure the impact a project will have on waterways, hedgerows and habitats and to develop an action plan to leave the site with at least a 10% biodiversity improvement.

Throughout 2024, divisions participated in nature project development, natural habitat restoration and rewilding initiatives to meet their BNG targets. For example, Construction is partnering with Groundwork UK to deliver 14 biodiversity improvement projects either on or near completed sites, while Mixed Use Partnerships enhanced green and blue spaces as part of its Hale Wharf development in line with its ambition to achieve a 15% BNG on its projects.

Investing in peatland restoration to tackle climate change

Peatlands are among the most carbon-rich ecosystems on earth, storing twice as much carbon as the world's forests. As a result, healthy peatlands provide benefits to nature and society, as well as being vital for tackling climate change.

In February 2023, we announced our third natural capital project to support the Great North Bog initiative. Working in collaboration with regional partners in the North Pennines AONB, UNESCO Global Geopark and the Yorkshire Dales National Park, the project will locate, develop and restore 300 hectares of severely damaged blanket bog which stores up to 400 million tonnes of carbon. By adopting a landscape approach over nearly 7,000 sq km of peatland, our contribution will help to restore these once vibrant natural habitats while also contributing to the UK's climate and carbon sequestration targets.

At the end of 2024, rewetting of 11 sites had commenced and our first project contract to secure Peatland Code Units was secured.

Responsible business strategy and performance continued

Working together with our supply chain

Our longstanding relationships with supply chain partners are essential to the successful delivery of our projects. To support them, we are committed to leveraging our reach to roll out our standards of ethics and compliance while working with them to drive sustainable action on behalf of our clients.

The quick read...

- Grew our Morgan Sindall Supply Chain Family to 414 members to establish longstanding relationships
- Refreshed our pre-qualification questionnaires for more effective onboarding, including questions on social value and sustainability
- Paid 97.7% of invoices within 60 days in the last six months of 2024
- Encouraged 591 suppliers to partake in dedicated training as active members of the Supply Chain Sustainability School (SCSS)

2024 progress

2024
61.5%
of invoices paid within 30 days[1]

2025 target
70%

2030 target
80%

Horizon ambition
95%

1. Within the last six months of 2024.

Establishing strong relationships

We depend on our suppliers to deliver high-quality solutions and services that enable us to exceed our stakeholders' expectations. By forging close relationships with our preferred partners, we are helping to secure our supply chain, build trust and establish strong standards of business ethics and conduct across the value chain.

In 2024, we grew our Morgan Sindall Supply Chain Family of preferred suppliers and manufacturers to 416 members (2023: 406) who continue to benefit from tailored training, on-site advice, access to contract information and dedicated relationship management teams. During the year, 77% of Group spend by value was with Supply Chain Family members (2023: 75%).

To encourage ongoing engagement and dialogue, we host regular engagement sessions and annual events to bring our suppliers together. Our 2024 event was held at Silverstone and was themed 'Embracing the digital frontier'. During the day, procurement partners were invited to showcase their businesses while demonstrating how they are using technology to future-proof their activities. The event was attended by over 1,200 partners and resulted in thousands of conversations which are set to improve collaboration and further strengthen our existing relationships.

One of the key ways we seek to build trust is through our commitment to paying our suppliers on time. In 2024, 94% of our invoices were paid in accordance with terms to our suppliers and 97.7% of invoices were paid within 60 days.

Aligning suppliers to our standards

Small- to medium-sized enterprises (SMEs) make up a high percentage of our overall procurement spend, and we are committed to working with them to provide the support, education and guidance they need to align to our standards while also ensuring they are able to provide us with the information we need to meet our long-term climate goals.

We believe in supporting local businesses wherever we can, which aligns with our responsible business strategy by lowering the environmental impacts associated with logistics and delivering social value by supporting regional economic growth. In 2024, 62% of the Group's spend was with regional SMEs (2023: 65%).

To support our suppliers, we undertake annual climate-related surveys and questionnaires, develop resources on low-carbon material procurement and provide dedicated workshops and training focused on upskilling teams and encouraging the adoption of more sustainable technologies and materials.

Responsible business strategy and performance continued

Working together with our supply chain

Our relationship with the SCSS remains a critical partnership for delivering climate-related education to our suppliers. At the end of 2024, 2,835 suppliers were registered with the SCSS (2023: 2,833), with 591 active members attending dedicated training workshops covering a wide range of sustainability topics (2023: 1,910).

For the third consecutive year, Fit Out took part in the SCSS's employee diversity benchmarking survey to better understand diversity within its supply chain and identify opportunities to increase representation. The results and outcomes will be used to drive development opportunities that align with the division's commitment to attract and retain diverse talent in our sector.

Decarbonising our value chain

In 2024, we continued to onboard our major suppliers towards automated Scope 3 emissions reporting by using invoices to calculate embodied carbon in real time. Our collaboration with Causeway Technologies has now gathered over 25,000 unique data points from invoices and direct supplier engagement. This is helping us build up a clearer Scope 3 emissions profile for purchased goods and services, transport and distribution, and use of sold products, among other categories.

Our divisions are also developing processes to collect BRE-verified EPDs that provide quantified data on carbon emissions associated with different materials and services. For example, Construction gathered over 2,000 EPD data entries from its suppliers in 2024 to build an in-house embodied carbon library that will help make informed decisions for its buildings moving forward. Other divisions are set to follow suit in 2025.

Beyond these efforts, our divisions continued to work with suppliers to use CarboniCa and to support initiatives such as the 10-tonne challenge to help teams identify and reduce emissions associated with their projects (see page 46).

Reducing risk and improving safety

As part of our rigorous selection process, our divisions screen suppliers and subcontractors using detailed pre-qualification questionnaires (PQQs) which include mandatory questions relating to health and safety practices and performance. In 2024, we simplified our question set while requiring additional information relating to supplier sustainability commitments. Based on these responses and supporting evidence, divisions select suppliers and subcontractors whose high safety and sustainability standards align with our own.

Our PQQ process is supported by a dedicated supplier onboarding platform which allows us to identify, vet and engage a pool of over 50,000 prequalified suppliers against a range of industry standards, regulations and risk criteria. In doing so, we are able to significantly reduce risks associated with our projects and drive improved supplier performance, particularly in the area of safety and wellbeing.

Enhancing communities

We want our projects to leave a positive legacy by creating shared value for the communities where we work and operate. To deliver this, we are working to accurately measure our impacts to better understand how and where we are creating social and economic value.

The quick read...

- Contributed £4.6bn in social value as reported by the Social Value Portal
- Launched the Built Environment Bank to measure the value we are creating within our supply chain and through projects
- Helped community members find meaningful employment opportunities through skills development
- Partnered with clients, local community groups and charities to enhance community health and wellbeing

Creating a lasting impact

With over 80 offices and a nationwide supply chain network, our activities have a broad reach across the UK. Furthermore, with hundreds of projects up and down the country, we recognise the opportunity we have to make a lasting impact on the communities where we live and work.

We are committed to supporting the government's goal to build 1.5 million homes and help address the UK's longstanding housing needs. Additionally, we want to support vital infrastructural growth to ensure that we have the right services in place to keep the country running.

Our clients and suppliers are just as passionate as we are about leaving a legacy – one that prioritises wellbeing, community and growth and is aligned to the principles of delivering a just transition. Our divisions use a broad range of third-party verified tools to understand and quantify the value their projects generate for their clients, suppliers, subcontractors and communities. This approach enables them to determine how and where they are making the biggest difference through their specific activities while providing their clients with the metrics that are most relevant to them.

Measuring social value

We recognise that it is challenging to quantify the social, economic, community and environmental impact on society of the Group's activities as a whole. Our social value forum, with representatives from across the divisions, meets quarterly to determine how most effectively to measure our Group-wide impact while also sharing best practice and key learnings.

From 2021 to 2023, we used our Social Value Bank to report the social value generated by the Group's activities. In July 2024, we retired the Social Value Bank and launched the Built Environment Bank in partnership with HACT and Simetrica-Jacobs. The new tool measures the social impact of construction, development and supply chain activities and has been designed for use across the industry. Specifically, it broadens the scope to include an assessment of social wellbeing. Like the Social Value Bank, the Built Environment Bank aligns with best-practice guidelines including the HM Treasury Green Book.

This year, we are reporting our social value contribution as measured by the Social Value Portal while we continue to onboard our divisions to the new Built Environment Bank, as the Social Value Portal was the tool most widely used across the Group in 2024. In 2025, we will review our metrics and targets for social value to establish the best way to report on a Group-wide basis, and will provide an update in next year's annual report.

Our Social Value Portal contribution

The Social Value Portal is an independent organisation that measures and reports social and economic value generated by a range of industry sectors. It uses its National Themes, Outcomes and Measures (TOMs) System™ to calculate the estimated value that activities and initiatives generate for local people, their immediate communities and wider society.

The Portal has determined that between October 2023 and the end of 2024 we contributed £4.6bn in social value through our projects. Of this, £3.0bn has been validated to date, with the remaining £1.6bn pending confirmation. We are expecting full validation in early 2025 and anticipate the total figure to be higher than £4.6bn. This contribution includes reported data from our divisions up to the end of 2024, excluding Infrastructure.

As measured by the Social Value Portal, the majority of our social value contribution is derived from local and SME spend (with validated totals of £1.3bn and £1.5bn respectively), provision of local employment and community support. Other sources of value include training and educational activities, apprenticeships, work experience and training in employability skills.

We will publish the full results from the Social Value Portal once fully validated and we will align our reporting to the Portal with our annual reporting cycle from 2025.

Responsible business strategy and performance continued

Enhancing communities

Promoting local skills and employment

We understand how transformative meaningful employment can be, which is why we work with local partners to inspire people from diverse backgrounds to develop the confidence and skills they need to achieve their ambitions. We take pride in helping residents secure local employment, whether that be with our divisions, in our supply chain or with our partners.

In 2024, Property Services helped unemployed residents aged 50–64 get back to work by providing tailored support through a collaboration with JobCentre Plus. Following a successful pilot with Gainsborough JobCentre Plus, educational programmes were run over six regions, with 150 residents supported. Mixed Use Partnerships announced a three-year sponsorship with Pathways to Property to drive youth employment, and Construction offered access to over 750 free online training courses aimed at upskilling for employment.

Supporting schools and colleges

We are passionate about working with schools and colleges to promote the built environment to students as an area to consider for their future career. Our divisions support schools, colleges and universities by using their skills to host events and workshops that help talented young people thrive. We also build relationships with not-for-profit organisations and other community initiatives to enhance our impact, and to provide careers in construction as an avenue for social mobility.

In 2024, BakerHicks attended over 40 events in collaboration with a range of educational institutions across the country to reach more than 5,000 students. Construction engaged in a collaboration with the Careers and Enterprise Company to deliver educational workshops across primary, secondary and SEN education institutions. Fit Out continued to partner with Construction Youth Trust to help disadvantaged students and NEET (not in education, employment or training) youths to gain vital employability skills.

Creating healthy and resilient communities

By partnering with our clients, local community groups and charities, we seek to enhance physical health and mental wellbeing to create safe and resilient communities.

In 2024, Partnership Housing introduced 'Economy of Hours' time banks on its joint ventures and major projects to provide a reportable time commitment that is allocated to community projects and volunteering. Meanwhile, Infrastructure's award-winning 'Sow and Grow' initiative saw around 950 students across 15 schools in the Shetland Islands receive hands-on horticultural skills to learn about biodiversity and ways to protect the local environment.

To read more about how we are enhancing communities, please visit our divisions' websites (see page 7 for website addresses).

Property Services wins social value award

Property Services won the Accountability and Reporting category at the 2024 Social Value Awards.

The event, held in Birmingham in October, recognised organisations that made a significant impact on their communities through transparent, accountable and innovative practices.

Winning the Accountability and Reporting Award recognises Property Services' efforts to go a step further in holding itself accountable to its key stakeholders by communicating the social value its projects are having on local communities and society.

Managing risk

We have a clear governance framework in place for managing risk throughout our operations.

Our risk governance model, shown below, ensures that our principal risks and robust internal controls are under regular review at all levels.

Our operational teams are highly skilled in their fields and valued for their ability to identify and manage the risk embedded in our day-to-day operations. Their mix of knowledge and experience is a valuable resource at all key stages, from project selection, through bidding to project delivery. A detailed system of delegated authorities allows our people the ability to perform while at the same time being responsible and accountable for their actions. Our senior management teams at divisional and Group level, aided by our internal reporting process, maintain oversight to ensure that all decisions and actions remain in line with our expectations and risk appetite.

Risk governance

Top-down
Define risk appetite; identify, assess and mitigate risk at corporate level

Group Board
Responsible for setting the Group's risk appetite and ongoing risk management, including assessing principal and emerging risks.

Audit committee
Assists the Board in monitoring risk management and internal controls and by formally reviewing Group and divisional risk registers.

Divisional boards
Identify risks facing their businesses and take measures to mitigate the impacts. Senior managers take ownership of specific risks and ensure that appetite levels are not exceeded.

Risk committee
Heads of key Group functions – legal, company secretarial, IT, finance, audit, tax, treasury and commercial – review Group and divisional risk registers before presentation to the Board and audit committee. The committee ensures inherent and emerging risks across the Group are identified and managed appropriately.

Group forums
Cross-divisional groups dedicated to topics such as health and safety, HR, IT security, social value and climate action. Meet regularly to discuss matters arising, taking action where necessary via established authorities and reporting lines.

Detailed risk reviews
Conducted twice a year by each division, recording significant matters in their risk registers. Each risk is evaluated, before and after the effect of mitigation, as to likelihood of occurrence and severity of impact on strategy.

Strategic planning
Objectives and strategies are set to align with the risk appetite defined by the Board. Any changes are reviewed at monthly Group and divisional Board meetings to ensure matters are addressed in an ongoing and timely manner.

Delegated authorities
Approval of material decisions – such as project selection, tender pricing and capital requirements – is assigned to appropriate levels of management up to and including the Board; for example, the Board must approve undertaking large or complex projects.

Divisional reporting
Divisional risk registers highlight risks and mitigations embedded in day-to-day operations for which every employee has some responsibility. Significant risks are monitored via rigorous reporting and communicated to the Board and delegated authorities.

Internal audit
Group head of audit and assurance reviews and collates the divisional risk registers and draws from them when compiling the Group risk register. An annual review across the Group focuses on significant projects, themes, trends and areas of concern.

Bottom-up
Identify, monitor, report and mitigate risk at operational level

Managing risk continued

Principal risks

Our principal risks are those we consider the most significant in terms of potential impact to the business and have been extensively reviewed.

In its annual review of the Group's risk appetite, the Board noted that our markets remain structurally secure. Our business model is supported by increased levels of public investment confirmed in the Autumn Budget, particularly in affordable housing, town regeneration, critical infrastructure, schools, health and other construction-related activity.

The Board also noted the easing of inflation and a more predictable and manageable trading environment. However, uncertainty remains around interest rates (albeit likely to keep falling), the change in government could impact consumer confidence particularly in the housing market, and supply chain solvency issues continue to elevate certain risks towards the upper end of our appetite. The Group's current strategy is well suited to deal with these issues but, given their fluidity, the Board will closely monitor the situation during 2025 and take appropriate action should the need arise.

The chart below left indicates our risk appetite and risk velocity (the speed at which the risk would impact the Group).

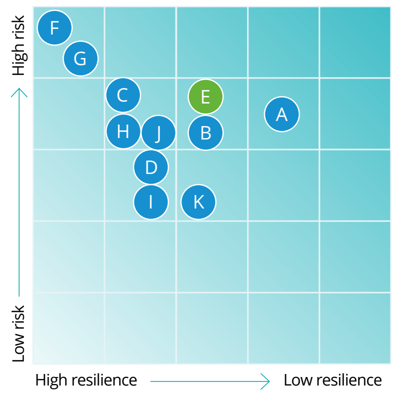
This review should be read in conjunction with the viability statement on pages 78 and 79.

Risk appetite and velocity

Principal risk	Risk appetite	Risk velocity	Risk category	Internal/ external risk	Strategic priority
A. Economic change and uncertainty	Medium		Strategic	External	
B. Exposure to the UK residential market	Medium		Strategic	External	
C. Health and safety incident	Low		Operational	Internal	
D. Talent attraction and retention	Medium		People	Internal	
E. Partner insolvency/ adverse change of behaviour	Low		Financial and operational	Internal	
F. Inadequate funding	Low		Financial	Internal	
G. Mismanagement of working capital and investments	Low		Financial	Internal	
H. Poor contract selectivity and/ or bidding	Medium		Operational	Internal	
I. Poor project delivery	Low		Operational	Internal	
J. Cyber activity/ failure to invest in IT	Low		Operational	External and internal	
K. Climate change	Low	[1]	Strategic and operational	External	

1 Risk velocity impacts are both short/medium term (e.g. severe weather event) and long term (e.g. temperature change).

Risk severity and resilience



Increase Stable Decrease

Risk velocity

Within three months
Within one year
Over a year

Strategy key

Increase our quality of earnings
Excel in project delivery for our clients
Consistently deliver on our Total Commitments
Secure long-term workstreams
Maintain a strong balance sheet

Managing risk continued
Principal risks

Strategic risk

A. Economic change and uncertainty

Public sector spending commitments, as confirmed in the Autumn Budget, continue to support our business model. Prior headwinds have continued to ease, with inflation stabilising and some positive progress in the trajectory of interest rates, and the economy, households and businesses remaining resilient. We believe the diversity of our operations, quality and volume of our pipeline of opportunities, and secured short- and medium-term workload will provide a level of insulation against any specific adverse market conditions where they occur.

Risk description

There could be fewer or less profitable opportunities in our chosen markets, including a decline in construction activity caused by macroeconomic shifts.

Allocating resources and capital to declining markets or less attractive opportunities would reduce our profitability and cash generation.

Change in risk

—

Responsibility

The Board

Strategic priority

Update on risk status

- Sustained operational delivery, a high-quality order book and a strong balance sheet underpin our competitive position in our sector and give confidence to our clients, employees and supply chain.
- In a volatile market, our strong balance sheet allows us to remain agile, continue to take long-term decisions and respond to opportunities.
- The government is continuing to invest in areas that complement our strategy, including affordable housing, education, health, critical infrastructure and town regeneration.

Mitigation

- Our business model is designed to provide a mix of earnings across different market cycles. The diversity of our operations protects against fluctuations in individual markets while our decentralised approach enables our divisions to respond quickly to change.
- The Board regularly reviews the economic environment to assess whether any changes to the outlook justify a reassessment of our risk appetite or business model.
- We stress-test our business plan against the current economic outlook to ensure our financial position is sufficiently flexible and resilient.
- We are strategically focused on a high-quality order book underpinned by a strong balance sheet and financial strength.
- A high proportion of our secured workload is with public sector and regulated entities via long-term arrangements, with a healthy level of demand and typically preferential terms.
- We continue to be very selective and our procurement routes, margins, contract terms and secured workload remain favourable.
- We use analytical software to enhance our understanding of our medium-term pipeline quality and risk, enabling us to predict trends more accurately and adjust our strategy in response.

B. Exposure to the UK residential market

The government's additional support for the UK's housing needs continues to complement our partnerships model and affordable housing offering. Positive trends include the interest rate trajectory, inflation regression, mortgage availability and the government's commitment to unlocking planning constraints, although this is likely to take some time to resolve. The recovery in the residential market will also be influenced by the cost of living, future changes in interest rates and the pace at which government commitments can be delivered.

Risk description

The UK housing sector is strongly influenced by government stimulus and consumer confidence.

Inflationary and interest rate pressures could challenge scheme viability, slowing down decision-making and project commencement.

If mortgage availability, affordability or consumer confidence is reduced, this could impact on demand and make existing schemes difficult to sell and future developments unviable, reducing profitability and tying up capital.

Change in risk

—

Responsibility

The Board, executive directors and divisional senior management teams

Strategic priority

Update on risk status

- While uncertainty remains in the market, there has been some progress as described above.
- In Mixed Use Partnerships, there are short-term viability challenges to navigate due to build cost pressures versus plateaued sales values. Our model allows us to work through this with our partners and, where necessary, seek additional gap funding and sources of finance with better terms. We expect progress in some regeneration projects to slow but not stop.
- Constrained planning will remain a frustration in the short term despite the government's intention to address the issue, and it has the potential to delay our schemes. In the longer term, improvements in the system will enable further efficiencies and increase the speed at which we bring developments forward.

Mitigation

- A rigorous three-stage formal appraisal process is undertaken before committing to development schemes and capital commitments.
- We work closely with public sector partners and government agencies such as Homes England to secure extra development funding if required.
- We use less speculative, risk-sharing development models, subject to viability conditions, that lessen negative impacts from market fluctuations.
- On selected large-scale residential schemes, we seek to forward sell and/or fund sections to targeted institutional investors to reduce risk.
- Our residential portfolio has a wide geographical spread, protecting against regional market variations, and is geared towards providing an affordable product.
- Rather than building up a land bank, we target option agreements with landowners that limit and/or defer long-term exposure and boost return on capital employed.
- We regularly monitor and forecast our pipeline of development opportunities and secured workload, which includes monitoring key UK statistics such as unemployment, lending and affordability.
- For a large proportion of current schemes, we have the ability to slow (or accelerate) build rates should the need arise.
- Our partnership model provides resilience by allowing us to flex scheme phasing, timing, tenure mix and funding structures to suit varying market scenarios. The model can be de-risked by increasing the proportion of contracting work in Partnership Housing, forming strategic joint ventures and increasing the proportion of affordable units.

Managing risk continued
Principal risks

Operational risk

C. We cause a major health and safety incident and/or adopt a poor safety culture

Our first priority is to protect the health and safety of our key stakeholders and wider public. We have continued to focus on improving our safety performance by increasing health and safety awareness and promoting safe behaviours. Our challenge is to keep refining our approach to drive further improvement and ensure that everyone who comes into contact with our work, on and off site, goes home safe and well.

Risk description

Health and safety will always feature significantly in the risk profile of a construction business. We carry out a significant portion of our work in public areas and complex environments.

Accidents could result in legal action, fines, costs and insurance claims as well as project delays and damage to reputation.

Poor health and safety performance could also affect our ability to secure future work and achieve targets.

Change in risk

Responsibility

The Board, Group management team, divisional senior management teams, protecting people forum

Strategic priority

Update on risk status

- Our overall health and safety performance has improved compared to previous years. However, our vigilance remains high and we continually look for ways to drive improvement even further.
- In 2024, our Group protecting people forum refreshed our health and safety framework to focus on the following three objectives:
  - to engage early on health and safety during the design and preconstruction stages;
  - to be a learning organisation, by strengthening our corporate memory; and
  - to engage with our supply chain to improve health and safety performance.
- We are continuing to build on our objective to create a forward-thinking and proactive health and safety culture. To support this, the divisions have identified and agreed a set of common 'leading indicators'. These are positive and proactive actions and activities that the divisions promote in a manner that complements their own sector requirements. We firmly believe that this approach will further support the improvement in our day-to-day safety performance going forward.

Mitigation

- The Board is responsible for health and safety, which is the first item on the agenda at every Board meeting. In addition, our responsible business committee focuses on our health and safety culture to drive better behaviour and performance.
- Individuals in each division, and on the Board and Group management team, are given specific responsibility for health and safety matters.
- Our Group protecting people forum meets regularly, with representatives from all divisions sharing best practice and exchanging information on emerging risks.
- Safety leaders from across the divisions hold monthly meetings focusing on addressing and learning from issues and opportunities as they arise.
- We have well-established procedures in place including safety systems, audits, site visits, incident investigation and root-cause analysis, monitoring and reporting, reporting of near-miss incidents and incidents that could potentially have resulted in serious injury, and reporting on the implementation of leading indicators.
- Our regular health and safety training includes behavioural change, housekeeping on site, and leadership engagement in driving site standards.
- Each division's health and safety policy is communicated to all its employees, and senior managers are appointed to ensure the policies are implemented.
- We have developed major incident management and business continuity plans, which are periodically tested and reviewed.
- All divisions are accredited to ISO 45001 for occupational health and safety.
- We continue to offer our colleagues a range of benefits that promote physical and mental wellbeing (see page 41).

Managing risk continued
Principal risks

People risk

D. We fail to attract and retain the talent we need to maintain and grow the business

Our current success is helping us attract and retain people, and in the short to medium term we are focusing on increasing the Group's diversity. Where staff retention is challenged, this tends to be influenced by both social and business-related issues, for example lifestyle changes, poaching and an ageing workforce.

Risk description

Skills shortages in the construction industry will remain an issue for the foreseeable future.

If we fail to attract and retain the talent required to excel in project delivery and meet our clients' and other stakeholders' expectations, this could damage our reputation and our ability to secure future work and meet our targets.

Change in risk

—

Responsibility

The Board, Group management team, divisional senior management teams

Strategic priority

Update on risk status

- Improvements continue to be made to the working environment and investment made in technology and leadership training. Our voluntary staff turnover rate was 11% in 2024, compared to 12% in 2023.
- We are responding to the challenge of an ageing employee population and undertaking work to improve our diversity and inclusion (see page 43).
- We are considered a leader in the sector in addressing climate emissions, which should help attract new recruits. We also offer an increasing digital emphasis and improved working environments, practices and employment packages. However, it is recognised that the sector has work to do in terms of being attractive and the first choice for young people.

Mitigation

- We empower our people and give them responsibility together with clear leadership and support.
- We offer them a strong Group culture and attractive benefits, working environments, technology tools and wellbeing initiatives to help improve their working lives.
- We conduct employee engagement surveys and monitor joiner and retention metrics including voluntary staff turnover. We carry out annual appraisals that provide two-way feedback on performance, and conduct exit interviews when people leave.
- Our succession planning includes identifying and developing future skills.
- We provide training and development to build skills and experience, such as our leadership development and graduate, trainee and apprenticeship programmes.

See pages 42 and 43 for more information about our commitment to developing people

Managing risk continued

Principal risks

Financial and operational risk

E. Partner insolvency and/or adverse behavioural change

Some partners may have been trading with stretched finances following the pandemic, the unwind of government measures introduced to support business recovery, and the reverse-charge VAT initiative. More recent mainstream contractor failure and inflation and interest rate increases continue to put further pressure on their balance sheets, leading to a greater likelihood of failure.

Risk description

An insolvency of a key client, subcontractor, joint venture partner or supplier could disrupt project works, cause delay and incur the costs of finding a replacement, resulting in significant financial loss.

Change in risk

Responsibility

The Board, Group management team, divisional senior management teams

Strategic priority

Update on risk status

- Supply chain insolvency risk has increased following some well-publicised failures in the mainstream contractor market.
- Where supply chain failures have occurred, they have been disruptive but manageable, with costs being absorbed at project level by utilising contingency and/or, in a small number of instances, a reduction in margin which has not been material to the Group.
- We have nurtured close relationships with our supply chain as part of a long-term strategy, sharing our values and desired behaviours, so that we can provide an offering our clients can rely on.
- We use supply chain credit checks but the information is somewhat historical. Our relationships with our suppliers mean we can monitor the situation in real time, by gaining transparency and understanding their levels of exposure, and our operational teams are highly alert to early signs of stress. This gives us a better chance of stepping in if needed.
- The strength of our balance sheet gives us the option of helping our supply chain partners manage short-term issues, such as cash flow, if and as deemed appropriate.
- Our strategy has been to reduce payment days and our supply chain partners regard us as dependable and responsible. In addition, we do not hold any cash in the form of retention from our preferred supply chain partners, which helps reduce their cash flow pressures and the likelihood of failure.

Mitigation

- Our business model and order book are predominantly focused on public sector and regulated industries and commercial customers in sound market sectors, reducing the likelihood of a material customer failure.
- We carry out rigorous due diligence preconstruction, particularly on commercial clients and key supply chain partners, including a focus on payment behaviours, cash terms and profiling, and likely liquidity outcomes. Mitigation could include obtaining, where necessary, relevant securities in the form of guarantees, bonds, escrows and/or more favourable payment terms, or, in some cases, declining a project.
- Formal due diligence is carried out when selecting joint venture partners, including seeking protection in the event of default by one of the partners. Joint ventures require executive director approval.
- We work with preferred or approved suppliers where possible, which aids visibility of both financial and workload commitments.
- Our business model reduces the concentration of supply chain risk as our divisions operate in different markets and geographical regions, using local supply chains. This helps ensure we do not overstress suppliers' finances or operational resources.
- Our predominant negotiated and two-stage procurement routes[1] allow us to select supply chain partners with optimal credentials tailored to each project, including qualitative, behavioural, resourcing and financial. This enables predictable outcomes for the Group, our clients and our supply chain.
- We rigorously monitor work in progress, debts and retentions.

1 Negotiated and two-stage procurement routes allow us early engagement in the project and greater visibility, influence and certainty over pricing and programming.

Managing risk continued
Principal risks

Financial risk

F. Inadequate funding

We have committed loan facilities of £180m which, together with our strong cash position, provide the Group with significant headroom.

Risk description

A lack of liquidity could impact our ability to continue to trade, or restrict our ability to achieve market growth or invest in partnership schemes.

Change in risk

—

Responsibility

Executive directors, Group tax and treasury director, divisional senior management teams

Strategic priority

Update on risk status

- Our loan facilities of £180m were extended by one year, £165m to October 2027 (with a provision to extend to 2028) and £15m to June 2027.
- During the reporting period and for the foreseeable future, our average net daily cash continues to be healthy and indicates the cash-backed nature of the business.
- Our balance sheet continues to provide assurance for our stakeholders and allows us to continue investing in partnership schemes while remaining selective in construction.

Mitigation

- We have a Group-led disciplined capital allocation process for significant project-related capital, which takes into consideration future requirements and return on investment.
- We monitor our cash levels daily and conduct regular forecasting of future cash balances and facility headroom.
- Our long-term cash forecasts are regularly stress-tested.

G. Mismanagement of working capital and investments

Our strong balance sheet and cash position continue to support investment in long-term partnership schemes and protect against economic downturn, allowing us to make the right long-term decisions.

Risk description

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

Change in risk

—

Responsibility

Executive directors, Group tax and treasury director, divisional senior management teams

Strategic priority

Update on risk status

- Our ongoing focus on working capital management has enabled us to maintain levels similar to prior years while continuing to maintain payment practices that are favourable to our supply chain and investment in partnerships.
- Our cash position is not supported by any form of supply chain debtor finance and gives a clear indication of our financial health.
- We continue to maintain a positive momentum in cash management in construction due to a combination of improved returns, cash optimisation and cash conversion.
- Our average net daily cash for the period demonstrates our disciplined working capital management.

Mitigation

- Our delegated authorities require that capital and investment commitments are notified and signed off at key stages with senior-level approval.
- We reinforce a culture within our bidding and project teams of focusing on cash returns to ensure they meet expectations.
- We monitor and manage our working capital with an acute focus on any overdue work in progress, debtors or retentions.
- We monitor cash levels daily and produce regular cash forecasts.
- We manage our capital on partnership schemes efficiently, for example through phased delivery, institutional and government funding solutions, and forward funding where possible.

Managing risk continued
Principal risks

Operational risk

H. Poor contract selectivity and/or bidding

The quality of our long-term secured workload in our predominantly public and regulated industry sectors should safeguard our future performance, allowing us to continue selecting the right projects. Client budgets, while more aligned to inflation, remain stretched, which results in preconstruction periods taking longer. We continue to maintain sensible contingency levels, and some contracts contain mechanisms for passing through inflationary costs, particularly on the essential and critical infrastructure work we carry out.

Risk description

In a volatile market where competition is high, a division might accept a contract outside its core competencies or for which it has insufficient resources.

If a contract is incorrectly bid, this could lead to contract losses and an overall reduction in gross margin. It might also damage our relationship with the client and supply chain, leading to a reduction in work volumes.

Change in risk

—

Responsibility

Executive directors, divisional senior management teams

Strategic priority

Update on risk status

- Our order book consists of a high proportion of public sector, regulated industry and framework clients with typically healthier risk profiles and is secured in limited competition.
- We have not changed the sectors or markets we operate in and are therefore unlikely to engage in a project outside of our capability. In construction, the majority of our work has been secured via negotiated and two-stage procurement routes.
- Input cost pressures have eased with newer projects benefiting from more realistic client budgets and greater pricing stability in the supply chain.

Mitigation

- It is part of our strategy and culture to be selective in our work by targeting optimal markets, sectors, clients and projects.
- We limit our participation in open market bids, conducting a large proportion of our projects via framework or joint venture arrangements with repeat clients who share our values. This provides a high probability of predictable and successful outcomes.
- When bidding, we aim for negotiated and two-stage procurement routes that allow us early engagement and collaboration, including the early identification of the most appropriate supply chain delivery partners.
- Our divisions select projects according to pre-agreed types of work, project size, contract terms and risk profile. A multi-stage process of bid review and approval includes tender review boards, risk profiling and a system of delegated authorities to ensure approval at appropriate levels of management.
- We profile the skills and capabilities required for the project to ensure that we allocate the right people.
- Our divisions have processes in place to select supply chain partners who match our expectations in terms of quality, sustainability and availability.
- We conduct a robust review of our pipeline and bids at key stages, including rigorous due diligence and risk assessment, and obtain senior-level approval.

Managing risk continued
Principal risks

Operational risk

I. Poor project delivery (including changes to contracts and contract disputes)

Our focus on project selectivity, the quality of our order book and our close engagement with our supply chain partners helps reduce the probability of poor performance. Inflationary pressures have eased, although stretched client budgets, supply chain finances and any related change in behaviours could increase the risk of disputes and/or failures. However, our longstanding relationships and focus on customer experience help us navigate significant issues when they arise.

Risk description

Changes to the scope of works and contract disputes could lead to costs being incurred that are not recovered, loss of profitability and delayed receipt of cash.

Failure to meet client expectations could 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.

Not understanding the project risks may lead to poor delivery and could result in reputational damage and loss of opportunities.

Ultimately, we may need to resort to legal action to resolve disputes, which can prove costly with uncertain outcomes as well as damaging relationships.

Change in risk

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Responsibility

Executive directors, divisional senior management teams

Strategic priority

Update on risk status

- Inflationary pressures have eased and newer projects are benefiting from client budgets more aligned with the impacts of inflation; however, in some instances it can take time to remodel a scheme to ensure it is viable and this can lengthen the preconstruction period.
- There is a recognised shortfall in the construction labour market, exacerbated by impacts from Covid and Brexit. However, in the short term, while we have seen issues, we, together with our supply chain, are managing the situation.
- We have responded to the Building Safety Act, which primarily deals with building regulations and fire safety, with Construction, Partnership Housing and Mixed Use Partnerships having updated their methodology to ensure that project specifications remain compliant. This includes a complete refresh of design management and procedures, increased on-site scrutiny and records, and engagement of independent fire consultants on more complex schemes.
- In terms of the Building Safety Act, we continue to actively engage with the Ministry of Housing, Communities and Local Government and have committed to rectifying issues with appropriate remedial activity which is being undertaken and expenditure provided for, with cash anticipated to be expended over the next one to two years. Some of this may be recoverable, but will take time to resolve.

Mitigation

- We have well-established systems of measuring and reporting project progress and estimated outturns that take into account contract variations and their impact on programme, cost and quality.
- The strength of our supply chain relationships and preference to work with selected partners reduces the probability of project failure and helps to ensure we deliver predictable outcomes.
- Where legal action is necessary, we notify the Board, take appropriate advice and make suitable provision for costs.
- Formal internal peer risk reviews highlight areas of improvement and share best practice and lessons learned.
- Various Perfect Delivery[1] initiatives focus on improvements in product quality and predictability and client experience.
- Regular formal and informal stakeholder feedback allows us to intervene when required and refine our offering to provide exceptional outcomes.
- We continue to use and enhance our digital project management tools and commercial metrics that highlight areas for focus and provide early warnings, enabling early intervention in the construction cycle.
- Our divisions have worked closely with our supply chain for many years, providing predictable workloads and prompt payment. Maintaining good supply chain relationships has helped us navigate labour and/or materials availability issues.

1 Perfect Delivery status is granted to Fit Out, Construction and Infrastructure projects that meet all four client service criteria specified by the division.

Managing risk continued
Principal risks

Operational risk

J. Cyber activity and failure to invest in IT

To protect against increasing cyber attacks, we invest in security controls and partners, including liaising with government security advisers.

Risk description

Investment in IT is necessary to meet the future needs of the business in terms of mobility, growth, security and innovation. It is also essential to avoid a cyber incident that could cause reputational and operational impacts and/or a loss of data or intellectual property that could result in significant fines and/or prosecution. Criminal activity continues to increase, and, while we are confident in our security strategy, it is continually checked and challenged.

Change in risk

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Responsibility

The Board, Group management team, IT security steering group (reporting to the chief financial officer)

Strategic priority

Update on risk status

- During the year, we re-certified to ISO 27001 and the government's Cyber Essentials Plus Scheme.
- We have continued to enhance our visibility of security events and 'indicators of compromise' (signs of a data breach) using the latest technologies. In 2024, we implemented additional controls to ensure we continue to innovate and respond to emerging threats.
- The Board has agreed a rolling security strategy, supported by continuous improvement and review. This ensures we remain aware of emerging risks and changes to the threats we face. Our IT security steering group is provided with additional funding as needed.
- As part of our digital resilience programme, we have continued to run workshops hosted by industry experts to educate key stakeholders around incident response best practices, focusing on business, technical and legal impacts of a major incident. We have also taken a significant step forward with our investment in new backup and disaster recovery capability, providing immutability of our data and fast recovery times.
- Data/business intelligence, digital construction and AI are at the forefront of our technology investment. To support the seamless delivery of these new technologies, we have also delivered our next-generation, modern data network. This both improves the security of our network and enhances access to cloud services.
- We have continued to invest in cloud platforms to expand functional capabilities and resilience and have prepared for the expected acceleration to cloud-hosting away from data centres on the premises.

Mitigation

- We have a dedicated Group team focused on providing a stable and resilient IT environment with continued investment in core infrastructure, security and applications. Our divisional IT teams focus on business-specific digital transformation.
- Our Group head of information security and compliance presents an update to the Board on a biannual basis to ensure oversight and challenge.
- We adopt best practices to secure our people and data. We certify to the ISO 27001 Standard and align ourselves with other appropriate frameworks.
- We commission an external industry expert to conduct regular cyber risk analysis on every device used in our network. The data collected is independent of our other security systems and acts as an audit of our security controls and their effectiveness.
- We engage with industry-leading partners to adopt appropriate technologies to protect the Group.
- Our IT security steering group provides governance and oversight of the Group's cyber strategy and strength, resources and funding.
- We run regular audits using different parties (both technical and non-technical) to confirm that our controls remain effective. Audit reports are shared with the IT security steering group.
- We train all our employees in data protection and information security including awareness and responsibilities.
- We follow the National Cyber Security Centre's guidance on third-party risk management and perform ongoing risk assessments of our digital supply chain partners.
- Our investment in IT enables all our people to work remotely and securely with minimal inconvenience.

Strategic and operational risk

K. Climate change

We have been recognised as leaders in our sector for our work in reducing carbon emissions (see page 38). However, there is still much to do as we progress towards our 2045 goal of net zero.

For detailed information on our climate change risks, mitigations and opportunities, see pages 67 to 70 of our Task Force on Climate-related Financial Disclosures.
Page 65 sets out our climate governance, indicating Board oversight and management's responsibilities.

Change in risk

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Strategic priority

Managing risk continued

Emerging risks

While our principal risks address shorter-term issues, our strategic planning includes identifying emerging risks that may affect our ability to deliver our objectives over the medium to longer term.

We review any matters likely to impact strategy as part of our twice-yearly review of our internal risk management process and our monthly Board reporting.

The following emerging risks are currently being tracked and monitored by the Board. The Board is satisfied with progress being made in these areas, although it will continue to revisit them as matters develop.

Long-term scarcity of skilled labour in the industry

Issue/risk	Update	Comment/outlook
This is a UK-wide issue which, while the sector works to broaden its appeal as a career option, will require considerable government and sector collaboration to resolve. This could impact our ability to deliver long-term growth and/or disrupt project delivery. It could lead to the ultimate resizing of the industry and the Group.	▪ We continue to manage some short-term issues, largely mitigated by our predominant two-stage procurement approach, which helps with longer-term labour resourcing and planning. ▪ Off-site, modular and new methods of construction help reduce on-site resource needs. ▪ Technology plays its part in reducing the need for site-based resource and attracting people into the industry but will require some upskilling to be undertaken.	▪ We engage with schools and local communities to encourage people to join the industry, and provide training and work opportunities. Our diversity and inclusion initiatives help make the industry more attractive and increase the talent pool. ▪ Our divisions' relationships with their supply chains help mitigate the effects of labour availability issues by sharing pipeline information and allowing long-term resource planning.

Technology's advancing pace

Issue/risk	Update	Comment/outlook
We do not adapt to (or adopt) new ways of working, invest in technology or develop skills and/or supply chain relationships that allow us to compete in the future marketplace. We fail to embrace innovative technologies to increase efficiency for the Group and our clients, resulting in a loss of competitive advantage and a reduced ability to secure repeat business.	▪ We continue to develop and manage new technological tools and ideas that allow us to remain competitive in our markets, including evolving the use of data analytics, business intelligence tools, and operational, procurement, commercial and financial systems. ▪ Microsoft collaboration tools provide seamless working, giving employees easy access to systems at home, on site or on the move, and strengthening our cyber security.	▪ Artificial intelligence, machine learning, IoT (Internet of Things), augmented reality, robotics, exoskeletons, 3D printing and virtual reality are evolving within the sector but are currently considered immature. We have taken some initial steps into these areas and are keeping a close eye on developments as they are set to provide greater efficiencies and safer working environments as they become more established.

People's changing working patterns

Issue/risk	Update	Comment/outlook
Working patterns are continuing to change due to trends such as the rise of AI and its workplace impact, young people seeking meaningful work with more flexibility, and technology that facilitates remote and collaborative working. Changing working patterns may impact our customers' requirements for office space.	▪ Our ethos is to provide a working environment that is stimulating, collaborative, productive, respectful, flexible and safe. We provide tools and technology at least comparable to those of our competitors and are constantly adopting and adapting to meet new demands. ▪ Our current workload and pipeline in relation to the office fit out market are significant and reflect that the return to the office and the requirement for more flexible office space remain strong.	▪ For the Group to prosper and grow, we need to understand the priorities and values of our employees and consider new models of working that work better for them and the business. We have an opportunity to change the way we work to attract the best talent, improve operational capability and increase efficiency. ▪ In the medium term, we expect the fit out market to remain favourable, while over the longer term we will review and adjust our strategy should any significant shifts occur.

Climate reporting

Task Force on Climate-related Financial Disclosures (TCFD)

We remain committed to producing robust and value-added climate-related disclosures that are relevant to our business and our key stakeholders.

Our climate strategy focuses on reducing carbon emissions and supporting a just transition for our clients, supply chain, and the communities we serve by contributing to a more sustainable built environment. As a Group, we are committed to supporting the critical priorities of the Paris Agreement to limit global warming to 1.5°C above pre-industrial levels and achieving net zero by 2045 (see page 44).

Our TCFD disclosure is aligned with the requirements of UK Listing Rule 6.6.6(8) by including climate-related financial disclosures consistent with the 11 TCFD recommendations. Our Group-level disclosures also represent the reporting requirements of our subsidiaries, including Morgan Sindall Construction & Infrastructure Ltd and Overbury plc. In addition, we comply with the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 and Limited Liability Partnerships (Climate-related Financial Disclosure) Regulations 2022 (referred to as 'UK CFD'). Where possible, we have continued to utilise the TCFD guidance material, including the TCFD technical supplement and the 'Guidance for All Sectors' as per section C of the TCFD annex.

Finally, we have commenced alignment to the International Sustainability Standards Board's (ISSB) IFRS S2 Climate-related Disclosures, with preliminary disclosures made throughout this section. We will continue to draw on these resources to further strengthen our sustainability disclosures into the future while enhancing transparency and comparability through alignment to key frameworks and standards.

TCFD recommendation	UK CFD alignment	2024 highlights and reference
Governance		
(A) Describe the Board's oversight of climate-related risks and opportunities.	Description of the governance arrangements of the company or LLP in relation to assessing and managing climate-related risks and opportunities.	▪ See TCFD governance on page 65. ▪ Responsible business committee continued to monitor progress (page 109). ▪ Audit committee reviewed internal climate audit findings (pages 102 and 105). ▪ Board approved an increase of our internal carbon charge from £70 to £90 per tonne CO_2e to drive climate initiatives (pages 45 and 66).
(B) Describe management's role in assessing and managing climate-related risks and opportunities.		
Strategy		
(A) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term.	Description of (i) the principal climate-related risks and opportunities arising in connection with the operations of the company or LLP, and (ii) the time periods by reference to which those risks and opportunities are assessed.	▪ See TCFD strategy on page 66. ▪ Published the Group's first Transition Plan on our website. ▪ Continued to progress our Total Commitments, including 'Improving the environment' (page 44). ▪ Conducted a physical climate change risk assessment on a sample of Group sites (pages 66 and 70). ▪ Conducted internal decarbonisation site audits across all our divisions in 2024 (page 45). ▪ Continued to progress high-quality nature conservation projects (page 47).
(B) Describe the impact of climate-related risks and opportunities on the organisation's business, strategy and financial planning.	Description of the actual and potential impacts of the principal climate-related risks and opportunities on the business model and strategy of the company or LLP.	
(C) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Analysis of the resilience of the business model and strategy of the company or LLP, taking into consideration different climate-related scenarios.	

Climate reporting continued
TCFD

TCFD recommendation	UK CFD alignment	2024 highlights and reference
Risk management		
(A) Describe the organisation's process for identifying and assessing climate-related risks.	Description of how the company or LLP identifies, assesses and manages climate-related risks and opportunities.	▪ See TCFD risk management on page 71. ▪ See our audit committee report on page 104 for how we manage all risks across our divisions. ▪ Completed our annual update of the Group's climate-related risk and opportunities assessment (page 66), including streamlining the wording of our climate-related risks and opportunities to reflect evolved thinking. ▪ Continued to proactively manage climate-related risks and capitalise on opportunities (pages 67 to 70). ▪ Conducted internal decarbonisation audits for each division, which included risk assessments (page 45).
(B) Describe the organisation's processes for managing climate-related risks.		
(C) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management.	Description of how processes for identifying, assessing and managing climate-related risks are integrated into the overall risk management process in the company or LLP.	
Metrics and targets		
(A) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	KPIs used to assess progress against targets used to manage climate-related risks and realise climate-related opportunities and a description of the calculations on which those KPIs are based.	▪ See TCFD metrics and targets on page 72. ▪ See the Group's non-financial KPIs on page 15. ▪ Continued to drive progress against our science-based targets covering our Scope 1, 2 and 3 emissions (pages 44 to 47). ▪ Refreshed Scope 3 emissions data for the Group, spanning all 15 categories, and reported all of these emissions for the first time (see our SECR report on page 74). ▪ Continued to improve alignment of our climate-related metrics to the management of climate-related risks and opportunities and will continue to evaluate the most effective metrics for the future with consideration to the cross-industry categories. ▪ Reviewed and updated the KPIs and metrics which we use to monitor and manage our risks and opportunities in our responsible business data sheet on our website.
(B) Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	N/A	
(C) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	Description of the targets used by the company or LLPs to manage climate-related risks and to realise climate-related opportunities and of performance against those targets.	

Climate reporting continued
TCFD

Governance

Our climate governance is fully integrated into our wider corporate governance structure. The chart below summarises our responsible business governance framework and our approach to managing our climate-related risks and opportunities across the Group.

Top-down

Group Board

- Has oversight of Group climate-related matters, including approval of the net zero strategy and Transition Plan.
- Ultimate responsibility for climate-related matters sits with the chief executive. Our chief financial officer presents the Group's climate plans and performance to investors.
- Considers climate-related risks and opportunities at least once a year as part of its annual risk and strategic review, while also monitoring performance against climate objectives.
- Continues to evaluate the inclusion of ESG factors, including climate change, in remuneration.

Responsible business committee

- Assists the Board in managing climate-related risks and opportunities to meet net zero targets and execute our Transition Plan. Our chief financial officer attends all meetings during the year. See the committee's report from page 108.

Audit committee

- Reviews and approves TCFD statement on behalf of the Board and considers climate-related risks and opportunities twice annually through the Group's risk register review. See page 101 in the committee's report.

Group management team

- Our cross-functional Group management team is responsible for agreeing our operational and strategic approach to managing climate change across our divisions.
- Led by our chief financial officer, the team sets climate-related targets and objectives, as well as investment requirements; it also holds strategic oversight for our divisions. It is supported by divisional managers who manage climate-related risks and opportunities on a day-to-day basis.

Group director of procurement and sustainability

- Holds responsibility for delivering climate strategy and communicating with divisions and Group management team to embed actions in line with Group strategy.

Divisional boards

- Responsible for implementing net zero carbon strategy, managing climate-related risks and opportunities identified at a divisional level and delivering climate-related initiatives.

Climate action group

- Cross-divisional group responsible for sharing information and advising on actions divisions can take to mitigate climate-related risks and deliver the Group's net zero strategy.
- Meets at least four times a year to report on progress, share best practice and identify opportunities.

Project teams

- Responsible for identifying climate-related risks and opportunities on projects and implementing appropriate actions to mitigate risks and capitalise on opportunities.
- Supports net zero strategy by collaborating on projects to reduce emissions and engage with clients on how to reduce climate-related risks and opportunities.
- Expertise, competencies and skills required to respond to climate-related risks and opportunities are managed by divisional HR leads, who also coordinate investments in management training and upskilling, and the use of third-party expertise where required.

Bottom-up

Responsibilities for climate-related risks and opportunities are reflected in our terms of references, mandates and other related policies. See the Investors/ Governance section of our website.

Climate reporting continued
TCFD

Strategy

Scenario analysis

We continued to evaluate and monitor the climate-related risks and opportunities originally identified in 2021 that were deemed to have the highest likelihood of occurrence (i.e. those that have a 30% or greater likelihood of materialising over the short, medium or long term for the categories identified by TCFD).

Alignment of climate-related risk timeframes with our business strategy and financial planning

Short term
0–1 year

Each division carries out a detailed risk review twice annually and records significant matters in its risk register. This time horizon aligns with our ongoing projects, operational expectations and bidding timelines for upcoming projects. We monitor and report our Total Commitment performance and KPIs annually.

Medium term
1–3 years

To ensure we have adequate resources for our continued operation, we undertake an annual viability statement covering a three-year period. This time horizon is in line with the Group's budgeting. Most of our projects are short to medium term and therefore captured in project risk reviews.

Long term
3+ years

Long-term climate-related risk and responsibilities are assessed in line with strategic planning, which considers shifting trends, behaviours, technologies and legal, regulatory and political changes beyond three years. While our projects are generally completed over a short to medium time horizon, their lifespan extends well beyond this.

Our scenario analysis considered two scenarios: the first aligning with the Paris Agreement (RCP2.6) and the second an unmitigated 'business-as-usual' response (RCP8.5). These two scenarios enable us to consider changes in demand, design, material options and construction in our decision-making. In 2023, we undertook a preliminary quantitative analysis using a net zero scenario to produce a set of financial ranges for risks previously categorised as 'high' through our qualitative assessment. See our 2023 annual report for this quantification.

To establish the materiality of these risks we adopted the Group's financial reporting materiality threshold of £8.5m. Our assessment indicates that our climate-related risks are immaterial and not expected to translate into a financially material impact on the business in the short to medium term. Climate-related opportunities rank higher than risks due to the service-based nature of our business. We do not own any long-term assets and we secure terms and conditions of projects prior to investment. However, due to the evolving governmental and societal response to climate change, the Group is currently unable to determine the full future economic impact of climate-related risks and opportunities on our business model or fully incorporate these into our financial statements (see page 152). We have therefore continued to rank our risks and opportunities using our original qualitative analysis as shown on pages 67 to 70.

In 2024, we consolidated our climate-related risks and opportunities and updated how we articulate these to ensure they evolve with new thinking and continue to add value for the business. We also worked with a third party to undertake a physical risk analysis on a sample of active projects to assess a range of physical risks including wildfire, flood, cyclone, heatwave, sea level rises and water stress on our projects and their potential financial impact (see page 70). The table starting on page 67 details our qualitative analysis on all potential climate-related risk and opportunities. A full overview of the approach, assumptions and quantitative findings used for 'high' risk categories remains unchanged and is detailed in our 2023 annual report.

Decarbonisation and resilience

We have a resilient business strategy that is poised to respond well to changing market conditions. Our qualitative and quantitative scenario analysis, along with our annual climate-related assessment, highlights the resilience of our approach to climate-related risks and how we have already positioned ourselves to take advantage of the transition to a low-carbon economy. We also ensure that climate-related opportunities are identified and assessed as part of our operational processes and project due diligence. Our divisions have been contributing to an internal carbon charge since 2021 and in 2024 we increased it to £90 per tonne of CO_2e (2023: £70). This charge enables us to continue to invest in sustainable projects. Even if a high external carbon tax were imposed, aligned to a net zero trajectory, our quantification work described in our 2023 annual report showed that this would not be a material tax burden (>£3m per year) for the Group.

In 2024, we also published our Transition Plan, which details the key actions we are taking to meet our validated science-based targets while also mitigating risks and maximising climate opportunities. The Plan is structured around the five disclosure elements of the government's Transition Plan Taskforce and can be found on our website.

Climate reporting continued
TCFD

Increase Stable Decrease

Identified climate-related risks and opportunities

Transition

1. Legal

Timing of risk: Long term

Movement of risk: —

Status of risk: High

Description and impacts	2024 initiatives and progress	Metrics monitored
Increasing legislation aimed at mitigating climate change in the form of carbon taxes could result in new operational costs for the Group.	▪ Continued to steadily increase internal carbon charge to foster low-carbon decision-making. ▪ Continued to purchase a high percentage of low-carbon materials and renewable energy. ▪ Continued participation in trade associations and periodic assessments of emerging regulations.	▪ Scope 1, Scope 2 and Scope 3 emissions (tonnes CO_2e). ▪ Internal carbon charge (£/tonne CO_2e). ▪ % of electricity purchased from renewable sources.
Regulatory requirement to report Scope 3 emissions based on direct data from suppliers in place of revenue-based estimation could lead to enhanced costs of calculation.	▪ Strengthened our Scope 3 inventory across 15 categories. ▪ Continued implementation of our intelligent carbon-reduction tool, CarboniCa, across projects. ▪ Developed employee and leadership climate knowledge and skillsets (e.g. employees carry out carbon assessments and design new low-carbon designs). ▪ Continued to engage with suppliers through our Supply Chain Sustainability School (SCSS).	▪ Scope 3 carbon emissions (tonnes CO_2e). ▪ % of verified Scope 3 emissions. ▪ Subcontractors (by spend) providing their own carbon data. ▪ Number of projects using CarboniCa.
Adopting immature products or services that may result in legal proceedings against the Group.	▪ Design teams continued to take a precautionary approach to adopting new technologies. ▪ Engaged with insurance providers, legal firms and suppliers to prevent legacy defects and reduce risk. ▪ Adopted experimental technologies on a material scale (e.g. Tomorrow Home).	▪ Number of projects using CarboniCa. ▪ Number of projects achieving sustainability accreditation (including BREEAM, LEED or SKA). ▪ % of timber sourced using sustainable sourcing certification standards such as FSC and PEFC.
Increased focus on carbon, particularly operational carbon, may lead to litigation if space does not perform as designed.	▪ Continued implementation of CarboniCa across projects. ▪ Post-occupancy evaluations.	▪ Scope 1 and 2 carbon emissions (tonnes CO_2e). ▪ Number of projects using CarboniCa. ▪ Number of projects achieving sustainability accreditation (including BREEAM, LEED or SKA).

Climate reporting continued
TCFD

Transition

2. Regulatory

	Description and impacts	2024 initiatives and progress	Metrics monitored
Timing of risk: Medium term **Movement of risk:** — **Status of risk:** High	Changes to regulation to address new efficiency standards, climate adaptation or the ban of certain sites or materials could increase operational costs and lengthen project timelines or increase delays.	▪ Continued to monitor and review regulatory updates. ▪ Continued to collaborate at the forefront of new building standards, developing expertise in net zero standards and innovative processes to reduce emissions at all stages of construction. ▪ Continued to prioritise sustainable procurement practices. ▪ Implemented improved decommissioning and recycling practices.	▪ Number of projects achieving sustainability accreditation (including BREEAM, LEED or SKA). ▪ % of hybrid or electric vehicles in fleet. ▪ % of construction waste diverted from landfill. ▪ % of electricity purchased from renewable sources. ▪ Internal carbon charge (£/tonne CO_2e).
	New sector-wide standards to be met for construction projects may result in losing members of the supply chain who are not quick enough to adapt.	▪ Implemented technologies focused on energy efficiency (i.e. Passivhaus). ▪ Conducted workshops and training for the supply chain on low-carbon design and materials. ▪ Preserved our supply chain management practices to gain favourable terms and agile procurement streams.	▪ Scope 3 carbon emissions (tonnes CO_2e). ▪ Number of suppliers registered with the SCSS and the number attending dedicated training and workshops. ▪ Subcontractors (by spend) providing their own carbon data.
Timing of opportunity: Short to medium term **Movement of opportunity:** — **Status of opportunity:** High	Supportive government incentives to develop low-carbon solutions to meet net zero targets are implemented leading to tax incentives and competitive advantage.	▪ Property Services continued to work under the Department for Energy Security and Net Zero's Social Housing Fund. At the end of 2024, 451 homes were retrofitted with energy-efficient features under the scheme. ▪ Stricter Energy Performance Certificate requirements.	▪ Number of projects achieving sustainability accreditation (including BREEAM, LEED or SKA). ▪ % of revenue from sustainable projects.

3. Reputational

	Description and impacts	2024 initiatives and progress	Metrics monitored
Timing of risk: Long term **Movement of risk:** — **Status of risk:** Low	Risk of losing our unique selling position on climate, which leads to failure to win contracts, secure lending or attract investors.	▪ Published our Transition Plan and improved the transparency of our reporting against our ambitious net zero targets. ▪ Executed responsible business strategy and continued to pursue carbon reductions and innovative climate initiatives. ▪ Maintained strong scores among ESG rating agencies. ▪ Continued implementation of CarboniCa across projects.	▪ % reduction of Scope 1 and 2 emissions since 2019 baseline. ▪ % reduction in Scope 3 emissions since 2020 baseline. ▪ Number of projects achieving sustainability accreditation (including BREEAM, CEEQUAL, LEED or SKA). ▪ Number of projects using CarboniCa. ▪ MSCI and CDP scores. ▪ Award wins.

Climate reporting continued
TCFD

Increase · Stable · Decrease

Transition

4. Technological

Risk	Description and impacts	2024 initiatives and progress	Metrics monitored
Timing of risk: Medium term **Movement of risk:** — **Status of risk:** Low	Increased costs or scarcity of latest low-carbon technologies to contribute to our decarbonisation efforts lead to slowdown in decarbonisation progress and increased operational costs.	▪ Increased our internal carbon charge from £70 to £90 per tonne CO_2e to bolster our carbon fund. ▪ Significantly increased number of hybrid and electric vehicles in Group fleet. ▪ Launched our Transition Plan to better anticipate and prepare for emerging trends and changes. ▪ Continued to source a high percentage of renewable energy and transition our vehicle fleet to more sustainable solutions.	▪ Internal carbon charge (£/tonne CO_2e). ▪ % of hybrid or electric vehicles in fleet. ▪ % of electricity purchased from renewable sources.

5. Market and resource efficiency

Risk / opportunity	Description and impacts	2024 initiatives and progress	Metrics monitored
Timing of risk: Medium term **Movement of risk:** — **Status of risk:** High	Demand for low-carbon materials (e.g. timber, innovative steel, insulation, air source heat pumps) results in supply chain bottlenecks or increased costs.	▪ Continued to strengthen relationships with the Morgan Sindall Supply Chain Family to gain favourable terms. ▪ Factored delays into the decision-making process. ▪ Secured fixed rates and prices for projects.	▪ Number of projects achieving sustainable accreditation (including BREEAM, LEED or SKA). ▪ % of timber sourced using sustainable sourcing certification standards such as FSC and PEFC.
Timing of risk: Long term **Movement of risk:** — **Status of risk:** Medium	Market favouring improving existing structures over new builds.	▪ Increased revenue across both Construction and Fit Out in 2024. ▪ Continued to work with Construction division to reduce climate impact and provide client solutions. ▪ Cultivated fit out, retrofit and regeneration segments of business.	▪ Revenue from Fit Out and Construction. ▪ Number of projects achieving sustainable accreditation (including BREEAM, LEED or SKA). ▪ Number of projects using CarboniCa.
Timing of opportunity: Short to medium term **Movement of opportunity:** Increase **Status of opportunity:** High	Greater demand and requirements for low-carbon builds or requirement that new construction be net zero, including use of recycled materials and retrofit demand to adapt to warmer climate.	▪ Property Services continued to work under the Department for Energy Security and Net Zero's Social Housing Fund. At the end of 2024, 451 homes were retrofitted with energy-efficient features under the scheme. ▪ Continued to support our clients to decarbonise and provide solutions.	▪ Number of projects achieving sustainability accreditation (including BREEAM, LEED or SKA). ▪ Number of homes retrofitted under government-funded environmental or social initiatives. ▪ % of revenue from sustainable projects.
	Demand for climate-adaptable or resilient assets or for building assets to withstand the physical impacts of climate change (e.g. highway improvements, water capacity and rail extensions).	▪ Increased revenue and bidding prospects for Infrastructure. ▪ Changes to design process to incorporate greenscaping and natural vegetation.	▪ Revenue from infrastructure, construction and design, and repair and maintenance services for wastewater. ▪ Revenue from engineering and construction services for railway infrastructure. ▪ Number of biodiversity net gain projects.
	Using low-emission energy such as renewable energy or alternative fuels reduces energy costs and improves energy security.	▪ Conducted internal decarbonisation site audits in 2024, resulting in the deployment of new energy-monitoring systems, renewable energy tariffs, more efficient machinery and increased use of alternative fuels such as hydrotreated vegetable oil over white diesel.	▪ % of hybrid or electric vehicles in fleet. ▪ % of electricity purchased from renewable sources.

Climate reporting continued
TCFD

Physical

6. Chronic and acute

Timing of risk:
Medium to long term

Movement of risk:
—

Status of risk:
Medium

Description and impacts	2024 initiatives and progress	Metrics monitored
Vulnerabilities due to increasing extreme weather events, specifically heatwaves and prolonged wet seasons leading to project delays, increased risk of re-work, supply chain disruption and increased costs or sales prices.	▪ Engaged a third party to conduct a physical risk assessment on a sample of active projects modelled to various scenarios – including an illustrative financial analysis (see below). ▪ Negotiated contracts continued to consider extreme weather to protect the Group and assets.	▪ Number of projects achieving sustainable accreditation (including BREEAM, LEED or SKA). ▪ Number of homes retrofitted under government-funded environmental or social initiatives. ▪ Number of biodiversity net gain projects.
Increase in unviable land such as green belts and flood plains, reducing availability of building plots, as well as saturated ground causing site run-off and pollution events, limited access to sites, delays or damage to materials.	▪ Engaged a third party to conduct a physical risk assessment on a sample of active projects modelled to various scenarios – including an illustrative financial analysis (see below). ▪ Continued to conduct due diligence process to evaluate likelihood of risks and implement mitigating actions.	▪ Number of projects achieving sustainable accreditation (including BREEAM, LEED or SKA). ▪ Number of homes retrofitted under government-funded environmental or social initiatives. ▪ Number of biodiversity net gain projects.

Physical risk assessment: In 2024, a sample of our project locations were assessed using the Sust Global physical risk platform. The platform considers the long-term (2050) view of future climate risk, looking at the most extreme risks arising from flood, sea level rise, cyclone, heatwave, wildfire and water stress in a range of scenarios (RCP8.5/SSP5; RCP4.5/SSP2; RCP2.6/SSP1). The Sust Global platform uses General Circulation Models from the latest international modelling efforts, the 'Coupled Model Intercomparison Project 6' and high-resolution historical observations from satellites and sensors to provide detailed physical risk information. The findings from this assessment indicated that the Group assets sampled are at low risk of significant climate stress to 2050, other than heatwave, which is a medium risk across the asset sample. Initial financial implications for the Group were also considered, including the 'value of risk' arising through high-impact climate events. The outputs of this process were not considered to be material for our business; however, we will continue to monitor our physical asset risks over time as climate data and modelling improve.

Climate reporting continued

TCFD

Risk management

Climate change risk is managed through our wider risk management process and integrated into our Group risk management framework, as detailed on pages 52 to 62 and shown in the below diagram. Following a top-down, bottom-up approach, the risks and responsibilities for climate change are identified and assessed at Group and divisional levels, across all activities, geographical regions and business areas. Our identification and assessment process continues to evolve through internal workshops, engagement with stakeholders and our climate governance approach (see pages 44 and 46).

As with our wider risk management approach, climate-related risks and responsibilities are determined by likelihood and severity at a divisional level. Emerging risks are reviewed regularly alongside horizon scanning to consider changes in regulation, legislation and policy. Climate risk assessments are reviewed and approved via our schedule of delegated authorities, which assigns approval of material decisions to appropriate levels of seniority.

Climate-related risks and responsibilities relating to projects are identified and assessed as part of our operational process, beginning at the bidding stage when considering viability. Once a project starts, we carry out further due diligence to identify additional ways of reducing carbon. The early stages of a project are critical for making carbon-reduction decisions, which is why our CarboniCa tool is being applied in the design phase of projects to offer lower-carbon alternatives for our teams, clients, designers and supply chain partners (see page 46).

Integration of climate risk within our wider risk management framework

Group risk

- The Board determines the Group's risk appetite, including climate risk, and ensures that the risk is managed appropriately via our risk management framework.
- The Group risk committee meets twice annually to review risks, including climate risks.
- The Group head of audit and assurance retains responsibility for the risk management system.

Divisional risk

- Each division is certified to the ISO 14001 Environmental Management System.
- Climate-related risk and opportunity identification takes place twice annually through risk register updates.
- Divisions conduct site- and asset-level risk assessments and reviews throughout the year, including upstream and downstream reviews.

Operational risk

- Each project includes a risk assessment, which factors in potential climate-related risks and opportunities.
- Our CarboniCa tool continues to help clients calculate and reduce project emissions.
- Project costs and budgets are set at the tendering stage including environmental requirements.

Climate reporting continued
TCFD

Metrics and targets

In 2023 we resubmitted our carbon targets to the SBTi to align with a more ambitious 1.5ºC scenario. Our newly approved net zero science-based targets commit us to reducing our Scope 1 and 2 emissions by 60% by 2030 and 90% by 2045, in addition to reducing our Scope 3 emissions, which account for c.99% of our carbon footprint, by 42% by 2030 and 90% by 2045. These steep reductions across all our relevant carbon emissions, along with residual offsetting, will enable us to reach a net zero position as defined by the SBTi by 2045. See page 197 for more details.

Our metrics and targets help us to manage the climate-related risks and opportunities outlined on pages 67 to 70. The table below includes some of the key metrics that we monitor annually and we are working to ensure we can update our quantified metrics (reported in last year's annual report) on a regular basis.

Our GHG reporting has been independently assured since 2010 and aligns with the GHG Protocol methodology. For more information on this and our GHG reporting, see our SECR section on page 73. We also report a full breakdown of our environmental metrics and associated data in our responsible business data sheet, which we publish each year alongside our annual report on our website. Details of our KPIs and performance progress can also be found on pages 44 to 47.

As our Transition Plan (also published on our website) continues to evolve and we work to align with ISSB S2 and the UK Sustainable Reporting Standards, we will review the operational and financial metrics that we disclose in the future.

Climate-related risks and opportunities	Key external metrics	2024	2023	2022	2021
1. Legal 2. Regulatory	Scope 1, 2 and 3 carbon emissions (tonnes CO_2e)	**1,325,708**	1,244,754	1,311,868	1,321,174
	Internal carbon charge (£/tonne CO_2e)	**£90**	£70	£50	£35
	Suppliers (by spend) providing their own carbon emissions data	**£446m**	£224m[1]	£649m	£589m
3. Reputational	% reduction against Scope 1 and 2 science-based targets	**44%**	45%	45%	35%
	Number of projects achieving BREEAM, LEED and SKA ratings	**160**	161	108	99
4. Technological 5. Market and resource efficiency	% of hybrid or electric vehicles in Group fleet	**72%**	64%	53%	42%
	Number of new projects using CarboniCa	**218**	280	142	41
	% of electricity purchased from renewable sources	**56%**	70%	65%	72%
	% of waste diverted from landfill	**97%**	94%	96%	97%

1 For 2023 onwards, we are reporting the data from Supply Chain Sustainability School members only.

Streamlined Energy and Carbon Reporting (SECR)

Our science-based targets are approved by the SBTi to align to a 1.5°C trajectory and target net zero by reducing our Scope 1, 2 and 3 emissions by 90% for 2045.

GHG reporting methodology

The data reported in the table on page 74 corresponds with our financial year (1 January to 31 December 2024) and includes all areas for which we have operational control in the UK and Europe. The materiality threshold has been set at 5% with all operations estimated to contribute more than 1% of the total emissions included. No material emissions have been omitted.

Our SECR report has been prepared in accordance with the requirements of Toitū's accredited organisational GHG programme: Toitū 'carbonreduce'. This programme is based on and fully incorporates the Greenhouse Gas Protocol's Corporate Accounting and Reporting Standard (2015) and ISO 14064–1:2018 Specification with Guidance at the Organization Level for Quantification and Reporting of Greenhouse Gas Emissions and Removals. Where relevant, the inventory is aligned with industry or sector best practice for emissions measurement and reporting.

The allowance built into the 'carbonreduce' accreditation also permits +/–5% variance in the gross emissions total in case a miscalculation is discovered following a carbon audit. However, to build confidence in the data we report, for the last 10 years we have used a third-party global assurance provider to verify our Scope 1 and 2 emissions annually.

We report our carbon emissions using a location-based methodology as this aligns to our science-based targets; however, this means the progress shown against our emissions reduction targets does not take into account the percentage of electricity which we source from renewables and instead relies on the UK's grid decarbonisation. In 2024, over half of our electricity was from renewable sources. A breakdown of this data and our market-based emissions can be found in our responsible business data sheet on our website.

This year, we have chosen to report our Scope 3 emissions data across all relevant categories for the first time. As our Scope 3 emissions account for c.99% of our total carbon footprint, we believe this is an important step in providing stakeholders with additional clarity on the emissions generated across our entire value chain, improving the transparency of our reporting and showing progress against our net zero targets. Our performance progress against our carbon commitments can be found on page 44 and as part of our non-financial KPIs on page 15.

The complexity of our value chain has meant that the majority of our Scope 3 emissions calculations are based on estimates, for example using annual procurement spend on materials and applying estimated emission factors. However, our use of CarboniCa has resulted in improvements in our methodology and data, which has enabled us to generate more robust estimates and quality data in this complex area.

In 2024, we updated our Scope 3 emissions data across all 15 categories using divisional data to rebaseline across categories where new criteria and assumptions were applicable. The Scope 3 emissions baseline for 2020 was subsequently updated. See our Appendix on page 198 for more details. Our third-party assurance provider has also validated the methodology used for calculating our Scope 3 carbon emissions, in addition to verifying the data provided by our Construction and Fit Out divisions.

Taking action

As part of our compliance with the Energy Savings Opportunity Scheme (ESOS), in 2024 we submitted our action plan for ESOS Phase 3 covering the period December 2023 to December 2027. This action plan commits us to implement measures such as installing on-site and office solar photovoltaic and building management systems, trialling energy-monitoring solutions, designing out concrete from foundations, introducing hybrid battery units and replacing our company vehicle fleet with hybrid or electric alternatives. These actions further support our plan to decarbonise and the steps that we have taken and intend to take, as outlined in our Transition Plan on our website.

In addition to ESOS, all divisions conducted internal decarbonisation site audits in 2024. These assessments will help to accelerate progress towards our net zero ambitions via targeted initiatives, including switching to renewable energy tariffs, providing energy-efficient travel options and eco-cabins, introducing more efficient machinery and increasing our use of alternative fuels such as hydrotreated vegetable oil over white diesel. Our focus on energy efficiency is evidenced through our improved energy intensity, which has declined by 50% since 2019 (see page 74). More detail on our actions throughout the year can be found on pages 44 to 47.

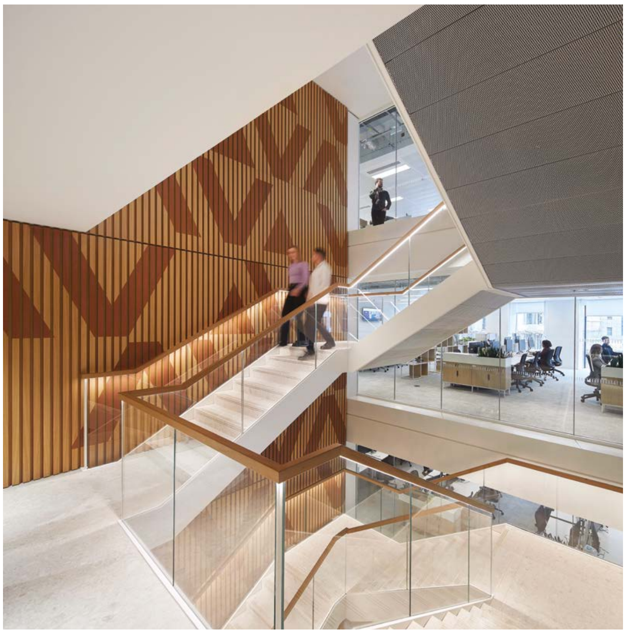
Climate reporting continued
SECR

GHG emissions (tonnes CO_2e)[1]	2024	2023	Baseline[2]
Scope 1 emissions – Direct emissions	**8,056**	8,739[3]	18,124
Scope 2 emissions – Indirect emissions	**3,628**	2,691	2,779
Scope 1 and 2 emissions – Total	**11,684**	11,430[3]	20,903
Scope 3 emissions – Other indirect emissions[4]	**1,314,055**	1,233,324	1,300,271
Scope 1, 2 and 3 emissions – Total	**1,325,739**	1,244,754	1,321,174
Carbon intensity – Scope 1 and 2 per £ revenue	**2.6**	2.8	6.8
Carbon intensity – Scope 1, 2 and 3 per £ revenue	**291.6**	302.3	430.2
Revenue	**£4,546.2m**	£4,117.7m	£3,071.3m

1 Includes GHG emissions associated with our UK and European operations. See Appendix on pages 197 and 198 for Scope 1, 2 and 3 emission definitions and our responsible business data sheet on our website for a full breakdown of our environmental data.
2 Baseline year for Scope 1 and 2 is 2019 and baseline year for Scope 3 is 2020. Our Scope 3 baseline was recalculated in 2024 to apply new methodologies and assumptions. See Appendix on page 197 and 198 for more information.
3 Restated for 2024 following expanded scope of reporting and/or improved data collection.
4 Reporting Scope 3 emissions across all relevant categories for the first time to align with our net zero targets. We previously only reported 'operational' Scope 3, which referred to categories 3, 5 and 6.

	2024		2023		2019
Energy use (MWh)[1]	**UK**	**Global**	UK	Global	Global
Energy use	**86,944**	**87,602**	86,862	86,990	118,004
Energy intensity – energy use per £ revenue	**19.1**	**19.2**	21.0	21.1	38

1 Includes energy use from electricity, heat, steam and cooling and fuel consumption from boilers, furnaces, generators and transportation (including company cars and private vehicle mileage). 'Global' includes both our UK and European operations.



Section 172 statement

Making informed decisions

The Board and Group management team's objective is to promote the Group's success for the benefit of all stakeholders, in line with the directors' duties set out in section 172 of the Companies Act 2006.

How our directors perform their duties

- The Board sets the Group's purpose, values and strategy and ensures they are aligned with our culture.

See page 92

- The Board reviews the Group's strategy and conducts strategy reviews with each division, to ensure the long-term sustainable success of the business with good outcomes for all our stakeholders.

See page 90

- The Board sets the Group's risk appetite, assesses the principal risks that could impact on our strategy, performance and stakeholders, and reviews the mitigations we have in place.

See page 91

- The Board engages directly or indirectly with our stakeholders, monitors the impact of our activities on them, and takes their interests and priorities into account when making decisions.

See pages 89 to 91

- The Board and responsible business committee monitor our performance against our five Total Commitments to our stakeholders and wider society.

See page 84 and pages 108 to 110

- Directors and senior managers undertake training on directors' duties and other relevant topics.

See page 94

Section 172 matters

Non-financial and sustainability information statement

We aim to comply with the non-financial and sustainability reporting regulations contained in sections 414CA and 414CB of the Companies Act 2006. Our divisions communicate Group and divisional policies to their employees and supply chains. Our due diligence with regard to 'environmental matters', 'employees' and 'social matters' is driven by our Total Commitments, which are a strategic priority for the Group (see page 10).

	Policies	Due diligence, impacts and principal risks
Environmental matters	▪ For our climate-related financial disclosures (see pages 63 to 72). ▪ Code of Conduct and Supplier Code of Conduct, published on our website: commit to caring for the environment. ▪ Sustainable procurement policy: commits to being socially and environmentally conscientious in our procurement. ▪ Supplemental timber policy: requires procurement from sustainable sources. ▪ Sustainable water policy: commits to building to the highest standards as those detailed in the RIBA Climate Challenge 2030; retrofitting water-efficient kit; avoiding procuring materials or equipment that require intensive water use in their manufacture, installation or use; procuring water-efficient products; incorporating SuDS (sustainable drainage systems); and advising on saving water.	Due diligence, pages 44 to 47. Impacts, pages 44 to 47 and page 74. Principal risks, page 61.
Employees	▪ Code of Conduct: commits to conducting business in an open and ethical way in line with our Core Values and Total Commitments. ▪ Group health, safety and wellbeing management policy framework: incorporates the Group occupational health and safety policy, which commits to providing a safe and healthy working environment for our employees and others involved in or affected by our works. ▪ Divisional occupational health and safety policies: cover all employees and extend to our subcontractors and suppliers working on our projects.	Due diligence, pages 11, 40 to 43, 55 to 56, 81, 89, 92, 109, 113, 116, 133. Impacts, pages 11, 40 to 43. Principal risks, pages 55 and 56.
Social matters	▪ We are committed to providing a better built environment for all, and our services include urban regeneration, social housing and critical infrastructure. A large proportion of our work is for the public sector and therefore falls under the Public Services (Social Value) Act 2012. ▪ Sustainable procurement policy: commits to being socially and environmentally conscientious in our procurement.	Due diligence, pages 12, 50 and 51. Impacts, pages 12, 50 and 51. While social matters are not regarded as a principal risk, each division carries out regular risk assessments to identify any areas of its business and markets that may be susceptible to risk, and embeds appropriate procedures in its day-to-day operations.

Non-financial and sustainability information statement continued

	Policies	Due diligence, impacts and principal risks
Human rights	▪ Human rights policy (see page 41). ▪ Code of Conduct and Supplier Code of Conduct (see page 41). ▪ Modern slavery policy (see page 41). ▪ Modern slavery statement, published on our website. ▪ Whistleblowing policy and procedure (see page 41).	Due diligence, pages 41 and 92. Impacts, pages 12 and 41. See also our modern slavery statement on our website. Human rights breaches are not considered a principal risk; however, information on how we manage this risk can be found in our modern slavery statement.
Anti-corruption and anti-bribery	▪ Code of Conduct and Supplier Code of Conduct: state that we will not tolerate any form of bribery or corruption. ▪ Bribery Act guidance note: provides guidance on the Bribery Act 2010 and how it is relevant to the Group. ▪ Group-wide dealing policy: clarifies to all employees regulations relating to the misuse of inside information. ▪ Dealing code: states directors' and others' obligations to comply with market abuse regulation. ▪ Competition law compliance policy: clarifies requirements under the Competition Act 1998 and Enterprise Act 2002. Each division provides its employees with guidelines tailored to the division's activities.	Due diligence, pages 105 and 106. Impacts: there was no evidence of any systemic bribery or corrupt activity in 2024. We do not regard corruption and bribery as a principal risk to the Group.

Copies of our policies are available on our website or can be obtained from the Group's company secretary on request. Our business model is set out on pages 8 and 9 and our non-financial KPIs on page 15.

Non-financial data collection

We have been reviewing the means and methodologies used to collect and report our non-financial data across our five Total Commitments (see page 38). Using data visualisation software, we have developed an online platform through which all divisions' metrics are collated, verified and regularly monitored. This way we can ensure the reliability, accountability and transparency of our data.

The sources of our non-financial KPI data, as reported on page 15, are listed below:

- Lost time incident rate: calculated in accordance with industry standards and reviewed monthly by divisional teams, the Group management team and the Board.
- Training days: recorded directly from each division's automated HR system and verified by appointed employees.
- Carbon emissions: all data is independently verified (see pages 73 and 74). See pages 45 and 73 for how we are addressing the collection of wider Scope 3 emissions data.
- Payment of supply chain: we report our payment to suppliers in accordance with the Prompt Payment Code, and the data is checked by our Group finance team.
- See page 50 for how we measure social value on our projects in accordance with industry methodologies.

Going concern and viability statement

Going concern

The Group's business activities, together with the factors likely to affect our future development, performance and position, are set out in this strategic report.

As at 31 December 2024, the Group had net cash of £492.4m and committed banking facilities of £180m, of which £165m matures in October 2027 and £15m matures in June 2027. The directors have reviewed the Group's forecasts and projections, which show that we will have a sufficient level of headroom within facility limits and covenants over the period of assessment which the directors have defined as the date of approval of the 31 December 2024 financial statements through to 28 February 2026. After making enquiries, including the review of sensitivities for plausible downside scenarios to the forecasts, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to prepare the annual financial statements on the going concern basis. See page 152 for the going concern basis of preparation in the consolidated financial statements.

Viability

As required by provision 31 of the UK Corporate Governance Code, the directors have assessed the prospects and financial viability of the Group and have concluded that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of the assessment.

This assessment took account of the Group's current position and the potential financial and reputational impact of the principal risks (as set out on pages 54 to 61) on the Group's ability to deliver the Group's business plan. This assessment describes and tests the significant solvency and liquidity risks involved in delivering the strategic objectives within our business model.

The assessment has been made using a period of three years commencing on 1 January 2025, which is in line with the Group's budgeting cycle. This gives good visibility of future work as the majority of the Group's workload falls within three years and enables more specific forecasting as the Group's contracts follow a life cycle of three years or less. There is inherently less visibility over the expected workload beyond three years, and increased uncertainty around the forecasted costs to deliver.

Consequently, it is deemed most appropriate to perform the Group's medium-term planning over a three-year period.

The directors have compiled cash flow projections incorporating each division's detailed business plans with an overlay of Group-level contingency. At Group level, the base case financial projections assume modest revenue growth and improvements in both profit margin and return on capital employed in line with the Group's strategy and medium-term targets.

As per the business model, operating cash flows are assumed to broadly follow forecast profitability in the Group's construction activities, but are more independently variable in partnerships, driven by the timing of construction spend and programmed completions on schemes.

The base case business plan includes the Group maintaining positive daily average net cash for the entirety of the period reviewed, with no drawings under its loan facilities. The Group has £180m of committed revolving credit facilities, undrawn at 31 December 2024, of which £15m is committed until June 2027 and £165m is committed until October 2027 with the option for extension to 2028. For the purposes of testing viability, it is assumed that equivalent facilities are available past these maturities.

The impact of a number of plausible downside scenarios on the Group's funding headroom (including financial covenants within committed bank facilities) has been modelled with consideration of the Group's principal risks that could have a direct impact on operational cash flows. For each of the scenarios, including the severe downside case, headroom within facility limits and covenants are maintained.

The table on page 79 gives an overview of the scenarios modelled and the mapping to the relevant Group's principal risks.

There are no individual scenarios that are considered to materially impact the Group's viability, and our assessment included modelling the financial impact on the business plan of a severe downside scenario where the impact of a reasonably plausible combination of the divisional risks were applied in aggregate.

In the event of this severe collection of scenarios occurring, there is still a reasonable expectation that the Group will be able to continue in operation and meet its liabilities.

In addition, the Board has considered a range of potential mitigating actions that may be available if this worst-case collection of scenarios arises. These primarily include a reduction in investment in working capital and a reduction in the dividend.

As part of the sensitivity analysis, the directors also modelled a scenario that stress-tests the Group's forecasts and projects, to determine the scenario under which the headroom would exceed the committed bank facilities. The model showed that the Group's operating profit would need to deteriorate substantially for the headroom to exceed the committed facilities. The directors consider there is no plausible scenario where cash inflows would deteriorate this significantly.

Based on the results of its review and analysis, the Board has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period of its assessment until 31 December 2027.

Assessing the Group's prospects beyond the review period, the directors consider that demand will remain strong across all divisions. The Group has maintained a well-capitalised balance sheet, has a strong order book and operates a resilient business model.

Going concern and viability statement continued

Scenario	Principal risk mapping
Reduced revenue and margins in the construction businesses The cash performance of the construction businesses is correlated to the levels of revenue and margin achieved by each division. We have modelled a scenario of reduced revenue that could be caused by changes in the UK economic conditions or the insolvency of a key client/partner. In addition to this we have modelled reduced profit margins which may result from increased inflation, inefficiencies that could be a result of poor project selection, poor project delivery, resourcing issues, health and safety issues, and the impact of disruption that could be caused by cyber activity or climate change.	▪ Economic change and uncertainty ▪ Partner insolvency or adverse behavioural change ▪ Poor contract selectivity ▪ Poor project delivery ▪ Health and safety incident ▪ Talent retention and attraction ▪ Cyber activity ▪ Climate change
Working capital deterioration in the construction businesses We have modelled a scenario including a deterioration of working capital in the construction businesses that could be caused by delays in receiving payments from customers and also having to pay suppliers earlier.	▪ Mismanagement of working capital and investments ▪ Partner insolvency or adverse behavioural change
Reduction in open market sales values and sales pace in Partnership Housing We have modelled a scenario where there is a reduction in the open market housing sales values and a slowdown in the sales pace caused by changes and uncertainty in the UK economic conditions, exposure to the UK residential market or poor project delivery.	▪ Economic change and uncertainty ▪ Exposure to UK residential market ▪ Poor project delivery
Project delays or viability concerns, and cost increases in Mixed Use Partnerships We have modelled a scenario where there were project delays or cancellations in respect of Mixed Use Partnerships and also reduced margins. This scenario could be the result of changes and uncertainty in the UK economic conditions, including changes in the UK residential market, and also inefficiencies that could be a result of poor project delivery, resourcing issues, health and safety issues, or the impact of disruption that could be caused by cyber activity or climate change.	▪ Economic change and uncertainty ▪ Exposure to UK residential market ▪ Partner insolvency or adverse behavioural change ▪ Poor project delivery ▪ Health and safety incident ▪ Talent retention and attraction ▪ Cyber activity/failure to invest in IT ▪ Climate change
Higher developers' pledge expenses We have modelled a scenario where we incur higher than expected expenses in respect to our obligations under the building safety developers' pledge, but these costs are not fully recovered through contractual remedies.	▪ Poor project delivery (including changes to contracts and contract disputes) ▪ Health and safety incident ▪ Mismanagement of working capital and investments
Severe downside case We have modelled a scenario where all of the scenarios above combined at the same time to represent a severe downside scenario.	▪ All of the above

This strategic report was approved by the Board and signed on its behalf by:

John Morgan
Chief Executive
25 February 2025

Governance

In this section

The UK Corporate Governance Code

As a UK-listed company, our governance structure is based on the UK Corporate Governance Code.

The Company has applied all the Principles, and complied with all Provisions, of the 2018 UK Corporate Governance Code (the 'Code'), which is available on the Financial Reporting Council's website at frc.org.uk, save for Provisions 3 and 41. With Provision 3, while the remuneration committee chair consulted with shareholders on remuneration, the chair of the Board has not sought to hold separate consultations with shareholders in 2024; the new Board chair will contact shareholders in 2025 to see if there are any matters they wish to discuss (see page 13 and pages 84 and 89 for more detail on shareholder engagement). With Provision 41, the remuneration committee did not engage directly with the workforce in 2024 to explain how executive remuneration aligns with wider company pay policy; see page 113 for how we plan to engage with the wider workforce on executive remuneration in 2025. In line with the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, further information on how the directors have performed their duties under section 172 of the Companies Act 2006 (the 'Act') is contained in the strategic report. We will report against the 2024 Code in our 2025 annual report, and in full on Provision 29 in our 2026 annual report. In this year's report, we have disclosed how our desired culture has been embedded (see page 92) and our preparations for compliance with Provision 29 (see page 107).

Board leadership and Company purpose	
A Board effectiveness	The Board provides effective leadership by setting a strategy to deliver our purpose, overseeing our performance against strategy, and ensuring our targets remain aligned with generating positive outcomes for all our stakeholders. See the key activities and decisions of the Board on pages 89 to 91
B Purpose, values, strategy and monitoring culture	The Board as a whole is responsible for establishing and promoting our purpose, values and strategy and ensuring they are aligned to our culture. The Board assesses whether the desired culture is being maintained through various monitoring and review activities throughout the year. See purpose, values, strategy and culture on page 92
C Resources and controls	The Board reviews the Group's financial performance at each scheduled meeting and ensures that we have the necessary resources in place to implement our strategic priorities. The Board has an established framework of controls in order that risk can be assessed and managed. The audit committee supports the Board in its oversight of risks and internal controls to enable the Board to set the Group's risk appetite. See the audit committee report on page 100
D Engagement with stakeholders	The Board recognises that effective engagement with our stakeholders is critical to the long-term resilience of the business. It engages directly with employees and shareholders and is kept fully informed via the executive directors of any material issues or feedback relating to other stakeholders. See strategic report on page 11 to 13
E Oversight of workplace policies and practices and workforce engagement	The Board approves the Code of Conduct and all key Group policies to ensure they are consistent with our Core Values and support long-term sustainable success. The internal audit team monitors compliance with our policies as part of its audit programme and reports any areas of non-compliance to the audit committee. Employees are also able to raise any matters of concern through our raising concerns/whistleblowing service. The Board has adopted an alternative method for employee engagement to the Code's three suggested options. Given the structure and culture of our business and the size of our Board, all our non-executive directors share responsibility for employee engagement as this allows them to meet a broad range of employees each year through a mix of group and one-to-one discussions. The Board considers that this remains an appropriate way for it to engage most effectively with a large number of people across our decentralised business through a variety of ways, and allows the non-executives the freedom to meet people from multiple divisions including without management present. See strategic report on page 11 and pages 76 and 77

Division of responsibilities	
F Role of the chair	The chair is responsible for the overall effectiveness of the Board and for promoting a culture of openness and debate at meetings that supports well-informed and transparent decision-making through constructive dialogue. The chair and committee chairs work with the company secretary to ensure that each director receives accurate, timely and clear information ahead of each meeting to facilitate thorough consideration and effective contribution by all the non-executives. Our chair, Michael Findlay, was independent on appointment when assessed against the circumstances set out in Provision 10 of the Code.
G Board composition	The Board consists of a majority of independent directors and believes that it is operating effectively with an appropriate balance of executive and non-executive directors such that no individual or group of individuals is in a position to dominate its decision-making. The tenure of directors is regularly reviewed to maintain independence and ensure regular refreshment on the Board. There is a clear division of responsibilities between the chair, chief executive and senior independent director, as summarised on our website. See nomination committee report on page 94

The UK Corporate Governance Code continued

Division of responsibilities continued	
H External commitments and conflicts of interest	When making new appointments, the Board ensures non-executives have sufficient time to meet their responsibilities to the Board. New directors are asked to disclose any significant commitments they have, together with an indication of the time involved, to enable the Board to assess whether they will be able to devote the time necessary to their role. After appointment, prior approval must be sought before additional appointments are accepted. The Board has a process for managing conflicts of interest and a conflicts of interest register is maintained by the company secretary and reviewed annually by the Board. See Board biographies on pages 86 and 87
I Company secretary	The Board has access to the advice and services of the company secretary, who is responsible for advising the Board on all governance matters. There are agreed procedures by which directors can take independent professional advice, at the expense of the Company, on matters relating to their duties. The appointment and removal of the company secretary is a matter for the Board as a whole.
Composition, succession and evaluation	
J Succession planning and appointments	Succession planning and the process for Board appointments is led by the nomination committee to ensure orderly succession to both Board and senior management positions. See nomination committee report on pages 94 to 96
K Board composition and skills	The nomination committee reviews and updates the Board skills matrix to identify the skills and experience required by future appointments. The skills matrix was reviewed and updated during the year following the appointments of Sharon Fennessy, Kelly Gangotra and Mark Robson. See nomination committee report on page 94
L Board performance review	The 2024 Board, committee and individual director performance reviews were carried out internally by the chair. The senior independent director reviewed the performance of the chair. An external Board performance review was carried out in 2023 by Longwater Partners in accordance with the Code requirements. See nomination committee report on pages 98 and 99
Audit, risk and internal control	
M External audit and internal audit	The audit committee oversees the Company's relationship with the external auditor, Ernst & Young LLP, and annually reviews its independence and effectiveness. The head of audit and assurance reports directly to the audit committee at each meeting on the activities and findings of the internal audit function. See audit committee report on pages 100 to 107
N Fair, balanced and understandable assessment	The audit committee reviews the financial reporting in detail, monitors the integrity of the financial and narrative statements, and advises the Board on whether the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. See audit committee report on page 103
O Risk management and internal control framework	The Board is responsible for the Group's risk management framework. Our risk management process and system of internal controls align with the FRC's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting. The Board reviews and sets our internal statement of risk appetite to ensure that our risk management is aligned with our long-term strategic objectives. The audit committee assists the Board in carrying out assessments of the Company's emerging and principal risks and ensuring that procedures are in place to identify emerging risks that may have a future impact on the Group. The audit committee also assists the Board in monitoring the Group's risk management and internal control framework and carrying out the annual review of its effectiveness. See governance report on page 101 and audit committee report on pages 104 to 106
Remuneration	
P Remuneration objectives and key responsibilities	The remuneration committee is responsible for determining the remuneration policy and ensuring executive remuneration is designed to align with the Company's purpose and drives the right behaviours to support our strategy and promote long-term sustainable success. See remuneration committee report on pages 111 to 114
Q Remuneration policy	Our remuneration policy was approved by shareholders at the 2023 AGM. The remuneration committee sets the remuneration of the chair and executive directors within the approved policy. No director is involved in deciding their own remuneration outcome. See summary of remuneration policy report on pages 117 and 118
R 2024 remuneration outcomes	The remuneration committee exercises independent judgement and discretion when authorising remuneration outcomes, taking into consideration the performance of the Company, individual performance and wider company pay policy. See remuneration committee report on pages 113 and 114 and annual report on remuneration on pages 119 to 123

Chair's statement

> We have continued to focus on our strategic priorities and a robust approach to risk management.

Michael Findlay
Chair

The quick read...

The Board has:

- closely reviewed the Group's performance against our strategic priorities, including our responsible business strategy
- appointed a new non-executive director
- announced the appointment of a new chair
- participated in an internally facilitated performance review of the Board and its committees

I am pleased to present the corporate governance report for the year ended 31 December 2024. This report, together with the reports of our committees, provides detail on the Board's activities during the year and how the Code has been applied.

2024 has been a positive year for the Group with macroeconomic conditions generally improving, and we have delivered another strong set of results. We have continued to focus on our strategic priorities and to maintain a robust approach to risk management. Subcontractor solvency issues remain a concern and the Board and divisions will continue to be vigilant. Property Services' business remediation programme has been kept under close review and the division is progressing towards a return to profit this year.

Our culture and our decentralised philosophy are key to implementing our strategy and the Board has continued to ensure that our Core Values and desired behaviours remain embedded throughout the Group. We remain confident that our strong balance sheet and significant net cash position will enable us to continue prioritising investment in our partnership activities to maximise long-term growth.

On behalf of the Board, I would like to thank all our colleagues for their hard work and commitment throughout the year, which is critical to our success and has contributed to these good results.

Board changes

The Board has seen a number of changes during 2024, and we have endeavoured to ensure when identifying successors that we retain a diverse range of individuals with a good mix of expertise, skills, backgrounds and perspectives.

Steve Crummett's retirement and Kelly Gangotra's appointment were announced in 2023, with the changes taking effect from May 2024.

In June 2024, the Company announced the retirement of Clare Sheridan, who had served in her role as company secretary since May 2014. Helen Mason, who had been our general counsel since 2014, was appointed by the Board as general counsel and company secretary.

Kathy Quashie stepped down from the Board on 31 July 2024, having served three years as a non-executive director, to focus on her new external executive role. Malcolm Cooper also stepped down from the Board on 31 August 2024, having served for almost nine years as a non-executive director and as chair of the audit and responsible business committees. Sharon Fennessy, who was appointed to the Board on 1 January 2024, became chair of the audit committee with effect from our AGM in 2024, allowing for a period of transition and handover of this key role from Malcolm.

I would like to thank Steve, Clare, Kathy and Malcolm for the valuable role each one of them has played in the Group's success.

As part of our long-term succession planning, we appointed Lygon Group executive search agency to help find a new non-executive director to replace Malcolm as chair of the responsible business committee. We also appointed Korn Ferry to help search for a replacement chair, as I will be retiring from the Board later this year, as it is my last year of tenure since my appointment in October 2016.

On 1 September 2024, Mark Robson joined the Board as non-executive director, chair of the responsible business committee and member of the nomination and remuneration committees. Mark has strong strategic commercial and financial experience as well as an understanding of the importance of ESG, including health and safety, which will add valuable insight to our discussions.

Chair's statement continued

As announced on 15 January 2025, Peter Harrison will be appointed as a non-executive director on 6 May 2025 and will take over as chair on my retirement from the Board on 28 July 2025. On behalf of the Board, I would like to say how delighted I am that Peter has agreed to be the next chair. He has a wealth of experience in and understanding of capital markets and driving growth, together with an understanding of governance best practice and the requirements of institutional investors. Peter's contribution will assist the Group in pursuing our strategy, maximising the value of the business, and delivering long-term, sustainable value for all our stakeholders. I look forward to working with him to ensure a smooth transition following his appointment.

As at the date of this report, we comply with the Listing Rules requirements: 42% of our Board are women (also meeting the FTSE Women Leaders target); one of our senior Board roles is held by a woman (CFO); and we have one director on the Board from a minority ethnic background (also meeting the Parker Review target).

Our approach to ESG

Our responsible business strategy, delivered through our Total Commitments, remains key to ensuring we maintain our leadership position and competitive advantage. In 2024, we published our Transition Plan for achieving net zero, and we have continued to engage with and monitor our performance against the ESG rating agencies most used by our top institutional investors. We have retained our A score for CDP Climate, and have achieved an AAA ESG rating from MSCI for the fourth year running. A materiality survey will be carried out this year to ensure that we continue to focus on issues that matter most to our stakeholders. More information can be found on pages 38 to 51 of the strategic report.

Board performance review

The nomination committee oversaw an internal performance review of the Board, committees and individual directors. It was concluded that the Board and each committee have continued to work well, are prioritising the right issues and are having appropriate involvement in key decisions. It was agreed that the Board and committees will continue to focus on the following key areas: succession planning, culture and diversity, Property Services' return to profitability, growth in our two partnership divisions, and continuing focus on our ESG journey. Further details on the results and agreed areas of focus are described on page 99.

Engagement with shareholders

The executive directors regularly meet with shareholders and their feedback is shared and discussed with the Board. I have not been contacted by any shareholders directly during the year to hold separate consultations; however, the new chair will reach out to shareholders following his appointment to see if there are any matters they wish to discuss, including the Group's overall performance against our strategy.

In October, the chair of the remuneration committee reached out to our major shareholders and institutions on the proposals for executive pay in 2025 and no concerns were raised. Further information on 2025 remuneration is set out on page 114.

We continue to either invite shareholders to attend our AGM in person or give them the opportunity to submit questions in advance of the meeting (see AGM circular for details). Before our 2024 AGM we received two questions submitted by email, which we published answers to on our website.

AGM

Our AGM will be held on 1 May 2025 (see page 131 and the AGM circular for details). Our 2024 internal performance review of individual directors' effectiveness took into consideration the time they need to commit to the Group and, where relevant, their external roles. As a result of the review, we are satisfied that every director holding office at the date of this report and offering themselves for election or re-election in accordance with the Code continues to make an effective contribution (see page 99).

Michael Findlay
Chair
25 February 2025

Board overview

A committed leadership team delivering value for our stakeholders

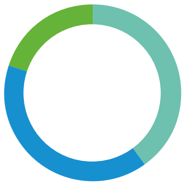
Board diversity as at 31 December 2024

More information on Board and senior leadership diversity can be found on pages 96 and 97.

Role

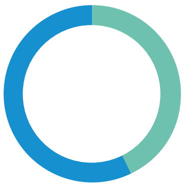
Chair	1
Executive	2
Non-executive	4

Chair and non-executive director tenure



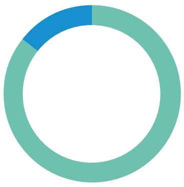
0–3 years	2
4–7 years	2
8–9 years	1

Gender diversity



Female	3
Male	4

Ethnic diversity



White	6
Ethnically diverse	1

The Board's experience as at 31 December 2024

Industry knowledge/ experience

Financial expertise

IT/cyber expertise

Complex supply chain management

Strategy development

Responsible business (ESG)

Risk management

External board experience

Board attendance

	Board	Audit	Responsible business	Nomination	Remuneration
Total in 2024	**8**	**3**	**3**	**5**	**4**
Michael Findlay[1]	8	3[2]	2	5	4[2]
John Morgan	8		1[2]	5[2]	3[2]
Kelly Gangotra[3]	6	2[2]	2[2]	2[2]	
David Lowden[4]	7	3		5	4
Jen Tippin	8	3	1[2]	5	4
Sharon Fennessy	8	3		5	
Mark Robson[5]	2		1	1	2
Steve Crummett[6]	3	1[2]		2[2]	
Kathy Quashie[6]	4			2	2
Malcolm Cooper[6]	5	2	2	2	

In 2024, the Board held two additional meetings, primarily to discuss and review the Group's performance and approve stock market announcements, and the nomination committee held two additional meetings for succession planning purposes. The Board also allocated time at the end of each of the six scheduled meetings during the year for the chair and other non-executive directors to meet without the executive directors present. No material issues were raised at any of these meetings.

1 Michael Findlay attended all Board and nomination committee meetings during the year and was also invited to attend the audit and remuneration committee meetings. He was unable to attend the responsible business committee meeting in February due to a prior commitment.
2 Attended by invitation.
3 Kelly Gangotra was appointed to the Board on 7 May 2024. She attended a Board call on 1 May by invitation.
4 David Lowden was unable to attend the Board call in October 2024 due to connection issues.
5 Mark Robson was appointed to the Board on 1 September 2024. He was unable to attend the Board and nomination committee calls in October 2024 due to prior commitments that could not be changed at late notice.
6 Steve Crummett, Kathy Quashie and Malcolm Cooper stepped down from the Board on 7 May, 31 July and 31 August 2024 respectively. They each attended all scheduled Board/committee meetings where they were members prior to their resignation date.

Board of directors

An experienced Board, committed to delivering value for our stakeholders

The Board consists of the chair, two executive directors and four non-executive directors, each bringing a range of skills, experience, knowledge and background to Board discussions.

Each Board member has considerable experience in strategy development and implementation, corporate governance and regulatory requirements, which enables them to discharge their responsibilities and promote the long-term sustainable success of the Group.

The non-executive directors are responsible for providing independent oversight, constructively challenging the executive directors and monitoring delivery of the Group's strategy within the risk and control framework set by the Board.

As at the date of this report, 67% of our Board (excluding the chair) are considered by the Board to be independent according to the criteria set out in the Code. None of the non-executive directors, including the chair, had any previous connection with the Company or its executive directors on appointment. Our chair was considered independent on his appointment when assessed against the circumstances set out in Provision 10 of the Code. No cross-directorships exist between any of the directors.

Brief biographical details and skillsets of the directors in office at 31 December 2024 and the date of this report are set out below.

N RB

Michael Findlay
Chair
Appointed: October 2016

Independent on appointment: Yes

Skills and experience: Michael has spent his career in investment banking and advised the boards of many leading UK public companies on a wide range of strategic, finance and governance matters. He was previously co-head of investment banking for UK and Ireland at Bank of America and senior independent director at UK Mail Group PLC.

Contribution to long-term success: The Board benefits from Michael's extensive experience in business and corporate finance together with his expertise in property, risk management and communications. His contribution assists the Group in pursuing its strategy, maximising the value of the business, and delivering long-term, sustainable value for all our stakeholders. Michael's leadership of the Board encourages a collaborative approach and open debate by all Board members.

Current external roles: Michael is non-executive chair of London Stock Exchange plc, non-executive director and audit and risk committee chair of International Distribution Services plc, member of the FCA's (Financial Conduct Authority's) markets practitioner panel, and non-executive director of Jarrold & Sons Limited. He was appointed as a non-executive director and chair-designate of Hays plc on 20 January 2025 and will become chair on 1 May 2025.

John Morgan
Chief Executive
Appointed: October 1994

Independent: No

Executive responsibilities: John leads the Group, developing and implementing the strategy and policies approved by the Board, embedding values and culture, and driving diversity and inclusion throughout the business.

Skills and experience: John co-founded Morgan Lovell in 1977, which merged with William Sindall plc in 1994 to form Morgan Sindall Group plc. He instituted and champions the Group's decentralised business model that empowers the divisions to challenge the status quo and keep innovating and winning in their respective markets.

Contribution to long-term success: The Board benefits from John's in-depth knowledge and experience of property and construction. His significant leadership and people management skills continue to drive forward the Group's strategy to ensure quality of earnings and grow the business organically for the benefit of all our stakeholders. John is responsible for ensuring that career opportunities within the Group are accessible to people from a variety of backgrounds so that we can recruit the best people from a wide pool of talent.

Current external roles: John does not currently hold any external appointments.

Kelly Gangotra
Chief Financial Officer
Appointed: May 2024

Independent: No

Executive responsibilities: Kelly leads the Group's financial strategy and has overall responsibility for corporate reporting, finance, insurance, IT, taxation and treasury. She contributes to the development and implementation of the strategy and policies approved by the Board. Kelly leads the Group's responsible business strategy and is chair of the risk committee.

Skills and experience: Kelly was the healthcare sector chief financial officer at Halma plc between 2022 and 2024. Prior to that, she was CFO for Skanska UK having previously been finance director from 2012 to 2015 and executive vice president between 2015 and 2022. Kelly has also held senior finance roles with Alliance Medical and Biffa Waste Services.

Contribution to long-term success: The Board benefits from Kelly's extensive financial and commercial leadership experience in the construction and property sectors and her track record as a CFO working in a decentralised business. Her expertise supports the chief executive and the Board in maintaining the Group's financial resilience and strong balance sheet as the business continues to develop and grow.

Current external roles: Kelly does not currently hold any external appointments.

Board committees

- A Audit committee
- N Nomination committee
- R Remuneration committee
- RB Responsible business committee
- Committee chair

Board of directors continued

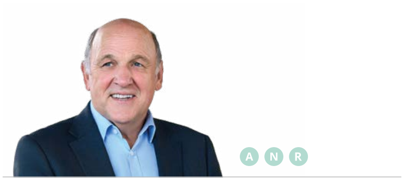
Sharon Fennessy
Non-executive Director
Appointed: January 2024

Independent: Yes

Skills and experience: Sharon is a fellow of the Institute of Chartered Accountants. She has an extensive background in corporate finance, treasury and investor relations. Sharon's previous experience includes John Lewis Partnership plc, where she was non-executive member of the risk and audit committee, and Diageo plc, where she was most recently group controller and prior to that head of investor relations, group treasurer and finance and strategy director for Western Europe. Before joining Diageo, Sharon held a number of senior finance leadership positions at Nortel Networks, in multiple locations across Europe and the US.

Contribution to long-term success: The Board benefits from Sharon's wide knowledge in finance, audit and treasury as well as her strong strategic and commercial experience.

Current external roles: Sharon is currently appointed as a non-executive director and member of the remuneration and audit committees at Gowan Group Limited.



David Lowden
Senior Independent Director
Appointed: September 2018

Independent: Yes

Skills and experience: David is a highly experienced non-executive director and chair of UK-listed companies in several sectors. He has experience in both financial and general management through his prior executive roles of finance director and chief executive at Taylor Nelson Sofres plc, where he supported growth and profitability through the efficient design of business operations and appropriate use of systems and processes. David's public board experience includes prior roles as chair of Page Group plc, chair of Huntsworth plc, chair of the audit and risk committee at William Hill plc, and chair of the audit committee at Cable & Wireless Worldwide plc.

Contribution to long-term success: David's strong strategic understanding and financial, marketing and commercial skills, gained through his many years' experience working in international businesses, are invaluable to the Board as the Group pursues its strategy for growth.

Current external roles: David is currently chair of the board of Diploma plc and chair at Capita plc having previously been the senior independent director.

The executive directors are supported by our Group management team in implementing the strategy and policies approved by the Board.

The Group management team includes the divisional MDs, general counsel and company secretary and Group commercial director. Full details of Group management team membership and biographies are available on our website.

Mark Robson
Non-executive Director
Appointed: September 2024

Independent: Yes

Skills and experience: Mark was the Group CFO at Howden Joinery Group plc for 16 years, where he also served as deputy CEO. His expertise in the City and corporate finance was instrumental in driving the company's turnaround and exceptional value creation. He is highly experienced in leading complex changes involving mergers, demergers, flotations and joint ventures. Mark is a qualified chartered accountant. He gained extensive international experience earlier in his career as a CFO in various ICI businesses as well as with Delta plc where he was Group CFO.

Contribution to long-term success: Mark's experience will be key to maintaining the Group's strong balance sheet and growing order book. His ability to identify and execute profitable growth in competitive environments will support our strategy for the positive development of profit before tax based on an understanding of the dynamics and opportunities in our businesses. In his role as chair of the responsible business committee, the Board benefits from Mark's understanding of the importance of ESG, including health and safety and the impacts of climate change.

Current external roles: Mark is currently appointed as a non-executive director and audit committee chair at Grafton Group plc.

Jen Tippin
Non-executive Director
Appointed: March 2020

Independent: Yes

Skills and experience: Jen has extensive strategic and commercial experience developed through her career in financial services and in the engineering and airline sectors. She has wide experience in business leadership and transformation, human resources, efficiency, sourcing, supply chain management and property, together with a deep understanding of customer experience. Jen has sat on the boards of City University, Lloyds Bank Corporate Markets and Kent Community NHS Foundation Trust.

Contribution to long-term success: The Board benefits from Jen's strengths in consumer-facing markets, and her insights into IT, people and complex supply chain management are relevant to the Group's strategy to deliver long-term sustainable value to our stakeholders. Jen was appointed chair of the remuneration committee on 7 December 2023.

Current external roles: Jen is the group chief operating officer for NatWest Group and a member of the executive committee. She is a non-executive director of HMRC and member of the boards of the Financial Services Skills Commission and City HR Association Limited.

Directors' and corporate governance report

Governance framework

Our governance framework supports our long-established philosophy of decentralisation and ensures there is supervision at appropriate levels of the organisation to drive performance and manage risks and opportunities. Our divisions are given autonomy to operate in the way that best serves their respective stakeholders and allows them to respond quickly and effectively to changes in their markets. We believe this approach remains fundamental to the divisions delivering their business strategies and contributing to the long-term success of the Group.

The Board

The Board, assisted by its committees, is responsible for:

- determining overall strategy and long-term objectives to align with our purpose;
- ensuring that the divisions have appropriate strategies and resources in place and a culture that drives the right behaviours;
- overseeing material social and environmental risks and opportunities;
- approving the annual business plan and budget;
- determining risk appetite and principal risks;
- overall corporate governance arrangements, including a framework of prudent and effective controls that enable risk to be assessed and managed;
- approving the financial results statements, annual report and accounts and other statutory announcements;
- remuneration strategy; and
- considering all policy matters relating to the Company's activities, including any major changes of policy.

The full list of matters that are required to be brought to the Board for consideration was updated in 2024 and is available on our website.

Role of the chair and senior independent director

The chair is responsible for the overall effectiveness of the Board and for promoting a culture of openness and debate at meetings which support well-informed and transparent decision-making through constructive dialogue. The chair is supported by the senior independent director, who is available to the other directors and shareholders where necessary. To ensure accountability and oversight, there is a clear division of responsibilities between the chair, chief executive and senior independent director, set out in writing, approved by the Board and summarised on our website.

Board committees

The Board delegates certain matters to its committees. The Board and committees are supported by the company secretary, who provides advice and assistance, particularly in relation to corporate governance and training and induction. The appointment and removal of the company secretary is a matter for the Board as a whole.

Audit committee

Oversees the Group's corporate financial reporting, internal controls and risk management systems, the work, findings and effectiveness of the internal and external audit, and appointment of the external auditor.

Chair: Sharon Fennessy

Membership: David Lowden, Jen Tippin

See page 100

Nomination committee

Oversees Board and committee composition, Board performance review and succession planning, giving consideration to diversity, including development opportunities for our teams.

Chair: Michael Findlay

Membership: Sharon Fennessy, David Lowden, Mark Robson, Jen Tippin

See page 93

Remuneration committee

Responsible for recommending overall remuneration policy and setting remuneration for our executive directors and members of the Group management team.

Chair: Jen Tippin

Membership: David Lowden, Mark Robson

See page 111

Responsible business committee

Oversees the Group's responsible business strategy, targets and performance and monitors progress against our Total Commitments.

Chair: Mark Robson

Membership: Michael Findlay

See page 108

Chief executive

The chief executive, supported by the chief financial officer, is responsible for leadership of the Group, developing and implementing strategy, managing overall Group performance and ensuring an effective leadership team.

Group management team

Supports the executive directors in implementing strategy and policies approved by the Board and ensuring our culture, Core Values and Total Commitments are embedded. The team meets regularly to consider strategic and operational matters affecting the Group as a whole, including strategy, risk and the Group budget.

See page 87

Divisions

Each division operates autonomously with its own management board that includes the chief executive and chief financial officer. The divisions are responsible for setting their own five-year strategic plans and annual budgets for sign-off by the Board, for their operational performance and for managing relationships with their stakeholders.

See pages 22 to 37 for further information on each division's performance during the year

Risk committee

Assists the Board and audit committee in reviewing Group and divisional risk registers and ensuring inherent and emerging risks across the Group are identified and managed appropriately.

See page 52

Cross-divisional protecting people and HR forums, IT security steering group, and climate action, supply chain and social value panels

Divisional representatives meet on a regular basis to focus on specific topics and share ideas and best practice. The forums assist the Board and Group management team in ensuring that good governance is adopted at all levels of the Group.

Key activities of the Board in 2024

Board meeting agendas combine regular reviews of performance against the Group's values and strategic priorities with deep dives into specialised topics and presentations from divisional teams. In addition, internal and external experts are invited to lead detailed discussions into our progress in particular areas such as health and safety, environmental and social value, and cyber security. Internal experts include our head of information security, director of procurement and sustainability, head of audit and assurance, and Group commercial director, while external experts include our auditors and remuneration advisers.

Strategy

- Review of executive reports covering market updates, commercial and financial performance, implementation of divisional strategies and divisional performance including against medium-term targets and KPIs
- Divisional and Group strategy review and Board strategy session (see page 90 for further detail)
- Detailed updates on the Property Services business remediation programme
- Approval of updates to how we describe the Group
- Responsible business performance updates
- Approval of net zero Transition Plan

Financial and operational matters

- Approval of the results for the year ended 31 December 2023
- Recommendation of final dividend for the year ended 31 December 2023
- Review of 2024 half-year results and approval of announcement
- Declaration of 2024 interim dividend
- Approval of interim trading updates
- Review of insurance renewal strategy
- Risk appetite review (see page 91 for further detail)
- Capital allocation review
- Group budget approval (see page 91 for further detail)
- Updates on tax and treasury matters and approval of tax strategy

Risk and compliance

- Modern slavery statement approval
- Risk appetite review
- Biannual update on information security including in-depth presentations on our cyber risk management
- IT strategy and risk update
- Deep-dive session into artificial intelligence
- Board and committee performance review
- Approval of Energy Savings Opportunity Scheme submission

Governance

- Participation in and review of the Board performance review and agreement of future actions
- Divisional payment practice review
- Review of the gender pay gap report
- Board approval of updated: matters reserved for the Board; terms of reference of audit, nomination, remuneration and responsible business committees; and non-audit service policy
- Review of Board's skills matrix
- Board succession planning for the chair and a new non-executive including approval of the appointment of Mark Robson
- Review of the directors' conflicts of interest register

Employees

- Health and safety reviews
- Whistleblowing review and review of employee engagement activities
- Informal divisional meetings with Construction, Property Services and Partnership Housing
- Attendance at senior management conference and engagement with employees through the strategy review process
- Instructing a review of culture to understand how well it is embedded across the Group

Shareholder engagement

- Review of AGM investor feedback
- 2024 AGM
- Review of analyst and proxy voting feedback
- Review of investor roadshow feedback following half- and full-year results
- Remuneration committee engagement with top 10 institutional investors

2024

Directors' and corporate governance report continued

Principal decisions

The following tables give an overview of the Board's principal decisions during the year. In line with our governance framework and decentralised approach, the Board normally makes a limited number of decisions that are material to the Group as a whole. To ensure its decision-making is robust, the Board will consider the Group's purpose, strategic priorities and long-term success, recognising that, while it seeks to balance the requirements of our different stakeholders, each decision will not necessarily result in a positive outcome for every stakeholder group.

Strategy review

Factors considered	The Group's success depends on maintaining relationships with all our key stakeholders and ensuring we keep pace with changes in our target markets. In approving strategy, the Board recognises its duties and responsibilities to our shareholders and other key stakeholders and ensures that their views and priorities are considered.
Action taken	▪ Comprehensively reviewed progress against strategy, tracking performance against agreed KPIs. ▪ Reviewed divisional medium-term targets including each division's contribution to the overall Group strategy and long-term strategic plan. ▪ Monitored market trends and the macroeconomic environment, referring to comparative data and client insight. ▪ Attended presentations from each divisional managing director on their strategic plan including meetings with employees and visits to some of their projects. ▪ Reviewed each division's contribution to the Total Commitments and monitored the Group's progress in implementing our responsible business strategy, including our performance against climate targets and net zero plans. ▪ Reviewed the Group's long-term financial outlook and assessed and prioritised growth opportunities. ▪ Considered the appropriateness of the level of provision made for the Group's obligations under the Building Safety Act. ▪ Received progress updates at regular intervals on the business remediation programme in Property Services.
Outcome	As a result of the October 2024 strategy review process, the Board concluded that: ▪ our strategy would remain focused on organic growth across the divisions, in particular maximising investment in our partnership activities; ▪ we remain committed to maintaining a strong balance sheet, significant net cash levels and an appropriate capital allocation policy; ▪ the appropriateness of the divisions' medium-term targets would be reviewed (increased targets for Mixed Use Partnerships, Fit Out, Construction and Infrastructure were subsequently approved at the February 2025 Board meeting); ▪ the business remediation programme in Property Services has progressed to plan, with the division expecting to return to profit in 2025; ▪ our responsible business strategy, including our Transition Plan published in 2024, continues to enable the Group to adapt and respond to emerging regulations so that we can maintain our leadership position and remain competitive; ▪ succession planning throughout the Group remains a focus area, particularly identifying and developing internal candidates for key roles. Gender and ethnic diversity metrics remain key although progress has been slow despite the divisions' engagement and initiatives. Management would continue to reassess the effectiveness of our succession planning strategy and activities; and ▪ overall our strategy remains fit for the future and our business model is sustainable, taking into consideration future risks and opportunities.

Annual strategy review process

Each non-executive director is allocated one or two divisions.	The divisions are allocated on a rotational basis each year so that the Board learns about the concerns and issues of all divisions' stakeholders.
The non-executive meets with the managing director and senior team of their allocated division to review: ▪ recent operational and financial performance, including risk management and safety; ▪ market and pipeline of opportunities; ▪ culture; ▪ adequacy of resources to deliver on strategy; ▪ employee engagement; ▪ outlook and medium-term targets; and ▪ initiatives to assess the impact of operations on the environment and to deliver social value to local communities.	The non-executive meets with the division's employees without managers present and visits one or two live projects where they can engage with a mix of employees, subcontractors and suppliers. The wider management teams of two divisions are also invited on a rotational basis to meet the Board in a less formal meeting each year, which provides an opportunity for the non-executives to engage with employees outside the formal strategy review process. These meetings enable the non-executives to assess the divisions' contribution to the Group's long-term success as well as their impact on its key stakeholders.
The non-executive, chair and chief executive hold a meeting with the division's managing director.	The non-executive provides feedback to the divisional managing director on their strategic plan, including how stakeholders have been taken into consideration.
The Board holds a strategy day in October where the non-executives each present a summary of their observations and opinions on their allocated divisions' strategic plans.	The non-executives provide feedback to the rest of the Board from their respective divisional reviews. The Board as a whole reviews and approves the divisional strategic plans and the Group strategy.

Determining the Group's risk appetite

Factors considered	The Board refers to our risk appetite when setting our strategic priorities and targets, making decisions, and allocating resources. In agreeing risk appetite, the Board considers the key risks that could impact our business model, strategy or reputation. It takes into consideration the expectations of our stakeholders, particularly those identified in the principal risks section on pages 53 to 61. The Board recognises that a prudent and robust approach to risk mitigation must be balanced with some flexibility. This is to ensure that our divisions are not restricted in embracing business opportunities appropriate to their markets and expertise while securing high levels of customer satisfaction and maintaining the Group's reputation.
Action taken	▪ Confirmed that, through the activities of the audit committee, a robust assessment of the principal and emerging risks facing the Group, including those that would threaten our business model, future performance and solvency, had been carried out and that the effectiveness of our systems of internal control and risk management had been reviewed. ▪ Considered any changes to the Group's principal and emerging risks that could impact our long-term strategic plans. ▪ Considered the balance and breadth of our activities to ensure we have a reasonable level of protection against risks arising from uncertainties in the macroeconomic environment. ▪ Monitored any risks arising that lie outside or towards the upper end of our risk appetite so that they could be managed appropriately. ▪ Reviewed general market conditions and key trends to identify and assess future risks and opportunities. ▪ Requested the risk appetite statement be reviewed and updated to take account of the change of government and in particular any impact the Autumn Budget may have on net risk levels.
Outcome	The Board's review of risk appetite conducted during the year concluded that: ▪ the risk areas considered by the Board when reviewing the Group's risk appetite statement had been amended to include supply chain solvency and culture as separate categories given the Board's increased focus on, and importance of, these two areas; ▪ the net level of risk in two of these areas – macroeconomy and exposure to residential market conditions – had reduced during the year. However, subcontractor solvency issues remain a concern and as a result currently sit outside the Board's risk appetite; ▪ key areas for consideration remain our culture, project selectivity, oversight of IT and cyber resilience, supply chain solvency, and health and safety; ▪ our governance framework, structures and policies, such as our 'delegated authorities' document, adequately reflect our approach with regard to specified risks; ▪ the government's Autumn Budget remained highly supportive of the sectors and markets in which the Group operates and we are well placed to respond to the commitments included within the Budget, but we would keep matters under review particularly given the pace at which these might materialise; and ▪ overall, the Group has the right controls, strategy and risk mitigation measures in place and our risk appetite and framework remain appropriate for providing the business with medium- to long-term resilience.

Reviewing our risk appetite

Audit committee review – August and December 2024	The audit committee assists the Board by formally reviewing twice a year the Group and divisional risk registers and risk management and internal control processes including conducting deep dives into key topics (see page 101 and pages 104 to 107).
Board review – October and December 2024	Following its review of the Group risk register, five-year strategic plan and three-year budget period, the Board considers the Group's established risk appetite statements, which broadly cover strategic, tactical, operational and compliance objectives, to compare current levels of risk in these categories with our risk appetite and risk tolerance levels. The Board then agrees any actions to be taken for future monitoring as a result of changes to net risk levels. Our integrated approach to risk management (see page 52) facilitates our annual assessment of the Group's long-term viability. See pages 78 and 79 for our approach to assessing long-term viability, incorporating scenario modelling based on relevant principal risks.

Setting the Group budget

Factors considered	In reviewing the budget for 2025, the Board considers the impact on our employees, suppliers, clients, shareholders and wider stakeholders to ensure we are managing our finances and have the appropriate resources to deliver against our strategy.
Action taken	▪ Tracked performance of the Group budget against agreed KPIs. ▪ Reviewed Group and divisional budgets, which form the basis for setting the overall Group budget. ▪ Reviewed market conditions, in particular current economic uncertainty and key trends that support the Group's future growth (see page 16). ▪ Reviewed the level of contingency in the budget to mitigate ongoing uncertainty in the macroenvironment. ▪ Reviewed the contribution that the budget will make to delivering our five-year strategic plan.
Outcome	Approved the Group budget, ensuring that we have sufficient resources and that targets are suitably stretching but achievable and will contribute to the Group's long-term growth.

Directors' and corporate governance report continued

Purpose, values, strategy and culture

The Board ensures we maintain a positive culture so that we can attract and retain talent and achieve the highest levels of productivity and performance. This is vital to retaining a competitive market presence and achieving our purpose and strategy.

Our culture has developed from our long-held Core Values, which form the basis of our Group Code of Conduct. The Code of Conduct is designed to ensure that our employees understand the need to act responsibly and maintain our reputation when working and interacting with our stakeholders. The Code of Conduct and supporting policies are approved by the Board.

1 How culture is embedded by the Group management team

- Recruitment processes
- Induction and mandatory e-learning, including on our Code of Conduct
- Objective setting, development plans and remuneration policies
- Leadership development programmes
- Annual conferences and other internal communications
- Employee share plan participation
- Ensuring our suppliers meet the expected standards of behaviour set out in our Supplier Code of Conduct

2 How the Board monitors culture

- Regular meetings with management
- Inviting employees to present at Board and committee meetings
- Non-executive directors' meetings and discussions with a wide range of employees during the strategy review process and without senior management present
- In November, instructing an independent cultural review to understand how well culture is embedded across the Group
- Whistleblowing feedback and any external or internal audit reports of possible breaches of the Code of Conduct
- Considering meeting papers to identify any areas of concern, for example:
  - people statistics, including employee turnover, internal promotions, absenteeism and diversity
  - health and safety performance
  - client/partner feedback and satisfaction scores
- Investor feedback
- External ESG ratings

3 Looking behind the stats

The Board reviews activities and initiatives by our divisions in the following areas to ensure they are on the right track to achieving desired outcomes:

- succession planning and talent development;
- health, safety, physical, mental and financial wellbeing;
- diversity and inclusion;
- employee engagement, such as survey participation, feedback and follow-up actions; and
- remuneration, to ensure that it aligns with our values and encourages desired behaviours.

4 Outcomes

- The 2024 Board performance review concluded that the Board has maintained a culture of continuous improvement, setting ambitious targets and ensuring open and honest communication with key stakeholders.
- The Board was satisfied that:
  - all whistleblowing reports in 2024 were resolved appropriately and not indicative of any systemic issues across the Group. Any substantiated allegations of theft or fraud, for example, resulted in the dismissal of those individuals to reinforce the need to behave lawfully and ethically; and
  - overall the cultural review found that individuals were committed to the Group's culture and values. There are good levels of engagement across the Group and employees are open, positive and engaged with a willingness to speak up, which reinforces the Group's culture.

5 Future priorities

The Board will continue to monitor, in particular:

- any incidences of unsafe behaviours on our sites which might indicate where a change of policy or further or different training is needed;
- the effectiveness of divisional activities to increase diversity. While people are reporting feeling included, and we employ people from a wide range of socioeconomic and educational backgrounds, we are still struggling to increase our gender and ethnic diversity numbers;
- the development of additional divisional speak-up programmes; and
- actions taken to respond to new legislation, e.g. the changes to the Equality Act enacted during 2024.

Mixed Use Partnerships employee survey response rate

90%

Partnership Housing employees' score for culture

9/10

Fit Out employees agreeing we live by our Core Values

89%

Nomination committee report

I am pleased to present to you the report from the nomination committee for 2024.

Michael Findlay
Chair

Key responsibilities:

- Board and committee composition
- Identifying potential skills and experience gaps
- Leading the Board appointment process
- Reviewing succession planning for the Board and Group management team
- Reviewing wider senior leadership and divisional succession planning
- Overseeing the Board performance review process
- Monitoring activities to increase diversity and inclusion throughout the Group

The committee's full role and responsibilities are set out in its terms of reference, which were reviewed and approved by the Board in December 2024 and are available on our website.

The quick read...

- Regularly reviewed the composition and balance of skills of the Board and its committees to ensure that they remain suitable
- Reviewed Board/committee succession planning and managed the search for a new non-executive director, appointed in September 2024
- Recommended the appointment of the new company secretary
- Commenced the search for a replacement chair to manage the transition of the role ahead of the end of the current chair's nine-year term
- Reviewed succession plans for the Group management team and senior leaders and progress in diversity and inclusion
- Managed the internally facilitated performance review of the Board, committees and individual directors

Committee composition and performance review

The committee's membership is shown in the table below. The executive directors, members of the senior management team and external advisers may be invited by the committee to attend all or part of any meeting, as and when appropriate.

Members[1]	Member since	Attended/ scheduled
Michael Findlay[2] (chair)	**2016**	**5/5**
David Lowden	**2018**	**5/5**
Jen Tippin	**2020**	**5/5**
Sharon Fennessy	**2024**	**5/5**
Mark Robson[3]	**2024**	**1/5**
Malcolm Cooper[4]	**2015**	**2/5**
Kathy Quashie[4]	**2022**	**2/5**

1 Biographies of members are set out on pages 86 and 87. In compliance with the UK Corporate Governance Code (the 'Code'), the majority of committee members are independent non-executive directors.
2 Michael Findlay is not permitted to chair parts of meetings where his own succession and performance are discussed.
3 Mark Robson was appointed to the committee from 1 September 2024. He was unable to attend the call in October 2024 due to a prior commitment that could not be changed.
4 Kathy Quashie and Malcolm Cooper were members of the committee until their resignations from the Board on 31 July and 31 August respectively, and attended all scheduled meetings of the committee until they stepped down from the Board.

Our internally facilitated performance review of the Board in 2024 included a review of the committee (see page 99 for further details of the process). This concluded that the committee was working well, with good open discussion, including in relation to management succession. It was agreed that key areas of focus would be succession planning for members of the Group management team (GMT) and other senior roles, including conducting a review of individual development plans for senior leaders and increasing gender and ethnic diversity at all levels.

Directors' and corporate governance report continued
Nomination committee report

Board composition and skills

The committee has been active in fulfilling its responsibilities, ensuring adequate succession planning for the Board, overseeing the induction of new appointees and supervising a smooth transition in onboarding our new audit committee chair, chief financial officer and responsible business committee chair.

Every year, the committee reviews the Board's skills matrix, which is kept updated with director changes. The matrix shows the directors' self-assessment of their skills and experience and the lengths of tenure of the non-executives. It is a useful succession planning tool for identifying potential gaps in skills and knowledge that may be needed longer term and for monitoring diversity in its broadest sense. This year, the Board's skills were also mapped against our principal risks to see if there were any skills gaps needing to be addressed by the committee.

At its December meeting, the committee discussed the outcome of the annual performance reviews of the Board and individual directors and concluded that, following the director changes in the year, the Board continues to have a good, broad mix of skills required to meet our strategic priorities and future growth. While there were no material skills gaps on the Board or committees across the 25 skills identified in the matrix as required for the Board, it was noted that the weakest area of combined expertise, when taking the Group's principal risks into account, was in IT. To meet its responsibility for overseeing the IT strategy including cyber security risks, the Board invites the Group IT director and head of information security and compliance each year to its May and December meetings. This ensures that the Board is kept updated on issues such as the pace of technological change, newly emerging technology, growing trends in cyber risk, and our risk management strategy to improve our cyber resilience. The Board's composition and skills will be reviewed by the new chair following his appointment.

Induction and training for directors

Following their appointment, new directors are given an induction programme tailored to their background and experience. Inductions include meetings with the chair, executive directors, divisional managing directors, company secretary and other senior management to help the director gain an understanding of the Group's governance, culture, strategic priorities and how each division operates. The meetings are supplemented with documents and materials, including historical Board and committee papers, Group policies, recent results announcements, investor relations reports and performance data.

To develop and maintain the non-executives' understanding of the business, GMT members and other senior executives are invited from time to time, as appropriate, to present to the Board and committees on their areas of responsibility. The non-executives are also encouraged to meet with the divisional teams during the year outside of Board meetings, including visits to their projects, both during and in addition to the Board's annual strategy review.

All directors undertake external training and/or attend seminars relevant to their duties. They also sit e-learning modules and refresher training courses on a range of topics, issued periodically by the Company.

Succession planning

Board succession planning and appointments

In 2023, the Company announced the appointment of Sharon Fennessy to the Board with effect from 1 January 2024. This allowed an effective period of handover until she took over from Malcolm Cooper as chair of the audit committee in May. Malcolm stepped down from the Board prior to the end of his nine-year term (the maximum tenure that the Code deems appropriate for a director to be considered independent). Also in 2023, the Company announced that Kelly Gangotra would succeed Steve Crummett as chief financial officer in 2024. Kelly was subsequently appointed to the Board on 7 May. See our 2023 annual report for Sharon's and Kelly's appointment processes.

In early 2024, the committee began the search for a new non-executive director to succeed Malcolm as chair of the responsible business committee. In July, the Board was delighted to announce Mark Robson's appointment to the Board with effect from 1 September. Mark was appointed chair of the responsible business committee and member of the nomination and remuneration committees.

As my final three-year term as chair of the Board ends in October 2025, the committee, chaired by the senior independent director, also began a search this year for my successor, to allow a reasonable timeframe for a smooth transition. This resulted in the announcement of Peter Harrison's forthcoming appointment in May (see page 84).

When appointing a new director, the committee follows a formal recruitment process, full details of which are disclosed in the annual report that follows the appointment. The panels on the following page show the processes for appointing Mark Robson as non-executive director and Peter Harrison as non-executive director and chair-designate.

In June, the Company announced the retirement of Clare Sheridan as company secretary, who had served in her role since 2014. The Board appointed Helen Mason as company secretary. Helen has been general counsel for the Group since 2014 and is now general counsel and company secretary.

In July, Kathy Quashie, having served on the Board for three years, notified her intention to step down as a director in August in order to focus on her new external executive role. After discussion, noting the combined expertise of the wider Board and its committees, the Board agreed that a replacement for Kathy would not be sought for the time being.

The standard term for non-executive directors is three years, although they can serve for up to nine years through three consecutive three-year terms (see page 118). In accordance with the Company's Articles of Association, all directors retire from office and offer themselves for reappointment by shareholders at every AGM. Before being recommended for reappointment, each director is subject to a formal review in relation to the performance of their duties under section 172 of the Act.

The Board has set out on pages 86 and 87 the specific reasons why each director's contribution is, and continues to be, important to the Group's long-term success.

Further information on the 2025 AGM can be found in the Notice of Meeting to shareholders accompanying this annual report or on our website.

External appointments and conflicts of interest

Prior to their appointment, new directors are asked to disclose any significant commitments they have, together with an indication of the time involved, so that the Board can assess whether they will be able to devote the time necessary to fulfil their role on the Board.

Once appointed, any proposed additional external appointment must be approved by the chair so that any potential conflicts can be considered and to ensure that the additional demands on the director's time will not affect their ability to perform their role with the Group.

Following its annual review in December of the commitments of the chair and directors, the Board was satisfied that they can continue to allocate sufficient time to enable them to discharge their duties and responsibilities effectively and that the external commitments of the non-executive directors do not conflict with their duties as directors of the Company.

Searching for the right non-executive director

The committee identified two potential search firms and the Board appointed Lygon Group.[1] Lygon was given a detailed brief of the role and responsibilities of a non-executive director and responsible business committee member and chair, the expected time commitment and the skills and experience required.

The committee agreed that the successful candidate would have:

- a broad strategic and commercial background in a customer-focused industry;
- recent and relevant ESG experience in an industry where health and safety is paramount;
- understanding and recognition of the importance of ESG and its contribution to long-term value and enhanced corporate reputation;
- understanding of the benefits of technology to drive change and competitive advantage; and
- appreciation of the benefits of a decentralised business model.

The committee produced a shortlist[2] of candidates who were invited for interviews with the chair, executive directors and non-executive directors.

1 Lygon does not provide any other services to the Company nor has any connection to the Company or any of its directors.
2 The shortlisting took into account potential conflicts and time commitment to ensure that the appointee would have sufficient time to meet their responsibilities.

Searching for the right chair

The committee, led by the senior independent director (SID), identified two potential search firms and the Board appointed Korn Ferry.[1] Korn Ferry was provided with a detailed brief of the role and responsibilities of the chair of the Board, the time commitment that would be expected and the skills and experience required.

The committee agreed that the successful candidate would have:

- prior experience as a director of a plc;
- proven ability to promote a collegiate and open culture on a Board and build strong working relationships;
- a broad strategic commercial background and familiarity with growth businesses within complex company environments;
- understanding of the requirements of institutional investors;
- understanding of the benefits of technology to facilitate change and drive competitive advantage; and
- appreciation of the benefits of a decentralised business model.

The committee produced a shortlist[2] of candidates who were invited for interviews with the SID, executive directors and other non-executive directors excluding the current chair.

1 Korn Ferry does not provide any other services to the Company nor has any connection to the Company or any of its directors.
2 The shortlisting took into account potential conflicts and time commitment to ensure that the appointee would have sufficient time to meet their responsibilities.

Directors' and corporate governance report continued
Nomination committee report

Senior management succession planning

Each year the committee reviews succession planning for the executive directors, GMT and senior leaders together with the divisions' strategies to develop talented people for senior leadership positions while considering diversity. The chief executive is responsible for managing GMT succession planning and the divisions are responsible for preparing plans for their senior leaders.

Specifically, the committee receives and reviews:

- management's view of the characteristics, skills and expertise needed from our most senior leaders both now and in the future;
- management's succession plans for the GMT including short-term contingency cover where immediate successors have not been identified, for example due to the need for further training and development;
- divisions' succession plans for their senior leaders including actions they are taking to develop their people and maintain a pipeline of potential future successors aligned to the Group's long-term strategic priorities; and
- divisional progress in increasing diversity and inclusion.

Following its review in 2024, the committee remained satisfied that the succession planning and development programmes used throughout the Group remain appropriate; however, focus needs to continue on delivering equality, diversity and inclusion (EDI) outcomes and understanding wider workforce issues, particularly attrition rates.

Diversity and inclusion

Our Board diversity policy, which can be found in the Investors/Governance section of our website, aims to continuously improve the diversity of the Board and its committees and to ensure that diversity and inclusion are embraced at all levels across the Group and reflected in our culture and values. The Board's objectives as set out in its diversity policy are as follows:

- women making up at least 40% of the Board (including those self-identifying as women);
- at least one senior Board position (chair, chief executive, senior independent director or finance director (chief financial officer)) being held by a woman (including those self-identifying as women);
- women (including those self-identifying as women) making up at least one third of our GMT; and
- at least one member of the Board being from a minority ethnic background.

See table below and commentary on page 97 for our current performance.

The chair of the Board leads the agenda to continuously improve Board diversity. We believe that a Board of directors with a broad mix of skills, backgrounds, perspectives and experience will contribute a wider range of ideas and expertise and drive innovation. The committee ensures that selection processes for directors provide access to a diverse range of candidates and will only use executive search firms that have signed up to the UK Standard Voluntary Code of Conduct on Gender Diversity. Board appointments are based on merit and objective criteria such as the skills and experience needed, but with due regard for the objectives set out in the Board diversity policy.

While our Board diversity policy applies to the Board, its committees, the GMT and the GMT's direct reports, it also sets the tone Group-wide. We believe our strategy of organic growth is supported by increasing diversity and inclusion at all levels of the business, encouraging different ways of thinking, and giving every employee the opportunity to use their abilities, skills and experience to the full. The chief executive is responsible, on behalf of the Board, for improving diversity across the Group and ensuring we have a fully inclusive culture. Our approach is reflected in our human rights policy and Code of Conduct, the latter stating our commitment to maintaining a respectful and inclusive workplace based on trust and mutual respect, and valuing the fresh ideas and perspectives that people from different backgrounds bring to our business. The committee and the Board monitor the divisions' progress in increasing diversity and inclusion as part of reviewing their succession planning, recruitment and development programmes.

Our current levels of diversity

In accordance with UKLR 6.6.6R(10), the Act and the Code, the following two tables set out the diversity of the Board and executive management (our GMT). For fuller disclosure we have also included the diversity of the GMT's direct reports.

Diversity of sex of the Board and executive management at 31 December 2024

	Number of Board members	Percentage of the Board	Number of senior positions on the Board[1]	Number in executive management[2]	Percentage of executive management[2]	Number of direct reports to the GMT	Percentage of direct reports to the GMT
Men	4	57.1%	3	8	72.7%	62	68.9%
Women	3	42.9%	1	3	27.3%	28	31.1%

Ethnic diversity of the Board and executive management at 31 December 2024

	Number of Board members	Percentage of the Board	Number of senior positions on the Board[1]	Number in executive management[2]	Percentage of executive management[2]	Number of direct reports to the GMT	Percentage of direct reports to the GMT
White British or other White (including minority White groups)	6	85.7%	3	10	90.9%	85	94.4%
Mixed/multiple ethnic groups	0	0.0%	0	0	0.0%	0	0.0%
Asian/Asian British	1	14.3%	1	1	9.1%	1	1.1%
Black/African/Caribbean/ Black British	0	0.0%	0	0	0.0%	2	2.2%
Other ethnic group, including Arab	0	0.0%	0	0	0.0%	1	1.1%
Not specified/prefer not to say	0	0.0%	0	0	0.0%	1	1.1%

1 Chief executive, chief financial officer, senior independent director and chair.

2 John Morgan and Kelly Gangotra are included in both Board and executive management (our GMT).

In accordance with the Act, the table below shows our Group-wide diversity in numbers, as well as percentages.

Group-wide diversity at 31 December 2024

	2024 by number	**2024 by percentage**	2023 by number	2023 by percentage
Men	5,970	74%	5,566	74%
Women	2,127	26%	1,932	26%
Minority ethnic background	861	11%	726	10%
Non-minority ethnic background	7,236	89%	6,772	90%

All the data in the tables above has been collected from our HR records, which are held securely and are accessible only to a select number of employees.

Following the appointment of Kelly Gangotra as chief financial officer to the Board on 7 May 2024, we have now met the UKLR 6.6.6R(9)(a)(i), (ii) and (iii) targets and our diversity policy target, which require that: at least 40% of the Board are women; at least one senior Board position is held by a woman; and at least one Board member is from a minority ethnic background. We have also exceeded the Hampton-Alexander Review target of 33% of women on the Board. Board diversity will continue to be a factor of consideration in recruitment while also having regard to the needs of the business.

At the end of 2024, women made up 27.3% of the GMT following the appointments of Kelly Gangotra and Jo Jamieson (managing director of Property Services), which falls slightly short of our target of women making up at least one third of the GMT (2023: 10%). The percentage of direct reports to the GMT that are women currently sits at 31.1%. In 2024, the Board also approved an interim target for 2027 for ethnic diversity percentage of senior management working in the UK. This target was included in our 2024 Parker Review submission.

In its examination and discussion of EDI within the divisions, the committee considered the actions taken and progress made by considering data on recruitment, progression, retention and exits. The committee also received a paper on wider market trends that will impact the shape and size of the workforce in the future; what employees are looking for from their employers; and the diversity performance of our peers. As a result of its review, the committee agreed that a key element of our EDI focus should be on ensuring that the Group remains inclusive to everyone and that all employees understand their personal responsibility in achieving this. It was agreed that further work is needed to better understand what is inhibiting our progress in increasing diversity. This includes further analysis of our attrition rates, in particular people leaving within one year, to identify if there are any issues in our recruitment or onboarding processes.

Directors' and corporate governance report continued
Nomination committee report

Board performance review

As a result of the 2023 externally facilitated review of the performance of the Board and its committees in conjunction with Longwater Partners, the Board agreed that its future focus would continue in the following areas:

2023 Board performance review – actions taken in 2024

Agreed focus areas	Actions taken in 2024
Board succession planning ▪ Future succession planning considerations for the chair, who was appointed in 2016 ▪ Continued oversight of the Company's senior leadership development and succession plans ▪ Reviewing the skills and attributes framework for senior leaders to ensure a continuing pipeline of high-quality internal candidates	The nomination committee: ▪ led by the senior independent director commenced the search for a new chair (see page 95); ▪ reviewed divisional succession and talent development and agreed it would continue to keep succession for the GMT and divisional teams under review; and ▪ reviewed and updated the framework of desired leadership skills and characteristics in terms of perceived level of importance to aid future succession planning.
Equality, diversity and inclusion (EDI) ▪ Practically addressing improving EDI across the Group through a data-led approach and clear plans for delivering EDI outcomes	▪ The nomination committee reviewed the divisions' activities to improve diversity and inclusion and the recruitment data that had been collected for the previous 12 months. While some progress has been made, the Group will continue to analyse the data to better determine appropriate actions to ensure that the Group is inclusive to everyone.
Delivering on the Total Commitments ▪ Continuing to monitor emerging trends in ESG to ensure our targets are representative of what our stakeholders expect, both in the short and medium term	▪ The responsible business committee invited the Group's ESG reporting manager to update them on emerging trends. ▪ The Board continued to monitor our performance against our Total Commitment KPIs. ▪ The Board approved the net zero Transition Plan for publication on our website.
Ensuring progress is sustained in Partnership Housing ▪ Continuing to monitor Partnership Housing's progress and pace against its strategic plan	▪ The Board continued to receive regular reports from Partnership Housing and informally met with its leadership team in October. Progress has continued during the year as long-term partnerships with the public sector continue to grow. The Board will continue to review Partnership Housing's performance against its medium-term targets.
Board training and upskilling ▪ Undertaking a session on AI to deepen knowledge and understanding	▪ The Board invited an expert on AI to its June meeting to discuss trends in AI including concerns around the need for: verifiable data to be used, along with human intervention; and ethical issues, such as oversimplification, to be carefully monitored and addressed. The Group is trialling a closed AI system to ensure security of the Group's data and wider information.

In July, we conducted an internal performance review of the Board and its committees. Due to the planned change of chair of the responsible business committee following the departure of Malcolm Cooper, it was decided to defer the performance review of the responsible business committee to 2025, to allow Mark Robson, the newly appointed chair, time to gather his own perspectives on the activities of this committee. The next externally facilitated performance review will be undertaken in 2026 in line with the Code.

The 2024 internal performance review process

- Each Board member completed an electronic questionnaire on the actions taken and progress made on the five agreed focus areas identified from the performance review conducted by Longwater in 2023 (see panel on page 98). The questions in this year's review therefore followed up on those key areas to firstly ensure that satisfactory progress has been made and secondly to identify any areas where further work is required.
- The chair presented the outcomes of the review at the December Board meeting for discussion and to agree future areas of focus.
- The chair held meetings with each director individually to formally review their performance, taking into consideration any training they had undertaken.
- The senior independent director led the Board appraisal of the chair's performance.

A summary of results and agreed focus areas for 2025, including how the performance review has or will influence Board composition, is set out below. We will report on progress against these and any further actions in our 2025 annual report.

Conclusions of the 2024 performance review and future focus areas

The 2024 performance review confirmed that the Board and committee meetings are working well with a good, collegiate team atmosphere and open dialogue on all issues. It also concluded that the Board is focused on the right priorities, with appropriate involvement in key decisions. The Board has a good mix of skills and experience providing an appropriate balance of support and challenge to the executives and, with additional support in respect of IT as noted on page 94, no changes to membership were deemed necessary outside of existing succession planning. The Board agreed that the future areas of focus for the Board and its committees would continue to be:

- succession planning, with continuing focus on EDI and maintaining the Group's culture;
- having greater oversight and understanding of wider workforce issues, notably in respect of attrition rates;
- ensuring Property Services returns to profitability in 2025;
- achieving business growth in Mixed Use Partnerships and Partnership Housing; and
- our Total Commitments and the next phase of the ESG journey.

Following the individual meetings with each director, the committee agreed that each of the non-executive directors remains independent, continues to meet the time commitments required for the role, is able to discharge their duties and responsibilities for the coming year, and is an effective member of the Board.

Looking ahead

In 2025, the committee will continue its focus on:

- succession planning for the Board and GMT;
- succession planning in the divisional management teams;
- improving diversity and inclusion across the Group; and
- understanding wider workforce issues including attrition rates.

Michael Findlay
Chair of the nomination committee
25 February 2025

Directors' and corporate governance report continued

Audit committee report

On behalf of the Board, I am pleased to present the committee's report for the year ended 31 December 2024.

Sharon Fennessy
Chair

Key responsibilities:

- Monitoring the integrity of the Company's financial results and reviewing significant financial reporting judgements
- Reviewing the external audit process and making recommendations to the Board with regard to appointing, reappointing or removing the external auditor
- Reviewing the Company's internal financial controls and internal control and risk management systems
- Monitoring and reviewing the effectiveness of the Company's internal audit function

The committee's full role and responsibilities are set out in its terms of reference which were reviewed by the committee and approved by the Board in December 2024 and are available on our website.

The quick read...

- Focused on the integrity of the 2024 financial statements and challenged management's assumptions and key judgements as appropriate
- Ensured the independence and effectiveness of the internal audit function
- Reviewed and confirmed the independence and effectiveness of the external audit process
- Reviewed the effectiveness of internal control and risk management systems
- Conducted robust assessments of emerging and principal risks to facilitate the Board's risk appetite review
- Reviewed management's approach to the assurance process for reporting under Provision 29 of the 2024 Code and considered the additional requirements set out in the Economic Crime and Corporate Transparency Act

Committee composition and performance review

The committee's membership is shown in the table below. At the committee's request, meetings are regularly attended by the chair of the Board; chief financial officer; Group financial controller; Group head of audit and assurance; EY lead audit partner; and other representatives from the external auditor. The committee also meets privately with the external auditor and Group head of audit and assurance in case they wish to raise any concerns outside of the formal meetings.

Members[1]	Member since	Attended/ scheduled
Sharon Fennessy[2] (chair)	2024	3/3
Malcolm Cooper[3]	2015	2/3
David Lowden	2018	3/3
Jen Tippin	2020	3/3

1 Biographies of members are set out on page 87. In compliance with the Disclosure Guidance and Transparency Rules (DTRs) and the UK Corporate Governance Code (the 'Code'), all committee members are independent non-executive directors and the committee as a whole has competency, skills and experience relevant to the sector.

2 Sharon Fennessy is a qualified accountant and has competency in accounting and financial experience that is recent and relevant for the audit committee of a company in the sectors in which we operate, as required by the DTRs and the Code.

3 Malcolm Cooper stepped down as chair of the audit committee following the Company's AGM in May 2024. He attended all audit committee meetings until he stepped down from the Board on 31 August 2024.

Our internally facilitated Board performance review in 2024 included a review of the audit committee (see page 99 for further details of the process). Overall, the review confirmed that the committee is performing effectively, has a strong chair, receives clear, concise pre-reading papers, and has strong advisory support when required. It was agreed that the committee would continue to focus on the areas listed on page 107.

Key activities during the year

Committee meetings are scheduled in line with the Company's financial reporting cycle and a formal agenda ensures that all parts of the committee's remit are covered. The committee considers it remained compliant with the Code and the FRC Guidance on Audit Committees throughout the reporting period and followed the FRC's Audit Committees and the External Audit: Minimum Standard as published in May 2023. The committee's key activities during the year are set out in the following table, and further information on its work is set out on the subsequent pages.

	Activity/review
Financial reporting	**2023 reporting period** ▪ Reviewed the 2023 draft annual report including: – significant accounting judgements for the 2023 audit, including the building safety provision; – alternative performance measures used by management and disclosure of reconciliations back to the IFRS statutory reported figures; – going concern statement including management's forecasts and projections for 2024; – viability assessments including management's process and assumptions for assessing viability; – undertaking a review to ensure the annual report is fair, balanced and understandable; and – the draft full-year results announcement. **2024 reporting period** ▪ Reviewed the interim trading updates. ▪ Reviewed significant accounting matters and assessed whether suitable accounting policies have been applied in preparation for year-end reporting. ▪ Reviewed the 2024 half-year statement and the half-year going concern assessment. ▪ Conducted an initial review of the 2024 full-year going concern and viability assessments and impairment testing of goodwill. ▪ Conducted a review of alternative performance measures used by management and disclosure of reconciliations back to the IFRS statutory reported figures.
External audit	▪ In early 2024, evaluated the performance of the auditor in the 2023 audit and the effectiveness of the external audit process. ▪ Recommended to the Board the reappointment of EY as external auditor for the 2024 audit and approved the audit fee. ▪ Monitored and confirmed continuing compliance with our Group policy on the engagement of the external auditor to supply non-audit services, including review and approval of a revised non-audit services policy. ▪ Reviewed and monitored the independence and objectivity of the external auditor. ▪ Reviewed EY's plan for the scope of the 2024 audit, including materiality and key audit risks and their progress. ▪ At its February 2025 meeting after the conclusion of the 2024 audit, recommended to the Board the reappointment of EY as auditor for the 2025 reporting period.
Risk management and internal controls	▪ Formally reviewed the effectiveness of the risk identification process, Group and divisional risk registers, and the Group's approach to addressing climate-related financial risk. ▪ Reviewed the Group's approach to Task Force on Climate-related Financial Disclosures (TCFD), the TCFD statement, scenario analysis and compliance with climate change reporting, including consideration of climate change risks and the approach taken to quantify our climate-related risks and opportunities. ▪ Conducted deep dives into key risk areas, including discussion of the Group's emerging risks. ▪ Received an update from management on the provision made for building safety liabilities and considered the continuing appropriateness of the level of provision. ▪ Reviewed the effectiveness of the Group's internal financial controls and internal control and risk management systems, including a deep dive on Property Services. ▪ Monitored and reviewed the effectiveness and performance of the Group head of audit and assurance in connection with the 2024 agreed internal audit plan. ▪ Agreed the appropriateness of the 2025 proposed internal audit plan. ▪ Reviewed management's progress in complying with the new reporting requirements under Provision 29 of the 2024 Code and the additional new requirements under the Economic Crime and Corporate Transparency Act including reviewing the Company's procedures for detecting fraud.

Directors' and corporate governance report continued
Audit committee report

Financial reporting and significant accounting matters

The directors are responsible for preparing the annual report and accounts (see responsibility statement on page 134). The committee is responsible for reviewing and reporting to the Board on the clarity and accuracy of the half-year and full-year financial statements before proposing them to the Board for approval.

In order to monitor the integrity of the Group's reporting and financial management processes, the committee receives and reviews in detail papers from the chief financial officer and the Group's financial controller together with reports on the work and findings of the external and internal auditors, who are also regularly invited to attend meetings of the committee. The committee also receives a report from the ESG reporting manager on climate data assurance in respect of the Group's Scope 1, 2 and 3 emissions as part of its review of the TCFD statement. This ensures that there is effective communication between all the relevant parties and that the financial statements present a 'true and fair' view. It also gives committee members the opportunity to assess whether suitable accounting policies have been adopted and to discuss and challenge management, where appropriate, on matters such as the appropriateness of the accounting policies that have been adopted, the robustness of critical accounting judgements, and key accounting estimates reflected in the financial results to ensure that it is satisfied with the outcome.

As part of its review of the financial statements, the committee looked at three significant matters which required the exercise of judgement in connection with the financial statements. The detail of what was reviewed and discussed and the conclusions reached are set out in the table below. The items below are recurring matters. In prior years, we identified an exceptional item in respect of building safety. The risk associated with this has reduced and is no longer considered significant. Further information on the significant accounting policies that have been applied and critical judgements and estimates that the directors have made can be found on page 159.

Issue	Basis of assurance	Conclusion
Contract revenue, margin, receivables and payables The recognition of revenue and margin on contracts in the financial statements, and the associated contract receivables and payables, requires management to make judgements and estimates.	In addition to receiving updates on the key contract issues at Board meetings, where management identifies any significant differences in contract valuations with either clients or suppliers, the committee reviewed the status of the issues at each audit committee meeting.	Based on its review and discussions with the management team, internal audit and the external auditor, the committee concluded that the treatment of contract revenue, margin, receivables and payables in the financial statements is appropriate.
Impairment of goodwill The Group is required to test goodwill for impairment annually. This test involves a value-in-use model that includes estimates of future cash forecasts, growth rates and an appropriate weighted average cost of capital.	The value of goodwill is supported by a value-in-use model prepared by the management team. This is based on cash flows extracted from the Group budget, which have both been approved by the Board. The committee reviewed and challenged the management team on the assumptions used in the value-in-use model.	Based on its review and discussion with the management team and the external auditor, the committee was satisfied that the value of goodwill is appropriate.
Viability and going concern assessment To carry out a review of the viability of the business and appropriateness of the going concern basis of preparation, management prepares a model based on its budget for the next three years. The model includes a number of assumptions and sensitivities.	To satisfy itself that the Group has adequate resources to continue in operation for the foreseeable future and that there are no material uncertainties in respect of the Group's ability to continue as a going concern, the committee considered the Group's viability statement, cash forecasts and available borrowing facilities. It challenged management's assumptions and discussed the sensitivities to risks that could reasonably impact the future operating results.	Based on its review and discussion with the management team and the external auditor, the committee recommended to the Board the adoption of the going concern statement and the viability statement for inclusion in the annual report.

The committee believes that the significant accounting matters have been properly recorded in the Company's books and records and appropriately accounted for in the 2024 financial statements.

To support the directors in making the going concern and viability statements, the committee reviews the financial modelling scenarios and reverse stress-testing conducted by management for the going concern assessment as well as the viability assessment process undertaken in support of the long-term viability statement and the rationale behind the chosen three-year time horizon (see pages 78 and 79 for further information).

As a result of its review, the committee confirmed it was happy with management's processes, scenarios and modelling assumptions applied for assessing going concern and long-term viability, and that the extreme downside and reverse stress-testing exercise had not identified concerns for the Group.

Fair, balanced and understandable assessment

As part of its year-end process, the committee conducted a formal assessment of whether the annual report, taken as a whole, was fair, balanced and understandable, taking into consideration its review of drafts of the annual report and the financial statements, together with: the views of the external auditor and any significant issues raised by them; a paper from the company secretary on the governance of the annual report process, the approach to drafting, and a review of content and messaging; and review and input from senior executives and Company advisers.

Taking the above into account together with the committee's review of the financial statements, the committee recommended and the Board confirmed that it could state that the 2024 annual report, taken as a whole, is fair, balanced and understandable and provides the information necessary for users to assess the Company's position, performance, business model and strategy.

External audit

Tenure, independence and effectiveness

An important part of the committee's role is to oversee the Company's relationship with the external auditor and to carry out an annual assessment of its independence and objectivity, taking into consideration relevant UK law, regulations, the Ethical Standard and other professional requirements.

EY was appointed as the Company's auditor from the 2021 financial year following a formal tender process conducted in 2020 and Peter McIver became the lead audit partner.

Each year, to carry out its assessment, the committee reviews and discusses the auditor's disclosure of the policies and safeguards it has in place to ensure its continued objectivity and independence. These policies and safeguards include limiting the nature of any non-audit services that the external auditor may undertake; ensuring that key members of the audit team rotate off the Company's audit after a specific period of time; and establishing an independent reporting line from the external auditor to the audit committee. Members of the committee meet with the external audit partner individually at each of the meetings held during the year. In 2024, the committee again met with the lead auditor responsible for the audit of our Construction, Infrastructure and Partnership Housing divisions. EY also provides the committee with an overall assessment of independence and confirmation that the objectivity and independence of the audit engagement partner and audit engagement team have not been compromised. As part of its assessment, EY discloses any relationships that may be considered to bear upon its objectivity and independence. Business relationships are permitted if they are in the ordinary course of business, conducted at arm's length, and are not material to either party. All contracts are subject to audit partner approval. During the year, as in the previous year, Fit Out continued to provide office fit out services to EY which were not material to either party.

Following its review, the committee confirmed that it was satisfied that EY continued to be independent and objective.

As part of its responsibility for assessing the ongoing effectiveness and quality of the external audit, the committee discussed the external audit plan at its meeting in August 2024 and reviewed progress against the audit plan at the meeting in December 2024, noting the scope of work to be undertaken and the key audit matters being addressed by the external auditor at the time. The committee did not ask the external auditor to look at any specific areas during the course of conducting its audit other than those already identified as part of the audit plan. There were no requests received from shareholders for certain matters to be covered in the audit. At the meeting prior to the announcement of the full-year results, the committee reviewed the external auditor's fulfilment of the agreed audit plan and its work to test management's assumptions and estimates in relation to key audit risk, as described in the independent auditor's report on pages 140 to 143.

The committee also reviewed the results of an evaluation questionnaire on the external auditor and the audit process completed by senior members of Group and divisional finance teams. The questionnaire asked for feedback on EY in terms of the quality of the service provided to meet the audit plan; adequacy of its resources; and its communication and interaction during the process. The questionnaire also sought opinion on whether EY had demonstrated independence, objectivity and professional scepticism when obtaining, evaluating and challenging audit evidence, particularly in the key areas of focus identified in the audit plan such as those involving significant management judgements. See pages 140 to 143 for examples of matters on which EY challenged management during the course of its audit.

The committee noted in its review the key conclusions including: that the 2024 agreed audit plan had been met and had incorporated and adequately addressed any changes identified in perceived audit risks; that EY had been thorough in the depth and robustness of their review and the handling of key accounting judgements; and that overall feedback from the key people involved was that EY had scored highly in all key categories of scoring described above, reflecting a high level of effectiveness in each area. As a result, the audit committee was able to provide feedback to EY that it had concluded that there were no issues with EY's overall effectiveness as auditor.

Directors' and corporate governance report continued
Audit committee report

Policy on the auditor providing non-audit services

The Company's policy on the engagement of the external auditor for non-audit-related services, which was reviewed and approved in 2024, complies with the FRC's Revised Ethical Standard and is available on our website. The policy is designed to ensure that the provision of non-audit services does not impair the external auditor's independence or objectivity or create a conflict of interest. The policy applies to the Company and all its wholly owned subsidiaries. It provides guidance on the type of work that is acceptable or prohibited for the external auditor to undertake, and the process to be followed for approval. The categories of services that are prohibited are in line with legislation and include valuation work and preparing accounting records and financial statements. For other services not falling within the prohibited services list, the external auditor is eligible for selection by the Company provided that its skills and experience make it competitive and the most appropriate supplier of these services. Permitted services can be carried out by the external auditor subject to the auditor providing its independence assessment to the audit committee and pre-concurrence being provided by the committee in accordance with the policy. In addition, EY has its own safeguards in place to confirm that non-audit work prohibited by the FRC's Ethical Standard is not provided to the Group.

The committee monitors compliance with the Company's policy throughout the year and confirms that, during 2024, the committee approved a recurring subscription to EY Atlas (a subscription-based product which gives clients access to EY technical insights relating to accounting, financial reporting and regulatory filing) of c.£5k per annum. No other fees for non-audit services were incurred by EY during the year (see note 3 on page 162).

Reappointment of external auditor

Having regard to the considerations referred to above, the committee has satisfied itself that EY, the current external auditor with responsibility for the 2024 financial year end, remains independent and effective. As a result, following recommendation from the committee, the Board will propose the reappointment of EY as external auditor in a resolution put to shareholders at the forthcoming AGM. The committee confirms that their recommendation is free from influence by a third party, and no contractual term of the kind mentioned in Article 16(6) of the Audit Regulation has been imposed on the Company.

Subject to the continuing independence and effectiveness of EY as the external auditor or changes in legislation, the committee does not anticipate putting the audit out for tender until 2030 but will continue to monitor this annually to ensure the timing for the audit tender remains appropriate. The Company has complied with the Statutory Audit Services Order 2014 for the year under review.

Risk management, internal audit and internal controls

Risk review

At its meetings in August and December, the committee carried out a robust assessment of the Company's principal and emerging risks.

As part of each review, the committee received a paper from the Group head of audit and assurance which included: an overview of the risk landscape and how it might impact our strategy over the medium to longer term; the movements in the Group and divisional risks during the period; a summary of the controls and mitigations in place; and an overall assessment of the status of each risk both before and after mitigation.

To help assess whether our principal risks are changing and remain within our appetite, the committee conducts deep dives into key areas. In 2024, the deep dives focused on:

- **supply chain liquidity** (see principal risk E, page 57), the committee noting that this risk had increased during the year due to industry failures and that it was important for the divisions to remain vigilant;
- **the effect of the economy on our residential portfolio** (see principal risk B, page 54), noting that while cost pressures were continuing to challenge the viability of some schemes, we have flexibility in our models to work through issues and seek alternative funding;
- **latent defects** (see principal risk I, page 60), the committee noting that this risk had reduced due to progress with remediation of building safety issues and a reduction in the likelihood of new issues arising, and agreeing to keep the Group's mitigating actions under review to ensure they remain appropriate; and
- **emerging risks** (see page 62), including longer-term potential scenarios that require monitoring.

Following its assessment at the year end, the committee noted that during 2024 our overall risk profile had stabilised, influenced by more resilient macro and consumer finances, easing of inflation and reduced cost-of-living pressures on households and businesses. The committee concluded that while some uncertainty continues, our risk profile has remained stable primarily because our markets are predominantly in the public and regulatory sectors.
The committee regards these sectors to be structurally secure and noted that they include recent government commitments to critical construction and infrastructure such as affordable housing and regeneration which align to the Group's strategy. More detail on challenges in our markets and how we are mitigating them can be found in our market conditions section on page 16 and in our managing risk section on pages 54 and 57 (principal risks A, B and E respectively).

Our continued focus on cash and our robust working capital management are reflected in our strong cash position and balance sheet, which support us in long-term decision-making and selecting the right projects that match our risk appetite, particularly in any declining markets.

The committee reviewed the Group's risks in August and December to facilitate the Board's discussion of whether our risk appetite remains appropriate (see page 91). At the Board's request, the committee took into account the change in government and in particular any changes to net risk levels following the Autumn Budget.

Review of internal audit and risk management and internal control framework

The internal audit function is managed by the Group head of audit and assurance, who oversees the divisional heads of internal audit and assists with risk management.

Internal audit conducts its work in line with the Internal Audit Charter, which has been drafted in accordance with the recommendations of the Institute of Internal Auditors. The internal audit function is appointed by the Board to facilitate the committee's monitoring and review of the effectiveness of our risk management and internal control framework.

Internal controls are a system of processes, activities and methods that mitigate the risks threatening an organisation's ability to achieve its strategic objectives. Our key internal controls are described in the panel to the right.

We perform internal audits across a broad range of areas, giving the committee assurance that our key internal controls are logically designed, fit for purpose and operating effectively with consistency and reliability. Each internal audit includes a subjective assessment of culture, supplemented by a rolling programme of peer group project reviews (overseen by internal audit) in Partnership Housing, Construction and Infrastructure. In addition, throughout the year internal audit engages with colleagues in the functions of health, safety and environment, IT and cyber security, legal, company secretariat, finance, tax and treasury, business improvement and HR to gain insight into the Group's performance in these areas.

In 2024, the committee received an update on the progress of Property Services' business remediation plan. It noted that key improvements had been made to the division's internal controls including a revised financial control matrix and stricter controls around work winning.

Internal controls

Financial

- **Financial reporting system** – to ensure the effective safeguarding of assets, proper recognition of liabilities and accurate reporting of profits: a comprehensive budgeting and forecasting system, regularly reviewed and updated; a management reporting system, including monthly divisional reports to the Board; and financial reviews in the annual internal audit plan to validate the integrity of divisional management accounts.
- **Investment and capital expenditure** – detailed procedures and defined levels of authority, depending on the value and nature of the investment or contract, in relation to corporate transactions, investment, capital expenditure, significant cost commitments and asset disposals.
- **Working capital** – continual monitoring of current and forecast cash and working capital balances through a regime of daily and monthly reporting.

Operational

- **Group structure** – divisional boards, with certain key functions such as tax, treasury, internal audit, IT, pensions and insurance retained at Group level, and a system of delegated authorities to ensure that decisions are made at the appropriate level (see risk governance framework on page 52).
- **Tender, project selection and contract controls** – tenders reviewed in detail with approval required at relevant levels and at various stages from the start of the bidding process through to contract award; assessment of the financial standing of clients and key subcontractors; and robust procedures to manage ongoing contract risks, with monthly operational reviews of each contract's performance, including a detailed appraisal of related commercial performance via our cost and value process.

Compliance

- **Legal compliance** – monitored by divisional commercial directors, HR managers and heads of legal, and the Group commercial director and general counsel; training provided on health and safety, competition law, anti-bribery and corruption, and the market abuse regulation.
- **ISO accreditation** – includes 9001 (quality), 14001 (environmental), 45001 (occupational health and safety) and 27001 (information security management).
- **Corporate governance framework and Group policies** – written guidance and policies (see pages 76 and 77 for more detail on our policies) at Group and divisional levels.

Directors' and corporate governance report continued
Audit committee report

In December each year, a draft annual internal audit plan is submitted to the committee for its review and approval. The plan is based on principal and other key divisional risks and takes into account consultations with the divisions, internal audit outcomes, key project metrics and management requests.

The 2024 internal audit plan included 91 individual audits, of which c.70% focused on operational activities. During the year, 114 audits were completed covering:

- **project activities** – cost and value assumptions, operational, commercial, change management and risk (varying in scope but covering Partnership Housing, Fit Out, Construction, Infrastructure and Property Services);
- **development activities** – cost and value assumptions, approvals, risks, capital structuring, partner performance, funding, programme, return on capital, profit and sales (Partnership Housing, Mixed Use Partnerships);
- **key financial controls** – cash, debt, Construction Industry Scheme tax compliance, payroll, payment and consolidated reporting (selected divisions);
- **work winning** – selectivity, pipeline quality, bidding and bid risk management (selected divisions); and
- **other areas of focus** – including supply chain, cyber security and IT, business continuity, anti-bribery, climate, work winning, Building Safety Act, HR and payroll processes, procurement, fraud management, sales and marketing, customer care, and Enterprise finance tool access management (in selected divisions or areas).

At its December meeting, the committee reviewed and approved the 2025 internal audit plan as set out below. The internal audit plan continues to follow a similar pattern to prior years with reviews focused largely on areas of the business warranted in terms of risk and/or materiality and includes 95 separate audits including a high proportion of 'material controls' coverage as in previous years, with a particular focus on:

- **selected projects** – procurement, cost value reconciliation, margin, programme, risk, contingency, change, and health and safety;
- **selected developments** – approvals, capital expenditure, viability, risk, structure, funding, schedule, sales, pace and returns;
- **financial/non-financial controls** – treasury, human capital, health and safety, anti-money laundering and payroll;
- **work winning** – selectivity, pipeline quality, bidding and bid risk management;
- **cyber security** – various reviews by the internal audit team plus an extensive plan that includes ISO 27001 and Cyber Essentials Plus certifications; and
- **other** – procurement, anti-bribery management system, right-to-work, build quality, sales and marketing, ESG, customer care and IT.

In addition to the above audit plan activities, the internal audit team independently monitors Construction's and Infrastructure's pipelines and commercial metrics on key live construction projects, conducting a significant number of additional site visits. This provides internal audit and the Board with a greater understanding of our performance across a broad portfolio of work.

To assist the committee in reviewing the effectiveness of the Group's internal control framework, the Group head of audit and assurance submits an internal audit report as part of the meeting papers and is invited to the meetings to discuss it. The report details:

- progress made against the internal audit plan, i.e. the number of audits conducted compared with the number scheduled; comprehensive coverage of each audit, highlighting any significant findings; and a formal rating of effectiveness based on whether the audit had identified any issues;
- recommendations for improvements to the internal controls framework, with timescales for completion; and
- the implementation stage for recommendations (i.e. not due, overdue, high priority or overdue) to give the committee the opportunity to request more information on any areas of concern it believes require greater scrutiny.

The Group head of audit and assurance also discusses with the committee whether the internal auditors, having conducted their audits, are satisfied that the internal controls framework is operating effectively.

The committee has visibility over the effectiveness of internal controls through the following additional mechanisms:

- the Board's access to senior managers, including the Group commercial director, general counsel and company secretary, Group IT director, and Group director of procurement and sustainability;
- a fraud log report that details all calls to the Raising Concerns phone line, which is managed independently by a third party. Follow-up investigations are conducted by the general counsel and company secretary and/or internal audit. The log is updated and distributed to the Board at regular intervals throughout the year;
- the Delegation and Limits of Authority Procedures which enable the Board to see if the commercial projects under consideration align with the Group's strategic priorities;
- health and safety incident reporting which gives the Board oversight of how successfully we are complying with working practices and procedures to prevent physical harm to our workers and other stakeholders; and
- discussions with the external auditor of their view of our control environment and any observations made during their audit.

In 2024, the processes described above together with internal audit's conclusions from the audits they had performed during the year enabled the committee to conclude that we have an effective risk management and internal control framework in place.

Preparations to comply with Provision 29

During the year, the committee reviewed the requirements of the 2024 Code issued by the FRC in January 2024. It noted that Provision 29, which comes into effect for accounting periods starting on or after 1 January 2026, requires the Board to explain how it has monitored and reviewed the effectiveness of the risk management and internal control framework and to provide a declaration on the effectiveness of material controls as at the relevant balance sheet date. In anticipation of Provision 29, the audit committee asked the Group head of audit and assurance to consider what would be required to enable the Board to provide the declaration.

Throughout 2024, the committee was given regular progress updates on the preparations being made for these additional requirements and exercised its scrutiny by interrogating the approach being taken and the pace of progress.

Our preparation for compliance with Provision 29 has largely been a continuation of work we have already been doing in the divisions and at Group level, supported by a robust internal audit plan. As part of the process of identifying our material controls, we have expanded our risk and control matrix, which is used as the basis for the divisional self-assessment process, from looking solely at financial controls to covering financial, operational, commercial, ESG-related and fraud-related controls.

Following the work carried out this year, we can confirm that our existing annual internal audit planning is already aligned with the provisional list of material themes and controls emerging from consultation with the divisions, meaning that we will not have to make any significant change to our current approach, although we will be refining this during 2025.

Independence and effectiveness

The internal audit function is subject to validation by an independent, external organisation every five years. The last external assessment was carried out by Blackmores (UK) Ltd in 2021, with details disclosed in our 2021 annual report.

Each year, the committee assesses the effectiveness of the internal audit function. In its 2024 internal assessment, the committee:

- met with the Group head of audit and assurance separately without the executive directors present to discuss the effectiveness of the internal audit function. No new matters or issues were raised that had not already been reported by the executive directors;
- reviewed and assessed the internal audit plan;
- reviewed whether necessary actions were being taken promptly to address any failing or weakness identified by internal control audits;
- reviewed whether the causes of any failing or weakness identified indicated poor decision-making, a need for more extensive monitoring or a need to reassess the effectiveness of management's ongoing processes; and
- assessed the role and effectiveness of the internal audit function in the overall context of the Company's risk management system and whether the function is able to continue to meet the needs of the Group.

The results of the latest assessment were reviewed by the committee in December 2024, and it was satisfied that:

- the internal audit and internal controls were operating effectively;
- the small number of improvement opportunities identified by internal audit during the course of the 2024 audit were being addressed and implemented effectively;
- the internal audit team was adequately staffed and remained independent;
- the risk to the audit team's independence and objectivity was low; and
- preparations for Provision 29 were being addressed adequately by the Group.

Looking ahead

In 2025, the committee will give particular attention to:

- the integrity of our financial reporting, including a focus on the smaller divisions; and
- risk management and internal controls, in particular continued preparation for compliance with the Economic Crime and Transparency Act in the area of fraud and Provision 29 of the 2024 Code.

Sharon Fennessy
Chair of the audit committee
25 February 2025

Responsible business committee report

I am pleased to present the report of the responsible business committee for 2024.

Mark Robson
Chair

Members[1]	Member since	Attended/ scheduled
Mark Robson (chair)[2]	**2024**	1/3
Michael Findlay[3]	**2024**	2/3
Malcolm Cooper[4]	**2017**	2/3

1 Biographies of members are set out on pages 86 and 87.
2 Mark Robson was appointed as chair on 1 September 2024.
3 Michael Findlay was appointed as a formal member of the committee from 1 January 2024. He was unable to attend the responsible business committee meeting in February due to a prior commitment.
4 Malcolm Cooper stepped down from the Board on 31 August 2024.

Key responsibilities:

- Reviewing the Group's responsible business strategy, targets, risk exposure and performance against our Total Commitments
- Monitoring how our governance, skills and resources are used to ensure compliance with our Group policies and applicable law and regulations
- Receiving regular reports on safety performance and reviewing key issues arising and the impact of our operations on the health and wellbeing of employees
- Monitoring our performance against external responsible business rating standards

The committee's full role and responsibilities are set out in its terms of reference, which were reviewed by the committee and approved by the Board in December 2024 and are available on our website.

The quick read...

- Reviewed safety performance and wellbeing support
- Received presentations on our performance against our Total Commitments targets
- Monitored our progress to achieving our 2030 and 2045 net zero carbon targets
- Received an update on our social value initiatives

Committee composition and performance review

The committee's membership is shown in the table opposite. Mark Robson was appointed chair of the committee on 1 September 2024. The committee invites the chief financial officer to attend each meeting and other members of senior management to attend all or part of meetings, as and when appropriate. An external review of the committee's performance took place in 2023 and an internal performance review was planned for 2024. However, it was decided to defer the internal performance review to 2025 to give the newly appointed chair time to review the work of the committee.

Key activities during the year

The committee assists the Board in its oversight of our ESG strategy to ensure that we make progress on delivering our Total Commitments (see pages 38 to 51). During 2024, the committee continued to review:

- our safety performance, to ensure that we are driving towards our goal of zero incidents and that we have a clear strategic plan in place to address any issues that arise;
- the Group health and safety framework, to ensure it remains focused on the right objectives;
- the divisions' activities to support their employees' physical and mental wellbeing;
- progress made on our commitments to improving the environment, working together with our supply chain, and enhancing communities; and
- the ESG regulatory reporting landscape and emerging reporting requirements.

The nomination committee reviews the Group's performance in developing our people, the Board reviews divisional progress on improving equality, diversity and inclusion (EDI), and the audit committee reviews climate-related risks and opportunities.

Safety performance

The committee supports the Board by conducting deep dives into various aspects of safety, such as high-potential incidents and accidents reported under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 (RIDDORs), to ensure management's investigations and actions remain appropriate. The Group commercial director is invited to attend each committee meeting and provides a report containing a detailed update on the Group's safety performance and the actions we are taking.

The committee also reviews follow-up actions to any whistleblowing reports relating to health and safety (2024: aside from drug/alcohol misuse allegations which are reviewed by the Board as part of its biannual whistleblowing review, the committee reviewed one report that had been addressed in relation to an allegation that a near-miss event had occurred but had not been recorded in either the divisional records or the Group's safety tracker in accordance with the Group's policy).

At its February 2024 meeting, representatives from our Construction division demonstrated the immersive learning experience being rolled out across its regions. This included two films, one on working at height and correctly tethering tools to prevent them from being dropped, and the other addressing the interface between plant and people. To date, the training has been delivered to c.1,300 people including supply chain members, and in response to positive feedback from attendees, Construction developed two further sessions, on fire safety and buried services, which were launched in January 2025.

The committee approved refreshed objectives for our Group health and safety framework: early engagement on health and safety in the design and preconstruction stages; to be a learning organisation by strengthening our corporate memory; and engaging with our supply chain to improve health and safety performance.

Following this, our Group protecting people forum agreed four Group-wide 'leading indicators' where the divisions have created a collective, proactive and strengthened approach which we firmly believe will lead to improvement in our 'lagging indicators' moving forward. Furthermore, the divisions have also developed a way of assessing compliance with these leading indicators to ensure we focus on positive interventions and sharing best practice.

As at the year end, the committee agreed that:

- while we have seen an improvement in the number of reportable incidents compared to prior years, we need to remain vigilant;
- the increasing numbers of high-potential incidents being reported and positive interventions being recorded indicate a positive health and safety culture where corrective actions are being taken and lessons being shared across the divisions; and
- it would invite representatives from the Group protecting people forum to conduct an in-depth review into initial findings and observations following the roll-out of the agreed leading indicators, and present to the committee at its meeting in February 2025.

Physical and mental wellbeing

As part of our EDI strategy, it is important that we create an inclusive culture where people feel safe being themselves at work without fear of judgement. In addition, we arrange activities and provide resources to support our employees' mental, financial and physical wellbeing to enable them to be productive and effective, and to thrive. In June, the committee reviewed a report from each division detailing the activities it had undertaken since its last review in June 2023 to promote wellbeing.

Following its review, the committee noted that:

- supplementary to Group-wide employee benefits, all divisions were continuing to develop their own strategies to provide a wide range of health and wellbeing support, taking into consideration feedback received from employees; and
- the divisions were working to raise awareness of the support available and promoting an environment in which positive behaviours prevent any potential physical and psychological harm.

Climate change and improving the environment

Our Transition Plan, outlining the steps we will take in the short to medium term to progress towards net zero, was approved by the Board in August for publication on our website. The Group director of procurement and sustainability attended the committee meetings in June and December to present an update on our actions to address climate change, improve air quality and increase biodiversity. The update covered:

- the work being undertaken by the Group and the divisions to identify opportunities to reduce our emissions;
- the continued development of CarboniCa, our carbon reduction tool, and its implementation across our projects;
- waste management activities, including preparation being made to comply with new legislation being introduced in April 2025 for mandatory digital waste tracking to ensure all waste movements are tracked in real time; and
- the UK projects we have invested in to offset residual carbon transparently and/or increase biodiversity net gain.

As a result of its review, the committee remained satisfied that we are on a trajectory to achieve our 2030 and 2045 net zero targets. It will continue to review our approach to improving the environment and the initiatives being undertaken by our divisions.

Supply chain

During the year, the committee reviewed the work we are doing to maintain the longstanding relationships we have with our supply chain partners. This included:

- hosting our biannual collaboration event with our supply chain;
- growing our Morgan Sindall Supply Chain Family to maintain stronger partner relationships;
- continuing to track our performance in prompt payment of suppliers;

Directors' and corporate governance report continued
Responsible business committee report

- working with our suppliers and subcontractors to improve safety performance;
- closely monitoring our suppliers' resilience, as solvency issues remain a concern; and
- updating our Scope 3 emissions inventory across all 15 categories and continuing to work with suppliers to improve their data collection and accuracy.

Enhancing communities

At the June and December committee meetings, our Group director of procurement and sustainability reported on the Group's activities to deliver social, environmental and economic value through our projects for the benefit of the community.

During the year, we have continued to take a divisional approach towards delivering social value across our projects since the decentralised nature of our business and network of offices across the UK means we are located in or near to the communities in which we work. Project highlights from across the Group cover community cohesion activities, social mobility, economic resilience, environmental projects, and ongoing partnerships with organisations across the UK.

The committee also looked at the tools we used to measure social value and noted that, following the merger of the Social Value Bank and Housing Association's Charitable Trust tools into the new Built Environment Bank (see page 50), our divisions will use either the Built Environment Bank or the Social Value Portal on their projects according to what their client or partner prefers. The committee also noted that the Built Environment Bank quantifies the impact of the project on wellbeing in the community – an important metric for assessing the social contribution our projects make to local communities.

ESG reporting

The audit committee assists the Board in its review of the Task Force on Climate-related Financial Disclosures (TCFD) statement as shown on pages 63 to 72 of the strategic report. The Group's ESG reporting manager attended the December meeting to provide the committee with:

- an overview of emerging reporting requirements, regulatory standards and voluntary frameworks;
- an update on the Group's TCFD statement and key considerations for 2025 and beyond;
- a summary of our performance with third-party ESG rating agencies; and
- updates on the Group's key responsible business activities during 2024.

The committee reviewed and discussed:

- how the mandatory TCFD reporting requirements had continued to be complied with in 2024. In particular, it noted the work that had been carried out during the year to:
  - commence internal alignment to the International Sustainability Standards Board's (ISSB) IFRS S2 Climate-related Disclosure guidance ahead of the release of the UK Sustainability Reporting Standards in the first quarter of 2025;
  - evolve our scenario analysis processes to refine the inputs and update our methodology in line with best practice; and
  - consolidate our climate-related risks and opportunities and undertake physical risk assessments of a range of risks including wildfire, flood, cyclone, heatwave, sea level rises and water stress on our projects, and their potential financial impact;
- the preparations being made to report against UK Sustainability Reporting Standards which will include the ISSB's IFRS S1 and S2;
- upcoming mandatory and voluntary UK and EU regulatory requirements (including the expected government consultation on the proposed UK Green Taxonomy), their implications for the Group and timelines for compliance; and
- how the changes in regulation have affected the methodologies being used by ESG rating agencies as they align more closely to EU and UK standards.

As a result of its review, the committee concluded that:

- in order to maximise opportunities for future growth, it is essential that our disclosures keep pace with the evolving developments in the ESG reporting landscape while demonstrating ongoing progress against our Total Commitments and science-based targets; and
- we will continue to monitor our ESG performance scores and engage proactively with the ESG rating agencies most used by our top institutional shareholders, particularly as the ESG reporting landscape and stakeholder expectations continue to advance and mature.

Looking ahead

In 2025, the committee will focus in particular on the following:

- continue to challenge the divisions to reduce the number of RIDDORs, lost time incidents, high-potential incidents and all accidents;
- review the divisions' continuing actions to help our employees maintain their health and wellbeing;
- monitor the Group's ESG performance to ensure it continues to support long-term performance;
- review our performance against our Total Commitments targets, including keeping abreast of the increasing and varied demands from stakeholders in respect of ESG as well as emerging regulations and shifting reporting requirements; and
- ensure continued improvement in the disclosure of our material responsible business impacts, both in the quality of information disclosed and across stakeholder engagement.

Mark Robson
Chair of the responsible business committee
25 February 2025

Remuneration committee report

> I am pleased to present to you the report from the remuneration committee for 2024.

Jen Tippin
Chair

Composition of the committee

The remuneration committee is composed solely of independent non-executive directors: David Lowden, Mark Robson and chair, Jen Tippin. Mark Robson joined the committee on his appointment on 1 September 2024 and Kathy Quashie stepped down on 31 July 2024. Details of the skills and experience of the committee members can be found in their biographies on page 87.

In a year of record financial results, with a strong daily cash balance, impressive order book and continued delivery of long-term value for our stakeholders, the focus of the committee has been to ensure that our remuneration policy has operated as intended: driving high performance linked to clearly defined goals that are fundamental to our strategy.

On behalf of the committee, it is my pleasure to present the remuneration report for the year ended 31 December 2024. This report sets out how the Group pays its directors and decisions made on their pay during 2024.

As part of the annual performance review of the Board, a review of the committee concluded that the committee continued to work effectively, with well-structured papers and strong external advisers. It was agreed that the committee would further develop its understanding of wider workforce remuneration to gain more insight into people-related risks, such as the recruitment, retention, attrition and engagement of our people. We continue to engage with shareholders and proxy agencies to enhance our existing relationships. We will ensure that these actions are addressed in the work of the committee in 2025.

In this report:

The quick read...

- Consulted with shareholders regarding the application of the 2023 remuneration policy
- Monitored remuneration market practices
- Approved the 2024 and 2025 remuneration for the Board chair, executive directors and senior management team
- Approved an increase to Kelly Gangotra's 2025 Long-Term Incentive Plan (LTIP) opportunity from 150% to 175% of salary to better align to market median
- Reviewed wider workforce remuneration and the alignment of incentives and awards with the Group's purpose, culture and values
- Set targets for the 2025 annual bonus and LTIP and reviewed performance against targets for the 2024 annual bonus and 2022 LTIP awards

This report complies with the requirements of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in 2013, the provisions of the 2018 UK Corporate Governance Code (the 'Code'), the Companies (Miscellaneous Reporting) Regulations 2018, the Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019, and the Listing Rules.

Directors' remuneration report continued
Remuneration committee report

Remuneration objectives and key responsibilities

As a committee we continue to drive a strong culture of pay in line with performance and shareholder experience. We are committed to being open and transparent in our approach to executive remuneration and strive to keep remuneration arrangements clear, consistent and simple to facilitate effective stakeholder scrutiny. Performance-related components of remuneration form a significant portion of the total remuneration opportunity, with the maximum potential reward available only through the achievement of stretching performance targets based on measures that the committee believes reflect the interests of shareholders and wider stakeholders.

Our remuneration principles align with the requirements of the Code. They apply across the Group and are designed to drive the behaviours and results required to support our strategy. They seek to ensure that remuneration:

- helps retain and motivate executive directors of the calibre required to deliver the Group's strategy;
- aligns reward outcomes and value created for shareholders;
- is appropriately competitive in the marketplace;
- is clear and simple to enable transparency for all stakeholders; and
- rewards value creation over the long term.

The extent of their responsibilities means executive directors are well paid, but the policy is designed to ensure that they are paid appropriately in line with performance and market. Reference points such as the performance of the business during the financial year in question and over the longer term, the ratio of the chief executive's pay to the median pay for all employees, the policy for wider workforce remuneration and the experience of our wider stakeholders are important to us, in addition to the use of external benchmarking data when considering executive pay levels.

Our key responsibilities include:

- ensuring our remuneration policy is designed to align with the Group's purpose, values and culture and to encourage the effective stewardship that is vital to delivering our strategy;
- approving the design of all share incentive plans for approval by the Board and, where required, by shareholders;
- reviewing wider workforce remuneration and policies and the alignment of incentives and awards with culture, and taking these into consideration when setting the remuneration policy or determining remuneration for the executive directors;
- ensuring the policy promotes long-term shareholdings by executive directors by ensuring share awards granted are released on a phased basis and subject to a total vesting and holding period of five years;
- setting the remuneration of the Board chair, executive directors and Group management team; and
- ensuring our targets for remuneration are appropriately stretching and aligned to the Group's strategy.

The committee's full role and responsibilities are set out in its terms of reference which was last updated in December 2024 and is available on our website.

Executive remuneration in context

The Group has delivered a strong set of results for 2024, despite the challenging macroenvironment, which reflects the quality of the work we have won and our operational delivery.

	2024	2023	2022	2021	Percentage change 2024 vs 2023
Revenue	**£4,546.2m**	£4,117.7m	£3,612.2m	£3,212.8m	10%
Profit before tax (PBT) adjusted*	**£172.5m**	£144.6m	£136.2m	£127.7m	19%
Average daily net cash	**£374.2m**	£281.7m	£256.3m	£291.4m	33%
Earnings per share (EPS) adjusted*	**278.8p**	247.7p	237.9p	226.0p	14%
Share price (end of year)	**£39.00**	£22.15	£15.30	£25.20	76%

* See note 28 to the consolidated financial statements for alternative performance definitions and reconciliations.

As a result of their performance in 2024, their market position and future prospects, the medium-term targets for Mixed Use Partnerships, Fit Out, Construction and Infrastructure have been upgraded from February 2025. While recovery in the housing market has been modest, Partnership Housing has continued to grow its long-term partnerships with the public sector. Property Services completed its business remediation programme and is positioned to return to modest profit in 2025.

The strength of our balance sheet and cash generation have remained high priorities for the Board, enabling us to continue to do the right thing for all stakeholders and ensure that we select the right construction contracts and invest in long-term partnership schemes that will secure future earnings.

Against this backdrop, the committee continues to strive to ensure that executive remuneration remains aligned to our strategy, external environment and the UK corporate governance requirements.

Wider workforce remuneration and engagement

Our divisions pay at or above the real living wage and two divisions are accredited Living Wage Foundation employers. The real living wage increases of c.5% as set out in October 2024 are being applied across the Group ahead of the April 2025 deadline. The average salary increase across the divisions for 2025 is 5.6% which, as in 2024, is higher than the increase applied to executive directors (see 2025 remuneration on page 114). In 2024, 84% of employees received a bonus, with an average bonus paid of £9,206.

The annual review of wider workforce remuneration determined that the remuneration of the executive directors and Group management team (GMT) is well aligned with the rest of the Group with a consistent approach taken to fixed pay (salary, benefits and pension). The key differences are pay levels, the split between different elements of pay and the metrics used to measure underlying performance. A much higher proportion of remuneration for the executive directors and GMT is performance related. The executive directors' remuneration is also subject to various best practice features, required by shareholders, such as bonus deferral and holding periods for vested long-term incentive shares which would be uncompetitive if applied to the wider employee population. I, along with our company secretary, will be meeting with the Group's HR forum in 2025 to understand issues impacting the wider workforce at a deeper level.

In respect of employee engagement, the Board continues to use an alternative arrangement whereby each of the non-executives and the chair take responsibility for engaging with employees as part of their divisional meetings and site visits for the strategy review each year. In addition, directors meet with c.90 employees at the senior management conference each year. These meetings provide the directors with opportunities for discussions with employees and individuals without the executive directors or individuals' managers present.

The directors have provided feedback to the Board throughout the year on these engagements. Property Services held its first management conference in the year and intends to do so annually. To date no issues have arisen from discussions with employees that would impact the principal decisions of the Company. The meetings have confirmed that employees feel engaged, that our Core Values are embedded across the Group and there is openness and transparency in our culture.

The divisions undertake a variety of employee engagement activities which include employee surveys, conferences, forums for gathering ideas and innovations, initiatives to clarify career paths and improve conversations between employees and their line managers, and efforts to improve people's wellbeing and increase social interaction between colleagues.

Changes to the executive team during the year

Steve Crummett stepped down as finance director and from the Board on 7 May 2024. He remained an active employee of the Company until 31 December 2024, working closely with his successor to ensure a smooth transition while also continuing to support the Company on specific legacy projects, and therefore continued to receive base salary, pension and other contractual benefits until the end of the financial year. As set out in last year's report, and reflecting his continued service over the period, Steve was eligible to participate in the 2024 annual bonus and to receive a 2024 long-term incentive award, details of which are set out in the relevant sections of this report. Following committee consideration, recognising his reason for leaving the company was by way of retirement, Steve was treated as a 'good leaver' for the purposes of his outstanding LTIP awards. Full details around the time pro-rating and performance testing of these awards are set out on page 122. He is subject to a post-exit shareholding guideline in accordance with the policy.

Steve was succeeded by Kelly Gangotra who joined the Board as chief financial officer with effect from 7 May 2024. Details of, and the rationale for, Kelly's starting remuneration arrangements were set out in last year's report but chiefly comprised: a base salary of £490,475, a pension contribution of 6% of salary, a maximum annual bonus opportunity of 150% of salary, and a 2024 LTIP award of 200% of salary (reflecting a normal award of 150% of salary and a one-off additional 50% of salary to compensate for awards forfeited from her previous employer).

2024 remuneration outcomes

Reflecting a further set of record business results, the executive directors will each receive a maximum bonus payout for 2024, of which 33% will be deferred in shares for three years. LTIP awards granted in 2022, which vest on three-year performance to 31 December 2024 (two thirds on EPS and one third on relative TSR), will vest at 100%. The committee satisfied itself that these outcomes reflect the excellent underlying performance of the business over the relevant periods and applied no discretion in their assessment.

Directors' remuneration report continued
Remuneration committee report

As it has for other awards in recent years, the committee also considered the vesting value of the 2022 LTIP awards in relation to guidance. 2022 LTIP awards were granted on 7 March 2022 using a share price of £22.94 while the fourth quarter 2024 average share price used to calculate the single figure of remuneration (see page 119) was £36.66. The committee reviewed a number of relevant perspectives in its deliberations, concluding that the gain through share price appreciation for this award is not indicative of any windfall gains. The committee will confirm this decision following the actual vest date in March 2025.

2025 remuneration

Element of remuneration	Chief executive, John Morgan	Chief financial officer, Kelly Gangotra
Salary increase	3.5%	3.5%
Annual bonus opportunity	150% of salary	150% of salary
Bonus deferral	33%	33%
LTIP award	200% of salary	175% of salary

Executive directors will each receive a 3.5% salary increase for 2025, which is below the average increase awarded across the Group's wider workforce. As noted in previous remuneration reports, the committee recognises that the chief executive's salary continues to be materially below market levels and a significant uplift is likely to be required in the medium to longer term in the event of future succession.

The maximum bonus opportunity for 2025 will remain 150% of salary for both executive directors and will continue to be based wholly on adjusted profit before tax* (PBTA*). Full details of the targets will be disclosed in next year's report. Of any bonus earned, 33% will be deferred in nil-cost share options for three years.

For 2025, and in accordance with the remuneration policy for executive directors, the LTIP award level for the chief financial officer will be increased from 150% to 175% of salary. In making this change, the committee took into account Kelly's strong performance since her appointment, including her contribution towards a record set of results and supporting a seamless transition within the finance function. The committee considers that increasing the chief financial officer's LTIP opportunity will further reinforce shareholder alignment, with the multi-year, performance-oriented nature of the incentive rewarding delivery of the Group's longer-term strategy. Before finalising this change, the committee reviewed an updated market benchmarking report from its advisers noting that a 175% LTIP opportunity level would be no higher than median against FTSE-listed sector and size comparator groups, and would position the fair value of Kelly's overall remuneration around market median. The committee also reviewed the Company's continued strong track record of performance throughout the year across a range of indicators.

In addition to the record results, it was noted, for example, that the share price had risen significantly, while relative TSR had been comfortably in the top quartile compared with the constituents of the FTSE 250 Index and around upper quartile among a group of relevant construction and housebuilding sector peers. The chief executive will continue to receive an LTIP award of 200% of salary.

Vesting of the LTIP award will continue to be based 67% on EPS and 33% on relative TSR performance with any shares that vest subject to a further two-year holding period. In respect of the EPS metric, the performance range has been set with reference to a number of internal and external reference points, including the strong performance in 2024, broker forecasts for the next three years, and typical growth rates in our sector. Threshold vesting will require a 2027 EPS of 279p, while full vesting will require a 2027 EPS of 340p. The vesting level for achieving the threshold under the EPS metric will be set at 25% of maximum, in line with the relative TSR measure and typical market practice.

In respect of the LTIP TSR metric, full vesting will require outperformance of 10% per year vs the constituents of the FTSE 250 Index (excluding investment trusts), with threshold vesting at median TSR. As a committee, we believe that the stretch EPS and TSR targets are broadly equivalent to at least an upper-quartile level of performance. Committee discretion will be used at the time of vest, if necessary, to take into account any windfall gains which arise over the vesting period.

Looking ahead

The 2026 AGM will mark the third anniversary of the adoption of the current policy and in accordance with UK reporting regulations, we will be required to submit a new policy to shareholders for approval at this time. In line with our approach for previous reviews, the committee is planning to conduct a review of existing remuneration arrangements during 2025, and will look to engage major investors to seek their input in due course. The committee will continue to monitor corporate governance and market practice developments throughout the 2025 AGM season and will consider the appropriateness of any emerging trends for the Group.

In conclusion, the committee believes that, overall, we have maintained a balanced and considered outcome in respect of remuneration with a clear link between performance, shareholder experience and reward.

I hope that we can rely on your vote in support of our approach to remuneration at our AGM in 2025. If you would like to discuss any aspect of this report, I would be happy to hear from you. You can contact me through our company secretary.

Jen Tippin
Chair of the remuneration committee
25 February 2025

* See note 28 to the consolidated financial statements for alternative performance measure definitions and reconciliations.

Remuneration at a glance

How executive director remuneration will be structured in 2025

Fixed pay

2025 2026 2027 2028 2029 2030

Salary	John Morgan: £636,486 (+3.5%)	Kelly Gangotra: £507,641 (+3.5%)
Pension	6% of base salary to a personal pension plan and/or as a cash supplement	
Benefits	Including travel allowance, private medical insurance, ill health income assurance and life assurance	

Annual bonus

2025 2026 2027 2028 2029 2030

Opportunity	John Morgan: 150% of salary	Kelly Gangotra: 150% of salary
Measures	100% PBTA*	
Deferral	33% of any bonus earned, for three years	

One-year performance period

67% of any bonus earned paid in early 2026

33% of any bonus earned deferred for three years

LTIP

2025 2026 2027 2028 2029 2030

Opportunity	John Morgan: 200% of salary	Kelly Gangotra: 175% of salary
Measures	67% adjusted* EPS 33% relative TSR	
Time horizon	Three-year performance period Vested shares subject to additional two-year holding period	

Three-year performance period

Two-year holding period on any vested shares

Annual bonus outcome in 2024

Measure	Threshold 15% payout	On-target 50% payout	Maximum 100% payout	Payout
PBTA* 100% weighting	£128.7m	£143.0m	£157.3m	100.0%
			Outturn: £172.5m	
				Total: 100.0%

LTIP outcome, 2022 award

Measure	Threshold 12.5%–25% payout	Stretch 100% payout	Payout
Adjusted* EPS 67% weighting	226.0p	259.0p	100.0%
		Outturn: 278.8p	
Relative TSR 33% weighting	Median	Median +10% p.a.	100.0%
		Outturn: Median +27.1% p.a.	
			Total: 100.0%

Directors' remuneration report continued

Remuneration in practice

The table below illustrates how remuneration policy and practice compare across the different groups of employees.

	Salary	Benefits	Pension	Short-term incentive	Long-term incentive
Executive directors	Basic salary levels take into account market-competitive levels. Any increases are normally in line with those for the wider workforce.	A range of market-competitive benefits are offered in line with the wider workforce.	Up to 6% of salary employer contribution to the LifeSight master trust ('LifeSight'), consistent with the wider workforce rate.	Annual bonus plan linked 100% to Group performance. 33% of the total award is deferred in nil-cost options.	The LTIP is a share award with performance linked to three-year EPS and TSR performance.
Group management team				Annual bonus plan linked 100% to divisional or Group performance.	The executive directors and Group management team are required to hold shares equivalent to 200% and 100% of salary respectively.
Senior management				Divisional or Group annual cash bonus plan linked to both business and personal performance.	
Wider workforce	Basic salary levels are set in line with market requirements or subject to industry-wide working rule agreements where applicable. Five of our businesses pay employees the real living wage or above. Construction and Property Services are Living Wage Foundation accredited employers.	A range of market-competitive benefits are offered. Individual benefits received depend on role and seniority.	Varies by division. Typical employer contribution of 6% of salary. Monthly paid employees are offered LifeSight and weekly paid employees are offered the opportunity to join the B&CE's People's Pension. Both plans are defined contribution. Weekly paid employees are offered contributions in line with the industry working rule agreements.	Depending on role, a proportion of employees will participate in their divisional or the Group annual cash bonus plan linked to a mix of business and/or personal performance.	Depending on role, employees may be invited to participate in the Share Option Plan (SOP). All employees are invited to participate in the Save As You Earn (SAYE) Plan.

Summary remuneration policy

The current directors' remuneration policy ('the policy') was approved by shareholders at the 2023 AGM and can be found in full on pages 141 to 151 of the 2022 Annual Report and Accounts. A summary of the key terms of the policy is set out below for information purposes.

Elements	Key terms
Base salary	▪ Typically reviewed by the committee each year. ▪ No prescribed maximum salary or increase. Salary increases for executive directors are set with reference to market rates, taking into account individual performance, experience, Company performance and the pay and conditions of other Group employees.
Pension	▪ Employer pension contribution or cash alternative aligned with the rate offered to the majority of employees (currently 6% of salary).
Benefits	▪ Market-competitive benefits offering including travel allowance, private medical insurance, ill health income assurance and life assurance.
Annual bonus	▪ Maximum bonus opportunity of 150% of salary; target opportunity up to 50% of maximum. ▪ Measures, weightings and targets are set annually by the committee, with at least 80% of the overall bonus based on financial metrics (currently PBTA*). ▪ At least 30% of any bonus earned is deferred in shares for a minimum of three years. ▪ Malus and clawback provisions apply.
Long-Term Incentive Plan (LTIP)	▪ Maximum award of 200% of salary. ▪ Threshold performance pays out no more than 25% of maximum. ▪ Vesting is subject to performance measured over at least three financial years. ▪ Vested awards are typically subject to a mandatory two-year holding period. ▪ Performance measures, weightings and targets are set by the committee ahead of each award to reinforce the Company's strategy. Measures will include relative TSR and EPS, with flexibility to introduce additional measure(s) for up to one third of future awards. ▪ Malus and clawback provisions apply.
SAYE	▪ Tax-advantaged plan subject to prevailing HMRC limits and open to all employees. ▪ Options are granted at a discount of up to 20%.
Non-executive director (NED) fees	▪ The chair receives an all-inclusive fee which is reviewed annually by the committee. ▪ Fees for NEDs are reviewed annually by the Board. ▪ NEDs receive a basic annual fee, with additional fees being paid to the senior independent director and to the chairs of the committees. ▪ Aggregate NED fees are limited by the Company's Articles of Association.
Share ownership guidelines	▪ Executive directors are expected to build and maintain shareholdings at a minimum specified level (currently 200% of basic salary) and must retain no less than 50% of the net of tax value of vested incentive awards until this is achieved.
Post-employment shareholding guidelines	▪ Executive directors are required to maintain the lower of: a) their shareholding at the time of leaving the business (excluding individually purchased shares); and (b) 200% of salary (the current in-post shareholding guideline) for 12 months after stepping down from the Board. ▪ The required shareholding is reduced for the second 12 months after stepping down from the Board to the lower of: a) their shareholding at the time of leaving the business (excluding individually purchased shares); and (b) 100% of salary (i.e. half of the current in-post shareholding guideline).

Directors' remuneration report continued
Summary remuneration policy

Service agreements

Executive directors

Executive directors have rolling service contracts that provide for 12 months' notice on either side. There are no special provisions that apply in the event of a change of control.

	Date of service contract
John Morgan	20 February 2012
Kelly Gangotra	7 December 2023

The Company allows executive directors to hold external non-executive directorships, subject to the prior approval of the Board, and to retain fees from these roles.

Non-executive directors

All non-executive directors have specific terms of engagement, being an initial period of three years which thereafter may be extended by mutual consent, subject to the requirements for re-election, the UK Listing Rules of the Financial Conduct Authority (FCA) and the relevant sections of the Companies Act 2006.

	Appointment commencement date	Month/year initial three-year term was extended	Month/year second three-year term was extended
Michael Findlay	3 October 2016	October 2019	October 2022
David Lowden	10 September 2018	September 2021	September 2024
Jen Tippin	1 March 2020	March 2023	
Sharon Fennessy	1 January 2024		
Mark Robson	1 September 2024		

The non-executive directors are subject to annual re-election by shareholders.

Annual report on remuneration

This section provides details of how the remuneration policy was implemented during the financial year ended 31 December 2024 and planned implementation in 2025. The information provided in this section of the remuneration report which is subject to audit has been highlighted.

Single total figures of remuneration (audited)

Executive directors

	Fixed pay				Variable pay			
	Fees/basic salary £000	Benefits[3] £000	Pension contributions £000	Total fixed pay £000	Annual bonuses £000	Value of long-term incentives[4] £000	Total variable pay £000	Total remuneration £000
John Morgan								
2024	**615**	**28**	**37**	**680**	**922**	**1,350**	**2,272**	**2,952**
2023	591	27	35	653	706	1,217	1,923	2,577
Kelly Gangotra[1]								
2024	**322**	**17**	**19**	**358**	**483**	**0**	**483**	**841**
Steve Crummett[2]								
2024	**173**	**9**	**10**	**192**	**259**	**1,012**	**1,271**	**1,463**
2023	472	26	28	525	563	971	1,534	2,060

Notes:

1 Kelly Gangotra joined the Board as chief financial officer on 7 May 2024.

2 Steve Crummett stepped down as finance director and from the Board on 7 May 2024 and remained employed with the Group until 31 December 2024. Figures shown in the table relate to his service as an executive director until 7 May 2024 save that the value of long-term incentives reflects the full value of his 2022 LTIP award.

3 Benefits relate to travel allowance, medical benefits, ill health income protection, employee assistance programme and life assurance.

4 As the market price on the date of vesting for the 2022 awards is currently unknown, the LTIP value shown is estimated using the average market value over the last quarter of 2024 of £36.66. The 2023 comparative figures for the value of the long-term incentives and total remuneration have been revised from last year's report to reflect the actual share price used for the vesting and the value of dividend-equivalent shares awarded. Awards granted in 2021, which vested based on performance to 31 December 2023, are valued using the mid-market closing price on 4 March 2024, the date prior to the date of vesting (5 March 2024), of £22.80. (The mid-market closing share price on 5 March 2024 was £22.70.)

Annual cash bonus outturn (audited)

Annual bonus figures represent the full amount earned for 2024 with Kelly Gangotra's bonus pro-rated to reflect her period of service since joining the Board. Of the amounts shown, 33% will be deferred in nil-cost share options for three years. The table below shows performance against PBTA* targets for 2024 representing 100% of the annual bonus potential.

	Threshold £m (15% payout)	Target £m (50% payout)	Maximum £m (100% payout)	Actual performance £m	Payout, percentage of maximum
Group PBTA* full-year 2024	128.7	143.0	157.3	172.5	**100%**

Governance

Directors' remuneration report continued
Annual report on remuneration

LTIP – 2022 award outturn (audited)

LTIP awards granted in 2022 are due to vest on 7 March 2025. As set out in the table below, 100% of these awards are expected to vest.

	Weighting	Threshold (EPS: 12.5% vest, TSR: 25% vest)	Stretch (100% vest)	Actual performance	Percentage vesting
Adjusted* EPS in full-year 2024	67%	226.0p	259.0p	278.8p	100%
Relative TSR (vs FTSE 250 excluding investment trusts)	33%	Median	Median + 10% p.a.	Median + 27.1% p.a. outperformance	100%
Total vesting					**100%**

As the market price on the date of vesting is currently unknown, the values shown in the single-figure table are based on the average market value over the last quarter of 2024 of £36.66, a 59.8% increase on the share price at the date of grant of £22.94. Accordingly, 37.4% of the 'value of long-term incentives' figures shown in the single-figure table on page 119 is a result of share price appreciation, amounting to c.£505,212 and c.£378,672 for John Morgan and Steve Crummett respectively. As noted earlier in this report, the committee's view is that the gain through share price appreciation is not indicative of any windfall gains and therefore it has not exercised any discretion in respect of the achieved outcomes. The value of 2024 long-term incentives in the single-figure table on page 119 does not include the value of any dividend-equivalent shares that may be due for the 2022 awards on the date of vesting.

The net awards received (after the deduction of tax and National Insurance) will be subject to a two-year holding period in which the director will not be able to sell the shares but will be entitled to receive dividends and vote on the shares. The shares will be held in a share account for the individual and will be transferred to the individual at the end of the holding period.

Non-executive directors (audited)

	Fees £000		Taxable benefits[1] £000		Total £000	
	2024	2023	**2024**	2023	**2024**	2023
Michael Findlay	**220**	199	**–**	–	**220**	199
Malcolm Cooper[2]	**52**	75	**–**	–	**52**	75
Sharon Fennessy[3]	**68**	–	**7**	–	**75**	–
David Lowden	**72**	65	**–**	–	**72**	65
Mark Robson[4]	**24**	–	**–**	–	**24**	–
Jen Tippin	**72**	55	**–**	–	**72**	55
Kathy Quashie[5]	**35**	54	**–**	–	**35**	54
Tracey Killen[6]	**n/a**	64	**n/a**	–	**n/a**	64

1 Taxable benefits include taxable relevant travel and accommodation expenses for attending Board meetings and related business. Any value disclosed is inclusive of tax arising on the expense, which is settled by the Company.
2 Malcolm Cooper stepped down as audit committee chair on 2 May 2024, and as chair of the responsible business committee and from the Board on 31 August 2024.
3 Sharon Fennessy was appointed to the Board on 1 January 2024 and as chair of the audit committee on 2 May 2024.
4 Mark Robson was appointed to the Board and as chair of the responsible business committee on 1 September 2024.
5 Kathy Quashie stepped down from the Board on 31 July 2024.
6 Tracey Killen stepped down from the Board on 31 December 2023.

The aggregate remuneration for executive and non-executive directors in 2024 was £3.44m (2023: £2.96m). Aggregate remuneration comprises salary, fees, benefits, pension contributions and bonus payments.

Directors' remuneration report continued
Annual report on remuneration

Share awards granted during the year (audited)

LTIP

In 2024, LTIP awards were made to the executive directors which will vest subject to performance over the three financial years to 31 December 2026. Of these awards, 67% are subject to an EPS performance condition and 33% are subject to a TSR performance condition, full details of which are included in last year's annual report on remuneration.

	Date of grant	Percentage of salary awarded	Five-day average share price at date of grant	No. of shares over which award was granted	Face value of award	Percentage of awards vesting at threshold	Performance period
John Morgan	4 March 2024	200%	£23.16	53,105	£1,229,912	16.7% (12.5% for EPS element, 25% for TSR element)	1 January 2024 to 31 December 2026
Steve Crummett[1]	4 March 2024	150%	£23.16	31,766	£735,701		
Kelly Gangotra[2]	14 May 2024	150%	£24.22	30,376	£735,707		
		50%		10,125	£245,228		

1 Steve Crummett's award was subsequently pro-rated downwards to reflect his 'good leaver' status and the proportion of the period served. See page 122 for further details.

2 In addition to her normal award, Kelly Gangotra received an additional one-off award of 50% of salary to compensate for long-term incentives forfeited from her previous employer.

The share prices used to calculate the awards at the date of grant were based on the average share price for the five dealing days preceding the respective dates of grant. The closing share price on 4 March 2024 was £22.80 and the closing share price on 14 May 2024 was £24.30.

Deferred bonus share options

Of the annual bonus earned in 2023, 30% was deferred into nil-cost share options that will become exercisable three years from the date of grant.

	Date of grant	Percentage of bonus earned which was deferred	Five-day average share price at date of grant	No. of shares over which award was granted	Face value of award	Date from which options are exercisable
John Morgan	4 March 2024	30%	£23.16	9,142	£211,729	4 March 2027
Steve Crummett	4 March 2024	30%	£23.16	7,291	£168,860	4 March 2027

Directors' remuneration report continued
Annual report on remuneration

Outstanding interests under share schemes (audited)

Details of the executive directors' interests in long-term incentive awards as at 31 December 2024 and movements during the year are as follows:

Performance shares

	Date of award	No. of shares outstanding as at 1 January 2024	No. of shares awarded	No. of dividend-equivalent shares awarded	Total no. of shares vested	No. of shares lapsed	No. of awards outstanding as at 31 December 2024	End of performance period	Date awards vest
John Morgan									
	5.3.2021	47,764	–	5,635	53,399	–	–	31.12.2023	5.3.2024
	7.3.2022	36,823	–	–	–	–	36,823	31.12.2024	7.3.2025
	3.3.2023	49,606	–	–	–	–	49,606	31.12.2025	3.3.2026
	4.3.2024	–	53,105	–	–	–	53,105	31.12.2026	4.3.2027
Total		**134,193**	**53,105**	**5,635**	**53,399**	**–**	**139,534**		
Steve Crummett									
	5.3.2021	38,086	–	4,493	42,579	–	–	31.12.2023	5.3.2024
	7.3.2022	29,369	–	–	–	1,769	27,600	31.12.2024	7.3.2025
	3.3.2023	39,564	–	–	–	15,415	24,149	31.12.2025	3.3.2026
	4.3.2024	–	31,766	–	–	23,005	8,761	31.12.2026	4.3.2027
Total		**107,019**	**31,766**	**4,493**	**42,579**	**40,189**	**60,510**		
Kelly Gangotra									
	14.5.2024	–	40,501	–	–	–	40,501	31.12.2026	14.5.2027
Total		**–**	**40,501**	**–**	**–**	**–**	**40,501**		

Notes:

- Steve Crummett's unvested LTIP awards were pro-rated downwards to reflect his 'good leaver' status and the proportion of the relevant periods served. See page 128 for further details.
- Of the awards granted in 2021, 100% vested due to the EPS and TSR targets being achieved. The Group's 2023 EPS was 247.7p, which resulted in 100% of the EPS element of the award vesting. The Group also achieved a TSR of 20.8% per year, which exceeded the median of the comparator group by 21.5% per year and resulted in 100% of the TSR element of the award vesting. The net awards received (after the deduction of tax and National Insurance) will be subject to a two-year holding period in which the director will not be able to sell the shares but will be entitled to receive dividends and vote on the shares. The shares will be released to the director at the end of the holding period.
- Outstanding performance shares are subject to a point-to-point EPS growth target and a TSR performance condition.

Directors' remuneration report continued
Annual report on remuneration

Deferred bonus plan nil-cost options

	Date of grant	No. of options outstanding as at 1 January 2024	No. of options granted	No. of dividend-equivalent shares awarded	No. of options exercised	No. of options lapsed	No. of options outstanding as at 31 December 2024	Date from which exercisable
John Morgan								
	7.3.2022	8,937	–	–	–	–	8,937	7.3.2025
	3.3.2023	11,811	–	–	–	–	11,811	3.3.2026
	4.3.2024	–	9,142	–	–	–	9,142	4.3.2027
Total		**20,748**	**9,142**	**–**	**–**	**–**	**29,890**	
Steve Crummett								
	7.3.2022	7,126	–	–	–	–	7,126	7.3.2025
	3.3.2023	9,420	–	–	–	–	9,420	3.3.2026
	4.3.2024	–	7,291	–	–	–	7,291	4.3.2027
Total		**16,546**	**7,291**	**–**	**–**	**–**	**23,837**	

Notes:

- Steve Crummett's outstanding deferred bonus plan awards will continue to vest at the end of their respective three-year deferral periods. See page 128 for further details.
- The mid-market price of a share on 31 December 2024 was £39.00 and the range during the year was £21.50 to £39.55.
- No bonus was earned by the executive directors in respect of the 2020 financial year and, accordingly, no options were awarded under the deferred bonus plan in 2021 and exercised in 2024.

Other disclosures

Remuneration committee meetings

The committee met on four occasions during the year. By invitation, the chair of the Board attended all meetings of the committee and the chief executive attended three of the committee meetings. The company secretary acted as secretary to the committee. The chief financial officer did not attend any of the committee meetings. No person was present during any discussion relating to their own remuneration.

Over the course of the year, the committee received advice on remuneration matters from remuneration advisers Ellason LLP (Ellason), who were appointed by the committee in 2021 following a competitive tender process. The committee has also relied on information and advice provided by the company secretary and has consulted the chief executive (albeit not in relation to his own remuneration). Ellason is a signatory of the Code of Conduct for Remuneration Consultants, details of which can be found at remunerationconsultantsgroup.com, and the committee is satisfied that the advice it receives from Ellason is independent and objective. The fees paid by the Company to Ellason during the financial year were £107,260 (2023: £67,905). Ellason also provided advice to the Company on accounting for share awards but provided no other material services to the Company or the Group.

Shareholder voting

At last year's AGM held on 2 May 2024, the remuneration report (excluding the remuneration policy) for the year ended 31 December 2023 was approved by shareholders. The following table shows the results of the advisory vote on the 2023 annual remuneration report as well as the results of the binding vote on the remuneration policy, which was last approved by shareholders at the 2023 AGM.

	Voting for		Voting against			
	Number of shares	Percentage	Number of shares	Percentage	Total votes cast	Votes withheld[1]
Annual remuneration report (2024 AGM)	32,557,310	90.45%	3,436,814	9.55%	35,994,124	470,412
Remuneration policy (2023 AGM)	27,256,102	77.81%	7,774,480	22.19%	35,030,582	3,534,665

1 Shareholders who have indicated that they wish to actively abstain from voting are counted as a vote withheld. A vote withheld is not a vote in law and is not counted in the calculation of the proportion of votes cast 'for' and 'against' a resolution.

Dilution and share usage under employee share plans

Shares for the Company's discretionary and all-employee share plans may be satisfied using either new issue shares or market-purchased shares. Our present intention is to use market-purchased shares to satisfy awards granted under the LTIP and SOP and new issue shares to satisfy options granted under the SAYE Plan. However, we retain the ability to use new issue shares for the LTIP and SOP and may decide to do so up to the dilution limits specified in the Plan rules (currently 10% of issued ordinary share capital for all-employee share plans over a 10-year period and, within this limit, no more than 5% of issued ordinary share capital for executive or discretionary share plans). The outstanding level of dilution against these limits equates to 8.72% (2023: 9.05%) of the current issued ordinary share capital under all-employee share plans, of which 0% relates to discretionary share plans.

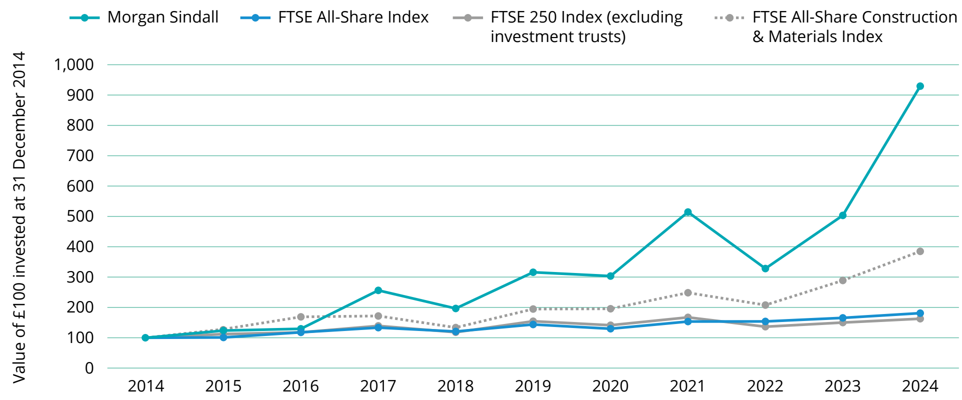
As at 31 December 2024, the Trust held 1,241,722 shares (2023: 1,124,215), which may be used to satisfy awards.

Directors' remuneration report continued
Other disclosures

Chief executive remuneration and performance graph

Historical TSR performance

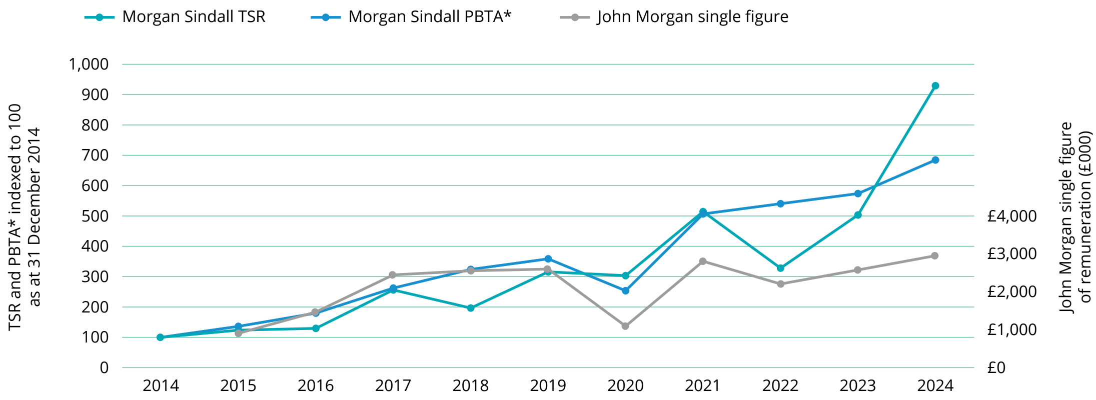
The graph below shows the value to 31 December 2024 of £100 invested in the Company on 1 January 2015 compared with the value of £100 invested in the FTSE All-Share Index and the FTSE All-Share Construction & Materials Index, these being indices of which the Company has been a constituent over the period shown. The graph also shows the value of £100 invested in the FTSE 250 Index (excluding investment trusts), the constituents of which are used for the purposes of the TSR element of the LTIP. In all cases, the other points plotted are the values at intervening financial year ends.



Historical pay vs performance

The graph below shows the TSR and PBTA* for the Company over the past 10 financial years.

The chief executive remuneration table provides a summary of the total remuneration received by the chief executive over the past 10 years, including details of annual bonus payout and long-term incentive award vesting level in each year. The annual bonus payout and long-term incentive award vesting level as a percentage of the maximum opportunity are also shown for each of these years.



	2015	2016	2017	2018	2019	2020	2021	2022	2023	**2024**
Total remuneration £000	905	1,467	2,447	2,555	2,599	1,095	2,806	2,207	2,577	**2,952**
Annual bonus percentage of maximum	80	100	100	100	93	–	100	100	95	**100**
Long-term incentive award vesting percentage of maximum share awards	–	62	100	100	100	43	100	100	100	**100**

Note: The 2023 total remuneration has been revised from last year's report to reflect the actual share price used for the vesting and the value of dividend-equivalent shares awarded under the 2014 LTIP (see page 119 for further information).

Directors' remuneration report continued
Other disclosures

Chief executive pay ratio

	Chief executive pay ratio			
	Calculation methodology	P25 (lower quartile)	P50 (median)	P75 (upper quartile)
2024	**B**	**65:1**	**45:1**	**31:1**
2023	B	56:1	32:1	26:1
2022	B	47:1	34:1	20:1
2021	B	60:1	53:1	32:1
2020	B	30:1	22:1	15:1
2019	B	58:1	43:1	27:1

The lower-, median- and upper-quartile employees were determined based on the hourly rate data as at 5 April 2024, collected for the Group's reporting under the gender pay gap legislation (Option B). The gender pay gap data reviews the pay of all UK employees. This calculation methodology was chosen as the data was readily available from our work in determining the gender pay gap. Furthermore, with our decentralised business model and significant UK workforce, calculating the single figure of remuneration for each employee (Option A) would be prohibitively time-consuming and expensive.

The committee has considered the pay data for the three individuals identified and believes that it fairly reflects pay at the relevant quartiles among our UK workforce. The three individuals identified were full-time employees during the year. No adjustments or assumptions were made by the committee, with the total remuneration of these employees calculated in accordance with the methodology used to calculate the single figure of the chief executive for the 2024 financial year. The table below sets out the remuneration details for the individuals identified.

Salary	Chief executive	P25	P50	P75
Basic salary £k	615	33	53	72
Total annual pay[1] £k	1,602	46	66	95
Total pay[2] £k	2,952	46	66	95

1 Total annual pay includes, where applicable, basic salary, annual bonus, pension, travel or car allowance and the cash value of employee benefits received, such as death in service, private medical, group income protection and employee assistance programme.

2 Total pay includes total annual pay plus the cash value of any long-term incentives received under either the LTIP or the SOP.

The ratio of 45:1 is 41% higher than the median ratio of 32:1 in 2023, with this increase driven primarily by share price growth over the 2022–24 long-term incentive vesting period.

None of the median employees in each quartile identified this year received benefits under the Company's long-term incentive schemes. With a significant proportion of the pay of our chief executive linked to the Company's performance and share price movements over the longer term, it is expected that the ratio will depend substantially on long-term incentive outcomes each year, and accordingly may fluctuate. The committee has therefore also produced pay ratios for basic salary and total annual pay as shown in the table below.

Ratio	P25	P50	P75
Basic salary	19:1	12:1	9:1
Total annual pay[1]	35:1	24:1	17:1
Total pay[2]	65:1	45:1	31:1

1 Total annual pay includes, where applicable, basic salary, annual bonus, pension, travel or car allowance and the cash value of employee benefits received, such as death in service, private medical, group income protection and employee assistance programme.

2 Total pay includes total annual pay plus the cash value of any long-term incentives received under either the LTIP or the SOP.

Relative importance of spend on pay

The table below shows pay for all employees compared with other key financial indicators.

	2024	2023	Change
Employee remuneration	**£759.7m**	£616.4m	23%
Basic earnings per share (adjusted*)	**278.8p**	247.7p	14%
Dividends paid during the year	**£56.1m**	£48.1m	17%
Employee headcount[1]	**8,242**	7,689	7%

1 Employee headcount is the monthly average number of employees on a full-time equivalent basis. More detail is set out in note 2 to the consolidated financial statements.

Shareholding guidelines (audited)

Through participation in performance-linked share-based plans, there is strong encouragement for senior executives to build and maintain a significant shareholding in the business. Shareholding guidelines are in place requiring the executive directors to build and maintain a shareholding in the Company equivalent to 200% of base salary. Until this threshold is achieved, there is a requirement for executives to retain no less than 50% of the net of tax value of vested incentive awards.

	Percentage of salary required under shareholding guidelines	**Percentage of salary held at 31 December 2024**
John Morgan	200%	**20,827%**
Kelly Gangotra	200%	**7.75%**

As at the date of stepping down from the Board, Steve Crummett's equivalent shareholding was 860% of salary.

The share price used to value the shares as at 31 December 2024 was £39.00 (2023: £22.15).

Directors' remuneration report continued
Other disclosures

Percentage change in remuneration levels

The tables below show details of the percentage change in base salary, benefits and annual bonus for the chair, the executive and non-executive directors over the past five financial years, compared with the average percentage change for other employees of the Group over the same periods. Where relevant, data is shown on a full-time equivalent basis.

Percentage change in base salary/fees	2023–24	2022–23	2021–22	2020–21	2019–20
Chair	**10.8%**	5.0%	2.8%	7.4%	–2.3%
Chief executive	**3.5%**	5.0%	3.0%	7.4%	–2.1%
Finance director (Steve Crummett[1])	**3.5%**	5.0%	3.0%	7.4%	–2.2%
Audit and responsible business committee chair (Malcolm Cooper[2])	**11.2%**	5.0%	2.2%	6.8%	–3.7%
Senior independent director (David Lowden)	**11.1%**	5.0%	2.5%	7.0%	–3.4%
Remuneration Committee chair (Jen Tippin)	**31.0%**	6.4%	3.0%	8.5%	n/a
Kathy Quashie[3]	**11.1%**	5.0%	3.0%	n/a	n/a
All employees	**5.6%**	2.7%	1.5%	2.6%	4.8%

Percentage change in benefits	2023–24	2022–23	2021–22	2020–21	2019–20
Chief executive	**3.7%**	0.2%	4.8%	2.4%	2.6%
Finance director (Steve Crummett[1])	**0.0%**	0.0%	4.3%	3.2%	–0.2%
All employees	**10.1%**	4.7%	–2.8%	1.5%	8.0%

Percentage change in bonus	2023–24	2022–23	2021–22	2020–21	2019–20
Chief executive	**30.6%**	0.3%	3.1%	100%	100%
Finance director (Steve Crummett[1])	**30.6%**	0.3%	3.0%	100%	100%
All employees	**–6.1%**	8.8%	–5.9%	50.6%	–9.1%

Non-executive directors are not eligible to participate in the annual bonus scheme and therefore no data is shown for them in the annual bonus table. Similarly, non-executive directors have not received benefits from the Company in any of the years shown and therefore no data is shown for them in the benefits table.

Sharon Fennessy was appointed to the Board on 1 January 2024 and as chair of the audit committee on 2 May 2024; Mark Robson was appointed to the Board and as chair of the responsible business committee on 1 September 2024; and Kelly Gangotra joined the Board on 7 May 2024. With no percentage changes to report, these Board members are not included in the base salary/fees table.

1 Steve Crummett stepped down from the Board on 7 May 2024.
2 Malcolm Cooper stepped down as audit committee chair on 2 May 2024, and as chair of the responsible business committee and from the Board on 31 August 2024.
3 Kathy Quashie stepped down from the Board on 31 July 2024.

Directors' interests (audited)

The figures below set out the shareholdings beneficially owned by directors and their family interests at 31 December 2024.

	31 December 2024 No. of shares	31 December 2023 No. of shares
Michael Findlay	**4,173**	4,173
John Morgan	**3,284,113**	3,556,225
Kelly Gangotra	**975**	n/a
Sharon Fennessy	**650**	n/a
David Lowden	**4,000**	4,000
Jen Tippin	**1,000**	1,000
Mark Robson	**13,325**	n/a

There have been no changes in the interests of the directors between 31 December 2024 and 24 February 2025.

Directors' remuneration report continued
Other disclosures

External appointments

At the discretion of the Board, executive directors are allowed to act as non-executive directors of other companies and retain any fees relating to those posts. Neither of the executive directors currently hold external appointments for which they are remunerated.

Leaver arrangements for Steve Crummett

Steve Crummett stepped down from the Board with effect from 7 May 2024. He remained an active employee until 31 December 2024 working closely with his successor to ensure a smooth transition while also continuing to support the Company on specific legacy projects. As noted on page 113, the committee determined the remuneration arrangements for the outgoing finance director in line with the approved policy, as follows:

- Steve continued to receive base pay, pension and other contractual benefits until 31 December 2024. In addition to the amounts included in the single figure table on page 119, Steve received a total of £355k in respect of these elements of remuneration paid after stepping down as an executive director.
- Steve was eligible to participate in the 2024 annual bonus with a maximum opportunity of 150% of salary. In addition to the amount included in the single figure table on page 119, Steve received a bonus of £477k in respect of the period after stepping down as an executive director. Of the total annual bonus earned by Steve in respect of the 2024 financial year, 33% will be deferred in shares for three years.
- Steve's outstanding Deferred Bonus Plan shares granted in March 2022, March 2023 and March 2024 will continue to vest at the end of the original deferral periods and be included in his post-employment shareholding requirement until 7 May 2026.
- Reflecting his retirement, Steve was treated as a 'good leaver' in relation to all unvested LTIP awards, each of which will continue to vest on the normal vesting dates subject to satisfaction of the applicable performance conditions and to time pro-rating (as reflected in the table on page 122), and with release subject to a two-year post-vest holding period. The committee retains full discretion and will, in advance of each vesting date, consider whether Steve remains a 'good leaver' or whether an alternative treatment should apply.
- Steve is subject to a post-employment shareholding guideline until 7 May 2026, in accordance with the policy.

Payments to past directors or for loss of office (audited)

Details of the leaver arrangements for Steve Crummett are detailed above. No other payments were made to past directors during the year.

Implementation of the remuneration policy for 2025

Base salaries

In setting the 2025 base salaries, the committee considered the budgeted level of increases in base salary for senior executives below Board level and the workforce generally, which averaged 5.6%. The committee determined that the base salaries for John Morgan and Kelly Gangotra should increase by 3.5% with effect from 1 January 2025. In confirming the salary increases, the committee took account of the performance of each executive director and their respective responsibilities and the positioning of their current salaries relative to market competitors,[1] as detailed in the chair's statement above.

	From 1 January 2025 £	From 1 January 2024 £	Increase
John Morgan	**636,486**	614,963	3.5%
Kelly Gangotra	**507,641**	490,475	3.5%

1 The Committee considers size-adjusted market data for construction, engineering and housebuilding sector comparators (Babcock, Balfour Beatty, Barratt, Bellway, Costain, Keller, Kier, Mitie, Persimmon, Taylor Wimpey and Vistry), as well as market data for size comparators, drawn from the FTSE on the basis of similarity to Morgan Sindall in terms of market cap, revenue and number of employees.

Pension

The Company contributes up to 6% of base salary to a personal pension plan and/or as a cash supplement. This is in line with the maximum pension contribution for the employee population. Consistent with all employees participating in the LifeSight master trust, relevant executive directors may exchange part of their gross salary and bonus awards in return for pension contributions. Where additional pension contributions are made through the salary exchange process, the Company enhances the contributions by half of the saved employer's National Insurance contribution.

The majority of employees in the Group are entitled to a Company pension contribution of up to 6% of basic salary if they contribute 6% themselves. Senior employees within the Group are entitled to a Company pension contribution of up to 10% of basic salary.

Annual bonus

The maximum annual bonus potential for 2025 will be 150% of base salary with 67% of any bonus earned paid in cash and the remaining 33% deferred in nil-cost share options for three years. To ensure that management is focused on the Group's financial performance in 2025, 100% of the bonus will continue to be based on a PBTA* target range set in relation to the Group budget. The annual bonus, including the deferred shares, will be subject to malus and clawback provisions.

The targets for the forthcoming year are set in relation to the Group budget, which is considered commercially sensitive.

For 2025, the bonus trigger point for the annual bonus will be 95% and the maximum trigger point will be 110% of budgeted PBTA*. Retrospective disclosure of the targets and performance against them will be disclosed in next year's remuneration report.

Long-term incentives

The committee intends to make awards to the current executive directors under the LTIP in March 2025.

The awards to be granted in 2025 will be over 200% of base salary for the chief executive and 175% for the chief financial officer. Consistent with prior years, two thirds of awards will be based on an EPS performance target with the remaining one third based on the Company's TSR performance. Threshold performance under each measure will deliver 25% vesting, rising on a straight-line basis to full vesting for stretch performance. Further details on the performance conditions are set out below.

Net shares vesting under LTIP awards granted in 2025 will be subject to a mandatory two-year holding period at the end of the vesting period. All awards are subject to malus and clawback provisions.

EPS performance condition (two thirds of award)

In order to set appropriate EPS targets for the 2025 cycle, the committee considered a number of internal and external reference points, broker forecasts for the Company and sector peers over the next two to three years, and typical growth rates in our sector. The threshold has been set at a 2027 EPS of 279p and stretch of 340p. The committee is satisfied this range is appropriately stretching given forecasts for the sector.

Vesting of the EPS component will be based on achievement against this range in 2027 and will also be subject to review by the remuneration committee to ensure vesting is commensurate with underlying Company performance, taking into account, for example, imposed tax changes.

TSR performance condition (one third of award)

TSR targets for 2024 awards will be expressed as an outperformance of median as per the last three cycles.

The TSR comparator group will again be based on the constituents of the FTSE 250 Index (excluding investment trusts). Full vesting will require 10% per year outperformance of comparator median, a level which remains broadly equivalent to an upper-quartile level of difficulty.

Similarly to previous cycles, the committee retains overarching discretion to override the formulaic outturn of the LTIP where it believes the outcome is not truly reflective of performance, or to adjust performance measures, targets and/or weightings during the performance period under exceptional circumstances. Any use of committee discretion with respect to waiving or modifying performance conditions will be disclosed in the relevant annual report.

Directors' remuneration report continued
Implementation of the remuneration policy for 2025

Fees for the non-executive directors

A further review of the non-executive director fees was undertaken during 2024, resulting in increases for 2025 of 8.3% to help ensure the fees reflect the time commitment of the roles and are competitive. The resulting fee levels, summarised below, are now positioned broadly between the median and upper quartile of the FTSE 250.

The committee determined that the chair's fee for 2025 be increased to £270,000 taking into account (i) the exceptional contribution of Michael Findlay and his experience in the role; (ii) the position of the Company within the upper quartile of the FTSE 250; and (iii) the need to attract a new chair with suitable skills and experience in 2025. The below-median level position of the current fee vs relevant market comparators was also taken into account and deemed that the fee should be raised to between the median and upper quartile for the FTSE 250. As Michael Findlay's term as chair is coming to a close, the Board has considered and recognised the need for the chair's fee to be increased to attract future talent and the fee will not be increased further on the appointment of Peter Harrison as Michael's successor. The Board deemed that the base fee for non-executive directors should also be increased given the lower-quartile position of the current fees vs relevant market comparators. The committee chair and senior independent director fees were increased for 2025 which the Board deems appropriate to reflect the increasing complexity and time commitment required of these roles and noting the significant growth of the Company in 2024.

Accordingly, the annual fees from 1 January 2025 are as follows:

	2025 £	2024 £	Increase %
Chair	**270,000**	220,000	22.7
Non-executive directors			
Base fee	**65,000**	60,000	8.3
Additional fees:			
Audit committee chair	**15,000**	11,700	28.2
Responsible business committee chair	**15,000**	11,700	28.2
Remuneration committee chair	**15,000**	11,700	28.2
Senior independent director	**15,000**	11,700	28.2

Non-executive directors do not receive pension contributions, private medical insurance, group income protection insurance or life assurance and do not participate in any short-term or long-term incentive schemes.

This report was approved by the Board and signed on its behalf by:

Jen Tippin
Chair of the remuneration committee
25 February 2025

Other statutory information

The directors have pleasure in submitting the Group's annual report, together with the consolidated financial statements of the Group for the year ended 31 December 2024.

The strategic report is presented on the inside front cover to page 79 (inclusive). The directors' report required under the Act comprises the entire governance section on pages 81 to 134) together with explanatory notes incorporated by reference.

The Board has chosen, in accordance with section 414C (11) of the Act, to include in the strategic report the following information that it considers to be of strategic importance that would otherwise be required to be disclosed in the directors' report:

- an explanation of the steps the directors have taken to foster the Company's business relationships with suppliers, customers and others (pages 11 to 13);
- employment policies, employee consultation and involvement (pages 76, 77 and 11);
- disclosures concerning employment of disabled persons (page 43);
- additional details of the Group's approach to diversity and inclusion (page 43), and ESG disclosures (pages 38 to 51);
- disclosures concerning GHG emissions, energy consumption, energy-efficiency action and an intensity ratio appropriate for our business (pages 44 to 47 and pages 73 and 74);
- the likely future developments in the business of the Group (pages 22 to 37);
- detail on principal risks (pages 53 to 61); and
- details of research and development activities (pages 22 to 51 and pages 63 to 74).

The management report as required by the FCA's Disclosure Guidance and Transparency Rules (Rule 4.1) comprises the strategic report which includes the principal risks to our business.

There were no significant events since the balance sheet date.

The Group does not operate any branches outside of the United Kingdom.

The table below shows where to locate information required to be disclosed under Rule 6.6.1R of the UK Listing Rules (UKLR):

UKLR	Relevant information	Page
6.6.1R(3)	Long-term incentive schemes	111 to 130
6.6.1R(11)	Dividend waiver by Employee Benefit Trust	133
6.6.1R(12)	Shareholder waiver of future dividends	133

Directors

Biographical details are shown earlier in the directors' and corporate governance report. The directors of the Company who served during the year are shown on page 127 in the remuneration report. Further details of the service agreements and remuneration of the executive directors, letters of appointment and fees of the non-executive directors, and their interests in shares of the Company are also given in the remuneration report.

The rules regarding the appointment and removal of directors are contained in the Company's Articles, the Code and the Act. The Board may appoint a director, either to fill a vacancy or as an addition to the existing Board, so long as the total number of directors does not exceed the limit provided in the Articles. At every AGM, all the directors at the date of the notice convening the AGM must retire and offer themselves for re-election. All the directors proposed for re-election at the 2025 AGM held office throughout the year. Kelly Gangotra was appointed to the Board on 7 May 2024 and Mark Robson was appointed to the Board on 1 September 2024 and they will be offering themselves for election by shareholders.

Annual general meeting

The AGM of the Company will be held on 1 May 2025 at 10.00am at the offices of Morgan Sindall Group plc, Kent House, 14–17 Market Place, London, W1W 8AJ. The Notice of Meeting is available to view on the Company's website in the investors section.

Powers of directors

Subject to the Articles, the Act and any directions given by the Company by special resolution, the business of the Company will be managed by the Board who may exercise all the powers of the Company, whether relating to the management of the business or not. In particular, the Board may exercise all the powers of the Company to borrow money, to mortgage or charge any of its undertakings, property, assets (present and future) and uncalled capital, to issue debentures and other securities, and to give security for any debt, liability or obligation of the Company or of any third party.

Directors' indemnities

The Articles entitle the directors of the Company to be indemnified, to the extent permitted by the Act and any other applicable legislation, out of the assets of the Company in the event that they suffer any loss or incur any liability in connection with the execution of their duties as directors. Neither the indemnity nor any applicable insurance provides cover in the event that a director (or officer or company secretary as the case may be) is proved to have acted fraudulently or dishonestly.

In addition, and in common with many other companies, the Company had during the year, and continues to have in place, appropriate directors' and officers' liability insurance in favour of its directors and other officers in respect of certain losses or liabilities to which they may be exposed due to their office.

Other statutory information continued

The Company has also indemnified each Board director and certain directors of its Group companies to the extent permitted by law against any liability incurred in relation to acts or omissions arising in the ordinary course of their duties. The indemnity arrangements are categorised as qualifying third-party indemnity provisions under the Act and will continue in force for the purposes of the Act and for the benefit of directors (or officers or company secretary as the case may be) on an ongoing basis. The Company also had, and continues to have in place, a pension trustee liability insurance policy in favour of the trustees of the former Morgan Sindall Retirement Savings Plan in respect of certain losses or liabilities to which they may be exposed due to their office. This constitutes a 'qualifying pension scheme indemnity provision' for the purposes of the Act.

Articles of Association

The Company's constitution, known as 'the Articles', is essentially a contract between the Company and its shareholders, governing many aspects of the management of the Company. The Articles may be amended in accordance with the provisions of the Act by way of special resolution by the Company's shareholders. No changes to the Articles are being proposed at this year's AGM.

Capital structure

During the year, 646,695 ordinary shares were allotted to satisfy amounts under the Group's Save As You Earn Plan.

As at 31 December 2024, the issued share capital totalled 48,004,421 ordinary shares of 5p each. Further details of the issued share capital are shown in note 21 to the consolidated financial statements.

Power to issue and allot shares

At each AGM, the Board seeks authorisation from its shareholders to allot shares. The directors were granted authority at the AGM on 2 May 2024 to allot relevant securities up to an aggregate nominal amount of £789,337.05. That authority will apply until the conclusion of this year's AGM or close of business on 2 August 2025, whichever is the earlier, and a resolution to renew the authority will be proposed at this year's AGM, as explained further in the Notice of Meeting to shareholders accompanying this annual report.

Special resolutions will also be proposed to renew the directors' power to make non-pre-emptive issues for cash, as explained in the Notice of Meeting to shareholders accompanying this annual report. The Board confirms that the Company has not used this authority in the past three years and there are no immediate plans to make use of this provision.

Rights and obligations attaching to shares

Subject to applicable statutes, shares may be issued with such rights and restrictions as the Company may by ordinary resolution decide or (if there is no such resolution or so far as it does not make specific provision) as the Board may decide as set out in the Company's Articles. Subject to the Articles, the Act and other shareholders' rights, unissued shares are at the disposal of the Board.

Subject to the Act, if at any time the share capital of the Company is divided into different classes of shares, the rights attached to any class of shares may be varied with the written consent of the holders of not less than 75% in nominal value of the issued shares of that class (calculated excluding any shares held as treasury shares), or with the sanction of a special resolution passed at a separate general meeting of the holders of those shares.

The rights conferred upon the holders of any shares shall not, unless otherwise expressly provided in the rights attaching to those shares, be deemed to be varied by the creation or issue of further shares ranking pari passu with them.

Voting

Subject to any other provisions of the Articles, every member present in person or by proxy at a general meeting has, upon a show of hands, one vote and, upon a poll, one vote for every share held by them. In the case of joint holders of a share, the vote of the senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding (the first-named being the most senior).

No member shall be entitled to vote at any general meeting in respect of any share held by them if any call or other sum then payable by them in respect of that share remains unpaid or if a member has been served with a restriction notice (as defined in the Articles) after failure to provide the Company with information concerning interests in those shares required to be provided under the Act.

No person has any special rights of control over the Company's share capital and the directors are not aware of any agreements between holders of shares which may result in restrictions on voting rights.

Restrictions on transfer of shares

There are no restrictions on the transfer of securities in the Company, except:

- that certain restrictions may, from time to time, be imposed by laws and regulations (e.g. insider trading laws); and
- pursuant to the Listing Rules of the FCA whereby certain employees of the Company require prior approval to deal in the Company's shares.

The Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities or voting rights.

Purchase of own shares

At the AGM on 2 May 2024, a resolution was passed giving the directors authority to make market purchases of Company shares up to 4,736,022 shares of 5p each at a maximum price based on the market price of a share at the relevant time, as set out in the resolution. No purchases of shares were made during the year pursuant to this authority.

The authority expires on the date of this year's AGM or close of business on 2 August 2025, whichever is earlier. A resolution to renew this authority will be proposed at this year's AGM, as explained further in the Notice of Meeting to shareholders accompanying this annual report.

Dividends and distributions

The Company may, by ordinary resolution, from time to time, declare dividends not exceeding the amount recommended by the Board. Subject to the Act, the Board may pay interim dividends, and also any fixed-rate dividend, whenever the financial position of the Company, in the opinion of the Board, having reviewed the level of distributable reserves, justifies its payment. The Company's capital allocation framework (see pages 20 and 21) is designed to balance the needs of all our stakeholders while enhancing the Group's market competitiveness and capabilities and maintaining our financial strength. As part of this framework, the Board operates a formal dividend policy such that dividend cover is expected to be in the range of 2.0 to 2.5 times on an annual basis.

Having taken account of the framework and the broader economic backdrop, an interim dividend of 41.5p per share was paid on 24 October 2024 and the directors recommend a final dividend of 90.0p, making a total for the year of 131.5p. This represents dividend cover of 2.1 times. Further details can be found in note 8 to the consolidated financial statements on page 166. Subject to shareholder approval at the 2025 AGM, the final dividend will be paid on Thursday 15 May 2025 to shareholders on the register at close of business on Friday 25 April 2025.

The Board may withhold payment of all or any part of any dividends or other monies payable in respect of the Company's shares from a person with a 0.25% interest if such a person has been served with a restriction notice (as defined in the Articles) after failure to provide the Company with information concerning interests in those shares required to be provided under the Act. Other than as referred to under Morgan Sindall Group Employee Benefit Trust below, during the year there were no arrangements under which a shareholder has waived or agreed to waive any dividends nor any agreement by a shareholder to waive future dividends.

Morgan Sindall Group Employee Benefit Trust

Zedra Trust Company (Guernsey) Limited, as Trustee of the Trust, holds shares on trust for the benefit of our employees and former employees of the Group and their dependants that have not been exercised or vested. The voting rights in relation to these shares are exercised by the Trustee. The Trustee may vote or abstain from voting with the shares or accept or reject any offer relating to those shares, in any way they see fit, without incurring any liability and without being required to give reasons for their decision. The terms of the Trust also provide that any dividends payable on the shares held by the Trust are waived unless and to the extent otherwise directed by the Company from time to time. The Trust waived its right to the 2023 final and 2024 interim dividend paid during 2024. Details of the shares so held may be found in the consolidated financial statements on page 178.

Substantial shareholdings

As at 31 December 2024, the following information has been disclosed to the Company under the FCA's Disclosure Guidance and Transparency Rules (DTR 5), in respect of notifiable interests in the voting rights in the Company's issued share capital:

Name of holder	Total voting rights[1]	% of total voting rights[2]	Direct or indirect holding
abrdn plc	5,255,748	10.96	Indirect
BlackRock, Inc.	3,178,365	6.69	Indirect
Chase Nominees Limited <CMBLJEQ> and HSBC Global Custody Nominee (UK) Limited <462704>[3]	3,112,624	6.50	Indirect
JPMorgan Asset Management Holdings Inc.	2,531,262	5.29	Indirect
Ameriprise Financial, Inc.	2,486,507	5.19	Indirect
Artemis Investment Management LLP	2,454,413	5.18	Indirect

1 Total voting rights attaching to the ordinary shares of the Company at the time of disclosure to the Company.
2 Percentage of total voting rights at the date of disclosure to the Company.
3 John Morgan's shareholding.

As at 25 February 2025, in accordance with DTR 5, abrdn plc had notified the Company that its indirect interest in the total voting rights of the Company had fallen to 9.83%; and Ameriprise Financial, Inc. had notified the Company that its indirect interest in the total voting rights of the Company had fallen to 4.97%.

Related party transactions

During the year, the Board reviewed all related party transactions and, save as disclosed in note 25, there were no significant related party transactions in the year to 31 December 2024.

Change of control

The Group's banking facilities, which are described on page 18 in the financial review, require repayment in the event of a change of control. The Group's facilities for surety bonding require provision of cash collateral for outstanding bonds upon a change of control. In addition, the Company's employee share incentive schemes contain provisions whereby, upon a change of control, outstanding options and awards would vest and become exercisable by the relevant employees, subject to the rules of the relevant schemes.

There are no agreements between the Company and its directors or employees providing for compensation for loss of office or employment in the event of a takeover bid.

Financial instruments and risks

The financial risk management objectives and policies can be found in the principal risks section in the strategic report on pages 57 and 58. Information about the use of financial instruments by the Company and its subsidiaries and details about the Group's exposure to credit, liquidity and market risks are given in note 26 to the consolidated financial statements.

Other statutory information continued

Political contributions

No contributions were made to any political parties during the current or preceding year. As a precautionary measure, shareholder approval is being sought at the forthcoming AGM for the Company and its subsidiaries to make donations and/or incur expenditure which may be construed as political by the wide definition of that term included in the relevant legislation. Further details are provided in the Notice of Meeting to shareholders accompanying this report.

Disclosure of information to the external auditor

The directors who held office at the date of approval of the directors' and corporate governance report confirm that, so far as they are each aware:

- there is no relevant audit information of which the Company's auditor is unaware; and
- each director has taken all reasonable steps that he or she ought to have taken as a director in order to ascertain any relevant audit information and to ensure that the Company's auditor is aware of such information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Act.

Directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable UK law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the Group financial statements in accordance with UK-adopted international accounting standards and the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group and the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, 'Changes in Accounting Estimates and Errors' and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in International Financial Reporting Standards (and in respect of the Parent Company financial statements, FRS 101) is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group and Company financial position and financial performance;
- in respect of the Group financial statements, state whether UK-adopted international accounting and reporting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- in respect of the Parent Company financial statements, state whether applicable UK accounting standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is appropriate to presume that the Company and/or the Group will not continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the Company and the Group financial statements comply with the Act. They are also responsible for safeguarding the assets of the Parent Company and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a strategic report, directors' report, directors' remuneration report and corporate governance statement that comply with that law and those regulations. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

Responsibility statement

The directors confirm that, to the best of their knowledge:

- the consolidated financial statements, prepared in accordance with UK-adopted International Accounting Standards, give a true and fair view of the assets, liabilities, financial position and profit of the Parent Company and undertakings included in the consolidation taken as a whole;
- the annual report, including the strategic report, includes a fair review of the development and performance of the business and the position of the Company and undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- they consider the annual report including the financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

The directors' report was approved by the Board and signed on its behalf by:

John Morgan
Chief Executive
25 February 2025

Financial statements

In this section

Independent auditor's report to the members of Morgan Sindall Group plc

Opinion

In our opinion:

- Morgan Sindall Group plc's Group financial statements and Parent Company financial statements (the 'financial statements') give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2024 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Morgan Sindall Group plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2024 which comprise:

Group	Parent company
Consolidated statement of financial position as at 31 December 2024	Statement of financial position as at 31 December 2024
Consolidated income statement for the year then ended	Statement of changes in equity for the year then ended
Consolidated statement of comprehensive income for the year then ended	Related notes 1 to 3 to the financial statements, including material accounting policy information
Consolidated statement of changes in equity for the year then ended	
Consolidated cash flow statement for the year then ended	
Related notes 1 to 28 to the financial statements, including material accounting policy information	

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK-adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group and parent in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company and we remain independent of the Group and the Parent Company in conducting the audit.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Group and Parent Company's ability to continue to adopt the going concern basis of accounting included:

- In conjunction with our walkthrough of the Group's financial statement close process, we confirmed our understanding of management's going concern assessment process and also engaged with management early to ensure key factors were considered in their assessment, including factors which we determined from our own independent risk assessment.
- We obtained management's Board-approved forecast cash flows and covenant calculation which covers the period to 28 February 2026. As part of this assessment, management have modelled six downside scenarios. Scenarios one and two relate to the construction business and assume a reduction in revenues and margin, and working capital, respectively. Scenario three assumes a reduction in value and timing of open market sales in respect of the Partnership Housing division. Scenario four assumes project delays and cost increases in the partnership businesses. Scenario five assumes a higher developer pledge expense in relation to building safety matters. Lastly, scenario six is a severe downside scenario and models the combined impact of scenarios one to five. Management also performed a reverse stress-test to identify what scenario could lead to the Group utilising all liquidity and/or breaching the financial loan covenants during the going concern period.

- We assessed the completeness and appropriateness of the scenarios modelled by management which included assessing the relevance to each division and how these compare with principal risks and uncertainties of the Group.
- We assessed the reasonableness of the cash flow forecast by analysing management's historical forecasting accuracy, and evaluating the key assumptions used in the forecast. This included considering the forecasts on a division-by-division basis and assessing whether key factors specific to each of the divisions, such as rising inflation, the economic environment and market/sector trends, were considered in management's assessment. We considered management's assessment of the impact of climate change on the Group's cash flow forecasts.
- We have considered the methodology used to prepare the forecast and covenant calculations. We also tested the clerical accuracy and logical integrity of the model used to prepare the Group's going concern assessment.
- We considered whether the Group's forecasts in the going concern assessment were consistent with other forecasts used by the Group in its accounting estimates, including the assessment of goodwill impairment.
- We performed further sensitivity analysis and our own reverse stress-testing in order to identify what scenarios (for example, the extent operating profit would need to deteriorate) could lead to the Group utilising all liquidity and/or breaching the financial loan covenants during the going concern period, and whether these scenarios were plausible.
- Our analysis also considered the mitigating actions that management could undertake in an extreme downside scenario and whether these were achievable and in control of management.
- We also confirmed the continued availability of credit facilities through the going concern period and reviewed their underlying terms, including covenants, by examination of executed documentation.
- We considered whether the going concern disclosures included in the annual report were appropriate and in conformity with applicable reporting standards.

Our key observations

The results from both management's evaluation and our independent sensitivity analysis and reverse stress-testing indicate that in order to breach its covenants and exhaust its available funding in the going concern period, the Group's operating profit would need to deteriorate to a loss, which is significantly worse than any of the plausible downside scenarios.

As at 31 December 2024, the Group has a secured order book of £11.4bn, of which £4.1bn relates to the 12 months ending 31 December 2025, and it has a net cash balance of £492.4m (which includes £23.1m that relates to the Group's share of cash held with jointly controlled operations).

The Group also has substantial borrowing facilities available to it during the going concern period. The undrawn committed facilities available at 31 December 2024 amounted to £180m. These comprise a £165m facility expiring in October 2027 and a £15m facility expiring in June 2027.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and Parent Company's ability to continue as a going concern for the period to 28 February 2026.

In relation to the Group and Parent Company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Overview of our audit approach

Audit scope	▪ We performed an audit of the complete financial information of four components and audit procedures on specific balances for a further nine components and central procedures on taxation, goodwill, leases, Group going concern and share-based payments.
Key audit matters	▪ Contract revenue and margin recognition (including valuation of contract assets, unagreed income and contract liabilities). ▪ Recoverability and valuation of inventory balances held. ▪ Impairment of goodwill and investment in subsidiary undertakings (Parent Company only).
Materiality	▪ Overall Group materiality of £8.6m which represents 5% of profit before tax.

Independent auditor's report to the members of Morgan Sindall Group plc continued

An overview of the scope of the Parent Company and Group audits

Tailoring the scope

In the current year our audit scoping has been updated to reflect the new requirements of ISA (UK) 600 (Revised). We have followed a risk-based approach when developing our audit approach to obtain sufficient appropriate audit evidence on which to base our audit opinion. We performed risk assessment procedures, with input from our component auditors, to identify and assess risks of material misstatement of the Group financial statements and identified significant accounts and disclosures. When identifying components at which audit work needed to be performed to respond to the identified risks of material misstatement of the Group financial statements, we considered our understanding of the Group and its business environment, the potential impact of climate change, the applicable financial framework, the Group's system of internal control at the entity level, the existence of centralised processes, applications and any relevant internal audit results.

We determined that centralised audit procedures can be performed on all components which contained material balances in the following audit areas: taxation, goodwill, leases and share-based payments, as well as the Group going concern procedures.

We then identified seven components as individually relevant to the Group due to a pervasive risk of material misstatement of the Group financial statements or a significant risk or an area of higher assessed risk of material misstatement of the Group financial statements being associated with the components, which included four components of the Group that were also individually relevant due to their materiality or financial size to the Group.

For those individually relevant components, we identified the significant accounts where audit work needed to be performed at these components by applying professional judgement, having considered the Group significant accounts on which centralised procedures will be performed, the reasons for identifying the financial reporting component as an individually relevant component and the size of the component's account balance relative to the Group significant financial statement account balance.

We then considered whether the remaining Group significant account balances not yet subject to audit procedures, in aggregate, could give rise to a risk of material misstatement of the Group financial statements. We selected six additional components of the Group to include in our audit scope to address these risks.

Having identified the components for which work will be performed, we determined the scope to assign to each component.

Of the 13 components selected, we designed and performed audit procedures on the entire financial information of four components ('full scope components'). For the remaining nine components, we designed and performed audit procedures on specific significant financial statement account balances or disclosures of the financial information of the component ('specific scope components').

The reporting components where we performed audit procedures accounted for 98% (2023: 97%) of the Group's profit before tax. For the current year, the full scope components contributed 97% (2023: 96%) of the Group's profit before tax and the specific scope components contributed 1% (2023: 2%) of the Group's profit before tax. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the Group. Our scoping to address the risk of material misstatement for each key audit matter is set out in the key audit matters section of our report.

Involvement with component teams

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the Group audit engagement team, or by component auditors operating under our instruction.

The Group audit team continued to follow a programme of planned visits that has been designed to ensure that the senior statutory auditor visits all full scope component audit teams over the course of the audit, including accompanying them on site visits and audit close meetings. During the current year's audit cycle, visits were undertaken by the primary audit team to the component teams in Birmingham, Manchester, London, Rugby and Tamworth. In addition, calls were made with component audit teams based in Switzerland and Guernsey. These visits and calls involved discussing the audit approach with component teams and any issues arising from their work, meeting with local management, participating in higher-risk contracts discussions, accompanying the component team on site visits for higher-risk contracts where appropriate, and reviewing relevant audit planning and conclusion workpapers on higher and significant risk areas. The primary team also participated in interim and year-end audit close meetings as considered appropriate. These visits and meetings were supplemented by frequent video calls between the primary team and component teams throughout all stages of the audit to exercise oversight over component teams' audit work. The Group audit team interacted regularly with the component teams where appropriate during various stages of the audit, reviewed relevant working papers and were responsible for the scope and direction of the audit process. Where relevant, the section on key audit matters details the level of involvement we had with component auditors to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group financial statements.

Independent auditor's report to the members of Morgan Sindall Group plc continued

Climate change

Stakeholders are increasingly interested in how climate change will impact Morgan Sindall Group plc. The Group has determined that the most significant future impacts from climate change on their operations will be from (a) the environmental impact of carbon emissions and waste produced; (b) impact on operations of temperature changes and severe weather events; and (c) adapting to the changing needs of customers – all in the context of the Group's plan to achieve its 2030 and 2045 net zero targets. These are explained on pages 67 to 70 in the required Task Force on Climate-related Financial Disclosures and on page 61 in the principal risks and uncertainties. They have also explained their climate commitments on pages 44 to 47. All of these disclosures form part of the 'other information', rather than the audited financial statements. Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities on other information.

In planning and performing our audit, we assessed the potential impacts of climate change on the Group's business and any consequential material impact on its financial statements.

The Group has explained in their basis of preparation section and note 10 how they have reflected the impact of climate change in their financial statements. They also include how this aligns with their commitment to the aspirations of the Paris Agreement to achieve net zero emissions by 2050 as part of their climate reporting on Task Force on Climate-related Financial Disclosures. These disclosures also explain where governmental and societal responses to climate change risks are still developing, and where the degree of certainty of these changes means that they cannot be taken into account when determining asset and liability valuations under the requirements of UK-adopted international accounting standards. In the 'Identified climate-related risks and opportunities' section of the strategic report, supplementary narrative explanation of the impact of reasonably possible changes in the key assumptions have been provided.

Our audit effort in considering the impact of climate change on the financial statements was focused on evaluating management's assessment of the impact of climate risk, physical and transition, their climate commitments, the effects of material climate risks disclosed on pages 67 to 70 and pages 44 to 47 and whether these have been appropriately reflected in asset values where these are impacted by future cash flows and associated sensitivity disclosures (see note 10) and the going concern basis of preparation paragraph following the requirements of UK-adopted international accounting standards. As part of this evaluation, we performed our own risk assessment, supported by our climate change internal specialists, to determine the risks of material misstatement in the financial statements from climate change which needed to be considered in our audit.

Our risk assessment identified that there may be additional costs for the business to achieve its climate commitments, for example in relation to carbon offsetting projects, and that these needed to be appropriately reflected in the modelling of future cash flows which are used in management's assessment of the impairment of goodwill. While management have reflected such costs in their forecasts, these are not material to the Group, and accordingly these do not impact the overall goodwill impairment conclusion. Further details of our procedures and findings on the goodwill impairment assessment are included in our key audit matters below.

We also challenged the directors' considerations of climate change risks in their assessment of going concern and viability and associated disclosures. We concluded that there was not a material impact of climate-related risks to the business over the short to medium term covered by the going concern and viability periods.

Based on our work we have not identified the impact of climate change on the financial statements to be a key audit matter or to impact a key audit matter.

Independent auditor's report to the members of Morgan Sindall Group plc continued

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk
Contract revenue and margin recognition (including valuation of contract assets, unagreed income and contract liabilities) Revenue: £4,546.2m (2023: £4,117.7m) Operating profit: £162.0m (2023: £140.6m) Contract assets: £224.6m (2023: £270.6m) Contract liabilities: £110.4m (2023: £95.8m) *Refer to the audit committee report (page 102); material accounting policies (page 154); and notes 1 (page 160) and 14 (page 172) of the consolidated financial statements* The Group recognises revenue over time in the Construction, Infrastructure, Fit Out, Property Services, Mixed Use Partnerships and Partnership Housing (in respect of pre-let, forward-sold developments) divisions. The Group also recognises revenue under the point-in-time method in the Partnership Housing and Mixed Use Partnerships divisions. There is a risk that revenue recognised over time is materially misstated as there is significant judgement involved in determining the inputs that drive contract revenue and margin recognition (e.g. forecast revenue, recoverability of unagreed income, and forecast costs to complete). Therefore, these inputs could be susceptible to management bias or manipulation. There is also a risk that revenue recognised under the point-in-time method is recorded in the incorrect period either due to cut-off error or management bias, resulting in a material misstatement.	**Contract revenue and margin recognised over time** We worked together with our component teams to perform a risk assessment of the contract population and selected a sample of higher-risk contracts (based on value and/or complexity) across the Group and obtained an understanding of the: (1) contract terms; (2) key operational or commercial issues; (3) judgements impacting the contract position; and (4) contract revenue and margin recognised. Factors we considered when determining higher-risk contracts to select include the: (1) size of the contract; (2) contracts with significant unagreed income amounts; (3) low-margin and loss-making contracts, contracts with unusual margins or contracts with a significant deterioration in margin; and (4) stage of completion. We selected a sample of contracts performed during the year and verified the revenue recognised by reconciling it with the final customer payment certificate. Our audit approach for higher-risk contracts has been outlined below: ▪ Performed walkthroughs of the significant classes of revenue transactions recognised over time and assessed the design effectiveness of key controls. ▪ Discussed management's contract risk tracker with divisional management and the Group commercial director. ▪ Performed site visits at a selection of higher-risk contracts in order to corroborate the contract positions in person through review of the operations and discussions with contract personnel on site to form an independent view on the judgements taken. ▪ Detailed review of the signed contract agreements to understand the commercial terms and review any legal correspondence or expert advice that has been obtained to support any contract positions recorded. ▪ Assessed the appropriateness of supporting evidence and the requirements of IFRS 15 and the Group's accounting policies (e.g. where contracts include additional entitlements for variations and claims, both for and against the Group). ▪ Assessed the appropriateness of the accruals at year end and ensured these have been incurred and not materially overstated/understated. ▪ Challenged the level of unagreed income or contract assets and the adequacy of the evidence (e.g. future certifications and cash receipts) to assess their recognition and recoverability. ▪ Reviewed contract asset balances and challenged management on the recovery of aged balances at the year end which have not been provided for, including consideration of counterparty risk. ▪ Assessed the reasonableness of calculations of estimated costs to complete, which will include understanding the risks/outstanding works on the contract, the impact of any delays or other delivery issues, impact of inflation and the related provisions for cost escalations that have been recognised.

Independent auditor's report to the members of Morgan Sindall Group plc continued

Risk	Our response to the risk
	▪ Assessed the appropriateness of cost allocations across contracts, including evaluation of whether there has been any manipulation of costs between profit-making and loss-making contracts. ▪ Challenged the rationale for material provisions held at a contract/division level and concluded if these are appropriate. ▪ Challenged the level of onerous contract provisions recognised for loss-making contracts as well as any cost contingencies on the remaining contracts at year end. ▪ Assessed the correlation between revenue, contract assets and cash balances using data analytical tools or through other substantive test of detail procedures. ▪ Reviewed material unusual journal entries recorded to assess whether these have been properly authorised, are appropriately substantiated and are for a valid business purpose. **Contract revenue and margin recognised under the point-in-time method:** ▪ Performed walkthroughs of the revenue recognition process under the point-in-time method and assessed the design effectiveness of key controls. ▪ Reviewed signed contract agreements to understand the commercial terms and ensure the appropriate revenue recognition method is applied in line with the requirements of IFRS 15 and the Group's accounting policies. ▪ Tested a sample of transactions by agreeing to contracts and bank receipts and obtaining evidence of fulfilment of performance obligations. ▪ Performed cut-off testing to assess whether revenue recorded either side of the year end was included in the correct accounting period. ▪ Reviewed material unusual journal entries recorded in relation to revenue recognised under the point-in-time method to assess whether these have been properly authorised, are appropriately substantiated and are for a valid business purpose.

Key observations communicated to the audit committee

Based on our audit procedures performed, we have concluded that the recognition of revenue (including the valuation of contract assets, unagreed income and contract liabilities) was appropriate, and the key judgements made by management are consistent with the Group's accounting policies. The presentation and disclosure of revenue, contract assets and contract liabilities are materially correct and appropriate.

How we scoped our audit to respond to the risk and involvement with component teams

We performed full and specific scope audit procedures over this risk in 10 components, which covered 99.7% of the risk amount.

We were involved in the component audit teams' procedures on a regular basis throughout the audit. This included discussions with the component teams on judgements and estimations involved in revenue and margin recognition to inform our group risk assessment, issuing tailored group audit instructions to address this key audit matter, attendance at key component audit teams' meetings and discussions with local management, accompanying component teams on site visits for higher-risk contracts, attendance at interim and group close meetings, and reviewing component audit teams' working papers on these areas.

Independent auditor's report to the members of Morgan Sindall Group plc continued

Risk	Our response to the risk
Recoverability and valuation of inventory balances held Inventory: £476.0m (2023: £344.7m) *Refer to the material accounting policies (page 156); and note 13 of the consolidated financial statements (page 172)* Partnership Housing and Mixed Use Partnerships deliver housing and regeneration schemes. During construction, the cost of work in progress is held as inventory prior to it being recognised as cost of sales under contract accounting. This comprises land, raw materials, direct labour, other direct costs and related overheads. Inventory is held at the lower of cost and net realisable value. Therefore, there is a high degree of management judgement required to determine the valuation of inventory pertaining to land and developments under construction. There is a risk that the carrying value of inventory held by the Group is overstated in the year-end Group accounts if management's assessment of the net realisable value is based on inappropriate assumptions.	▪ Performed procedures to assess the ownership of the inventories held (e.g. review of sale purchase agreements and land title deeds) in order to evaluate whether the Group has appropriate title over the inventory held. ▪ Performed a walkthrough of the 'net realisable value' impairment analysis and calculation process and evaluated how management look for indicators of inventory impairment. ▪ Reviewed a sample of planning permissions obtained or submitted as well as environmental assessment reports (where relevant) to assess their impact on the inventory on hand at year end. ▪ Assessed the nature of costs capitalised in the year-end inventory balance by vouching a sample of these back to supporting documentary evidence, ensuring these meet the criteria for capitalisation and have been charged to the correct project. ▪ Challenged the costs to complete by agreeing a sample of items to supporting documentation (e.g. subcontractor quotes, actual invoices issued, contracts executed and management reports) and through enquiry of the commercial teams. ▪ Recalculated the profit of contracts selected for the year based on forecast revenue and costs. ▪ For Partnership Housing, compared the forecast sale prices and price per sq ft of the unsold units in management's forecast to the range of prices achieved on the units completed and exchanged, or comparing to prices achieved at equivalent competitor sites where possible. ▪ Inspected site plans and, for Partnership Housing, reviewed a sample of post year-end sales (where available) to evaluate management's forecast sales prices. ▪ Engaged an EY valuation specialist to support the impairment analysis by providing market context, particularly in relation to forecast sales prices for Partnership Housing residential properties to be sold on the open market. ▪ Evaluated the adequacy of disclosures in the financial statements, particularly where the inventories are written down to their fair values less costs to sell.

Key observations communicated to the audit committee

Based on our procedures we have concluded that the inventory balances are not materially misstated.

How we scoped our audit to respond to the risk and involvement with component teams

We performed full and specific scope audit procedures over this risk in Partnership Housing and Mixed Use Partnerships divisions, which covered 100% of the risk amount.

We were involved in the component audit teams' procedures on a regular basis throughout the audit. This included discussions with the component teams on judgements and estimations involved in valuation of inventory to inform our group risk assessment, attendance at key component audit teams' meetings and discussions with local management, accompanying component teams on site visits for higher-risk contracts, attendance at interim and group close meetings, and reviewing component audit teams' working papers on these areas.

Independent auditor's report to the members of Morgan Sindall Group plc continued

Risk	Our response to the risk
Impairment of goodwill and investment in subsidiary undertakings (parent only) Goodwill: £217.7m (2023: £217.7m) Parent Company's investment in subsidiary undertakings: £597.8m (2023: £429.1m) *Refer to the audit committee report (page 102); material accounting policies (page 156); note 10 of the consolidated financial statements (page 167); and note 2 of the Company financial statements (page 187)* Intangible assets with an indefinite useful life must be evaluated for impairment annually, or whenever indicators of impairment are noted per IAS 36. Due to the degree of estimation involved in calculating the expected future cash flows from cash-generating units (CGUs) and determining the appropriate long-term growth rates and discount rates specific to each CGU, we have identified a significant risk regarding the assessment of any impairment against the goodwill carrying values, as well as the identification of any indicators of impairment. There is also a risk that the recoverable amount of the investment in subsidiary undertakings may be less than the investment balance on the Parent Company's statement of financial position.	▪ Performed a walkthrough of the impairment analysis and calculation process and evaluated the identification of CGUs performed by management. ▪ Assessed and challenged the key inputs of the forecast cash flows at the CGU level, including: – challenging the discount rate used by obtaining the underlying data used in the calculation and substantiating this against reputable independent assessments with the support of our EY valuation specialists; – validating the growth rates assumed by comparing them to economic and industry forecasts and using the support of our EY valuation specialists, where required; and – challenging management on the achievability of the cash flow forecasts and assessing the projected financial information against results achieved to date and other market data to assess the robustness of management's forecasting process. This also included consideration of the impact of other relevant economic and social environmental factors, such as inflation and climate change, on future cash flows. ▪ Analysed the historical forecasting accuracy (budget to actual results) to determine whether forecast cash flows are reliable based on past experience, especially factoring in any anomalies. ▪ Understood the commercial challenges for each CGU and challenged/evaluated how these were incorporated into management's assessment. ▪ Assessed the carrying values of each CGU considered by management in their impairment models to determine the appropriateness of the assets and liabilities included, and the methodology used for allocation of any corporate or shared assets between the CGUs. ▪ Performed a sensitivity analysis by changing key assumptions in management's model to see the impact on the headroom between carrying value and fair value (including combining the effects of different sensitivities). ▪ Assessed the appropriateness of the net asset values and component-specific cash flows for each of the investments in subsidiary undertakings held by the Parent Company, factoring in any audit adjustments or appropriate sensitivities to conclude on the available headroom. ▪ Performed a comparison between the carrying value of the CGUs against the value of these CGU investments on the Parent Company's statement of financial position. We also considered the carrying value of the CGUs in the context of the market capitalisation of the Group. ▪ Considered the appropriateness of the related financial statement disclosures, particularly with regard to any impairment recognised.

Key observations communicated to the audit committee

Based on our audit procedures, we have concluded that goodwill is not impaired. The disclosures relating to goodwill are appropriate.

We have also concluded that the carrying value of investment in subsidiary undertakings is not materially misstated.

How we scoped our audit to respond to the risk

We performed centralised procedures over this risk, which covered 100% of the risk amount.

All audit work performed to address this risk was undertaken by the Group audit team.

In the prior year, our auditor's report included a key audit matter in relation to the building safety provision (and related exceptional item) due to the value of the provision, the level of estimation, and the risks around completeness. In the current year, the income statement charge is not material, and given the time since the provision was first recognised the level of risk has reduced. Therefore, this was not determined to be a key audit matter for our current year audit.

Independent auditor's report to the members of Morgan Sindall Group plc continued

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £8.6m (2023: £7.0m), which is 5% (2023: 5%) of the Group's profit before tax. We believe that profit before tax provides us with an appropriate basis for materiality and is the most relevant measure for stakeholders as it is a focus of both management and investors.

During the course of our audit, we reassessed initial materiality and updated its calculation for the actual financial results of the year. This resulted in an increase of materiality levels compared to that calculated at the planning stage of the audit due to higher than forecasted results of the Group.

We determined materiality for the Parent Company to be £3.8m (2023: £3.6m), which is 2% (2023: 2%) of equity.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 75% (2023: 75%) of our planning materiality, namely £6.4m (2023: £5.3m). We have set performance materiality at this percentage as we did not expect the aggregate misstatements in the year to be greater than 25% of our planning materiality and our assessment of the control environment supports this.

Audit work was undertaken at component locations for the purpose of responding to the assessed risks of material misstatement of the Group financial statements. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £1.1m to £3.5m (2023: £1.0m to £3.4m).

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the audit committee that we would report to them all uncorrected audit differences in excess of £0.4m (2023: £0.4m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report set out on the inside front cover to page 134, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Corporate governance statement

We have reviewed the directors' statement in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the Group and Company's compliance with the provisions of the UK Corporate Governance Code specified for our review by the UK Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- directors' statement with regard to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified, set out on page 78;
- directors' explanation as to their assessment of the Company's prospects, the period this assessment covers and why the period is appropriate, set out on pages 78 and 79;
- directors statement on whether they have a reasonable expectation that the Group will be able to continue in operation and meets its liabilities, set out on page 78;
- directors' statement on fair, balanced and understandable, set out on page 134;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 53 to 61;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems, set out on pages 104 to 107; and
- the section describing the work of the audit committee, set out on pages 100 to 107.

Responsibilities of directors

As explained more fully in the directors' responsibility statement set out on page 134, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent auditor's report to the members of Morgan Sindall Group plc continued

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are those that relate to the reporting framework (UK-adopted International Accounting Standards, the Companies Act 2006 and the UK Corporate Governance Code), the Building Safety Act and the relevant tax compliance regulations in the UK.
- We understood how Morgan Sindall Group plc is complying with those frameworks by making enquiries of management at Group level and within the divisions, internal audit, those responsible for legal and compliance procedures and the company secretary. We corroborated our enquiries through our review of Board minutes and papers provided to the Board and audit committee, noting the strong emphasis of transparency and honesty in the Group's culture and the levels of oversight the Board and Group management have over each division despite the decentralised operating model of the Group.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur, by meeting with management in each division to understand where it considered there was a susceptibility to fraud. We also considered performance targets and their propensity to influence efforts made by management to manage earnings. We considered the programmes and controls that the Group has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management at Group level and within the divisions monitor those programmes and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures are set out in the key audit matters section of this report and were designed to provide reasonable assurance that the financial statements were free from fraud and error.
- Based on this understanding, we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved testing details of journal entries at each component in the scope of our Group audit which met our defined risk criteria based on our understanding of the business, inspecting correspondence with regulatory bodies, reading external legal advice and investigation reports, enquiries of management and Group management, and enquiries of the existence of whistleblowing events during the year. Where appropriate, we involved internal forensic specialists to support our audit procedures. In addition, we completed procedures to conclude on the compliance of the disclosures in the annual report and accounts with the requirements of the relevant accounting standards, UK legislation and the UK Corporate Governance Code.
- We instructed our component teams to report all instances of non-compliance with laws and regulations to us. For all such matters brought to our attention, we assessed their significance to determine their impact on our audit approach and on the financial statements. Where appropriate, we designed and performed additional audit procedures to address additional risks resulting from such assessment.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters we are required to address

- Following the recommendation from the audit committee, we were appointed by the Company on 6 May 2021 to audit the financial statements for the year ending 31 December 2021 and subsequent financial periods.

  The period of total uninterrupted engagement including previous renewals and reappointments is four years, covering the years ending 31 December 2021 to 31 December 2024.
- The audit opinion is consistent with the additional report to the audit committee.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Peter McIver (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
25 February 2025

Consolidated income statement

for the year ended 31 December 2024

	Notes	2024 £m	2023 £m
Revenue	1	**4,546.2**	4,117.7
Cost of sales		**(4,016.3)**	(3,670.1)
Gross profit		**529.9**	447.6
Analysed as:			
Adjusted gross profit		**528.6**	449.5
Exceptional building safety items	4	**1.3**	(1.9)
Impairment loss on contract assets	14	**(21.0)**	(2.8)
Administrative expenses		**(360.0)**	(324.0)
Share of net profit of joint ventures	12	**3.2**	18.2
Other operating income		**9.9**	1.6
Operating profit		**162.0**	140.6
Analysed as:			
Adjusted operating profit		**162.6**	141.3
Exceptional building safety items	4	**(0.1)**	2.2
Amortisation of intangible assets	10	**(0.5)**	(2.9)
Finance income	6	**18.2**	10.8
Finance expense	6	**(8.3)**	(7.5)
Profit before tax	3	**171.9**	143.9
Analysed as:			
Adjusted profit before tax		**172.5**	144.6
Exceptional building safety items	4	**(0.1)**	2.2
Amortisation of intangible assets	10	**(0.5)**	(2.9)
Tax	7	**(40.2)**	(26.2)
Profit for the year		**131.7**	117.7
Attributable to:			
Owners of the Company		**131.7**	117.7
Earnings per share			
Basic	9	**281.4p**	254.2p
Diluted	9	**271.5p**	250.4p

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

Consolidated statement of comprehensive income

for the year ended 31 December 2024

	2024 £m	2023 £m
Profit for the year	**131.7**	117.7
Items that may be reclassified subsequently to profit or loss:		
Foreign exchange movement on translation of overseas operations	**(0.3)**	0.2
Net (loss)/gain arising on revaluation of cash flow hedges	**(0.1)**	–
	(0.4)	0.2
Other comprehensive (expense)/income	**(0.4)**	0.2
Total comprehensive income	**131.3**	117.9
Attributable to:		
Owners of the Company	**131.3**	117.9

Consolidated statement of financial position

at 31 December 2024

	Notes	2024 £m	2023 £m
Assets			
Goodwill and other intangible assets	10	**218.1**	218.6
Property, plant and equipment	11	**95.1**	86.0
Investment property		**0.6**	0.8
Investments in joint ventures	12	**111.9**	106.6
Non-current assets		**425.7**	412.0
Inventories	13	**476.0**	344.7
Contract assets	14	**224.6**	270.6
Trade and other receivables	15	**453.5**	461.6
Current tax assets		**6.6**	–
Cash and cash equivalents	26	**544.2**	541.3
Current assets		**1,704.9**	1,618.2
Total assets		**2,130.6**	2,030.2
Liabilities			
Contract liabilities	14	**(110.4)**	(95.8)
Trade and other payables	16	**(1,130.3)**	(1,087.0)
Current tax liabilities		**–**	(1.9)
Lease liabilities	18	**(22.6)**	(19.1)
Borrowings	26	**(51.8)**	(80.6)
Provisions	19	**(85.1)**	(76.7)
Current liabilities		**(1,400.2)**	(1,361.1)
Net current assets		**304.7**	257.1
Trade and other payables	16	**(16.6)**	(28.2)
Lease liabilities	18	**(44.1)**	(44.7)
Deferred tax liabilities	7	**(2.1)**	(8.7)
Provisions	19	**(20.4)**	(19.4)
Non-current liabilities		**(83.2)**	(101.0)
Total liabilities		**(1,483.4)**	(1,462.1)
Net assets		**647.2**	568.1
Equity			
Share capital	21	**2.4**	2.4
Share premium account		**65.7**	56.0
Other reserves	22	**0.9**	1.3
Retained earnings		**578.2**	508.4
Equity attributable to owners of the Company		**647.2**	568.1
Total equity		**647.2**	568.1

The consolidated financial statements of Morgan Sindall Group plc (company number: 00521970) were approved by the Board on 25 February 2025 and signed on its behalf by:

John Morgan
Chief Executive

Kelly Gangotra
Chief Financial Officer

Consolidated cash flow statement

for the year ended 31 December 2024

	Notes	2024 £m	2023 £m
Operating activities			
Operating profit		**162.0**	140.6
Adjusted for:			
Exceptional building safety items	4, 19	**2.1**	13.7
Amortisation of intangible assets	10	**0.5**	2.9
Underlying share of net profit of equity-accounted joint ventures	12	**(4.6)**	(14.1)
Depreciation	11	**33.1**	26.8
Share-based payments	5, 24	**10.5**	6.6
Gain on disposal of property, plant and equipment		**(0.7)**	(0.1)
Reversal of impairment on investments in joint ventures	12	**(5.1)**	–
(Increase in)/disposal of shared equity loan receivables		**–**	0.4
Increase in provisions excluding exceptional building safety items	19	**8.7**	1.4
Additional pension contributions	17	**–**	(0.2)
Operating cash inflow before movements in working capital		**206.5**	178.0
Increase in inventories		**(131.3)**	(10.8)
Decrease in contract assets		**46.0**	24.0
Decrease/(increase) in receivables		**7.8**	(107.8)
Increase in contract liabilities		**14.6**	21.6
Increase in payables		**29.1**	116.2
Movements in working capital		**(33.8)**	43.2
Cash inflow from operations		**172.7**	221.2
Income taxes paid		**(43.9)**	(25.2)
Net cash inflow from operating activities		**128.8**	196.0
Investing activities			
Interest received		**18.0**	10.0
Dividends from joint ventures	12	**4.2**	1.6
Proceeds on disposal of property, plant and equipment		**1.9**	2.0
Purchases of property, plant and equipment	11	**(18.2)**	(14.3)
Purchases of intangible fixed assets	10	**–**	(0.3)
Capital advances to joint ventures	12	**(29.1)**	(44.2)
Capital repayment from joint ventures	12	**27.9**	34.2
Net cash inflow/(outflow) from investing activities		**4.7**	(11.0)
Financing activities			
Interest paid		**(1.9)**	(2.4)
Dividends paid	8	**(56.1)**	(48.1)
Repayments of lease liabilities	18	**(25.8)**	(21.2)
Proceeds on issue of share capital	21	**9.7**	0.1
Payments by the Trust to acquire shares in the Company		**(47.2)**	(11.3)
Proceeds on exercise of share options		**19.5**	4.0
Net cash outflow from financing activities		**(101.8)**	(78.9)
Net increase in cash and cash equivalents		**31.7**	106.1
Cash and cash equivalents at the beginning of the year		**460.7**	354.6
Cash and cash equivalents at the end of the year	26	**492.4**	460.7

Cash and cash equivalents presented in the consolidated cash flow statement include bank overdrafts. See note 26 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 2024

	Notes	Share capital £m	Share premium account £m	Other reserves £m 22	Retained earnings £m 23	Total equity £m
1 January 2023		2.4	55.9	1.1	436.8	496.2
Profit for the year		–	–	–	117.7	117.7
Other comprehensive income		–	–	0.2	–	0.2
Total comprehensive income		–	–	0.2	117.7	117.9
Share-based payments	24	–	–	–	6.6	6.6
Tax relating to share-based payments[1]	7	–	–	–	2.7	2.7
Issue of shares at a premium	21	–	0.1	–	–	0.1
Purchase of shares in the Company by the Trust		–	–	–	(11.3)	(11.3)
Exercise of share options		–	–	–	4.0	4.0
Dividends paid	8	–	–	–	(48.1)	(48.1)
1 January 2024		**2.4**	**56.0**	**1.3**	**508.4**	**568.1**
Profit for the year		**–**	**–**	**–**	**131.7**	**131.7**
Other comprehensive expense		**–**	**–**	**(0.4)**	**–**	**(0.4)**
Total comprehensive (expense)/income		**–**	**–**	**(0.4)**	**131.7**	**131.3**
Share-based payments	24	**–**	**–**	**–**	**10.5**	**10.5**
Tax relating to share-based payments[1]	7	**–**	**–**	**–**	**11.4**	**11.4**
Issue of shares at a premium	21	**–**	**9.7**	**–**	**–**	**9.7**
Purchase of shares in the Company by the Trust		**–**	**–**	**–**	**(47.2)**	**(47.2)**
Exercise of share options		**–**	**–**	**–**	**19.5**	**19.5**
Dividends paid	8	**–**	**–**	**–**	**(56.1)**	**(56.1)**
31 December 2024		**2.4**	**65.7**	**0.9**	**578.2**	**647.2**

1 Tax relating to share-based payments includes a current tax credit of £5.8m (2023: £nil) and a deferred tax credit of £5.6m (2023: credit of £2.7m).

Material accounting policy information

for the year ended 31 December 2024

Reporting entity

Morgan Sindall Group plc (the 'Company' or 'Ultimate Parent') is a public limited company, domiciled and incorporated in the United Kingdom. Its registration number is 00521970 and its registered address is Kent House, 14–17 Market Place, London, W1W 8AJ. The nature of its operations and principal activities along with those of its subsidiaries (together the 'Group') are set out in note 2 and in the strategic report on pages 7 to 9. The Company did not change its name during the year ended 31 December 2024 or the year ended 31 December 2023.

Basis of preparation

(a) Statement of compliance

The financial statements have been prepared on a going concern basis in accordance with the requirements of the Companies Act 2006 and UK-adopted international accounting standards.

(b) Basis of accounting

The consolidated financial statements have been prepared under the historical cost convention, except where otherwise indicated. The impairment of contract assets has been presented separately on the income statement due to the materiality of the impairment loss amount recognised during the year.

(c) Going concern

In determining the appropriate basis of preparation of the financial statements, the directors are required to consider whether the Group and Company can continue in operational existence during the going concern period, which the directors have determined to be until 28 February 2026.

As at 31 December 2024, the Group held cash of £544.2m, including £23.1m (2023: £26.1m) which is the Group's share of cash held within jointly controlled operations, and total overdrafts repayable on demand of £51.8m (together net cash of £492.4m). Should further funding be required, the Group has significant committed financial resources available including unutilised bank facilities of £180m (2023: £180m), of which £165m matures in October 2027 and £15m matures in June 2027. The Group's secured order book at 31 December 2024 is £11.4bn (2023: £8.9bn), of which £4.1bn relates to the 12 months ended 31 December 2025.

The directors have reviewed the Group's forecasts and projections for the going concern period, including sensitivity analysis (detailed on pages 78 and 79, 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 (these risks are discussed on pages 53 to 61 and include the directors' assessment of the impact of climate change).

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 its analysis, the Board also considered further mitigating actions at its discretion, such as a reduction in investments in working capital, to improve the position identified by the reasonable worst-case scenario. In all scenarios, including the reasonable worst case, the Group is able to comply with its financial covenants, operate within its current facilities, and meet its liabilities as they fall due.

Accordingly, the directors consider there to be no material uncertainties that may cast significant doubt on the Group's ability to continue to operate as a going concern. They have formed a judgement that there is a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the going concern period which they determine to be until 28 February 2026. For this reason, they continue to adopt the going concern basis in the preparation of these financial statements. The period until 28 February 2026 has been assessed as appropriate following consideration of the budgeting cycles and typical contract lengths undertaken across the Group.

(d) Functional and presentation currency

These consolidated financial statements are presented in pounds sterling which is the Group's presentational currency and the Company's functional currency. All financial information, unless otherwise stated, has been rounded to the nearest £0.1m.

(e) Climate change risk

While the Group is committed to achieving its near-term carbon emission targets by 2030, the governmental and societal responses to climate change risks are still developing and therefore the Group is currently unable to determine the full future economic impact of climate change risks on its business model to achieve this. As such, the potential impacts of climate change risk are not fully incorporated in these financial statements.

Material accounting policy information continued

(f) Adoption of new and amended standards and interpretations

(i) New and amended accounting standards adopted by the Group

During the year, the Group has adopted the following new and amended standards and interpretations. Their adoption has not had any significant impact on the accounts or disclosures in these financial statements.

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

(ii) New and amended accounting standards and interpretations which were in issue but were not yet effective and have not been adopted early by the Group

At the date of the financial statements, the Group has not applied the following new and amended standards that have been issued but are not yet effective:

- IFRS 18 'Presentation and Disclosures in Financial Statements'
- IFRS 19 'Subsidiaries without Public Accountability: Disclosures'
- Amendments to IFRS 9 'Financial Instruments' and IFRS 7 'Financial Instruments: Disclosures'
- Amendments to IAS 21 'The Effects of Changes in Foreign Exchange Rates'

The Group is currently assessing the impact of these new and amended standards but does not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group in future periods.

The accounting policies as set out below have been applied consistently to all periods presented in these consolidated financial statements.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company, together with the Group's share of the results of joint ventures made up to 31 December each year. Control is achieved when the Company has (i) the power over the investee; (ii) is exposed, or has rights, to variable returns from its involvement with the investee; and (iii) has the ability to use its power to affect its returns. The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. Business combinations are accounted for using the acquisition method.

(a) Subsidiaries

Subsidiaries are entities that are controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements of the Group from the date that control is obtained to the date that control ceases. The accounting policies of new subsidiaries are changed where necessary to align them with those of the Group.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in the income statement. Any investment retained is recognised at fair value.

(b) Joint arrangements

A joint arrangement is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, which requires unanimous consent for strategic, financial and operating decisions.

(i) Joint ventures

A joint venture generally involves the establishment of a corporation, partnership or other entity in which each venturer has rights to the net assets of the joint venture and joint control over strategic, financial and operating decisions. The results, assets and liabilities of jointly controlled entities are incorporated in the financial statements using the equity method of accounting.

Goodwill relating to a joint venture which is acquired directly is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Group's investments in joint ventures are reviewed to determine whether any additional impairment loss in relation to the net investment in the joint venture is required, and if so it is written off in the period in which those circumstances are identified. When there is a change recognised directly in the equity of the joint venture, the Group recognises its share of any change and discloses this, where applicable, in the statement of comprehensive income.

Where the Group's share of losses exceeds its equity-accounted investment in a joint venture, the carrying amount of the equity interest is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations. Appropriate adjustment is made to the results of joint ventures where material differences exist between a joint venture's accounting policies and those of the Group.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

(ii) Joint operations

Construction contracts carried out as a joint arrangement without the establishment of a legal entity are joint operations. The Group's share of the results and net assets of these joint operations are included under each relevant heading in the income statement and the statement of financial position.

Material accounting policy information continued

(c) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expense arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investments are eliminated to the extent of the Group's interest in that investment. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Revenue and margin recognition

Revenue and margin are recognised as follows:

(a) Construction and infrastructure contracts

A significant portion of the Group's revenue is derived from construction and infrastructure services contracts. These services are provided to customers across a wide variety of sectors and the size and duration of the contracts can vary significantly from a few weeks to more than 10 years.

The majority of contracts are considered to contain only one performance obligation for the purposes of recognising revenue. While the scope of works may include a number of different components, in the context of construction and infrastructure services activities these are usually highly interrelated and produce a combined output for the customer.

Contracts are typically satisfied over time. For fixed-price construction contracts, progress is measured through a valuation of the works undertaken by a professional quantity surveyor, including an assessment of any elements for which a price has not yet been agreed, such as changes in scope. For cost-reimbursable infrastructure services, contracts progress is measured based on the costs incurred to date as a proportion of the estimated total cost and an assessment of the final contract price payable.

Variations are not included in the estimated total contract price until the customer has agreed the revised scope of work.

Where the scope has been agreed but the corresponding change in price has not yet been agreed, only the amount that is considered highly probable not to reverse in the future is included in the estimated total contract price. Where delays to the programme of works are anticipated and liquidated damages would be contractually due, the estimated total contract price is reduced accordingly. This is only mitigated by expected extensions of time or commercial resolution being achieved where it is highly probable that this will not lead to a significant reversal in the future.

For cost-reimbursable contracts, expected pain share is recognised in the estimated total contract price immediately, while anticipated gain share and performance bonuses are only recognised at the point that they are agreed by the customer.

In order to recognise the profit over time, it is necessary to estimate the total costs of the contract. These estimates take account of any uncertainties in the cost of work packages which have not yet been let and materials which have not yet been procured, the expected cost of any acceleration of or delays to the programme or changes in the scope of works and the expected cost of any rectification works during the defects liability period.

Once the outcome of a construction contract can be estimated reliably, margin is recognised in the income statement in line with the corresponding stage of completion. Where a contract is forecast to be loss-making, the full loss is recognised immediately in the income statement.

(b) Service contracts

Service contracts include design, maintenance and management services. Contracts are typically satisfied over time and revenue is measured through an assessment of time incurred and materials utilised as a proportion of the total expected or percentage of completion depending upon the nature of the service.

(c) Sale of land and development properties

The Group derives a significant portion of revenue from the sale of land, and the development and sale of residential and commercial properties.

Contracts are typically satisfied at a point in time. This is usually deemed to be legal completion as this is the point at which the Group has an enforceable right to payment. The only exception to this is pre-let forward-sold developments where the customer controls the work in progress as it is created; or where the Group is unable to put the asset being constructed to an alternative use due to legal or practical limitations and has an enforceable right to payment for the work completed to date. Where these conditions are met, the contract is accounted for as a construction contract in accordance with paragraph (a) above.

Revenue from the sale of land, residential and commercial properties is measured at the transaction price agreed in the contract with the customer. While deferred payment terms may be agreed in rare circumstances, the deferral never exceeds 12 months. The transaction price is therefore not adjusted for the effects of a significant financing component. The Group no longer utilises shared equity loan schemes for the sale of residential properties.

In order to recognise the profit, it is necessary to estimate the total costs of a development. These estimates take account of any uncertainties in the cost of work packages which have not yet been let and materials which have not yet been procured and the expected cost of any rectification works during the defects liability period, which is 12 months for commercial property and 24 months for residential property.

Profit is recognised by allocating the total costs of a scheme to each unit at a consistent margin. For mixed-tenure schemes which also incorporate a construction contract, the margin recognised for the open market units is consistent with the construction contract element of the development.

Material accounting policy information continued

(d) Contract balances

Contract assets

Contract assets primarily relate to the Group's right to consideration for construction work completed but not invoiced at the balance sheet date. The contract assets are transferred to trade receivables when the amounts are certified by the customer. On most contracts, certificates are issued by the customer on a monthly basis.

Contract liabilities

Contract liabilities primarily relate to the advance consideration received from customers in respect of performance obligations which have not yet been fully satisfied and for which revenue has not been recognised. Contract liabilities are recognised as revenue when performance obligation to the customer has been satisfied.

(e) Contract costs

Costs to obtain a contract are expensed unless they are incremental, i.e. they would not have been incurred if the contract had not been obtained, and the contract is expected to be sufficiently profitable for them to be recovered.

Costs to fulfil a contract are expensed unless they relate to an identified contract, generate or enhance resources that will be used to satisfy the obligations under the contract in future years and the contract is expected to be sufficiently profitable for them to be recovered, in which case they are capitalised to the extent they will be recovered in future periods.

Where costs are capitalised, they are amortised over the shorter of the period for which revenue and profit can be forecast with reasonable certainty and the duration of the contract except where the contract becomes loss-making. If the contract becomes loss-making, all capitalised costs related to that contract are immediately expensed.

(f) Government grants

Funding received in respect of developer grants, where funding is awarded to encourage the building and renovation of affordable housing, is recognised as a deduction from related expenses on a stage of completion basis over the life of the project to which the funding relates.

Funding received to support the construction of housing where current market prices would otherwise make a scheme financially unviable is recognised as income on a legal completion basis when the properties to which it relates are sold.

Government grants are initially recognised as deferred income at fair value when there is reasonable assurance that the Group will comply with the conditions attached and the grants will be received.

Leases

Where the Company is a lessee, a right-of-use asset and lease liability are recognised at the outset of the lease other than those that are less than one year in duration or of a low value.

The lease liability is initially measured at the present value of the lease payments that are not paid at that date based on the Group's expectations of the likelihood of lease extension or break options being exercised. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable.

The lease liability is subsequently adjusted to reflect imputed interest, payments made to the lessor and any lease modifications.

The right-of-use asset is initially measured at cost, which comprises the amount of the lease liability, any lease payments made at or before the commencement date, less any lease incentives received, any initial direct costs incurred by the Group and an estimate of any costs that are expected to be incurred at the end of the lease to dismantle or restore the asset.

The right-of-use assets are presented within the property, plant and equipment line in the statement of financial position and depreciated in accordance with the Group's accounting policy on property, plant and equipment. The amount charged to the income statement comprises the depreciation of the right-of-use asset and the imputed interest on the lease liability.

Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Finance income and expense

Finance income and expense is recognised using the effective interest method.

Income tax

The income tax expense represents the current and deferred tax charges. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity.

Current tax is the Group's expected tax liability on taxable profit for the year using tax rates enacted or substantively enacted at the reporting date and any adjustments to tax payable in respect of previous years.

Taxable profit differs from that reported in the income statement because it is adjusted for items of income or expense that are assessable or deductible in other years and is adjusted for items that are never assessable or deductible.

Current tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

Material accounting policy information continued

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the corresponding tax bases used in tax computations. Deferred tax is not recognised for the initial recognition of assets or liabilities in a transaction that is not a business combination and affects neither accounting nor taxable profit, or differences relating to investments in subsidiaries and joint ventures to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is recognised on temporary differences which result in an obligation at the reporting date to pay more tax, or a right to pay less tax, at a future date, at the tax rates expected to apply when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted and are only offset where there is a legally enforceable right to offset current tax assets and liabilities.

Goodwill and other intangible assets

Goodwill arises on business combinations and represents the excess of the cost of an acquisition over the Group's share of the identifiable net assets of the acquiree at the acquisition date. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and equity interests issued by the Group in exchange for control of the acquiree. Consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed in administrative expenses as incurred. All identifiable assets and liabilities acquired and contingent liabilities assumed are initially measured at their fair values at the acquisition date.

Where the cost is less than the Group's share of the identifiable net assets, the difference is immediately recognised in the income statement as a gain from a bargain purchase.

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date.

Other intangible assets identified on acquisition by the Group that have finite useful lives are recognised at fair value and measured at cost less accumulated amortisation and impairment losses. Those that are acquired separately, such as software, are recognised at cost less accumulated amortisation and impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The estimated useful lives for the Group's finite-life intangible assets are three years.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss. Depreciation is charged over their estimated useful lives using the straight-line method on the following basis:

▪ freehold land	not depreciated
▪ plant and equipment	between 8.3% and 33% per year
▪ fixtures and fittings	over the period of the lease
▪ right-of-use assets	over the period of the lease

Residual values of property, plant and equipment are reviewed and updated annually.

Gains and losses on disposal are determined by comparing the proceeds from disposal against the carrying amount and are recognised in the income statement.

Investment property

Investment property, which is property held to earn rentals and/or capital appreciation, is stated at its fair value at the reporting date. Gains or losses arising from changes in the fair value of investment property are included in the income statement for the period in which they arise.

Shared equity loan receivables

The Group has granted loans under shared equity home ownership schemes allowing qualifying home buyers to defer payment of part of the agreed sales price, up to a maximum of 25%, until the earlier of the loan term (10 or 25 years depending upon the scheme), remortgage or resale of the property. On occurrence of one of these events, the Group will receive a repayment based on its contributed equity percentage and the applicable market value of the property as determined by a member of the Royal Institution of Chartered Surveyors. Early or part repayment is allowable under the scheme and amounts are secured by way of a second charge over the property. The loans are non-interest bearing.

The shared equity receivable balance is designated as at fair value through profit and loss under IFRS 9. Fair value movements are recognised in operating profit and include accreted interest. There have been no transfers between categories in the fair value hierarchy in the current and preceding year.

Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of work in progress comprises raw materials, direct labour, other direct costs and related overheads. Net realisable value is the estimated selling price less applicable costs.

Material accounting policy information continued

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Further disclosures relating to the impairment of non-financial assets are provided in note 10, 'Goodwill and other intangible assets'.

Trade receivables

Trade receivables are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest rate method with an appropriate allowance for estimated irrecoverable amounts recognised in the income statement. In accordance with IAS 1, trade receivables are recognised as current when the Group expects to realise the assets in its normal operating cycle.

Cash and cash equivalents

Cash and cash equivalents can include cash in hand, demand deposits and other short-term, highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. The carrying amount of these assets approximates to their fair value.

Bank borrowings are generally considered to be financing activities. However, bank overdrafts which are repayable on demand form an integral part of an entity's cash management. In these circumstances, bank overdrafts are included as a component of cash and cash equivalents for the purpose of presentation in the consolidated cash flow statement. A characteristic of such banking arrangements is that the bank balance often fluctuates from being positive to overdrawn.

Trade payables

Trade payables are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest rate method.

Retirement benefit schemes

(a) Defined contribution plan

A defined contribution plan is a post-retirement benefit plan under which the Group pays fixed contributions to a separate entity and has no legal or constructive obligation to pay further amounts. The Group recognises payments to defined contribution pension plans as staff costs in the income statement as and when they fall due. Prepaid contributions are recognised as an asset to the extent that a cash refund or reduction on future payments is available.

(b) Defined benefit plan

A defined benefit plan is any post-retirement plan other than a defined contribution plan. For defined benefit retirement benefit schemes, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period. Remeasurement comprising actuarial gains and losses, the effect of the asset ceiling (if applicable) and the return on scheme assets (excluding interest) are recognised immediately in the statement of financial position with a charge or credit to the statement of comprehensive income in the period in which they occur. Remeasurement recorded in the statement of comprehensive income is not recycled. Past service cost is recognised in the income statement when the plan amendment or curtailment occurs, or when the Group recognises related restructuring costs or termination benefits, if earlier. Gains or losses on settlement of a defined benefit plan are recognised when the settlement occurs. Net interest is calculated by applying a discount rate to the net defined benefit liability or asset. Defined benefit costs are split into three categories: (i) service costs, which include current service cost, past service cost and gains and losses on curtailments and settlements; (ii) net interest expense or income; and (iii) remeasurements.

The Group presents service costs within cost of sales and administrative expenses in its consolidated income statement. Net interest expense or income is recognised within finance costs.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the deficit or surplus in the Group's defined benefit schemes. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the schemes or reductions in future contributions to the schemes.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and the amount of the obligation can be estimated reliably. Provisions are recognised for events covered by the Group's captive or self-insurance arrangements, legal claims and restructuring.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement where the reimbursement has met the virtually certain recognition criteria.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Material accounting policy information continued

Impairment of financial assets

The Group recognises lifetime expected credit losses for trade receivables, contract assets and loans to joint ventures. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Share-based payments

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. The fair value is expensed in employee benefits expenses on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest.

At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (further details are given in note 24).

Derivative financial instruments and hedge accounting

Derivative financial instruments may be used in joint ventures to hedge long-term floating interest rate and Retail Price Index (RPI) exposures and in Group companies to manage their exposure to foreign exchange rate risk.

Interest rate swaps, RPI swaps and foreign exchange forward contracts are stated in the statement of financial position at fair value. At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instruments that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Where financial instruments are designated as cash flow hedges and are deemed to be effective, gains and losses on remeasurement relating to the effective portion are recognised in equity, and gains and losses on the ineffective portion are recognised in the income statement.

Net investment hedges may be used to hedge exposure on translation of net investments in foreign operations. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income; the gain or loss relating to the ineffective portion is recognised immediately in the income statement. In the event of disposal of a foreign operation, the gains and losses accumulated in other comprehensive income are recognised in the income statement.

There have been no transfers between categories in the fair value hierarchy in the current and preceding year.

Critical accounting judgements and estimates

for the year ended 31 December 2024

The preparation of financial statements under IFRS requires the Company's management to make judgements, assumptions and estimates that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements and estimates in applying the Group's accounting policies

The following are the critical judgements and estimates that the directors have made in the process of applying the Group's accounting policies and that have a significant effect on the amounts recognised in the financial statements:

Revenue recognition – mixed-use schemes (judgement)

The Group acts as developer and/or contractor on a number of mixed-use schemes. In some instances, judgement is required to determine whether the revenue on a particular element of the scheme should be recognised as work progresses (recognised over time) or upon legal completion (recognised at a point in time). A detailed assessment is performed of the contractual agreements with the customer as well as the substance of the transaction to determine whether performance obligations have been satisfied. Relevant factors that are considered include the point at which legal ownership of the land passes to the customer, the degree to which the customer can specify the major structural elements of the design prior to construction work commencing and the degree to which the customer can specify modifications to the major structural elements of the building during construction.

Revenue and profit recognition for long-term contracts (judgement and estimate)

In order to determine the revenue and profit recognition in respect of the Group's construction contracts, the Group has to estimate the total costs to deliver the contract as well as the final contract value. The Group has to allocate total expected costs between the amount incurred on the contract to the end of the reporting period and the proportion to complete in a future period. The assessment of the total costs to be incurred and final contract value requires a degree of judgement and estimation.

The final contract value may include assessments of the recovery of variations which have yet to be agreed with the customer, as well as additional compensation claim amounts. The amount of variations and claims are often not fully agreed with the customer due to timing and requirements of the normal contractual process. Therefore, assessments are based on judgement and estimates of the potential cost impact of the compensation claims, and the revenue recognised is constrained to amounts where the Group believes it is highly probable that a significant reversal will not occur. The estimation of costs to complete is based on all available relevant information and may include judgements and estimates of any potential defect liabilities or liquidated damages for unagreed scope or timing variations. Costs incurred in advance of the contract or contract fulfilment costs that are directly attributable to the contract may also be included as part of the total costs to complete the contract. Judgement is required to consider when any pre-contract costs or contract fulfilment costs are directly attributable to a specific contract and the recognition of the related costs over the life of the contract.

The reference to estimates above is not intended to comply with the requirements of paragraph 125 of IAS 1 'Presentation of Financial Statements' as it is not expected there is a significant risk of a material adjustment to the carrying amount of assets and liabilities within the next financial year. The above is presented as additional disclosure in order to give more detail on the process for revenue and profit recognition for long-term contracts.

Building safety provisions (estimate)

Management has reviewed legal and constructive obligations with regard to remedial work to rectify legacy building safety issues. Where obligations exist, these have been evaluated for the likely cost to address, including repayments of the Building Safety Fund, and an appropriate provision has been created.

The ongoing legislative and regulatory changes in respect of legacy building safety issues create uncertainty around the extent of remediation required for legacy buildings, the liability for such remediation, recoveries from other parties (which would only be recognised when virtually certain to be received) and the time to be considered. This implies inherent uncertainty as to the precise future obligations of the Group in respect of building fire safety issues.

Management has recognised a provision based on its best estimate of the future obligations. However, should the costs of remediation increase by 5%, due to factors such as higher than expected inflation, the impact on the remediation costs would be £2.8m.

Please see note 19 for further detail.

Notes to the consolidated financial statements

1 Revenue

An analysis of the Group's revenue is as follows:

	2024 £m	2023 £m
Construction contracts	**3,230.0**	2,804.7
Other services	**369.8**	306.5
Construction services and fit out activities revenue	**3,599.8**	3,111.2
Partnership activities revenue	**946.4**	1,006.5
Total revenue	**4,546.2**	4,117.7

	2024			2023		
	Recognised on performance obligations satisfied over time £m	**Recognised on performance obligations satisfied at a point in time £m**	**Total revenue £m**	Recognised on performance obligations satisfied over time £m	Recognised on performance obligations satisfied at a point in time £m	Total revenue £m
Contracting	**549.7**	**14.8**	**564.5**	473.7	–	473.7
Mixed tenure	**116.9**	**179.8**	**296.7**	177.6	186.2	363.8
Partnership Housing	**666.6**	**194.6**	**861.2**	651.3	186.2	837.5
Mixed Use Partnerships	**27.9**	**62.6**	**90.5**	73.4	111.9	185.3
Traditional fit out	**1,116.9**	**–**	**1,116.9**	943.9	–	943.9
Design and build	**183.4**	**–**	**183.4**	161.3	–	161.3
Fit Out	**1,300.3**	**–**	**1,300.3**	1,105.2	–	1,105.2
Construction	**1,044.1**	**–**	**1,044.1**	966.6	–	966.6
Infrastructure	**1,047.0**	**–**	**1,047.0**	886.7	–	886.7
Property Services	**223.2**	**–**	**223.2**	185.2	–	185.2
Inter-segment revenue	**(20.1)**	**–**	**(20.1)**	(48.8)	–	(48.8)
Total revenue	**4,289.0**	**257.2**	**4,546.2**	3,819.6	298.1	4,117.7

2 Business segments

For management purposes, the Group is organised into six operating divisions: Partnership Housing, Mixed Use Partnerships, Fit Out, Construction, Infrastructure and Property Services, and this is the structure of segment information reviewed by the Chief Operating Decision Maker (CODM). The CODM is determined to be the Board of directors and reporting provided to the Board is in line with these six divisions, which have been considered to be the Group's operating segments.

The six operating divisions' activities are as follows:

- Partnership Housing: Lovell Partnerships Limited is focused on working in partnerships with local authorities and housing associations. Activities include mixed-tenure developments, building and developing homes for open market sale and for social/affordable rent, design and build house contracting and planned maintenance and refurbishment.
- Mixed Use Partnerships: Muse Places Limited is focused on transforming the urban landscape through partnership working and the development of multi-phase sites and mixed-use placemaking.
- Fit Out: Overbury plc specialises in fit out and refurbishment in commercial, central and local government offices and further education. Morgan Lovell plc provides office interior design and build services direct to occupiers.
- Construction: Morgan Sindall Construction focuses on education, healthcare, commercial, industrial, leisure and retail markets.
- Infrastructure: Morgan Sindall Infrastructure focuses on energy, nuclear, rail, highways, water and defence markets. Infrastructure also includes the BakerHicks design activities based out of the UK and Switzerland.
- Property Services: Morgan Sindall Property Services Limited provides response and planned maintenance services for social housing and the wider public sector.

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

The Group reports its segmental information as presented below:

Year ended 31 December 2024	Partnership Housing £m	Mixed Use Partnerships £m	Fit Out £m	Construction £m	Infrastructure £m	Property Services £m	Group activities £m	Eliminations £m	Total £m
External revenue	**855.9**	**90.5**	**1,299.2**	**1,043.3**	**1,034.1**	**223.2**	**–**	**–**	**4,546.2**
Inter-segment revenue	**5.3**	**–**	**1.1**	**0.8**	**12.9**	**–**	**–**	**(20.1)**	**–**
Total revenue	**861.2**	**90.5**	**1,300.3**	**1,044.1**	**1,047.0**	**223.2**	**–**	**(20.1)**	**4,546.2**
Impairment loss on contract assets	**–**	**–**	**–**	**–**	**–**	**(21.0)**	**–**	**–**	**(21.0)**
Adjusted operating profit/(loss) (note 28)	**36.1**	**1.5**	**99.0**	**30.9**	**38.5**	**(17.8)**	**(25.6)**	**–**	**162.6**
Amortisation of intangible assets	**–**	**–**	**–**	**–**	**–**	**(0.5)**	**–**	**–**	**(0.5)**
Exceptional operating items	**(2.7)**	**5.9**	**–**	**0.1**	**–**	**(3.4)**	**–**	**–**	**(0.1)**
Operating profit/(loss)	**33.4**	**7.4**	**99.0**	**31.0**	**38.5**	**(21.7)**	**(25.6)**	**–**	**162.0**
Finance income									**18.2**
Finance expense									**(8.3)**
Profit before tax									**171.9**
Other information:									
Depreciation	**(2.6)**	**(0.8)**	**(3.0)**	**(2.5)**	**(18.9)**	**(4.2)**	**(1.1)**	**–**	**(33.1)**
Average number of employees	**1,193**	**108**	**1,121**	**1,533**	**3,080**	**1,097**	**110**	**–**	**8,242**

Notes to the consolidated financial statements continued

2 Business segments continued

Year ended 31 December 2023	Partnership Housing £m	Mixed Use Partnerships £m	Fit Out £m	Construction £m	Infrastructure £m	Property Services £m	Group activities £m	Eliminations £m	Total £m
External revenue	821.2	185.3	1,104.8	945.2	876.0	185.2	–	–	4,117.7
Inter-segment revenue	16.3	–	0.4	21.4	10.7	–	–	(48.8)	–
Total revenue	837.5	185.3	1,105.2	966.6	886.7	185.2	–	(48.8)	4,117.7
Impairment loss on contract assets	–	–	–	–	–	(2.8)	–	–	(2.8)
Adjusted operating profit/(loss) (note 28)	30.5	14.8	71.8	25.9	38.5	(16.8)	(23.4)	–	141.3
Amortisation of intangible assets	–	–	–	–	–	(2.9)	–	–	(2.9)
Exceptional operating items	–	13.7	–	(11.5)	–	–	–	–	2.2
Operating profit/(loss)	30.5	28.5	71.8	14.4	38.5	(19.7)	(23.4)	–	140.6
Finance income									10.8
Finance expense									(7.5)
Profit before tax									143.9
Other information:									
Depreciation	(2.4)	(1.1)	(2.9)	(2.5)	(14.6)	(2.6)	(0.7)	–	(26.8)
Average number of employees	1,131	97	1,031	1,430	2,788	1,105	107	–	7,689

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

3 Profit for the year

Profit before tax for the year is stated after charging/(crediting):

	Notes	**2024 £m**	2023 £m
Depreciation charge:			
Plant, equipment, fixtures and fittings	11	**9.7**	7.9
Right-of-use assets	11	**23.4**	18.9
Government grants received		**(1.4)**	(3.1)
Amortisation of intangible assets	10	**0.5**	2.9

Auditor's remuneration

	2024 £m	2023 £m
Audit of the Company's annual report	**0.5**	0.4
Audit of the Company's subsidiaries and joint ventures	**2.3**	1.7
Total audit fees	**2.8**	2.1
Total non-audit fees	**–**	–
Total audit and non-audit fees	**2.8**	2.1

Non-audit fees totalled £4,186 for the year ended 31 December 2024 (2023: £4,865).

4 Exceptional building safety items

	Notes	**2024 £m**	2023 £m
Net additions on building safety provisions	19	**(8.0)**	(18.4)
Insurance and recoveries recognised in receivables		**9.3**	16.5
Exceptional building safety credit/(charge) within cost of sales		**1.3**	(1.9)
Exceptional building safety (charge)/credit within joint ventures	12	**(1.4)**	4.1
Total exceptional building safety (charge)/credit		**(0.1)**	2.2

During 2022, the Partnership Housing division signed the developers' pledge ('the pledge') with the Ministry of Housing, Communities and Local Government (MHCLG) (then the Department for Levelling Up, Housing and Communities (DLUHC)) setting out the principles under which life-critical fire safety issues on buildings that they have developed of 11 metres and above in height are to be remediated. A letter was also received from MHCLG (then DLUHC) requesting information to assess whether it may be appropriate for Mixed Use Partnerships to also commit to the principles of the pledge as part of its commitment to support the remediation of historic cladding and fire safety defects over and above its obligations under the new Building Safety Act. The Group subsequently signed the Developer Remediation Contract in March 2023 on behalf of all of its divisions.

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

In the current year, the legal and constructive obligations related to the pledge (including reimbursement of grants provided by the Building Safety Fund), the Building Safety Act and associated fire safety regulations have been reassessed based on further information. The overall movement in the building safety items is a net charge of £0.1m and is shown separately as an exceptional item consistent with prior-year treatment.

Included in the £0.1m exceptional building safety charge (2023: £2.2m credit) is a £1.4m charge (2023: £4.1m credit) that has been recognised in respect of the Group's share of constructive and legal obligations to remediate legacy building safety issues within joint ventures, and this has been recognised within the Group's share of net profit of joint ventures. The remaining net credit of £1.3m (2023: £1.9m charge) has been recognised in cost of sales.

At the reporting date, the Group had not yet made any reimbursements to the Building Safety Fund for amounts previously granted and drawn on any of the developments for which the Group has taken responsibility. As notified by the MHCLG, any repayments will only be requested upon final completion of all the relevant works. On this basis, any repayments are only likely to commence towards the middle of 2025 at the earliest.

5 Staff costs

	Notes	**2024 £m**	2023 £m
Wages and salaries		**646.6**	536.6
Social security costs		**73.9**	64.7
Other pension costs	17	**28.7**	22.1
Share options expense	24	**10.5**	6.6
		759.7	630.0

Notes to the consolidated financial statements continued

6 Finance income and expense

	Notes	2024 £m	2023 £m
Interest receivable from joint ventures		**0.8**	–
Interest income on bank deposits		**17.4**	10.8
Finance income		**18.2**	10.8
Interest expense on lease liabilities	18	**(3.8)**	(2.5)
Loan arrangement and commitment fees		**(2.2)**	(2.0)
Discount unwind on deferred land payments		**(2.3)**	(3.0)
Finance expense		**(8.3)**	(7.5)
Net finance income		**9.9**	3.3

7 Tax

Tax expense for the year

	2024 £m	2023 £m
Current tax:		
Current year	**40.1**	16.9
Adjustment in respect of prior years	**1.1**	4.7
	41.2	21.6
Deferred tax:		
Current year	**1.7**	13.5
Adjustment in respect of prior years	**(2.7)**	(8.9)
	(1.0)	4.6
Tax expense for the year	**40.2**	26.2

UK corporation tax is calculated at 25.0% (2023: 23.5%) of the estimated taxable profit for the year.

Notes to the consolidated financial statements continued

7 Tax continued

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

	Notes	2024 £m	2023 £m
Profit before tax		**171.9**	143.9
Less: underlying post-tax share of profits from joint ventures	12	**(4.5)**	(14.1)
		167.4	129.8
UK corporation tax rate		**25.0%**	23.5%
Income tax expense at UK corporation tax rate		**41.9**	30.5
Tax effect of:			
Adjustments in respect of prior years:			
Relating to exceptional items		**–**	(2.0)
Other		**(1.6)**	(2.2)
Expenses for which no tax relief is recognised:			
Proportion of exceptional items		**(1.6)**	(1.5)
Proportion of share-based payments		**(0.8)**	(1.3)
Other non-deductible expenses		**0.6**	0.6
Tax liability upon underlying joint venture profits[1]		**1.5**	2.6
Other		**0.2**	(0.5)
Tax expense for the year		**40.2**	26.2

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

Deferred tax assets/(liabilities)

	Asset amortisation and depreciation £m	Tax losses and short-term timing differences £m	Share-based payments £m	Total £m
1 January 2023	(18.5)	9.5	2.2	(6.8)
(Charge)/credit to income statement	(0.6)	(5.4)	1.4	(4.6)
Credit to equity	–	–	2.7	2.7
1 January 2024	**(19.1)**	**4.1**	**6.3**	**(8.7)**
Credit/(charge) to income statement	(0.8)	(0.9)	2.7	1.0
Charge to equity	–	–	5.6	5.6
31 December 2024	**(19.9)**	**3.2**	**14.6**	**(2.1)**

Certain deferred tax assets and liabilities, as shown above, have been offset as the Group has a legally enforceable right to do so.

The UK statutory tax rate increased from 19% to 25% from 1 April 2023. Consequently the applicable tax rate for the Group in 2024 was 25% (2023: 23.5%).

Residential Property Developer Tax (RPDT) applies at a rate of 4% on profits arising from residential property development. A £25m annual tax-free allowance applies in aggregate for the Group. A portion of the profits of the Group's Partnership Housing and Mixed Use Partnerships businesses are subject to RPDT. No liability has been accrued for 2024 (2023: liability less than £0.1m).

Notes to the consolidated financial statements continued

7 Tax continued

Deferred taxes at the balance sheet date are measured at the enacted rates that are expected to apply to the unwind of each asset or liability. Accordingly, deferred tax balances as at 31 December 2024 have been calculated at a tax rate of 25% (2023: 25%), with an allowance for RPDT where applicable.

Pillar Two legislation has been enacted in the UK, effective from 1 January 2024. The Group is within the scope of Pillar Two and has assessed its potential exposure to Pillar Two income taxes. The Group does not expect any material exposure to Pillar Two top-up taxes and no provision has been made for Pillar Two top-up taxes.

At 31 December 2024, the Group had unused tax losses of £27.9m (2023: £18.1m) available for offset against future profits. A deferred tax asset of £0.6m (2023: £1.0m) has been recognised in respect of £2.3m (2023: £4.0m) of these losses. No deferred tax asset has been recognised in respect of the remaining £25.6m of losses as these losses can only be utilised against profits from specific sources, and there are no probable future profits from these sources. The losses may be carried forward indefinitely.

8 Dividends

Amounts recognised as distributions to equity holders in the year:

	2024 £m	2023 £m
Final dividend for the year ended 31 December 2023 of 78p per share	**36.5**	–
Final dividend for the year ended 31 December 2022 of 68p per share	**–**	31.5
Interim dividend for the year ended 31 December 2024 of 41.5p per share	**19.6**	–
Interim dividend for the year ended 31 December 2023 of 36p per share	**–**	16.6
	56.1	48.1

The proposed final dividend for the year ended 31 December 2024 of 90.0p per share is subject to approval by shareholders at the AGM and has not been included as a liability in these financial statements.

9 Earnings per share

	Notes	**2024 £m**	2023 £m
Profit attributable to the owners of the Company		**131.7**	117.7
Adjustments:			
Exceptional building safety items	4	**0.1**	(2.2)
Amortisation of intangible assets	10	**0.5**	2.9
Tax relating to the above adjustments		**(1.8)**	(3.7)
Adjusted earnings		**130.5**	114.7

	2024 Number of shares (millions)	2023 Number of shares (millions)
Basic weighted average number of ordinary shares	**46.8**	46.3
Dilutive effect of share options and conditional shares not vested	**1.7**	0.7
Diluted weighted average number of ordinary shares	**48.5**	47.0
Basic earnings per share	**281.4p**	254.2p
Diluted earnings per share	**271.5p**	250.4p
Adjusted earnings per share	**278.8p**	247.7p
Diluted adjusted earnings per share	**269.1p**	244.0p

9 Earnings per share continued

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 £28.05 (2023: £18.57).

A total of 1,806 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 2024 (2023: 2,535,887).

10 Goodwill and other intangible assets

	Goodwill £m	Other intangible assets £m	Total £m
Cost			
1 January 2023	217.7	41.4	259.1
Additions	–	0.3	0.3
1 January 2024	**217.7**	**41.7**	**259.4**
Disposals	–	(2.7)	(2.7)
31 December 2024	**217.7**	**39.0**	**256.7**
Accumulated amortisation			
1 January 2023	–	(37.9)	(37.9)
Amortisation	–	(2.9)	(2.9)
1 January 2024	**–**	**(40.8)**	**(40.8)**
Amortisation	–	(0.5)	(0.5)
Disposals	–	2.7	2.7
31 December 2024	**–**	**(38.6)**	**(38.6)**
Net book value at 31 December 2024	**217.7**	**0.4**	**218.1**
Net book value at 31 December 2023	217.7	0.9	218.6

Goodwill represents the value of people, track record and expertise acquired within acquisitions that are not capable of being individually identified and separately recognised. Goodwill is allocated at acquisition to the cash-generating units that are expected to benefit from the business combination. The allocation is as follows: Partnership Housing £50.6m (2023: £50.6m), Mixed Use Partnerships £16.0m (2023: £16.0m), Construction £68.7m (2023: £68.7m) and Infrastructure £82.4m (2023: £82.4m).

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. In testing goodwill and other intangible assets for impairment, the recoverable amount of each cash-generating unit has been estimated from value-in-use calculations. The key assumptions for the value-in-use calculations are those regarding the forecast revenue and margin, discount rates and long-term growth rates by market sector. Forecast revenue and margin are based on past performance, secured workload and workload likely to be achievable in the short to medium term, given trends in the relevant market sector as well as macroeconomic factors.

Cash flow forecasts have been determined by using Board-approved budgets for the next three years. Cash flows beyond three years have been extrapolated into perpetuity using an estimated nominal growth rate of 3.4% (2023: 3.3%). This growth rate does not exceed the long-term average for the relevant markets.

Discount rates are pre-tax and reflect the current market assessment of the time value of money and the risks specific to the cash-generating units. The risk-adjusted nominal rates used for the cash-generating units with goodwill balances are 14.2% (2023: 15.1%) for Partnership Housing, 14.2% (2023: 15.1%) for Mixed Use Partnerships, 12.3% (2023: 12.5%) for Construction and 12.3% (2023: 12.5%) for Infrastructure. The decreased discount rates in 2024 are due to lower gilt yields and reductions in the cost of equity, which were more significant in Partnership Housing and Mixed Use Partnerships than Construction and Infrastructure.

Notes to the consolidated financial statements continued

10 Goodwill and other intangible assets continued

In carrying out this exercise, no impairment of goodwill or other intangible assets has been identified. No reasonably foreseeable change in the assumptions used within the value-in-use calculations would cause an impairment in any of the segments.

Other intangible assets relate to internally generated software in Property Services £0.4m (2023: £0.9m). The cost and accumulated amortisation amounts for acquired intangible assets (excluding goodwill) that were fully written down at 31 December 2024 were £35.3m (2023: £35.3m) and (£35.3m) (2023: (£35.3m)) respectively.

Consideration of the impact of climate change

In terms of the possible impacts of climate change, the two key assumptions that could be sensitive to this are the growth rate and discount rates noted above. If climate change has a negative impact on revenues and/or the operating costs of the Group there could be a potential impact on the discounted cash flow growth rates used within the valuation model. Lower future growth rates would reduce the level of the discounted cash flow valuation and hence the amount of headroom available to the Group above an impairment trigger. At present, the material short- to medium-term risks presented by possible climate change impacts are considered to be factored into the growth and discount rates where they are known and can be quantified.

Using the current assumptions, no reasonably foreseeable change in the assumptions used within the value-in-use calculations would cause an impairment in any of the segments. Therefore, at present, changes in the long-term assumptions due to the impact of climate change would also not be expected to trigger an impairment.

11 Property, plant and equipment

			Right-of-use assets		
	Freehold property and land £m	Plant, equipment, fixtures and fittings £m	Leasehold property £m	Plant and equipment £m	Total £m
Cost					
1 January 2023	2.4	53.2	58.9	35.8	150.3
Additions	4.3	10.0	8.2	20.3	42.8
Foreign exchange adjustments	–	–	0.1	–	0.1
Disposals	–	(3.9)	(12.9)	(5.1)	(21.9)
1 January 2024	**6.7**	**59.3**	**54.3**	**51.0**	**171.3**
Additions	–	18.2	7.3	20.7	46.2
Foreign exchange adjustments	–	(0.3)	(0.1)	–	(0.4)
Disposals	–	(11.9)	(5.6)	(6.9)	(24.4)
31 December 2024	**6.7**	**65.3**	**55.9**	**64.8**	**192.7**
Accumulated depreciation					
1 January 2023	–	(35.7)	(27.3)	(12.5)	(75.5)
Depreciation charge	–	(7.9)	(8.2)	(10.7)	(26.8)
Foreign exchange adjustments	–	(0.1)	–	–	(0.1)
Disposals	–	2.0	10.5	4.6	17.1
1 January 2024	**–**	**(41.7)**	**(25.0)**	**(18.6)**	**(85.3)**
Depreciation charge	–	(9.7)	(7.8)	(15.6)	(33.1)
Foreign exchange adjustments	–	0.2	0.1	–	0.3
Disposals	–	10.7	4.0	5.8	20.5
31 December 2024	**–**	**(40.5)**	**(28.7)**	**(28.4)**	**(97.6)**
Net book value at 31 December 2024	**6.7**	**24.8**	**27.2**	**36.4**	**95.1**
Net book value at 31 December 2023	6.7	17.6	29.3	32.4	86.0

The Group holds some property, plant and equipment that is fully depreciated. The cost and accumulated depreciation amounts of this fully written down property, plant and equipment at 31 December 2024 is £22.4m (2023: £14.8m) and (£22.4m) (2023: (£14.8m)) respectively.

12 Investments in joint ventures

The Group has interests in the following joint ventures:

Anthem Lovell LLP 50% partner

Anthem Lovell LLP is a joint venture with Anthem Homes Limited (a subsidiary of Walsall Housing Group Limited) carrying out a strategic development project of a residential nature.

Brentwood Development Partnership LLP 50% partner

Brentwood Development Partnership LLP is a partnership with Seven Arches Investments Limited (a subsidiary of Brentwood Borough Council) which is developing a series of sites in Brentwood over a 30-year period.

Chalkdene Developments LLP 50% partner

Chalkdene Developments LLP is a partnership with Herts Living Ltd (a subsidiary of Hertfordshire County Council) which is developing a series of sites across Hertfordshire over a 15-year period.

Claymore Roads (Holdings) Limited 50% share

Claymore Roads (Holdings) Limited is a joint venture with Infrastructure Investments (Roads) Limited and is responsible for the upgrade and operation of the A92 between Dundee and Arbroath in Scotland.

Edmundham Developments LLP 50% partner

Edmundham Developments LLP is a joint venture with Suffolk County Council, which has been established to progress the development of residential homes across Suffolk, inclusive of associated infrastructure, local centres, employment land, education land and extra care provision.

English Cities Fund Limited Partnership 22.9% share

English Cities Fund is a limited partnership with Homes England and Legal & General to develop mixed-use regeneration schemes in assisted areas. Joint control is exercised through the board of the general partner at which each partner is represented by two directors and no decision can be taken without the agreement of a director representing each partner.

Habiko LLP 33.3% partner

Habiko LLP is a housing innovation joint venture between Muse Places, Homes England and Pension Insurance Corporation which aims to deliver low-carbon, low-energy affordable homes for rent, with a target of 3,000 homes over an initial term of 12 years.

Health Innovation Partners Limited 50% share

Through the Health Innovation Partners joint venture with Arcadis BAC Limited, the Group had a 25% interest in The Oxleas Property Partnership LLP (TOPP), a joint venture with the Oxleas NHS Foundation Trust. In agreement with our partners, TOPP was dissolved in 2024 and the joint venture is expected to be wound up during 2025.

Kinsted Developments LLP 50% partner

Kinsted Developments LLP is a joint venture with Edes Estates Limited (a subsidiary of West Sussex County Council) established to carry out strategic developments of residential homes, town centre regeneration and extra care provision across West Sussex.

Laurus Lovell Whalley LLP 50% partner

Laurus Lovell Whalley LLP is a joint venture with THT Developments Limited (a subsidiary of Trafford Housing Limited) established to carry out a strategic development project of a residential nature in the north west of England.

Lingley Mere Business Park Development Company Limited 50% share

Lingley Mere Business Park Development Company Limited is a joint venture with United Utilities Property Services Limited (a subsidiary of United Utilities PLC) delivering development at a site in Warrington.

Lovell Flagship LLP 50% partner

Lovell Flagship LLP is a joint venture with Flagship Housing Developments Limited (a subsidiary of Flagship Housing Group Limited) established to carry out strategic development and/or regeneration projects of a primarily residential nature.

Lovell Latimer LLP 50% partner

Lovell Latimer LLP is a joint venture with Latimer Developments Limited (a subsidiary of Clarion Housing Group) established to carry out a strategic development project of a residential nature in the north west of England.

Notes to the consolidated financial statements continued

12 Investments in joint ventures continued

Lovell Together (Pendleton) LLP 50% partner

Lovell Together (Pendleton) LLP is a joint venture with Together Commercial Limited (a subsidiary of Together Housing Group Limited) established to carry out a strategic development project of a residential nature in the north west of England.

Lovell Together LLP 50% partner

Lovell Together LLP is a joint venture with Together Commercial Limited (a subsidiary of Together Housing Group Limited) carrying out three strategic development projects of a residential nature in eastern England.

Lovell/Abri Weymouth LLP 50% partner

Lovell/Abri Weymouth LLP is a joint venture with Radian Developments Limited (a subsidiary of Abri Group Limited) carrying out a strategic development project of a residential nature.

Morgan-Vinci Limited 50% share

Morgan-Vinci Limited is a joint venture with Vinci Newport DBFO Limited and is responsible for the construction and operation of the Newport Southern Distributor Road.

Slough Urban Renewal LLP 50% partner

Slough Urban Renewal LLP is a partnership with Slough Borough Council which is developing a series of sites in Slough over an initial term of 15 years extendable by 10 years.

South Thamesmead LLP 50% partner

South Thamesmead LLP is a joint venture with Peabody Developments Limited (a subsidiary of Peabody Trust) established to carry out the next mixed-tenure phases of the regeneration of South Thamesmead in South East London.

St Andrews Brae Developments Limited 50% share

St Andrews Brae Developments Limited is a joint venture with Miller Homes which has completed a development of residential housing and apartments in Bearsden, Glasgow.

The Bournemouth Development Company LLP 50% partner

The Bournemouth Development Company LLP is a partnership with Bournemouth, Christchurch and Poole Council which is developing a series of sites in Bournemouth over a 20-year period.

The Compendium Group Limited 50% share

The Compendium Group Limited is a joint venture with The Riverside Group Limited and is a company formed to carry out strategic development and regeneration projects of a primarily residential nature.

The Prestwich Regeneration LLP 50% partner

The Prestwich Regeneration LLP is a joint venture with Bury Metropolitan Borough Council and was set up to undertake the redevelopment of the Longfield Shopping Centre in Prestwich, located in the Metropolitan Borough of Bury, Greater Manchester.

Wapping Wharf (Alpha) LLP 50% partner

Wapping Wharf (Alpha) LLP is a joint venture with Wapping Wharf (Umberslade) Limited which has completed development of the first phase of residential apartments within the Harbourside Regeneration Area of Bristol.

Wapping Wharf (Beta) LLP 40% partner

Wapping Wharf (Beta) LLP is a joint venture with Wapping Wharf (Umberslade) Limited which will develop the second phase of residential apartments within the Harbourside Regeneration Area of Bristol.

Waterside Places Limited Partnership 50% partner

Waterside Places Limited Partnership is a joint venture with The Canal and River Trust to undertake regeneration of waterside sites.

Waterside Places (General Partner) Limited 50% share

Waterside Places (General Partner) is a joint venture with The Canal and River Trust to undertake regeneration of waterside sites.

Wirral Growth Company LLP 50% partner

Wirral Growth Company LLP is a joint venture with Wirral Borough Council and was set up to undertake regeneration of numerous sites in the Wirral region of North West England.

12 Investments in joint ventures continued

Investments in equity-accounted joint ventures are as follows:

	Notes	2024 £m	2023 £m
1 January		**106.6**	84.0
Equity-accounted share of net profits:			
Underlying share of net profits		**4.6**	14.1
Exceptional building safety (charge)/credit	4	**(1.4)**	4.1
		3.2	18.2
Capital advances to joint ventures		**29.1**	44.2
Capital repayments by joint ventures		**(27.9)**	(34.2)
Non-cash impairment reversal – other operating income		**5.1**	–
Dividends received		**(4.2)**	(1.6)
Reclassification to funding obligations payable		**–**	(4.0)
31 December		**111.9**	106.6

During 2024, an exceptional building safety charge of £1.4m (2023: credit of £4.1m) has been recognised in respect of the Group's share of constructive and legal obligations to remediate legacy building safety issues within joint ventures.

Summarised financial information related to equity-accounted joint ventures that are not individually material is set out below.

	2024 £m	2023 £m
Non-current assets (100%)	**60.7**	61.6
Current assets (100%)	**471.7**	550.5
Current liabilities (100%)	**(90.8)**	(149.2)
Non-current liabilities (100%)	**(191.4)**	(190.4)
Net assets reported by equity-accounted joint ventures (100%)	**250.2**	272.5
Revenue (100%)	**238.2**	299.8
Expenses (100%)	**(233.5)**	(267.8)
Net profit (100%)	**4.7**	32.0

Results of equity-accounted joint ventures:

	2024 £m	2023 £m
Group share of profit before tax	**4.6**	14.1
Exceptional building safety (charge)/credit	**(1.4)**	4.1
Group share of tax	**(0.1)**	–
Group share of profit after tax	**3.1**	18.2

Notes to the consolidated financial statements continued

13 Inventories

	2024 £m	2023 £m
Land[1]	154.1	126.7
Work in progress	321.9	218.0
Inventories	476.0	344.7

1 The 2023 figure was presented as part of 'work in progress' in the 2023 financial statements.

Work in progress comprises housing, commercial and mixed-use developments in the course of construction.

14 Contract assets and liabilities

	2024 £m	2023 £m
Contract assets	224.6	270.6
Contract liabilities	(110.4)	(95.8)
Net contract assets	114.2	174.8

The contract assets primarily relate to the Group's right to consideration for construction work completed but not invoiced at the balance sheet date. The contract assets are transferred to trade receivables when the amounts are certified by the customer. On most contracts, certificates are issued by the customer on a monthly basis. All contract assets held at 31 December 2024 are expected to be invoiced and transferred to trade receivables within the next 12 months.

The Group has taken advantage of the practical expedient in paragraph 94 of IFRS 15 to immediately expense the incremental costs of obtaining contracts where the amortisation period of the assets would have been one year or less.

The contract liabilities primarily relate to the advance consideration received from customers in respect of performance obligations which have not yet been fully satisfied and for which revenue has not been recognised. All contract liabilities held at 31 December 2024 are expected to satisfy performance obligations in the next 12 months.

Significant changes in the contract assets and the contract liabilities during the period are as follows:

	2024		2023	
	Contract assets £m	Contract liabilities £m	Contract assets £m	Contract liabilities £m
1 January	270.6	(95.8)	294.6	(74.2)
Revenue recognised:				
Performance obligations satisfied in the current year	4,450.4	95.8	4,043.5	74.2
Cash received for performance obligations not yet satisfied	–	(110.4)	–	(95.8)
Amounts transferred to trade receivables	(4,475.4)	–	(4,064.7)	–
Impairment of contract assets	(21.0)	–	(2.8)	–
31 December	224.6	(110.4)	270.6	(95.8)

14 Contract assets and liabilities continued

The following table sets out the Group secured workload by operating segment which is deemed to be the revenue expected to be recognised in the future related to performance obligations that are unsatisfied or partially unsatisfied at the balance sheet date:

	2025 £m	2026 £m	2027+ £m	**Total £m**
Partnership Housing	922.1	596.1	655.8	**2,174.0**
Mixed Use Partnerships	242.8	267.6	3,574.5	**4,084.9**
Fit Out	1,187.4	251.5	–	**1,438.9**
Construction	771.3	178.3	2.2	**951.8**
Infrastructure	784.9	527.4	570.8	**1,883.1**
Property Services	195.8	145.7	545.6	**887.1**
Eliminations	(0.5)	–	–	**(0.5)**
	4,103.8	1,966.6	5,348.9	**11,419.3**

Of these amounts, £6,164.5m relates to performance obligations to be satisfied for in-progress contracts at the year end.

15 Trade and other receivables

	Notes	**2024 £m**	2023 £m
Amounts falling due within one year			
Trade receivables	26	**300.2**	320.9
Amounts owed by joint ventures	25	**15.8**	21.1
Prepayments		**16.1**	17.8
Insurance receivables		**23.1**	21.7
Other receivables		**29.0**	31.3
		384.2	412.8
Amounts falling due after more than one year			
Trade receivables	26	**69.3**	48.8
		69.3	48.8
Trade and other receivables		**453.5**	461.6

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

Trade receivables are stated after provisions for impairment losses of £1.3m (2023: £1.5m) (see note 26).

Retentions held by customers for contract work included within trade receivables at 31 December 2024 were £129.1m (2023: £105.3m). These will be collected in the normal operating cycle of the Group including £69.3m (2023: £48.8m) that fall due in more than one year. The Group manages the collection of retentions through its post-completion project monitoring procedures and ongoing contact with clients to ensure that potential issues that could lead to the non-payment of retentions are identified and addressed promptly.

The Group holds third-party insurances that may mitigate the contract and legal liabilities described in note 19 Provisions and note 20 Contingent liabilities. Insurance receivables are recognised when reimbursement from insurers is virtually certain.

Notes to the consolidated financial statements continued

16 Trade and other payables

	Notes	2024 £m	2023 £m
Trade payables		**211.1**	202.2
Amounts owed to joint ventures	25	**0.2**	0.2
Other tax and social security		**139.3**	142.8
Accrued expenses		**729.8**	703.9
Deferred income		**7.1**	3.8
Land creditors		**30.8**	20.7
Other payables		**12.0**	13.4
Current		**1,130.3**	1,087.0
Land creditors		**15.3**	25.5
Other payables		**1.3**	2.7
Non-current		**16.6**	28.2

The directors consider that the carrying amount of trade payables approximates to their fair value. No interest was incurred on outstanding balances. Non-current other payables have been discounted by £1.3m (2023: £4.3m) to reflect the time value of money.

Retentions withheld from subcontractors included in trade payables amount to £95.5m (2023: £88.8m).

17 Retirement benefit schemes

Defined contribution plan

Between 1995 and 2024, the Group operated a defined contribution plan, the Morgan Sindall Retirement Benefits Plan ('the Retirement Plan') for employees of the Group. The assets of the Retirement Plan were held separately from those of the Group in funds under the control of the Trustee of the Retirement Plan.

During 2024, the Group replaced these arrangements, with past and present employees' savings and future contributions being transferred into LifeSight, WTW's master trust, a defined contribution multi-employer pension trust ('LifeSight') with an independent trustee board.

The total cost charged to the income statement of £28.7m (2023: £22.1m) represents contributions payable to defined contribution pension plans by the Group.

As at 31 December 2024, contributions of £4.2m (2023: £3.7m) were due in respect of December's contribution not paid over to the Retirement Plan.

Defined benefit plan

The Retirement Plan previously included a defined benefit section comprising liabilities and transfers of funds representing the accrued benefit rights of active and deferred members and pensioners of pension plans of companies which had become part of the Group. These included salary-related benefits for members in respect of benefits accrued before 31 May 1995 (and benefits transferred in from The Snape Group Limited Retirement Benefits Scheme accrued up to 1 August 1997). No further defined benefit membership rights could accrue after those dates.

On 23 May 2018, the Trustees of the Retirement Plan completed a buy-in transaction with Aviva to insure the benefits of the Defined Benefit members. The buy-in policy was an asset of the Plan that provided payments that were an exact match to the pension payments made to the Defined Benefit members covered by the policy.

On 31 October 2023, the Trustees of the Retirement Plan completed a buy-out transaction with Aviva, converting the buy-in transaction of 2018 into a buy-out arrangement whereby Aviva assumed direct responsibility for all member liabilities. A further £0.2m was paid to Aviva in cash to finalise the buy-out, following an exercise to finalise and true up the liabilities.

17 Retirement benefit schemes continued

Termination of the Retirement Plan

On 7 November 2024, the Retirement Plan was terminated as there were no further assets or liabilities within the Retirement Plan, following the buy-out of the defined benefit plan in 2023 and the transfer of the defined contribution funds and contributions to LifeSight in 2024, as detailed above.

	2024			2023		
	Assets £m	**Liabilities £m**	**Total £m**	Assets £m	Liabilities £m	Total £m
1 January	**–**	**–**	**–**	6.6	(6.8)	(0.2)
Buy-out	**–**	**–**	**–**	(6.6)	6.8	0.2
31 December	**–**	**–**	**–**	–	–	–

There was no actuarial gain or loss recognised in the statement of comprehensive income during the current or prior year.

18 Lease liabilities

The Group leases several assets including the buildings, plant and vehicles to enable the Group to carry out its day-to-day operations. The average lease term is five years. There are no variable terms to any of the leases. The maturity profile for the lease liabilities at 31 December 2024 is set out below:

	2024			2023		
	Property £m	**Plant and equipment £m**	**Total £m**	Property £m	Plant and equipment £m	Total £m
Within one year	**6.5**	**16.1**	**22.6**	5.6	13.5	19.1
Within two to five years	**19.4**	**23.6**	**43.0**	23.9	22.8	46.7
After more than five years	**5.9**	**–**	**5.9**	6.0	–	6.0
Total undiscounted cash flows	**31.8**	**39.7**	**71.5**	35.5	36.3	71.8
Deduct impact of discounting	**(2.4)**	**(2.4)**	**(4.8)**	(4.1)	(3.9)	(8.0)
31 December	**29.4**	**37.3**	**66.7**	31.4	32.4	63.8

	2024			2023		
	Property £m	**Plant and equipment £m**	**Total £m**	Property £m	Plant and equipment £m	Total £m
1 January	**31.4**	**32.4**	**63.8**	34.0	22.9	56.9
Additions	**7.3**	**20.7**	**28.0**	8.2	20.3	28.5
Terminations	**(2.1)**	**(1.0)**	**(3.1)**	(2.4)	(0.5)	(2.9)
Repayments	**(8.9)**	**(16.9)**	**(25.8)**	(9.6)	(11.6)	(21.2)
Interest expense (note 6)	**1.7**	**2.1**	**3.8**	1.2	1.3	2.5
31 December	**29.4**	**37.3**	**66.7**	31.4	32.4	63.8

Lease payments on short-term leases and leases of low-value assets recognised as an expense within the income statement totalled £2.3m (2023: £1.8m).

Notes to the consolidated financial statements continued

19 Provisions

	Building safety £m	Self-insurance £m	Contract and legal £m	Other £m	Total £m
1 January 2023	38.3	19.8	15.7	3.1	76.9
Reclassifications	0.3	–	3.7	–	4.0
Utilised	(0.9)	(1.3)	(5.2)	(0.3)	(7.7)
Additions	26.3	3.9	10.6	0.8	41.6
Released	(7.9)	(3.2)	(6.5)	(1.1)	(18.7)
1 January 2024	**56.1**	**19.2**	**18.3**	**2.5**	**96.1**
Utilised	(7.3)	(1.3)	(7.6)	–	(16.2)
Additions	11.9	4.3	21.5	1.1	38.8
Released	(3.9)	(3.0)	(5.2)	(1.1)	(13.2)
31 December 2024	**56.8**	**19.2**	**27.0**	**2.5**	**105.5**
Current	56.8	1.2	27.0	0.1	85.1
Non-current	–	18.0	–	2.4	20.4
31 December 2024	**56.8**	**19.2**	**27.0**	**2.5**	**105.5**

Building safety provisions

Management has reviewed legal and constructive obligations arising from the developers' pledge, the Building Safety Act and other associated fire regulations. Where obligations exist, these have been evaluated for the likely cost to address, including repayments of the Building Safety Fund. As a result of this review process provisions are recognised, as reported in the table above, excluding those recognised in joint ventures. The provision is expected to be utilised in the next two years, with repayments to the Building Safety Fund commencing in 2025.

See note 4 for further detail.

The Group also holds third-party insurances that may mitigate the liabilities. Third-party insurance reimbursement in respect of these provisions has been recognised as a separate asset, but only when the reimbursement is virtually certain. See notes 4 and 15 for details of mitigating insurance receivables recognised at the period end.

Note 20 includes details of contingent liabilities related to building safety.

Self-insurance provisions

Self-insurance provisions comprise the Group's self-insurance of certain risks and include £11.5m (2023: £10.0m) held in the Group's captive insurance company, Newman Insurance Company Limited.

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 15 for details of mitigating insurance receivables recognised at the period end.

Note 20 includes details of contingent liabilities related to claims.

Other provisions

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

20 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 2024, contract bonds in issue under uncommitted facilities covered £194.9m of contract commitments of the Group, of which £19.4m relates to joint arrangements and £nil relates to joint ventures (2023: £174.7m, of which £22.3m related to joint arrangements and £nil related to joint ventures).

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

Building safety

At 31 December 2024, provisions in respect of liabilities arising from the developers' pledge, the Building Safety Act and other associated fire regulations totalled £63.7m (2023: £61.6m), including those related to joint ventures.

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

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

21 Share capital

	2024		2023	
	Number	**£m**	Number	£m
Issued and fully paid ordinary shares of 5p each:				
1 January	**47,357,726**	**2.4**	47,350,604	2.4
Exercise of share options	**646,695**	**–**	7,122	–
31 December	**48,004,421**	**2.4**	47,357,726	2.4

All issued ordinary shares are fully paid. Ordinary shares are entitled to dividends when declared and each share carries the right to one vote at a meeting of the Company.

During 2024, 646,695 shares were issued in respect of options exercised under the Group's Save As You Earn (SAYE) Plan for a total consideration of £9.7m (2023: 7,122 shares were issued for a total consideration of £0.1m).

22 Other reserves

	Capital redemption reserve £m	Translation reserve £m	Hedging reserve £m	Total other reserves £m
1 January 2023	0.6	1.3	(0.8)	1.1
Exchange rate variances	–	0.2	–	0.2
1 January 2024	**0.6**	**1.5**	**(0.8)**	**1.3**
Exchange rate variances	–	(0.3)	–	(0.3)
Fair value gains/(losses)	–	–	(0.1)	(0.1)
31 December 2024	**0.6**	**1.2**	**(0.9)**	**0.9**

The capital redemption reserve was created on the redemption of preference shares in 2003.

Notes to the consolidated financial statements continued

22 Other reserves continued

The hedging reserve arises from cash flow hedge accounting. Movements on the effective portion of hedges are recognised through the hedging reserve, while any ineffectiveness is taken to the income statement.

The translation reserve comprises the aggregate effect of translating overseas operations into the Group's functional currency.

23 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 2024 was 1,241,722 (2023: 1,124,215) with a cost of £51.5m (2023: £23.4m). 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 2024 of £39.00 (2023: £22.15), the market value of the shares was £48.4m (2023: £24.9m).

24 Share-based payments

The Group recognised a share-based payment expense of £10.5m (2023: £6.6m) related to equity-settled share-based payment transactions. The Group has four share option schemes with unvested options or awards at 31 December 2024:

- Share Option Plan (2014 SOP and 2023 SOP) for eligible employees across the Group. Options can be exercised if the EPS performance conditions are met over a three-year vesting period (options granted since 2022 have no performance condition other than continued service). If the options remain unexercised after a period of 10 years from the date of grant the options lapse. If employees are not deemed to be good leavers under the rules of the 2014 SOP and 2023 SOP, their options will be forfeited if they leave the Group before the end of the three-year vesting period.
- Save As You Earn (SAYE) Plan for all employees who are employed by the Group at the relevant invitation date. There are no performance criteria for the SAYE and options are issued to participants in accordance with HMRC rules.
- Long-Term Incentive Plan (2014 LTIP and 2023 LTIP). Details of the performance conditions and other information in respect of the 2014 LTIP and 2023 LTIP are set out in the directors' remuneration report on page 129.
- Deferred bonus plan nil-cost options ('deferred bonus plan'). Information in respect of the deferred bonus plan is set out in the directors' remuneration report on pages 121 and 123.

Details of the share awards and options granted during the year and the valuation methodology are as follows:

		Share awards under 2023 LTIP		
		Awards with TSR condition	Awards with EPS condition	Share options under 2023 SOP
Number of awards or options granted		85,306	170,611	819,323
Weighted average fair value at date of grant (per share)		£12.94	£20.73	£5.83
Weighted average share price at date of grant		£22.80	£22.80	£22.80
Weighted average exercise price		n/a	n/a	£23.16
Valuation model		Monte Carlo	Black-Scholes	Black-Scholes
Expected term (from date of grant)		3.0 years	3.0 years	6.5 years
Expected volatility	(a)	29.70%	28.10%	36.40%
Expected dividend yield	(b)	n/a	n/a	4.46%
Risk-free rate		4.22%	4.36%	3.96%

(a) Volatility has been calculated over the period of time commensurate with the expected award term immediately prior to the date of grant.

(b) Under the 2014 and 2023 LTIP, award holders may receive the value of any dividends paid during the vesting period in respect of their vested shares at the end of the vesting period. Consequently, the fair value is not discounted for value lost in respect of dividends.

24 Share-based payments continued

The following table provides a summary of the options granted under the Company's employee share option schemes during the current and comparative year:

	2024		2023	
	Number of share options	**Weighted average exercise price (£)**	Number of share options	Weighted average exercise price (£)
Outstanding at 1 January	**5,075,634**	**16.40**	3,669,906	16.81
Granted during the year	**835,756**	**22.71**	2,013,335	15.38
Lapsed during the year	**(229,040)**	**16.03**	(263,308)	17.08
Exercised during the year	**(1,955,565)**	**15.76**	(344,299)	14.22
Outstanding at 31 December	**3,726,785**	**18.11**	5,075,634	16.40
Exercisable at 31 December	**572,074**	**13.90**	1,072,170	15.02
Weighted average remaining contractual life	**6.29 years**		5.65 years	

The weighted average share price at the date of exercise for share options exercised during the year was £26.58 (2023: £19.00).

The options outstanding at 31 December 2024 had exercise prices ranging from £nil to £24.22 (2023: £nil to £20.57).

25 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 £136.5m (2023: £186.4m). At 31 December 2024, amounts owed to the Group by joint ventures was £15.8m (2023: £21.1m) and amounts owed by the Group to joint ventures was £0.2m (2023: £0.2m) including joint venture funding obligations as described in note 12.

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'.

	2024 £m	2023 £m
Short-term employee benefits	**11.2**	9.5
Post-employment benefits	**0.2**	0.1
Termination benefits	**–**	0.3
Share-based payments	**3.3**	1.9
	14.7	11.8

Details of directors' remuneration are set out in the directors' remuneration report on pages 111 to 130.

Directors' transactions

There have been no related party transactions with any director in the year or in the subsequent period to 25 February 2025.

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 25 February 2025.

Notes to the consolidated financial statements continued

26 Financial instruments

Net cash

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

	2024 £m	2023 £m
Cash and cash equivalents	**544.2**	541.3
Bank overdrafts presented as borrowings due within one year	**(51.8)**	(80.6)
Cash and cash equivalents reported in the consolidated cash flow statement	**492.4**	460.7
Net cash	**492.4**	460.7

Included within cash and cash equivalents is £23.1m (2023: £26.1m) which is the Group's share of cash held within jointly controlled operations. There is £26.0m included within cash and cash equivalents that is held for future payment to designated suppliers (2023: £13.9m). There is a third-party charge of £0.3m (2023: £0.5m) on a bank account in Switzerland for the purpose of rental guarantees for offices occupied by BakerHicks.

The Group has £180m of committed loan facilities maturing more than one year from the balance sheet date, of which £15m matures in June 2027 and £165m in October 2027. These facilities are undrawn at 31 December 2024.

Average daily net cash during 2024 was £374.2m (2023: £281.7m). Average daily net cash is defined as the average of the 366 (2023: 365) end-of-day balances of the net cash (as defined above) over the course of a reporting period. Management uses this as a key metric in monitoring the performance of the business.

Financial risks and management

The Group has exposure to a variety of financial risks through the conduct of its operations. Risk management is governed by the Group's operational policies, which are subject to periodic review by the Group's internal audit team and twice-yearly review by management. The policies include written principles for the Group's risk management as well as specific policies, guidelines and authorisation procedures in respect of specific risk mitigation techniques such as the use of derivative financial instruments. The Group does not enter into derivative financial instruments for speculative purposes.

The following represent the key financial risks resulting from the Group's use of financial instruments:

- credit risk
- liquidity risk
- market risk

(a) Credit risk

Credit risk is the risk of financial loss to the Group if a client or counterparty to a financial instrument fails to meet its contractual obligations and arises primarily in respect of the Group's trade receivables and contract assets.

The degree to which the Group is exposed to this credit risk depends on the individual characteristics of the contract counterparty and the nature of the project. The Group's credit risk is also influenced by general macroeconomic conditions. The Group does not have any significant concentration risk in respect of contract assets or trade receivable balances at the reporting date with receivables spread across a wide range of clients. Due to the nature of the Group's operations, it is normal practice for clients to hold retentions in respect of contracts completed. Retentions held by clients at 31 December 2024 were £129.1m (2023: £105.3m). These will be collected in the normal operating cycle of the Group (see note 15).

The Group manages its exposure to credit risk through the application of its credit risk management policies which specify the minimum requirements in respect of the creditworthiness of potential customers, assessed through reports from credit agencies, and the timing and extent of progress payments in respect of contracts.

The risk management policies of the Group also specify procedures in respect of obtaining Parent Company guarantees or, in certain circumstances, use of escrow accounts which, in the event of default, mean that the Group may have a secure claim. The Group does not require collateral in respect of contract assets or trade receivables.

The Group manages the collection of retentions through its post-completion project monitoring procedures and ongoing contact with clients to ensure that potential issues that could lead to the non-payment of retentions are identified and addressed promptly. The directors always estimate the loss allowance on contract assets and trade receivables at the end of the reporting period at an amount equal to lifetime expected credit losses.

Apart from the impairments recognised in the year, none of the contract assets at the end of the reporting period are past due, and, taking into account the historical default experience and the future prospects in the industry, the directors consider that no further contract assets are impaired.

The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

26 Financial instruments continued

The ageing of trade receivables at the reporting date was as follows:

	2024		2023	
	Gross trade receivables £m	**Provision for expected credit losses £m**	Gross trade receivables £m	Provision for expected credit losses £m
Not past due	**322.3**	**–**	313.3	0.2
Past due 1 to 30 days	**18.8**	**–**	27.7	–
Past due 31 to 120 days	**10.4**	**0.1**	12.1	–
Past due 121 to 365 days	**5.4**	**0.2**	9.5	–
Past due greater than one year	**13.9**	**1.0**	8.6	1.3
	370.8	**1.3**	371.2	1.5

The following table shows the movement in lifetime expected credit losses that has been recognised for trade and other receivables in accordance with the simplified approach set out in IFRS 9:

	2024 £m	2023 £m
Balance at 1 January	**1.5**	2.5
Net movement in loss allowance arising from new amounts recognised in current year, net of those derecognised upon billing	**(0.2)**	(1.0)
31 December	**1.3**	1.5

Other than the impairment loss recognised in the year (see note 14), there has not been any other significant change in the gross amounts of contract assets that has affected the estimation of the loss allowance.

The average credit period on revenue is 30 days (2023: 33 days). No interest is charged on the trade receivables outstanding balance. Trade receivables overdue are provided for based on estimated irrecoverable amounts.

Included in the Group's trade receivable balance are debtors with a carrying amount of £47.2m (2023: £59.2m) which are past due at the reporting date, for which the Group has not provided as there has not been a significant change in credit quality and the Group considers that the amounts are still recoverable. The average age of these receivables is 149 days (2023: 107 days).

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and spread across the Group's operating segments. Accordingly, the directors believe that there is no further credit provision required in excess of the provision for impairment losses.

At the reporting date, there were no trade and other receivables which have had renegotiated terms that would otherwise have been past due.

The Group regularly reviews its loans to joint ventures against expected future cash flows and net assets of the joint ventures to determine if they are still expected to be fully recoverable. This assessment includes consideration of the joint ventures' credit risk.

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due. The ultimate responsibility for liquidity risk rests with the Board.

The Group aims to manage liquidity by ensuring that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions.

Liquidity is provided through cash balances and committed bank loan facilities. Additional project finance borrowings may be used to fund specific projects. These project finance borrowings are without recourse to the remainder of the Group's assets.

The Group reports cash balances daily and invests surplus cash to maximise income while preserving liquidity and credit quality. The Group prepares weekly short-term and monthly medium-term cash forecasts, which are used to assess the Group's expected cash performance and compare with the facilities available to the Group and the Group's covenants.

Key risks to liquidity and cash balances are a downturn in contracting volumes, a reduction in the profitability of work, delayed receipt of cash from customers and the risk that major clients or suppliers suffer financial distress leading to non-payment of debts or costly and time-consuming reallocation and rescheduling of work. Certain measures and key performance indicators are continually monitored throughout the Group and used to quickly identify issues as they arise, enabling the Group to address them promptly.

Notes to the consolidated financial statements continued

26 Financial instruments continued

Key among these are continual monitoring of the secured order book, including the status of orders and likely timescales for realisation so that contracting volumes are well understood; monitoring of overhead levels to ensure they remain appropriate to contracting volumes; continual monitoring of working capital exceptions (overdue debts and conversion of work performed into certificates and invoices); continual review of levels of current and forecast profitability on contracts; review of client and supplier credit references; and approval of credit terms with clients and suppliers to ensure they are appropriate.

The Group does not have any material derivative or non-derivative financial liabilities with the exception of trade and other payables, borrowings and lease liabilities. Trade and other payables are generally non-interest bearing and, therefore, have no weighted average effective interest rates. Lease liabilities are carried at the present value of the minimum lease payments. Trade and other payables are due to be settled in the Group's normal operating cycle.

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates or equity prices, will affect the Group's income or the carrying amount of its holdings of financial instruments. The objective of market risk management is to achieve a level of market risk that is within acceptable parameters as set out in the Group risk management framework.

Interest rate risk

The Group is not exposed to significant interest rate risk as it does not have significant interest-bearing liabilities and its only interest-bearing asset is cash invested on a short-term basis.

Certain of the Group's equity-accounted joint ventures have entered into interest rate swaps to manage their exposure to interest rate risk arising on floating rate bank borrowings.

The Group's share of joint ventures' interest rate swap contracts have a nominal value of £10.4m (2023: £11.1m) and fixed interest payments at an average rate of 5.1% (2023: 5.1%) for periods up until 2033.

Currency risk

The majority of the Group's operations are carried out in the UK and the Group has a low level of exposure to currency risk on sales and purchases. The Group's policy is to hedge foreign currency transactions where they are material, at which point derivative financial instruments are entered into so as to hedge forecast or actual foreign currency exposures.

Capital management

The Board aims to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the business, and its approach to capital management is explained fully in the financial review on pages 17 to 19.

The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings as disclosed in the consolidated statement of changes in equity. The cash and cash equivalents are supplemented by £180m of committed bank facilities, of which £15m expires in June 2027 and £165m expires in October 2027. In order to manage its capital structure, the Group may adjust the amounts of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets.

There were no changes in the Group's approach to capital management during the year and the Group is not subject to any capital requirements imposed by regulatory authorities.

27 Subsequent events

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

28 Adjusted performance measures

In addition to monitoring and reviewing the financial performance of the operating segments and the Group on a statutory basis, management also uses 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:

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

28 Adjusted performance measures continued

Below is a reconciliation between the reported gross profit, operating profit and profit before tax measures on a statutory basis and the adjustment made to calculate adjusted gross profit, adjusted operating profit and adjusted profit before tax.

Adjusted basic earnings per share and adjusted diluted earnings per share are the statutory measures excluding the post-tax impact of intangible amortisation and exceptional items, and the deferred tax charge arising due to changes in UK corporation tax rates. See note 9 for a detailed reconciliation of the adjusted EPS measures.

		Gross profit		Operating profit		Profit before tax	
	Notes	**2024 £m**	2023 £m	**2024 £m**	2023 £m	**2024 £m**	2023 £m
Reported		**529.9**	447.6	**162.0**	140.6	**171.9**	143.9
Adjust for: exceptional building safety items[1]		**(1.3)**	1.9	**0.1**	(2.2)	**0.1**	(2.2)
Adjust for: amortisation of intangible assets		**–**	–	**0.5**	2.9	**0.5**	2.9
Adjusted		**528.6**	449.5	**162.6**	141.3	**172.5**	144.6
Reported tax charge						**(40.2)**	(26.2)
Adjust for: tax relating to amortisation						**(0.1)**	(0.7)
Adjust for: tax relating to exceptional items						**(1.7)**	(3.0)
Adjusted profit after tax/earnings	9					**130.5**	114.7

1 The exceptional building safety items include amounts recognised in cost of sales (£1.3m credit (2023: £1.9m charge)) and share of net profit of joint ventures (£1.4m charge (2023: £4.1m credit)). See note 4.

'Net cash' Net cash is defined as cash and cash equivalents less borrowings. Lease liabilities are not deducted from net cash. A reconciliation of this number at the reporting date can be found in note 26. In addition, management monitors and reviews average daily net cash as good discipline in managing capital. Average daily net cash is defined as the average of the 366 (2023: 365) end-of-day balances of net cash over the course of a reporting period.

'Operating cash flow' Management uses an adjusted measure for operating cash flow as it encompasses other cash flows that are key to the ongoing operations of the Group, such as repayments of lease liabilities, investment in property, plant and equipment, investment in intangible assets, and returns from equity-accounted joint ventures. Operating cash flow can be derived from the cash inflow from operations reported in the consolidated cash flow statement as shown below.

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

	Notes	**2024 £m**	2023 £m
Cash inflow from operations – reported		**172.7**	221.2
Dividends from joint ventures	12	**4.2**	1.6
Proceeds on disposal of property, plant and equipment		**1.9**	2.0
Purchases of property, plant and equipment	11	**(18.2)**	(14.3)
Purchases of intangible fixed assets	10	**–**	(0.3)
Repayments of lease liabilities	18	**(25.8)**	(21.2)
Operating cash flow		**134.8**	189.0

'Return on capital employed' Management uses 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 adjusted average capital employed. Adjusted average capital employed is the 12-month average of total assets (excluding goodwill, other intangible assets and cash) less total liabilities (excluding corporation tax, deferred tax, inter-company financing, overdrafts and exceptional building safety items).

Company statement of financial position

at 31 December 2024

	Notes	2024 £m	2023 (restated) £m
Assets			
Property, plant and equipment		**2.9**	2.6
Net investment in sublease		**2.6**	4.3
Investments	2	**597.8**	429.1
Deferred tax asset		**2.8**	2.0
Amounts owed by subsidiary undertakings		**2.8**	15.4
Prepayments		**0.4**	1.3
Non-current assets		**609.3**	454.7
Trade receivables		**0.6**	1.3
Net investment in sublease		**1.1**	–
Amounts owed by subsidiary undertakings		**55.0**	248.3
Current tax asset		**1.6**	–
Prepayments		**6.4**	6.8
Other receivables		**3.6**	5.7
Cash and cash equivalents		**276.8**	263.0
Current assets		**345.1**	525.1
Total assets		**954.4**	979.8
Liabilities			
Bank overdrafts		**(47.0)**	(55.1)
Lease liabilities		**(1.5)**	(1.1)
Trade payables		**(2.2)**	(1.3)
Amounts owed to subsidiary undertakings		**(686.0)**	(702.4)
Current tax liabilities		**–**	(9.4)
Other tax and social security		**(1.0)**	(0.8)
Accrued expenses		**(11.8)**	(11.3)
Other payables		**(1.3)**	(2.2)
Provisions	3	**(1.2)**	(2.9)
Current liabilities		**(752.0)**	(786.5)
Net current liabilities		**(406.9)**	(261.4)
Total assets less current liabilities		**202.4**	193.3
Bank loans			
Lease liabilities		**(3.0)**	(4.2)
Provisions	3	**(7.7)**	(8.3)
Non-current liabilities		**(10.7)**	(12.5)
Net assets		**191.7**	180.8
Equity			
Share capital		**2.4**	2.4
Share premium account		**65.7**	56.0
Capital redemption reserve		**0.6**	0.6
Special reserve		**13.7**	13.7
Retained earnings		**109.3**	108.1
Total equity		**191.7**	180.8

The Company reported a profit for the financial year ended 31 December 2024 of £68.2m (2023: restated profit of £51.6m).

The financial statements of the Company (company number 00521970) were approved by the Board and authorised for issue on 25 February 2025 and signed on its behalf by:

John Morgan
Chief Executive

Kelly Gangotra
Chief Financial Officer

Company statement of changes in equity

for the year ended 31 December 2024

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Special reserve £m	Profit and loss account £m	Shareholders' funds £m
1 January 2023	2.4	55.9	0.6	13.7	106.6	179.2
Adjustment for correction of a historic error (see basis of accounting)	–	–	–	–	(1.8)	(1.8)
1 January 2023 (restated)	2.4	55.9	0.6	13.7	104.8	177.4
Profit for the year (restated)	–	–	–	–	51.6	51.6
Total comprehensive income (restated)	–	–	–	–	51.6	51.6
Share option expense	–	–	–	–	6.6	6.6
Tax relating to share options (restated)	–	–	–	–	0.5	0.5
Issue of shares at a premium	–	0.1	–	–	–	0.1
Purchase of shares in the Company by the Trust	–	–	–	–	(11.3)	(11.3)
Exercise of share options	–	–	–	–	4.0	4.0
Dividends paid	–	–	–	–	(48.1)	(48.1)
1 January 2024 (restated)	**2.4**	**56.0**	**0.6**	**13.7**	**108.1**	**180.8**
Profit for the year	–	–	–	–	68.2	68.2
Total comprehensive income	–	–	–	–	68.2	68.2
Share option expense	–	–	–	–	10.5	10.5
Tax relating to share options	–	–	–	–	6.3	6.3
Issue of shares at a premium	–	9.7	–	–	–	9.7
Purchase of shares in the Company by the Trust	–	–	–	–	(47.2)	(47.2)
Exercise of share options	–	–	–	–	19.5	19.5
Dividends paid	–	–	–	–	(56.1)	(56.1)
31 December 2024	**2.4**	**65.7**	**0.6**	**13.7**	**109.3**	**191.7**

Material accounting policy information

for the year ended 31 December 2024

Basis of accounting

The separate financial statements of the Company are presented as required by the Companies Act 2006 ('the Act'). The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, the Company has prepared its financial statements in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

The Company's accounting policies are consistent with those described in the consolidated accounts of Morgan Sindall Group plc, except that, as permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments, capital management, presentation of a cash flow statement and related party transactions. Where required, equivalent disclosures are given in the consolidated accounts. In addition, disclosures in relation to retirement benefit schemes (note 17), share capital (note 21) and dividends (note 8) have not been repeated here as there are no differences to those provided in the consolidated accounts. The accounting policy for the Company as intermediate lessor is shown below.

When the Company is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

In the current year two property leases, where the Company is an intermediate lessor, were classified as a finance lease. Amounts due from lessees under finance leases are recognised as receivables at the amount of the Company's net investment in the leases.

The directors do not consider there to be any critical accounting judgements or estimates in the Company's financial statements.

These separate financial statements have been prepared on the going concern basis as set out in the basis of preparation to the consolidated financial statements on page 152.

The separate financial statements have been prepared under the historical cost convention.

The separate financial statements are presented in pounds sterling, which is the Company's functional currency, and unless otherwise stated, has been rounded to the nearest £0.1m.

The Company has taken advantage of section 408 of the Act and consequently the statement of comprehensive income (including the profit and loss account) of the Parent Company is not presented as part of these accounts.

Investments represent equity holdings in subsidiaries and are measured at cost less accumulated impairment.

The Morgan Sindall Employee Benefit Trust ('the Trust') is considered an extension of the Company on the basis that the Trust was specifically created with the sole purpose of fulfilling the share schemes of the Company, and thus the assets and liabilities of the Trust are included on the Company balance sheet and shares held by the Trust in the Company are presented as a deduction from equity.

During the preparation of the current year's financial statements, the Company identified an error in the recognition of the deferred tax asset in respect of share-based payments in the prior year. The deferred tax asset was overstated due to the inclusion of Group employees not directly employed by the Company.

As a result, the Company has restated the prior-year financial statements in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.

The impact of this restatement is as follows:

- The deferred tax asset as at 31 December 2023 has been reduced by £5.1m.
- Retained earnings as at 31 December 2023 have been reduced by £5.1m.
- Retained earnings as at 31 December 2022 have been reduced by £1.8m.
- Tax relating to share options in the statement of changes in equity for the year ended 31 December 2023 has been reduced by £2.2m.
- Profit for the year ended 31 December 2023 has been reduced by £1.1m.

The restatement does not impact the Company's cash flows or underlying business performance.

Notes to the Company financial statements

1 Staff costs

	2024 £m	2023 £m
Wages and salaries	**14.5**	12.7
Social security costs	**2.7**	2.5
Other pension costs	**0.7**	0.4
Share options expense	**6.2**	3.7
	24.1	19.3
The average number of employees	**110**	107

Social security costs include an expense of £0.8m (2023: expense of £1.0m) related to the Group share option scheme.

2 Investments

	Subsidiary undertakings 2024 £m	Subsidiary undertakings 2023 £m
Cost		
1 January	**457.8**	459.6
Additions	**208.7**	–
Disposals	**–**	(1.8)
31 December	**666.5**	457.8
Accumulated impairment		
1 January	**(28.7)**	–
Impairment	**(40.0)**	(28.7)
31 December	**(68.7)**	(28.7)
Net book value at 31 December	**597.8**	429.1

The Company tests investments for impairment where there are indications that investments might be impaired. In testing investments for impairment, the recoverable amount of each investment has been estimated from value-in-use calculations. The key assumptions for the value-in-use calculations are those regarding the forecast revenue and margin, discount rates and long-term growth rates by market sector. Forecast revenue and margin are based on past performance, secured workload and workload likely to be achievable in the short to medium term, given trends in the relevant market sector as well as macroeconomic factors.

Cash flow forecasts have been determined by using Board-approved budgets for the next three years. Cash flows beyond three years have been extrapolated into perpetuity using an estimated nominal growth rate of 3.4% (2023: 3.3%). This growth rate does not exceed the long-term average for the relevant markets.

Discount rates are pre-tax and reflect the current market assessment of the time value of money and the risks specific to the investments. The risk-adjusted nominal rates for Construction, Infrastructure, Fit Out and Property Services are 12.3% (2023: 12.5%). The risk-adjusted nominal rates for Partnership Housing and Mixed Use Partnerships are 14.2% (2023: 15.1%). The decreased discount rates in 2024 are primarily due to lower gilt yields and reductions in the cost of equity.

During the year, the Company increased its investment in Lovell Partnerships Limited for total consideration of £99.5m (2023: £nil), Morgan Sindall Holdings Limited for total consideration of £69.2m (2023: £nil) and Morgan Sindall Property Services Limited for total consideration of £40m (2023: £nil). The consideration from these investments was utilised by the subsidiary companies to offset amounts owed to the Company, reducing the amounts owed by subsidiary undertakings to £55m (2023: £248.3m).

In the current year a £40m (2023: £28.7m) impairment has been recognised in respect of the Company's investment in Morgan Sindall Property Services Limited. The impairment resulted from difficult contract performance driving reduced cash flows and profitability. Management continues to monitor the Property Services business remediation programme and should performance improve there will be careful consideration for indicators of reinstating the carrying value of the investment. No reasonably foreseeable change in the assumptions used within the value-in-use calculations would cause an impairment in any of the other investments.

Notes to the Company financial statements continued

2 Investments continued

A list of all subsidiary, associated undertakings and significant holdings owned by the Group at 31 December 2024 (unless otherwise indicated) is shown below:

Construction and Infrastructure

Name of undertaking	Direct or indirect holding	Group interest in allotted capital (%)
Morgan Sindall Construction & Infrastructure Ltd	Indirect	100
Bluestone Limited	Indirect	100
Magnor Plant Hire Limited	Direct	100
Morgan Sindall All Together Cumbria CIC[6]	Indirect	100
Morgan Sindall Engineering Solutions Limited	Indirect	100
Morgan Sindall Holdings Limited	Direct	100
Morgan Utilities Limited	Indirect	100
MS (MEST) Limited	Indirect	100
Newman Insurance Company Limited*[l]	Indirect	100
Baker Hicks Limited	Direct	100
Baker Hicks Europe Holdings Limited	Indirect	100
BakerHicks AG*[e]	Indirect	100
BakerHicks ApS*[p]	Indirect	100
BakerHicks GmbH*[f]	Indirect	100
BakerHicks GmbH*[g]	Indirect	100
BakerHicks SA*[q]	Indirect	100

Fit Out

Name of undertaking	Direct or indirect holding	Group interest in allotted capital (%)
Overbury plc	Direct	100
Morgan Lovell plc	Direct	100

Property Services

Name of undertaking	Direct or indirect holding	Group interest in allotted capital (%)
Morgan Sindall Property Services Limited	Direct	100
Golden i Limited	Indirect	100
Lovell Powerminster Limited	Indirect	100
Manchester Energy Company Limited	Indirect	100

Notes to the Company financial statements continued

2 Investments continued

Partnership Housing

Name of undertaking	Direct or indirect holding	Group interest in allotted capital (%)
Lovell Partnerships Limited	Direct	100
345 Park Place Residents Management Company Limited[a][2]	Indirect	100
Abbey Walk Management Company Limited[a][2]	Indirect	100
AH Burnholme Limited	Indirect	100
All Saints Green Residents Management Company Limited[r][2]	Indirect	100
Anthem Lovell LLP[1]	Indirect	50
B:Home Birmingham Limited[8]	Indirect	100
Bincombe Park Residents Management Company Limited[a][2]	Indirect	100
Blossomfield (Thorp Arch) Management Company Limited[a][2]	Indirect	100
Briarswood Residents Management Company Limited[a][2]	Indirect	100
Caldon Quay Residents Management Company Limited[a][2]	Indirect	100
Chalkdene Developments LLP[1]	Indirect	50
Cherry Pie Meadow Residents Management Company Limited[a][2]	Indirect	100
Claymore Roads (Holdings) Limited[c]	Indirect	50
Community Solutions for Education Limited	Indirect	100
Community Solutions for Regeneration Limited	Indirect	100
Community Solutions for Regeneration (Hertfordshire) Limited	Indirect	100
Community Solutions (Hub West Scotland) Limited[b]	Indirect	100
Community Solutions Living Limited	Indirect	100
Community Solutions Management Services Limited	Indirect	100
Community Solutions Management Services (Hub) Limited	Indirect	100
Community Solutions Partnership Services Limited	Indirect	100
Crown Meadows Residents Management Company Limited[a][2]	Indirect	100
Drummond Park (Ludgershall) Residents Management Company Limited[a][2]	Indirect	100
Eden Park (Bonscale Crescent) Residents Management Company Limited[a][2]	Indirect	100
Eden Valley Management Company Limited[a][2]	Indirect	100
Edmundham Developments LLP[1]	Indirect	50
Electric Quarter Residents Management Company Limited[a][2]	Indirect	100
Exford Drive Management Company Limited[a][2]	Indirect	100
Foxglove Meadows Residents Management Company Limited[a][2]	Indirect	100
Gallus Fields Residents Management Company Limited[a][2]	Indirect	100
Garrett Grove Residents Management Company Limited[a][2]	Indirect	100
Golwg Y Bryn Residents Management Company Limited[a][2]	Indirect	100
Hamsard 3134 Limited	Indirect	100
Hamsard 3135 Limited	Indirect	100
Health Innovation Partners Limited	Indirect	50
Heath Farm Residents Management Company Limited[a][2]	Indirect	100
Keepers Gate (WSM) Residents Management Company Limited[a][2]	Indirect	100
Kensington Gardens Management Limited[a][2]	Indirect	100
Kings Reach (Snaith) Residents Management Company[a][2]	Indirect	100

Financial statements

Notes to the Company financial statements continued

2 Investments continued

Name of undertaking	Direct or indirect holding	Group interest in allotted capital (%)
Kinsted Developments LLP(1)	Indirect	50
Laurus Lovell Whalley LLP(1)	Indirect	50
Lavender Chase and The Driftwoods Residents Management Company Limited(a)(2)	Indirect	100
Laxton Close Management Company Limited(a)(2)	Indirect	100
Littlehampton Management Company Limited(a)(2)	Indirect	100
Lockside Residents Management Company Limited(a)(2)	Indirect	100
Lovell Bow Limited	Indirect	100
Lovell Director Limited	Indirect	100
Lovell Flagship LLP(1)	Indirect	50
Lovell Guf Limited	Indirect	100
Lovell Later Living LLP(1)	Indirect	100
Lovell Latimer LLP(1)	Indirect	50
Lovell Plus Limited	Indirect	100
Lovell Property Rental Limited	Indirect	100
Lovell Together (Pendleton) LLP(1)	Indirect	50
Lovell Together LLP(1)	Indirect	50
Lovell/Abri Weymouth LLP(1)	Indirect	50
Lymington Mews Management Company Limited(a)(2)	Indirect	100
Meggeson Management Company Limited(a)(2)	Indirect	100
Minshull Way Residents Management Company Limited(a)(2)	Indirect	100
Morgan Sindall Consortium LLP(1)	Indirect	100
Morgan Sindall Investments (Newport SDR) Limited	Indirect	100
Morgan-Vinci Limited	Indirect	50
Morris Walk North Management Company Limited(a)(2)	Indirect	100
Morris Walk South Residents Management Company Limited(a)(2)	Indirect	100
Mount View (Melton Mowbray) Residents Company Limited(a)(2)	Indirect	100
Oaktree Grange Residents Management Company Limited(a)(2)	Indirect	100
Oakwood Gardens (Burniston) Residents Management Company Limited(a)(2)	Indirect	100
Park View (Holt) Residents Management Company Limited(a)(2)	Indirect	100
Pich Management Company Limited(a)(2)	Indirect	100
Pipit Mews Management Company Limited(a)(2)	Indirect	100
Pool House Wombourne Ltd	Indirect	100
Principal Point Residents Management Company Limited(a)(2)	Indirect	100
Queensbury Park Management Company Limited(a)(2)	Indirect	100
RMC The Meadows, Clifton-upon-Teme Limited(a)(2)	Indirect	100
Romsey Extra Care Limited	Indirect	100
Ruby Brook Estate Management Company Limited(a)(2)	Indirect	100
Ruby Brook Management Company Limited(a)(2)	Indirect	100
Ruby Meadow Management Company Limited(a)(2)	Indirect	100
Saddlers Grange (Howden) Management Company Limited(a)(2)	Indirect	100
Saints Green (South Otterington) Residents Management Company Limited(a)(2)	Indirect	100
Saints Quarter (Steelhouse Lane) Residents Management Company Limited(a)(2)	Indirect	100

Notes to the Company financial statements continued

2 Investments continued

Name of undertaking	Direct or indirect holding	Group interest in allotted capital (%)
Saredon Gardens Residents Management Company Limited(a)(2)	Indirect	100
Shawbrook Manor (Residents) Management Company Limited(a)(2)	Indirect	100
Somerford Park Residents Management Company Limited(a)(2)	Indirect	100
South Thamesmead LLP(u)(1)	Indirect	50
St Mary's View (Residents) Management Company Limited(a)(2)	Indirect	100
Station House (Stourbridge) Management Company Limited(a)(2)	Indirect	100
Stoke Development Limited	Indirect	100
Tennyson Fields (Phase 2) Residents Management Company Limited(a)(2)	Indirect	100
Tennyson Fields Management Company Limited(a)(2)	Indirect	100
The Acorns (Walsham Le Willows) Residents Management Company Limited(a)(2)	Indirect	100
The Compendium Group Limited	Indirect	50
The East Avenue Residents Management Company Limited(a)(2)	Indirect	100
The Junction Apartments Residents Management Company Limited(a)(2)	Indirect	100
The Junction Residents Management Company Limited(a)(2)	Indirect	100
The Laureates Residents Management Company Limited(a)(2)	Indirect	100
The Mill (Site 1) Residents Management Company Limited(a)(2)	Indirect	100
The Mill (Site 2) Residents Management Company Limited(a)(2)	Indirect	100
The Paddocks (Beverley) Residents Management Company Limited(a)(2)	Indirect	100
The Sycamores (Kirk Ella) Management Company Limited(a)(2)	Indirect	100
The Way Beswick (Zone 1) Management Limited(a)(2)	Indirect	100
The Way Beswick (Zone 2) Management Limited(a)(2)	Indirect	100
The Way Beswick (Zone 3) Management Limited(a)(2)	Indirect	100
The Way Beswick (Zone 4) Management Limited(a)(2)	Indirect	100
The Way Beswick (Zone 5) Management Limited(a)(2)	Indirect	100
The Way Beswick (Zone 6) Management Limited(a)(2)	Indirect	100
The Way Beswick (Zone 7) Management Limited(a)(2)	Indirect	100
The Woodlands (Hessle) Residents Management Company Limited(a)(2)	Indirect	100
Tixall View Residents Management Company Limited(a)(2)	Indirect	100
Towcester Regeneration Limited	Indirect	100
Trinity Walk Residents Management Company Limited(a)(2)	Indirect	100
Victoria Court (Newport No 1) Residents Management Company Limited(o)(2)	Indirect	50
Victoria Court (Newport No 2) Residents Management Company Limited(a)(2)	Indirect	100
Waterside Quay Residents Management Company Limited(a)(2)	Indirect	100
Wensum Grange Management Company Limited(a)(2)	Indirect	100
Westcroft 12 Management Company Limited(a)(2)	Indirect	100
Weston Woods Residents Management Company Limited(a)(2)	Indirect	100
Weymouth Community Sports LLP(1)	Indirect	100
Wild Walk Donnington Wood Residents Management Company Limited(a)(2)	Indirect	100
William's Park Residents Management Company Limited(a)(2)	Indirect	100
Woodlark Chase (Warren Drive) Residents Management Company Limited(a)(2)	Indirect	100

Notes to the Company financial statements continued

2 Investments continued

Mixed Use Partnerships

Name of undertaking	Direct or indirect holding	Group interest in allotted capital (%)
Muse Places Limited	Direct	100
Alexandria Business Park Management Company Limited[h][5]	Indirect	100
Ashton Moss Developments Limited	Indirect	50
Brentwood Development Partnership LLP[1]	Indirect	50
Bromley Park (Holdings) Limited	Indirect	50
Chatham Place (Building 1) Limited	Indirect	100
Chatham Place Building 1 (Commercial) Limited	Indirect	100
Chatham Square Limited	Indirect	100
Cheadle Royal Management Company Limited[h][3]	Indirect	27.9
Community Solutions for Regeneration (Bournemouth) Limited	Indirect	100
Community Solutions for Regeneration (Brentwood) Limited	Indirect	100
Community Solutions for Regeneration (Slough) Limited	Indirect	100
ECF (General Partner) Limited[i]	Indirect	33.3
English Cities Fund[i][4]	Indirect	22.9
Eurocentral Partnership Limited	Indirect	99.2
EPL Contractor (Plot B West) Limited	Indirect	99.2
EPL Contractor (Plot F East) Limited	Indirect	99.2
EPL Contractor (Plot F West) Limited	Indirect	99.2
EPL Developer (Plot B West) Limited	Indirect	99.2
EPL Developer (Plot F East) Limited	Indirect	99.2
EPL Developer (Plot F West) Limited	Indirect	99.2
Habiko LLP[1]	Indirect	33.3
Harrier Park Management Company Limited[2]	Indirect	100
ICIAN Developments Limited	Indirect	100
Intercity Developments Limited	Indirect	50
Lewisham Gateway Developments (Holdings) Limited	Indirect	100
Lewisham Gateway Developments Limited	Indirect	100
Lingley Mere Business Park Development Company Limited[j]	Indirect	50
Logic Leeds Management Company Limited[s][2]	Indirect	50
Muse Aberdeen Limited	Indirect	100
Muse (Brixton) Limited	Indirect	100
Muse (ECF) Partner Limited	Indirect	100
Muse (Warp 4) Partner Limited	Indirect	100
Muse Brixton (Phase 2) Limited	Indirect	100
Muse Chester Limited	Indirect	100
Muse Developments (Northwich) Limited	Indirect	100
Muse Properties Limited	Indirect	100
North Shore Development Partnership Limited	Indirect	100
Northshore Management Company Limited[2]	Indirect	50
Olive Morris House (Brixton) Management Company Limited[n][2]	Indirect	100
Rail Link Europe Limited	Indirect	100
Slough Urban Renewal LLP[1]	Indirect	50

Notes to the Company financial statements continued

2 Investments continued

Name of undertaking	Direct or indirect holding	Group interest in allotted capital (%)
Sovereign Leeds Limited	Indirect	100
St Andrews Brae Developments Limited	Indirect	50
The Bournemouth Development Company LLP[(1)]	Indirect	50
The Prestwich Regeneration LLP[(1)]	Indirect	50
Wapping Wharf (Alpha) LLP[(1)]	Indirect	50
Wapping Wharf (Beta) LLP[(1)]	Indirect	40
Warp 4 General Partner Limited	Indirect	100
Warp 4 General Partner Nominees Limited	Indirect	100
Warp 4 Limited Partnership[(4)]	Indirect	100
Waterside Places (General Partner) Limited[(k)]	Indirect	50
Waterside Places Limited Partnership[(k)(4)]	Indirect	50
Wirral Growth Company LLP[(m)(1)]	Indirect	50

Morgan Sindall Group

Name of undertaking	Direct or indirect holding	Group interest in allotted capital (%)
Barnes & Elliott Limited	Direct	100
Bluebell Printing Limited	Direct	100
Hinkins & Frewin Limited	Direct	100
Lovell Partnerships (Northern) Limited	Direct	100
Lovell Partnerships (Southern) Limited	Direct	100
Morgan Est (Scotland) Limited[(b)]	Direct	100
Morgan Beton And Monierbau Limited[(d)(7)]	Indirect	50
Morgan Lovell London Limited	Direct	100
Morgan Sindall Investments Limited	Direct	100
Morgan Sindall Limited	Direct	100
Morgan Sindall Trustee Company Limited	Direct	100
Morgan Utilities Group Limited	Direct	100
Muse Developments Limited	Direct	100
Roberts Construction Limited	Direct	100
Sindall Eastern Limited	Indirect	100
Snape Design & Build Limited	Indirect	100
Stansell Limited[(t)(7)]	Direct	100
T.J. Braybon & Son Limited	Direct	100
The Snape Group Limited	Direct	100
Underground Professional Services Limited	Direct	100
Wheatley Construction Limited	Direct	100

* With the exception of Newman Insurance Company Limited, registered and operating in Guernsey, BakerHicks AG, registered and operating in Switzerland, BakersHicks ApS, registered and operating in Denmark, BakerHicks GmbH, registered and operating in Austria and Germany, and BakerHicks SA, registered and operating in Denmark, all undertakings are registered in England and Wales or Scotland and the principal place of business is the UK.

Unless otherwise stated the registered office address for each of the above is Kent House, 14–17 Market Place, London, W1W 8AJ.

Notes to the Company financial statements continued

2 Investments continued

Registered office classification key:
(a) One Eleven, Edmund Street, Birmingham, West Midlands, B3 2HJ
(b) c/o Anderson Strathern LLP, 58 Morrison St, Edinburgh, EH3 8BP
(c) CMS Cameron McKenna, Cannon Place, 78 Cannon Street, London, EC4N 6AF
(d) c/o Forvis Mazars LLP, Capital Square, 58 Morrison Street, Edinburgh, EH3 8HP
(e) Badenstrasse 3, 4057, Basel, Switzerland
(f) Albert-Nestler-Strasse 26, 76131 Karlsruhe, Germany
(g) Am Euro Platz 3, 1120 Wien, Austria
(h) Ground Solutions UK Ltd, A5 Optimum Business Park, Optimum Road, Swadlincote, Derbyshire, DE11 0WT
(i) One Coleman Street, London, EC2R 5AA
(j) Haweswater House, Lingley Mere Business Park, Lingley Green Avenue, Great Sankey, Warrington, WA5 3LP
(k) National Waterways Museum, South Pier Road, Ellesmere Port, Cheshire, CH65 4FW
(l) Willis Management (Guernsey) Limited, Suite 1 North, First Floor, Albert House, South Esplanade, St Peter Port, Guernsey, GY1 1AJ
(m) c/o Head of Legal, Wirral Borough Council, Town Hall, Brighton Street, Wallasey, Wirral, CH44 8ED
(n) Fisher House, 84 Fisherton Street, Salisbury, SP2 7QY
(o) 7 Neptune Court, Vanguard Way, Cardiff, CF24 5PJ
(p) Borupvang 3, 4., 2750 Ballerup, Denmark
(q) Boulevard Louis Schmidt 29 15, 1040 Etterbeek, Belgium
(r) 100 Avebury Boulevard, Milton Keynes, MK9 1FH
(s) One St Peter's Square, Manchester, M2 3DE
(t) c/o Forvis Mazars LLP, 30 Old Bailey, London, EC4M 7AU
(u) 45 Westminster Bridge Road, London, SE1 7JB

Unless otherwise stated, the Group's interest is in the ordinary shares issued (or the equivalent of ordinary shares issued in the relevant country of issue).

Registered office classification key:
(1) Limited Liability Partnership
(2) Limited by guarantee
(3) Holding of ordinary and special shares
(4) Limited Partnership
(5) Holding of special shares
(6) Community Interest Company
(7) In liquidation
(8) Incorporated on 13 February 2025; jointly owned by Lovell Partnerships Limited (50%) and Morgan Sindall Property Services Limited (50%).

The proportion of ownership interest is the same as the proportion of voting power held, except English Cities Fund, details of which are shown in note 12 of the consolidated financial statements.

3 Provisions

	Self-insurance £m	Other £m	Total £m
1 January 2023	8.7	2.8	11.5
Utilised	(1.0)	(1.8)	(2.8)
Additions	1.6	0.9	2.5
1 January 2024	**9.3**	**1.9**	**11.2**
Utilised	(1.0)	(1.7)	(2.7)
Additions	1.5	–	1.5
Released	(1.1)	–	(1.1)
31 December 2024	**8.7**	**0.2**	**8.9**
Current	1.2	–	1.2
Non-current	7.5	0.2	7.7
31 December 2024	**8.7**	**0.2**	**8.9**

Self-insurance provisions

Self-insurance provisions comprise the Group's self-insurance of certain risks. 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.

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.

Shareholder information

Analysis of shareholdings at 31 December 2024

Holding of shares	Number of accounts	Percentage of total accounts	Number of shares	Percentage of total shares
Up to 1,000	1,021	57.81	410,624	0.86
1,001 to 5,000	435	24.63	854,731	1.78
5,001 to 100,000	71	4.02	516,869	1.08
100,001 to 1,000,000	229	12.97	25,084,613	52.25
Over 1,000,000	10	0.57	21,137,584	44.03

Useful contacts

Morgan Sindall Group plc

Registered office
Kent House, 14–17 Market Place,
London, W1W 8AJ

Registered in England and Wales
Company number: 00521970

Email: cosec@morgansindall.com
Telephone: 020 7307 9200

Registrar

All administrative enquiries relating to shareholdings, such as lost certificates, change of address, change of ownership or dividend payments and requests to receive corporate documents by email, should, in the first instance, be directed to the Company's registrar and clearly state the shareholder's registered address and, if available, the full shareholder reference number:

By post: Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZZ
By phone: +44 (0) 370 707 1695. Lines open 8.30am to 5.30pm (UK time), Monday to Friday (excluding UK public holidays)
By email: webcorres@computershare.co.uk
Online: investorcentre.co.uk

Shareholders who receive duplicate communications from the Company may have more than one account in their name on the register of members. Any shareholder wishing to amalgamate such holdings should write to the registrar giving details of the accounts concerned and instructions on how they should be amalgamated.

Please note that the Company is no longer paying dividends by cheque. Shareholders who do not currently have their dividends paid directly to a UK bank or building society account should complete a mandate instruction available from the registrar on request or at investorcentre.co.uk by selecting 'Company info', Morgan Sindall Group plc, 'Printable Forms', 'Amendments' and 'Dividend Mandate Form'. Shareholders registered with Investor Centre can add or change a mandate by selecting 'My Profile' and 'Banking Details'. For instructions on how to register, see our website at morgansindall.com/investors/manage-your-shares.

Financial calendar 2025

Ex-dividend date – final dividend	24 April 2025
Record date to be eligible for final dividend	25 April 2025
AGM and trading update	1 May 2025
Payment date for final dividend	15 May 2025
Half-year results announcement	July 2025
Interim dividend payable	October 2025
Trading update	November 2025

Group website and electronic communications

A wide range of Company information is available on our website including:

- financial information – annual reports and half-year results
- financial news and events
- share price information
- information on how to manage your shares, including share dealing

Shareholder documents are made available via our website, unless a shareholder has requested hard copies from the registrar. Shareholders registered with Investor Centre can sign up to receive electronic communications via investorcentre.co.uk by selecting 'My Profile' and 'Communications Preferences'.

Shareholder information continued

Forward-looking statements

This document and written information released, or oral statements made, to the public in the future by or on behalf of the Group, may include certain forward-looking statements, beliefs or opinions that are based on current expectations or beliefs, as well as assumptions about future events. These forward-looking statements give the Group's current expectations or forecasts of future events. Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts. Without limitation, forward-looking statements often use words such as anticipate, target, expect, estimate, intend, plan, goal, believe, will, may, should, would, could or other words of similar meaning. No assurance can be given that any particular expectation will be met and shareholders are cautioned not to place undue reliance on any such statements because, by their very nature, they are subject to risks and uncertainties and can be affected by other factors that could cause actual results, and the Group's plans and objectives, to differ materially from those expressed or implied in the forward-looking statements.

All forward-looking statements contained in this document are expressly qualified in their entirety by the cautionary statements contained or referred to in this section.

There are several factors that could cause actual results to differ materially from those expressed or implied in forward-looking statements. Among the factors that could cause actual results to differ materially from those described in forward-looking statements are changes in the global, political, economic, business, competitive, market and regulatory forces, fluctuations in exchange and interest rates, changes in tax rates and future business combinations or dispositions.

Forward-looking statements speak only as of the date they are made. Other than in accordance with its legal or regulatory obligations (including under the UK Listing Rules and the Disclosure and Transparency Rules of the Financial Conduct Authority), the Group, its directors, officers, employees, advisers and associates disclaim any intention or obligation to revise or update any forward-looking or other statements contained within this document, regardless of whether those statements are affected as a result of new information, future events or otherwise, except as required by applicable law.

Appendix – Carbon emissions background and terminology

Net zero

The Paris Agreement (CoP21, Paris, December 2015) saw c.200 countries pledge to 'pursue efforts' to limit global temperature rises to 1.5°C and to keep them 'well below' 2°C above those recorded in pre-industrial times. It also committed countries to achieve a balance known as net zero, between the greenhouse gases (GHGs) that humans emit into the atmosphere and the gases that they actively remove, by the second half of this century (2050).

The ambition of many countries and organisations is to become net zero, effectively having a zero account on their carbon balance sheet. The UK was the first major economy to create a legally binding target to bring GHG emissions to net zero by 2050. This target was set considering the latest scientific evidence recommended by the Climate Change Committee, the UK's independent climate advisory body.

Net zero pledges now cover 92% of GDP and 88% of emissions worldwide. Despite this, the definition of net zero and the path to get there has been interpreted in different and inconsistent ways. Without a common definition, targets can differ in terms of the emissions sources included and the depth and speed of emissions reductions. This has fuelled confusion and accusations of greenwashing.

The current terminology for net zero is not the same as achieving zero emissions by 2050. In the past, some companies have claimed to be carbon neutral (net zero) simply by purchasing a large number of offsets (often forestry). It is still possible for a company to become carbon neutral almost immediately by offsetting. However, this does not ultimately achieve the goal of eliminating all emissions.

The Science Based Targets initiative (SBTi) is the body responsible for approving and assuring science-based targets. The SBTi Corporate Net-Zero Standard is the world's only framework for corporate net zero target-setting in line with climate science. It provides the guidance, criteria and recommendations for companies to set net zero targets consistent with limiting global temperature rise to 1.5°C, as represented by the SBTi's 2050 goal. For targets to be considered net zero, companies must have set near-term science-based targets to roughly half of their emissions before 2030, as well as long-term science-based targets, typically more than 90% of emissions, before 2050.

Science-based targets

Science-based targets are calculated to decarbonise as much as possible as fast as possible and neutralise any residual emissions to the atmosphere by 2050. They also seek to encourage companies to commit to decarbonising their activities in line with the latest climate science.

The SBTi is a collaboration between CDP, the United Nations Global Compact, World Resources Institute and World Wide Fund for Nature, which uses the latest available climate science to define best practice in science-based target-setting. The SBTi independently assesses companies' assets against validation criteria to determine and validate science-based targets and net zero commitments (see 'net zero' above). It offers resources and guidance to reduce barriers to adoption, and independently assesses companies' assets against validation criteria.

The Group's SBTi-aligned, science-based targets go beyond a 1.5°C trajectory as we are targeting net zero by 2045. We are committed to reducing our Scope 1, 2 and 3 emissions by 90% by 2045, with the remaining 10% of emissions offset by high-quality carbon credits, in accordance with the SBTi methodology.

Scopes of emissions

The GHG Protocol is a globally recognised framework for measuring and managing GHG emissions. The Protocol defines three types – or scopes – of emission, as follows:

Scope 1 (direct emissions): covers the direct emissions to air under an organisation's control through the combustion of fuel and the operation of facilities. These mainly include gas boilers and fuel used in vehicle fleets.

Scope 2 (indirect emissions): covers the emissions produced during the generation of electricity purchased and consumed by an organisation.

Scope 3: covers all other indirect emission sources, upstream and downstream of the business. If a company's Scope 3 emissions are 40% or more of its total emissions, reduction targets for Scope 3 need to be included as part of agreed science-based targets. This includes coverage of all 15 Scope 3 categories, where they are relevant or significant.

Our Scope 1, 2 and 3 emissions

Our GHG emissions are reported for the financial year (1 January to 31 December). They are broken down as follows:

Scope 1

- other fuels – emissions via air conditioning (kg of gas recharge and gas type) and generation of electricity (fuel consumption/litres of gas oil)
- company cars – petrol purchased on Arval fuel cards (litres)
- transport fuels
- natural gas (kWh)

Scope 2

- electricity purchased (kWh)
- steam and heat purchased from off site (kWh)
- electricity consumed in landlord-controlled offices (metres cubed of lease floor area)

Our Scope 2 emissions are calculated using location-based methodology: UK emissions factors published by the Department for Energy Security and Net Zero. A location-based method assigns the local grid average emissions factor to all off-site electricity usage, regardless of where it comes from. As the generation of electricity shifts away from fossil fuels, these emission factors change. We therefore update our factors each year.

Appendix – Carbon emissions background and terminology continued

Unlike a location-based methodology, a market-based method for calculating Scope 2 emissions focuses on the individual company and its contract agreements in the market. Market-based methodology is associated with the energy a company purchases and so includes the renewable energy purchased by the company in its calculation.

Scope 3

Our Scope 3 emissions, included in the scope of our science-based targets, cover all relevant categories: 1 (purchased goods and services); 3 (fuel and energy-related activities); 4 (upstream transportation and distribution); 5 (waste generated in operations); 6 (business travel); 7 (employee commuting); 8 (upstream leased assets); 10 (processing of sold products); 11 (use of sold products); 12 (end-of-life treatment of sold products); and 15 (investments). Categories 2, 9, 13 and 14 are insignificant and have been classified as non-relevant to the Group.

Specifically, the categories included in the scope of our targets consist of:

- carbon embodied in materials (emitted during raw extraction, manufacture, transport to site, and disposal or recycling);
- carbon emitted during construction (via energy use and waste);
- estimated carbon emitted from operating the buildings for 60 years following handover to the client, based on how our clients tell us they will use the buildings;
- carbon emitted when a sold product undergoes further processing or transformation by a third party before it reaches the end consumer;
- electricity – upstream generation, transmission and distribution losses;
- employees with travel allowances – petrol purchased via expense claims and mileage claims (miles);
- transport – other – public transport (passenger miles), supplier freight (miles);
- waste – tonnes of waste produced that is not recycled or used and goes to landfill; and
- water and wastewater – metres cubed of potable water consumption and wastewater generated.

We are working with our supply chain and clients to gather this data. More information on our Scope 3 emissions, including calculations and relevancy of categories, can be found in our CDP Climate submission available on our website.

Our GHG emissions baseline year

Our Scope 1 and 2 emissions reduction target uses a 2019 baseline and our Scope 3 target uses a 2020 baseline.

In 2024, the 2020 baseline for our Scope 3 emissions data was re-baselined for Scope 3 categories where new methodologies and assumptions were applicable. Our 2020 baseline for Scope 3 emissions was subsequently updated.

See our responsible business data sheet on our website for a breakdown of our emissions from our baseline years.

Offsets

Offsets are a mechanism whereby companies can effectively buy or generate 'credits' to reduce the balance of their carbon emissions. An offset is generally an investment in a recognised emission-reduction activity or process that reduces or removes carbon dioxide and other GHGs, such as methane, from the atmosphere. Offsetting is a relatively complex subject and not all offsets are recognised by the United Nations, which publishes a list of recognised projects.

According to the SBTi, offsetting can play two roles in science-based net zero strategies:

1. In the transition to net zero: companies may opt to compensate or to neutralise emissions that are still being released into the atmosphere while they transition towards a state of net zero emissions.
2. At net zero: companies with residual emissions within their value chain are expected to neutralise those emissions with an equivalent amount of carbon dioxide removals.

The type of offsetting implemented to achieve net zero is currently up to the individual organisation, but there are many offsets provided on the market that do not meet accepted quality criteria. Quality carbon offset credits must be associated with GHG reductions or removals that are:

- additional (i.e. that the mitigation activity would not have taken place in the absence of the added incentive created by the carbon credits);
- not overestimated;
- permanent;
- not claimed by another entity; and
- not associated with significant social or environmental harms.

To meet our 2045 net zero target and reduce our Scope 1, 2 and 3 emissions by 90%, we will use option 2 above and neutralise the remaining 10% of residual emissions using high-quality offsets derived from the Group's natural capital projects (see page 47).

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