14 September 2023

Kier Group plc

Strong financial performance and significantly improved cash generation: intention to return to the dividend list in FY24

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 2023 ("FY23" or the "year").

Highlights

(£m unless otherwise stated)	**Year to 30 June 2023[1]**	Year to 30 June 2022[1]	*Change*
Adjusted results			
Revenue[2]	**3,405.4**	3,256.5	*4.6%*
Adjusted operating profit[3]	**131.5**	120.5	*9.1%*
Adjusted operating margin	**3.9%**	3.7%	*20bps*
Adjusted profit before tax[4]	**104.8**	94.1	*11.4%*
Adjusted basic earnings per share (note 9)	**19.2p**	16.8p	*14.3%*
Net cash[5]	**64.1**	2.9	*2,110.3%*
Average month-end net debt	**(232.1)**	(216.1)	*(7.4)%*
Statutory reported			
Group revenue	**3,380.7**	3,143.9	*7.5%*
Profit from operations	**81.5**	45.1	*80.7%*
Profit before tax	**51.9**	15.9	*226.4%*
Basic earnings per share (note 9)	**9.5p**	2.9p	*227.6%*

FY23 Highlights

- Strong financial performance despite ongoing inflationary pressures
  - Revenue growth of 4.6% driven by strong operational delivery
  - Adjusted operating profit increased 9.1% to £131.5m (FY22: £120.5m)
  - Adjusted operating margin at 3.9%, ahead of the medium-term target of c.3.5%
  - Adjusted basic EPS: 19.2p (FY22: 16.8p), up 14.3%
  - Reported profit from operations increased 80.7% to £81.5m (FY22: £45.1m)
  - Free Cash Flow of £132.3m, driven by an operating cash conversion of 129.7% following a strong Q4 performance
  - Net cash of £64.1m, significantly higher than prior year-end (FY22: £2.9m) and achieved after fully repaying £49.8m KEPS
  - Strong cash generation and repayment of debt-like items. Average month-end net debt at £(232.1)m
- Intention to resume dividend payments in FY24, commencing with an interim dividend
- High quality order book, increased 3.1% to £10.1bn (FY22: £9.8bn) providing significant visibility over FY24
- Bolt-on acquisition of rail assets announced post year-end
- Pension scheme triennial valuation agreed resulting in decreased deficit payments
- Updated sustainability framework reinforces commitment to ESG targets

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[1] Continuing operations
[2] Revenue of the Group and its share of revenue from joint ventures
[3] Stated before adjusting items of £30.8m (FY22: £55.7m) and amortisation of acquired intangible assets of £19.2m (FY22: £19.7m).
[4] Stated before adjusting items of £33.7m (FY22: £58.5m) and amortisation of acquired intangible assets of £19.2m (FY22: £19.7m).
[5] Disclosed net of the effect of hedging instruments and excludes leases – see note 12 to the preliminary financial statements.

Andrew Davies, Chief Executive, said:

"The Group has achieved considerable operational and financial progress over the last two years. This is reflected in the significantly improved financial performance of the Group over the last year. It is testament to the hard work and commitment of our people who have enhanced our resilience and strengthened our financial position in line with the objectives set out in our medium-term value creation plan. Our order book remains strong at £10.1bn and provides us with good, multi-year revenue visibility. The contracts within our order book reflect the bidding discipline and risk management now embedded in the business. I am also particularly pleased to report, the Group significantly improved its year-end net cash position and has confidence in sustaining this momentum going forward.

The new financial year has started well, and we are trading in line with our expectations. The Group is well positioned to continue benefiting from UK Government infrastructure spending commitments and we are confident in sustaining the strong cash generation evidenced this year. This, combined with our focus on operational delivery, gives the Group a clear line-of-sight to significantly de-lever. As a result, the Group intends to resume dividend payments during FY24, with the first dividend to be declared alongside our interim results."

FY23 Results Presentation

Kier Group plc will host a presentation for analysts and investors at 9:00am on 14 September 2023 at the offices of FTI Consulting, 200 Aldersgate Street, London EC1A 4HD.

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/64d201c1383e901300a364b6/tyej

United Kingdom: 0800 358 1035

United Kingdom (Local): 020 4587 0498

All other locations: 44 20 4587 0498

Conference password: 038464

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

Online Retail Investor Presentation

Andrew Davies, Chief Executive Officer and Simon Kesterton, Chief Financial Officer will be hosting a live online retail investor presentation at 10:30am on Thursday 28 September 2023. To attend, please register via the following link: Zoom Webinar Registration – Kier Group investor presentation.

Further Information:
Kier Group plc

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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 X (formerly Twitter): @kiergroup

Connect with us on LinkedIn: Kier Group

Introduction

Over the last two years, Kier has undergone a transformation, rationalisation and recapitalisation. The Group announced and committed to a medium-term value creation plan in FY21 and our focus has been to deliver against the targets we set.

The medium-term plan focused on increasing revenue, increasing margin and increasing operating cash generation thus enabling debt reduction providing a stronger balance sheet with a commitment to reintroducing dividends at the appropriate time. FY23 saw a significant improvement in the net cash balance to £64.1m which gives us a clear line-of-sight to an average net cash position and gives the Board confidence in announcing its intention to return to the dividend list in the current financial year.

The success for future years is underpinned by the year-end order book growing to £10.1bn in FY23, an increase of 3.1% 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 income from the Property division, are excluded from the order book and represent an additional opportunity. Given the order book strength and Kier's framework positioning, approximately 85% of Group revenue for FY24 is already secured which provides us with a high degree of confidence of further progress against a backdrop of wider market uncertainty.

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:	£4.0bn – £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 earnings cover through the cycle

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

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

The Group continues to make good progress against these targets with free cashflow conversion and profit margins met consistently over the past reporting period. Despite political and economic uncertainties, our core markets have remained favourable. We are a "strategic supplier" to the UK Government and c.94% of our contracts are with the public sector and regulated companies.

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:** appointed by National Highways to carry out an essential maintenance programme on eight viaducts at Lune Gorge, spanning the M6
- **Utilities:** reappointed to the £55m per annum, three-year extension of the Network Service Alliance framework by South West Water and Bournemouth Water
- **Construction:** appointed to the £5.1bn Strategic Alliance Contract Framework in relation to the Defence Estate Optimisation ("DEO") Portfolio by the Ministry of Defence; re-appointed to the £4.5bn Southern Construction Framework
    - Kier Places - appointed by L&Q for its Major Works Investment Programme to deliver housing maintenance across its estate
- **Property:** started work on site at our Trade City scheme in Manchester

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; and
- contracting through long-term frameworks.

Our core businesses are well-placed to benefit from the UK Government spending commitments to invest in infrastructure and the significant investment plans announced by regulated UK asset owners. We have secured places on the long-term frameworks through which much of the increased spend will be deployed.

This, combined with our regional coverage, customer relationships and project management expertise, will enable our strategic actions of disciplined growth, consistent delivery and strong cash generation.

Financial summary

Kier's revenue of £3.4bn (FY22: £3.3bn) reflects growth in both the Infrastructure Services and Construction segments, offset by the anticipated reduction in the Property business driven by market conditions.

The Group's FY23 results demonstrate a strong performance despite continuing cost inflation relating to materials, wages and other costs. We remain successful in mitigating these pressures through having c. 60% of our order book under target cost or cost reimbursable contracts, procurement strategies and negotiations on fixed price contracts. With over 400 live projects at any given time, we are also regularly delivering existing contracts and pricing new contracts which mitigates against cost pressures. In addition, we have an average order size of c. £16m in our Construction business which given its modest size, limits our risk exposure in the event a project does not go to plan.

The Group delivered adjusted operating profit of £131.5m which represents a 9.1% increase on the prior year (FY22: £120.5m). Both our Infrastructure Services and Construction segments performed well in the year, partially offset by the expected reduction within the Property segment. Group adjusted operating profit margin increased by 20 basis points to 3.9% (FY22: 3.7%). Reported profit from operations increased 80.7% to £81.5m (FY22: £45.1m) with a reduction in adjusting items.

Adjusted earnings per share increased 14.3% to 19.2p (FY22: 16.8p) and reported earnings per share increased 227.6% to 9.5p (FY22: 2.9p) as revenue converted to profitability and adjusting items reduced.

The Group generated £132.3m of free cash flow in FY23 (FY22: £54.6m), a significant increase over the prior year. The Group's revenue growth in Infrastructure Services and Construction converted to increased profit and cash. In addition, the Group experienced a seasonal working capital inflow of £80.3m, predominantly driven by Construction.

The Group's net cash position at 30 June 2023 was £64.1m (FY22: £2.9m) with supplier payment days remaining consistent with the prior year.

Average month-end net debt for the year ended 30 June 2023 was £(232.1)m (FY22: £(216.1)m). As outlined in our FY22 results, the Group expected an increase in average month-end net debt due to the anticipated repayment of debt-like items such as KEPS and lower activity in our Construction business until the fourth quarter of the year. The average month-end net debt balance of £(232.1)m was better than expected due to mitigating actions taken through the year. The Group used positive operating cash flow to repay the average KEPS balance of £56.2m, to pay pension deficit obligations and to repay the remaining HMRC COVID-19 support of £6.1m.

The Group fully repaid its remaining £49.8m KEPS programme in July 2022 followed by a repayment of all its Schuldschein Notes and certain of the US Private Placement ('USPP') Notes totalling £43.8m.

The Group's Revolving Credit Facility ('RCF') also reduced by £40.0m, in line with the facility agreement.

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** – investment to support its businesses
- **Property** – disciplined non-speculative investment in the Property segment

- **De-leveraging** – further de-leveraging. Targeting a sustainable net cash position in the medium-term and a funding profile which is appropriate for the medium and long-term needs of the Group
- **Dividend** – reinstating the dividend is key to ensuring that shareholders share the benefits of the Group's growth. In the medium-term, the Group is targeting a dividend cover of around three times through the cycle
- **Mergers and acquisitions** – the Group will consider value accretive acquisitions in core markets where there is potential to accelerate the medium-term value creation plan.

Dividend

As part of the medium-term value creation plan, the Board intended to reinstate dividends when a near-term pathway to operating with an average net cash position was clear.

Given the Group's strong operational and financial performance over the last year, the year-end net cash position and confidence over further progress in the short term, the Board is able to confirm its intention to commence dividend payments to shareholders. Over time, we will progress to deliver a dividend, covered 3x by earnings and in a payment ratio of one-third interim dividend and two thirds final dividend. The first dividend is expected to be announced alongside the interim results.

Acquisition

On 4 September 2023, after the year-end, Kier agreed to acquire substantially all of the rail assets of Buckingham Group Contracting Limited ("in Administration") and their HS2 contract supplying Kier's HS2 joint venture, EKFB, for a total cash consideration of up to £9.6m.

The Group has previously stated it would consider value accretive acquisitions in core markets where there is potential to accelerate the medium-term value creation plan. This is an excellent example of an acquisition which provides a cultural fit as well as accelerates Kier's broader rail strategy.

Kier is delivering a number of projects across the rail sector including a £65m upgrade to Oxford Railway Station. The acquisition provides Kier with new rail clients and increases our capabilities across the UK. The acquisition also brings c.180 employees to the Group consisting of high-quality individuals with expertise in the rail sector, further enhancing Kier's talent pool.

The rail assets consisted of design, build and project integration contracts for a range of customers including Network Rail. In addition, the Group acquired a limited amount of working capital in the form of trade debtors, work in progress and client retentions. The transaction was implemented by way of a purchase out of administration.

Kier observes a disciplined risk management process, a result of which is that historical contractual liabilities recognised prior to the completion date were not acquired. The acquisition also provides operational stability and defensiveness to Kier's HS2 joint venture, EKFB.

Given its modest size, the Group does not believe this will materially impact its forecasts for FY24, nor its year-end net cash or average net debt position. For FY25, the Group expects acquisition revenue of c.£50m-£75m.

Pension

During the year the Group agreed the triennial valuation for funding its defined benefit pension schemes. Given the Group's improved pension covenant and payments made under the existing schedule of contributions, the schemes are now in a significantly improved position, resulting in reducing deficit contributions to be made over the coming years concluding in FY28.

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.

Following the evolution of the Performance Excellence programme during 2022, the focus in 2023 has been on the five workstreams of 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; and
- win new business with attractive margins.

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

The Group's focus for FY24 will be on Digital and Simplification.

Supply chain partners

We continue to focus 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 2023 to 30 June 2023, the Group's aggregate average payment days was maintained at 34 days (H1: 34 days) and the percentage of payments made to suppliers within 60 days was 85% (H1: 87%).

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

Environmental, Social and Governance ("ESG")

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

In 2023 we reinforced our commitment to Kier's and Government's ESG targets through the launch of our refreshed sustainability framework, "Building for a Sustainable World" which covers sustainability from both an environment and social perspective. Our framework has evolved to focus on the three key pillars of People, Places and Planet with new metrics to monitor progress.

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

The Group has set out its pathway to become net zero carbon across all business operations by 2039 (scope 1 and 2), value chain (scope 3) by 2045 together with interim targets.

FY23 was another year of progress and we achieved an 18.7% year-on-year reduction in carbon emissions from our business operations (scope 1 and 2). We have worked with partners to refine our scope 3 carbon measurement. This indicated a reduction of c.7% in scope 3 emissions in the year. The Group re-based its scope 3 emissions as it further expanded the categories included in its emissions reporting.

The net zero carbon milestone plan for scope 1 and 2 has been updated as we evolve our Building for a Sustainable World framework. As Kier is a Tier 1 supplier, the majority of its carbon emissions relate to the use of fuel, either on our sites or travel to our sites.

Accordingly, our pathway to being net zero by 2039 includes the following key short- and medium-term actions: rolling out ultra-low emission and electric vehicles across our fleet; ensuring our sites and facilities use energy efficient technology; reviewing opportunities to self-deliver electricity; enhanced data management with the supply chain and increased usage of design to address scope 3.

The plan is designed to help deliver our FY30 near-term targets of:

- a 66% absolute reduction in scope 1 and 2 emissions; and
- a 42% absolute reduction in scope 3 emissions.

As well as reducing our own carbon footprint, Kier continues to work with its clients to design out carbon from UK infrastructure projects and with our supply chain to reduce their carbon emissions.

Social

The Group's 12-month rolling Accident Incident Rate ('AIR') in FY23 of 88 represents a decrease of 23% compared to FY22 and indicates the focus given to it during the year and also our approach to risk which is improving our safety management.

The Group's 12-month rolling All Accident Incident Rate ('AAIR') in FY23 of 320 increased by 1%.

Following an investigation by the UK's national regulator for workplace health and safety, the Health and Safety Executive ('HSE'), on 23 January 2023 the Group was fined £4.4m for safety breaches in connection with two incidents in our Highways business dating back to March 2018 and January 2019. The incidents relate to work carried out on the M6 motorway. Since these incidents occurred the Highways business has been very successful in transforming and improving its safety record. Throughout the year to June 2023, Kier had market leading safety performance as recognised by National Highways.

Kier is a people-based business and our performance depends upon our ability to attract and retain a dedicated workforce. During FY23 we had:

- 646 apprentices participating in programmes, representing c.6% of our workforce
- graduate intake of 115 of which 43% comprised of women; and
- developed and implemented a new health, safety and wellbeing strategy as well as launched a new behavioural programme

We continue to deliver apprenticeships as a key means of upskilling employees and bringing in diverse emerging talent to reduce the industry skills gap. We contribute to a variety of educational engagement activities, including playing a leading role in Open Doors Week and Teacher Encounters, to introduce students and teachers to the construction industry.

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. 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 to ensure that the delivery of the Group's order backlog remains profitable and cash generative in line with our medium-term value creation plan.

Our people

I would like to thank our c.10,000 people for their dedication, contribution and commitment throughout the last year and this is reflected in the performance of the Group and the significantly improved financial position.

People are at the heart of our Group and we ensure that we pay them a competitive wage and offer support through the cost-of-living crisis. Since April 2021 the Group has been an accredited Real Living Wage employer. The cost-of-living crisis has resulted in the Group accelerating the application of the Real Living Wage from April to January, for c.850 people and we are working to extend this to all those employed on a Kier site. Kier employees received, on average, a 4% pay rise in FY23 and we intend to offer a further pay rise of up to 5% in FY24.

We have also focused on many other areas of employee welfare and support with other key initiatives such as:

- **Inflation support payment** – we awarded c.800 employees with an inflation support payment of £300 in November 2022. This payment was in addition to the pay increases noted above and was targeted to provide financial support to those who we believe are most challenged with the high increases in food, energy and household bills

- **Enhanced sick pay** - we have also implemented enhanced sick pay terms for our lowest paid employees, providing them with increased financial peace of mind if they are absent from work due to sickness

- **Financial support** – financial support for employees is always an important area and has been magnified by the cost-of-living pressures. For our workforce that need additional financial support we have introduced support and guidance in the form of Salary Finance. Salary Finance provides education and a savings option through HMRC's Help to Save scheme as well as responsible loans

- **Mortgage advice** – we have arranged a bespoke service, providing our employees with free professional mortgage and financial advice.

We are continuing to review the rising cost of living on our lowest paid employees and contingent workers. We will consider taking further steps as appropriate.

Focus has also been made on wellbeing including such initiatives as Employee Voice, a survey which enables employee engagement. We are currently extending our culture and behavioural programme across our people and by listening to them our surveys show a 65% employee engagement score for FY23, an increase from the previous year (FY22: 58%).

Summary and outlook

The Group has achieved considerable operational and financial progress over the last two years. This is reflected in the significantly improved financial performance of the Group over the last year. It is testament to the hard work and commitment of our people who have enhanced our resilience and strengthened our financial position in line with the objectives set out in our medium-term value creation plan. Our order book remains strong at £10.1bn and provides us with good, multi-year revenue visibility. The contracts within our order book reflect the bidding discipline and risk management now embedded in the business. I am also particularly pleased to report, the Group significantly improved its year-end net cash position and has confidence in sustaining this momentum going forward.

The new financial year has started well, and we are trading in line with our expectations. The Group is well positioned to continue benefiting from UK Government infrastructure spending commitments and we are confident in sustaining the strong cash generation evidenced this year. This, combined with our focus on operational delivery, gives the Group a clear line-of-sight to significantly de-lever. As a result, the Group intends to resume dividend payments during FY24, with the first dividend to be declared alongside our interim results.

Operational Review

Infrastructure Services

	Year ended 30 June 2023	Year ended 30 June 2022	*Change*
Revenue (£m)	**1,712.3**	1,666.6	*2.7%*
Adjusted operating profit (£m)[6]	**79.8**	70.0	*14.0%*
Adjusted operating margin (%)	**4.7%**	4.2%	*50bps*
Reported operating profit (£m)	**57.2**	48.1	*18.9%*
Order book (£bn)	**5.8**	5.6	*3.6%*

- Key contract wins include:
  - **Highways:** appointed by National Highways to carry out an essential maintenance programme on eight viaducts at Lune Gorge, spanning the M6
  - **Utilities:** reappointed to the £55m per annum, three-year extension of the Network Service Alliance framework by South West Water and Bournemouth Water
- 76% of orders secured for FY24

Infrastructure Services segment comprised the Highways, Infrastructure and Utilities businesses.

Infrastructure Services revenue increased 2.7% against the prior year primarily due to the continued ramp up of capital works on HS2. Adjusted operating profit increased 14.0% to £79.8m due to higher HS2 volumes. Adjusting items include £1.5m for the HSE fine in relation to Highways.

The **Highways** business designs, builds and maintains roads for National Highways, Transport for London and a number of city, county and district councils. The business experienced a period of strong wins, including new contracts and contract extensions in maintenance projects, alongside the design and build of three National Highways major capital projects as the business has transitioned from one predominantly maintenance focused to both maintenance and capital works.

The **Infrastructure** Projects business delivers major and complex infrastructure and civil engineering projects, including HS2, Devonport, Oxford Railway Station, Mogden Sewage and Treatment Works and Hinkley Point C. Infrastructure experienced a ramp up in HS2 volumes during the period.

The **Utilities** business provides construction and maintenance services under long-term contracts, to the water, energy, and telecoms sectors. The Utilities business had anticipated higher volumes in the telecoms sector with the UK Government's commitment to rolling out 5G connectivity to the UK. However, changes to market conditions has resulted in reduced activity, which in turn has had an adverse impact on the telecoms margin.

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[6] Stated before adjusting items of £22.6m (FY22: £21.9m).

Re-alignment

From 1 July 2023 the announced re-alignment of the Infrastructure Services segment took effect and the three business units became two. This change ensures we are able to support our growth ambitions and align our capabilities, skills and expertise to the evolving needs of our clients.

- **Transportation**: this business division provides design, engineering, delivery and maintenance to support the movement of people, goods and equipment by land, sea and air. It includes our existing highways business and infrastructure projects relating to rail, ports and air.

- **Natural Resources, Nuclear & Networks**: this business division includes our existing utilities business and infrastructure projects related to water, energy, nuclear and networks.

The re-alignment positions Kier in an even stronger standing to pursue our strategic objectives within our chosen markets given the UK Government's commitment to £600bn of public sector spending and the significant investment plans by UK asset owners in the regulated sector.

Construction

	Year ended 30 June 2023	Year ended 30 June 2022	*Change*
Revenue (£m)	**1,652.5**	1,440.8	*14.7%*
Adjusted operating profit (£m)[7]	**69.5**	60.8	*14.3%*
Adjusted operating margin (%)	**4.2%**	4.2%	*– bps*
Reported operating profit (£m)	**46.4**	21.8	*112.8%*
Order book (£bn)	**4.3**	4.2	*2.4%*

- Key contract wins include:
  - The £5.1bn Strategic Alliance Framework Contract in relation to the Defence Estate Optimisation ("DEO") Portfolio by the Ministry of Defence
  - Re-appointment to the £4.5bn Southern Construction Framework
  - Kier Places appointed by L&Q for its Major Works Investment Programme to deliver housing maintenance across its estate
- 95% of orders secured for FY24
- Significant growth in volumes in the second half of the year

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 increased 14.7% due largely to the start of works on the new custodial facility, HMP Millsike in East Yorkshire, and growth in Kier Places as we benefit from increased facilities and housing management contracts.

Adjusted operating profit increased 14.3% to £69.5m driven by increased volume and the impact of the prior year's restructuring. Adjusting items include £12.6m relating to fire cladding costs, £5.2m of restructuring and related charges and a net £5.3m in relation to historical insurance claims. Adjusting items are significantly lower than last year, resulting in reported operating profit growing 112.8% to £46.4m.

As a regional contractor, we continue to be well placed to benefit from the UK Government's focus on spending to improve under-invested assets such as schools, hospitals and custodial services, where our Construction business has specialist expertise.

Our Kier Places business specialises in working in occupied properties including residential, offices, and other facilities delivering maintenance, repairs, fire safety and compliance services.

It is focused on central Government for our facilities management work and delivering housing maintenance services for local authorities. The net zero agenda alongside changes to building safety regulations continue to drive

[7] Stated before adjusting items of £23.1m (FY22: £39.0m)

opportunities within the housing maintenance business. These have allowed the business to benefit from increased revenue volume and profitability including those from long-term maintenance contracts.

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

Property

	Year ended 30 June 2023	Year ended 30 June 2022	*Change*
Revenue (£m)	**37.6**	144.3	*(73.9)%*
Adjusted operating profit (£m)[8]	**12.8**	17.6	*(27.3)%*
Adjusted operating margin (%)	**34.0%**	12.2%	*2,180bps*
Reported operating profit (£m)	**14.3**	16.7	*(14.4)%*
Capital employed – new (£m)	**150**	122	*23.0%*
ROCE – new (%)	**9.4%**	13.7%	*(430)bps*
Capital employed (£m)	**175**	122	*43.4%*
ROCE (%)	**8.6%**	13.7%	*(510)bps*

- Commenced redevelopment work at 19 Cornwall Street Birmingham to transform it into an office operating at net zero carbon
- Entered a Joint Venture partnership with Countryside to deliver a housing development in South Wokingham
- Benefitted from planning consent for a wind farm to be developed on the former Greenburn Mine site

The Property business invests and develops primarily mixed-use commercial and residential schemes across the UK. The business is a well-established urban regeneration and property developer and largely operates through joint ventures and does not make speculative investments.

Revenue of £37.6m and adjusted operating profit of £12.8m during the year was driven by lower transaction activity as a result of market conditions, in contrast to a higher level of transactions in the prior year. Property recognised a fair value gain of £13.2m within other income related to two transactions in its investment property unit during the year.

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

In order to make the reported capital employed meaningful, we plan on amending the definition so that it excludes fair value gains and third party debt. We believe this better reflects the Group's investment in the Property segment.

As at 30 June 2023, Kier's capital employed in the Property segment was £175m, including third party debt and fair value gains. Excluding these items, it would have been £150m. Due to the Group's increased operating cash flows, the benefit of building out projects such as 19 Cornwall Street in Birmingham and market conditions we are reviewing the upper end of capital employed in our Property segment, which is currently at £170m.

Corporate

	Year ended 30 June 2023	Year ended 30 June 2022	*Change*
Adjusted operating loss (£m)[9]	**(30.6)**	(27.9)	*(9.7)%*
Reported operating loss (£m)	**(36.4)**	(41.5)	*12.3%*

The Corporate segment comprises the costs of the Group's central functions which have increased over the prior year due to inflation and investment in people to support the Group's growth.

[8] Stated before adjusting items of £(1.5)m (FY22: £0.9m)
[9] Stated before adjusting items of £5.8m (FY22: £13.6m)

Financial Review

Introduction

The Group performed well during the year and delivered an adjusted operating profit of £131.5m (FY22: £120.5m). This represents a 20 basis points operating margin increase over the prior period to 3.9% (FY22: 3.7%) with the Group exceeding its medium-term value creation plan margin target of c.3.5% ahead of time.

The continued strong operational performance, together with lower adjusting items, led to a significant increase in profit from operations to £81.5m (FY22: £45.1m) and a 226.4% increase in profit before tax to £51.9m (FY22: £15.9m).

Adjusting items reduced by 32.4% to £52.9m (FY22: £78.2m). The current year charge includes £19.2m of amortisation of intangible contract rights, £12.6m of fire and cladding costs, £13.0m of restructuring and related charges and a net £5.3m in relation to historical insurance claims. The Group believes its restructuring activities are now substantially complete.

Adjusted earnings per share increased 14.3% to 19.2p (FY22: 16.8p).

The Group generated a free cash inflow of £132.3m during the year (FY22: £54.6m) driven by a strong working capital performance, in particular driven by growth in Q4 within the Construction business.

Net cash at 30 June 2023 of £64.1m increased significantly compared to the prior year (FY22: £2.9m), driven by the strong free cash flow performance. The net cash increase was achieved despite the Group repaying its supply chain facility ('KEPS'), adjusting items, pension deficit obligations and purchasing existing Kier shares for future employee share-based remuneration.

Average month-end net debt for the year ended 30 June 2023 was £(232.1)m (FY22: £(216.1)m). As outlined in our FY22 results, the Group expected an increase in average month-end net debt due to the anticipated repayment of debt-like items such as KEPS and lower activity in our Construction business until the fourth quarter of the year. The average month-end net debt balance of £(232.1)m was better than expected due to mitigating actions taken through the year. The Group used positive operating cash flow to repay the average KEPS balance of £56.2m, to pay pension deficit obligations and to repay the remaining HMRC COVID-19 support of £6.1m.

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

The order book has increased to £10.1bn (FY22: £9.8bn), a 3.1% increase compared to the prior year end. c.85% of revenue for FY24 is already secured which provides certainty of further progress over next year.

Summary of financial performance

	Adjusted[10] results			**Reported results**		
	30 Jun 23	30 Jun 22	*change %*	**30 Jun 23**	30 Jun 22	*change %*
Revenue (£m) – Total	**3,405.4**	3,256.5	*4.6*	**3,405.4**	3,256.5	*4.6*
Revenue (£m) – Excluding JV's	**3,380.7**	3,143.9	*7.5*	**3,380.7**	3,143.9	*7.5*
Profit from operations (£m)	**131.5**	120.5	*9.1*	**81.5**	45.1	*80.7*
Profit before tax (£m)	**104.8**	94.1	*11.4*	**51.9**	15.9	*226.4*
Earnings per share (p)	**19.2**	16.8	*14.3*	**9.5**	2.9	*227.6*
Free cash flow (£m)	**132.3**	54.6	*142.3*			
Net cash (£m)	**64.1**	2.9	*2,110.3*			
Net debt (£m) - average month end	**(232.1)**	(216.1)	*(7.4)*			
Order book (£bn)	**10.1**	9.8	*3.1*			
Supply Chain Financing (£m)	–	(49.8)	*100.0*			

[10] Reference to 'Adjusted' excludes adjusting items, see note 5.

Revenue

The following table bridges the Group's revenue from the year ended 30 June 2022 to the year ended 30 June 2023.

	£m
Revenue for the year ended 30 June 2022	**3,256.5**
Infrastructure Services	45.7
Construction	211.7
Property and Corporate	(108.5)
Revenue for the year ended 30 June 2023	**3,405.4**

The Group grew revenue in both Infrastructure Services and Construction, which more than offsets the lower revenue in Property. In particular the growth within Infrastructure Services was driven by the ramp up of HS2. Utilities had anticipated higher volumes in the telecoms sector, however, changes to market conditions has resulted in reduced activity. This has had an adverse impact on the telecoms margin. Construction's improved performance was driven by its Kier Places business as well as HMP Millsike, in East Yorkshire.

Property transactions were down as expected due to a deterioration in market conditions. The deterioration was anticipated and therefore the Group accelerated the sale of certain portfolio items in the second half of the prior year to take advantage of the market conditions at the time.

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 nonrecurring 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 2022	**120.5**
Volume / price / mix changes	9.2
Fewer property transactions, net of valuation gains	(4.8)
Cost inflation	(7.2)
Management actions	13.8
Adjusted operating profit for the year ended 30 June 2023	**131.5**

Adjusted operating profit improved compared to the prior year. The main reasons for this were an improvement in volume, price and mix changes as well as management actions to reduce costs. These were offset by inflationary pressures and lower property transactions compared to FY22.

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

	Operating profit		Profit before tax	
	30 Jun 23 £m	30 Jun 22 £m	**30 Jun 23 £m**	30 Jun 22 £m
Reported profit	**81.5**	45.1	**51.9**	15.9
Amortisation of acquired intangibles	**19.2**	19.7	**19.2**	19.7
Restructuring and related charges	**13.0**	40.0	**13.0**	40.0
Other	**17.8**	15.7	**20.7**	18.5
Adjusted profit	**131.5**	120.5	**104.8**	94.1

Additional information about these items is as follows:

• Amortisation of acquired intangible assets £19.2m (FY22: £19.7m):

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

• Restructuring and related charges £13.0m (FY22: £40.0m):

Restructuring costs include £7.6m incurred on redundancy and other people-related costs within the Group, including those related to the re-sizing of the International business. A further £4.9m was incurred on professional advisor fees and other non-people related activities, including £1.6m of vacant property costs. The Group's restructuring is now substantially complete and there will be no further restructuring charges recognised in adjusting items.

• Other costs £20.7m (FY22: £18.5m)

Legal and compliance costs include £12.6m incurred on fire compliance and cladding claims.

A further £5.3m was incurred on insurance-related matters. This is made up of a provision of £8.0m against an insurance-related receivable. This is offset by £2.7m of insurance proceeds received following the fire at the Pure Recycling plant in July 2021.

A further £1.5m was incurred as a result of the fine from HSE in relation to historical safety issues. In addition, £2.9m of finance costs relate to the IFRS 16 interest charge on leased properties that were previously vacated.

Offsetting these costs was a £1.6m profit on the sale of mothballed land which had previously been impaired through adjusting items.

Earnings per share

Earnings per share ('EPS') before and after adjusting items have both increased significantly compared to prior year. EPS before adjusting items amounted to 19.2p (FY22: 16.8p). EPS after adjusting items amounted to 9.5p (FY22: 2.9p). There was a significant reduction in adjusting items in the year.

Finance income and charges

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

Net finance charges for the year were £26.7m (FY22: £26.4m) before adjusting items of £2.9m (FY22: £2.8m).

Interest on bank borrowings amounted to £29.0m (FY22: £18.9m) and have increased during the year due to the higher average month-end net debt and increased interest rates. The Group was able to partially mitigate the risk of higher interest rates with a fixed interest rate swap of £100m, which resulted in a fair value gain of £1.1m as at 30 June 2023, and which expires in September 2023; and another three-year fixed interest rate swap of £100m reducing to £75m in its second year and £50m in its third year and which expires in February 2026.

Finance lease charges were £9.5m (FY22: £6.5m) driven by the ramp up of HS2.

The Group had a net interest credit of £7.8m (FY22: £1.0m) in relation to the defined benefit pension schemes which has arisen due to the combination of the overall pension surplus and the discount rate (derived from corporate bond yields), at the start of the financial year. We anticipate this will reduce to c.£5.5m in FY24.

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

Dividend

As part of the medium-term value creation plan, the Board intended to reinstate dividends when a near-term pathway to operating with an average net cash position was clear.

Given the Group's strong operational and financial performance over the last year, the year-end net cash position and confidence over further progress in the short term, the Board is able to confirm its intention to commence dividend payments to shareholders. Over time, we will progress to deliver a dividend, covered 3x by earnings and in a payment ratio of one-third interim dividend and two thirds final dividend. The first dividend is expected to be announced alongside the interim results.

Balance sheet

Net assets

The Group had net assets of £513.0m at 30 June 2023 (FY22: £554.6m). The primary driver for this is the decrease in the pension scheme surplus during the period, offset by the retained profit for the year.

Goodwill

The Group held intangible assets of £645.0m (FY22: £669.1m) of which goodwill represented £536.7m (FY22: £536.7m).

The Group completed its annual review of goodwill assuming a pre-tax discount rate of 13.1% (FY22: 11.1%), and concluded that no impairment was required.

The Infrastructure Services group of Cash Generating Units ('CGU') comprise £516.3m of the total goodwill balance. Whilst no impairment is noted and management believes 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.

Deferred tax asset

The Group has a deferred tax asset of £128.8m recognised at 30 June 2023 (FY22: £108.8m) primarily due to historical losses. The asset has increased in the year predominantly due to the deferred tax debit in relation to the movement in the pension scheme asset. In addition, tax losses of £10.8m have been used against current year profits.

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

An adjusted tax credit of £9.1m (FY22: £14.8m) has been included within adjusting items, representing the tax impact of adjusting items.

Right-of-use assets and lease liabilities

At 30 June 2023, the Group had right-of-use assets of £105.4m (FY22: £80.6m) and associated lease liabilities of £182.6m (FY22: £157.6m). The increase in the period is principally due to the levels of hired plant and equipment required for major Infrastructure projects, including HS2 and Hinkley Point C.

Investment properties

The Group has long term leases on two office buildings which were formerly utilised by the Group that have been vacated and are now leased out (or intended to be leased out) to third parties under operating leases, as well as two freehold properties no longer used by the business that are being held for capital appreciation. These are all held as investment properties.

In addition, the Group's Property business invests and develops primarily mixed-use commercial and residential schemes and sites across the UK. One of these sites is held as an investment property, along with the Group's former mine at Greenburn, Scotland, which was granted planning permission for a wind farm during the year.

The Group recognised an overall fair value gain of £11.4m across these sites which has been recognised in Other income.

Contract assets & liabilities

Contract assets represents the Group's right to consideration in exchange for works which have already been performed. Similarly, a contract liability is recognised when a customer pays consideration before work is performed. At 30 June 2023, total contract assets amounted to £401.9m (FY22: £397.5m).

Contract liabilities were £90.5m (FY22: £67.3m).

Retirement benefits obligation

Kier operates a number of defined benefit pension schemes. At 30 June 2023, the reported surplus, which is the difference between the aggregate value of the schemes' assets and the present value of their future liabilities, was £104.5m (FY22: £194.7m), before accounting for deferred tax, with the movement in the year primarily as a result of actuarial losses of £107.8m (FY22: £136.3m gains). A change in financial assumptions, resulting from higher corporate bond yields, has reduced the pension schemes' liabilities. This is partly offset by an experience loss of £51.4m. However, there has also been a fall in the schemes' asset values, largely due to the level of liability hedging in the asset portfolio. High inflation rates have also impacted the pension surplus through higher annual pension increases awarded.

During the year the Group agreed the triennial valuation for funding six of its seven defined benefit pension schemes. Given the Group's improved covenant and payments made under the existing schedule of contributions, the schemes are in a significantly improved position.

Accordingly, deficit payments will decrease from £10m in FY23 to £9m in FY24, £8m in FY25, £5m in FY26, £4m in FY27 and £1m in FY28.

Once the pension schemes are in actuarial surplus, they will cover their own administration expenses. In FY23, expenses amounted to £2.9m (FY22: £4.2m). The largest of the six schemes is already in surplus.

Free cash flow and Net debt

	2023 £m	2022 £m
Operating profit	**81.5**	45.1
Depreciation of owned assets	**6.1**	6.6
Depreciation of right-of-use assets	**43.7**	30.0
Amortisation	**33.9**	28.0
EBITDA	**165.2**	109.7
Adjusting items excluding adjusting amortisation and interest	**30.8**	55.7
Adjusted EBITDA	**196.0**	165.4
Working capital inflow	**80.3**	3.7
Net capital expenditure including finance lease capital payments	**(51.4)**	(46.5)
Joint Venture dividends less profits	**0.7**	5.9
Repayment of KEPS	**(49.8)**	(29.3)
Other free cash flow items	**(5.2)**	9.0
Operating free cash flow	**170.6**	108.2
Net interest and tax	**(38.3)**	(32.8)
Free cash flow before COVID-19	**132.3**	75.4
Net COVID-19 tax repayment	–	(20.8)
Free cash flow	**132.3**	54.6

	2023 £m	2022 £m
Net cash at 30 June 2022	**2.9**	3.0
Free cash flow	**132.3**	54.6
Adjusting items	**(27.0)**	(41.2)
Pension deficit payments and fees	**(12.8)**	(15.0)
Fees paid in respect of prior year equity raise	–	(6.1)
Purchase of own shares	**(11.9)**	(7.0)
Other	**(19.4)**	14.6
Net cash at 30 June 2023	**64.1**	2.9

The Group has delivered a strong free cash flow for the year, driven by the underlying business performance and good working capital management. This performance was achieved despite the repayment of £49.8m of KEPS in July 2022.

The average month-end net debt position is higher than the comparative period at £(232.1)m, (FY22: £216.1m). Positive operating cash flow was used to pay off the average KEPS balance, pay adjusting items, tax and interest, pension deficit obligations, purchase existing Kier shares on behalf of employees and the remaining HMRC COVID-19 support.

The purchase of existing shares relates to the Group's employee benefit trusts which acquire Kier shares from the market for use in settling the Long-Term Incentive Plan ('LTIP') share schemes when they vest. The trusts purchased and sold shares at a net cost of £11.9m (FY22: £7.0m). This buyback reduced the dilution impact of the LTIP issuance and the 2021 equity fund raising.

Given the extent of Free Cash Flow ('FCF') generation, we have a line-of-sight to further significant net debt reduction for FY24 and FY25.

Accounting policies

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

Treasury facilities

Bank finance

The Group has committed debt facilities of £569.4m with a further £18.0m of uncommitted overdrafts.

The facilities comprise £495.0m Revolving Credit Facility ('RCF'), £74.4m US Private Placement ("USPP") Notes as well as £18.0m of overdrafts.

During the year, the Group repaid £35.6m of USPP Notes and the remaining £8.2m of Schuldschein Notes. It also reduced the RCF facility by £40.0m. We expect to reduce a further £20.0m of the RCF and repay £1.7m of USPP Notes in the calendar year 2023.

The Group's revolving credit facility is scheduled to expire on 31 January 2025. The Board is confident in the Group's ability to refinance during FY24.

Supply chain finance

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

Financial instruments

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

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

The Group does not enter into speculative transactions.

Going concern

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

Further information on this assessment is detailed in note 1 of the consolidated financial statements on pages 23 and 24.

Financial statements

Condensed consolidated income statement

For the year ended 30 June 2023

	Note	**2023 £m**	2022 £m
Continuing operations			
Revenue			
Group and share of joint ventures[1]	2	**3,405.4**	3,256.5
Less share of joint ventures	2	**(24.7)**	(112.6)
Group revenue		**3,380.7**	3,143.9
Cost of sales		**(3,074.4)**	(2,879.9)
Gross profit		**306.3**	264.0
Administrative expenses		**(240.0)**	(245.5)
Share of post-tax results of joint ventures		**1.1**	26.6
Other income	4	**14.1**	–
Profit from operations	2	**81.5**	45.1
Finance income	5	**9.4**	0.7
Finance costs	5	**(39.0)**	(29.9)
Profit before tax	2	**51.9**	15.9
Taxation	7	**(10.9)**	(3.2)
Profit for the year	2	**41.0**	12.7
Attributable to:			
Owners of the parent		**41.1**	12.7
Non-controlling interests		**(0.1)**	–
		41.0	12.7
Earnings per share			
– Basic	9	**9.5p**	2.9p
– Diluted	9	**9.3p**	2.8p
Supplementary information			
Adjusted[2] operating profit	3	**131.5**	120.5
Adjusted[2] profit before tax	3	**104.8**	94.1
Adjusted[2] basic earnings per share	9	**19.2p**	16.8p
Adjusted[2] diluted earnings per share	9	**18.8p**	16.4p

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

Financial statements

Condensed consolidated statement of comprehensive income

For the year ended 30 June 2023

	Note	2023 £m	2022 £m
Profit for the year		**41.0**	12.7
Items that may be reclassified subsequently to the income statement			
Fair value movements on cash flow hedging instruments		**2.1**	6.4
Fair value movements on cash flow hedging instruments recycled to the income statement	5	**1.2**	(7.4)
Deferred tax on fair value movements on cash flow hedging instruments		**(0.8)**	0.2
Foreign exchange translation differences		**0.3**	3.9
Total items that may be reclassified subsequently to the income statement		**2.8**	3.1
Items that will not be reclassified to the income statement			
Re-measurement of retirement benefit assets and obligations	6	**(107.8)**	136.3
Tax on re-measurement of retirement benefit assets and obligations		**26.5**	(34.7)
Total items that will not be reclassified to the income statement		**(81.3)**	101.6
Other comprehensive (loss)/income for the year		**(78.5)**	104.7
Total comprehensive (loss)/income for the year		**(37.5)**	117.4
Attributable to:			
Equity holders of the parent		**(37.4)**	117.4
Non-controlling interests		**(0.1)**	–
		(37.5)	117.4

Financial statements

Condensed consolidated statement of changes in equity

As at 30 June 2023

	Note	Share capital £m	Share premium £m	Capital redemption reserve £m	Accumulated losses £m	Cash flow hedge reserve £m	Translation reserve £m	Merger reserve £m	Equity attributable to owners of the parent £m	Non-controlling interests £m	Total equity £m
At 1 July 2021		4.5	684.3	2.7	(610.8)	(0.1)	5.0	350.6	436.2	(1.2)	435.0
Profit for the 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	15	–	–	–	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**
Profit/(loss) for the year		**–**	**–**	**–**	**41.1**	**–**	**–**	**–**	**41.1**	**(0.1)**	**41.0**
Other comprehensive (loss)/income		**–**	**–**	**–**	**(81.3)**	**2.5**	**0.3**	**–**	**(78.5)**	**–**	**(78.5)**
Total comprehensive (loss)/income for the year		**–**	**–**	**–**	**(40.2)**	**2.5**	**0.3**	**–**	**(37.4)**	**(0.1)**	**(37.5)**
Issue of own shares		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**0.3**	**0.3**
Changes in ownership of subsidiary		**–**	**–**	**–**	**(0.9)**	**–**	**–**	**–**	**(0.9)**	**–**	**(0.9)**
Share-based payments	15	**–**	**–**	**–**	**8.4**	**–**	**–**	**–**	**8.4**	**–**	**8.4**
Purchase of own shares		**–**	**–**	**–**	**(11.9)**	**–**	**–**	**–**	**(11.9)**	**–**	**(11.9)**
At 30 June 2023		**4.5**	**684.3**	**2.7**	**(539.5)**	**1.6**	**9.2**	**350.6**	**513.4**	**(0.4)**	**513.0**

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

Financial statements

Condensed consolidated balance sheet

As at 30 June 2023

	Note	**2023 £m**	2022 £m
Non-current assets			
Intangible assets	10	**645.0**	669.1
Property, plant and equipment		**29.8**	32.7
Right-of-use assets		**105.4**	80.6
Investment properties	11	**98.4**	60.4
Investments in and loans to joint ventures		**78.6**	82.3
Capitalised mobilisation costs		**6.3**	11.6
Deferred tax assets	7	**128.8**	108.8
Contract assets		**43.7**	31.2
Trade and other receivables		**18.5**	17.0
Retirement benefit assets	6	**129.3**	199.2
Other financial assets		**9.7**	8.5
Non-current assets		**1,293.5**	1,301.4
Current assets			
Inventories		**72.9**	56.8
Contract assets		**358.2**	366.3
Trade and other receivables		**189.2**	202.9
Corporation tax receivable		**13.4**	10.0
Other financial assets		**1.0**	3.7
Cash and cash equivalents	12	**376.9**	297.7
Current assets		**1,011.6**	937.4
Total assets		**2,305.1**	2,238.8
Current liabilities			
Borrowings	12	**–**	(40.5)
Lease liabilities		**(36.2)**	(25.9)
Trade and other payables	13	**(1,075.0)**	(1,065.7)
Contract liabilities		**(90.5)**	(67.3)
Provisions		**(38.2)**	(22.2)
Current liabilities		**(1,239.9)**	(1,221.6)
Non-current liabilities			
Borrowings	12	**(319.1)**	(266.5)
Lease liabilities		**(146.4)**	(131.7)
Trade and other payables	13	**(36.9)**	(34.1)
Retirement benefit obligations	6	**(24.8)**	(4.5)
Provisions		**(25.0)**	(25.8)
Non-current liabilities		**(552.2)**	(462.6)
Total liabilities		**(1,792.1)**	(1,684.2)
Net assets	2	**513.0**	554.6
Equity			
Share capital	14	**4.5**	4.5
Share premium		**684.3**	684.3
Capital redemption reserve		**2.7**	2.7
Accumulated losses		**(539.5)**	(494.9)
Cash flow hedge reserve		**1.6**	(0.9)
Translation reserve		**9.2**	8.9
Merger reserve		**350.6**	350.6
Equity attributable to owners of the parent		**513.4**	555.2
Non-controlling interests		**(0.4)**	(0.6)
Total equity		**513.0**	554.6

Financial statements

Condensed consolidated statement of cash flows

For the year ended 30 June 2023

	Note	**2023 £m**	2022 £m
Cash flows from operating activities			
Profit before tax		**51.9**	15.9
Net finance cost	5	**29.6**	29.2
Share of post-tax trading results of joint ventures		**(1.1)**	(26.6)
Pension cost charge/(credit)		**0.1**	(0.4)
Equity-settled share-based payments charge	15	**8.4**	8.6
Amortisation and impairment of intangible assets and mobilisation costs		**33.9**	30.3
Change in fair value of investment properties	11	**(11.4)**	(0.2)
Research and development expenditure credit	7	**(22.8)**	(20.7)
Depreciation and impairment of property, plant and equipment		**6.1**	10.7
Depreciation and impairment of right-of-use assets		**43.7**	35.2
(Profit)/loss on disposal of property, plant and equipment and intangible assets		**(1.8)**	0.8
Operating cash inflows before movements in working capital and pension deficit contributions		**136.6**	82.8
Deficit contributions to pension funds	6	**(9.9)**	(10.8)
Increase in inventories		**(18.8)**	(2.1)
Decrease in receivables		**12.2**	7.3
Increase in contract assets		**(4.4)**	(31.6)
Increase/(decrease) in payables		**26.1**	(12.4)
Increase in contract liabilities		**23.2**	7.4
Increase in provisions		**15.2**	0.2
Cash inflow from operating activities		**180.2**	40.8
Dividends received from joint ventures		**1.8**	32.5
Interest received	5	**1.6**	0.7
Income tax paid		**(0.1)**	–
Net cash inflow from operating activities		**183.5**	74.0
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**2.6**	4.2
Purchase of property, plant and equipment		**(3.9)**	(6.0)
Purchase of intangible assets	10	**(2.7)**	(0.7)
Purchase of capitalised mobilisation costs		**(1.8)**	(10.2)
Acquisition of joint venture debt		**(0.9)**	–
Investment in joint ventures		**(35.7)**	(16.8)
Loan repayment and return of equity from joint ventures		**17.1**	27.5
Net cash used in investing activities		**(25.3)**	(2.0)
Cash flows from financing activities			
Issue of shares net of associated transaction costs		**–**	(6.1)
Issue of shares to non-controlling interest		**0.3**	0.6
Purchase of own shares		**(11.9)**	(7.0)
Interest paid		**(39.5)**	(28.8)
Principal elements of lease payments		**(45.6)**	(33.8)
Drawdown of borrowings		**56.8**	–
Repayment of borrowings		**(43.2)**	(101.8)
Settlement of derivative financial instruments		**4.7**	7.5
Changes in ownership interests of subsidiaries		**(0.9)**	–
Net cash used in financing activities		**(79.3)**	(169.4)
Increase/(decrease) in cash, cash equivalents and overdraft		**78.9**	(97.4)
Effect of change in foreign exchange rates		**0.3**	3.9
Opening cash, cash equivalents and overdraft		**297.7**	391.2
Closing cash, cash equivalents and overdraft	12	**376.9**	297.7
Supplementary information			
Adjusted[1] cash inflow from operating activities	3(e)	**207.2**	82.0

[1] Reference to 'adjusted' excludes adjusting items, see note 3. This is an alternative performance measure.

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 consolidated financial statements (financial statements) for the year ended 30 June 2023 comprise the Company and its subsidiaries (together referred to as the Group) and the Group's interest in jointly controlled entities.

Basis of preparation

These results have been prepared in accordance with 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 2022 and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

The financial information contained in this preliminary announcement does not constitute the Company's statutory accounts as at and for the year ended 30 June 2023, but is derived from those statutory accounts. The Company's statutory accounts as at and for the year ended 30 June 2023 were approved by the Board on 13 September 2023 and received an unqualified audit report. These will be delivered to the Registrar of Companies following the Company's Annual General Meeting on 16 November 2023.

Going concern

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 2023 and produced results in line with the Board's expectations.

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. At 30 June 23, the order book was £10.1bn (2022: £9.8bn).

As at 30 June 2023, the Group had £569.4m of unsecured committed facilities and £18.0m of uncommitted overdrafts. During the year the Group repaid the final amount of £49.8m of uncommitted supply chain financing facilities ('KEPS') and as at 30 June 2023 the Group had no outstanding invoices on these facilities.

Financial covenant certificates for June 2023 have been prepared with no breaches noted. The Directors have reviewed the Group's cash flow forecasts for the period to 31 December 2024, 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;
- Project inflation and subcontractor insolvency;
- Reduced investment/delays in Property transactions and cost of adoption of green legislation;
- Plausible changes in the interest rate environment; and
- The availability of mitigating actions that could be taken by management in such a scenario.

During the year there has been a significant increase in bank base rates which directly impacts the cost of the Revolving Credit Facility ('RCF'). Rates have increased from 1.0% at June 2022 to 5.0% at June 2023. Inflation has remained higher than expected which could potentially put further upward pressure on interest rates. The increase in interest rates has, however, been partly mitigated by entering into fixed rate swaps at advantageous rates.

The RCF facility extends to 31 January 2025. Working with lenders and its advisors, the Board is confident in the Group's ability to access a number of available funding markets to achieve an appropriate capital structure to support the Group's strategic objectives; and would expect to complete a re-financing in the current financial year.

The Board also considered the macroeconomic and political risks affecting the UK economy, including the availability of labour and inflationary pressures leading to increased supply chain costs. 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 severe but plausible downside scenario.

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 12 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.

2 Segmental reporting

Year to 30 June 2023

Continuing operations	Infrastructure Services £m	Construction £m	Property £m	Corporate £m	Group £m
Revenue[1]					
Group and share of joint ventures	**1,712.3**	**1,652.5**	**37.6**	**3.0**	**3,405.4**
Less share of joint ventures	**–**	**(2.4)**	**(22.3)**	**–**	**(24.7)**
Group revenue	**1,712.3**	**1,650.1**	**15.3**	**3.0**	**3,380.7**
Timing of revenue[1]					
Products and services transferred at a point in time	**3.9**	**0.8**	**21.5**	**–**	**26.2**
Products and services transferred over time	**1,708.4**	**1,651.7**	**16.1**	**3.0**	**3,379.2**
Group and share of joint ventures	**1,712.3**	**1,652.5**	**37.6**	**3.0**	**3,405.4**
Profit for the year					
Operating profit/(loss) before adjusting items[2]	**79.8**	**69.5**	**12.8**	**(30.6)**	**131.5**
Adjusting items[2]	**(22.6)**	**(23.1)**	**1.5**	**(5.8)**	**(50.0)**
Profit/(loss) from operations	**57.2**	**46.4**	**14.3**	**(36.4)**	**81.5**
Net finance income/(costs)[3]	**1.4**	**(4.3)**	**(0.6)**	**(26.1)**	**(29.6)**
Profit/(loss) before tax	**58.6**	**42.1**	**13.7**	**(62.5)**	**51.9**
Taxation					**(10.9)**
Profit for the year					**41.0**
Balance sheet					
Operating assets[4]	**973.7**	**413.1**	**188.5**	**342.3**	**1,917.6**
Operating liabilities[4]	**(511.7)**	**(732.7)**	**(18.5)**	**(210.2)**	**(1,473.1)**
Net operating assets/(liabilities)[4]	**462.0**	**(319.6)**	**170.0**	**132.1**	**444.5**
Cash, cash equivalents and borrowings	**456.6**	**594.5**	**(134.1)**	**(859.2)**	**57.8**
Net financial assets	**–**	**–**	**–**	**10.7**	**10.7**
Net assets/(liabilities)	**918.6**	**274.9**	**35.9**	**(716.4)**	**513.0**
Other information					
Inter-segmental revenue	**31.5**	**0.1**	**–**	**40.5**	**72.1**
Capital expenditure on property, plant, equipment and intangible assets	**0.7**	**0.1**	**–**	**5.8**	**6.6**
Depreciation of property, plant and equipment	**(0.9)**	**(0.4)**	**(0.2)**	**(4.6)**	**(6.1)**
Amortisation of computer software	**(1.4)**	**(0.8)**	**–**	**(5.4)**	**(7.6)**

2 Segmental reporting continued

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	50.2	17.7	15.1	(67.1)	15.9
Taxation					(3.2)
Profit for the year					12.7
Balance sheet					
Operating assets[4]	925.5	442.6	144.0	416.8	1,928.9
Operating liabilities[4]	(466.0)	(706.2)	(25.9)	(179.1)	(1,377.2)
Net operating assets/(liabilities)[4]	459.5	(263.6)	118.1	237.7	551.7
Cash, cash equivalents and borrowings	440.2	504.0	(90.3)	(863.2)	(9.3)
Net financial assets	–	–	–	12.2	12.2
Net assets/(liabilities)	899.7	240.4	27.8	(613.3)	554.6
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)

1 Revenue is stated after the exclusion of inter-segmental revenue. 100% of the Group's revenue is derived from UK-based customers. 15% of the Group's revenue was received from High Speed Two (HS2) Limited (2022: 10%). 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:

	Profit from operations		Profit before tax	
	2023 £m	2022 £m	**2023 £m**	2022 £m
Reported profit from operations	**81.5**	45.1	**51.9**	15.9
Amortisation of acquired intangible assets	**19.2**	19.7	**19.2**	19.7
Restructuring and related charges	**13.0**	40.0	**13.0**	40.0
Other[1]	**17.8**	15.7	**20.7**	18.5
Adjusted profit from operations	**131.5**	120.5	**104.8**	94.1

1 Operating profit adjusting items exclude net financing costs of £2.9m (2022: £2.8m), see note 3(c).

(a) Amortisation of acquired intangible assets

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

	Note	**2023 £m**	2022 £m
Amortisation of acquired intangible assets	10	**(19.2)**	(19.7)

(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.

	2023 £m	2022 £m
Redundancy and other people-related costs[1]	**(7.6)**	(6.5)
Professional adviser fees and other costs incurred implementing non-people initiatives[2]	**(4.9)**	(7.1)
Impairments and other costs relating to investment properties[3]	**(0.5)**	(4.2)
Restructure of Regional Southern Build business[4]	**–**	(22.2)
Total charge before tax	**(13.0)**	(40.0)

1 Costs of £4.8m 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 £2.8m 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.

2 This includes £1.6m of vacant property costs along with a further £4.8m of other non-people related initiatives undertaken in the year. This is offset by a credit of £1.5m as a result of the finalisation of aborted acquisition costs from the prior year.

3 Investment property costs include £1.5m in respect of its investment properties vacated as part of the corporate review of Group premises. This is offset by a credit of £1.0m due to a revaluation of the land at the Pure recycling plant.

4 In the prior year the Group completed its strategic restructuring of its Regional Southern Build business.

(c) Other adjusting items

Other adjusting items are analysed below:

	2023 £m	2022 £m
Net financing costs[1]	**(2.9)**	(2.8)
Legal compliance[2]	**(14.1)**	(8.8)
Insurance-related items[3]	**(5.3)**	(5.2)
Profit on sale of previously impaired land[4]	**1.6**	–
Software impairment[5]	**–**	(2.2)
Pension credit[6]	**–**	0.5
Total charge before tax	**(20.7)**	(18.5)

1 Net financing costs relate to IFRS 16 interest charges on leased investment properties previously used as offices.

2 The Group has provided for an additional; £12.6m of costs in the year in complying with the updated fire compliance regulations, resulting in a year-end provision of £15.5m. In addition, following the Health and Safety Executive ('HSE') decision in January 2023 to fine the Group for historical safety issues, the Group provided for a further £1.5m to cover these costs.

3 A provision of £8.0m has been made for additional costs associated with an insurance-related receivable. Offsetting this is a credit of £2.7m in relation to insurance proceeds received in respect of the fire at the Group's recycling plant in Warwickshire, to offset the prior year impairment and associated costs.

4 In June 2023 the Group sold some of its land that was previously impaired through adjusting items. The profit of £1.6m has been credited to adjusting items so as to be consistent with the original accounting treatment.

5 During the prior year, the Group impaired some software related to one of its design businesses. This impairment was treated as an adjusting item due to its nature.

6 During the prior year, a Pension Increase Exchange ('PIE') exercise was undertaken which generated a £0.5m credit to the income statement.

3 Adjusting items continued

(d) Taxation

Adjusting items in respect of taxation are analysed below:

	2023 £m	2022 £m
Deferred tax credit as a result of the change in tax rate[1]	**2.0**	5.1
Tax impact of adjusting items[2]	**9.1**	14.8
Other tax charges[3]	**–**	(3.6)
Total tax credit	**11.1**	16.3

1 Benefits arising from change in tax rate to 25%.
2 The tax impact of the adjusting items charged to continuing operations has also been included as an adjusting item.
3 During the prior year, historical tax balances were identified mainly as a result of historic acquisitions and were written off.

(e) Adjusted cash flow

	Note	2023 £m	2022 £m
Reported cash inflow from operating activities		**180.2**	40.8
Add: Cash outflow from operating activities (adjusting items)	3(f)	**27.0**	41.2
Adjusted cash inflow from operating activities		**207.2**	82.0

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

	2023 £m	2022 £m
Adjusting items reported in the income statement	**52.9**	78.2
Less: non-cash items incurred in the year	**(39.0)**	(38.4)
Add: payment of prior year accruals and provisions	**13.1**	1.4
Cash outflow from operating activities (adjusting items)	**27.0**	41.2

4 Other income

	2023 £m	2022 £m
Recycling Plant insurance proceeds	**2.7**	–
Fair value gain on investment properties	**11.4**	–
Other income	**14.1**	–

5 Finance income and costs

	2023 £m	2022 £m
Finance income		
Bank deposits	**0.5**	–
Interest receivable on loans to related parties	**1.1**	0.7
Net interest on net defined benefit obligation	**7.8**	–
	9.4	0.7
Finance costs		
Bank interest	**(29.0)**	(18.9)
Interest payable on leases	**(9.5)**	(6.5)
Forward funding interest	**–**	(0.5)
Foreign exchange gains/(losses) on foreign denominated borrowings	**2.5**	(9.9)
Fair value (losses)/ gains on cash flow hedges recycled from other comprehensive income[1]	**(1.2)**	7.4
Net interest on net defined benefit obligation	**–**	1.0
Other	**(1.8)**	(2.5)
	(39.0)	(29.9)
Net finance costs	**(29.6)**	(29.2)

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

6 Retirement benefit obligations

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

	2023 %	2022 %
Discount rate	**5.30**	3.90
Inflation rate (Retail Price Index)	**3.20**	3.15
Inflation rate (Consumer Price Index)[1]	**2.30-2.75**	2.65

1 CPI rates for 2023 have been based on individual scheme expected durations.

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

			2023			2022
	Kier Group £m	**Acquired schemes £m**	**Total £m**	Kier Group £m	Acquired schemes £m	Total £m
Opening net surplus/(deficit)	170.2	24.5	**194.7**	78.6	(32.4)	46.2
Credit/(charge) to income statement	6.6	1.1	**7.7**	1.5	(0.1)	1.4
Employer contributions	0.4	9.5	**9.9**	0.5	10.3	10.8
Actuarial (losses)/gains	(59.7)	(48.1)	**(107.8)**	89.6	46.7	136.3
Closing net surplus/(deficit)	**117.5**	**(13.0)**	**104.5**	170.2	24.5	194.7
Comprising:						
Fair value of scheme assets	850.9	396.8	**1,247.7**	1,048.0	509.0	1,557.0
Net present value of the defined benefit obligation	(733.4)	(409.8)	**(1,143.2)**	(877.8)	(484.5)	(1,362.3)
Net surplus/(deficit)	**117.5**	**(13.0)**	**104.5**	170.2	24.5	194.7
Presentation of net surplus/(deficit) in the Consolidated balance sheet:						
Retirement benefit assets	117.5	11.8	**129.3**	170.2	29.0	199.2
Retirement benefit obligations	–	(24.8)	**(24.8)**	–	(4.5)	(4.5)
Net surplus/(deficit)	**117.5**	**(13.0)**	**104.5**	170.2	24.5	194.7

7 Taxation

	2023 £m	2022 £m
Profit before tax	**51.9**	15.9
Less: Income from joint venture companies	**(3.6)**	(0.8)
Adjusted profit before tax	**48.3**	15.1
Current tax	**(7.3)**	(8.5)
Deferred tax	**(3.6)**	5.3
Total tax charge in the income statement	**(10.9)**	(3.2)
Effective tax rate	**22.6%**	21.2%

The Deferred Tax Asset includes £106.2m of tax losses (2022: £105.6m), and £22.6m of other deferred tax assets and liabilities (2022: £3.2m).

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 2023;
- The Group has substantially completed its restructuring activities and is focusing on the achievement of the medium-term growth strategy; and
- The Group's core businesses are well-placed to benefit from the announced and committed UK Government spending plans to invest in infrastructure, decarbonisation and spending.

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 £22.8m was included in operating profit during the year (2022: £20.7m). Included in the corporation tax asset at 30 June 2023 were RDEC receivables of £16.1m (2022: £12.0m).

8 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 (2022: £nil).

9 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	**2023 £m**	2022 £m
Continuing operations			
Profit for the year		**41.0**	12.7
Less: non-controlling interest share		**0.1**	–
Profit (after tax and minority interests), being net gains attributable to equity holders of the parent (A)		**41.1**	12.7
Adjusting items (excluding tax)	3	**52.9**	78.2
Tax impact of adjusting items	3	**(11.1)**	(16.3)
Adjusted profit after tax (B)		**82.9**	74.6

b) Weighted average number of shares used as the denominator

	2023 million	2022 million
Weighted average number of shares used as the denominator in calculating basic earnings per share (C)	**431.2**	443.3
Adjustments for calculation of diluted earnings per share		
Impact of share options	**10.3**	11.8
Weighted average number of shares used as the denominator in calculating diluted earnings per share (D)	**441.5**	455.1

The weighted average number of shares is lower than the number of shares in issue (per note 14) primarily due to shares that are held by the Group's employee benefit trusts (see note 15), which are excluded from the calculation.

Options granted to employees under the Sharesave, Conditional Share Awards Plan ('CSAP') and Long Term Incentive Plan ('LTIP') schemes are considered to be potential ordinary shares. They have been included in the determination of diluted earnings per share if the required performance obligations would have been met based on the Group's performance up to the reporting date, and to the extent to which they are dilutive. The options have not been included in the determination of basic earnings per share. Details relating to the share option schemes are set out in note 15.

c) Basic earnings per share

	2023 pence	2022 pence
Total basic earnings per share attributable to the ordinary equity holders of the Company (A/C)	**9.5**	2.9
Adjusted basic earnings per share attributable to the ordinary equity holders of the Company (B/C)	**19.2**	16.8

d) Diluted earnings per share

	2023 pence	2022 pence
Total diluted earnings per share attributable to the ordinary equity holders of the Company (A/C)	**9.3**	2.8
Adjusted diluted earnings per share from continuing operations attributable to the ordinary equity holders of the Company (B/D)	**18.8**	16.4

10 Intangible assets

	Goodwill £m	Intangible contract rights £m	Computer software[1] £m	**Total £m**
Cost				
At 1 July 2021	538.8	259.4	132.8	**931.0**
Additions	–	–	0.7	**0.7**
Disposals	–	(7.2)	(0.9)	**(8.1)**
At 30 June 2022	**538.8**	**252.2**	**132.6**	**923.6**
Additions	–	–	2.7	**2.7**
Disposals	–	(16.5)	(9.6)	**(26.1)**
At 30 June 2023	**538.8**	**235.7**	**125.7**	**900.2**
Accumulated amortisation and impairment				
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)**
Charge for the year	–	(19.2)	(7.6)	**(26.8)**
Disposals	–	16.5	9.6	**26.1**
At 30 June 2023	**(2.1)**	**(170.9)**	**(82.2)**	**(255.2)**
Net book value				
At 30 June 2023	**536.7**	**64.8**	**43.5**	**645.0**
At 30 June 2022	536.7	84.0	48.4	669.1

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

11 Investment properties

	Owned assets £m	Right-of-use assets £m	Total £m
At 1 July 2021	8.3	41.3	49.6
Transfers	2.0	6.1	8.1
Additions	–	2.5	2.5
Fair value gain/(loss) recognised in administrative expenses	2.7	(2.5)	0.2
At 30 June 2022	13.0	47.4	60.4
Transfers	**2.7**	**–**	**2.7**
Additions	**22.8**	**1.1**	**23.9**
Fair value gain/(loss) recognised in other income	**14.4**	**(3.0)**	**11.4**
At 30 June 2023	**52.9**	**45.5**	**98.4**

12 Net cash

	2023 £m	2022 £m
Cash and cash equivalents – bank balances and cash in hand	**376.9**	297.7
Borrowings due within one year	**–**	(40.5)
Borrowings due after one year	**(319.1)**	(266.5)
Impact of cross-currency hedging	**6.3**	12.2
Net cash	**64.1**	2.9

Average month-end net debt was £232.1m (2022: £216.1m). Net debt excludes lease liabilities.

13 Trade and other payables

	2023 £m	2022 £m
Current:		
Trade payables[1]	**310.0**	354.2
Accruals	**585.1**	527.4
Sub-contract retentions	**22.5**	32.7
Other taxation and social security[2]	**138.4**	122.1
Other payables and deferred income	**19.0**	29.3
	1,075.0	1,065.7
Non-current:		
Trade payables	**5.1**	11.0
Sub-contract retentions	**31.8**	23.1
	36.9	34.1

1 There are no payments due to suppliers who are on bank-supported supply chain finance arrangements (2022: £49.8m).

14 Share capital and reserves

Share capital

The share capital of the Company comprises:

	2023		2022	
	Number	**£m**	Number	£m
Authorised, issued and fully-paid ordinary shares of 1 pence each	**446,314,435**	**4.5**	446,241,682	4.5

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

During the year, 72,753 shares were issued under the Sharesave Scheme (2022: 75,893).

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.

15 Share-based payments

The Group has an established LTIP under which directors and senior employees can receive awards of shares subject to the Group achieving certain performance targets. Participants are entitled to receive dividend equivalents on these awards. Further details of the LTIP schemes were disclosed in the 2022 annual financial statements. 8,432,381 shares vested under the LTIP schemes during the year (2022: no share awards vested). 15,492,751 new awards were granted under the LTIP during the year (2022: 8,570,392). Awards made to members of the Board are subject to a two-year holding period post vesting.

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

The Group also has an established Sharesave ('SAYE') scheme. Options to acquire shares in the capital of Kier Group plc are granted to eligible employees who enter into a Sharesave contract, saving a regular sum each month. Participation in the scheme is offered to all employees of the Group who have been employed for a continuous period determined by the Board. 8,730,264 options were granted under the Sharesave scheme during the year (2022: 7,943,643). 72,753 Sharesave Scheme options were exercised during the year (2022: 75,983).

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

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

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

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

The share-based payment charge recognised in the Group's income statement for the year was £8.4m (2022: £8.6m).

Shares held in trusts

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

Shares acquired by the trusts during the year at a cost of £12.4m (2022: £7.5m), net of shares transferred to deferred bonus recipients for proceeds of £0.5m (2022: £0.5m), are reflected in the statement of changes in equity as a purchase of own shares.

At 30 June 2023, a total of 16,952,961 shares were held by the trusts (2022: 7,555,030 shares), with an historic cost value of £11.2m (2022: £7.7m).

16 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.

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.

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 which could give rise to the recognition of further liabilities. Such liabilities, should they arise, are expected to be covered materially by the Group's insurance arrangements thereby limiting the net exposure. Any insurance recovery must be considered virtually certain before a corresponding asset is recognised and so this could potentially lead to an asymmetry in the recognition of assets and liabilities.

17 Related parties

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

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

Details of contributions made to the pension schemes by the Group are detailed in note 6.