15 September 2022

Kier Group plc

Results for the year ended 30 June 2022

Strong financial performance; Order Book increased 27%

Kier Group plc ("Kier", the "Company" or the "Group"), a leading UK infrastructure services, construction and property group, announces its results for the year ended 30 June 2022 ("FY22" or the "year").

Highlights

(£m unless otherwise stated)	**Year to 30 June 2022**	Year to 30 June 2021[1]	*Change*
Adjusted results			
Revenue[2]	**3,257**	3,329	*(2)%*
Adjusted operating profit[3]	**120.5**	100.3	*20%*
Adjusted operating margin	**3.7%**	3.0%	*70bps*
Adjusted profit before tax[4]	**94.1**	65.4	*44%*
Adjusted basic earnings per share (note 8)	**16.8p**	25.0p	*(33)%*
Net cash[5]	**2.9**	3.0	*(3)%*
Average month-end net debt	**(216)**	(432)	*50%*
Statutory reported			
Group revenue	**3,144**	3,261	*(4)%*
Profit from operations	**45.1**	43.7	*3%*
Profit before tax	**15.9**	5.6	*184%*
Basic earnings per share (note 8)	**2.9p**	11.6p	*(75)%*

FY22 Highlights

- Strong financial performance despite ongoing inflationary pressures
  - Adjusted operating profit increased 20% to £121m (FY21: £100m)
  - Industry leading margin at 3.7%, higher than medium-term target of c.3.5%
  - Free Cash Flow conversion of 90% following reversal of H1 working capital unwind
  - Net cash at 30 June 2022 of £3m (FY21: £3m)
  - Significant reduction in average month-end net debt to £(216)m from £(432)m
- High quality order book, increased 27% to £9.8bn (FY21: £7.7bn) providing certainty against the wider market backdrop
  - Good visibility with 85% of expected FY23 revenue secured
- Adjusted basic EPS: 16.8p (FY21: 25.0p), lower due to dilution from prior year equity raise
- Strong performance across all divisions with Property delivering ROCE of 14%
- Continued commitment to Sustainability Framework and ESG targets

Andrew Davies, Chief Executive, said:

"Over the last two years Kier has undergone a transformation, rationalisation and recapitalisation and the Group is delivering against its medium-term value creation plan.

"The performance over the last 12 months reflects our significantly enhanced resilience and strengthened financial position.

The Group is well positioned to continue benefiting from UK Government infrastructure spending commitments and we have a significantly increased order book of £9.8bn which gives us certainty against the market backdrop. The new financial year has started well and we are trading in line with our expectations, despite continued inflationary

[1] Continuing operations
[2] Revenue of the Group and its share of revenue from joint ventures
[3] Stated before adjusting items of £55.7m (FY21: £35.6m) and amortisation of acquired intangible assets of £19.7m (FY21: £21.0m).
[4] Stated before adjusting items of £58.5m (FY21: £38.8m) and amortisation of acquired intangible assets of £19.7m (FY21: £21.0m).
[5] Disclosed net of the effect of hedging instruments and excludes leases – see note 10 to the preliminary financial statements.

pressure and see no change in the current market outlook. We remain focused on the delivery of a sustainable net cash position and sustainable dividend policy, in-line with our medium-term value creation plan."

FY22 Results Presentation

Kier Group plc will host a presentation for analysts and investors at 9:00am on 15 September 2022 at the offices of Numis, 45 Gresham Street, London EC2V 7BF.

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/6305e532edad2c0c009d5294/gqjq
United Kingdom: 0800 640 6441
United Kingdom (Local): 020 3936 2999
United States: 1 855 9796 654
United States (Local): 1 646 664 1960
All other locations: +44 20 3936 2999
Conference password: 904076

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

Further Information:

Kier Group plc	
Investor Relations	**+44 (0) 7933 388 746**
Kier Press office	**+44 (0) 1767 355 096**
FTI Consulting	**+44 (0) 20 3727 1340**
Richard Mountain	

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.

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

Introduction

Over the last two years Kier has undergone a transformation, rationalisation and recapitalisation and the Group is delivering against its medium-term value creation plan.

The year-end order book in FY22 was £9.8bn, a significant increase of 27% against the prior year, reflecting a large number of contract wins across all divisions and providing multi-year revenue visibility. Long-term framework positions, as well as pipeline opportunities and fees from the Property division, are excluded from the order book and represent an additional opportunity. Given the order book increase and Kier's framework positioning, approximately 85% of Group revenue for FY23 is already secured which provides us with a high degree of certainty against a backdrop of wider market uncertainty.

The Group continued to maximise value and opportunities. Kier won new, high quality and profitable work in our markets reflecting the bidding discipline and risk management embedded in the business.

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; and
- a recovery from COVID-19

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.

Financial Summary

Kier reported revenue of £3.3bn (FY21: £3.3bn) which reflected the anticipated reduced volumes in the Construction division.

The Group's FY22 results reflect a strong operational performance despite increased cost inflation relating to materials, wages and other costs. We were successful in mitigating these pressures through having c.60% of our order book under target cost or cost reimbursable contracts, various procurement strategies, ability to mitigate risk through negotiations on fixed price contracts and an average order size of c.£13m in our Construction business resulting in a regular re-pricing of contracts.

The Group delivered adjusted operating profit of £121m which represents a 20% increase on the prior year (FY21: £100m). All our divisions, Infrastructure Services, Construction and Property performed well during the year, after adjustments. Accordingly, Group adjusted operating profit margin increased by 70 basis points to 3.7% (FY21: 3.0%).

Adjusted earnings per share was 16.8p (FY21: 25.0p). The decrease was driven by the dilution from the FY21 equity raise.

The Group generated £55m of free cash flow in FY22 (FY21: £93m). Following the seasonal working capital outflow in H1 of £143m, as expected the full year showed a reversal of this situation.

Free cash flow reduction from FY21 to FY22 was primarily due to lower working capital inflow from lower Construction volumes, a reduction in our working capital supply chain ("KEPS") facility and repayment of COVID-19 support to HMRC.

The Group's net cash position at 30 June 2022 was £3m and remains unchanged from FY21. The Group has worked with its supply chain partners to reduce average payment days and pay in line with terms over the last two years.

Average month-end net debt for the year was £(216)m (FY21: £(432)m), significantly improved year over year, primarily due to the equity raise and sale of the Group's housebuilding business, Kier Living.

The average month-end net debt position was impacted by working capital, a £29m KEPS reduction, £21m of HMRC COVID-19 support repayment as well as from the cash impact of recent adjusting items.

Subsequent to the year end, the Group repaid the remainder of its £50m KEPS facility in full.

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:

- **Highways:** awarded £560m maintenance work and services contracts for North Northamptonshire and West Northamptonshire Councils for 7 years (with an option for a further 7-year extension)

- **Infrastructure:** appointed to the £1.6bn Pagabo Civils and Infrastructure Framework for 4 years; Kier BAM Joint Venture appointed by Babcock International on a refurbishment project at Devonport's 10 dock facility in Plymouth. The project is expected to run for 10 years

  Utilities: awarded a place on Northern Ireland Water's £1.2bn Major Projects Partnership Framework in joint venture with BAM for 4 years (with an option for a further 4-year extension)

- **Construction:** awarded a £500m contract to deliver new houseblock buildings across six prisons with Wates; awarded a £400m contract for HMP Full Sutton, a new prison in East Yorkshire; awarded a £32.5m refurbishment contract for Manchester Aquatics Centre; selected by Baring and LBS Properties to design and construct a £69m mixed-use sustainable building in London

  - Kier Places - appointed to £35bn Crown Commercial Service's Facilities Management and Workplace Services Framework for 4 years

- **Property:** agreed an £80m equity residential 50:50 joint venture with Housing Growth Partnership to develop urban brownfield sites across the UK over 5 years

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 in infrastructure, decarbonisation and the post COVID-19 recovery. 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.

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 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 into, Kier's contract selection and delivery processes.

In 2022, we have updated Performance Excellence to match the evolving needs of Kier and its clients. Five new workstreams have been 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.

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 January 2022 to 30 June 2022, the Group's aggregate average payment days was 33 days (H1: 34 days) and the percentage of payments made to suppliers within 60 days was 89% (H1: 92%).

We are committed to 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 continued to strengthen its management team through the year with the appointment of Andrew Bradshaw, Group Managing Director, Infrastructure Services (Utilities) to the Executive Committee. Andrew replaced Barry McNicholas who retired from the business during the year.

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. The UK Government contracts above £5m require net zero carbon and social value commitments.

Last year, we launched our new sustainability framework, "Building for a Sustainable World" which 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 Nation's Sustainable Development Goals ("SDGs").

We believe that to be a responsible business and to play a leading role in our industry, we must address both the impact of climate change and leave a lasting legacy in the communities in which we operate.

Environment

This year we published our first Task Force on Climate Related Financial Disclosure ("TCFD") report. The report outlines our assessment of climate related risks and opportunities with respect to our operations, against the four key areas of governance, strategy, risk management – as well as metrics and targets, It highlights how we are managing these risks and opportunities and their short, medium or long term impact on the Group.

For carbon emissions, we have set out our pathway to become net zero carbon across our business operations by 2039 (Scope 1 and 2), value chain (Scope 3) by 2045 together with interim targets. We achieved a 31% year over year reduction in carbon emissions from our business operations (Scope 1 & 2) in FY22. We also started reporting on our Scope 3 emissions for the first time.

Social

We have also made commitments on social value. Our target is to create £5bn in social value by 2030.

In order to record our social value creation, we moved to a new calculator called Thrive in FY22. Thrive has the ability to track social value across our bidding activity and live projects. It links back to the UK Government's Social Value Model. The calculator will enable Kier to quantify and benchmark its positive contribution against other companies.

Kier is a people based business and our performance depends upon our ability to attract and retain a dedicated workforce. During FY22 we had:

- Over 590 apprentices participating in programmes, 6% of our workforce
- Graduate intake comprising 38% women
- Developed and implemented a new health, safety and wellbeing strategy as well as launched a new behavioural programme

We are committed to becoming an inclusive business. Last year, we launched our diversity and inclusion roadmap. As part of our journey to becoming diverse, we began our Empower programme, a reverse mentoring initiative which enables Kier employees from under-represented groups to mentor members of the Executive Committee and senior leadership teams.

We also have a number of other ongoing initiatives in the Group including continuous training for our employees as part of our Expect Respect campaign.

The Group's 12-month rolling Accident Incident Rate ('AIR') in FY22 of 115 represents an increase of 9% compared to FY21. We are disappointed with the AIR trend given our high standards. This continues to be a keen area of focus for us. We retain a solid safety record that is c.45% better than the industry benchmark.

Safety remains our license to operate and we continue to embed best practice and make conditions as safe as possible for our workforce. The Group's 12-month rolling All Accident Incident Rate ('AAIR') in FY22 of 316 represents a decrease of 5% against the prior year.

During the year, we launched a behaviour programme focused on employee physical safety, mental safety and wellbeing.

Governance

Governance is a core component of the Group's approach to operations. Governance is delivered within Kier's Operating Framework. The laws, policies and procedures underpinning the Operating Framework are regularly reviewed and updates implemented as necessary. The Operating Framework was refreshed in FY22. Within the Operating Framework is Kier's Code of Conduct which sets the corporate compliance agenda.

Integral to this is our management of risk. We ensure that risk management is adopted at every stage of the project lifecycle.

Our ESG Committee oversees the adoption of our sustainability framework and commitments, with this year being the first year of operation. Our approach to sustainability aims to safeguard our business and build a resilient environment, resilient community and resilient profits over the long term.

Our People

The Group's strong performance is attributable to the dedication of our c.10,000 employees across the UK. I would like to thank them for their commitment and contribution throughout the year.

The Group remains committed to creating a workplace that aligns with Kier's values of collaboration, trust and focus. We are embracing new ways of working, as well as supporting and developing our people. During the year, we implemented a range of family friendly policies including enhanced maternity leave, paternity leave, adoption and surrogacy. The Group is keen on listening to its workforce and has deployed strategies to engage with our employees. We have continued with our employee surveys which indicate a 63% employee engagement score for FY22.

Summary and Outlook

The Group is well positioned to continue benefiting from UK Government infrastructure spending commitments and we have a significantly increased order book of £9.8bn which gives us certainty against the market backdrop.

The new financial year has started well and we are trading in line with our expectations despite continued inflationary pressure and see no change in the current market outlook. We remain focused on the delivery of a sustainable net cash position and sustainable dividend policy in-line with our medium-term value creation plan.

Operational Review

Infrastructure Services

	Year ended 30 June 2022	Year ended 30 June 2021	*Change*
Revenue (£m)	**1,667**	1,422	*17%*
Adjusted operating profit (£m)[6]	**70.0**	65.3	*7%*
Adjusted operating margin	**4.2%**	4.6%	*(40)bps*
Reported operating profit (£m)	**48.1**	41.4	*16%*
Order book (£bn)	**5.6**	4.4	*27%*

- Key contract wins include:
  - **Highways:** awarded major highways maintenance works and services contracts by North Northamptonshire and West Northamptonshire Council
  - **Infrastructure:** appointed to £1.6bn Pagabo Civils and infrastructure framework
  - **Utilities:** awarded a place on Northern Ireland Water's £1.2bn Major Projects Framework in joint venture with BAM
- 83% of orders secured for FY23

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

Infrastructure Services revenue increased 17% against the prior year, primarily due to the ramp up of capital works on HS2. Adjusted operating profit increased by 7% to £70m with a margin mix impact. Higher HS2 volumes were offset by growth of costs in Utilities.

The **Highways** business designs, builds and maintains roads for National Highways, Transport for London and a number of district and county councils. The business experienced a period of strong wins, including 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 with demand at unprecedented levels. 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 positioned strongly.

Contracts won include both North Northamptonshire and West Northamptonshire Council, Birmingham Highways contract extension, National Highways Schemes Delivery Framework, A66 Northern-Trans-Pennine scheme, M6 Lune Gorge Structures and A417 Missing Link.

The **Infrastructure** business delivers major and complex infrastructure and civil engineering projects, including the HS2 project in joint venture with Eiffage, Ferrovial and BAM Nuttall, the A13 dualling project and the Luton DART rail system in joint venture with VolkerFitzpatrick.

Our long-term relationships with key customers and joint venture partners ensures access to a good pipeline of work such as our joint venture with BAM being appointed by Babcock International on a refurbishment project at Devonport's 10 dock facility in Plymouth which is expected to run for 10 years. The business was also appointed to all 12 Lots of Manchester Airport Group's £700m Capital Works framework jointly with our Construction business.

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.

---

[6] Stated before adjusting items of £21.9m (FY21: £23.9m)

The Utilities business has continued to win work including a place on Northern Ireland Water's £1.2bn Major Projects Framework in joint venture with BAM. Utilising the depth of the Kier offer, this combines Utilities and Infrastructure strengths to deliver a turnkey solution for our client. The pipeline for attractive high-quality, long-term infrastructure work remains strong with opportunities to provide decarbonisation solutions to the energy sector.

Construction

	Year ended 30 June 2022	Year ended 30 June 2021	*Change*
Revenue (£m)	**1,441**	1,769	*(19)%*
Adjusted operating profit (£m)[7]	**60.8**	56.7	*7%*
Adjusted operating margin	**4.2%**	3.2%	*100bps*
Reported operating profit (£m)	**21.8**	40.7	*(46)%*
Order book (£bn)	**4.2**	3.3	*27%*

- Won a significant number of contracts during the second half of the financial year such as a £500m contract to deliver new houseblock buildings across six prisons with Wates; awarded a pre-construction services agreement to deliver HMP Glasgow, a new prison on a 54-acre site in Scotland; awarded a £33m refurbishment contract for Manchester Aquatics Centre; selected by Baring and LBS Properties to design and construct a £69m mixed-use sustainable building in London
- Following the year-end Kier was appointed by the MoJ to deliver HMP Full Sutton, a £400m new prison in East Yorkshire
- 86% of orders secured for FY23
- Margin improvement due to realignment of costs to anticipated lower revenue

The 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 reduced by 19%, as anticipated, due to deferred orders and delayed project starts. During the year, we also successfully completed the HMP Five Wells prison project in Wellingborough which resulted in a ramp down of activity.

However, in anticipation of the reduced revenue, we re-aligned our cost base. Accordingly, adjusted operating profit increased by 7% to £61m. Adjusting items of £39.0m include costs related to the restructuring of our Southern regional business and cladding rectification costs.

Contracts wins have been strong during the year, as reflected in a significantly increased order book from £3.3bn to £4.2bn.

We were recently awarded a £500m contract to deliver new houseblock buildings across six prisons in conjunction with Wates and appointed by the MoJ to deliver a £400m prison in Full Sutton.

As a regional contractor, we continue to be well placed to benefit from the £5bn "New Deal" opportunities announced by the Government which focus 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 was appointed to the £35bn CCS facilities management and workplace services framework as well as securing a place on Lot 2 of the £600m YORbuild3 Minor Works framework for four years.

The UAE-based International business is focused on managing its cost base and projects in line with the continued weakness in its markets.

[7] Stated before adjusting items of £39.0m (FY21: £16.0m)

Property

	Year ended 30 June 2022	Year ended 30 June 2021	*Change*
Revenue (£m)	**144**	134	*8%*
Adjusted operating profit (£m)[8]	**17.6**	5.7	*209%*
Adjusted operating margin	**12.2%**	4.3%	*790bps*
Reported operating profit (£m)	**16.7**	2.3	*626%*
ROCE %	**14%**	4%	*1,000bps*

- Announced an £80m equity residential joint venture with Housing Growth Partnership to develop urban brownfield sites
- Selected as joint venture partner to Mole Valley District Council for the £350m regeneration of Leatherhead town centre
- Sold the newly built and 100% let Trade City scheme in Luton to abrdn

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 increased 8% compared to the prior year due to the completion and sale of several properties, particularly within the industrial sector. The revenue from our share of joint ventures increased by 66%.

Adjusted operating profit increased from £5.7m to £17.6m. The improved profitability and improved margin % has primarily been driven by industrial sector divestments..

The Group is 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 over time with a target of £140m - £170m with a consistent rate of capital investment at the level expected to help smooth out the returns profile of the business. As at 30 June 2022 capital employed was £122m.

In FY22, the Property business had a Return on Capital Employed ("ROCE") of 14% in FY22, a significant improvement on FY21.

Corporate

	Year ended 30 June 2022	Year ended 30 June 2021	*Change*
Adjusted operating loss (£m)[9]	**(27.9)**	(27.4)	*(2)%*
Reported operating loss (£m)	**(41.5)**	(40.7)	*(2)%*

The Corporate segment comprises the costs of the Group's central functions and have increased marginally year over year due to inflationary pressures being offset by continuous improvement initiatives.

[8] Stated before adjusting items of £0.9m (FY21: £3.4m)

[9] Stated before adjusting items of £13.6m (FY21: £13.3m)

Financial Review

Introduction

The Group performed well during the year, despite inflationary pressure, delivering an adjusted operating profit of £120.5m (FY21: £100.3m). This represents a 70 basis points operating margin increase year over year to 3.7% with the Group exceeding its medium-term plan margin target of c.3.5% (FY21: 3.0%).

The continued strong operational performance led to an increased statutory profit before tax from continuing operations of £15.9m (FY21: £5.6m), despite the anticipated reduction in revenue.

Adjusted earnings per share were 16.8p from continuing operations (FY21: 25.0p). This decreased compared to prior year as a result of the dilution from the FY21 equity raise.

The Group generated a free cash inflow of £54.6m (FY21: £92.6m) in the financial year which included a £29.3m repayment of its supply chain finance facility ("KEPS") and the repayment of its deferred HMRC obligations agreed during the pandemic (£20.8m).

Net cash at 30 June 2022 of £2.9m remains at a similar level to prior year.

The Group remains well placed to benefit from the UK Government's commitment to national infrastructure spending. The order book increased by c.27% to £9.8bn at 30 June 2022 (FY21: £7.7bn). 85% of revenue for FY23 is already secured which provides a level of certainty against the backdrop of wider market uncertainty.

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

The order book continues to be underpinned by significant long-term framework agreements and new awards exceeded the prior year.

Summary of financial performance

	Adjusted[1] results			Statutory reported results		
	30 Jun 22	30 Jun 21[2]	*change*	**30 Jun 22**	30 Jun 21[2]	*change*
Revenue (£m) - Total	**3,256.5**	3,328.5	*(2.2)%*	**3,256.5**	3,328.5	*(2.2)%*
Revenue (£m) - Excluding JV's	**3,143.9**	3,261.0	*(3.6)%*	**3,143.9**	3,261.0	*(3.6)%*
Profit from operations (£m)	**120.5**	100.3	*20.1%*	**45.1**	43.7	*3.2%*
Profit before tax (£m)	**94.1**	65.4	*43.9%*	**15.9**	5.6	*183.9%*
Earnings per share (p)	**16.8**	25.0	*(32.8)%*	**2.9**	11.6	*(75.0)%*
Free cash flow (£m)	**54.6**	92.6	*(41.0)%*			
Net cash (£m)	**2.9**	3.0	*(0.1)*			
Net debt (£m) - average month-end	**(216.1)**	(431.9)	*215.8*			
Order book (£bn)	**9.8**	7.7	*2.1*			
Supply Chain Financing (£m)	**49.8**	79.1	*(29.3)*			

[1] Reference to 'Adjusted' excludes adjusting items, see note 3.
[2] Continuing operations

Revenue from continuing operations

The following table bridges the Group's revenue from the year ended 30 June 2021 to the year ended 30 June 2022.

	£m
Revenue for the year ended 30 June 2021	**3,328.5**
Infrastructure Services	**245.0**
Construction	**(328.3)**
Property and Corporate	**11.3**
Revenue for the year ended 30 June 2022	**3,256.5**

The Group experienced strong growth in Infrastructure Services, primarily due to the ramp up in HS2. Construction revenue decreased as anticipated due initially to delays in work being awarded and then further as projects overcame inflationary pressures. There were also additional transactions in Property compared to the prior 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 year ended 30 June 2021	**100.3**
Volume / price / mix changes	**1.1**
Additional property transactions	**11.9**
Cost inflation	**(8.1)**
Management actions	**15.3**
Adjusted operating profit for the year ended 30 June 2022	**120.5**

Adjusted operating profit improved compared to the prior year despite the reduction in revenue. The main reasons for this were management actions to reduce costs and increased property transactions compared to FY21, which offset lower volume and inflationary pressures.

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

	Operating profit		Profit before tax	
	2022 £m	2021 £m	**2022 £m**	2021 £m
Reported profit from continuing operations	**45.1**	43.7	**15.9**	5.6
Amortisation of acquired intangible assets	**19.7**	21.0	**19.7**	21.0
Restructuring and related charges	**40.0**	31.6	**40.0**	31.6
Preparation for business divestment or closure	**-**	0.5	**-**	0.5
Other	**15.7**	3.5	**18.5**	6.7
Adjusted profit from continuing operations	**120.5**	100.3	**94.1**	65.4

Additional information about these items is as follows:

- Amortisation of acquired intangible assets £19.7m (FY21: £21.0m):
  Comprises the amortisation of acquired contract rights primarily relating to the historical acquisitions of May Gurney in 2013, Mouchel in 2015 and McNicholas in 2017.

- Restructuring and related charges £40.0m (FY21: £31.6m):
  The Group incurred restructuring costs and related charges in the year totalling £40.0m. The Group completed its strategic restructuring of its Regional Southern Build business, which has included the closure of offices, a down-sizing of personnel and the withdrawal/early settlement of certain contract positions. As a result of these restructuring activities, a cost of £22.2m was charged in the current year, which represents an extension of the prior year charges. This restructuring is now complete and no future charges are anticipated.

  In addition, £6.5m was incurred on redundancies and other people related costs.

  A total of £7.1m has been charged in respect of professional adviser fees and other non-people initiatives. Of this amount, £3.8m was incurred on financial and legal advisor fees, £1.1m on fire cladding consultation services, £1.0m on closure costs relating to Trade Direct and a further £2.2m on other restructuring activities. This was offset by a £1.1m credit as a result of finalisation of costs incurred on the equity raise in the prior year.

  A further £4.2m relates to fair value movements on the Group's vacated properties. This includes a £5.2m impairment in relation to Fountain Street, Manchester, which has been recognised upon transfer from right-of-use assets to investment properties. This is offset by a net £0.3m fair value uplift on the Group's other investment properties. Following a fire, the land at our recycling plant has been transferred to investment property and has been included at fair value, which has resulted in a £0.7m credit.

- Other costs £18.5m (FY21: £6.7m)
  Other costs include £5.2m in relation to the fire at the Pure Recycling site in Warwickshire, of which £4.1m represents an impairment of the property, plant and equipment. Following the fire, the building has

been demolished and the majority of the contracts terminated. The discussions with the insurer are ongoing and as such no insurance proceeds have been recognised in the year.

Legal and compliance costs of £8.8m include £7.8m of fire compliance and cladding claims that have arisen during the year.

In addition, £2.2m relates to a software impairment and £2.8m relates to the IFRS 16 interest charge on leased properties that were previously vacated. These are offset by a credit of £0.5m as a result of a Pension Increase Exchange exercise undertaken on one of the Group's pension schemes.

Earnings per share
Earnings per share (EPS), before adjusting items, from continuing operations amounted to 16.8p (FY21: 25.0p). EPS, after adjusting items, from continuing operations amounted to 2.9p (FY21: 11.6p).

Finance charges
The Group's finance charges include interest on the Group's bank borrowings, finance charges relating to IFRS 16 leases and forward funding costs relating to development contracts in Property. The Group chooses to forward fund certain developments in Property to de-risk the portfolio.

Interest on bank borrowings amounted to £18.9m (FY21: £23.2m), finance lease charges were £6.5m (FY21: £6.7m) and forward funding costs came to £0.5m.

Finance costs have significantly decreased to £29.9m (FY21: £41.8m) due to a reduction in bank interest primarily as a result of the Group's improved average month end net debt position as well as a decrease in forward funding interest within Property.

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

Balance sheet

Net assets
The Group had net assets of £554.6m at 30 June 2022 (FY21: £435.0m). The primary driver for this is the increase in the pension scheme asset during the year.

Goodwill
The Group held intangible assets of £669.1m (FY21: £697.2m) of which goodwill represented £536.7m (FY21: £536.7m).

The Group completed its review of goodwill at 30 June 2022, assuming a pre-tax discount rate derived from a weighted average cost of capital of 9.0% (FY21: 9.1%), and concluded that no impairment was required.

The Infrastructure Services Cash Generating Unit ("CGU") comprises £516.3m of the total goodwill balance. Whilst no impairment is noted and management believe the discounted cash flows applied is underpinned by the order book and current pipeline prospects, this CGU is sensitive to changes in key assumptions. The key assumptions in the value in use calculations are the forecast revenues and operating margins, the discount rates applied to future cash flows and the terminal growth rate assumptions applied. Further details of the sensitivities of these assumptions are disclosed in note 12 of the financial statements.

Deferred tax asset
The Group has a deferred tax asset of £108.8m recognised at 30 June 2022 (FY21: £138.0m) primarily due to prior year losses. The asset has decreased in the year primarily due to the deferred tax charge 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 10 years.

An adjusted tax credit of £16.3m (FY21: £31.7m) has been included within adjusting items, of which £14.8m (FY21: £12.2m) represents the tax impact of adjusting items.

Free cash flow and Net debt

	2022 **£m**	2021 £m
Operating profit	**45.1**	43.7
Depreciation of owned assets	**6.6**	6.4
Depreciation of right-of-use assets	**30.0**	33.7
Amortisation	**28.0**	30.9
EBITDA	**109.7**	114.7
Adjusting items excluding adjusting amortisation and interest	**55.7**	35.6
Adjusted EBITDA	**165.4**	150.3
Working capital inflow	**3.7**	109.9
Net capital expenditure including finance lease capital payments	**(46.5)**	(47.0)
Joint Venture dividends less profits	**5.9**	6.6
Repayment of KEPS	**(29.3)**	(46.4)
Other free cash flow items	**9.0**	7.0
Operating free cash flow	**108.2**	180.4
Net interest and tax	**(32.8)**	(26.8)
Free cash flow before COVID-19	**75.4**	153.6
Net COVID-19 tax repayment	**(20.8)**	(61.0)
Free cash flow	**54.6**	92.6

	2022 **£m**	2021 £m
Net cash at 30 June	**3.0**	(310.3)
Free cash flow	**54.6**	92.6
Adjusting items	**(41.2)**	(72.1)
Pension deficit payments and fees	**(15.0)**	(37.0)
Sales proceeds	**-**	120.8
Equity raise (net of fees)	**(6.1)**	224.8
Purchase of own shares	**(7.0)**	-
Other	**14.6**	(4.4)
Net cash at 30 June	**2.9**	3.0

The Group experienced a free cash inflow during the year, which included a working capital inflow before the repayment of the Group's supply chain finance facility (KEPS) of £29.3m.

Working capital is driven by seasonality in the business with summer being a higher period of activity compared to winter months. Accordingly, in H2, the Group had a reversal of the H1 working capital outflow. The working capital inflow in FY22 remained lower than FY21 due to the anticipated lower Construction business volumes.

We delivered free cash flow conversion, defined as operating free cash flow as a percentage of adjusted operating profit of 90% for the year. This is in line with the Group's medium-term value creation plan.

The Group's average month end net debt has significantly reduced to £216.1m from £431.9m as a result of the successful capital raise, the sale of Kier Living and free cash flow generation. This was partially impacted by a reduction in the average month end KEPS balance, repayment of HMRC COVID-19 debt of £20.8m and adjusting items of £41.2m. We anticipate continued progress towards our medium-term plan target of achieving a sustainable net cash position. In FY23, we notwithstanding positive free cash flow expect an increase in average month-end net debt attributable to the HMRC Covid-19 debt repayment and the repayment of the KEPS as well as the impact of lower activity in our Construction business until the fourth quarter of the year. In FY24, we expect the reported 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.

Government support
As of 30 June 2022, the Group's remaining total indirect tax deferred amounted to £nil (FY21: £20.8m).

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 30 June 2022, contract assets amounted to £397.5m (FY21: £366.4m).

The increase in contract assets is due to the timing of invoicing, the effect of new contracts and significant increases in volumes on HS2.

Contract liabilities were £67.3m (FY21: £59.9m).

Retirement benefits obligation
Kier operates a number of defined benefit pension schemes. At 30 June 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 £194.7m (FY21: £46.2m), before accounting for deferred tax, with the movement in the year primarily as a result of actuarial gains of £136.3m.

The Group started the process of its triennial pension valuation in March 2022.

Right-of-use assets and lease liabilities
At 30 June 2022 the Group had right-of-use assets of £80.6m (FY21: £96.5m) and associated lease liabilities of £157.6m (FY21: £163.8m).

Accounting policies
The Group's annual consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the UK (IFRS). 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 £654.0m with a further £18.0m of uncommitted overdrafts.

These are legacy facilities that have undergone a number of amendments and extensions in recent years. The borrowings comprise of £535.0m Revolving Credit Facility ("RCF"), eq.£111.1m US Private Placement ("USPP") Notes, eq.£7.9m Schuldschein Notes as well as £18.0m of overdrafts.

Following the sale of Kier Living and the equity raise in FY21, the Group successfully extended a number of its committed facilities, including £475.0m of the RCF and eq.£73.3m of the USPP Notes to January 2025.

The Group has eq.£32.6m of USPP Notes and £20.0m of its RCF maturing in December 2022. The Schuldschein Notes are maturing in May 2023 and further £20.0m of its RCF is expected to be repaid in June 2023.

During the year the Group took out a £100m fixed interest rate swap through to September 2023.

Supply chain finance
The Group offered its supply chain in the Construction business the opportunity to participate in KEPS. The balance owed on this facility is included in trade payables. The balance at 30 June 2022 was £49.8m (FY21: £79.1m). The Group has reduced KEPS over the years. The total reduction since FY19 has been £170.4m which includes the £49.8m, outstanding at 30 June 2022. KEPS was fully repaid subsequent to the year end.

Financial instruments
The Group's financial instruments 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 consolidated financial statements on pages 21 and 22.

Financial statements

Condensed consolidated income statement

For the year ended 30 June 2022

	Note	**2022 £m**	2021 £m
Continuing operations			
Revenue			
Group and share of joint ventures[1]	2	**3,256.5**	3,328.5
Less share of joint ventures	2	**(112.6)**	(67.5)
Group revenue		**3,143.9**	3,261.0
Cost of sales		**(2,879.9)**	(2,976.9)
Gross profit		**264.0**	284.1
Administrative expenses		**(245.5)**	(240.1)
Share of post-tax results of joint ventures		**26.6**	(0.3)
Profit from operations	2	**45.1**	43.7
Finance income	4	**0.7**	3.7
Finance costs	4	**(29.9)**	(41.8)
Profit before tax	2	**15.9**	5.6
Taxation	6	**(3.2)**	17.4
Profit for the year from continuing operations	2	**12.7**	23.0
Discontinued operations			
Loss for the year from discontinued operations (attributable to equity holders of the parent)		**–**	(24.6)
Profit/(loss) for the year	2	**12.7**	(1.6)
Attributable to:			
Owners of the parent		**12.7**	(0.3)
Non-controlling interests		**–**	(1.3)
		12.7	(1.6)
Earnings per share from continuing operations			
– Basic	8	**2.9p**	11.6p
– Diluted	8	**2.8p**	11.4p
Total earnings/(loss) per share			
– Basic	8	**2.9p**	(0.1)p
– Diluted	8	**2.8p**	(0.1)p
Supplementary information from continuing operations			
Adjusted[2] operating profit	3	**120.5**	100.3
Adjusted[2] profit before tax	3	**94.1**	65.4
Adjusted[2] earnings per share	8	**16.8p**	25.0p
Adjusted[2] diluted earnings per share	8	**16.4p**	24.6p

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 year ended 30 June 2022

	Note	2022 £m	2021 £m
Profit/(loss) for the year		**12.7**	(1.6)
Items that may be reclassified subsequently to the income statement			
Fair value movements on cash flow hedging instruments		**6.4**	(16.6)
Fair value movements on cash flow hedging instruments recycled to the income statement	4	**(7.4)**	15.0
Deferred tax on fair value movements on cash flow hedging instruments		**0.2**	0.3
Foreign exchange translation differences		**3.9**	(3.2)
Foreign exchange movements recycled to the income statement	4	–	0.1
Total items that may be reclassified subsequently to the income statement		**3.1**	(4.4)
Items that will not be reclassified to the income statement			
Re-measurement of retirement benefit assets and obligations	5	**136.3**	(29.8)
Deferred tax on re-measurement of retirement benefit assets and obligations		**(34.7)**	4.8
Total items that will not be reclassified to the income statement		**101.6**	(25.0)
Other comprehensive income/(loss) for the year		**104.7**	(29.4)
Total comprehensive income/(loss) for the year		**117.4**	(31.0)
Attributable to:			
Equity holders of the parent		**117.4**	(29.7)
Non-controlling interests – continuing operations		**–**	(1.3)
		117.4	(31.0)
Total comprehensive income/(loss) attributable to equity shareholders arises from:			
Continuing operations		**117.4**	(5.1)
Discontinued operations		**–**	(24.6)
		117.4	(29.7)

Condensed consolidated statement of changes in equity

As at 30 June 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 2020		1.6	684.3	2.7	(592.0)	1.2	8.1	134.8	240.7	0.1	240.8
Loss for the year		–	–	–	(0.3)	–	–	–	(0.3)	(1.3)	(1.6)
Other comprehensive losses		–	–	–	(25.0)	(1.3)	(3.1)	–	(29.4)	–	(29.4)
Total comprehensive loss for the year		–	–	–	**(25.3)**	**(1.3)**	**(3.1)**	–	**(29.7)**	**(1.3)**	**(31.0)**
Issue of own shares	15	2.9	–	–	–	–	–	215.8	218.7	–	218.7
Share-based payments	14	–	–	–	7.0	–	–	–	7.0	–	7.0
Purchase of own shares		–	–	–	(0.5)	–	–	–	(0.5)	–	(0.5)
At 30 June 2021		**4.5**	**684.3**	**2.7**	**(610.8)**	**(0.1)**	**5.0**	**350.6**	**436.2**	**(1.2)**	**435.0**
Profit for the year		–	–	–	12.7	–	–	–	**12.7**	–	**12.7**
Other comprehensive income/(loss)		–	–	–	101.6	(0.8)	3.9	–	**104.7**	–	**104.7**
Total comprehensive income/(loss) for the year		–	–	–	**114.3**	**(0.8)**	**3.9**	**–**	**117.4**	–	**117.4**
Issue of own shares		–	–	–	–	–	–	–	**–**	0.6	**0.6**
Share-based payments	14	–	–	–	8.6	–	–	–	**8.6**	–	**8.6**
Purchase of own shares		–	–	–	(7.0)	–	–	–	**(7.0)**	–	**(7.0)**
At 30 June 2022		**4.5**	**684.3**	**2.7**	**(494.9)**	**(0.9)**	**8.9**	**350.6**	**555.2**	**(0.6)**	**554.6**

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

Financial statements

Condensed consolidated balance sheet

As at 30 June 2022

	Note	2022 £m	2021 £m
Non-current assets			
Intangible assets	9	**669.1**	697.2
Property, plant and equipment		**32.7**	43.3
Right-of-use assets		**80.6**	96.5
Investment properties		**60.4**	49.6
Investments in and loans to joint ventures		**82.3**	98.9
Capitalised mobilisation costs		**11.6**	3.8
Deferred tax assets	6	**108.8**	138.0
Contract assets		**31.2**	30.7
Trade and other receivables		**17.0**	24.1
Retirement benefit assets	5	**199.2**	87.2
Other financial assets		**8.5**	11.4
Non-current assets		**1,301.4**	1,280.7
Current assets			
Inventories		**56.8**	54.7
Contract assets		**366.3**	335.7
Trade and other receivables		**202.9**	203.1
Corporation tax receivable		**10.0**	13.6
Other financial assets		**3.7**	2.0
Cash and cash equivalents	10	**297.7**	391.2
Current assets		**937.4**	1,000.3
Total assets		**2,238.8**	2,281.0
Current liabilities			
Borrowings	10	**(40.5)**	(38.2)
Lease liabilities		**(25.9)**	(27.4)
Trade and other payables	11	**(1,065.7)**	(1,093.1)
Contract liabilities		**(67.3)**	(59.9)
Provisions		**(22.2)**	(14.9)
Current liabilities		**(1,221.6)**	(1,233.5)
Non-current liabilities			
Borrowings	10	**(266.5)**	(362.3)
Lease liabilities		**(131.7)**	(136.4)
Trade and other payables	11	**(34.1)**	(39.9)
Retirement benefit obligations	5	**(4.5)**	(41.0)
Provisions		**(25.8)**	(32.9)
Non-current liabilities		**(462.6)**	(612.5)
Total liabilities		**(1,684.2)**	(1,846.0)
Net assets	2	**554.6**	435.0
Equity			
Share capital	15	**4.5**	4.5
Share premium		**684.3**	684.3
Capital redemption reserve		**2.7**	2.7
Accumulated losses		**(494.9)**	(610.8)
Cash flow hedge reserve		**(0.9)**	(0.1)
Translation reserve		**8.9**	5.0
Merger reserve	15	**350.6**	350.6
Equity attributable to owners of the parent		**555.2**	436.2
Non-controlling interests		**(0.6)**	(1.2)
Total equity		**554.6**	435.0

Financial statements
Condensed consolidated statement of cash flows
For the year ended 30 June 2022

	Note	**2022 £m**	2021 £m
Cash flows from operating activities			
Profit/(loss) before tax – continuing operations		**15.9**	5.6
– discontinued operations		**–**	(24.6)
Net finance cost	4	**29.2**	38.1
Share of post-tax trading results of joint ventures		**(26.6)**	0.3
Difference between pension funding contributions paid and the pension cost (credit)/charge		**(0.4)**	0.7
Equity-settled share-based payments charge	14	**8.6**	7.0
Amortisation and impairment of intangible assets and mobilisation costs		**30.3**	30.9
Reversal of impairment of assets held for sale and intangible assets		**–**	(5.4)
Change in fair value of investment properties		**(0.2)**	0.3
Research and development expenditure credit	6	**(20.7)**	(13.3)
Depreciation and impairment of property, plant and equipment		**10.7**	6.4
Depreciation and impairment of right-of-use assets		**35.2**	33.7
Loss on disposal of joint ventures and subsidiaries		**–**	12.1
Loss/(profit) on disposal of property, plant and equipment and intangible assets		**0.8**	(0.2)
Operating cash inflows before movements in working capital and pension deficit contributions		**82.8**	91.6
Deficit contributions to pension funds	5	**(10.8)**	(37.0)
(Increase)/decrease in inventories		**(2.1)**	3.9
Decrease in receivables		**7.3**	43.0
Increase in contract assets		**(31.6)**	(95.3)
(Decrease)/increase in payables		**(12.4)**	100.7
Increase/(decrease) in contract liabilities		**7.4**	(48.8)
Increase/(decrease) in provisions		**0.2**	(31.3)
Cash inflow from operating activities		**40.8**	26.8
Dividends received from joint ventures		**32.5**	6.3
Interest received	4	**0.7**	3.7
Income tax received		–	11.2
Net cash inflow from operating activities		**74.0**	48.0
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**4.2**	2.5
Proceeds from sale of subsidiaries and joint ventures, net of cash disposed		**–**	120.8
Purchase of property, plant and equipment		**(6.0)**	(3.3)
Purchase of intangible assets	9	**(0.7)**	(3.1)
Purchase of capitalised mobilisation costs		**(10.2)**	(3.5)
Investment in joint ventures		**(16.8)**	(9.2)
Loan repayment and return of equity from joint ventures		**27.5**	9.3
Net cash (used)/from investing activities		**(2.0)**	113.5
Cash flows from financing activities			
Issue of shares net of associated transaction costs	15	**(6.1)**	224.8
Issue of shares to non-controlling interest		**0.6**	–
Purchase of own shares		**(7.0)**	(0.5)
Interest paid		**(28.8)**	(28.4)
Principal elements of lease payments		**(33.8)**	(39.6)
Repayment of borrowings		**(101.8)**	(337.4)
Settlement of derivative financial instruments		**7.5**	–
Net cash used in financing activities		**(169.4)**	(181.1)
Decrease in cash, cash equivalents and overdraft		**(97.4)**	(19.6)
Effect of change in foreign exchange rates		**3.9**	(3.1)
Opening cash, cash equivalents and overdraft		**391.2**	413.9
Closing cash, cash equivalents and overdraft	10	**297.7**	391.2
Supplementary information			
Adjusted cash flow from operating activities	3(g)	**82.0**	98.9

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 preliminary consolidated financial statements (financial statements) for the year ended 30 June 2022 comprise the Company and its subsidiaries (together referred to as the Group) and the Group's interest in jointly controlled entities.

Basis of preparation

On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK Endorsement Board. Kier Group plc transitioned to UK-adopted International Accounting Standards in its consolidated financial statements on 1 July 2021. This change constitutes a change in accounting framework. However, there is no impact on recognition, measurement or disclosure in the period reported as a result of the change in framework.

These preliminary results have been prepared in accordance with the Disclosure Guidance and Transparency Rules of the UK Financial Conduct Authority and in accordance with the UK-adopted International Accounting Standards effective for accounting periods beginning on or after 1 July 2021 and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

The financial information contained in this announcement does not constitute the Company's statutory accounts as at and for the year ended 30 June 2022, but is derived from those statutory accounts. The Company's statutory accounts as at and for the year ended 30 June 2022 will be delivered to the Registrar or Companies following the Company's Annual General Meeting on 17 November 2022.

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

The Group performed well through the year ended 30 June 2022 and produced results in line with the Board's expectations. Average net debt compared to the prior year has reduced significantly following the sale of Kier Living and the equity raise in the last quarter of FY21. The Group continues to win new, high quality and profitable business in its markets on terms and at rates which reflect the new bidding disciplines and risk management practices introduced under the Group's Performance Excellence programme. As a result, the order book as at 30 June 2022 increased to £9.8bn (2021: £7.7bn).

As at 30 June 2022, the Group had £654.0m of unsecured committed facilities and £18.0m of uncommitted overdrafts. Additionally, as at 30 June 2022, the Group had invoices outstanding to the value of £49.8m under uncommitted supply chain financing facilities ('KEPS'). As from 10 July 2022, the Group had no outstanding invoices under the KEPS facilities.

Financial covenant certificates for June 2022 have been prepared with no breaches noted. The Directors have reviewed the Group's cash flow forecasts for the period to 31 December 2023, which are included in the Group's three-year strategic plan, on the basis of certain key assumptions and including a number of stressed but plausible downside scenarios.

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;
– The availability of supply-chain finance;
– Project inflation and subcontractor insolvency;
– Reduced investment/delays in Property transactions and cost of adoption of green legislation; and
– Plausible changes in the interest rate environment.

The Board also continues to monitor the ongoing impact of COVID-19, however at present the risk of ongoing material impact has been deemed low.

The Board also considered the macroeconomic and political 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% 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 note that the risk associated with going concern has reduced following the corporate actions taken in the previous financial year and in light of the Group's execution of its strategic milestones, its most recent trading performance and latest forecasts, and the associated improved 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 financial statements and, for this reason, they continue to adopt the going concern basis in preparing these financial statements.

Changes in significant accounting policies

Following the introduction of IFRS 9, which was effective from 1 July 2018, the Group chose to continue to apply the hedge accounting requirements of IAS 39. The Group has elected to adopt the general hedge accounting model in IFRS 9, with effect from 1 July 2021. This requires the Group to ensure that hedge accounting relationships are aligned with its risk management objectives and strategy, and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness.

The Group uses forward foreign exchange contracts to hedge the variability in cash flows arising from changes in foreign exchange rates relating to foreign currency borrowings. The Group's risk management strategies and hedge documentation are aligned with the requirements of IFRS 9. All hedging relationships designated under IAS 39 at 30 June 2021 met the criteria for hedge accounting under IFRS 9 at 1 July 2021 and are therefore regarded as continuing hedging relationships.

The transition from IAS 39 to IFRS 9 hedge accounting requirements has not had a material effect on the Group's financial statements.

2 Segmental reporting

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**
Timing of revenue[1]					
Products and services transferred at a point in time	5.3	1.5	90.7	–	**97.5**
Products and services transferred over time	1,661.3	1,439.3	53.6	4.8	**3,159.0**
Group and share of joint ventures	**1,666.6**	**1,440.8**	**144.3**	**4.8**	**3,256.5**
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 from continuing operations	**50.2**	**17.7**	**15.1**	**(67.1)**	**15.9**
Taxation					**(3.2)**
Profit for the year from continuing operations					**12.7**
Result for the year from discontinued operations					**–**
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**
Other information					
Inter-segmental revenue	25.7	–	–	43.6	**69.3**
Capital expenditure on property, plant, equipment and intangible assets	2.6	0.4	-	3.7	**6.7**
Depreciation of property, plant and equipment	(0.9)	(0.4)	(0.2)	(5.1)	**(6.6)**
Amortisation of computer software	(0.7)	(1.2)	–	(4.1)	**(6.0)**

2 Segmental reporting continued

Year to 30 June 2021

Continuing operations	Infrastructure Services £m	Construction £m	Property £m	Corporate £m	Group £m
Revenue[1]					
Group and share of joint ventures	1,421.6	1,769.1	133.6	4.2	**3,328.5**
Less share of joint ventures	–	(1.5)	(66.0)	–	**(67.5)**
Group revenue	**1,421.6**	**1,767.6**	**67.6**	**4.2**	**3,261.0**
Timing of revenue[1]					
Products and services transferred at a point in time	5.2	9.2	59.0	–	**73.4**
Products and services transferred over time	1,416.4	1,759.9	74.6	4.2	**3,255.1**
Group and share of joint ventures	**1,421.6**	**1,769.1**	**133.6**	**4.2**	**3,328.5**
Loss for the year					
Operating profit/(loss) before adjusting items[2]	65.3	56.7	5.7	(27.4)	**100.3**
Adjusting items[2]	(23.9)	(16.0)	(3.4)	(13.3)	**(56.6)**
Profit/(loss) from operations	**41.4**	**40.7**	**2.3**	**(40.7)**	**43.7**
Net finance costs[3]	–	(3.9)	(10.8)	(23.4)	**(38.1)**
Profit/(loss) before tax from continuing operations	**41.4**	**36.8**	**(8.5)**	**(64.1)**	**5.6**
Taxation					**17.4**
Profit for the year from continuing operations					**23.0**
Loss for the year from discontinued operations					**(24.6)**
Loss for the year					**(1.6)**
Balance sheet					
Operating assets[4]	945.3	459.6	167.0	304.5	**1,876.4**
Operating liabilities[4]	(457.0)	(749.0)	(24.0)	(215.5)	**(1,445.5)**
Net operating assets/(liabilities)[4]	**488.3**	**(289.4)**	**143.0**	**89.0**	**430.9**
Cash, cash equivalents and borrowings	346.7	480.7	(126.4)	(710.3)	**(9.3)**
Net financial assets	–	–	–	13.4	**13.4**
Net assets/(liabilities)	**835.0**	**191.3**	**16.6**	**(607.9)**	**435.0**
Other information					
Inter-segmental revenue	20.1	0.3	–	46.7	**67.1**
Capital expenditure on property, plant, equipment and intangible assets	1.7	0.5	–	4.2	**6.4**
Depreciation of property, plant and equipment	(1.2)	(0.8)	–	(4.4)	**(6.4)**
Amortisation of computer software	(0.4)	(1.3)	–	(6.6)	**(8.3)**

1 Revenue is stated after the exclusion of inter-segmental revenue. Over 90% of the Group's revenue is derived from UK-based customers. 11% of the Group's revenue was received from National Highways (2021: 12%). 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	
	2022 £m	2021 £m	**2022 £m**	2021 £m
Reported profit from continuing operations	**45.1**	43.7	**15.9**	5.6
Amortisation of acquired intangible assets	**19.7**	21.0	**19.7**	21.0
Restructuring and related charges	**40.0**	31.6	**40.0**	31.6
Preparation for business divestment or closure	**–**	0.5	**–**	0.5
Other[1]	**15.7**	3.5	**18.5**	6.7
Adjusted profit from continuing operations	**120.5**	100.3	**94.1**	65.4

1 Operating profit adjusting items exclude net financing costs of £2.8m (2021: £3.2m), see note 3(d).

(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	**2022 £m**	2021 £m
Amortisation of acquired intangible assets	9	**(19.7)**	(21.0)

(b) Restructuring and related charges

The Group has incurred significant 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.

	2022 £m	2021 £m
Restructure of Regional Southern Build business[1]	**(22.2)**	(13.6)
Redundancy and other people related costs[2]	**(6.5)**	(5.4)
Professional adviser fees and other costs incurred implementing non-people initiatives[3]	**(7.1)**	(11.9)
Impairments and other costs relating to investment properties[4]	**(4.2)**	(0.7)
Total charge before tax	**(40.0)**	(31.6)

1 The Group has completed its strategic restructuring of its Regional Southern Build business. The current year costs predominantly relate to five remaining projects. These projects are due to complete in FY23 although no additional cost is expected to be incurred. These costs consist of charges in respect of the recoverability of assets and increased project costs due to settlements and delays, which have been directly impacted by this restructuring programme and represent an extension of costs incurred in the prior years.

2 Costs of £4.7m in respect of roles made redundant as a result of the ongoing implementation of cost saving programmes and from strategic decisions taken to reduce headcount in a number of the Group's principal operating divisions. The current year charge also includes £1.8m of costs incurred in the re-sizing of the International operations. The Directors consider this to be an adjusting item due to its nature and size.

3 This includes a credit of £1.1m as a result of the finalisation of costs incurred on the equity raise in the prior year. This is offset by £3.8m of aborted acquisition costs and £4.4m of various other non-people related initiatives undertaken in the year.

4 Includes an impairment of £5.2m in respect of a corporate property in Fountain Street, Manchester, which was vacated during the year and is now held as an investment property. Following a fire, the land at a recycling plant has been transferred to investment property and has been included at fair value, which has resulted in a £0.7m credit. Also included is a further £2.0m credit in relation to fair value adjustments to Tempsford Hall and net costs in respect of other investment properties of £1.7m.

(c) Costs incurred in preparation for business divestment or closure

The Group has incurred various charges driven by the change in strategic direction of the Group and the decision to exit certain divisions deemed non-core to its ongoing operations. Most of these charges are non-cash and are considered to be adjusting items on the basis that they relate to a major restructuring of the Group following the Strategic Review.

	2022 £m	2021 £m
Business closure and sales costs	**–**	(3.5)
Fair value reversal of assets held for sale	**–**	3.0
Total charge before tax	**–**	(0.5)

3 Adjusting items continued

(d) Other adjusting items

Other adjusting items are analysed below:

	2022 £m	2021 £m
Net financing costs[1]	**(2.8)**	(3.2)
Legal compliance[2]	**(8.8)**	(3.0)
Recycling Plant impairment and associated costs[3]	**(5.2)**	–
Software impairment[4]	**(2.2)**	–
Pension credit/(charge)[5]	**0.5**	(0.5)
Total charge before tax	**(18.5)**	(6.7)

1 Net financing costs relate to IFRS 16 interest charges on investment properties.
2 The Group has incurred £7.8m of costs in the year in complying with the updated fire compliance regulations. Of these amounts, £5.2m are provided for at year-end. The remaining charge relates to a settlement made in respect of an out of period claim that was notified during the year and so was treated as an adjusting item.
3 During the year, a fire occurred at one of the Group's recycling plants in Warwickshire. Following the fire, the building has been demolished and the majority of the contracts terminated. The fire is considered a one-off, significant event and as such all costs relating to the business are considered to be adjusting items in accordance with the Group's policy. These costs include a £4.1m impairment of the property, plant and equipment.
4 During the year, the Group impaired some software related to one of its design businesses. This impairment has been treated as an adjusting item due to its nature.
5 During the year, a Pension Increase Exchange ('PIE') exercise was undertaken which generated a £0.5m credit to the income statement. In the prior year, a charge of £0.5m in respect of GMP was incurred.

(e) Taxation

Adjusting items in respect of taxation are analysed below:

	2022 £m	2021 £m
Deferred tax credit as a result of the change in tax rate[1]	**5.1**	25.5
Tax impact of adjusting items[2]	**14.8**	12.2
Other tax charges[3]	**(3.6)**	(6.0)
Total tax credit	**16.3**	31.7

1 In the prior year, the change in tax rate from 19% to 25% led to a significant deferred tax credit in the income statement. This was a one-off event that is out of the Group's control and so is considered to be an adjusting item. During the year, the Group now expects additional amounts to reverse at the 25% tax rate.
2 The tax impact of the adjusting items charged to continuing operations has also been included as an adjusting item.
3 During the year, historical tax balances were identified mainly as a result of historic acquisitions and were written off. In the prior year, other tax charges primarily consisted of the write off of losses in legal entities which have ceased to trade or are going to be wound up and therefore can no longer be used within the Group.

(f) Discontinued operations

The Group disposed of Kier Living in May 2021. Adjusting items within discontinued operations in relation to this disposal are analysed below:

	2022 £m	2021 £m
Loss on disposal of Kier Living	**–**	(12.1)
Closure costs relating to non-core businesses[1]	**–**	(1.0)
Charges in relation to the Eastern region[2]	**–**	(6.5)
Other disposal related costs[3]	**–**	(5.2)
Total charge before tax	**–**	(24.8)
Tax on adjusting items (discontinued)	**–**	0.5
Total charge after tax	**–**	(24.3)

1 Prior year costs were incurred in respect of Living's decision to exit the affordable housing market as well as the Welsh and Northern regions.
2 In preparing the Kier Living business for disposal in the prior year, the Group identified £6.5m of historic costs within a Kier Living joint venture that had built up in prior years within work in progress and that were considered irrecoverable. These were written off in arriving at the loss from discontinued operations in the year.
3 Other disposal related costs in the prior year included management incentives and impairment charges as a result of the disposal of Kier Living.

(g) Adjusted cash flow

	2022 £m	2021 £m
Reported cash inflow from operating activities	**40.8**	26.8
Add: Cash outflow from operating activities (adjusting items)	**41.2**	72.1
Adjusted cash inflow from operating activities	**82.0**	98.9

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

	2022 £m	2021 £m
Adjusting items reported in the income statement	**78.2**	84.7
Less: non-cash items incurred in the year	**(38.4)**	(45.3)
Add: payment of prior year accruals and provisions	**1.4**	21.2
Add: disposal fees included within loss on disposal	**–**	11.5
Cash outflow from operating activities (adjusting items)	**41.2**	72.1

4 Finance income and costs

	2022 £m	2021 £m
Finance income		
Interest receivable on loans to related parties	**0.7**	3.7
	0.7	3.7
Finance costs		
Bank interest	**(18.9)**	(23.2)
Interest payable on leases	**(6.5)**	(6.7)
Forward funding interest[1]	**(0.5)**	(8.8)
Foreign exchange (losses)/gains on foreign denominated borrowings	**(9.9)**	15.0
Fair value gains/(losses) on cash flow hedges recycled from other comprehensive income[2]	**7.4**	(15.0)
Discount unwind[3]	**(0.7)**	(1.1)
Net interest on net defined benefit obligation	**1.0**	0.9
Recycling of translation reserve	**–**	(0.1)
Other	**(1.8)**	(2.8)
	(29.9)	(41.8)
Net finance costs	**(29.2)**	(38.1)

1 The forward funding interest costs of £8.8m in the year to 30 June 2021 reflected an alignment of the accounting treatment across all forward funding development contracts. The charge of £8.8m included £3.9m which represented a cumulative catch up of interest costs that would have been recognised in previous reporting periods if the Group had always applied this accounting treatment to all applicable contracts. An offsetting credit was included within revenue, with a corresponding impact on the Group's operating profit. There was no impact on the statutory profit for the year from continuing operations.

2 Foreign exchange gains/(losses) arise from movements in cross-currency swaps which hedge the currency risk on foreign denominated borrowings.

3 Unwind of discount in respect of acquired intangible assets.

5 Retirement benefit obligations

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

	2022 %	2021 %
Discount rate	**3.90**	1.90
Inflation rate (Retail Price Index)	**3.15**	3.15
Inflation rate (Consumer Price Index)	**2.65**	2.60

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

	2022			2021		
	Kier Group £m	**Acquired schemes £m**	**Total £m**	Kier Group £m	Acquired schemes £m	Total £m
Opening net surplus/(deficit)	78.6	(32.4)	**46.2**	89.8	(51.0)	38.8
Credit/(charge) to income statement	1.5	(0.1)	**1.4**	1.1	(0.9)	0.2
Employer contributions	0.5	10.3	**10.8**	13.9	23.1	37.0
Actuarial gains/(losses)	89.6	46.7	**136.3**	(26.2)	(3.6)	(29.8)
Closing net surplus/(deficit)	**170.2**	**24.5**	**194.7**	78.6	(32.4)	46.2
Comprising:						
Fair value of scheme assets	1,048.0	509.0	**1,557.0**	1,273.2	636.7	1,909.9
Net present value of the defined benefit obligation	(877.8)	(484.5)	**(1,362.3)**	(1,194.6)	(669.1)	(1,863.7)
Net surplus/(deficit)	**170.2**	**24.5**	**194.7**	78.6	(32.4)	46.2
Presentation of net surplus/(deficit) in the Consolidated balance sheet:						
Retirement benefit assets	170.2	29.0	**199.2**	78.6	8.6	87.2
Retirement benefit obligations	–	(4.5)	**(4.5)**	–	(41.0)	(41.0)
Net surplus/(deficit)	**170.2**	**24.5**	**194.7**	78.6	(32.4)	46.2

6 Taxation

	2022 £m	2021 £m
Profit before tax	**15.9**	5.6
Add: tax on joint ventures included above	**0.1**	(1.4)
Adjusted profit/(loss) before tax	**16.0**	4.2
Current tax	**(8.5)**	(5.2)
Deferred tax	**5.3**	22.6
Total tax (charge)/credit in the income statement	**(3.2)**	17.4
Tax on joint ventures	**(0.1)**	1.4
Total tax (including joint ventures)	**(3.3)**	18.8
Effective tax rate	**(20.6%)**	447.6%

The Deferred Tax Asset includes £105.6m of tax losses (2021: £108.6m), and £3.2m of other deferred tax assets and liabilities (2021: £29.4m).

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 in 2022;
› 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 post COVID-19 recovery.

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 approximately 10 years.

The Research and Development Expenditure Credit (RDEC) of £20.7m was included in operating profit during the year (2021: £13.3m). Included in the corporation tax asset at 30 June 2022 were RDEC receivables of £12.0m (2021: £12.4m).

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 year (2021: £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	2022 £m	2021 £m
Continuing operations			
Profit for the year from continuing operations		**12.7**	23.0
Less: non-controlling interest share		**–**	1.3
Profit (after tax and minority interests), being net gains attributable to equity holders of the parent (A)		**12.7**	24.3
Adjusting items (excluding tax)	3	**78.2**	59.8
Tax impact of adjusting items	3	**(16.3)**	(31.7)
Adjusted profit after tax from continuing operations (B)		**74.6**	52.4
Discontinued operations			
Loss (after tax and non-controlling interests), being net loss attributable to equity holders of the parent (C)		**–**	(24.6)

b) Weighted average number of shares used as the denominator

	2022 million	2021 million
Weighted average number of shares used as the denominator in calculating basic earnings per share (D)	**443.3**	210.3
Adjustments for calculation of diluted earnings per share		
Impact of share options	**11.8**	2.0
Weighted average number of shares used as the denominator in calculating diluted earnings per share (E)	**455.1**	212.3

Options granted to employees under the Sharesave, CSAP and 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

	2022 pence	2021 pence
From continuing operations attributable to the ordinary equity holders of the company (A/D)	**2.9**	11.6
From discontinued operations (C/D)	**–**	(11.7)
Total basic earnings per share attributable to the ordinary equity holders of the company	**2.9**	(0.1)
Adjusted from continuing operations attributable to the ordinary equity holders of the company (B/D)	**16.8**	25.0

d) Diluted earnings per share

	2022 pence	2021 pence
From continuing operations attributable to the ordinary equity holders of the company (A/E)	**2.8**	11.4
From discontinued operations (C/E)	**–**	(11.5)
Total diluted earnings per share attributable to the ordinary equity holders of the company	**2.8**	(0.1)
Adjusted from continuing operations attributable to the ordinary equity holders of the company (B/E)	**16.4**	24.6

9 Intangible assets

	Goodwill £m	Intangible contract rights £m	Computer software[1] £m	**Total £m**
Cost				
At 1 July 2020	538.8	259.4	125.4	**923.6**
Additions	–	–	3.1	**3.1**
Disposals	–	–	(1.1)	**(1.1)**
Transfers from property, plant and equipment	–	–	0.9	**0.9**
At 30 June 2021	**538.8**	**259.4**	**128.3**	**926.5**
Prior year reclassification[2]	–	–	4.5	**4.5**
At 1 July 2021	**538.8**	**259.4**	**132.8**	**931.0**
Additions	–	–	0.7	**0.7**
Disposals	–	(7.2)	(0.9)	**(8.1)**
At 30 June 2022	**538.8**	**252.2**	**132.6**	**923.6**
Accumulated amortisation and impairment				
At 1 July 2020	(2.1)	(134.7)	(66.2)	**(203.0)**
Charge for the year	–	(21.0)	(8.3)	**(29.3)**
Impairment reversal	–	–	2.4	**2.4**
Disposals	–	–	0.6	**0.6**
At 30 June 2021	**(2.1)**	**(155.7)**	**(71.5)**	**(229.3)**
Prior year reclassification[2]	–	–	(4.5)	**(4.5)**
At 1 July 2021	**(2.1)**	**(155.7)**	**(76.0)**	**(233.8)**
Charge for the year	–	(19.7)	(6.0)	**(25.7)**
Disposals	–	7.2	–	**7.2**
Impairment	–	–	(2.2)	**(2.2)**
At 30 June 2022	**(2.1)**	**(168.2)**	**(84.2)**	**(254.5)**
Net book value				
At 30 June 2022	**536.7**	**84.0**	**48.4**	**669.1**
At 30 June 2021	536.7	103.7	56.8	697.2

1 Computer software mainly relates to the Group's ERP software and is being amortised.
2 Prior year reclassification amends fully depreciated software disposals which were overstated in previous reporting periods. There was no impact on the consolidated balance sheet.

10 Net cash

	2022 £m	2021 £m
Cash and cash equivalents – bank balances and cash in hand	**297.7**	391.2
Borrowings due within one year	**(40.5)**	(38.2)
Borrowings due after one year	**(266.5)**	(362.3)
Impact of cross-currency hedging	**12.2**	12.3
Net cash	**2.9**	3.0

Average month-end net debt was £216.1m (2021: £431.9m). Net debt excludes lease liabilities.

11 Trade and other payables

	2022 £m	2021 £m
Current:		
Trade payables[1]	**354.2**	330.3
Sub-contract retentions	**32.7**	39.1
Other taxation and social security[2]	**122.1**	144.2
Other payables	**28.9**	47.3
Accruals	**527.4**	531.8
Deferred income	**0.4**	0.4
	1,065.7	1,093.1
Non-current:		
Trade payables	**11.0**	14.1
Sub-contract retentions	**23.1**	25.8
	34.1	39.9

[1] Included within the trade payables balance is £49.8m (2021: £79.1m) relating to payments due to suppliers who are on bank-supported supply chain finance arrangements.
[2] As at 30 June 2022, there was no remaining tax deferred under the Government's COVID-19 support schemes (2021: £20.8m).

12 Guarantees, contingent liabilities and contingent assets

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.

As at 30 June 2022, the Group had contingent assets of £3.2m (2021: £4.5m) in relation to claims against third parties for the reimbursement of costs on construction contracts. Under IAS 37 these amounts may only be recognised when the economic benefit arising from the claims is virtually certain. It is probable that these amounts will be recognised in future periods when the uncertainty over their recoverability has been removed.

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.

13 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 2021.

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

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 2021 annual financial statements. No shares vested under the LTIP schemes during the year (2021: no share awards vested). 8,570,392 new awards were granted under the LTIP during the year (2021: 17,856,246). Awards made to members of the Board are subject to a two-year holding period post vesting.

In 2017, the Group established a Conditional Share Award Plan (CSAP) under which senior employees receive 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 are entitled to receive dividend equivalents on these awards. No new awards were granted under the CSAP during the year (2021: no awards granted). 650,951 shares vested under the CSAP during the year (2021: 515,093). In accordance with the rules of the scheme, a further 9,777 shares were provided to recipients of the vesting CSAP shares, equivalent to the dividends that would have been received during the vesting period (2021: 72,562).

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. 7,943,643 options were granted under the Sharesave scheme during the year (2021: 8,634,038). 75,983 Sharesave Scheme options were exercised during the year (2021: no share options were exercised).

The assumptions used in calculating the fair values of the shares granted under the share-based payment schemes during the year were as follows:

	LTIP	LTIP subject to a holding period	LTIP	Sharesave
Grant date	28 October 2021	28 October 2021	20 April 2022	29 October 2021
Shares granted	5,951,091	2,313,430	305,871	7,943,643
Share price at grant	108.4p	108.4p	80.8p	106.8p
Exercise price	nil	nil	nil	96.0p
Expected term	3 years	3 years	2.5 years	3.3 years
Holding period	n/a	2 years	n/a	n/a
Expected volatility	83.2%	66.6%	83.2%	82.7%
Risk-free interest rate	0.7%	0.8%	0.7%	0.7%
Dividend yield	n/a	n/a	n/a	0.0%
Value per option:				
LTIP - TSR element (25%)[1,3]	85.2p	76.3p	63.5p	-
LTIP - EPS (50%) and free cash flow (FCF) (25%) elements [2,3]	108.4p	97.0p	80.8p	-
Sharesave [2]	-	-	-	61.9p

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 year was £8.6m (2021: £7.0m).

15 Share capital and reserves

Share capital

The share capital of the Company comprises:

	2022		2021	
	Number	**£m**	Number	£m
Authorised, issued and fully paid ordinary shares of 1 pence each	**446,241,682**	**4.5**	446,165,699	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 year, 75,983 shares were issued under the Sharesave Scheme (2021: none).

Firm Placing and Placing and Open Offer

On 18 June 2021 the Group issued new share capital by way of:

› a Firm Placing of 141,851,386 Firm Placing Shares;
› a Placing and Open Offer of 141,851,386 Open Offer Shares; and
› Director Subscriptions of 347,057 Subscription Shares.

All of the above shares were issued at £0.85 per share. The total new shares of 284,049,829 generated proceeds of £207.8m after deducting costs of £33.6m, of which £22.7m were deducted from equity. These costs were fully paid as at 30 June 2022 (30 June 2021: £6.1m unpaid).

Under the capital raise arrangements, Kier Group plc was transferred 100 fixed rate redeemable preference shares in its subsidiary company, Kite (Jersey) Limited, which were subsequently redeemed for cash. Following the receipt of the cash proceeds of the capital raise through this cashbox structure, the Group obtained merger relief for the new shares issued by Kier Group plc. The excess of the net proceeds received over the nominal value of the new shares was transferred to the merger reserve.

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.

Merger reserve

£134.8m of the merger reserve arose on the shares issued at a premium to acquire May Gurney on 8 July 2013. The movement in the prior year of £215.8m relates to the issue of new share capital as described above.