

# Construction

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

Revenue decreased 4% due primarily to the impact of procurement delays resulting from COVID-19 and the implementation of our strategy to exit non-core businesses. Our focus on margin and the realisation of the savings resulting from the cost saving programme, as well as a significant reduction in costs related to the pandemic, resulted in a 30% increase in adjusted operating profit. Adjusting items include costs related to the restructuring of our Southern regional business following our strategic review.

The business continued to win contracts such as being awarded a place on the new £1bn New Prisons Programme. We are well placed to benefit from the £5bn 'New Deal' opportunities announced by the Government which focus on areas such as health, education and custodial services, where the Group has specialist expertise.

Our Construction business has started to see a few deferrals in project awards caused by procurement delays. In addition, whilst we recognise the risk of cost inflation, we plan to mitigate this with our customer and supply agreements.

Our Strategic Projects business continued to work on the £275m new Five Wells prison at Wellingborough, which utilises innovative modular building techniques allowing a more standardised approach and integrates digital tools to drive efficiencies in the design, construction and operation of the facility, which is expected to be handed over before the end of 2021.

The newly rebranded Kier Places business specialises in working in occupied properties both residential and offices, delivering maintenance, repairs, fire safety and compliance services. The exit from several contracts, as well as the exit from the commercial facilities management market, resulted in revenue declining compared to the prior year. However, the changes to the business model and its concentration on core markets resulted in the business significantly improving its profitability. It continues to win new work such as the contract to deliver an extensive range of fire remedial works for Hammersmith and Fulham Council.

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

## Highlights

Awarded places on frameworks worth up to

# £11.5bn

lasting typically four years

Appointed to the Ministry of Justice's ('MoJ')

# £1bn

New Prisons Programme

# 80%

of orders secured for FY22

## Margin improvement

due to realisation of cost saving programme and improved productivity

## Operational highlights

### Revenue (£m)

2020	1,835
<b>2021</b>	<b>1,769</b>

### Adjusted operating profit<sup>1</sup> (£m)

2020	43.6
<b>2021</b>	<b>56.7</b>

### Adjusted operating margin<sup>1</sup>

2020	2.4%
<b>2021</b>	<b>3.2%</b>

### Reported operating (loss)/profit (£m)

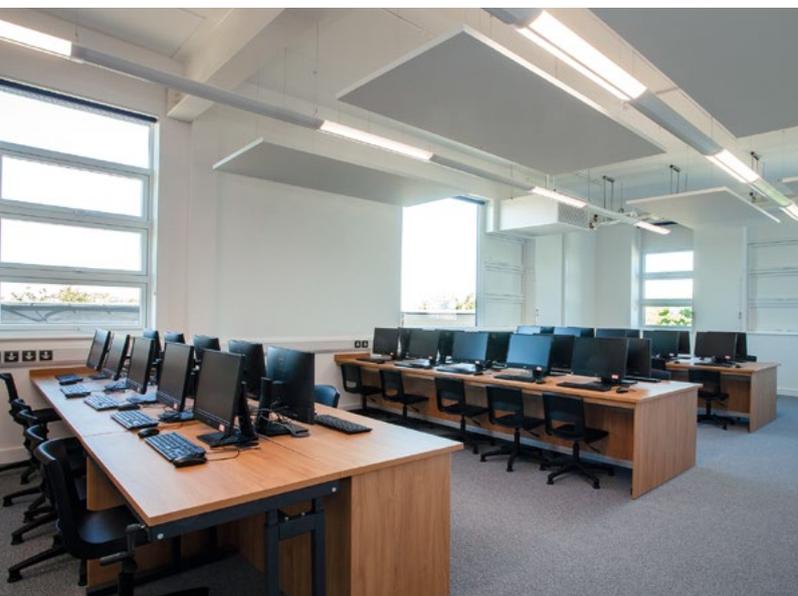
2020	(52.3)
<b>2021</b>	<b>40.7</b>

### Order book (£bn)

2020	3.3
<b>2021</b>	<b>3.3</b>

<sup>1</sup> Stated before adjusting items and amortisation of acquired intangible assets.

# Hartsdown Academy



## The challenge

Hartsdown Academy wanted to create enhanced library, science and music facilities as well as establish team working environments to allow collaboration between different departments. As well as this, the school wanted to provide a better learning environment for pupils with special educational needs and disabilities ('SEND'). This particularly focused on pupils with hearing disabilities and those that rely on computers to help with writing.

## The solution

As part of phase 1, we created updated facilities, including teaching and communal spaces, SEND rooms, a new library and new ICT rooms. Phase 2 included modular build, which adjoined the existing sports hall building and provided additional facilities including more ICT rooms and music rooms.

As well as this, the mechanical and electrical design supports sustainability by utilising a combination of natural ventilation, air handling units and heat recovery units. The new state-of-the-art communication system supports SEND pupils through the installation of a hearing loop system, which is a specialised sound system for those with hearing aids.

## The impact

The project was completed in a live environment, without disturbing pupils' studies. The school now has quality learning facilities in the disciplines it wanted to enhance, as well as providing high-specification facilities to support its SEND pupils, ensuring that these pupils have specialised learning spaces required for a successful education. Pupils who require computer equipment for writing are now able to easily access it.



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