21 April 2021

Kier Group plc

Results for the six months ended 31 December 2020

Significant financial and strategic progress achieved

Kier Group plc (the "Company" or the "Group"), a leading infrastructure services and construction company, announces its results for the six months ended 31 December 2020 (the "period").

Materially improved results despite COVID-19 impact

- Revenue – reflects focus on winning and executing contracts with appropriate risk / reward:
  - Group revenue and share of joint ventures of £1.6bn (HY20: £1.9bn)
- Operating profit – margin improvement to 2.9% and improved quality of earnings:
  - Operating profit before adjusting items of £48m (HY20: £47m)
  - Return to reported operating profit of £29m (HY20: loss £(24)m)
- Free cash flow: £19m (HY20: £(30)m) – improved performance as profits translating to cash
- Net debt at 31 December 2020 of £354m (FY20: £310m), average month-end net debt stable at £436m (FY20: £436m)
  - Includes a further reduction in supply-chain financing of £16m, average payment days from 38 to 34 days and percentage of payments made to suppliers within 60 days increasing from 84% to 91%
  - Includes repayment of £29m of tax deferred due to COVID-19

Increased and higher quality order book

- Increased order book of £8bn at 31 December 2020, underpinning near term growth prospects and covering 62% per cent. of year to 30 June 2022 forecast revenues
- Expected to benefit from medium and long term committed UK Government and regulated industry spending through established frameworks and other opportunities

Significant progress on 2019 operational and financial turnaround strategy

- Simplification of the Group now substantially complete
- Self-help actions identified now substantially delivered
- Annualised run rate cost savings upgraded further to be at least £115m by 30 June 2021
- Performance Excellence culture embedded throughout the Group
- Launched sustainability framework in July 2020

Medium term financial targets

- The Group expects actions taken to right size the group as part of the turnaround strategy will result in continued improved financial performance and expects that over the medium term the Group will be capable of the following medium-term targets:
  - Revenue: £4.0 – 4.5bn
  - Adjusted operating profit margin: c. 3.5%
  - Cash conversion of operating profit: c. 90%
  - Balance sheet: Sustainable net cash position with capacity to invest
  - Dividend: Sustainable dividend policy with dividend cover of around three times earnings.

Comprehensive balance sheet recapitalisation programme

- £300m to £350m gross capital expected to be received by the Group
  - Divestment of Living for £110m announced – expected to be completed before mid-June
  - Proposed equity raise in the range of £190m to £240m, expected in the coming weeks
- Agreement with lenders to extend RCF to 2025, conditional on successful equity raise
- Agreement with pension trustees on appropriate deficit reduction strategy

Andrew Davies, Chief Executive, said:

"I am pleased to report that the execution of the strategic imperatives outlined in June 2019 has resulted in significant improvements in both our financial results and free cash flow for the re-shaped Group. With the announcement of the sale of Kier Living on 16 April, we have achieved many of the milestones required to improve cash generation and reduce net debt. The process of simplifying the Group has been substantially completed through the exit of non-core businesses and the adoption of an appropriate cost base. These actions will have delivered annualised cost savings of at least £115m by the end of FY21. We recognize there is much more opportunity within the business and will continue to drive continuous improvement through our Performance Excellence culture.

With the Group focused on UK Government and regulated industries, it is well-placed to benefit from the announced and committed increased spend in these areas. We have secured places on the Frameworks through which much of the increased spend is expected to come and our nationwide coverage combined with project management expertise gives us confidence in the outlook for Kier over the next few years.

During the pandemic, the health and safety of our employees has been a clear focus and I would like to thank all my colleagues who have worked hard to get the Company to where it is today.

The proposed equity raise, which we plan to launch in the coming weeks, subject to market conditions, together with the continued support of our lending group, will further strengthen the Group's balance sheet by reducing net debt and will facilitate investment in the business to help drive sustainable, profitable organic growth and the achievement of our medium term financial targets. The second half of the year has started well seeing a continuation of the positive trends of the first half and we are confident of achieving further progress this year in line with our expectations."

Financial Highlights

Continuing Operations	**6 months to 31 December 2020**	6 months to 31 December 2019
Adjusted results		
Revenue (£m)[1]	**1,624**	1,866
Operating profit (£m)[2]	**47.6**	46.7
Operating margin	**2.9%**	2.5%
Profit before tax (£m)[3]	**27.8**	30.7
Basic earnings per share (note 9)	**13.0p**	15.0p
Net debt (£m)[4]	**353.5**	242.5
Average month-end net debt (£m)	**436.3**	395.1
Reported		
Group revenue (£m)	**1,617**	1,819
Profit / (loss) from operations (£m)	**28.8**	(24.4)
Profit / (loss) before tax (£m)	**9.0**	(41.2)
Basic earnings / (losses) per share (note 9)	**4.8p**	(22.1)p
Dividend per share	**-**	-

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There will be a webcast and a call for analysts and investors at 09:00 a.m. The details are:

Webcast https://www.investis-live.com/kier/606c7849fb74790c0024b920/abbi
United Kingdom: 0800 640 6441
United Kingdom (Local): 020 3936 2999
All other locations: +44 20 3936 2999

Conference password: 331107

[1] Revenue of the Group and its share of joint ventures.
[2] Stated before adjusting items of £18.8m (HY20: £71.1m) – see note 3 to the interim financial statements.
[3] Stated before adjusting items of £18.8m (HY20: £71.9m) – see note 3 to the interim financial statements.
[4] Disclosed net of the effect of hedging instruments and excludes leases – see note 11 to the interim financial statements.

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. These forward-looking statements include all matters that are not historical facts. 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, including resulting from the COVID-19 pandemic and responses by governments to it, sector and market trends, stakeholder perception of the Group and/or the sectors or markets in which it operates, 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 2020 for a discussion of the factors that could affect the Group's future performance and the industry in which it operates. The Board believes that these principal risks and uncertainties will continue to apply to the Group in the second-half of the financial year.

The Group continues to monitor developments relating to the COVID-19 pandemic and is taking steps to mitigate its effect on the Group's operations, including ensuring that the Group operates in line with Public Health England's advice.

About Kier

Kier’s purpose is to sustainably deliver infrastructure which is vital to the UK. As a leading provider of infrastructure services and construction we are committed to delivering for communities and leaving lasting legacies through our work.

The services we offer to our clients fit in to three core market propositions; Infrastructure Services, Construction and Property development.

At the core of our project delivery is technical excellence, utilising the latest building methods, innovations and technology to ensure we offer the best value for our clients.

For further information and to subscribe to our news alerts, please visit: www.kier.co.uk/media/news-alerts

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Results Summary

Revenues in the period fell 13% to £1,624m, primarily due to the actions taken to simplify the Group in exiting low margin and loss-making contracts and businesses, in addition to the COVID-19 restrictions in the UK which weighed on first quarter activity levels. Challenging market conditions as well as continued COVID-19 restrictions affected some project starts. However our position as one of the largest Government suppliers, offering an attractive proposition and underpinned by a track record of successful project delivery has resulted in the Group continuing to win new work resulting in a strong order book which has increased to £8.0bn.

The profits made in the period reflect the strategic focus on core markets served by a simplified Group. Adjusted Group operating profit increased 1.9% to £47.6m and operating margins increased 40bps to 2.9% due to the continued realisation of cost savings and an increased focus on managing contract risk. A credit due to lower holiday accruals of £8.0m during the period was mostly off-set by in-efficiencies driven by COVID-19 restrictions. The majority of the costs associated with the cost saving programme were incurred in the previous financial year and this has resulted in Kier achieving a statutory operating profit of £28.8m, significantly above the previous period's £24.4m loss.

Group net debt at 31 December 2020 was £353.5m. The Group's profitability has resulted in significant operating cash inflow. This has allowed Kier to continue to reduce supplier payment days from 38 to 34 which has also resulted in all Kier entities being reinstated to the Prompt Payment Code. During the period the Group has started to repay deferred PAYE and VAT commitments from FY20. The Group has also paid the majority of the adjusting items accrued for at 30 June 2020.

Comprehensive balance sheet recapitalisation programme

Since the strategic review was completed in June 2019, the Group has made significant progress on the implementation of the conclusions of the strategic review. This review had concluded that several of our businesses were not operating in a way that was compatible with the Group's cash flow capital objectives:

- Residential: the successful divestment was announced on 16 April for gross proceeds of £110m;
- Environmental Services: we have now substantially exited this business; and
- Facilities Management: following the successful conclusion of certain non-core contracts the business has been appropriately rationalised and now forms part of our new Kier Places business (formerly called Specialist Services).

In addition, we have ensured that the capital allocated to our Property business remains at an appropriate level and is effectively deployed. This business is now categorised as a Core business due to the operational synergies it achieves with other Group businesses.

As a result of the strategic and operational successes of the last two years which aimed to recapitalise Kier's balance sheet through strong operational cash flow, rationalising its asset portfolio and a proposed equity raise, the potential for Kier to create significant future shareholder value is clear:

- the Group has a senior leadership team across the business with the required expertise and track record to capitalise on Kier's potential;
- Kier is now focussed on nationwide markets in both Infrastructure Services and Construction, which are defined by significant and committed UK government and regulated industry spend over the medium and long term;
- our position as a clear leader in our core markets is underpinned by long-term contracts, and framework agreements, creating high visibility of revenues and contract profitability. As at March 2021, the Group has been awarded places on long-term frameworks worth up to £80bn, across a number of sectors including, health, education, defence and justice and has an order book of £8.0bn (including £1.7bn in Highways, £1.3bn in Utilities, £1.5bn in Infrastructure and £2.2bn in Regional Building), which in aggregate cover 62% of year to 30 June 2022 forecast revenues;
- the Group's scale, leading delivery capability at both national and regional levels, and operational delivery processes and expertise, should enable Kier to take maximum advantage of its leading market positions; and
- Kier has successfully executed an ambitious self-help programme and now has the appropriate cost base and embedded a culture of "Performance Excellence" to ensure contracts are won and executed on terms and values appropriate to their risk. The Group expects to deliver at least £115m of annualised cost savings by the end of financial year 2021 (as compared to FY18) and continues to review its cost base to identify additional cost saving measures.

In order to take full advantage of its leading positions in attractive markets, and its strong operational performance, the Board believes that it is imperative that Kier has a strong, resilient and flexible balance sheet.

Having now substantially delivered on the many self-help actions identified by management through the 2019 strategic review process, the Kier Group Board has concluded that it is the right time to complete the balance sheet recapitalisation programme through an equity raise, which it intends to launch in the coming weeks, subject to market conditions.

The proposed equity raise is expected to be in the range of £190m to £240m and to be undertaken by way of a Firm Placing and Placing and Open Offer.

Kier intends to use the net proceeds from the equity raise to further strengthen the Group's balance sheet, building on the sale of Kier Living, and to underpin Kier's medium-term value creation plan to deliver:

- organic annual revenues of approximately £4bn to £4.5bn;
- a resilient and well-balanced portfolio, focused on:
    - Infrastructure Services (approximately 55% of Group revenue), comprising its Highways (20%), Infrastructure (15%), and Utilities (20%) businesses; and
    - Construction (approximately 40% of Group revenue), comprising its Regional Building, Strategic Projects, International and Kier Places businesses; plus
    - An attractive UK Property business generating high return on capital employed in the business.
- a sustainable Group operating margin of around 3.5%;
- a well-invested asset base, consistently generating returns which are in excess of Kier's cost of capital;
- strong, consistent and sustainable operating cash flows, with operating cash flow conversion of around 90% of operating profit; and
- a strong, resilient and flexible balance sheet, with a sustainable net cash position within 2-3 years, and the capacity to invest in the future growth of the business and support a sustainable dividend policy with dividend cover of around three times earnings.

The Group will provide a further update on the proposed equity raise in due course.

Performance Excellence

In 2020, we launched Performance Excellence to provide consistency in our approach to people, projects, processes, cash management and future ways of working. Our Performance Excellence culture, which is underpinned by our values; collaborative, trusted and focused is supporting our focus on continuous improvement across the Group and helping us to deliver on our Purpose – to sustainably deliver infrastructure which is vital to the UK.

The period has seen the launch of two further important pillars of Performance Excellence; Project Lifecycle Management and Performance Centred Leadership. Projects are the lifeblood of the Group and through Project Lifecycle Management we have a new gateway system that is driving consistency in our project delivery. Each project must follow the ten gateways which spans pre-contract to aftercare. Performance Centred Leadership recognises that the most important aspect to the successful delivery of projects is our people and it provides a set of principles and processes that shape what we do and why we do it, as well as driving a high-performance culture leading to improved results for both employees and customers.

Each business within the Group has now certified compliance with Performance Excellence, providing assurance that the Group does, and will continue to, share best practice and look for continuous improvements across the Group and has applied the governance required under its Code of Conduct and Operating Framework.

Customers and winning new work

We remain focused on winning work through our long-standing client relationships and regionally based operations. Our rigorous customer satisfaction programme shows that our scores have remained stable; our consistently high level of customer satisfaction remains unchanged from the year-end at 92% and our net promoter score remains strong at +53 (FY20: 55). During the year:

- our Construction business was awarded places on long-term frameworks worth up to £11.5bn, across a number of sectors, including health, education and justice;
- our Highways business was successful winning contracts with clients including Transport for London in joint venture with Tarmac to maintain and improve highways in north London and further work for Highways England in Areas 4 and 13; and
- we have also won work in the regulated sector, including being appointed as a partner in the Openreach Network Services Agreement to build new broadband infrastructure and by CityFibre to deliver full-fibre rollouts across five towns and cities in central and south-west England.

The Group's order book at 31 December 2020 was £8.0bn (30 June 2020: £7.9bn), as we continue to win new work in our chosen markets.

The Group has won a number of contracts since 1 January 2021, including being awarded an 8-year contract worth c. £200m to deliver the new Tunnels and Pumping Stations under a Maintenance and Management Contract for Transport for London.

Supply chain

We have also focused on maintaining and growing relationships with our key stakeholders, including our supply-chain, many of whom are long-term partners of Kier. We were pleased to confirm that, in our latest Payment Practices and Reporting Regulations submission covering the period from 1 July 2020 to 31 December 2020, the Group's aggregate average payment days reduced to 34 days from 38 days and the percentage of payments made to suppliers within 60 days increased from 84% to 91%, in each case compared to the six months period to 30 June 2020. We are committed to further improvements in our payment practices and continue to work with both customers and suppliers to achieve this. The actions taken by the Group have also resulted in all registered entities being reinstated on to the Prompt Payment Code.

Safety, Health and Environment (SHE)

The safety, health and wellbeing of our employees and suppliers remain of paramount importance and we continue to work in line with Government Guidance in respect of COVID-19.

The Group's 12-month rolling Accident Incident Rate (AIR) as at end December 2020 (68) and 12-month rolling Average Accident Incident Rate (AAIR) as at end December 2020 (238), decreased by c.46% and c.38%, respectively, as compared to the equivalent figures at December 2019. In addition, we have commenced measurement of a Severity Weighted Incidence Rate, a more rounded metric which focuses on measuring the impact of high potential and severe risks across the Group.

Sustainability

In July 2020, Kier launched a new sustainability framework, Building for a Sustainable World, which reframed sustainability away from being an environmental specialism to being a strategic and business critical mindset, balancing the need for environmental resilience, community resilience and profitability in day to day decision making. Across environmental and social sustainability, the framework focuses on ten critical areas for improvement and builds on the company's historical successes.

Since 2014, Kier has reduced its carbon intensity footprint by 54%, and since 2015 it has reduced its construction waste footprint by 35%.

Under the new sustainability framework, Kier has committed to achieving Net Zero carbon across its own operations and supply chain by 2045, eliminating single use plastics by 2030, and to tackling inequality by providing support, opportunities and training to local communities. In FY21, its businesses have concentrated on achieving their framework reduction targets, which they are well on the way towards, and also on developing our pathway to Net Zero, with interim targets, annual carbon budgets and limits on carbon off-setting. The pathway and budgets will be published in Kier's FY21 annual report, along with the refined social value targets for FY22.

Operational Review

Construction

	6 months to 31 December 2020	6 months to 31 December 2019[5]
Revenue (£m)	**903**	990
Adjusted operating profit (£m)[6]	**33.6**	31.7
Adjusted operating margin	**3.7%**	3.2%
Reported operating profit (£m)	**30.7**	8.1
Order book (£bn)	**3.4**	3.6

- Awarded places on frameworks worth up to £11.5bn lasting typically four years
- Awarded an £87m project by Somerset NHS Foundation Trust to provide a new surgical centre for Musgrove Park Hospital and the £64m Fitzalan High School for Cardiff City Council
- 91% of orders secured for the second half of FY21
- Margin improvement due to realisation of cost saving programme and higher margin contracts

The Construction segment comprises the Regional Building business, the Strategic Projects business, the complementary Kier Places business as well as the International business.

As part of the Group's continued focus on restructuring and streamlining operations, and in line with the Group's strategy to simplify the Group's portfolio, a review of Kier Places (Facilities Management and Housing Maintenance) was conducted in the period to 31 December 2020. Following internal restructuring driven by the potential synergy benefits available, Kier Places now reports into the Construction Leadership Team.

The Regional Building business covers the UK, delivering schools, hospitals, defence facilities and amenities centres for local authorities, councils and the private sector.

Revenue decreased 9% due primarily to challenging market conditions including the first quarter COVID-19 restrictions as well as an increased focus on higher margin contracts. This focus on margin and the realisation of the savings resulting from the cost saving programme led to a 6% increase in adjusted operating profit. The significant reduction in adjusting items resulted in reported operating profit increasing 279% to £30.7m. We are well placed to benefit from the £5bn "New Deal" opportunities announced by Government which focus on areas such as health, education and custodial services, where the Group has specialist expertise.

Our Strategic Projects business continued to work on the RAF Lakenheath project and on the £250m Five Wells prison at Wellingborough, which utilises innovative modular building techniques and integrates digital tools to drive efficiencies in the design, construction and operation of the facility. The business continued to focus on the defence, science, commercial, and custodial sectors, which are expected also to benefit from recent Government announcements.

Housing Maintenance specialises in working in occupied properties, delivering maintenance, repairs, fire safety and compliance services. Revenue and profit performance in the period were both below last year. The business now operates under a new simplified operating structure as Kier Places and this, combined with significant changes to contract delivery, gives clear visibility of future work. The business should benefit from recent Government announcements such as the £2bn Green Homes Grant and £1bn Building Safety Fund.

The Facilities Management business provides management and maintenance solutions for its clients. Consistent with our strategy, we have rationalised and exited the non-core elements of this business resulting in higher profits in the period despite reductions in revenue. The remaining core, operating as part of Kier Places, seeks to identify synergistic opportunities with the Construction business for the benefit of the Group with customers such as the Ministry of Justice and the Department of Education.

The Environmental Services business provides waste collection and recycling services. Revenues were less than in the prior period as we have now substantially exited the business, with only one contract remaining, together with the Pure Recycling business.

The International business is now focused on managing its cost base and projects in line with the weakness in its markets.

[5] Prior year comparative information re-presented to show the new reporting segments – see note 1 to the interim financial statements.
[6] Stated before adjusting items.

Infrastructure Services

	6 months to 31 December 2020	6 months to 31 December 2019[5]
Revenue (£m)	**673**	783
Adjusted operating profit (£m)[6]	**27.3**	27.6
Adjusted operating margin	**4.1%**	3.5%
Reported operating profit (£m)	**20.8**	23.8
Order book (£bn)	**4.6**	4.3

- A joint venture was awarded the Lot 2 contract of the Transport for London (TfL) Highways Maintenance and Project Framework to maintain and improve highways and related assets covering a 189km network in north London
- Appointed to deliver a £59m major infrastructure project at Sellafield
- Appointed as a partner in the Openreach Network Services Agreement to carry out network delivery works and by CityFibre to deliver full-fibre rollouts across five towns and cities in central and south-west England
- 84% of orders secured for the second half of FY21

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

Revenue for the segment was down 14% due largely to the completion of several Highways capital projects and the end of a local authority contract. The start and mobilisation of recent Highways contracts result in a growing outlook for H2 and beyond for this business.

The Highways business builds and maintains roads for Highways England and a number of district and county councils. During the period the business successfully mobilised the Area 4 maintenance and response contract and continued to successfully deliver the M6 Smart Motorway project. Kier, in joint venture with WSP, has been awarded a 12-month extension to its Northamptonshire Highways and Transportation contract to March 2022 by Northamptonshire County Council (NCC). The extension will help to support the smooth transition of services as NCC moves to become two new unitary authorities from 1 April 2021.

The Infrastructure business delivers major and complex infrastructure and civil engineering projects, including the HS2 project in joint venture with Eiffage, Ferrovial and BAM Nuttall, the A13 dualling project and the Luton DART rail system in joint venture with VolkerFitzpatrick. Revenue was marginally lower than the previous period following completion of projects partially offset by HS2. Adjusted operating profit has increased due to the settlement of previous years contracts and the receipt of Research and Development Expenditure Credit (RDEC) credits.

The Utilities business delivers long-term contracts providing construction and maintenance services to the water, energy, rail and telecommunications sectors. The business has undergone changes over the last year to refocus on margin enhancement leading to the exit of several contracts and a decline in revenue. Performance improvement on other contracts, as well as the commencement of contracts won last year, have resulted in increased profitability. The business pipeline for high-quality, long-term infrastructure works remains strong.

Property

	6 months to 31 December 2020	6 months to 31 December 2019[5]
Revenue (£m)	**46**	88
Adjusted operating profit (£m)[6]	**2.6**	3.4
Adjusted operating margin	**5.6%**	3.9%
Reported operating profit (£m)	**0.1**	3.4

- Handed-over building 3 at Arena Central in Birmingham to HMRC and continues to develop the three further development plots, totalling 550,000 sq ft
- Reached practical completion at its Logistics City scheme in Whiteley, Hampshire having delivered three-units totalling 58,664 sq ft

The Property business invests and develops schemes and sites across the UK.

Revenue has reduced compared to the prior period as a result of completion delays in certain asset disposals and continued rental income challenges in the owned student housing assets, both of which have been driven by the continuing COVID-19 environment.

Adjusted operating profit decreased principally driven by the above noted volume impact, offset partly by the impact of an alignment of the accounting treatment for forward funding-arrangements, which increased operating profit but had no impact on statutory earnings.

Corporate

	6 months to 31 December 2020	6 months to 31 December 2019[5]
Adjusted operating loss (£m)[6]	**(15.9)**	(16.0)
Reported operating loss (£m)	**(22.8)**	(59.7)

The Corporate segment comprises the costs of the Group's central functions. In the prior period adjusting items relate to the costs of implementing the Group's cost reduction programme with the programmes substantially completing during FY20. This has led to a large drop in adjusting items. The reported operating loss reduced significantly by £37m.

Kier Living

The results for Kier Living for the period are classified as discontinued. Kier Living's adjusted profit before tax for the year was £4.9m (HY20: £5.0m), as the smaller reorganised business recovered COVID-19 related losses.

On 16 April 2021, the Group announced that it had entered into an agreement for the cash sale of Kier Living Limited. The consideration payable is £110m, payable in cash on completion. After adjusting for estimated transaction costs, the net cash proceeds from the sale are expected to be approximately £100m, which the Board intend to use to reduce the Group's net debt and to make a contribution to its Pension Schemes, both of which will help improve the financial position of the Group.

This transaction constitutes a Class 1 transaction for the Group and is therefore, conditional upon the approval of Shareholders. There are no other conditions to completion, which is expected to occur before mid-June.

Summary and outlook

The results for the period reflect the realisation of the strategic imperatives outlined nearly two years ago. Kier is now profitable and generating underlying operating cash. These improvements result from the actions taken by the new management team in the last 24 months which include, the appointment of a new Executive team, the launch of Performance Excellence, the removal of management layers throughout the organisation, the exit of various contracts and business streams, and the implementation of a significant reduction in our cost base. The conclusion of the divestment of Living after the period end allows the Group to further strengthen the balance sheet and focus on our core businesses.

The Directors believe that the proposed equity raise is required to reduce average net debt and strengthen the balance sheet enabling the Group to drive sustainable, profitable organic growth.

The streamlined Group with its attractive customer proposition and history of complex project delivery has continued to win work throughout the period and remains well placed to benefit from any increased investment in UK infrastructure. The second half of the year has started well seeing a continuation of the positive trends of the first half and we are confident of achieving further progress this year in line with our expectations.

Financial Review

Introduction

As reported in the announcement of 19 January 2021, the Group performed well in the first six months of the financial year and delivered results above the Board’s expectation. The Group saw a significant reduction in adjusting items in the period and has achieved a statutory profit for the period of £5.3m, which reflects the decisive cost actions that the Group has taken over the previous 24 months. The Group has also delivered a robust free cash flow of £19m.

Compared to the second half of FY20, the effects of COVID-19 have lessened; both due to the investments made in the prior year to adopt social distancing working, and also as our businesses and supply chain have learnt to adapt to the new working environment. The majority of the Group's sites remained open throughout the period but there were some delays in anticipated growth.

The Group remains well placed to benefit from Government announcements which highlight the UK's infrastructure being at the centre of the Government's economic growth strategy, and the orderbook remains strong, growing slightly from 30 June 2020 to £8.0bn.

Summary of financial performance

	Adjusted[7] results - continuing operations			**Reported results** - continuing operations		
	Adjusted 31 Dec 20	Adjusted 31 Dec 19	*% change*	**Reported 31 Dec 20**	Reported 31 Dec 19	*% change*
Revenue (£m) - Total	**1,624.2**	1,866.0	*(13.0)*	**1,624.2**	1,866.0	*(13.0)*
Revenue (£m) - Excluding JV's	**1,617.1**	1,819.2	*(11.1)*	**1,617.1**	1,819.2	*(11.1)*
Profit/(loss) from operations (£m)	**47.6**	46.7	*1.9*	**28.8**	(24.4)	*218.0*
Profit/(loss) before tax (£m)	**27.8**	30.7	*(9.4)*	**9.0**	(41.2)	*121.8*
Earnings/(loss) per share (p)	**13.0**	15.0	*(13.3)*	**4.8**	(22.1)	*121.7*
Free cash flow	**19.0**	(30.0)	*163.3*			
Net Debt (£m) - at 31 Dec	**353.5**	242.5	*45.8*			
Net Debt (£m) - average month end	**436.3**	395.1	*10.4*			
Orderbook (£bn)	**8.0**	7.9	*1.3*			
Supply Chain Financing (£m)	**109.4**	157.1	*(30.3)*			

[7] Reference to 'Adjusted' excludes adjusting items, see page 10. December 2019 numbers have been restated to reflect the change in policy to Adjusting items.

Revenue from continuing operations

The following table represents a bridge in the Group's revenue from the period ended 31 December 2019 to the period ended 31 December 2020.

	£m
Revenue for the half year ended 31 December 2019	**1,866**
Construction	**(87)**
Infrastructure	**(110)**
Property and Corporate	**(45)**
Revenue for the half year ended 31 December 2020	**1,624**

Revenue has decreased due to the Group focusing on improving profitability by exiting low margin and loss-making contracts and businesses, as well as challenging market conditions.

Despite this, the Group performed well in the first half of the year and has delivered results above the Board's expectations. The above table shows our revenue performance by operating segment and reflects the market conditions experienced in the period along with the UK's exit from the first national lockdown in Q1. The Group continues to focus on delivering higher margin work and the reduction in revenue also reflects this.

Adjusted Profit from continuing operations

	£m
Adjusted operating profit for the half year ended 31 December 2019	**46.7**
Volume/price/mix changes	**(15.8)**
Reduction in property profitability	**(1.1)**
Cost inflation	**(1.2)**
Management actions	**22.9**
Holiday pay accrual reduction	**4.2**
COVID costs	**(7.2)**
Other	**(0.9)**
Adjusted operating profit for the half year ended 31 December 2020	**47.6**

Operating profit has remained consistent with the prior year despite the reduction in revenue as the Group's focus on strengthening margins offsets the reduction in volume from delays and market weakness in the current environment.

Assets held for sale and discontinued operations

Following the Group's 2019 strategic review, the Board concluded that Kier Living is not compatible with the Group's working capital objectives and on 16 April 2020 announced its sale. Accordingly, the assets and liabilities of Kier Living continue to be classified as held for sale, with assets of £234.8m and liabilities of £124.8m at 31 December 2020. These assets have been written down to their fair value less costs to sale and a non-cash fair value uplift of £0.8m has been recorded in the year. In addition, adjusting items totalling £6.5m net of tax have been incurred in respect of historical costs within a Kier Living joint venture that had built up in prior periods within work in progress and that are now considered irrecoverable. A further £1.0m of additional cost was incurred in respect of the exit from the Welsh region.

The results for Kier Living for the period are classified as discontinued. Kier Living's adjusted profit after tax for the period was £4.9m (HY20: £4.0m, FY20: £12.8m loss).

Earnings per share

Earnings per share (EPS), before adjusting items, from continuing operations were earnings of 13.0p (HY20: 15.0p, FY20: 15.3p). EPS, after adjusting items, from continuing operations were earnings of 4.8p (HY20: 22.1p losses, FY20: 106.2p losses).

Alternative performance measures

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

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

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

	Operating profit / (loss)		**Profit / (loss) before tax**	
	6 months to 31 Dec 2020 £m	6 months to 31 Dec 2019 £m	**6 months to 31 Dec 2020 £m**	6 months to 31 Dec 2019 £m
Reported profit / (loss) from continuing operations	**28.8**	(24.4)	**9.0**	(41.2)
Amortisation of acquired intangible assets	**11.3**	11.8	**11.3**	11.8
Costs associated with previous acquisitions	**-**	3.1	**-**	3.1
Restructuring and related charges	**6.0**	48.8	**6.0**	48.8
Preparation for business divestment or closure	**(0.8)**	7.4	**(0.8)**	7.4
Other	**2.3**	-	**2.3**	0.8
Adjusted profit from continuing operations	**47.6**	46.7	**27.8**	30.7

Additional information about these items is as follows:

- Amortisation of acquired intangible assets £11.3m (HY20: £11.8m, FY20: £23.7m):

  Comprises the amortisation of acquired contract rights primarily relating to the acquisitions of May Gurney in 2013, Mouchel in 2015 and McNicholas in 2017. These charges have no future cash impact.

- Costs associated with previous acquisitions £nil (HY20: £3.1m, FY20: £5.0m):

  In prior periods the Group recognised charges in respect of the McNicholas acquisition and its subsequent integration. These non-recurring costs have now been completed.

- Restructuring and related charges £6.0m (HY20: £48.8m, FY20: £156.1m):

  The Group has incurred restructuring costs in the period totalling £6.0m. In the prior year, costs were incurred following the decision to restructure the Regional Building Southern business. During the period a further £3.5m was incurred relating to this restructuring within the Regional Building Southern region. In addition, £1.4m of employee exit costs were incurred across the Group, £0.6m is due to lease impairments and the remaining £0.5m was incurred on professional fees.

  Of this total restructuring costs of £6.0m, £0.6m relates to impairments of non-current assets, £3.5m is a net working capital reduction and the remainder resulted in a cash outflow in the period.

- Costs relating to the preparation of businesses for sale £0.8m credit (HY20: £7.4m charge, FY20: £33.6m charge):

  An impairment of £1.6m has been recognised in respect of an investment in a property joint venture. This is offset by a credit of £3.0m as a result of transferring the assets and liabilities of Pure Recycling Warwick Limited from Assets Held For Sale as it currently does not meet the criteria. The remaining charge of £0.6m relates to other business closure costs.

  Of this total, £0.4m has resulted in a cash outflow in the period, with a net £1.4m relating to non-cash movements in non-current assets.

- Other costs £2.3m (HY20: £0.8m, FY20: £23.8m)

  Other costs include £1.8m in respect of fire compliance and cladding claims and a further £0.5m following the most recent High Court ruling that pension schemes equalise Guaranteed Minimum Pension between male and female members. Of the £2.3m, £0.6m is held in accruals, £0.5m is included within pension liabilities and the remainder is cash.

In addition to the £18.8m of adjusted charges incurred from continuing operations, £6.7m of charges, net of tax, have been incurred in respect of discontinued operations. This includes a fair value uplift of the net assets held for sale of the Living division of £0.8m and a £7.5m charge relating to the exit from the Welsh region and the write-off of historic costs within a Kier Living joint venture that had built up in prior periods within work in progress and are now considered irrecoverable.

Finance charges

Finance costs have increased to £21.7m (HY20: £17.1m, FY20: £36.4m) due to an additional £5.5m of forward funding interest within the Property division, which reflects an alignment of the accounting treatment across all forward funded development contracts. Finance costs also include £3.4m (HY20: £3.7m, FY20: £7.2m) of costs relating to interest and finance charges for lease liabilities.

Segmental Reporting

As part of the Group's continued focus on restructuring and streamlining operations, and in line with the Group's strategy to simplify the Group's portfolio, a review of the Group's Specialist Services business (Facilities Management, Housing Maintenance, Design and Business Services and Environmental Services) was conducted in the period to 31 December 2020.

Following internal restructuring driven by the potential synergy benefits available, the Group's Specialist Services business is now reporting into the Construction Leadership Team.

As a result, the Group have considered this and have concluded that the results of the Specialist Services division should be reported within the Construction segment for external reporting purposes.

Balance sheet

Net assets

The Group had net assets of £189.3m at 31 December 2020 (HY20: £386.3m, FY20: £240.8m).

Goodwill

The Group held intangible assets of £705.7m (HY20: £741.5m, FY20: £720.6m), of which goodwill represented £536.7m (HY20: £536.7m, FY20: £536.7m). No impairment indicators were identified in the period.

Deferred tax asset

Given the reported losses recorded over the last two financial years, the Group has a deferred tax asset of £124.1m recognised at 31 December 2020 (HY20: £58.7m, FY20: £111.0m). The asset has increased in the period due to the movement in the defined benefit pension liability. Based on the Group's forecasts, it is considered probable that this will be utilised over a reasonable timeframe.

Working capital

During the period there was a total £16.1m reduction in the utilisation of the Kier Early Payment Scheme (KEPS). The Group is actively reducing the KEPS scheme, paying the supply chain more quickly and reducing the cyclicality of its working capital cycle around reporting periods.

	£m
Net debt as at 30 June 2020	**(310)**
Adjusted EBITDA	**72**
Working capital	**1**
Net capital expenditure including finance lease capital payments	**(21)**
Joint Venture dividends less profits	**5**
Other free cash flow items	**1**
Net interest and tax	**(10)**
Free cash flow before COVID-19	**48**
Net COVID-19 tax repayment	**(29)**
Free cash flow	**19**
Adjusting items	**(27)**
Pension deficit payments	**(27)**
Discontinued operations	**(6)**
Other	**(3)**
Net debt as at 31 December 2020	**(354)**

Government support

As of 31 December 2020, there was total tax deferred of £49.9m (HY20: £nil, FY20: £78.8m). This comprises £23.2m of VAT deferred in accordance with HMRC guidance. The balance of £26.7m is subject to a Time To Pay agreement with HMRC with the amount due to be repaid by the end of the 2021 financial year.

Contract assets & liabilities

Contract assets represents the Group's right to consideration in exchange for works which has already been performed. Similarly, a contract liability is recognised when a customer pays consideration before work is performed. As at 31 December 2020, contract assets totalled £279.2m (HY20: £381.2m, FY19: £278.5m). Contract liabilities totalled £86.7m (HY20: £134.4m, FY20: £108.7m).

Retirement benefits obligation

Kier operates a number of defined benefit pension schemes. At 31 December 2020, the reported deficit, which is the difference between the aggregate value of the schemes' assets and the present value of their future liabilities, was £1.4m (HY19: £2.9m surplus, FY20: £38.8m surplus), before accounting for deferred tax, with the movement in the period caused predominately by changes in financial assumptions.

Right-of-use assets and lease liabilities

At 31 December 2020 the Group had a right-of-use asset of £92.6m (HY20: £149.6m, FY20: £100.9m) and associated lease liabilities of £161.6m (HY20: £176.1m, FY20: £172.9m).

Accounting policies

The Group's annual consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU (IFRS). There have been no significant changes to the Group's accounting policies during the period.

Treasury facilities

Bank finance

The Group has committed debt facilities of £892m with a further £18m of uncommitted overdrafts. Following the half-year-end, extension of the Group’s Rolling Credit Facility (RCF) to 30 September 2022 has been granted. US private placement notes mature between 2020 and 2024.

Supply chain finance

The Group offers its supply chain in the Construction business the opportunity to participate in KEPS. The balance owed on this facility is included in trade creditors. The balance at 31 December 2020 was £109.4m (HY20: £157.1m, FY20: £125.5m).

Financial instruments

The Group's financial instruments comprise cash and liquid investments. The Group, largely through its PFI and Property joint ventures, enters into derivative transactions (principally interest rate swaps) to manage interest rate risks arising from its operations and its sources of finance. The US dollar denominated USPP notes have been hedged with fixed cross-currency swaps at inception to mitigate the foreign exchange risk. The Group does not enter into speculative transactions. There are minor foreign currency risks arising from the Group's operations.

The Group has a limited number of international operations in different currencies. 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 there may be further exposure to currency fluctuations, forward exchange contracts are completed to buy and sell foreign currency

Going concern

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

As set out in previous financial reporting periods, the Group's strategic plan is to focus on its core businesses; to simplify the Group by selling or substantially exiting non-core activities, including Kier Living; to restructure the Group by reducing headcount by c.1,700 and deliver annual cost savings of at least £105m from FY21; and to embed a culture of performance excellence with a particular focus on cash generation to deliver a reduction in average month-end net debt.

On 16 April 2021 the Group announced it had entered into an agreement for the all-cash sale of Kier Living Limited. The transaction is conditional on shareholder approval at the General Meeting expected on 7 May 2021. The sale of Kier Living is a key step in the Group’s implementation of the strategic plan, and the Board unanimously believe that the Transaction reflects the underlying value of Kier Living. Once complete, the transaction will facilitate a reduction in the Group’s net debt; reduce the volatility of the Group’s working capital, remove the capital requirement to support land acquisition and remove unconsolidated debt in certain joint ventures. The disposal simplifies the Group and will allow it to focus on its core businesses.

The Group has now substantially completed its restructuring and head-count reduction activities and will have achieved annual cost savings of at least £115m per annum by the end of FY21, over and above the £55m outlined in the initial strategic review. Management continue to review the cost base of the Group to ensure it is appropriately and efficiently structured.

The Group performed well in the first half and has delivered half-year results slightly above the Board's expectations. This represents an improvement in profitability against the prior comparative period with a material reduction in adjusting items noted. Average net debt compared to the prior year has remained stable compared to FY20. The Group's sites have operated under our Site Operating Procedures since March 2020.

Kier continues to win new business in its markets on terms and at rates which reflect the bidding discipline and risk management introduced under the Group's Performance Excellence programme. As at 31 December 2020, Kier had been awarded places on long-term frameworks worth up to £11bn, across a number of sectors including health, education and justice. In addition, several existing frameworks were extended by 12 months. The orderbook as at 31 December 2020 was slightly ahead of the position at 30 June 2020 at £8bn.

At 31 December 2020, the Group had £892m of unsecured committed facilities and £18m of uncommitted overdrafts and £109m drawn against uncommitted supply chain financing facilities.

Revised financial covenants have been extended to cover the 31 December 2020 going concern period of review and an extension of the Group’s RCF to September 2022 has been granted. Financial covenant certificates for September 2020 and December 2020 have been prepared with no breaches noted. Further covenant and facility amendments will be made on the anticipated successful completion of the disposal of Kier Living and any future equity raise.

The directors have reviewed the Group’s cash flow forecasts to 30 June 2022, 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 include a consideration of the risks which may arise to the Group’s available liquidity and its ongoing compliance with the revised financial covenants within the Group’s principal debt facilities as a result of or in light of the following factors or circumstances:

- The continued and ongoing impact of COVID-19;
- Potential reductions in trading volumes;
- Potential margin erosion;
- Risks in respect of certain specific projects;
- The completion of the sale of Kier Living; and
- The availability of supply-chain finance.

The Board also considered the macroeconomic and political risks affecting the UK economy, including Brexit. At present, and following the UK’s agreement with the EU, the Group is not seeing any material adverse impacts post-exit. 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 health, education and utilities, which are considered likely to remain largely unaffected by macro-economic factors. In addition, significant cost reduction actions have already been taken to improve the Group’s profitability.

The Board also considered the Group’s ability to manage its working capital, in order to mitigate the potential impact on the Group’s liquidity over the forecast period, in particular at the lowest point under the downside scenarios in Q1 of calendar year 2022, and in the event of downside risks and circumstances described above taking place. This, together with the agreements with the lenders mean that the Group is expected to continue to have available liquidity headroom under its finance facilities and operate within the revised financial covenants over the going concern period.

As a result, the directors are satisfied that the Group has adequate resources to meet its obligations as they fall due and, for this reason, they continue to adopt the going concern basis in preparing these interim financial statements.

Statement of directors' responsibilities

The directors confirm that these interim financial statements have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

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

The Directors of Kier Group plc are listed on pages 84 and 85 of the 2020 Annual Report and Accounts, except that

- Kirsty Bashforth left the Board on 17 December 2020; and
- Alison Atkinson joined the Board as a Non-executive Director on 15 December 2020.

A list of the current directors is maintained on Kier Group plc's website at: www.kier.co.uk.

Signed on 20 April 2021 on behalf of the Board.

Andrew Davies
Chief Executive

Simon Kesterton
Chief Financial Officer

Independent review report to Kier Group plc

Report on the consolidated interim financial statements

Our conclusion

We have reviewed Kier Group plc's consolidated interim financial statements (the "interim financial statements") in the Interim Management Report and Financial Statements of Kier Group plc for the 6 month period ended 31 December 2020 (the "period").

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

What we have reviewed

The interim financial statements comprise:

- the Consolidated balance sheet as at 31 December 2020;
- the Consolidated income statement and Consolidated statement of comprehensive income for the period then ended;
- the Consolidated cash flow statement for the period then ended;
- the Consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the Interim Management Report and Financial Statements of Kier Group plc have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The Interim Management Report and Financial Statements, including the interim financial statements, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the Interim Management Report and Financial Statements in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the Interim Management Report and Financial Statements based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What a review of interim financial statements involves

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

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

We have read the other information contained in the Interim Management Report and Financial Statements and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants
London
20 April 2021

Consolidated income statement

For the six months ended 31 December 2020

	Notes	**Unaudited 6 months to 31 December 2020 Total £m**	Unaudited 6 months to 31 December 2019 Total £m	Year to 30 June 2020 Total £m
Continuing operations				
Revenue				
Group and share of joint ventures	2	**1,624.2**	1,866.0	3,475.6
Less share of joint ventures	2	**(7.1)**	(46.8)	(53.1)
Group revenue		**1,617.1**	1,819.2	3,422.5
Cost of sales		**(1,459.4)**	(1,657.7)	(3,220.4)
Gross profit		**157.7**	161.5	202.1
Administrative expenses		**(124.3)**	(191.3)	(391.7)
Share of post-tax results of joint ventures		**(4.6)**	5.5	(6.6)
(Loss)/profit on disposal of joint ventures and subsidiaries		**–**	(0.1)	0.6
Profit/(loss) from operations	2	**28.8**	(24.4)	(195.6)
Finance income		**1.9**	0.3	6.7
Finance cost	5	**(21.7)**	(17.1)	(36.4)
Profit/(loss) before tax	2	**9.0**	(41.2)	(225.3)
Taxation	7	**(1.9)**	5.4	53.4
Profit/(loss) for the period from continuing operations		**7.1**	(35.8)	(171.9)
Discontinued operations				
Loss for the period from discontinued operations (attributable to equity holders of the parent)	10	**(1.8)**	(55.5)	(101.4)
Profit/(loss) for the period		**5.3**	(91.3)	(273.3)
Attributable to:				
Owners of the parent		**5.9**	(91.2)	(273.3)
Non-controlling interests		**(0.6)**	(0.1)	–
		5.3	(91.3)	(273.3)
Earnings per share				
Basic earnings/(loss) per share				
From continuing operations	9	**4.8p**	(22.1)p	(106.2)p
From discontinued operations	9	**(1.1)p**	(34.3)p	(62.7)p
Total		**3.7p**	(56.4)p	(168.9)p
Diluted earnings/(loss) per share				
From continuing operations	9	**4.8p**	(22.1)p	(106.2)p
From discontinued operations	9	**(1.1)p**	(34.3)p	(62.7)p
Total		**3.7p**	(56.4)p	(168.9)p
Supplementary information[1]				
Adjusted operating profit	3	**47.6**	46.7	41.4
Adjusted profit before tax	3	**27.8**	30.7	16.9
Adjusted earnings per share	9	**13.0p**	15.0p	15.3p
Adjusted diluted earnings per share	9	**13.0p**	15.0p	15.3p

[1] Reference to 'adjusted' excludes adjusting items, see note 1 and 3.

Consolidated statement of comprehensive income

For the six months ended 31 December 2020

	Notes	**Unaudited 6 months to 31 December 2020 £m**	Unaudited 6 months to 31 December 2019 £m	Year to 30 June 2020 £m
Profit/(loss) for the period		**5.3**	(91.3)	(273.3)
Items that may be reclassified subsequently to the income statement				
Share of joint venture fair value movements on cash flow hedging instruments		**–**	–	(0.3)
Fair value (loss)/gain on cash flow hedging instruments		**(13.6)**	(6.6)	5.7
Fair value movements on cash flow hedging instruments recycled to the income statement		**10.4**	6.1	(2.3)
Deferred tax charge on fair value movements on cash flow hedging instruments		**0.6**	0.1	(0.7)
Foreign exchange (loss)/gain on long-term funding of foreign operations		**–**	(0.1)	1.0
Foreign exchange translation differences		**(2.9)**	(2.0)	0.1
Foreign exchange movements recycled to the income statement		**0.1**	(0.2)	3.3
Total items that may be reclassified subsequently to the income statement		**(5.4)**	(2.7)	6.8
Items that will not be reclassified to the income statement				
Re-measurement of defined benefit liabilities	6	**(66.5)**	(29.0)	(6.2)
Deferred tax credit on actuarial losses on defined benefit liabilities		**12.6**	5.0	6.4
Total items that will not be reclassified to the income statement		**(53.9)**	(24.0)	0.2
Other comprehensive (loss)/profit for the period		**(59.3)**	(26.7)	7.0
Total comprehensive loss for the period		**(54.0)**	(118.0)	(266.3)
Attributable to:				
Equity holders of the parent		**(53.4)**	(117.9)	(266.3)
Non-controlling interests – continuing operations		**(0.6)**	(0.1)	–
		(54.0)	(118.0)	(266.3)
Total comprehensive loss attributable to equity shareholders arises from:				
Continuing operations		**(51.6)**	(62.4)	(164.9)
Discontinued operations		**(1.8)**	(55.5)	(101.4)
		(53.4)	(117.9)	(266.3)

Consolidated statement of changes in equity

For the six months ended 31 December 2020

	Notes	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 30 June 2019		1.6	684.3	2.7	(306.8)	(1.2)	3.7	134.8	519.1	0.5	519.6
Impact of adopting IFRS 16		–	–	–	(16.6)	–	–	–	(16.6)	–	(16.6)
At 1 July 2019		**1.6**	**684.3**	**2.7**	**(323.4)**	**(1.2)**	**3.7**	**134.8**	**502.5**	**0.5**	**503.0**
Loss for the period		–	–	–	(91.2)	–	–	–	**(91.2)**	(0.1)	**(91.3)**
Other comprehensive loss		–	–	–	(24.0)	(0.4)	(2.3)	–	**(26.7)**	–	**(26.7)**
Share-based payments	13	–	–	–	2.2	–	–	–	**2.2**	–	**2.2**
Purchase of own shares		–	–	–	(0.9)	–	–	–	**(0.9)**	–	**(0.9)**
At 31 December 2019		**1.6**	**684.3**	**2.7**	**(437.3)**	**(1.6)**	**1.4**	**134.8**	**385.9**	**0.4**	**386.3**
(Loss)/profit for the period		–	–	–	(182.1)	–	–	–	**(182.1)**	0.1	**(182.0)**
Other comprehensive Income		–	–	–	24.2	2.8	6.7	–	**33.7**	–	**33.7**
Dividends paid	7	–	–	–	–	–	–	–	**–**	(0.4)	**(0.4)**
Share-based payments	13	–	–	–	3.2	–	–	–	**3.2**	–	**3.2**
At 30 June 2020		**1.6**	**684.3**	**2.7**	**(592.0)**	**1.2**	**8.1**	**134.8**	**240.7**	**0.1**	**240.8**
Profit/(loss) for the period		–	–	–	5.9	–	–	–	**5.9**	(0.6)	**5.3**
Other comprehensive Loss		–	–	–	(53.9)	(2.6)	(2.8)	–	**(59.3)**	–	**(59.3)**
Share-based payments	13	–	–	–	2.8	–	–	–	**2.8**	–	**2.8**
Purchase of own shares		–	–	–	(0.3)	–	–	–	**(0.3)**	–	**(0.3)**
At 31 December 2020		**1.6**	**684.3**	**2.7**	**(637.5)**	**(1.4)**	**5.3**	**134.8**	**189.8**	**(0.5)**	**189.3**

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

Consolidated balance sheet

At 31 December 2020

	Notes	**Unaudited 31 December 2020 £m**	Unaudited 31 December 2019 £m	30 June 2020 £m
Non-current assets				
Intangible assets	14	**705.7**	741.5	720.6
Property, plant and equipment		**45.4**	53.3	42.3
Right-of-use assets		**92.6**	149.6	100.9
Investment properties		**49.8**	–	49.8
Investments in and loans to joint ventures		**102.0**	116.8	105.6
Capitalised mobilisation costs		**2.0**	2.2	1.9
Deferred tax assets	7	**124.1**	58.7	111.0
Contract assets		**28.8**	21.7	28.8
Trade and other receivables		**30.7**	34.3	32.9
Retirement benefit assets	6	**67.1**	55.2	99.5
Other financial assets		**14.3**	17.5	30.0
Non-current assets		**1,262.5**	1,250.8	1,323.3
Current assets				
Inventories		**54.3**	54.7	60.0
Contract assets		**250.4**	359.5	249.7
Trade and other receivables		**287.5**	357.6	236.4
Corporation tax receivable		**8.1**	10.3	12.5
Other financial assets		**2.3**	–	–
Cash and cash equivalents	11	**328.6**	390.8	413.9
Current assets		**931.2**	1,172.9	972.5
Assets held for sale as part of a disposal group	10	**234.8**	234.0	196.7
Total assets		**2,428.5**	2,657.7	2,492.5
Current liabilities				
Borrowings	11	**(99.6)**	(0.3)	(61.6)
Lease liabilities		**(28.1)**	(26.5)	(33.1)
Trade and other payables	12	**(1,000.6)**	(1,052.7)	(957.5)
Contract liabilities		**(86.7)**	(134.4)	(108.7)
Provisions		**(13.7)**	(24.4)	(20.8)
Current liabilities		**(1,228.7)**	(1,238.3)	(1,181.7)
Liabilities held for sale as part of a disposal group	10	**(124.8)**	(106.0)	(81.7)
Non-current liabilities				
Borrowings	11	**(599.4)**	(651.8)	(689.8)
Lease liabilities		**(133.5)**	(149.6)	(139.8)
Trade and other payables		**(40.4)**	(26.0)	(46.5)
Retirement benefit obligations	6	**(68.5)**	(52.3)	(60.7)
Provisions		**(43.9)**	(47.4)	(51.5)
Non-current liabilities		**(885.7)**	(927.1)	(988.3)
Total liabilities		**(2,239.2)**	(2,271.4)	(2,251.7)
Net assets	2	**189.3**	386.3	240.8
Equity				
Share capital		**1.6**	1.6	1.6
Share premium		**684.3**	684.3	684.3
Capital redemption reserve		**2.7**	2.7	2.7
Accumulated losses		**(637.5)**	(437.3)	(592.0)
Cash flow hedge reserve		**(1.4)**	(1.6)	1.2
Translation reserve		**5.3**	1.4	8.1
Merger reserve		**134.8**	134.8	134.8
Equity attributable to owners of the parent		**189.8**	385.9	240.7
Non-controlling interests		**(0.5)**	0.4	0.1
Total equity		**189.3**	386.3	240.8

Consolidated cash flow statement

For the six months ended 31 December 2020

	Notes	**Unaudited 6 months to 31 December 2020 £m**	Unaudited 6 months to 31 December 2019 £m	Year to 30 June 2020 £m
Cash flows from operating activities				
Profit/(loss) before tax – continuing operations		**9.0**	(41.2)	(225.3)
Loss before tax – discontinued operations		**(1.8)**	(54.5)	(101.4)
Net finance cost		**19.8**	16.8	29.7
Share of post-tax trading results of joint ventures		**(2.3)**	(16.2)	0.2
Normal cash contributions to pension fund in excess of pension charge		**0.6**	0.1	0.2
Equity settled share-based payments charge		**2.8**	2.2	5.4
Amortisation and impairment of intangible assets and mobilisation costs		**15.7**	15.3	36.9
Impairment of assets held for sale and transfers to/(from) assets held for sale		**(3.8)**	59.5	57.0
Research and development expenditure credit		**(7.9)**	(3.0)	(10.2)
Depreciation charges		**4.4**	4.7	7.6
Depreciation of right of use assets		**16.2**	27.7	46.0
(Profit)/loss on disposal of joint ventures and subsidiaries		**–**	0.1	(0.6)
Loss on disposal of property, plant and equipment and intangible assets		**0.7**	4.0	4.9
Operating cash inflows/(outflows) before movements in working capital and pension deficit contributions		**53.4**	15.5	(149.6)
Deficit contributions to pension fund		**(26.5)**	(12.2)	(25.0)
(Increase)/decrease in inventories		**5.7**	25.7	44.2
(Increase)/decrease in receivables		**(48.6)**	(28.0)	108.1
(Increase)/decrease in contract assets		**(6.0)**	107.7	212.2
Increase/(decrease) in payables		**36.4**	(176.2)	(278.6)
Increase/(decrease) in contract liabilities		**(22.0)**	2.6	(20.5)
Increase/(decrease) in provisions		**(15.2)**	(8.1)	(4.0)
Cash inflow/(outflow) from operating activities		**(22.8)**	(73.0)	(113.2)
Dividends received from joint ventures		**7.1**	25.2	28.9
Interest received		**1.9**	0.3	6.7
Income tax received		**10.9**	4.9	5.9
Net cash inflow/(outflow) from operating activities		**(2.9)**	(42.6)	(71.7)
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment		**–**	0.5	1.6
Proceeds from sale of subsidiaries and joint ventures, net of cash disposed		**–**	14.1	14.1
Purchase of property, plant and equipment		**(0.8)**	(0.9)	(3.8)
Purchase of intangible assets	14	**(0.1)**	(2.3)	(4.0)
Purchase of capitalised mobilisation costs		**(0.5)**	–	(0.8)
Investment in or loans to joint ventures		**(5.5)**	(9.5)	(14.2)
Classification (to)/from assets held for sale		**(0.1)**	–	(0.1)
Net cash from/(used) in investing activities		**(7.0)**	1.9	(7.2)
Cash flows from financing activities				
Purchase of own shares		**(0.3)**	(0.9)	(0.9)
Interest paid		**(15.2)**	(16.2)	(34.9)
Principal elements of lease payments		**(19.1)**	(19.7)	(40.4)
Drawdown of borrowings		**–**	184.1	274.7
Repayment of borrowings		**(42.4)**	(30.0)	(30.3)
Loan repayment from joint ventures		**4.4**	4.7	9.4
Settlement of derivative financial instruments		**–**	–	(0.5)
Dividends paid to non-controlling interests		**–**	–	(0.4)
Net cash from financing activities		**(72.6)**	122.0	176.7
Increase/(decrease) in cash, cash equivalents and overdraft		**(82.5)**	81.3	97.8
Effect of change in foreign exchange rates		**(2.8)**	(2.2)	4.4
Opening cash, cash equivalents and overdraft		**413.9**	311.7	311.7
Closing cash, cash equivalents and overdraft	11	**328.6**	390.8	413.9

Supplementary information[1]				
Adjusted cash flow from operating activities	3	**4.3**	(37.6)	(19.7)

[1] Reference to 'adjusted' excludes adjusting items, see note 1 and 3.

Notes to the financial statements

1 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 address of its registered office is 81 Fountain Street, Manchester, M2 2EE.

The condensed interim consolidated financial statements (interim financial statements) for the six months ended 31 December 2020 comprise the Company and its subsidiaries (together referred to as the Group) and the Group's interest in jointly controlled entities.

Basis of preparation

The financial statements have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority, and the principles of International Financial Reporting Standards (IFRS) as adopted by the European Union but do not comply with the full disclosure requirements of these standards.

The unaudited financial information contained in this announcement does not constitute the Company's statutory accounts as at and for the six months ended 31 December 2020. Statutory financial statements for the year ended 30 June 2020 were approved by the Board of Directors on 25 September 2020 and delivered to the Registrar of Companies. The auditor's report on these accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain a statement under section 498 of the Companies Act 2006.

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

As set out in previous financial reporting periods, the Group's strategic plan is to focus on its core businesses; to simplify the Group by selling or substantially exiting non-core activities, including Kier Living; to restructure the Group by reducing headcount by c.1,700 and deliver annual cost savings of at least £105m from FY21; and to embed a culture of performance excellence with a particular focus on cash generation to deliver a reduction in average month-end net debt.

On 16 April 2021 the Group announced it had entered into an agreement for the all-cash sale of Kier Living Limited. The transaction is conditional on shareholder approval at the General Meeting expected 7 May 2021. The sale of Kier Living is a key step in the Group's implementation of the strategic plan, and the Board unanimously believe that the Transaction reflects the underlying value of Kier Living. Once complete, the transaction will facilitate a reduction in the Group's net debt; reduce the volatility of the Group's working capital; remove the capital requirement to support land acquisition and remove unconsolidated debt in certain joint ventures. The disposal simplifies the Group and will allow it to focus on its core businesses.

The Group has now substantially completed its restructuring and head-count reduction activities and will have achieved annual cost savings of at least £115m per annum by the end of FY21, over and above the £55m outlined in the initial strategic review. Management continue to review the cost base of the Group to ensure it is appropriately and efficiently structured.

The Group performed well in the first half and has delivered half-year results slightly above the Board's expectations. This represents an improvement in profitability against the prior comparative period with a material reduction in adjusting items noted. Average net debt compared to the prior year has remained stable compared to FY20. The Group's sites have operated under our Site Operating Procedures since March 2020.

Kier continues to win new business in its markets on terms and at rates which reflect the bidding discipline and risk management introduced under the Group's Performance Excellence programme. As at 31 December 2020, Kier had been awarded places on long-term frameworks worth up to £11bn, across a number of sectors including health, education and justice. In addition, several existing frameworks were extended by 12 months. The orderbook as at 31 December 2020 was slightly ahead of the position at 30 June 2020 at £8bn.

At 31 December 2020, the Group had £892m of unsecured committed facilities and £18m of uncommitted overdrafts and £109m drawn against uncommitted supply chain financing facilities.

Revised financial covenants have been extended to cover the 31 December 2020 going concern period of review and an extension of the Group's Rolling Credit Facility (RCF) to Sep-22 has been granted. Financial covenant certificates for Sep-20 and Dec-20 have been prepared with no breaches noted. Further covenant and facility amendments will be made on the anticipated successful completion of the disposal of Kier Living and any future equity raise.

The directors have reviewed the Group's cash flow forecasts to 30 June 2022, 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 include a consideration of the risks which may arise to the Group's available liquidity and its ongoing compliance with the revised financial covenants within the Group's principal debt facilities as a result of or in light of the following factors or circumstances:

- The continued and ongoing impact of COVID-19;
- Potential reductions in trading volumes;
- Potential margin erosion;
- Risks in respect of certain specific projects;
- The completion of the sale of Kier Living; and
- The availability of supply-chain finance.

The Board also considered the macroeconomic and political risks affecting the UK economy, including Brexit. At present, and following the UK's agreement with the EU, the Group is not seeing any material adverse impacts post-exit. 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 health, education and utilities, which are considered likely to remain largely unaffected by macro-economic factors. In addition, significant cost reduction actions have already been taken to improve the Group's profitability.

Notes to the financial statements
Continued

1 Accounting policies continued

The Board also considered the Group's ability to manage its working capital, in order to mitigate the potential impact on the Group's liquidity over the forecast period, in particular at the lowest point under the downside scenarios in Q1 of calendar year 2022, in the event of downside risks and circumstances described above taking place. This, together with the agreements with the lenders, mean that the Group is expected to continue to have available liquidity headroom under its finance facilities and operate within the revised financial covenants over the going concern period.

As a result, the directors are satisfied that the Group has adequate resources to meet its obligations as they fall due and, for this reason, they continue to adopt the going concern basis in preparing these interim financial statements.

Significant accounting policies

The accounting policies applied by the Group in these interim financial statements are consistent with those applied by the Group in its financial statements as at, and for the year ended, 30 June 2020.

Adjusting items

IAS 1 permits an entity to present additional information for specific items to enable users to better assess the entity's financial performance.

During FY20, the Directors reviewed the previous accounting presentation for disclosing certain items as exceptional on the income statement. The Directors considered the requirements of applicable accounting standards, along with additional guidance around Alternative Performance Measures (APM) and concluded that the Group would move away from using its previous disclosure on the face of the Group's income statement. The Directors considered that it would be more appropriate to present an income statement that shows the Group's statutory results only.

The Directors however still believe it is appropriate to inform users regarding various items and disclose those items which are deemed one-off, material or non-recurring in size or nature and a decision has been made to align to internal management reporting as the Directors consider it makes the financial statements presentation clearer to the users of the accounts. As such, the Group is disclosing as supplementary information an 'Adjusted Profit' APM which is reconciled to statutory profit in the Notes to the Financial Statements and is consistent with IFRS 8 segmental reporting.

Separate presentation of these items is intended to enhance understanding of the financial performance of the Group in the particular financial period under review and the extent to which results are influenced by material unusual and/or non-recurring items. The Directors review segmental results under an adjusted items basis to analyse the performance of operating segments.

The Directors exercise judgement in determining the classification of certain items as adjusting using quantitative and qualitative factors. In assessing whether an item is an adjusting item, the Directors give consideration, both individually and collectively, as to an item's size, the specific circumstances which have led to the item arising and if the item is likely to recur, or whether the matter forms part of a group of similar items.

Amortisation of acquired intangible assets and certain financing costs are also included as adjusting items on the basis of being ongoing non-cash items generated from acquisition related activity.

A full reconciliation from statutory numbers to adjusted profit measures has been presented in note 3. As a result of the Group's change in its APM, a review of the prior interim period has been conducted to align to the revised presentation. No restatement of prior period numbers is required as the Directors believe all material items in the prior period which were classified as an exceptional item also meet the new definition of an adjusting item. Similarly, no material prior period items have been highlighted which meet the new adjusting items definition that did not meet the previous exceptional items definition.

The Group presents revenue including from joint venture arrangements as an alternative performance measure. The Directors believe this is a useful measure as it provides visibility over the scale of the Group's operations, particularly within its Property business where a significant proportion of developments are set up in joint ventures.

The Group also presents adjusted cash flow from operations, free cash flow and net debt as alternative performance measures. The Directors consider that these provide useful information about the Group's liquidity and debt profile.

Segmental reporting

As part of the Group's continued focus on restructuring and streamlining operations, and in line with the Group's strategy to simplify the Group's portfolio, a review of the Facilities Management, Housing Maintenance, Design and Business Services and Environmental Services businesses was conducted in the period to 31 December 2020. Following internal restructuring driven by the potential synergy benefits available, these businesses now report into the Construction Leadership Team. As part of this process, the information that is used to manage the Construction business, and what is being reported to the Group's Chief Operating Decision Maker, has been realigned to include these businesses.

The Directors have therefore concluded that the results of the Facilities Management, Housing Maintenance, Design and Business Services and Environmental Services businesses should be reported within the Construction segment for external reporting purposes, still named Construction. The Other segment now only consists of the Property division and has been renamed Property. The prior year segmental analysis has been restated to reflect these changes.

Notes to the financial statements
Continued

2 Segmental reporting

For the six months ended 31 December 2020 **Continuing operations**	Infrastructure Services £m	Construction £m	Property £m	Corporate £m	Group £m
Revenue[1]					
Group and share of joint ventures	672.6	902.6	46.1	2.9	**1,624.2**
Less share of joint ventures	–	(0.8)	(6.3)	–	**(7.1)**
Group revenue	**672.6**	**901.8**	**39.8**	**2.9**	**1,617.1**
Profit for the period					
Operating profit/(loss) before adjusting items	27.3	33.6	2.6	(15.9)	**47.6**
Adjusting items	(6.5)	(2.9)	(2.5)	(6.9)	**(18.8)**
Profit/(loss) from operations	**20.8**	**30.7**	**0.1**	**(22.8)**	**28.8**
Net finance costs[2]	(0.1)	(1.8)	(7.0)	(10.9)	**(19.8)**
Profit/(loss) before tax from continuing operations	**20.7**	**28.9**	**(6.9)**	**(33.7)**	**9.0**
Taxation					**(1.9)**
Profit for the period from continuing operations					**7.1**
Loss for the period from discontinued operations					**(1.8)**
Profit for the period					**5.3**
Balance sheet					
Operating assets[3]	845.3	518.0	180.0	305.1	**1,848.4**
Operating liabilities[3]	(361.1)	(724.3)	(27.3)	(302.6)	**(1,415.3)**
Net operating assets/(liabilities)[3]	**484.2**	**(206.3)**	**152.7**	**2.5**	**433.1**
Cash, cash equivalents and borrowings	299.7	355.1	(130.0)	(895.2)	**(370.4)**
Net financial assets	–	–	–	16.6	**16.6**
Net assets/(liabilities) excluding net assets held for sale	**783.9**	**148.8**	**22.7**	**(876.1)**	**79.3**
Net assets held for sale					**110.0**
Net assets					**189.3**

2 Segmental reporting continued

For the six months ended 31 December 2019[4] **Continuing operations**	Infrastructure Services £m	Construction £m	Property £m	Corporate £m	Group £m
Revenue[1]					
Group and share of joint ventures	783.2	989.5	87.9	5.4	**1,866.0**
Less share of joint ventures	–	(6.1)	(40.7)	–	**(46.8)**
Group revenue	**783.2**	**983.4**	**47.2**	**5.4**	**1,819.2**
Loss for the period					
Operating profit/(loss) before adjusting items	27.6	31.7	3.4	(16.0)	**46.7**
Adjusting items	(3.8)	(23.6)	–	(43.7)	**(71.1)**
Profit/(loss) from operations	**23.8**	**8.1**	**3.4**	**(59.7)**	**(24.4)**
Net finance costs[2]	(1.1)	(0.8)	(7.0)	(7.9)	**(16.8)**
Profit/(loss) before tax from continuing operations	**22.7**	**7.3**	**(3.6)**	**(67.6)**	**(41.2)**
Taxation					**5.4**
Loss for the period from continuing operations					**(35.8)**
Loss for the period from discontinued operations					**(55.5)**
Loss for the period					**(91.3)**
Balance sheet					
Operating assets[3]	844.4	567.7	232.4	370.8	**2,015.3**
Operating liabilities[3]	(383.1)	(798.3)	(58.4)	(273.4)	**(1,513.2)**
Net operating assets/(liabilities)[3]	**461.3**	**(230.6)**	**174.0**	**97.4**	**502.1**
Cash, cash equivalents and borrowings	223.8	305.3	(121.4)	(669.0)	**(261.3)**
Net financial assets	–	–	–	17.5	**17.5**
Net assets/(liabilities) excluding net assets held for sale	**685.1**	**74.7**	**52.6**	**(554.1)**	**258.3**
Net assets held for sale					**128.0**
Net assets					**386.3**

Notes to the financial statements

Continued

2 Segmental reporting continued

For the year ended 30 June 2020[4] Continuing operations	Infrastructure Services £m	Construction £m	Property £m	Corporate £m	Group £m
Revenue[1]					
Group and share of joint ventures	1,506.2	1,838.0	120.3	11.1	**3,475.6**
Less share of joint ventures	–	–	(53.1)	–	**(53.1)**
Group revenue	**1,506.2**	**1,838.0**	**67.2**	**11.1**	**3,422.5**
Loss for the year					
Operating profit/(loss) before adjusting items	31.3	46.7	(5.4)	(31.2)	**41.4**
Adjusting items	(21.9)	(104.2)	(10.2)	(100.7)	**(237.0)**
Profit/(loss) from operations	**9.4**	**(57.5)**	**(15.6)**	**(131.9)**	**(195.6)**
Net finance costs[2]	(1.5)	(6.7)	(5.2)	(16.3)	**(29.7)**
Profit/(loss) before tax from continuing operations	**7.9**	**(64.2)**	**(20.8)**	**(148.2)**	**(225.3)**
Taxation					**53.4**
Loss for the year from continuing operations					**(171.9)**
Loss for the year from discontinued operations					**(101.4)**
Loss for the year					**(273.3)**
Balance sheet					
Operating assets[3]	828.2	500.6	186.1	337.0	**1,851.9**
Operating liabilities[3]	(385.2)	(696.9)	(24.4)	(312.1)	**(1,418.6)**
Net operating assets/(liabilities)[3]	**443.0**	**(196.3)**	**161.7**	**24.9**	**433.3**
Cash, cash equivalents and borrowings	346.1	376.5	(134.4)	(925.7)	**(337.5)**
Net financial assets	–	–	–	30.0	**30.0**
Net assets/(liabilities) excluding net assets held for sale	**789.1**	**180.2**	**27.3**	**(870.8)**	**125.8**
Net assets held for sale					**115.0**
Net assets					**240.8**

1 Revenue is stated after the exclusion of inter-segmental revenue and before exceptional items. Over 90% of the Group's revenue is derived from UK based customers.
2 Interest was (charged)/credited to the divisions at a notional rate of 4.0%.
3 Net operating assets/(liabilities) excludes cash, cash equivalents, bank overdrafts, borrowings, financial assets and liabilities, assets and liabilities classified as held for sale and interest-bearing inter-company loans.
4 Prior year comparative information re-presented to show the new reporting segments, see note 1.

Notes to the financial statements
Continued

3 Adjusting items

The Group's policy in respect of adjusting items is described in note 1. These items are discussed in detail below:

	Operating profit/(loss)			Profit/(loss) before tax		
	Unaudited 6 months to 31 December 2020 £m	Unaudited 6 months to 31 December 2019 £m	Year to 30 June 2020 £m	**Unaudited 6 months to 31 December 2020 £m**	Unaudited 6 months to 31 December 2019 £m	Year to 30 June 2020 £m
Reported profit/(loss) from continuing operations	**28.8**	(24.4)	(195.6)	**9.0**	(41.2)	(225.3)
Amortisation of acquired intangible assets	**11.3**	11.8	23.7	**11.3**	11.8	23.7
Costs associated with previous acquisitions	**–**	3.1	5.0	**–**	3.1	5.0
Restructuring and related charges	**6.0**	48.8	156.1	**6.0**	48.8	156.1
Preparation for business divestment or closure	**(0.8)**	7.4	33.6	**(0.8)**	7.4	33.6
Other	**2.3**	–	18.6	**2.3**	0.8	23.8
Adjusted profit from continuing operations	**47.6**	46.7	41.4	**27.8**	30.7	16.9

a) Amortisation of acquired intangible assets

	Unaudited 6 months to 31 December 2020 £m	Unaudited 6 months to 31 December 2019 £m	Year to 30 June 2020 £m
Amortisation of acquired intangible assets	**(11.3)**	(11.8)	(23.7)

b) Costs associated with previous acquisitions

	Unaudited 6 months to 31 December 2020 £m	Unaudited 6 months to 31 December 2019 £m	Year to 30 June 2020 £m
Integration costs relating to the McNicholas acquisition[1]	**–**	(6.6)	(8.5)
McNicholas acquired contract settlement[2]	**–**	3.5	3.5
Total	**–**	(3.1)	(5.0)

1 Costs incurred to integrate the McNicholas acquisition into the Utilities business including significant double-running of people and lease costs. These are considered to be adjusting items on the basis of their size, the fact that they relate to a major acquisition and that these are non-recurring costs that came to an end in FY20.

2 Revenue received in settlement of a contract acquired with McNicholas.

3 Adjusting items continued

c) 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, latterly, the Group's Strategic Review. These are discussed further in the Financial Review. These are considered to be adjusting items on the basis of their size and the fact that they relate to significant changes to the Group's activities or workforce.

	Unaudited 6 months to 31 December 2020 £m	Unaudited 6 months to 31 December 2019 £m	Year to 30 June 2020 £m
Restructure of Regional Southern Building business[1]	**(3.5)**	–	(61.5)
Redundancy costs[2]	**(1.4)**	(16.8)	(29.5)
Professional adviser fees and other costs incurred implementing non-people initiatives[3]	**(0.5)**	(18.1)	(34.2)
Lease impairments[4]	**(0.6)**	(10.1)	(14.4)
Costs in preparation for outsourcing arrangements[5]	**–**	(3.8)	(11.1)
Property impairment[6]	**–**	–	(5.4)
Total	**(6.0)**	(48.8)	(156.1)

1 During FY20, the Group undertook a strategic review of its Regional Southern Building business which resulted in the restructuring of management, closure of offices and closure of certain sectors. This process also included charges relating to the recoverability of assets following implementation of the new strategy and the challenging COVID-impacted market conditions. The majority of these costs was recognised in FY20 with an additional amount of £3.5m being identified in HY21.

2 Costs in respect of roles made redundant as a result of cost saving programmes and from strategic decisions taken to reduce headcount in a number of the Group's principal operating divisions following the announcement of the strategic review.

3 The Group incurred various costs in running the restructuring activities during the year. These include professional adviser fees, partly offset by releases of £1.6m relating to prior year accruals no longer required.

4 The Group incurred further impairment charges on a corporate office lease of £0.6m during the period.

5 The Group outsourced its Fleet and IT services in FY20, incurring £8.3m of costs. This included one-off set up costs, dual-running costs and redundancy payments.

6 As part of its restructuring programme the Group closed its head office in April 2020 which is now held within investment properties. As a result, an impairment charge of £5.4m was recognised in FY20.

d) Preparation for business divestment or closure

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

	Unaudited 6 months to 31 December 2020 £m	Unaudited 6 months to 31 December 2019 £m	Year to 30 June 2020 £m
Business closure and sales costs[1]	**(2.2)**	(2.9)	(32.0)
Impairment of ERP computer software[2]	**–**	(2.4)	(4.7)
Reversal of impairment of ERP computer software[2]	**–**	–	3.1
Fair value reversal/(impairment) of Assets Held for Sale - note 10	**3.0**	(2.1)	–
Total	**0.8**	(7.4)	(33.6)

1 Following the announcement of the Group's intention to exit parts of the Group, a number of charges were recognised in FY20. During HY21 some further costs were recognised and have been treated as adjusting items as they relate to the same items as the prior year costs. Of the £2.2m, £1.6m relates to the impairment of an investment in a property joint venture in a geographic region that is being exited and is an extension of the write down taken in FY20.

2 In FY20 a cost of £4.7m was written-off due to software functionality which will no longer be utilised within the Group. Certain elements of this previously impaired software will now be be utilised and therefore part of the previous impairment has been reversed.

Notes to the financial statements
Continued

3 Adjusting items continued

e) Other

Other adjusting items are analysed below:

	Unaudited 6 months to 31 December 2020 £m	Unaudited 6 months to 31 December 2019 £m	Year to 30 June 2020 £m
Net financing costs [1]	**–**	(0.8)	(5.2)
Central charges and other items [2]	**–**	–	(8.9)
Procurement charge [3]	**–**	–	(2.1)
Legal compliance [4]	**(1.8)**	–	(7.6)
GMP equalisation pension charge [5]	**(0.5)**	–	–
Total before tax	**(2.3)**	(0.8)	(23.8)

1 Net financing costs in FY20 relate to discount unwinding of acquired intangible assets and the recycling of foreign exchange from the translation reserve in respect of the Caribbean operations.
2 Central charges and other items in FY20 include a number of write offs that were recognised following a detailed review of certain carrying values. These were not considered to be part of the underlying performance of the business and so were highlighted as adjusting items.
3 The Group incurred a material charge in FY19 in relation to certain aged receivables, driven by a management review of contractual terms following the impact of the changing credit market. This review was driven by the changing commercial landscape, as a result of which, management has determined that the assets should be written off. The charge is deemed an adjusting item on the basis of its size. In FY20, additional costs not identified in the prior year review were written off and a consistent treatment has been adopted.
4 In FY20 the Group incurred a number of costs in relation to legal claims, including £4.2m of costs in complying with new fire compliance regulations. During HY21 the Group incurred another £1.8m of legacy issue costs in relation to these regulations.
5 The Group incurred costs of £0.5m relating to a High Court ruling that pension schemes must equalise Guaranteed Minimum Pensions (GMP) between male and female members, specifically in respect of the treatment of scheme transfers.

f) Discontinued operations

Adjusting items within discontinued operations are analysed below:

	Unaudited 6 months to 31 December 2020 £m	Unaudited 6 months to 31 December 2019 £m	Year to 30 June 2020 £m
Fair value adjustment of Kier Living	**0.8**	(59.5)	(51.6)
Closure costs relating to non-core businesses [1]	**(1.0)**	–	(29.0)
Out of period charges in relation to the Eastern region [2]	**(6.5)**	–	–
Rationalisation costs [3]	**–**	–	(2.6)
Inventory write downs [4]	**–**	–	(5.4)
Total after tax	**(6.7)**	(59.5)	(88.6)

1 Costs incurred in respect of Living's decision to exit the affordable housing market as well as the Welsh and Northern regions. In HY21 some additional cost was incurred in respect of the Welsh region.
2 In preparing the Kier Living business for disposal, the Group identified £6.5m of historic costs within a Kier Living joint venture that had built up in prior periods within work in progress and that are now considered irrecoverable. These have been written off in arriving at the loss from discontinued operations in the period.
3 Rationalisation costs primarily consist of roles made redundant as a result of cost saving programmes and from strategic decisions taken to reduce headcount in a number of the Group's principal operating divisions following the announcement of the Strategic Review.
4 During FY20, a number of sites were closed resulting in costs being capitalised which are not recoverable through future sales, and hence an impairment charge was taken against this inventory.

g) Adjusted cash flow

	Unaudited 6 months to 31 December 2020 £m	Unaudited 6 months to 31 December 2019 £m	Year to 30 June 2020 £m
Reported cash outflow from operating activities	**(22.8)**	(73.0)	(113.2)
Cash outflow from operating activities (adjusting items)	**27.1**	35.4	93.5
Adjusted cash inflow / (outflow) from operating activities	**4.3**	(37.6)	(19.7)

4 COVID-19

The COVID-19 pandemic has had a significant impact on the Group, both operationally and financially. Decisive management actions in the prior year led to Kier implementing a number of self-help measures which allowed the Group to continue to trade.

Although the pandemic has continued to impact the business in the half year to 31 December 2020, the direct COVID-19 charge is not material to the Group.

5 Finance costs

	Unaudited 6 months to 31 December 2020 £m	Unaudited 6 months to 31 December 2019 £m	Year to 30 June 2020 £m
Bank interest	**(12.2)**	(11.7)	(23.6)
Forward funding interest[1]	**(6.0)**	(0.5)	(1.3)
Interest and finance charges for lease liabilities	**(3.4)**	(3.7)	(7.2)
Recycling of translation reserve	**–**	–	(3.3)
Discount unwind	**(0.5)**	(0.9)	(1.7)
Pension credit/(interest)	**0.4**	(0.3)	0.7
Total	**(21.7)**	(17.1)	(36.4)

[1] The Forward Funding Interest costs in the six months ended 31 December 2020 reflect an alignment of the accounting treatment across all forward funding development contracts.

6 Retirement benefit obligations

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

	Unaudited at 31 December 2020 %	Unaudited at 31 December 2019 %	At 30 June 2020 %
Discount Rate	**1.40**	2.05	1.60
Inflation rate (Retail Price Index (RPI))	**2.85**	3.00	2.85
Inflation rate (Consumer Price Index (CPI))	**2.15**	1.90	1.95

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

	Kier Group Pension Scheme £m	May Gurney Pension Scheme £m	Mouchel Pension Schemes[1, 2] £m	McNicholas Pension Scheme £m	**Unaudited 6 months to 31 December 2020 Total £m**
Opening surplus/(deficit)	89.8	(5.2)	(38.1)	(7.7)	**38.8**
Credit/(charge) to income statement	0.4	–	(0.5)	(0.1)	**(0.2)**
Employer contributions	13.3	3.0	9.6	0.6	**26.5**
Actuarial losses	(42.2)	(3.7)	(19.8)	(0.8)	**(66.5)**
Closing surplus/(deficit)	**61.3**	**(5.9)**	**(48.8)**	**(8.0)**	**(1.4)**
Comprising:					
Total market value of assets	1,323.4	86.4	537.4	28.8	**1,976.0**
Present value of liabilities	(1,262.1)	(92.3)	(586.2)	(36.8)	**(1,977.4)**
Net surplus/(deficit)	**61.3**	**(5.9)**	**(48.8)**	**(8.0)**	**(1.4)**
Related deferred tax (liability)/asset	(11.6)	1.1	9.3	1.5	**0.3**
Net pension asset/(liability)	**49.7**	**(4.8)**	**(39.5)**	**(6.5)**	**(1.1)**
Presentation of net surplus/(deficit) above in the Consolidated balance sheet:					
Retirement benefit assets	61.3	–	5.8	–	**67.1**
Retirement benefit obligations	–	(5.9)	(54.6)	(8.0)	**(68.5)**
Net surplus/(deficit)	**61.3**	**(5.9)**	**(48.8)**	**(8.0)**	**(1.4)**

6 Retirement benefit obligations continued

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

	Kier Group Pension Scheme £m	May Gurney Pension Scheme £m	Mouchel Pension Schemes[1, 2] £m	McNicholas Pension Scheme £m	Unaudited 6 months to 31 December 2019 Total £m
Opening surplus/(deficit)	39.4	1.4	(14.6)	(6.7)	**19.5**
Credit/(charge) to income statement	0.5	–	(0.2)	(0.1)	**0.2**
Employer contributions	6.2	1.0	4.4	0.6	**12.2**
Actuarial losses	(4.9)	(1.3)	(22.3)	(0.5)	**(29.0)**
Closing surplus/(deficit)	**41.2**	**1.1**	**(32.7)**	**(6.7)**	**2.9**
Comprising:					
Total market value of assets	1,191.2	79.0	483.6	26.3	**1,780.1**
Present value of liabilities	(1,150.0)	(77.9)	(516.3)	(33.0)	**(1,777.2)**
Net surplus/(deficit)	**41.2**	**1.1**	**(32.7)**	**(6.7)**	**2.9**
Related deferred tax (liability)/asset	(7.0)	(0.2)	5.6	1.1	**(0.5)**
Net pension asset/(liability)	**34.2**	**0.9**	**(27.1)**	**(5.6)**	**2.4**
Presentation of net surplus/(deficit) above in the Consolidated balance sheet:					
Retirement benefit assets	41.2	1.1	12.9	–	**55.2**
Retirement benefit obligations	–	–	(45.6)	(6.7)	**(52.3)**
Net surplus/(deficit)	**41.2**	**1.1**	**(32.7)**	**(6.7)**	**2.9**

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

	Kier Group Pension Scheme £m	May Gurney Pension Scheme £m	Mouchel Pension Schemes[1, 2] £m	McNicholas Pension Scheme £m	Year to 30 June 2020 Total £m
Opening surplus/(deficit)	39.4	1.4	(14.6)	(6.7)	19.5
Credit/(charge) to income statement	1.0	–	(0.4)	(0.1)	0.5
Employer contributions	12.4	2.0	9.4	1.2	25.0
Actuarial (losses)/gains	37.0	(8.6)	(32.5)	(2.1)	(6.2)
Closing surplus/(deficit)	89.8	(5.2)	(38.1)	(7.7)	38.8
Comprising:					
Total market value of assets	1,300.5	83.5	526.4	27.5	1,937.9
Present value of liabilities	(1,210.7)	(88.7)	(564.5)	(35.2)	(1,899.1)
Net surplus/(deficit)	89.8	(5.2)	(38.1)	(7.7)	38.8
Related deferred tax (liability)/asset	(17.1)	1.0	7.2	1.5	(7.4)
Net pension asset/(liability)	72.7	(4.2)	(30.9)	(6.2)	31.4
Presentation of net surplus/(deficit) above in the Consolidated balance sheet:					
Retirement benefit assets	89.8	–	9.7	–	99.5
Retirement benefit obligations	–	(5.2)	(47.8)	(7.7)	(60.7)
Net surplus/(deficit)	89.8	(5.2)	(38.1)	(7.7)	38.8

1 This comprises of schemes in a net surplus and net deficit position: £5.8m surplus and £54.6m deficit at 31 December 2020 (31 December 2019: £12.9m surplus and £45.6m deficit, 30 June 2020: £9.7m surplus and £47.8m deficit).

2 The Mouchel figures comprise four individual schemes (Mouchel Superannuation Fund, Mouchel Staff Pension Scheme, Mouchel Business Services Limited Pension Scheme (Final Salary Section) and EM Highways Prudential Platinum Scheme) which have been grouped together because they were purchased as part of the Mouchel Group. The composition of these schemes has not changed since the prior year.

Notes to the financial statements
Continued

7 Taxation

	Unaudited 6 months to 31 December 2020 Total £m	Unaudited 6 months to 31 December 2019 Total £m	Year to 30 June 2020 Total £m
Profit/(loss) before tax	**9.0**	(41.2)	(225.3)
Add: tax on joint ventures	**–**	–	(1.4)
Adjusted profit/(loss) before tax	**9.0**	(41.2)	(226.7)
Current tax	**(1.9)**	1.8	(0.8)
Deferred tax	–	3.6	54.2
Overseas tax	–	–	–
Total income tax (expense)/credit in the income statement	**(1.9)**	5.4	53.4
Tax on joint ventures	–	–	1.4
Effective tax (charge)/credit	**(1.9)**	5.4	54.8
Effective tax rate	**21.1%**	13.1%	24.1%

The Deferred Tax Asset includes £96.1m of tax losses (31 December 2019: £62.7m, 30 June 2020: £94.6m), and £28.0m of other deferred tax assets and liabilities (31 December 2019: £(4.0m), 30 June 2020: £16.4m). Management expects the Deferred Tax Asset will be utilised over a reasonable timeframe.

RDEC of £7.9m was included in operating profit during the period (six months ended 31 December 2019: £3.0m, 30 June 2020: £10.2m). Included in the corporation tax asset at 31 December 2020 were RDEC receivables of £8.8m (31 December 2019: £8.8m, year ended 30 June 2020: £13.6m)

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 period (six months ended 31 December 2019: £nil, year ended 30 June 2020: £nil).

9 Earnings per share

A reconciliation of profit and earnings per share, as reported in the income statement, to profit and earnings per share before adjusting items is set out below. The disclosure is made to illustrate the impact of adjusting items.

	Unaudited 6 months to 31 December 2020		Unaudited 6 months to 31 December 2019		Year to 30 June 2020	
	Basic £m	Diluted £m	Basic £m	Diluted £m	Basic £m	Diluted £m
(Losses)/earnings						
Continuing operations						
Earnings/(losses) (after tax and non-controlling interests), being net losses attributable to equity holders of the parent	**7.7**	**7.7**	(35.7)	(35.7)	(171.9)	(171.9)
Impact of adjusting items[1] net of tax:						
Amortisation of intangible assets - net of tax credit of £2.1m (31 December 2019: £2.0m, 30 June 2020: £4.5m)	**9.2**	**9.2**	9.8	9.8	19.2	19.2
Acquisition discount unwind - net of tax credit of £nil (31 December 2019: £0.1m, 30 June 2020: £0.3m)	**–**	**–**	0.7	0.7	1.2	1.2
Other adjusting items[1] - net of tax credit of £3.5m (31 December 2019: £10.5m, 30 June 2020: £35.8m)	**4.0**	**4.0**	49.5	49.5	176.2	176.2
Earnings from continuing operations before adjusting items[1]	**20.9**	**20.9**	24.3	24.3	24.7	24.7
Discontinued operations						
(Losses)/earnings (after tax and non-controlling interests), being net profits attributable to equity holders of the parent	**4.9**	**4.9**	4.0	4.0	(12.8)	(12.8)
Adjusting items from discontinued operations	**(6.7)**	**(6.7)**	(59.5)	(59.5)	(88.6)	(88.6)
Loss from discontinued operations	**(1.8)**	**(1.8)**	(55.5)	(55.5)	(101.4)	(101.4)

	million	million	million	million	million	million
Weighted average number of shares used for earnings per share	**161.8**	**161.8**	161.8	161.8	161.8	161.8

	Basic	Diluted	Basic	Diluted	Basic	Diluted
Earnings per share	pence	pence	pence	pence	pence	pence
Continuing operations						
Earnings/(losses) (after tax and non-controlling interests), being net losses attributable to equity holders of the parent	**4.8**	**4.8**	(22.1)	(22.1)	(106.2)	(106.2)
Impact of adjusting items[1] net of tax:						
Amortisation of intangible assets - net of tax credit	**5.7**	**5.7**	6.1	6.1	11.9	11.9
Acquisition discount unwind - net of tax credit	**–**	**–**	0.4	0.4	0.7	0.7
Other adjusting items[1] - net of tax credit	**2.5**	**2.5**	30.6	30.6	108.9	108.9
Earnings from continuing operations before adjusting items	**13.0**	**13.0**	15.0	15.0	15.3	15.3
Discontinued operations						
Earnings/(losses) (after tax and non-controlling interests), being net profits attributable to equity holders of the parent	**3.0**	**3.0**	2.5	2.5	(7.9)	(7.9)
Adjusting items from discontinued operations	**(4.1)**	**(4.1)**	(36.8)	(36.8)	(54.8)	(54.8)
Loss from discontinued operations	**(1.1)**	**(1.1)**	(34.3)	(34.3)	(62.7)	(62.7)
Total earnings/(losses) per share						
Statutory	**3.7**	**3.7**	(56.4)	(56.4)	(168.9)	(168.9)
Before adjusting items[1]	**16.0**	**16.0**	17.5	17.5	7.4	7.4

1 See note 1 for reference to adjusting items.

Notes to the financial statements
Continued

10 Assets and liabilities held for sale and discontinued operations

a) Assets held for sale

In June 2019, the Group announced results of its strategic review and concluded that the Group needed to simplify its structure, better allocate its capital resources and reduce net debt. The Directors concluded that Kier Living is not compatible with the Group's working capital objectives and that the division should be sold. Accordingly, the assets and liabilities of Kier Living are classified as held for sale, with assets of £234.8m and liabilities of £124.8m at 31 December 2020. As disclosed in Note 17, the Group entered into a disposal agreement after the balance sheet date.

On 16 April 2021 the Group announced it had entered into an agreement for the all-cash sale of Kier Living Limited. The transaction is conditional on shareholder approval at the General Meeting expected on 7 May 2021.

As at 31 December 2019 and 30 June 2020, the assets and liabilities of Pure Recycling Warwick Limited were presented as held for sale. As at 31 December 2020, Management do not believe the classification criteria has been met and have therefore ceased classifying the asset as held for sale, resulting in a £3.0m credit to the Income Statement.

Assets of disposal group classified as held for sale	**Unaudited at 31 December 2020 £m**	Unaudited at 31 December 2019 £m	At 30 June 2020 £m
Investments in and loans to joint ventures	**53.7**	54.4	52.2
Inventories	**145.2**	137.6	114.7
Trade and other receivables	**33.6**	38.4	22.2
Other assets	**2.3**	3.6	7.6
Total	**234.8**	234.0	196.7

Liabilities of disposal group classified as held for sale	**Unaudited at 31 December 2020 £m**	Unaudited at 31 December 2019 £m	At 30 June 2020 £m
Trade and other payables	**(85.5)**	(96.7)	(59.9)
Other liabilities	**(39.3)**	(9.3)	(21.8)
Total	**(124.8)**	(106.0)	(81.7)

b) Discontinued operations

Results for Kier Living for the period are classified as discontinued.

Results of discontinued operations	Note	**Unaudited 6 months to 31 December 2020 £m**	Unaudited 6 months to 31 December 2019 £m	Year to 30 June 2020 £m
Revenue		**62.8**	54.4	79.9
Share of post-tax results of joint ventures		**6.9**	10.6	10.0
Operating costs		**(62.4)**	(59.0)	(95.3)
Operating profit/(loss)		**7.3**	6.0	(5.4)
Finance cost		**(2.4)**	(1.0)	(7.3)
Profit/(loss) before tax and adjusting items		**4.9**	5.0	(12.7)
Tax		**–**	(1.0)	(0.1)
Profit/(loss) for the period before adjusting items		**4.9**	4.0	(12.8)
Adjusting items net of tax	3(f)	**(6.7)**	(59.5)	(88.6)
Loss for the period from discontinued operations after tax		**(1.8)**	(55.5)	(101.4)

11 Cash, cash equivalents, overdraft and borrowings

	Unaudited at 31 December 2020 £m	Unaudited at 31 December 2019 £m	At 30 June 2020 Total £m
Net debt consists of:			
Cash and cash equivalents – bank balances and cash in hand	**328.6**	390.8	413.9
Borrowings due within one year	**(99.6)**	(0.3)	(61.6)
Borrowings due after one year	**(599.4)**	(651.8)	(689.8)
Impact of cross-currency hedging	**16.9**	18.8	27.2
Net debt	**(353.5)**	(242.5)	(310.3)

Average month-end net debt for the six months to 31 December 2020 was £436.3m (six months to 31 December 2019: £395.1m, year to 30 June 2020: £435.6m). Net debt excludes lease liabilities.

12 Trade and other payables

	Unaudited at 31 December 2020 £m	Unaudited at 31 December 2019 £m	At 30 June 2020 Total £m
Trade payables[1]	**351.1**	351.2	255.8
Accruals	**488.2**	457.5	477.1
Sub-contract retentions	**39.4**	41.8	35.0
Other taxation and social security[2]	**88.7**	61.0	131.4
Other payables	**33.2**	141.2	58.2
	1,000.6	1,052.7	957.5

1 Included within the trade payables balance is £109.4m (31 December 2019: £157.1m, 30 June 2020: £125.5m) relating to payments due to suppliers who are on bank-supported supply chain finance arrangements.

2 Included within other taxation and social security is tax deferred of £49.9m (31 December 2019: £nil, 30 June 2020: £78.8m). This is comprised of £23.2m of VAT deferred in accordance with HMRC guidance and £26.7m subject to a Time To Pay agreement with HMRC due to be repaid by the end of the 2021 financial year.

13 Share-based payments

The Group has an established long-term incentive plan (LTIP) under which directors and senior employees can receive awards of shares subject to the Group achieving certain performance targets. Participants are entitled to receive dividend equivalents on these awards. Further details of the LTIP schemes were disclosed in the 2020 annual financial statements. No shares have vested under the LTIP schemes during the six months to 31 December 2020 (six months to 31 December 2019 and year ended 30 June 2020: no share awards vested). 17,856,246 new awards were granted under the LTIP during the six months to 31 December 2020 (six months to 31 December 2019: 13,225,627; year ended 30 June 2020: 13,741,092).

In 2017, the Group established a Conditional Share Award Plan (CSAP) under which senior employees receive awards of shares subject only to service conditions, i.e. the requirement for participants to remain in employment with the Group over the vesting period. Participants are entitled to receive dividend equivalents on these awards. No new awards were granted under the CSAP during the six months to 31 December 2020 (six months to 31 December 2019 and year ended 30 June 2020: no awards granted). 515,093 shares vested under the CSAP during the six months to 31 December 2020 (six months to 31 December 2019 and year ended 30 June 2020: no share awards vested).

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. No options were granted under the Sharesave scheme during the six months to 31 December 2020 (six months to 31 December 2019 and year ended 30 June 2020: 7,199,823 share options were granted). The annual grant of options under the Sharesave scheme was deferred into the second half of the year with 8,634,038 options being granted on 15 February 2021.

For grants made under the share-based payment schemes during the six months to 31 December 2020 the assumptions used and calculated fair values were as follows:

	LTIP	LTIP subject to a holding period
Grant date	18 December 2020	18 December 2020
Shares granted	16,063,973	1,792,273
Share price at grant	80.95p	80.95p
Exercise price	nil	nil
Option life	3 years	3 years
Holding period	n/a	2 years
Expected volatility	90.69%	92.35%
Risk-free interest rate	0.00%	0.00%
Value per option:		
LTIP - TSR element (25%)[1,3]	58.44p	50.59p
LTIP - Adjusted operating profit (AOP) (50%) and Net Debt:EBITDA (25%) elements [2,3]	80.95p	70.07p

[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 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 adjusted operating profit 'AOP' and Net Debt:EBITDA elements are non-market conditions under IFRS 2. The fair value therefore does not include an assessment of the number of shares that will be awarded. Instead the amount charged for these elements is based on the fair value factored by a 'true up' for the number of awards that are expected to vest.

The share-based payment charge recognised in the Group's income statement for the six months to 31 December 2020 was £2.8m (six months to 31 December 2019: £2.2m, year to 30 June 2020: £5.4m).

14 Intangible assets

	Goodwill £m	Intangible contract rights £m	Computer software £m	Total £m
Cost				
At 1 July 2019	544.7	259.4	155.0	**959.1**
Additions	–	–	2.3	**2.3**
Transfers to property, plant and equipment	–	–	(8.1)	**(8.1)**
Transfers to assets held for sale	–	–	(10.7)	**(10.7)**
At 31 December 2019	**544.7**	**259.4**	**138.5**	**942.6**
Additions	–	–	1.7	**1.7**
Disposals	–	–	(19.1)	**(19.1)**
Transfers to property, plant and equipment	–	–	(1.6)	**(1.6)**
Transfers from assets held for sale	(5.9)	–	5.9	**–**
At 30 June 2020	**538.8**	**259.4**	**125.4**	**923.6**
Additions	–	–	**0.1**	**0.1**
Transfers to property, plant and equipment	–	–	**(0.7)**	**(0.7)**
Transfers from assets held for sale	–	–	**1.0**	**1.0**
At 31 December 2020	**538.8**	**259.4**	**125.8**	**924.0**
Accumulated amortisation and impairment				
At 1 July 2019	(8.0)	(111.0)	(73.4)	**(192.4)**
Charge for the period	–	(11.8)	(3.5)	**(15.3)**
Impairment	–	–	(2.4)	**(2.4)**
Transfers to assets held for sale	–	–	9.0	**9.0**
At 31 December 2019	**(8.0)**	**(122.8)**	**(70.3)**	**(201.1)**
Charge for the period	–	(11.9)	(7.5)	**(19.4)**
Disposals	–	–	14.1	**14.1**
Impairment	–	–	2.4	**2.4**
Transfers to property, plant and equipment	–	–	1.0	**1.0**
Transfers to assets held for sale	5.9	–	(5.9)	**–**
At 30 June 2020	**(2.1)**	**(134.7)**	**(66.2)**	**(203.0)**
Charge for the period	–	(11.3)	(3.9)	**(15.2)**
Transfers from assets held for sale	–	–	(0.1)	**(0.1)**
At 31 December 2020	**(2.1)**	**(146.0)**	**(70.2)**	**(218.3)**
Net book value				
At 31 December 2020	**536.7**	**113.4**	**55.6**	**705.7**
At 30 June 2020	536.7	124.7	59.2	**720.6**
At 31 December 2019	536.7	136.6	68.2	**741.5**

15 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 as at, and for the year ended, 30 June 2020.

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

Notes to the financial statements

Continued

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 measured at fair value. The fair value measurement is based on the premium received from the joint venture or the differential in the interest rate of the borrowing including and excluding the guarantee. 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.

17 Post balance sheet events

On 16 April 2021, the Group announced that it has entered into an agreement for the all-cash sale of Kier Living Limited. This disposal is for the entirety of the Group's 100% shareholding for consideration of £110m. There will be additional payments made on Completion to cover the Group providing working capital funding to Kier Living Limited in the period from 1 July 2020 until Completion.

As detailed in note 10, the assets and liabilities of Kier Living have been classified as held for sale and have been impaired to bring the disposal group in line with expected net proceeds of £110m.

The Directors are confident that the Group will receive the necessary regulatory and shareholder approvals for the disposal and expect the sale to complete by mid June.

This transaction is a key step in the Group's implementation of the conclusions of its 2019 strategic review, being to facilitate a reduction in the Group's net debt; reduce the volatility of the Group's working capital; remove the capital requirement to support land acquisition and remove unconsolidated debt in certain joint ventures. The disposal simplifies the Group and will allow it to focus on its core businesses.