9 March 2023

Kier Group plc
Results for the period ended 31 December 2022
Strong performance: Order book increased 26%

Kier Group plc ("Kier", the "Company" or the "Group"), a leading UK infrastructure services, construction and property group, announces its results for the six months ended 31 December 2022 ("HY23" or the "period").

Highlights

(£m unless otherwise stated)	**Six months to 31 December 2022**	Six months to 31 December 2021	*Change*
Adjusted results			
Revenue[1]	**1,537**	1,536	–
Adjusted operating profit[2]	**57.2**	54.2	*6%*
Adjusted operating margin	**3.7%**	3.5%	*20bps*
Adjusted profit before tax[3]	**45.8**	43.0	*7%*
Adjusted basic earnings per share (note 8)	**8.5p**	7.8p	*9%*
Net debt[4]	**(130.6)**	(131.3)	*1%*
Average month-end net debt	**(242.7)**	(190.8)	*(27)%*
Statutory reported			
Group revenue	**1,526**	1,482	*3%*
Profit from operations	**38.3**	25.3	*51%*
Profit before tax	**25.4**	12.7	*100%*
Basic earnings per share (note 8)	**4.7p**	2.2p	*114%*

HY23 Highlights

- Strong performance despite ongoing inflationary pressure
  - Adjusted operating profit increased 6% to £57m (HY22: £54m)
  - Margin improved 20 basis points to 3.7%; above medium-term target of c. 3.5%
  - Adjusted basic EPS increased 9% to 8.5p (HY22: 7.8p)
  - Net debt at 31 December 2022 of £(131)m: reflecting seasonal working capital unwind
  - Average month-end net debt of £(243)m from £(191)m: operating cash flow used to reduce debt-like items
  - Supply chain finance ("KEPS") repaid in full during the period (HY22: £69m, HY19: £201m)
- High quality order book, increased 26% to £10.1bn (HY22: £8.0bn) providing high degree of visibility
  - 96% of expected FY23 revenue secured
- Reported profit from operations increased 51% to £38m (HY22: £25m)
- Continued commitment to Sustainability Framework and ESG targets
- Trading is in line with the Board's expectations and the Group remains confident in achieving its medium-term value creation plan targets

Andrew Davies, Chief Executive, said:

"The strong performance of the Group over the last six months reflects our enhanced resilience and strengthened financial position. Our order book has increased significantly against the prior year, reflecting a large number of contract wins across our divisions and this provides us with good, multi-year revenue visibility. These awards reflect the bidding discipline and risk management now embedded in the business.

Looking ahead, we expect to generate positive operating cashflow for the full year and deliver a net cash position at the year-end. Current trading remains in line with the Board's expectations despite political and economic uncertainties. The Group is well positioned to continue benefiting from UK Government infrastructure spending commitments and focused on the delivery of a sustainable net cash position and a sustainable dividend, in line with our medium-term value creation plan."

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[1] Revenue of the Group and its share of revenue from joint ventures
[2] Stated before adjusting items of £9.1m (HY22: £19.0m) and amortisation of acquired intangible assets of £9.8m (HY22: £9.9m).
[3] Stated before adjusting items of £10.6m (HY22: £20.4m) and amortisation of acquired intangible assets of £9.8m (HY22: £9.9m).
[4] Disclosed net of the effect of hedging instruments and excludes leases – see note 11 to the preliminary financial statements.

HY23 Results Presentation

Kier Group plc will host a presentation for analysts and investors at 9:00am on 9 March 2023 at the offices of Peel Hunt, 100 Liverpool Street, London EC2M 2AT.

Analysts wishing to attend should contact FTI Consulting to register – Connie.Gibson@fticonsulting.com

Analysts unable to attend in person will be able to join the webcast using the details below:

Webcast: https://www.investis-live.com/kier/63e67e753e92bb0c008b700f/cdsvd
United Kingdom: +44 800 640 6441
United Kingdom (Local): +44 20 3936 2999

Conference password: 073819

An audio recording will be available on our website in due course.

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Richard Mountain	

Medium-Term Value Creation Plan

The Group is focused on delivering its medium-term targets over a three to five year period:

Revenue:	£4.0 - 4.5bn
Adjusted operating profit margin:	c. 3.5%
Cash conversion of operating profit:	c. 90%
Balance sheet:	Sustainable net cash position with capacity to invest
Dividend:	Sustainable dividend policy: c.3 x cover through the cycle

The Group aims to achieve these medium-term targets through:

- volume growth and improved contract profitability
- continued management discipline
- deploying additional capital in the Property business

The Group continues to make good progress against these targets. Despite political and economic uncertainties, our core markets have remained favourable. We are a “strategic supplier” to the UK Government and over 90% of our contracts are with the public sector and regulated companies.

Order Book

The Group continues to deliver against its medium-term value creation plan.

The order book at 31 December 2022 was £10.1bn, a significant increase of 26% against the prior year, reflecting a large number of contract wins across all divisions and providing multi-year revenue visibility.

The order book is 96% secured for FY23 which provides us with a high degree of certainty against wider market conditions. The awards are high quality and profitable reflecting the bidding discipline and risk management embedded in the business.

Customers and winning new work

We remain focused on winning work through our long-standing client relationships and regionally based operations.

Highlights in the year:

- **Utilities**
  - reappointed to the £55m per annum, 3 year extension of the Network Service Alliance framework by South West Water and Bournemouth Water

- **Construction**
  - two Kier joint ventures have been appointed to all six lots of the £10bn Offsite Construction Solutions framework; re-appointed to the North West Construction Hub High Value Construction Framework; appointed on a £22m investment programme by the Isle of Wight NHS Trust to redevelop St Mary's Hospital and awarded three school projects by the Department for Education

  - Kier Places – preferred bidder on a £75m housing maintenance contract for 10 years with RHP Group across its housing portfolio in Richmond, Hounslow, Kingston and Hillingdon

Strategy

The simplification and strengthening of the Group's balance sheet has resulted in Kier being well-placed to continue to pursue its strategic objectives successfully within its chosen markets and allow it to further enhance and capitalise on its position as a strategic partner to its customers.

The Group's strategy continues to be focused on:

- UK Government, regulated industries and blue-chip customers
- operating in the business-to-business market
- contracting through long-term frameworks

Our core businesses are well-placed to benefit from the announced and committed UK Government spending plans to invest £600bn in infrastructure over 5 years. We have secured places on long-term frameworks through which much of the increased spend will be deployed.

This, combined with our nationwide coverage and project management expertise, is expected to drive our strategic actions of disciplined growth, consistent delivery and strong cash generation.

Financial Summary

Kier reported revenue of £1.5bn (HY22: £1.5bn) which reflects resilience in Infrastructure Services, growth in Construction, offset by the anticipated cyclical reduction in activity in the Property business.

The Group's HY23 results demonstrate a strong performance despite continuing cost inflation relating to materials, wages and other costs. We remain successful in mitigating these pressures through having c.60% of our order book under target cost or cost reimbursable contracts, procurement strategies, ability to mitigate risk through negotiations on fixed price contracts and an average order size of c.£14m in our Construction business resulting in a regular re-pricing of contracts.

The Group delivered adjusted operating profit of £57m which represents a 6% increase on the prior year (HY22: £54m). Both our Infrastructure Services and Construction divisions performed well in the first half of the year, partially offset by the expected reduction in transactions within the Property division.

Group adjusted operating profit margin increased by 20 basis points to 3.7% (HY22: 3.5%). Reported profit from operations increased 51% to £38m (HY22: £25m) with a reduction in adjusting items.

Adjusted basic earnings per share increased 9% to 8.5p (HY22: 7.8p) and reported earnings per share increased 114% to 4.7p (HY22: 2.2p).

The Group had a free cash outflow of £(88)m (HY22: £(110)m). This reflects continued underlying working capital improvements offset by the usual seasonal working capital unwind and the repayment of the supply chain finance facility ("KEPS") of £50m in July 2022.

The Group's net debt position at 31 December 2022 was £(131)m and remains unchanged from HY22 in line with expectations. In the first half of the year, in addition to the full repayment of KEPS, the Group paid adjusting items, pension deficit obligations and purchased existing Kier shares for future employee share based remuneration.

During the second half of the year, the Group is anticipating a reversal of the H1 seasonal working capital outflow and a return to net cash.

As anticipated, average month-end net debt for the period was £(243)m (HY22: £(191)m), higher than the prior year. The Group generated positive operating cash flow which was used to reduce the average month-end KEPS balance, pay adjusting items, tax and interest, pension deficit obligations and remaining HMRC COVID-19 support.

The Group fully repaid its remaining £50m KEPS facility in July 2022 followed by £54m of its Revolving Credit Facility ("RCF") and US Private Placement ("USPP") Notes which matured in December 2022.

Capital Allocation

In addition to the medium-term value creation plan, the Group has set out its capital allocation priorities. The Group maintains a disciplined approach to capital and continuously reviews capital allocation priorities with the aim of maximising shareholder returns.

The Group's capital allocation is underpinned by its commitment to maintain a strong balance sheet. The capital priorities are:

- **Capex** – disciplined and non-speculative investment to support its businesses

- **Deleveraging** – further deleveraging. Targeting a sustainable net cash position in the medium-term and a funding profile which is appropriate for the medium and long-term needs of the Group

- **Dividend** – reinstating the dividend is key to ensuring that shareholders share the benefits of the Group's growth. In the medium-term, the Group is targeting a dividend cover of around three times through the cycle

- **Mergers and acquisitions** – the Group will consider value accretive acquisitions in core markets where there is potential to accelerate the medium-term value creation plan

Performance Excellence

Through our Performance Excellence culture, which was introduced in 2020, Kier has embedded a strong operational and financial risk management framework across the Group. It is essential to, and embedded within Kier's contract selection and delivery processes.

During 2022, we updated Performance Excellence to match the evolving needs of Kier and its clients. Five new workstreams were established, Culture and Behaviours, Customers, Digital, Simplification and Wellbeing. These workstreams ensure we continue to meet our obligations to the environment and the communities we work within, as well as our investors and client expectations.

The key tenets are as follows:

- measure clients' and customers' experiences objectively, using data to improve our external relationships
- adopt a digital-first approach through a digitally enabled workforce increasing productivity
- instil best practices in our workforce through behaviour, cultural programmes, and wellbeing initiatives
- simplify processes across the Group
- win new business with attractive margins

Performance Excellence is also fundamental to the Group's overall approach to safety. We aim to continually improve the Group's processes and performance by operating through this framework.

Supply Chain Partners

We have also focused on maintaining and growing relationships with our key stakeholders, including our supply chain. Many of our suppliers are long-term partners of the Group and we value their contribution.

We were pleased to report that, in our latest Duty to Report on Payment Practices and Reporting submission, covering the period from 1 July 2022 to 31 December 2022, the Group's aggregate average payment days was 34 days (HY22: 34 days) and the percentage of payments made to suppliers within 60 days was 87% (HY22: 92%).

We are committed to making further improvements in our payment practices and continue to work with both customers and suppliers to achieve this. We are fully committed to complying with the 30-day payment requirements for small and medium sized firms.

Management Change

The Group has continuously focused on the strength of its talent and succession management. This was demonstrated in the first half of the year with Louisa Finlay's promotion to Chief People Officer replacing Helen Redfern. Stuart Togwell was appointed as Group Managing Director, Construction, replacing Liam Cummins.

Ross MacKenzie was appointed as Interim Group Managing Director, Infrastructure Projects, replacing Mark Pengelly. Mark Pengelly has been appointed as the Interim Managing Director of our HS2 joint venture, Eiffage, Kier, Ferrovial and BAM ("EKFB").

In addition, Andrew Davies was appointed as Chair to the EKFB board.

Environmental, Social and Governance ("ESG")

Kier's purpose is to sustainably deliver infrastructure which is vital to the UK. As a "strategic supplier" to the UK Government, ESG is fundamental to our ability to win work and secure positions on long-term frameworks. UK Government contracts above £5m require net zero carbon and social value commitments.

Our Building for a Sustainable World framework covers sustainability from both an environment and social perspective. Our framework is based on ten pillars and follows the guiding principles of the 17 United Nations Sustainable Development Goals ("SDGs").

- **Environmental**
  Under the Group's sustainability framework, Kier has set out our pathway to become net zero carbon across our business operations by 2039 (Scope 1 and 2) and value chain (Scope 3) by 2045.

  In the first half of the year, the Group launched battery storage units in place of generators to supply power across a number of our operational sites. Early trials have indicated a significant reduction in carbon as well as a cost saving opportunity.

- **Social**
  We have also made commitments on social value. Our target is to create £5bn in social value by 2030. Our people are our greatest asset. At 31 December 2022, we had 559 apprentices employed within the organisation, which equates to 6% of our workforce. In addition, 7.5% of the workforce are on a formal learning programme.

  In January 2023, we committed to offering paid internships to talented under-represented individuals in partnership with "10,000 Black Interns". We have initially pledged to offering 10 placements.

  We continue to deliver training programmes as a key means of upskilling our employees and bringing in early careers recruits to reduce the industry skills gap.

  The Group's 12-month rolling Accident Incident Rate ("AIR") at HY23 of 101 represents a decrease of c.12%, compared to FY22. The improvement demonstrates our commitment to continuously improve our safety performance and ensure our people and valued supply chain go home safe and well every day.

  The 12-month rolling All Accident Incident Rate ("AAIR") at HY23 of 331 represents a slight increase of c.5% compared to the end of FY22. Whilst we are disappointed with this performance, we remain focused on improving this metric and believe that overall we retain a strong safety record and maintain the highest standards in our industry.

  Recent initiatives such as our re-aligned health, safety and wellbeing structure along with our focus on safety mindsets, behaviours and raising the profile of our people's wellbeing has had a positive impact on our safety performance. Safety remains our license to operate and we continue to embed best practice and make conditions as safe as possible for our workforce.

  On 23 January 2023, the UK's national regulator for workplace health and safety, Health and Safety Executive ("HSE") fined the Group £4.4m for safety breaches in connection with two incidents in our Highways business dating back to March 2018 and January 2019. The incidents relate to work carried out on the M6 motorway.

  Since then the Highways business has been very successful in transforming its safety record over the last four years. At 31 December 2022, it was the highest ranked Tier 1 contractor for health and safety by National Highways and lost time incidents significantly reduced from 39 to 6 from FY19 to FY22.

- **Governance**
  Governance remains a core component of the Group's approach to operations. The Group monitors governance matters through Annual BSI audits on ISO14001, 45001 & 9001 compliance, Integrated Operational Assurance Statement, processes and operating assurance statements.

Summary and Outlook

The performance of the Group over the last six months reflects our significantly enhanced resilience and strengthened financial position. Our order book has increased significantly against the prior year, reflecting a large number of contract wins across our divisions and this provides us with good, multi-year revenue visibility. These awards reflect the bidding discipline and risk management now embedded in the business.

Looking ahead, we expect to generate positive operating cash flow for the full year and deliver a net cash position at the year end. Current trading remains in line with the Board's expectations. The Group is well positioned to continue benefiting from UK Government infrastructure spending commitments and focused on the delivery of a sustainable net cash position and a sustainable dividend, in line with our medium-term value creation plan.

Operational Review

Infrastructure Services

	Six months to 31 December 2022	Six months to 31 December 2021	*Change*
Revenue (£m)	**816**	777	*5%*
Adjusted operating profit (£m)[5]	**33.8**	32.9	*3%*
Adjusted operating margin	**4.1%**	4.2%	*(10)bps*
Reported operating profit (£m)	**22.0**	22.5	*(2)%*
Order book (£bn)	**5.8**	4.5	*29%*

The Infrastructure Services segment comprises the Highways, Infrastructure and Utilities businesses.

Infrastructure Services revenue increased 5% against the comparative period, primarily due to the continued ramp up of capital works on HS2. Adjusted operating profit increased 3% to £34m due to mix. Higher HS2 volumes were offset by continued growth costs in Utilities. Adjusting items include £1.5m for the HSE fine in relation to Highways.

The **Highways** business designs, builds and maintains roads for National Highways, Transport for London and a number of district and county councils. The business is focused upon the successful delivery of the significant number of wins from FY22 which included new contracts and contract extensions in Highways Maintenance, alongside the design and build of three National Highways Major Projects.

The marketplace is seeing a shift towards major projects. Success in the Major Projects market requires relevant experience alongside a suite of skills and capabilities through the project life cycle, for which Kier is well positioned.

The **Infrastructure** business delivers major and complex infrastructure and civil engineering projects, including HS2, Devonport 10 dock facility, Oxford Railway Station and ongoing works at Sellafield and Hinkley Point C. Infrastructure benefited from a ramp up in HS2 volumes during the period.

The **Utilities** business delivers long-term contracts providing construction and maintenance services to the water, energy, and telecoms sectors. The Utilities business has seen higher activity in the telecoms sector with the UK Government's commitment to rolling out 5G connectivity to the UK. As a result, the business has increased its investment in contract mobilisation costs. The ramp up has resulted in an adverse impact on margins. The Utilities business is currently undertaking a strategic review aimed at reviewing its back-office and regionally based support levels.

The Utilities business has continued to win work including being reappointed to the £55m per annum, 3 year extension of the Network Service Alliance framework by South West Water and Bournemouth Water.

97% of orders have been secured for FY23.

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[5] Stated before adjusting items of £11.8m (HY22: £10.4m)

Construction

	Six months to 31 December 2022	Six months to 31 December 2021	*Change*
Revenue (£m)	**709**	681	*4%*
Adjusted operating profit (£m)[6]	**32.8**	26.3	*25%*
Adjusted operating margin	**4.6%**	3.9%	*70bps*
Reported operating profit (£m)	**25.6**	12.8	*100%*
Order book (£bn)	**4.3**	3.5	*23%*

Construction segment comprises Regional Building, Strategic Projects, Kier Places (including Housing Maintenance, Facilities Management and Environmental Services), as well as our International business. Construction has national coverage delivering schools, hospitals, defence, custodial facilities and amenities centres for local authorities, councils and the private sector.

Revenue increased 4% due largely to the start of works on the new custodial facility, HMP Full Sutton in Yorkshire and growth in Kier Places as we benefit from increased facilities and housing management contracts.

Adjusted operating profit increased 25% to £33m driven by increased volume and the impact of prior year's restructuring. Adjusting items include £4.0m relating to fire cladding costs.

The order book significantly increased from £3.5bn to £4.3bn reflecting a period of strong bidding activity.

We were recently re-appointed to the North West Construction Hub High Value Construction Framework, appointed on a £22m investment programme by the Isle of Wight NHS Trust to redevelop St Mary's Hospital and awarded three school projects by the Department for Education.

In January 2023, two Kier joint ventures were appointed to all six lots of the £10bn Offsite Construction Solutions framework.

As a regional contractor, we continue to be well placed to benefit from UK Government spending commitments focused on areas such as health, education and custodial services, where our Construction business has specialist expertise. However, during the year, we have seen UK Government procurement delays driven by cost inflation.

Our Kier Places business specialises in working in occupied properties both residential and offices, delivering maintenance, repairs, fire safety and compliance services. The business has benefited from increased work opportunities from existing customers, resulting in increases in both volumes and profitability.

It continues to win new work and is the preferred bidder on a £75m housing maintenance contract for 10 years with RHP Group across its housing portfolio in Richmond, Hounslow, Kingston and Hillingdon.

The continued soft markets served by our UAE-based International business result in an ongoing focus on managing its cost base and projects.

95% of orders have been secured for FY23.

Property

	Six months to 31 December 2022	Six months to 31 December 2021	*Change*
Revenue (£m)	**11**	76	*(86)%*
Adjusted operating profit (£m)[7]	**4.7**	10.4	*(55)%*
Adjusted operating margin	**43%**	14%	*2,900bps*
Reported operating profit (£m)	**4.4**	9.8	*(55)%*
ROCE %	**7%**	15%	*(800)bps*

[6] Stated before adjusting items of £7.2m (HY22: £13.5m)

[7] Stated before adjusting items of £0.3m (HY22: £0.6m)

- Andover development in Partnership with Test Valley Borough Council was fully let
- Solum Regeneration, the Kier joint venture with Network Rail, sold its final residential block at Twickenham Gateway development

The Property business invests and develops primarily mixed-use commercial and residential schemes and sites across the UK. The business is a well-established urban regeneration and property developer and largely operates through joint ventures.

Revenue of £11m and adjusted operating profit of £4.7m in the first half of the year was driven by lower transaction activity as a result of market conditions, in contrast to a higher level of transactions in the prior year. Property recognised a fair value gain of £6.3m related to a transaction in its investment property portfolio in the first half of the year.

The Group has focused on the controlled expansion of the Property business through select investments and strategic joint ventures using a disciplined capital approach.

We expect to increase the average capital employed targeting £170m with a consistent rate of capital investment at the level expected to help smooth out the returns profile of the business over the medium-term. As at 31 December 2022, capital employed was £158m.

Corporate

	Six months to 31 December 2022	Six months to 31 December 2021	*Change*
Adjusted operating loss (£m)[8]	**(14.1)**	(15.4)	*8%*
Reported operating loss (£m)	**(13.7)**	(19.8)	*31%*

The Corporate segment comprises the costs of the Group's central functions and have reduced when compared to the prior year due to continuous improvement initiatives.

Financial Review

Introduction

The Group performed well through the first half of the year and delivered an adjusted operating profit of £57.2m (HY22: £54.2m, FY22: £120.5m). This represents a 20 basis points operating margin increase over the prior period to 3.7% with the Group exceeding its medium-term plan margin target of c.3.5%.

The continued strong operational performance, together with lower adjusting items led to a 51% increase in profit from operations to £38.3m (HY22: £25.3m, FY22: £45.1m) and a 100% increase in profit before tax to £25.4m (HY22: 12.7m, FY22: £15.9m).

Adjusted earnings per share increased 9.0% to 8.5p (HY22: 7.8p, FY22: 16.8p).

As anticipated, the Group experienced a free cash outflow of £87.8m during the period (HY22: £109.7m, FY22: £54.6m inflow) driven by seasonal working capital and repayment of the Group's supply chain finance facility ("KEPS") (HY22: £69.3m, FY22: £49.8m).

Net debt at 31 December 2022 of £(130.6)m remained at a similar level to the period year (HY22: £(131.3)m, FY22: £2.9m). In the first half of the year, the Group repaid KEPS, adjusting items, pension deficit obligations and purchased existing Kier shares for future employee share based remuneration.

Average month-end net debt for the period ended 31 December 2022 was £(242.7)m (HY22: £(190.8)m, FY22 £(216.1)m), higher than the prior year. Positive operating cash flow was used to reduce the average month-end KEPS balance, pay adjusting items, tax and interest, pension deficit obligations and remaining HMRC COVID-19 support.

[8] Stated before adjusting items of £(0.4)m (HY22: £4.4m)

The Group continued to win new, high quality and profitable work in its markets on terms and rates which reflect the Group's bidding discipline and risk management.

The order book has increased to £10.1bn, a 3% increase since the year-end and 26% higher than the prior period. (HY22: £8.0bn, FY22: £9.8bn). 96% of revenue for FY23 is already secured which provides certainty for the full year.

Summary of financial performance

	Adjusted[9] results			Statutory reported results		
	31 Dec 2022	31 Dec 2021	*Change %*	**31 Dec 2022**	31 Dec 2021	*Change %*
Revenue (£m) - Total	**1,536.6**	1,536.2	–	**1,536.6**	1,536.2	–
Revenue (£m) - Excluding JV's	**1,525.8**	1,482.2	*2.9*	**1,525.8**	1,482.2	*2.9*
Profit from operations (£m)	**57.2**	54.2	*5.5*	**38.3**	25.3	*51.4*
Profit before tax (£m)	**45.8**	43.0	*6.5*	**25.4**	12.7	*100.0*
Earnings per share (p)	**8.5**	7.8	*9.0*	**4.7**	2.2	*113.6*
Free cash flow (£m)	**(87.8)**	(109.7)	*20.0*			
Net debt (£m)	**(130.6)**	(131.3)	*0.5*			
Net debt (£m) - average month-end	**(242.7)**	(190.8)	*(27.2)*			
Order book (£bn)	**10.1**	8.0	*26.3*			
Supply chain finance (£m)	**–**	69.3	*(100.0)*			

Revenue

The following table bridges the Group's revenue from the period ended 31 December 2021 to the period ended 31 December 2022.

	£m
Revenue for the period ended 31 December 2021	**1,536.2**
Infrastructure Services	**38.5**
Construction	**28.1**
Property and Corporate	**(66.2)**
Revenue for the period ended 31 December 2022	**1,536.6**

The Group grew revenue in both Infrastructure Services and Construction, offset by lower revenue in Property. There were increased transactions in Property in the prior financial year driven by market demand. The Group continues to focus on delivering high quality and high margin work.

Alternative performance measures ("APMs")

The Directors continue to consider that it is appropriate to present an income statement that shows the Group's statutory results only.

The Directors, however, still believe it is appropriate to disclose those items which are one-off, material or non-recurring in size or nature. The Group is disclosing as supplementary information an "adjusted profit" APM. The Directors consider doing so clarifies the presentation of the financial statements and better reflects the internal management reporting and is therefore consistent with the requirements of IFRS 8.

Adjusted Operating Profit

	£m
Adjusted operating profit for the period ended 31 December 2021	54.2
Volume / price / mix changes	4.1
Fewer property transactions	(5.7)
Cost inflation	(4.5)
Management actions	9.1
Adjusted operating profit for the period ended 31 December 2022	57.2

[9] Reference to 'Adjusted' excludes adjusting items, see note 3.

A reconciliation of reported to adjusted operating profit is provided below:

	Operating profit		Profit before tax	
	31 Dec 2022 £m	31 Dec 2021 £m	**31 Dec 2022 £m**	31 Dec 2021 £m
Reported profit	**38.3**	25.3	**25.4**	12.7
Amortisation of acquired intangible assets	**9.8**	9.9	**9.8**	9.9
Restructuring and related charges	**3.6**	11.8	**3.6**	11.8
Other	**5.5**	7.2	**7.0**	8.6
Adjusted profit	**57.2**	54.2	**45.8**	43.0

Additional information about these items is as follows:

- Amortisation of acquired intangible assets £9.8m (HY22: £9.9m):
    - Comprises the amortisation of acquired contract rights primarily through the acquisitions of MRBL Limited (Mouchel Group), May Gurney Integrated Services PLC and McNicholas Construction Holdings Limited.

- Restructuring and related charges £3.6m (HY22: £11.8m):
    - Restructuring costs include £3.7m incurred on downsizing of personnel and other people related costs within the Group, including those related to the re-sizing of the International business.

- Other costs £7.0m (HY22: £8.6m)
    - Legal and compliance costs include £4.0m incurred on fire compliance and cladding claims. A further £1.5m was incurred in relation to the fine from HSE in relation to historical safety issues. In addition, £1.5m of finance costs relate to the IFRS 16 interest charge on leased properties that were previously vacated.

Earnings per share
Earnings per share (“EPS”), before adjusting items, from continuing operations amounted to 8.5p (HY22: 7.8p, FY22: 16.8p). EPS, after adjusting items, from continuing operations amounted to 4.7p (HY22: 2.2p, FY22: 2.9p).

Finance income and charges
The Group’s finance charges include interest on the Group’s bank borrowings and finance charges relating to IFRS 16 leases.

Interest on bank borrowings amounted to £11.9m (HY22: £9.6m, FY22: £18.9m) and finance lease charges were £4.7m (HY22: £3.3m, FY22: £6.5m). Interest costs have increased during the period due to the higher average month-end net debt and increased interest rates. The Group was able to partially mitigate the risk of higher interest rates with a fixed interest rate swap of £100m, which resulted in a fair value gain of £1.8m as at 31 December 2022. The swap expires in September 2023.

In February 2023, the Group entered into a further 3 year fixed interest rate swap of £100m reducing to £75m in its second year and £50m in its third year.

The overall cost of borrowing for the Group has decreased compared to previous years as a result of the Group’s significantly improved average month end debt position.

The Group had a net interest credit of £3.8m (HY22: £0.4m, FY22: £1.0m) in relation to the defined benefit pension schemes which has arisen due to the combination of the large overall pension surplus and relatively high discount rate (derived from corporate bond yields), at the start of the financial year.

The Group continues to exclude lease liabilities from its definition of net cash/(debt).

Balance sheet
Net assets
The Group had net assets of £482.6m at 31 December 2022 (HY22: £509.1m, FY22: £554.6m). The primary driver for this is the decrease in the pension scheme surplus during the period.

Goodwill
The Group held intangible assets of £655.3m (HY22: £683.7m, FY22: £669.1m) of which goodwill represented £536.7m (HY22: £536.7m, FY22: £536.7m). No impairment triggers were identified in the period.

Deferred tax asset
The Group has a deferred tax asset of £133.7m recognised at 31 December 2022 (HY22: £116.9m, FY22: £108.8m) primarily due to historical losses. The asset has increased in the year due to the deferred tax credit in relation to the movement in the pension scheme asset.

Based on the Group's forecasts, it is expected that the deferred tax asset will be utilised over a period of approximately 11 years.

An adjusted tax credit of £3.9m (HY22: £5.6m, FY22: £14.8m) has been included within adjusting items, representing the tax impact of adjusting items.

Right-of-use assets and lease liabilities
At 31 December 2022, the Group had right-of-use assets of £122.0m (HY22: £88.5m, FY22: £80.6m) and associated lease liabilities of £197.9m (HY22: £167.8m, FY22: £157.6m). The increase in the period is principally due to the levels of hired plant and equipment required for major Infrastructure projects, including HS2 and Hinkley Point C.

Investment properties
The Group owns a number of office buildings which were formally utilised by the Group that have been vacated and are now leased out (or intended to be leased out) to third parties under operating leases. In addition, the Group's Property business invests and develops primarily mixed-use commercial and residential schemes and sites across the UK. One of these sites is held as an investment property. The Group recognised a fair value gain of £6.3m related to a transaction in the period which has been recognised in Other income.

Contract assets & liabilities
Contract assets represents the Group's right to consideration in exchange for works which have already been performed. Similarly, a contract liability is recognised when a customer pays consideration before work is performed. At 31 December 2022, total contract assets amounted to £336.5m (HY22: £332.6m, FY22: £397.5m).

Contract liabilities were £73.3m (HY22: £55.7m, FY22: £67.3m).

Retirement benefits obligation
Kier operates a number of defined benefit pension schemes. At 31 December 2022, the reported surplus, which is the difference between the aggregate value of the schemes' assets and the present value of their future liabilities, was £91.1m (HY22: £133.9m, FY22: £194.7m), before accounting for deferred tax, with the movement in the year primarily as a result of actuarial losses of £112.4m (HY22: £81.6m gains, FY22: £136.3m gains). A change in financial assumptions, resulting from higher corporate bond yields, has reduced the pension schemes' liabilities. However, there has also been a fall in the schemes' asset values, largely due to the level of liability hedging in the asset portfolio. High inflation rates have also impacted the pension surplus through higher annual pension increases awarded.

The Group is in the process of finalising its triennial pension valuation for 31 March 2022.

Free cash flow and Net debt

	31 Dec 2022 £m	31 Dec 2021 £m
Operating profit	**38.3**	25.3
Depreciation of owned assets	**2.7**	3.3
Depreciation of right-of-use assets	**21.8**	15.4
Amortisation	**19.0**	13.8
EBITDA	**81.8**	57.8
Adjusting items excluding adjusting amortisation and interest	**9.1**	19.0
Adjusted EBITDA	**90.9**	76.8
Working capital outflow	**(78.7)**	(133.2)
Net capital expenditure including finance lease capital payments	**(27.1)**	(19.6)
Joint Venture dividends less profits	**(2.2)**	0.1
Repayment of KEPS	**(49.8)**	(9.8)
Other free cash flow items	**(2.9)**	2.2
Operating free cash flow	**(69.8)**	(83.5)
Net interest and tax	**(18.0)**	(10.1)
Free cash flow before COVID-19	**(87.8)**	(93.6)
Net COVID-19 tax repayment	–	(16.1)
Free cash flow	**(87.8)**	(109.7)

	2022 £m	2021 £m
Net cash at 1 July	**2.9**	3.0
Free cash flow	**(87.8)**	(109.7)
Adjusting items	**(22.7)**	(15.6)
Pension deficit payments and fees	**(6.6)**	(7.4)
Fees paid in respect of prior year equity raise	–	(6.1)
Net purchase of own shares	**(11.9)**	(1.8)
Other	**(4.5)**	6.3
Net debt at 31 December	**(130.6)**	(131.3)

As expected, the Group experienced a free cash outflow during the year, driven by a seasonal working capital outflow and the repayment of £49.8m of KEPS in July 2022. Working capital is seasonal in the business with summer being a higher period of activity compared to winter months. Accordingly, during the second half of the year, the Group is anticipating a reversal of the H1 working capital outflow and a return to net cash.

The average month-end net debt position is higher than the comparative period at £(242.7)m, (HY22: £190.8m). Positive operating cash flow was used to reduce the average month-end KEPS balance, pay adjusting items, tax and interest, pension deficit obligations, remaining HMRC COVID-19 support and purchase existing Kier shares on behalf of employees.

The purchase of existing shares relates to the Group's employee benefit trusts which acquire Kier shares from the market for use in settling the long term incentive plan ("LTIP") share schemes when they vest. The trusts purchased and sold shares at a net cost of £11.9m (HY22: £1.8m; FY22: £7.0m).

For the full year 2023, we expect, as previously outlined that notwithstanding positive free cash flow, an increase in average month-end net debt attributable to the repayment of debt-like items such as KEPS and the HMRC COVID-19 support as well as the impact of lower activity in our Construction business until the fourth quarter of the year.

In FY24, we expect the average net debt to decrease with free cash flow generation given the Group's increased order book, expected revenue conversion and associated working capital inflow. The Group also expects a significant reduction in adjusting items.

Accounting policies

The Group's annual consolidated financial statements are prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006. There have been no significant changes to the Group's accounting policies during the year.

Treasury facilities

Bank finance

The Group has committed debt facilities of £601.4m with a further £18.0m of uncommitted overdrafts.

The facilities comprise £515.0m Revolving Credit Facility ("RCF"), £78.5m US Private Placement ("USPP") Notes, £7.9m Schuldschein Notes as well as £18.0m of overdrafts.

During the period, the Group repaid £34.1m of USPP Notes and reduced the RCF by £20.0m. We expect to reduce a further £40.0m of the RCF, £7.9m of Schuldschein Notes and £3.4m of USPP Notes in the calendar year 2023.

The Group has a £100m fixed interest rate swap through to September 2023. In February 2023, the Group entered into a further 3 year fixed interest rate swap at £100m reducing to £75m in its second year and £50m in its third year.

Supply chain finance

The Group's supply chain finance scheme was fully paid down in July 2022 (HY22: £69.3m, FY22: £49.8m).

Financial instruments

The Group's financial instruments mainly comprise cash and liquid investments. The Group selectively enters into derivative transactions (interest rate and currency swaps) to manage interest rate and currency risks arising from its sources of finance. The US dollar denominated USPP notes were hedged with fixed cross-currency swaps at inception to mitigate the foreign exchange risk. One non-recourse, project specific, property joint venture loan is hedged using an interest rate derivative to fix the cost of borrowing.

There are minor foreign currency risks arising from the Group's operations both in the UK and through its limited number of international activities. Currency exposure to international assets is hedged through inter-company balances and borrowings, so that assets denominated in foreign currencies are matched, as far as possible, by liabilities. Where exposures to currency fluctuations are identified, forward exchange contracts are completed to buy and sell foreign currency.

The Group does not enter into speculative transactions.

Going concern

The Directors are satisfied that the Group has adequate resources to meet its obligations as they fall due for a period of at least twelve months from the date of approving these financial statements and, for this reason, they continue to adopt the going concern basis in preparing these financial statements.

Further information on this assessment is detailed in note 1 of the condensed consolidated financial statements.

Statement of directors' responsibilities

The Directors confirm that these condensed interim financial statements have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting', and the Disclosure Guidance and Transparency Rules sourcebook of the UK's Financial Conduct Authority and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the consolidated financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related-party transactions in the first six months and any material changes in the related-party transactions described in the last annual report.

There have been no changes to the directors of Kier Group plc as listed on pages 94 and 95 of the 2022 Annual Report and Accounts. Chris Browne OBE joined the Board as a Non-executive Director on 15 September 2022. A list of the current directors is also maintained on Kier Group plc's website at: www.kier.co.uk.

Signed on 8 March 2023 on behalf of the Board.

Andrew Davies Chief Executive	Simon Kesterton Chief Financial Officer

Cautionary Statement

This announcement does not constitute an offer of securities by the Company. Nothing in this announcement is intended to be, or intended to be construed as, a profit forecast or a guide as to the performance, financial or otherwise, of the Company or the Group whether in the current or any future financial year. This announcement may include statements that are, or may be deemed to be, ‘‘forward-looking statements’’. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms ‘‘believes’’, ‘‘estimates’’, ‘‘anticipates’’, ‘‘expects’’, ‘‘intends’’, ‘‘plans’’, ‘‘target’’, ‘‘aim’’, ‘‘may’’, ‘‘will’’, ‘‘would’’, ‘‘could’’ or ‘‘should’’ or, in each case, their negative or other variations or comparable terminology. They may appear in a number of places throughout this announcement and include statements regarding the intentions, beliefs or current expectations of the directors, the Company or the Group concerning, amongst other things, the operating results, financial condition, prospects, growth, strategies and dividend policy of the Group or the industry in which it operates. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future and may be beyond the Company’s ability to control or predict. Forward-looking statements are not guarantees of future performance. The Group’s actual operating results, financial condition, dividend policy or the development of the industry in which it operates may differ materially from the impression created by the forward-looking statements contained in this announcement. In addition, even if the operating results, financial condition and dividend policy of the Group, or the development of the industry in which it operates, are consistent with the forward-looking statements contained in this announcement, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that could cause these differences include, but are not limited to, general economic and business conditions, industry trends, competition, changes in government and other regulation, changes in political and economic stability and changes in business strategy or development plans and other risks.

Other than in accordance with its legal or regulatory obligations, the Company does not accept any obligation to update or revise publicly any forward-looking statement, whether as a result of new information, future events or otherwise.

Principal Risks and Uncertainties

You are advised to read the section headed ‘‘Principal risks and uncertainties’’ in the Company’s Annual Report and Accounts for the year ended 30 June 2022 for a discussion of the factors that could affect the Group’s future performance and the industry in which it operates. The Board believes that these principal risks and uncertainties will continue to apply to the Group in the second half of the financial year.

About Kier

Kier is a leading UK infrastructure services, construction and property group.

We provide specialist design and build capabilities and the knowledge, skills and intellectual capital of our people ensure we are able to project manage and integrate all aspects of a project.

We take pride in bringing specialist knowledge, sector-leading experience and fresh thinking to create workable solutions for our clients across the country.

Together, we have the scale and breadth of skills of a major company, while retaining a local focus and pride that comes from never being far from our clients, through a network of offices spanning across England, Wales, Scotland and Northern Ireland.

For further information and to subscribe to our news alerts, please visit: www.kier.co.uk
Follow us on Twitter: @kiergroup
Connect with us on LinkedIn: Kier Group

Independent review report to Kier Group plc

Report on the condensed consolidated interim financial statements

Our conclusion

We have reviewed Kier Group plc's condensed consolidated interim financial statements (the "interim financial statements") in the Condensed interim results of Kier Group plc for the 6 month period ended 31 December 2022 (the "period").

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

The interim financial statements comprise:

- the Condensed consolidated balance sheet as at 31 December 2022;
- the Condensed consolidated income statement and Condensed consolidated statement of comprehensive income for the period then ended;
- the Condensed consolidated statement of cash flows for the period then ended;
- the Condensed consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the Condensed interim results of Kier Group plc have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Financial Reporting Council for use in the United Kingdom ("ISRE (UK) 2410"). A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

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

We have read the other information contained in the Condensed interim results and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed. This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410. However, future events or conditions may cause the group to cease to continue as a going concern.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The Condensed interim results, including the interim financial statements, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the Condensed interim results in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority. In preparing the Condensed interim results, including the interim financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Our responsibility is to express a conclusion on the interim financial statements in the Condensed interim results based on our review. Our conclusion, including our Conclusions relating to going concern, is based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion paragraph of this report. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP
Chartered Accountants
London
8 March 2023

Financial statements
Condensed consolidated income statement
For the six months ended 31 December 2022

	Note	**Unaudited six months to 31 December 2022 £m**	Unaudited six months to 31 December 2021 £m	Year to 30 June 2022 £m
Continuing operations				
Revenue				
Group and share of joint ventures[1]	2	**1,536.6**	1,536.2	3,256.5
Less share of joint ventures	2	**(10.8)**	(54.0)	(112.6)
Group revenue		**1,525.8**	1,482.2	3,143.9
Cost of sales		**(1,395.2)**	(1,350.9)	(2,879.9)
Gross profit		**130.6**	131.3	264.0
Administrative expenses		**(101.5)**	(116.9)	(245.5)
Share of post-tax results of joint ventures		**3.2**	10.9	26.6
Other income	10	**6.0**	–	–
Profit from operations	2	**38.3**	25.3	45.1
Finance income	4	**0.6**	0.3	0.7
Finance costs	4	**(13.5)**	(12.9)	(29.9)
Profit before tax	2	**25.4**	12.7	15.9
Taxation	6	**(5.0)**	(2.7)	(3.2)
Profit for the period	2	**20.4**	10.0	12.7
Attributable to:				
Owners of the parent		**20.5**	9.6	12.7
Non-controlling interests		**(0.1)**	0.4	–
		20.4	10.0	12.7
Earnings per share from continuing operations				
– Basic	8	**4.7p**	2.2p	2.9p
– Diluted	8	**4.7p**	2.1p	2.8p
Supplementary information from continuing operations				
Adjusted[2] operating profit	3	**57.2**	54.2	120.5
Adjusted[2] profit before tax	3	**45.8**	43.0	94.1
Adjusted[2] earnings per share	8	**8.5p**	7.8p	16.8p
Adjusted[2] diluted earnings per share	8	**8.5p**	7.5p	16.4p

1 Group revenue including joint ventures is an alternative performance measure.
2 Reference to ‘adjusted’ excludes adjusting items, see note 3. These are alternative performance measures.

Financial statements

Condensed consolidated statement of comprehensive income

For the six months ended 31 December 2022

	Note	**Unaudited six months to 31 December 2022 £m**	Unaudited six months to 31 December 2021 £m	Year to 30 June 2022 £m
Profit for the period		**20.4**	10.0	12.7
Items that may be reclassified subsequently to the income statement				
Fair value movements on cash flow hedging instruments		**0.7**	1.8	6.4
Fair value movements on cash flow hedging instruments recycled to the income statement	4	**(0.9)**	(2.4)	(7.4)
Deferred tax on fair value movements on cash flow hedging instruments		**–**	0.1	0.2
Foreign exchange translation differences		**1.2**	0.6	3.9
Total items that may be reclassified subsequently to the income statement		**1.0**	0.1	3.1
Items that will not be reclassified to the income statement				
Re-measurement of retirement benefit assets and obligations	5	**(112.4)**	81.6	136.3
Deferred tax on re-measurement of retirement benefit assets and obligations		**28.1**	(20.4)	(34.7)
Total items that will not be reclassified to the income statement		**(84.3)**	61.2	101.6
Other comprehensive (loss)/income for the period		**(83.3)**	61.3	104.7
Total comprehensive (loss)/income for the period		**(62.9)**	71.3	117.4
Attributable to:				
Equity holders of the parent		**(62.8)**	70.9	117.4
Non-controlling interests – continuing operations		**(0.1)**	0.4	–
		(62.9)	71.3	117.4
Total comprehensive (loss)/income attributable to equity shareholders arises from:				
Continuing operations		**(62.8)**	70.9	117.4

Financial statements
Condensed consolidated statement of changes in equity
For the six months ended 31 December 2022

	Note	Share capital £m	Share premium £m	Capital redemption reserve £m	Accumulated losses £m	Cash flow hedge reserve £m	Translation reserve £m	Merger reserve £m	Equity attributable to owners of the parent £m	Non-controlling interests £m	Total equity £m
At 1 July 2021		4.5	684.3	2.7	(610.8)	(0.1)	5.0	350.6	436.2	(1.2)	435.0
Profit for the period		–	–	–	9.6	–	–	–	9.6	0.4	10.0
Other comprehensive (loss)/income		–	–	–	61.2	(0.5)	0.6	–	61.3	–	61.3
Total comprehensive income/(loss) for the period		–	–	–	70.8	(0.5)	0.6	–	70.9	0.4	71.3
Issue of own shares		–	–	–	–	–	–	–	–	0.6	0.6
Share-based payments	14	–	–	–	4.0	–	–	–	4.0	–	4.0
Purchase of own shares		–	–	–	(1.8)	–	–	–	(1.8)	–	(1.8)
At 31 December 2021		4.5	684.3	2.7	(537.8)	(0.6)	5.6	350.6	509.3	(0.2)	509.1
Profit/(loss) for the period		–	–	–	3.1	–	–	–	3.1	(0.4)	2.7
Other comprehensive income/(loss)		–	–	–	40.4	(0.3)	3.3	–	43.4	–	43.4
Total comprehensive income/(loss) for the period		–	–	–	43.5	(0.3)	3.3	–	46.5	(0.4)	46.1
Share-based payments	14	–	–	–	4.6	–	–	–	4.6	–	4.6
Purchase of own shares		–	–	–	(5.2)	–	–	–	(5.2)	–	(5.2)
At 30 June 2022		**4.5**	**684.3**	**2.7**	**(494.9)**	**(0.9)**	**8.9**	**350.6**	**555.2**	**(0.6)**	**554.6**
Profit/(loss) for the period		–	–	–	20.5	–	–	–	20.5	(0.1)	20.4
Other comprehensive (loss)/income		–	–	–	(84.3)	(0.2)	1.2	–	(83.3)	–	(83.3)
Total comprehensive (loss)/income for the period		–	–	–	(63.8)	(0.2)	1.2	–	(62.8)	(0.1)	(62.9)
Transactions with non-controlling interests		–	–	–	(0.9)	–	–	–	(0.9)	–	(0.9)
Issue of own shares		–	–	–	–	–	–	–	–	0.3	0.3
Share-based payments	14	–	–	–	3.4	–	–	–	3.4	–	3.4
Purchase of own shares	14	–	–	–	(11.9)	–	–	–	(11.9)	–	(11.9)
At 31 December 2022		**4.5**	**684.3**	**2.7**	**(568.1)**	**(1.1)**	**10.1**	**350.6**	**483.0**	**(0.4)**	**482.6**

The numbers in the table above are shown net of tax as applicable.

Financial statements
Condensed consolidated balance sheet
As at 31 December 2022

	Note	**Unaudited 31 December 2022 £m**	Unaudited 31 December 2021 £m	30 June 2022 £m
Non-current assets				
Intangible assets	9	**655.3**	683.7	669.1
Property, plant and equipment		**32.2**	37.5	32.7
Right-of-use assets		**122.0**	88.5	80.6
Investment properties	10	**89.3**	63.0	60.4
Investments in and loans to joint ventures		**66.7**	96.5	82.3
Capitalised mobilisation costs		**7.7**	3.5	11.6
Deferred tax assets	6	**133.7**	116.9	108.8
Contract assets		**31.7**	30.7	31.2
Trade and other receivables		**15.1**	15.5	17.0
Retirement benefit assets	5	**116.8**	151.7	199.2
Other financial assets		**8.1**	5.5	8.5
Non-current assets		**1,278.6**	1,293.0	1,301.4
Current assets				
Inventories		**77.2**	56.7	56.8
Contract assets		**304.8**	301.9	366.3
Trade and other receivables		**206.5**	240.2	202.9
Corporation tax receivable		**14.8**	12.0	10.0
Other financial assets		**2.7**	2.3	3.7
Cash and cash equivalents	11	**316.7**	300.1	297.7
Current assets		**922.7**	913.2	937.4
Total assets		**2,201.3**	2,206.2	2,238.8
Current liabilities				
Borrowings	11	**(7.9)**	(32.6)	(40.5)
Lease liabilities		**(39.7)**	(30.0)	(25.9)
Trade and other payables	12	**(886.4)**	(934.2)	(1,065.7)
Contract liabilities		**(73.3)**	(55.7)	(67.3)
Provisions		**(18.8)**	(14.4)	(22.2)
Current liabilities		**(1,026.1)**	(1,066.9)	(1,221.6)
Non-current liabilities				
Borrowings	11	**(448.5)**	(406.0)	(266.5)
Lease liabilities		**(158.2)**	(137.8)	(131.7)
Trade and other payables	12	**(34.1)**	(35.9)	(34.1)
Retirement benefit obligations	5	**(25.7)**	(17.8)	(4.5)
Provisions		**(26.1)**	(32.7)	(25.8)
Non-current liabilities		**(692.6)**	(630.2)	(462.6)
Total liabilities		**(1,718.7)**	(1,697.1)	(1,684.2)
Net assets	2	**482.6**	509.1	554.6
Equity				
Share capital	13	**4.5**	4.5	4.5
Share premium		**684.3**	684.3	684.3
Capital redemption reserve		**2.7**	2.7	2.7
Accumulated losses		**(568.1)**	(537.8)	(494.9)
Cash flow hedge reserve	13	**(1.1)**	(0.6)	(0.9)
Translation reserve	13	**10.1**	5.6	8.9
Merger reserve		**350.6**	350.6	350.6
Equity attributable to owners of the parent		**483.0**	509.3	555.2
Non-controlling interests		**(0.4)**	(0.2)	(0.6)
Total equity		**482.6**	509.1	554.6

Financial statements
Condensed consolidated statement of cash flows
For the six months ended 31 December 2022

	Note	**Unaudited six months to 31 December 2022 £m**	Unaudited six months to 31 December 2021 £m	Year to 30 June 2022 £m
Cash flows from operating activities				
Profit before tax		**25.4**	12.7	15.9
Net finance cost	4	**12.9**	12.6	29.2
Share of post-tax trading results of joint ventures		**(3.2)**	(10.9)	(26.6)
Difference between pension funding contributions paid and the pension cost (credit)/charge		**–**	0.1	(0.4)
Equity-settled share-based payments charge	14	**3.4**	4.0	8.6
Amortisation and impairment of intangible assets and mobilisation costs		**19.0**	13.8	30.3
Change in fair value of investment properties	10	**(6.0)**	(4.0)	(0.2)
Research and development expenditure credit	6	**(9.5)**	(6.9)	(20.7)
Depreciation and impairment of property, plant and equipment		**2.7**	7.4	10.7
Depreciation and impairment of right-of-use assets		**21.8**	20.6	35.2
(Profit)/loss on disposal of property, plant and equipment and intangible assets		**(0.1)**	(0.1)	0.8
Operating cash inflows before movements in working capital and pension deficit contributions		**66.4**	49.3	82.8
Deficit contributions to pension funds	5	**(5.0)**	(5.8)	(10.8)
Increase in inventories		**(20.4)**	(2.0)	(2.1)
(Increase)/decrease in receivables		**(1.7)**	(29.7)	7.3
Decrease/(increase) in contract assets		**61.0**	33.4	(31.6)
Decrease in payables		**(177.0)**	(149.5)	(12.4)
Increase/(decrease) in contract liabilities		**6.0**	(4.2)	7.4
(Decrease)/increase in provisions		**(3.1)**	(0.7)	0.2
Cash (outflow)/inflow from operating activities		**(73.8)**	(109.2)	40.8
Dividends received from joint ventures		**0.7**	10.9	32.5
Interest received	4	**0.6**	0.3	0.7
Net cash (outflow)/inflow from operating activities		**(72.5)**	(98.0)	74.0
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment		**0.3**	1.2	4.2
Purchase of property, plant and equipment		**(2.8)**	(3.5)	(6.0)
Purchase of intangible assets	9	**(0.3)**	(0.6)	(0.7)
Purchase of capitalised mobilisation costs		**(1.0)**	(0.2)	(10.2)
Investment in joint ventures		**(15.6)**	(7.4)	(16.8)
Loan repayment and return of equity from joint ventures		**12.1**	9.7	27.5
Acquisition of subsidiaries		**(0.9)**	–	–
Net cash used in investing activities		**(8.2)**	(0.8)	(2.0)
Cash flows from financing activities				
Issue of shares net of associated transaction costs		**–**	(6.1)	(6.1)
Issue of shares to non-controlling interest		**0.3**	0.6	0.6
Net purchase of own shares		**(11.9)**	(1.8)	(7.0)
Interest paid		**(18.0)**	(11.9)	(28.8)
Principal elements of lease payments		**(22.5)**	(16.4)	(33.8)
Drawdown of borrowings		**180.2**	76.3	–
Repayment of borrowings		**(32.7)**	(41.1)	(101.8)
Settlement of derivative financial instruments		**4.0**	7.5	7.5
Transactions with non-controlling interests		**(0.9)**	–	–
Net cash from/(used in) financing activities		**98.5**	7.1	(169.4)
Increase/(decrease) in cash, cash equivalents and overdraft		**17.8**	(91.7)	(97.4)
Effect of change in foreign exchange rates		**1.2**	0.6	3.9
Opening cash, cash equivalents and overdraft		**297.7**	391.2	391.2
Closing cash, cash equivalents and overdraft	11	**316.7**	300.1	297.7
Supplementary information				
Adjusted cash flow from operating activities	3(e)	**(51.1)**	(93.6)	82.0

1 Significant accounting policies

Reporting entity

Kier Group plc (the Company) is a public limited company which is listed on the London Stock Exchange and incorporated and domiciled in the UK. The Company's registered number is 2708030. The address of its registered office is 2nd Floor, Optimum House, Clippers Quay, Salford, M50 3XP.

The interim condensed consolidated financial statements (financial statements) for the period ended 31 December 2022 comprise the Company and its subsidiaries (together referred to as the Group) and the Group's interest in jointly controlled entities.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

Basis of preparation

The interim condensed consolidated financial statements for the half year ended 31 December 2022 have been prepared in accordance with the UK-adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

The unaudited financial information contained in this announcement does not constitute the Company's statutory accounts as at and for the six months ended 31 December 2022. Statutory financial statements for the year ended 30 June 2022 were approved by the Board of Directors on 14 September 2022 and delivered to the Registrar of Companies. The auditor's report on these accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain a statement under section 498 of the Companies Act 2006.

Going concern

The Directors continue to adopt the going concern basis in preparing the Group's interim financial statements.

The Group performed well through the half year ended 31 December 2022 and produced results in line with the Board's expectations.

As at 31 December 2022, the Group had £601.4m of unsecured committed facilities (30 June 2022: £654.0m) and £18.0m of uncommitted overdrafts (30 June 2022: £18.0m). Following the repayment of the outstanding KEPS facility, the Group had no uncommitted supply chain financing facilities at 31 December 2022 (30 June 2022: £49.8m).

Financial covenant certificates for December 2022 have been prepared with no breaches noted. The Directors have reviewed the Group's cash flow forecasts for the period to 30 June 2024, which are included in the Group's three-year strategic plan, on the basis of certain key assumptions, including a number of stressed but plausible downside scenarios and available mitigants under management control.

These scenarios included the consideration of risks which may arise to the Group's available liquidity and its ongoing compliance with financial covenants within the Group's principal debt facilities as a result of or in light of the following factors or circumstances:

- Potential reductions in trading volumes;
- Potential future challenges in respect of ongoing projects;
- Project inflation and subcontractor insolvency;
- Reduced investment/delays in Property transactions and cost of adoption of green legislation over and above the Group's net zero carbon commitment and waste reduction policies; and
- Plausible changes in the interest rate environment, noting the fixed interest rate swaps currently in place.

The Board also considered the macroeconomic and geopolitical risks affecting the UK economy, including the availability of labour, increased supply chain costs and increased interest rates. The Board noted that the Group's forecasts are underpinned by a significant proportion of revenue that is either secured or considered probable, often as part of long-term framework agreements, and that the Group operates primarily in sectors such as infrastructure, health, education and utilities, which are considered likely to remain largely unaffected by macroeconomic factors. Although inflationary pressures remain a risk, both in the supply chain and the labour market, this is partly mitigated by c.60% (30 June 2022: c.60%) of contracts being target cost or cost plus.

The Board has also considered the potential impact of climate change and does not consider the Group's operations are at risk from physical climate-related risks such as hurricanes and temperature changes in the short term. In the medium term the Board has concluded that any adverse financial impacts from required changes to operations in line with ESG requirements will be offset by opportunities which present the Group with additional volumes and profits, such as replacement of non-sustainable buildings, construction of new 'clean' power plants and 'green' building conversions. As such, the longevity of the Group's business model means that climate change has no material adverse impact on going concern.

Having reviewed the Group's cash flow forecasts, the Directors consider that the Group is expected to continue to have available liquidity headroom under its finance facilities and operate within its financial covenants over the going concern period, including in a downside scenario. The Directors also consider that the risk associated with going concern remains low following corporate actions taken in previous financial years and in light of the Group's execution of its strategic milestones, its most recent trading performance and latest forecasts, and the continued focus on improving headroom over liquidity and covenant limits.

As a result, the Directors are satisfied that the Group has adequate resources to meet its obligations as they fall due for a period of at least twelve months from the date of approving these interim financial statements and, for this reason, they continue to adopt the going concern basis in preparing these interim financial statements.

Segmental reporting

The Group operates three divisions: Infrastructure Services, Construction and Property, which is the basis on which the Group manages and reports its primary segmental information. Corporate includes unrecovered overheads and the charge for defined benefit pension schemes.

Segmental information is based on the information, which is provided to the Chief Executive, together with the Board, who is the Chief Operating Decision Maker. The segments are strategic business units with separate management and have different core customers and offer different services.

The accounting policies of the operating segments are consistent across the Group. The Group evaluates segmental information on the basis of profit or loss from operations before adjusting items (see note 3), interest and tax expense. The segmental results reported to the Chief Executive include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

2 Segmental reporting

Unaudited six months to 31 December 2022

Continuing operations	Infrastructure Services £m	Construction £m	Property £m	Corporate £m	Group £m
Revenue[1]					
Group and share of joint ventures	**815.6**	**709.0**	**10.8**	**1.2**	**1,536.6**
Less share of joint ventures	**–**	**(1.4)**	**(9.4)**	**–**	**(10.8)**
Group revenue	**815.6**	**707.6**	**1.4**	**1.2**	**1,525.8**
Profit for the period					
Operating profit/(loss) before adjusting items[2]	**33.8**	**32.8**	**4.7**	**(14.1)**	**57.2**
Adjusting items[2]	**(11.8)**	**(7.2)**	**(0.3)**	**0.4**	**(18.9)**
Profit/(loss) from operations	**22.0**	**25.6**	**4.4**	**(13.7)**	**38.3**
Net finance income/(costs)[3]	**0.3**	**(2.4)**	**(0.2)**	**(10.6)**	**(12.9)**
Profit/(loss) before tax	**22.3**	**23.2**	**4.2**	**(24.3)**	**25.4**
Taxation					**(5.0)**
Profit for the period					**20.4**
Balance sheet					
Operating assets[4]	**927.6**	**417.6**	**180.1**	**348.5**	**1,873.8**
Operating liabilities[4]	**(417.4)**	**(594.2)**	**(14.1)**	**(236.6)**	**(1,262.3)**
Net operating assets/(liabilities)[4]	**510.2**	**(176.6)**	**166.0**	**111.9**	**611.5**
Cash, cash equivalents and borrowings	**267.8**	**342.5**	**(133.4)**	**(616.6)**	**(139.7)**
Net financial assets	**–**	**–**	**–**	**10.8**	**10.8**
Net assets/(liabilities)	**778.0**	**165.9**	**32.6**	**(493.9)**	**482.6**

Unaudited six months to 31 December 2021

Continuing operations	Infrastructure Services £m	Construction £m	Property £m	Corporate £m	Group £m
Revenue[1]					
Group and share of joint ventures	777.1	680.9	75.6	2.6	1,536.2
Less share of joint ventures	–	(1.4)	(52.6)	–	(54.0)
Group revenue	777.1	679.5	23.0	2.6	1,482.2
Profit for the period					
Operating profit/(loss) before adjusting items[2]	32.9	26.3	10.4	(15.4)	54.2
Adjusting items[2]	(10.4)	(13.5)	(0.6)	(4.4)	(28.9)
Profit/(loss) from operations	22.5	12.8	9.8	(19.8)	25.3
Net finance income/(costs)[3]	0.5	(2.0)	(1.2)	(9.9)	(12.6)
Profit/(loss) before tax	23.0	10.8	8.6	(29.7)	12.7
Taxation					(2.7)
Profit for the period					10.0
Balance sheet					
Operating assets[4]	911.3	427.4	162.4	397.1	1,898.2
Operating liabilities[4]	(385.7)	(643.7)	(15.9)	(213.1)	(1,258.4)
Net operating assets/(liabilities)[4]	525.6	(216.3)	146.5	184.0	639.8
Cash, cash equivalents and borrowings	257.8	333.0	(122.7)	(606.6)	(138.5)
Net financial assets	–	–	–	7.8	7.8
Net assets/(liabilities)	783.4	116.7	23.8	(414.8)	509.1

Year to 30 June 2022

Continuing operations	Infrastructure Services £m	Construction £m	Property £m	Corporate £m	Group £m
Revenue[1]					
Group and share of joint ventures	1,666.6	1,440.8	144.3	4.8	3,256.5
Less share of joint ventures	–	(3.1)	(109.5)	–	(112.6)
Group revenue	1,666.6	1,437.7	34.8	4.8	3,143.9
Profit for the year					
Operating profit/(loss) before adjusting items[2]	70.0	60.8	17.6	(27.9)	120.5
Adjusting items[2]	(21.9)	(39.0)	(0.9)	(13.6)	(75.4)
Profit/(loss) from operations	48.1	21.8	16.7	(41.5)	45.1
Net finance income/(costs)[3]	2.1	(4.1)	(1.6)	(25.6)	(29.2)
Profit/(loss) before tax	50.2	17.7	15.1	(67.1)	15.9
Taxation					(3.2)
Profit for the year					12.7
Balance sheet					
Operating assets[4]	925.5	442.6	144.0	416.8	1,928.9
Operating liabilities[4]	(466.0)	(706.2)	(25.9)	(179.1)	(1,377.2)
Net operating assets/(liabilities)[4]	459.5	(263.6)	118.1	237.7	551.7
Cash, cash equivalents and borrowings	440.2	504.0	(90.3)	(863.2)	(9.3)
Net financial assets	–	–	–	12.2	12.2
Net assets/(liabilities)	899.7	240.4	27.8	(613.3)	554.6

1 Revenue is stated after the exclusion of inter-segmental revenue. Over 90% of the Group's revenue is derived from UK-based customers (31 December 2021: 90%; 30 June 2022: 90%). 16% of the Group's revenue was received from HS2 Limited (31 December 2021: 11% from National Highways, 30 June 2022: 11% from National Highways). Group revenue including joint ventures is an alternative performance measure.
2 See note 3 for adjusting items.
3 Interest was (charged)/credited to the divisions at a notional rate of 4.0%.
4 Net operating assets/(liabilities) represent assets excluding cash, cash equivalents, bank overdrafts, borrowings, financial assets and liabilities, and interest-bearing inter-company loans.

3 Adjusting items

These items are explained in detail below:

	Operating profit			Profit before tax		
	Unaudited six months to 31 December 2022 £m	Unaudited six months to 31 December 2021 £m	Year to 30 June 2022 £m	**Unaudited six months to 31 December 2022 £m**	Unaudited six months to 31 December 2021 £m	Year to 30 June 2022 £m
Reported profit from continuing operations	**38.3**	25.3	45.1	**25.4**	12.7	15.9
Amortisation of acquired intangible assets	**9.8**	9.9	19.7	**9.8**	9.9	19.7
Restructuring and related charges	**3.6**	11.8	40.0	**3.6**	11.8	40.0
Other[1]	**5.5**	7.2	15.7	**7.0**	8.6	18.5
Adjusted profit from continuing operations	**57.2**	54.2	120.5	**45.8**	43.0	94.1

1 Operating profit adjusting items exclude net financing costs of £1.5m (six months ended 31 December 2021: £1.4m; year ended 30 June 2022: £2.8m), see note 3(c).

(a) Amortisation of acquired intangible assets

The Group has amortised contract rights, acquired primarily through the acquisitions of MRBL Limited (Mouchel Group), May Gurney Integrated Services PLC and McNicholas Construction Holdings Limited.

	Note	**Unaudited six months to 31 December 2022 £m**	Unaudited six months to 31 December 2021 £m	Year to 30 June 2022 £m
Amortisation of acquired intangible assets	9	**(9.8)**	(9.9)	(19.7)

(b) Restructuring and related charges

The Group has incurred restructuring charges relating to costs of organisational change associated with the Group's cost saving programmes and the Group's Strategic Review. These are discussed further in the Financial Review and are considered to be adjusting items on the basis of their size and the fact that they relate to significant changes to the Group's activities or workforce.

	Unaudited six months to 31 December 2022 £m	Unaudited six months to 31 December 2021 £m	Year to 30 June 2022 £m
Restructure of Regional Southern Build business	**–**	(6.0)	(22.2)
Redundancy and other people related costs[1]	**(3.7)**	(4.1)	(6.5)
Professional adviser fees and other costs incurred implementing non-people initiatives[2]	**(0.3)**	(0.3)	(7.1)
Impairments and other costs relating to investment properties[3]	**0.4**	(1.4)	(4.2)
Total charge before tax	**(3.6)**	(11.8)	(40.0)

1 The charge in the period includes £2.0m of costs incurred in the re-sizing of the International operations. A further £1.7m relates to roles made redundant as a result of the ongoing implementation of cost saving programmes.
2 This includes £1.4m of advisor fees in relation to non-people activities incurred in the period. This is offset by a credit of £1.1m due to a release of accrued costs no longer required.
3 This consists of a credit of £1.0m in relation to rental income and the movement in fair value of leased properties, offset by a write down of £0.6m in relation to land at the Pure Recycling site.

(c) Other adjusting items

Other adjusting items are analysed below:

	Unaudited six months to 31 December 2022 £m	Unaudited six months to 31 December 2021 £m	Year to 30 June 2022 £m
Net financing costs[1]	**(1.5)**	(1.4)	(2.8)
Legal compliance[2]	**(5.5)**	(2.2)	(8.8)
Recycling Plant impairment and associated costs	**–**	(5.0)	(5.2)
Software impairment	**–**	–	(2.2)
Pension credit	**–**	–	0.5
Total charge before tax	**(7.0)**	(8.6)	(18.5)

1 Net financing costs relate to IFRS 16 interest charges on investment properties.
2 During the period, the Group has incurred £4.0m of costs complying with the updated fire compliance regulations. Of these amounts, £1.7m was provided for at 31 December 2022. In addition, following the Health and Safety Executive (HSE) decision in January 2023 to fine the Group for historical safety issues, the Group provided for a further £1.5m to cover these costs.

(d) Taxation

Adjusting items in respect of taxation are analysed below:

	Unaudited six months to 31 December 2022 £m	Unaudited six months to 31 December 2021 £m	Year to 30 June 2022 £m
Deferred tax credit as a result of the change in tax rate[1]	**–**	–	5.1
Tax impact of adjusting items[2]	**3.9**	5.6	14.8
Other tax charges[3]	**–**	–	(3.6)
Total tax credit	**3.9**	5.6	16.3

1 The change in tax rate from 19% to 25% led to a deferred tax credit in the income statement in the prior year. This was a one-off event that is out of the Group's control and so is considered to be an adjusting item.
2 The tax impact of the adjusting items charged to continuing operations has also been included as an adjusting item.
3 During the prior year, historical tax balances were identified mainly as a result of historic acquisitions and were written off.

(e) Adjusted cash flow

	Unaudited six months to 31 December 2022 £m	Unaudited six months to 31 December 2021 £m	Year to 30 June 2022 £m
Reported cash (outflow)/inflow from operating activities	**(73.8)**	(109.2)	40.8
Add: Cash outflow from operating activities (adjusting items)	**22.7**	15.6	41.2
Adjusted cash (outflow)/inflow from operating activities	**(51.1)**	(93.6)	82.0

(f) Cash outflow from operating activities (adjusting items)

	Unaudited six months to 31 December 2022 £m	Unaudited six months to 31 December 2021 £m	Year to 30 June 2022 £m
Adjusting items reported in the income statement	**20.4**	30.3	78.2
Less: non-cash items incurred in the year	**(12.9)**	(17.9)	(38.4)
Add: payment of prior year accruals and provisions	**15.2**	3.2	1.4
Cash outflow from operating activities (adjusting items)	**22.7**	15.6	41.2

4 Finance income and costs

	Unaudited six months to 31 December 2022 £m	Unaudited six months to 31 December 2021 £m	Year to 30 June 2022 £m
Finance income			
Bank deposits	**0.1**	–	–
Interest receivable on loans to related parties	**0.5**	0.3	0.7
	0.6	0.3	0.7
Finance costs			
Bank interest	**(11.9)**	(9.6)	(18.9)
Interest payable on leases	**(4.7)**	(3.3)	(6.5)
Forward funding interest	**–**	(0.5)	(0.5)
Foreign exchange losses on foreign denominated borrowings	**(1.2)**	(1.9)	(9.9)
Fair value gains on cash flow hedges recycled from other comprehensive income[1]	**0.9**	2.4	7.4
Net interest on net defined benefit obligation	**3.8**	0.4	1.0
Other	**(0.4)**	(0.4)	(2.5)
	(13.5)	(12.9)	(29.9)
Net finance costs	**(12.9)**	(12.6)	(29.2)

[1] Fair value gains/(losses) arise from movements in cross-currency swaps which hedge the currency risk on foreign denominated borrowings.

5 Retirement benefit obligations

The principal assumptions used by the independent qualified actuaries are shown below.

	Unaudited 31 December 2022 %	Unaudited 31 December 2021 %	30 June 2022 %
Discount rate	**4.95**	1.90	3.90
Inflation rate (Retail Price Index)	**3.10**	3.30	3.15
Inflation rate (Consumer Price Index)	**2.60**	2.75	2.65

The amounts recognised in the financial statements in respect of the Group's defined benefit schemes are as follows:

			Unaudited six months to 31 December 2022			Unaudited six months to 31 December 2021			Year to 30 June 2022
	Kier Group £m	**Acquired schemes £m**	**Total £m**	Kier Group £m	Acquired schemes £m	Total £m	Kier Group £m	Acquired schemes £m	Total £m
Opening net surplus/(deficit)	**170.2**	**24.5**	**194.7**	78.6	(32.4)	46.2	78.6	(32.4)	46.2
Credit/(charge) to income statement	**3.3**	**0.5**	**3.8**	0.7	(0.4)	0.3	1.5	(0.1)	1.4
Employer contributions	**0.2**	**4.8**	**5.0**	0.3	5.5	5.8	0.5	10.3	10.8
Actuarial (losses)/gains	**(64.4)**	**(48.0)**	**(112.4)**	54.2	27.4	81.6	89.6	46.7	136.3
Closing net surplus/(deficit)	**109.3**	**(18.2)**	**91.1**	133.8	0.1	133.9	170.2	24.5	194.7
Comprising:									
Fair value of scheme assets	**888.7**	**413.2**	**1,301.9**	1,339.1	679.1	2,018.2	1,048.0	509.0	1,557.0
Net present value of the defined benefit obligation	**(779.4)**	**(431.4)**	**(1,210.8)**	(1,205.3)	(679.0)	(1,884.3)	(877.8)	(484.5)	(1,362.3)
Net surplus/(deficit)	**109.3**	**(18.2)**	**91.1**	133.8	0.1	133.9	170.2	24.5	194.7
Presentation of net surplus/(deficit) in the Consolidated balance sheet:									
Retirement benefit assets	**109.3**	**7.5**	**116.8**	133.8	17.9	151.7	170.2	29.0	199.2
Retirement benefit obligations	**–**	**(25.7)**	**(25.7)**	–	(17.8)	(17.8)	–	(4.5)	(4.5)
Net surplus/(deficit)	**109.3**	**(18.2)**	**91.1**	133.8	0.1	133.9	170.2	24.5	194.7

6 Taxation

	Unaudited six months to 31 December 2022 £m	Unaudited six months to 31 December 2021 £m	Year to 30 June 2022 £m
Profit before tax	**25.4**	12.7	15.9
Add: tax on joint ventures included above	**1.6**	–	0.1
Profit before tax including joint ventures	**27.0**	12.7	16.0
Current tax	**(2.0)**	(2.1)	(8.5)
Deferred tax	**(3.0)**	(0.6)	5.3
Total tax charge in the income statement	**(5.0)**	(2.7)	(3.2)
Tax on joint ventures	**(1.6)**	–	(0.1)
Total tax (including joint ventures)	**(6.6)**	(2.7)	(3.3)
Effective tax rate	**24.4%**	21.3%	20.6%

The deferred tax asset includes £104.6m of tax losses (31 December 2021: £108.9m; 30 June 2022; £105.6m) and £29.1m of other deferred tax assets and liabilities (31 December 2021: £8.0m; 30 June 2022: £3.2m). The increase in the net deferred tax asset is primarily due to actuarial losses on the defined benefit pension scheme during the period.

At 31 December 2022, the Group had unused tax losses of £203.6m (31 December 2021: £203.6m; 30 June 2022; £203.6m).

When considering the recoverability of net deferred tax assets, the taxable profit forecasts are based on the same Board-approved information used to support the going concern and goodwill impairment assessments.

The following evidence has been considered when assessing whether these forecasts are achievable and realistic:

- The business traded in line with Board expectations so far in 2023;
- The Group has substantially completed its restructuring activities and is focusing on the achievement of the medium-term growth strategy; and
- The Group's core businesses are well-placed to benefit from the announced and committed UK Government spending plans to invest in infrastructure, decarbonisation and spending to support the 'levelling up' agenda.

When considering the length of time over which the losses are expected to be utilised, the Group has taken into account that generally only 50% of profits in each year can be offset by brought forward losses. Based on these forecasts, the Group is expected to utilise its deferred tax asset over a period of 11 years (31 December 2021: 12 years, 30 June 2022: 10 years).

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the year to 30 June 2023 is 24.82%, compared to 21.26% for the six months ended 31 December 2021. The tax rate was higher due to an increase in non-deductible expenses and prior-year adjustments.

The Research and Development Expenditure Credit (RDEC) of £9.5m was included in operating profit during the period (31 December 2021: £6.9m; 30 June 2022; £20.7m). Included in the corporation tax asset at 31 December 2022 were RDEC receivables of £16.9m (31 December 2021: £7.9m: 30 June 2022: £12.0m).

7 Dividends

The Group's focus on cash generation and reducing net debt has required a suspension in dividend payments. No interim or final dividends have been declared during the period (31 December 2021: £nil; 30 June 2022: £nil).

8 Earnings per share

a) Reconciliation of earnings used in calculating earnings per share

Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share.

	Note	**Unaudited six months to 31 December 2022 £m**	Unaudited six months to 31 December 2021 £m	Year to 30 June 2022 £m
Continuing operations				
Profit for the period		**20.4**	10.0	12.7
Less: non-controlling interest share		**0.1**	(0.4)	–
Profit (after tax and minority interests), being net gains attributable to equity holders of the parent (A)		**20.5**	9.6	12.7
Adjusting items (excluding tax)	3	**20.4**	30.3	78.2
Tax impact of adjusting items	3	**(3.9)**	(5.6)	(16.3)
Adjusted profit after tax (B)		**37.0**	34.3	74.6

b) Weighted average number of shares used as the denominator

	Unaudited six months to 31 December 2022 million	Unaudited six months to 31 December 2021 million	Year to 30 June 2022 million
Weighted average number of shares used as the denominator in calculating basic earnings per share (C)	**433.0**	445.3	443.3
Adjustments for calculation of diluted earnings per share			
Impact of share options	**4.2**	13.6	11.8
Weighted average number of shares used as the denominator in calculating diluted earnings per share (D)	**437.2**	458.9	455.1

The weighted average number of shares is lower than the number of shares in issue (per note 13) primarily due to shares that are held by the Group's employee benefit trusts (see note 14), which are excluded from the calculation.

Options granted to employees under the Sharesave, Conditional Share Award Plan (CSAP) and long-term incentive plan (LTIP) schemes are considered to be potential ordinary shares. They have been included in the determination of diluted earnings per share if the required performance obligations would have been met based on the Group's performance up to the reporting date, and to the extent to which they are dilutive. The options have not been included in the determination of basic earnings per share. Details relating to the share option schemes are set out in note 14.

c) Basic earnings per share

	Unaudited six months to 31 December 2022 pence	Unaudited six months to 31 December 2021 pence	Year to 30 June 2022 pence
From continuing operations attributable to the ordinary equity holders of the company (A/C)	**4.7**	2.2	2.9
Total basic earnings per share attributable to the ordinary equity holders of the company	**4.7**	2.2	2.9
Adjusted from continuing operations attributable to the ordinary equity holders of the company (B/C)	**8.5**	7.8	16.8

d) Diluted earnings per share

	Unaudited six months to 31 December 2022 pence	Unaudited six months to 31 December 2021 pence	Year to 30 June 2022 pence
From continuing operations attributable to the ordinary equity holders of the company (A/D)	**4.7**	2.1	2.8
Total diluted earnings per share attributable to the ordinary equity holders of the company	**4.7**	2.1	2.8
Adjusted from continuing operations attributable to the ordinary equity holders of the company (B/D)	**8.5**	7.5	16.4

9 Intangible assets

	Goodwill £m	Intangible contract rights £m	Computer software[1] £m	Total £m
Cost				
At 1 July 2021	538.8	259.4	132.8	931.0
Additions	–	–	0.6	0.6
Disposals	–	(7.2)	(0.1)	(7.3)
Transfers to property, plant and equipment	–	–	(0.6)	(0.6)
At 31 December 2021	538.8	252.2	132.7	923.7
Additions	–	–	0.1	0.1
Disposals	–	–	(0.8)	(0.8)
Transfers from property, plant and equipment	–	–	0.6	0.6
At 30 June 2022	538.8	252.2	132.6	923.6
Additions	**–**	**–**	**0.3**	**0.3**
At 31 December 2022	**538.8**	**252.2**	**132.9**	**923.9**
Accumulated amortisation and impairment				
At 1 July 2021	(2.1)	(155.7)	(76.0)	(233.8)
Charge for the period	–	(9.9)	(3.5)	(13.4)
Disposals	–	7.2	–	7.2
At 31 December 2021	(2.1)	(158.4)	(79.5)	(240.0)
Charge for the period	–	(9.8)	(2.5)	(12.3)
Impairment	–	–	(2.2)	(2.2)
At 30 June 2022	(2.1)	(168.2)	(84.2)	(254.5)
Charge for the period	**–**	**(9.8)**	**(4.3)**	**(14.1)**
At 31 December 2022	**(2.1)**	**(178.0)**	**(88.5)**	**(268.6)**
Net book value				
At 31 December 2022	**536.7**	**74.2**	**44.4**	**655.3**
At 30 June 2022	536.7	84.0	48.4	669.1
At 31 December 2021	536.7	93.8	53.2	683.7

1 Computer software mainly relates to the Group's ERP software and is being amortised.

10 Investment properties

	Owned assets £m	Right-of-use assets £m	Total £m
At 1 July 2021	8.3	41.3	49.6
Transfers	2.0	6.1	8.1
Additions	–	1.3	1.3
Fair value gain recognised in administrative expenses	3.4	0.6	4.0
At 31 December 2021	13.7	49.3	63.0
Additions	–	1.2	1.2
Fair value loss recognised in administrative expenses	(0.7)	(3.1)	(3.8)
At 30 June 2022	13.0	47.4	60.4
Additions	**22.9**	**–**	**22.9**
Fair value gain	**5.7**	**0.3**	**6.0**
At 31 December 2022	**41.6**	**47.7**	**89.3**

11 Net (debt)/cash

	Unaudited 31 December 2022 £m	Unaudited 31 December 2021 £m	Year to 30 June 2022 £m
Cash and cash equivalents – bank balances and cash in hand	**316.7**	300.1	297.7
Borrowings due within one year	**(7.9)**	(32.6)	(40.5)
Borrowings due after one year	**(448.5)**	(406.0)	(266.5)
Impact of cross-currency hedging	**9.1**	7.2	12.2
Net (debt)/cash	**(130.6)**	(131.3)	2.9

Average month-end net debt for the six months ended 31 December 2022 was £242.7m (six months ended 31 December 2021: £190.8m; year ended 30 June 2022: £216.1m). Net debt excludes lease liabilities.

12 Trade and other payables

	Unaudited 31 December 2022 £m	Unaudited 31 December 2021 £m	30 June 2022 £m
Current:			
Trade payables[1]	**274.5**	338.8	354.2
Sub-contract retentions	**26.7**	42.3	32.7
Other taxation and social security	**127.4**	106.3	122.1
Other payables	**18.7**	39.6	29.3
Accruals	**439.1**	407.2	527.4
	886.4	934.2	1,065.7
Non-current:			
Trade payables	**9.4**	14.5	11.0
Sub-contract retentions	**24.7**	21.4	23.1
	34.1	35.9	34.1

[1] Included within the trade payables balance is £nil (31 December 2021: £69.3m; 30 June 2022: £49.8m) relating to payments due to suppliers who are on bank-supported supply chain finance arrangements

13 Share capital and reserves

Share capital

The share capital of the Company comprises:

	Unaudited 31 December 2022		Unaudited 31 December 2021		30 June 2022	
	Number	**£m**	Number	£m	Number	£m
Authorised, issued and fully paid ordinary shares of 1 pence each	**446,305,548**	**4.5**	**446,206,186**	**4.5**	446,241,682	4.5

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

During the six months to 31 December 2022, 63,866 shares were issued under the Sharesave Scheme (six months to 31 December 2021: 40,487; year ended 30 June 2022: 75,983).

Cash flow hedge reserve

This reserve comprises the effective portion of the cumulative net change in the fair value of the cash flow hedging instruments related to hedged transactions that have not yet occurred, net of any related deferred tax.

Translation reserve

This reserve comprises the cumulative difference on exchange arising from the retranslation of net investments in overseas subsidiary undertakings. In accordance with the transitional provisions of IFRS 1, this reserve was set to nil at 1 July 2004.

14 Share-based payments

The Group has an established long-term incentive plan (LTIP) under which directors and senior employees can receive awards of shares subject to the Group achieving certain performance targets. Participants are entitled to receive dividend equivalents on these awards. Further details of the LTIP schemes were disclosed in the 2022 annual financial statements. 8,339,894 shares vested under the LTIP schemes during the six months to 31 December 2022 (six months to 31 December 2021 and year ended 30 June 2022: no share awards vested). 15,492,751 new awards were granted under the LTIP during the six months to 31 December 2022 (six months to 31 December 2021: 8,264,521; year ended 30 June 2022: 8,570,392). Awards made to members of the Board are subject to a two-year holding period post vesting.

The Group previously operated a Conditional Share Award Plan (CSAP) under which senior employees received awards of shares subject only to service conditions, i.e. the requirement for participants to remain in employment with the Group over the vesting period. Participants were also entitled to receive dividend equivalents on these awards. No new awards were granted under the CSAP during the six months to 31 December 2022 (six months to 31 December 2021 and year ended 30 June 2022: no awards granted) and no shares vested under the CSAP during the six months to 31 December 2022 (six months to 31 December 2021 and year ended 30 June 2022: 650,951 plus a further 9,777 shares equivalent to the dividends that would have been received during the vesting period).

The Group also has an established Sharesave (SAYE) scheme. Options to acquire shares in the capital of Kier Group plc are granted to eligible employees who enter into a Sharesave contract, saving a regular sum each month. Participation in the scheme is offered to all employees of the Group who have been employed for a continuous period determined by the Board. 8,730,264 options were granted under the Sharesave scheme during the six months to 31 December 2022 (six months to 31 December 2021 and year ended 30 June 2022: 7,943,643). 63,866 Sharesave options were exercised during the six months to 31 December 2022 (six months to 31 December 2021: 40,487; year ended 30 June 2022: 75,983).

The following assumptions were used in calculating the fair values of the grants made under the share-based payment schemes during the six months to 31 December 2022:

	LTIP	LTIP subject to a holding period	Sharesave
Grant date	21 October 2022	21 October 2022	2 November 2022
Shares granted	11,890,876	3,601,875	8,730,264
Share price at grant	60.0p	60.0p	58.2p
Exercise price	nil	nil	55.0p
Expected term	3 years	3 years	3.3 years
Holding period	n/a	2 years	n/a
Expected volatility	53.7%	44.5%	62.1%
Risk-free interest rate	3.83%	4.14%	3.13%
Dividend yield	n/a	n/a	0.0%
Value per option:			
LTIP - TSR element (25%)[1,3]	41.2p	38.1p	-
LTIP - EPS (50%) and free cash flow (FCF) (25%) elements [2,3]	60.0p	55.6p	-
Sharesave [2]	-	-	27.6p

1 Based upon a stochastic model.
2 Based upon the Black-Scholes model.
3 LTIP awards provided to the Board directors are subject to a 2 year post vesting holding period. The Finnerty model has been used to estimate a discount for the lack of marketability of these shares during the holding period.

The fair value of the total shareholder return (TSR) element incorporates an assessment of the number of shares that will be awarded, as the performance conditions are market conditions under IFRS 2 'Share-based payments'.

The performance conditions of the earnings per share (EPS) and free cash flow (FCF) elements are non-market conditions under IFRS 2. The fair value therefore does not include an assessment of the number of shares that will be awarded. Instead, the amount charged for these elements is based on the fair value factored by a 'true up' for the number of awards that are expected to vest.

The share-based payment charge recognised in the Group's income statement for the six months to 31 December 2022 was £3.4m (six months to 31 December 2021: £4.0m; year ended 30 June 2022: £8.6m).

Shares held in trusts

The Group's employee benefit trusts acquire shares in the Group from the market, that are intended to be used in settling LTIP awards vesting in the future. The shares held by the trusts are accounted for as a deduction from equity within retained earnings.

Shares acquired by the trusts during the six months to 31 December 2022 at a cost of £12.4m (six months to 31 December 2021: £1.8m; year ended 30 June 2022: £7.5m), net of shares transferred to deferred bonus recipients for proceeds of £0.5m (six months to 31 December 2021: nil; year ended 30 June 2022: £0.5m), are reflected in the statement of changes in equity as a purchase of own shares.

At 31 December 2022, a total of 17,001,979 shares were held by the trusts (31 December 2021: 1,654,737 shares; 30 June 2022: 7,555,030 shares), with an historic cost value of £11.2m (31 December 2021: £2.4m; year ended 30 June 2022: £7.7m).

15 Guarantees and contingent liabilities

The Company has given guarantees and entered into counter-indemnities in respect of bonds relating to certain of the Group's own contracts. The Company has also given guarantees in respect of certain contractual obligations of its subsidiaries and joint ventures, which were entered into in the normal course of business, as well as certain of the Group's other obligations (for example, in respect of the Group's finance facilities and its pension schemes). Financial guarantees over the obligations of the Company's subsidiaries and joint ventures are initially measured at fair value, based on the premium received from the joint venture or the differential in the interest rate of the borrowing including and excluding the guarantee. Subsequent to initial recognition, financial guarantee contracts are measured at the higher of the initial fair value measurement (adjusted for any income amounts recognised) and the amount determined in accordance with the expected credit loss model. Performance guarantees are treated as a contingent liability until such time as it becomes probable that payment will be required under its terms.

Provisions are made for the Directors' best estimate of known legal claims, investigations and legal actions relating to the Group which are considered more likely than not to result in an outflow of economic benefit. If the Directors consider that a claim, investigation or action relating to the Group is unlikely to succeed, no provision is made. If the Directors cannot make a reliable estimate of a potential, material obligation, no provision is made but details of the claim are disclosed.

Fire and cladding review

The Group has undertaken a review of all of its current and legacy constructed buildings where it has used cladding solutions and continues to assess the action required in line with the latest updates to Government guidance, as it applies, to multi-storey and multi-occupied residential buildings. The buildings, including the cladding works, were signed off by approved inspectors as compliant with the relevant Building Regulations at the time of completion.

We recognise that Government guidance on the retrospective review of building materials continues to evolve. In preparing the financial statements, currently available information has been considered, including the current best estimate of the extent and future costs of work required, based on the reviews and physical inspections undertaken.

Where an obligation has been established and a reliable estimate of the costs to rectify is available, a provision has been made. No provision has been made where an obligation has not been established.

These estimates may be updated as further inspections are completed and as work progresses or if Government legislation and regulation further evolves.

16 Related parties

The Group has related party relationships with its joint ventures, key management personnel and pension schemes in which its employees participate.

There have been no significant changes in the nature of related party transactions since the last annual financial statements for the year ended 30 June 2022.

Details of contributions made to the pension schemes by the Group are detailed in note 5.