9 March 2022

Kier Group plc
Results for the six months ended 31 December 2021

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 2021 ("HY22" or the "period").

Key Financial Highlights

	Six months to 31 December 2021	Six months to 31 December 2020[1]
Adjusted results		
Revenue (£m)[2]	**1,536**	1,624
Adjusted operating profit (£m)[3]	**54.2**	47.6
Adjusted operating margin	**3.5%**	2.9%
Adjusted profit before tax (£m)[4]	**43.0**	27.8
Adjusted basic earnings per share (note 8)	**7.8p**	10.4p
Net debt (£m)[5]	**(131.3)**	(353.5)
Average month-end net debt (£m)	**(190.8)**	(436.3)
Reported		
Group revenue (£m)	**1,482**	1,617
Profit from operations (£m)	**25.3**	28.8
Profit before tax (£m)	**12.7**	9.0
Basic earnings per share (note 8)	**2.2p**	3.8p

Highlights

- **H1 FY22 strategic and operational highlights**
  - Strong performance despite inflationary pressure
  - Positive momentum
    - Strong performance in Infrastructure and Property, partially impacted by reduced volumes in Construction
  - High quality order book of £8bn; focused on winning work through long-standing client relationships and regional-based business model
  - Disciplined investment in the Property business in line with medium-term plan
  - Continued commitment to Sustainability Framework and ESG targets

- **Robust operational performance**
  - Revenue of over £1.5bn (HY21: £1.6bn)
  - Adjusted operating profit of £54m, (HY21: £48m): reported profit £25m (HY21: £29m)
  - Adjusted operating margin improvement by 60 basis points to 3.5%
  - Adjusted basic EPS: 7.8p (HY21: 10.4p): reflecting dilution from recent equity raise
  - Free cash outflow of £(110)m (HY21: inflow £19m): impacted by anticipated seasonal working capital unwind
  - Significant reduction in net debt position
    - Net debt at 31 December 2021 of £(131)m (HY21: £(354)m)
    - Average month-end net debt of £(191)m (HY21: £(436)m)

- **Recent contract awards**
  - Highways: over £1bn of work awarded over the last six months including the delivery of the A417 Missing Link
  - Infrastructure: appointed by Network Rail to deliver the design and enabling works for the £65m Oxford railway station improvement project
  - Infrastructure & Utilities: appointed by Thames Water to deliver £66m improvement project at Mogden Sewage Treatment Works
  - Construction: appointed as main contractor to phase 2 of the £107m digital campus in Gloucester and in 2022 was awarded a place on the Procure Partnerships North West framework worth up to £1.8bn

[1] Continuing operations
[2] Revenue of the Group and its share of joint ventures.
[3] Stated before adjusting items of £19.0m (HY21: £7.5m) and amortisation of acquired intangible assets of £9.9m (HY21: £11.3m).
[4] Stated before adjusting items of £20.4m (HY21: £7.5m) and amortisation of acquired intangible assets of £9.9m (HY21: £11.3m).
[5] Disclosed net of the effect of hedging instruments and excludes leases – see note 10 to the interim financial statements.

    - Property: entered into a joint venture with PGIM Real Estate to develop a portfolio of light industrial and urban logistics warehouses across the UK
    - Focused on winning and executing contracts with appropriate risk and reward

- **High quality order book of £8.0bn**
    - Covering 96% of FY22 expected revenue
    - Strong levels of awards in H1 providing a good platform for growth
    - Underpinned by long-term frameworks and agreements
    - Well positioned to continue benefiting from UK Government infrastructure spending commitments

- **Focused on delivering medium-term value creation plan**
    - Revenue: £4.0 – 4.5bn
    - Adjusted operating profit margin: c.3.5%
    - Cash conversion of operating profit: c.90%
    - Balance sheet: Sustainable net cash position with capacity to invest
    - Dividend: Sustainable dividend policy: c.3 x cover through the cycle

Andrew Davies, Chief Executive, said:

"The performance of the Group over the last six months reflects our significantly enhanced resilience and strengthened financial position. We achieved our medium-term plan margin target in the first half of the year. The Group is well positioned to continue benefiting from UK Government infrastructure spending commitments and has seen strong levels of awards in the first half of the year. We continue to trade in line with expectations. Our high quality order book underpinned by long-term frameworks and agreements, gives us confidence in our medium-term value creation plan and the continued success of the Group."

HY22 Results Presentation

Kier Group plc will host a presentation for analysts and investors at 8:30am on 9 March 2022 at the offices of FTI Consulting, 200 Aldersgate Street, London EC1A 4HD.

Analysts wishing to attend should contact FTI Consulting to register – becky.west@fticonsulting.com.

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

Webcast: https://www.investis-live.com/kier/6217920903c5201200869a14/wrwwpo

United Kingdom: 0800 640 6441
United Kingdom (Local): 020 3936 2999
All other locations: +44 20 3936 2999
Conference password: 061426

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

Capital Markets Event

Kier Group plc will be hosting a Capital Markets Event on 25 May 2022.

The in-person event will be hosted by Andrew Davies, CEO and Simon Kesterton, CFO, and will include presentations from our Group Managing Directors of our core business units:

- Infrastructure Services - Highways, Infrastructure and Utilities
- Construction
- Property

Investor and analysts will also be able to join the Capital Markets Event through a webcast. Details will be announced closer to the time.

Further Information:
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Cautionary Statement

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

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

Principal Risks and Uncertainties

You are advised to read the section headed ''Principal risks and uncertainties'' in the Company's Annual Report and Accounts for the year ended 30 June 2021 for a discussion of the factors that could affect the Group's future performance and the industry in which it operates. The Board believes that these principal risks and uncertainties will continue to apply to the Group in the second-half of the financial year.

About Kier

Kier is a leading UK infrastructure services and construction group. The services we offer to our clients fit in to three core market propositions: Infrastructure Services, Construction and Property.

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

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

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

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

Introduction

The Group performed well during the half year despite inflationary pressure.

Kier reported revenues of £1.5bn, a slight decrease of 5% on HY21 reflecting procurement delays and project completion timing being partially offset by the start of certain capital works on HS2.

The Group delivered adjusted operating profit of £54m (HY21: £48m) and increased its margin by 60 basis points to 3.5% (HY21: 2.9%). This reflects the disciplined management of both materials inflation and extended delivery times; which was achieved through agile sourcing, as well as our continued focus applying the principles of Performance Excellence where c.55% of the order book is under target cost or cost reimbursable contracts. The Group achieved its medium-term plan margin target. The continued strong operational performance led to the Group recording an increased statutory profit before tax from continuing operations of £12.7m (HY21: £9.0m), despite the reduction in revenue.

Adjusted earnings per share was 7.8p from continuing operations (HY21: 10.4p (restated)). The prior year has been restated as a result of the bonus element of the FY21 equity raise.

As anticipated, the Group experienced a free cash outflow of £(110)m (HY21: £19m inflow). This was the result of seasonal working capital and a £10m reduction in Kier Early Payment Scheme (KEPS). The prior period had benefited from procurement policy note PPN 04/20.

The Group's net debt position at 31 December 2021 of £(131)m (HY21: £(354)m) and average period-end net debt of £(191)m (HY21: £(436)m), significantly improved period-on-period. The average period-end net debt improvement was driven by cash generation, the successful capital raise and the sale of Kier Living. This was partially impacted by a £42m period over period reduction in the average month-end KEPS balance, repayment of HMRC Government support and the payment of adjusting items. The Group's supplier payment days remain unchanged compared to HY21.

Strategy Update

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

The Group's strategy continues to be focused on:
- UK Government, regulated industries and blue-chip customers;
- operating in the business-to-business market; and
- contracting through long-term frameworks.

Our core businesses are well-placed to benefit from the announced and committed UK Government spending plans to invest in infrastructure, decarbonisation and the post COVID-19 recovery. We have secured places on long-term frameworks through which much of the increased spend will be deployed.

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

Medium-Term Value Creation Plan

The Group is focused on delivering its 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: c.3 x cover through the cycle

The Group aims to achieve these medium-term targets through:
- volume growth and improved contract profitability;
- continued management discipline;
- deploying additional capital in the Property business; and
- a recovery from COVID-19

Capital Allocation

In addition to the medium-term value creation plan, the Group has set out its capital allocation priorities. The Group maintains a disciplined approach to capital and continuously reviews capital allocation priorities with the aim of maximising shareholder returns. The Group's capital allocation is underpinned by its commitment to maintain a strong balance sheet. The capital priorities are:

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

Performance Excellence

Kier operates with a strong operational and financial risk management framework, which is fundamental to, and embedded into, Kier's contract selection and delivery processes.

Kier's Performance Excellence culture introduced a consistent approach in how Kier develops and manages people, as well as processes, projects, costs and its way of working. The key tenets are as follows:

- deliver projects on time and to budget, thereby meeting clients' and customers' expectations;
- do not enter into contracts with unacceptable risk profiles;
- introduce increased levels of resilience, and a consistency of approach, across the Group; and
- win new business with attractive margins.

Performance Excellence is also fundamental to Kier's approach to safety, with the aim of continuing to improve the Group's overall safety performance.

Supply Chain Partners

Our supply chain partners are key long-term stakeholders in the Group and will be central in the growth of Kier.

The Group's aggregate average payment days for the six months to 31 December 2021 remained at 34 days and the percentage of payments made to suppliers within 60 days increased to 92% from 89% (both compared to HY21).

We remain committed to further improvements in our payment practices and continue to work with both customers and suppliers to achieve this.

Management Changes

The Group has continued to strengthen its management team through the period with the promotion of Andrew Bradshaw as Group Managing Director, Utilities, who replaces Barry McNicholas who retired from the Group during the period.

Customers and winning new work

We remain focused on winning work through our long-standing client relationships and regionally based operations. The Group's order book at 31 December 2021 amounted to £8.0bn (30 June 2021: £7.7bn) as we continue to win new high quality and profitable work underpinning future growth.

During the period:

- Highways – over £1bn of work awarded over the last six months including the design and build of the A66 Northern-Trans-Pennine schemes
- Infrastructure & Utilities – appointed by Thames Water to deliver £66m improvement project at Mogden Sewage Treatment Works
- Construction – appointed as main contractor to phase 2 of the £107m digital campus in Gloucester and £43m Surgical Centre for NHS Golden Jubilee
- Property – Entered into a joint venture with PGIM Real Estate to develop a portfolio of light industrial and urban logistics warehouses across the UK
- Kier Places – extensions of two existing long-term contracts worth a combined £71m

Health, Safety and Wellbeing (HS&W)

The Group's 12-month rolling Accident Incident Rate ('AIR') at HY22 of 132 and the 12-month rolling All Accident Incident Rate ('AAIR') at HY22 of 378 represents increases of c.17% and c.8% respectively compared to the end of FY21. Whilst we recognise this is disappointing, we retain a solid safety record and maintain high safety standards in our industry.

Given the recent trend, the Group realigned its Safety, Health, Environment and Assurance (SHEA) function and plans to roll out a behavioural programme focusing on all aspects from safety, health and wellbeing.

Safety remains our license to operate and we continue to embed best practice and make conditions as safe as possible for our workforce.

AIR and AAIR are important metrics to baseline our performance but as we move forward into FY22 we will look to develop more proactive leading indicators where our teams focus on hazard and risk frequency and develop strong processes and plans to mitigate prior to incident.

Environmental, Social and Governance (ESG)

Following the successful launch of our Building for a Sustainable World Framework in July 2020, the Group continues to deliver against its key deliverables and balance the environmental and community resilience and profitability in day-to-day decision making.

The framework is governed through the ESG Board Committee.

- **Environmental**

Our Building for a Sustainable Framework sets out that our sustainability approach is based on five pillars; pollution prevention, sustainable procurement, net zero carbon, zero avoidable waste and biosphere protection for which we will report progress each year.

As at 31 December 2021, the Group's environmental performance is on target to achieve its targets including the measurement of our scope 3 carbon emissions. Within this the Group is changing how it operates. We are trialling the use of Hydrotreated Vegetable Oil (HVO) as a replacement for red diesel for our fleet. This change would potentially save carbon emissions by up to 90% and nitrogen oxide emissions by up to 27% in comparison to red diesel.

- **Social**

Kier operations have direct impacts on, and leave positive impacts on the communities we serve which then generate wider societal value. In order to capture this value the Group has invested in an online cloud-based system, Thrive. This tracking system links our sustainability framework, our social value model and UN Sustainability goals within an industry comparable system.

- **Governance**

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

Summary and Outlook

The performance of the Group over the last six months reflects our significantly enhanced resilience and strengthened financial position. We achieved our medium-term plan margin target in the first half of the year. The Group is well positioned to continue benefiting from UK Government infrastructure spending commitments and has seen strong levels of awards in the first half of the year. We continue to trade in line with expectations. Our strong order book underpinned by long-term frameworks and agreements, gives us confidence in our medium-term value creation plan and the continued success of the Group.

Operational Review

Infrastructure Services

	Six months to 31 December 2021	Six months to 31 December 2020
Revenue (£m)	**777**	673
Adjusted operating profit (£m)[6]	**32.9**	27.3
Adjusted operating margin	**4.2%**	4.1%
Reported operating profit (£m)	**22.5**	20.8
Order book (£bn)	**4.5**	4.6

- Key contract wins include
  - Highways – over £1bn of work awarded over the last six months including the design and build of the A66 Northern-Trans-Pennine schemes
  - Infrastructure & Utilities – appointed by Thames Water to deliver £66m improvement project at Mogden Sewage Treatment Works
  - Infrastructure – appointed by Network Rail to deliver the design and enabling works for the £65m Oxford railway station improvement project
- 98% of orders secured for FY22

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

Segmental revenue was 15% higher than the comparative period due primarily to the ramp up of capital works on HS2. This increase in volumes of the segment has primarily driven the 20.5% increase in adjusted operating profit to £33m.

The Highways business designs, builds and maintains roads for National Highways, Transport for London and a number of district and county councils. The business has enjoyed a period of strong work winning success, including new contracts and contract extensions in Highways Maintenance, alongside the design and build of three National Highways Major Projects. The marketplace is seeing a shift towards major projects with demand at unprecedented levels. Success in the Major Projects market requires relevant experience alongside a suite of skills and capabilities through the project life cycle, for which Kier is positioned strongly. As such the business forecasts to continue to grow its project portfolio to offset any downside risk on maintenance. In total, over £1bn of work was won over the last six months including Birmingham Highways contract extension, National Highways Schemes Delivery Framework, A66 Northern-Trans-Pennine scheme, M6 Lune Gorge Structures and A417 Missing Link.

The Infrastructure business delivers major and complex infrastructure and civil engineering projects, including the HS2 project in joint venture with Eiffage, Ferrovial and BAM Nuttall, the A13 dualling project and ongoing works at both Hinkley Point C and Sellafield. The ramp up also increased adjusted operating profit period over period.

The Utilities business delivers long-term contracts providing construction and maintenance services to the water, energy, and telecommunications sectors. The period reflects the commencement of several telecoms contracts and the resultant cost of mobilisation of this increased activity. The business has continued to win work such as being appointed by Thames Water to deliver £66m improvement project at Mogden Sewage Treatment Works. Utilising the depth of the Kier offer, this combines Utilities and Infrastructure strengths to deliver a turnkey solution for our client. The pipeline for attractive high-quality, long-term infrastructure work remains strong with opportunities to provide decarbonisation solutions to the energy sector.

Construction

	Six months to 31 December 2021	Six months to 31 December 2020
Revenue (£m)	**681**	903
Adjusted operating profit (£m)[7]	**26.3**	33.6
Adjusted operating margin	**3.9%**	3.7%
Reported operating profit (£m)	**12.8**	30.7
Order book (£bn)	**3.5**	3.4

- Awarded places on frameworks worth up to £11bn lasting typically four years
- Appointed as main contractor to phase 2 of the £107m digital campus in Gloucester
- 93% of orders secured for FY22
- Margin improvement due to realisation of cost saving programme and alignment to lower revenues

The Construction segment comprises Regional Building, Strategic Projects, Kier Places (including Housing Maintenance, Facilities Management and Environmental Services) as well as our International business.

[6] Stated before adjusting items of £10.4m (HY21: £6.5m).
[7] Stated before adjusting items of £13.5m (HY21: £2.9m).

Construction has national coverage delivering schools, hospitals, defence, custodial facilities and amenities centres for local authorities, councils and the private sector.

As previously highlighted, revenue was impacted by procurement delays with deferred orders and delayed project starts as well as the ramp down of activity following the successful completion of the HMP Five Wells prison project in Wellingborough. The reductions in volume resulted in revenue decreasing by 25% and adjusted operating profit reducing by 22% to £26m. Adjusting items include costs related to the restructuring of our Southern regional business following our strategic review and a limited amount of cladding rectification costs.

The business continued to win contracts, as reflected in an increased order book, including being awarded a place on the £7bn Department for Education 2021 Construction Framework and being appointed as preferred bidder to deliver the £36m new Sunderland Eye Hospital and in 2022 was awarded a place on the Procure Partnerships North West framework worth up to £1.8bn. 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 continued to see a few deferrals in project awards caused by procurement delays. In addition, whilst we recognise the risk of cost inflation, we continue to mitigate this with our contractual agreements and ongoing tender selectivity and controls.

Our Kier Places business specialises in working in occupied properties both residential and offices, delivering maintenance, repairs, fire safety and compliance services. The business has benefited from increased work opportunities from existing customers, resulting in increases in both volumes and profitability. It continues to win new work and the period saw the extensions of two existing long-term contracts worth a combined £71m.

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

Property

	Six months to 31 December 2021	Six months to 31 December 2020
Revenue (£m)	**76**	46
Adjusted operating profit (£m)[8]	**10.4**	2.6
Adjusted operating margin	**13.7%**	5.7%
Reported operating profit (£m)	**9.8**	0.1
ROCE %	**15.0%**	3.6%

- Entered into a joint venture with PGIM Real Estate to develop a portfolio of light industrial and urban logistics warehouses across the UK.
- Partner Investec to develop a multi-unit 4.9 acre industrial scheme in Manchester under our Trade City JV.
- Completed sales of Maidenhead and Gravesend Trade City sites during the period.

The Property business invests and develops primarily mixed-use commercial and residential schemes and sites across the UK.

Revenue increased 64% compared to the prior year due to the completion of several property sales during the period particularly within the industrial sector.

Adjusted operating profit increased from £2.6m to £10.4m period over period due to the increased completions. The Group is focused on the controlled expansion of the Property business through select investments and strategic joint ventures using a disciplined capital approach.

Corporate

	Six months to 31 December 2021	Six months to 31 December 2020
Adjusted operating loss (£m)[9]	**(15.4)**	(15.9)
Reported operating loss (£m)	**(19.8)**	(22.8)

The Corporate segment comprises the costs of the Group's central functions and remains consistent with the prior period as the Group continues to retain the benefits of the previous periods' cost reduction programmes.

[8] Stated before adjusting items of £0.6m (HY21: £2.5m).
[9] Stated before adjusting items of £4.4m (HY21: £6.9m).

Financial Review

Introduction

The Group performed well during the half year despite inflationary pressure. The Group delivered adjusted operating profit of £54.2m (HY21: £47.6m, FY21: £100.3m) with a margin of 3.5% (HY21: 2.9%, FY21: 3.0%).

The continued strong operational performance led to the Group recording an increased statutory profit before tax from continuing operations of £12.7m (HY21: £9.0m, FY21: £5.6m), despite a reduction in revenue.

Adjusted earnings per share was 7.8p from continuing operations (HY21: 10.4p (restated), FY21: 25.0p). The prior year has been restated as a result of the bonus element of the FY21 equity raise.

As anticipated, the Group experienced a free cash outflow of £110m (HY21: £19m inflow, FY21: £93m inflow) in the first half of the year. The Group converted operating profit into cash offset by a working capital unwind, typical for the first six months of the year.

The Group remains well placed to benefit from the UK Government's commitment to national infrastructure investment.

The order book was £8.0bn at 31 December 2021 (HY21: £8.0bn, FY21: £7.7bn). The Group continued to win new, high quality and profitable work in its markets on terms and rates which reflect the bidding discipline and risk management introduced under the Group's Performance Excellence programme.

The order book continues to be underpinned by significant long-term framework agreements. New awards exceeded the prior year, albeit the growth in order book was later than anticipated due to procurement delays.

Summary of financial performance

	Adjusted[10] results			**Reported results**		
	31 Dec 21	31 Dec 20[11]	*change*	**31 Dec 21**	31 Dec 20[11]	*change*
Revenue (£m) - Total	**1,536.2**	1,624.2	*(5.4)%*	**1,536.2**	1,624.2	*(5.4)%*
Revenue (£m) - Excluding JV's	**1,482.2**	1,617.1	*(8.3)%*	**1,482.2**	1,617.1	*(8.3)%*
Profit from operations (£m)	**54.2**	47.6	*13.9%*	**25.3**	28.8	*(12.2)%*
Profit before tax (£m)	**43.0**	27.8	*54.7%*	**12.7**	9.0	*41.1%*
Earnings per share (p)	**7.8**	10.4	*(25.0)%*	**2.2**	3.8	*(42.1)%*
Free cash flow (£m)	**(109.7)**	19.0	*(128.7)*			
Net debt (£m)	**(131.3)**	(353.5)	*222.2*			
Net debt (£m) - average month end	**(190.8)**	(436.3)	*245.5*			
Order book (£bn)	**8.0**	8.0	-			
Supply Chain Financing (£m)	**69.3**	109.4	*(40.1)*			

Revenue from continuing operations

The following table represents a bridge in the Group's revenue from the period ended 31 December 2020 to the period ended 31 December 2021.

	£m
Revenue for the six months to 31 December 2020	**1,624.2**
Infrastructure Services	**104.5**
Construction	**(221.7)**
Property and Corporate	**29.2**
Revenue for the six months to 31 December 2021	**1,536.2**

The Group experienced strong growth in Infrastructure, primarily due to the ramp up in HS2. Construction revenue decreased due to reduced volumes. There were also additional transactions in Property compared to the prior period. The Group continues to focus on delivering high quality and high margin work**.**

Alternative performance measures (APM)

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

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

[11] Continuing operations

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

Adjusted Operating Profit

	£m
Adjusted operating profit for the six months to 31 December 2020	**47.6**
Volume / price / mix changes	**(6.7)**
Additional property transactions	**7.8**
Cost inflation	**(3.4)**
Management actions	**8.9**
Adjusted operating profit for the six months to 31 December 2021	**54.2**

Adjusted operating profit improved compared to the prior period despite the reduction in revenue. The main reasons for this were management actions to reduce costs and increased property transactions compared to HY21, which offset volume and inflation pressures.

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

	Operating profit		Profit before tax	
	Six months to 31 Dec 2021 £m	Six months to 31 Dec 2020 £m	**Six months to 31 Dec 2021 £m**	Six months to 31 Dec 2020 £m
Reported profit from continuing operations	**25.3**	28.8	**12.7**	9.0
Amortisation of acquired intangible assets	**9.9**	11.3	**9.9**	11.3
Restructuring and related charges	**11.8**	6.0	**11.8**	6.0
Preparation for business divestment or closure	**(0.3)**	(0.8)	**(0.3)**	(0.8)
Other	**7.5**	2.3	**8.9**	2.3
Adjusted profit from continuing operations	**54.2**	47.6	**43.0**	27.8

Additional information about these items is as follows:

- Amortisation of acquired intangible assets £9.9m (HY21: £11.3m, FY21: £21.0m):
  Comprises the amortisation of acquired contract rights primarily relating to the acquisitions of May Gurney in 2013, Mouchel in 2015 and McNicholas in 2017.

- Restructuring and related charges £11.8m (HY21: £6.0m. FY21: £31.6m):
  The Group incurred restructuring costs and related charges in the period totalling £11.8m. The Group continued its strategic restructuring of its Regional Southern Build business, which has included the closure of offices, a down-sizing of personnel and the withdrawal/early settlement of certain contract positions. As a result of these ongoing restructuring activities, a cost of £6.0m was charged in the current period, which represents an extension of the prior year charges. This relates predominantly to charges in respect of the recoverability of assets and increased project costs due to settlements and delays, which have been directly impacted by this restructuring programme.

  In addition, £4.1m was incurred on redundancies and other people related costs.

  A further £1.4m relates to fair value movements on the Group's vacated properties. This includes a £5.2m impairment in relation to Fountain Street, Manchester, which has been recognised upon transfer from right-of-use assets to investment properties. This is offset by a £1.4m fair value uplift on the Group's other investment properties. Following a fire, the land at our recycling plant has been transferred to investment property and has been included at fair value, which has resulted in a £2.7m credit.

- Costs relating to the preparation of business divestment or closure £(0.3m) (HY21: £(0.8m), FY21: £0.5m):
  The current year credit represents the reversal of an impairment charge on land held for development. The original impairment was classified as an adjusting item and so the reversal has been recognised for consistency.

- Other costs £8.9m (HY21: £2.3m, FY21: £6.7m)
  Other costs include £5.3m in relation to the fire at the Pure Recycling site in Warwickshire, of which £4.1m represents an impairment of the property, plant and equipment. Following the fire, the building has been

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

In addition to the costs of the Pure Recycling site, a £1.7m charge has been made in respect of fire compliance and cladding claims, an IFRS 16 interest charge of £1.4m on leased properties that were previously vacated and £0.5m for the settlement of an out of period legal claim that was notified in the current period.

Earnings per share
Earnings per share (EPS), before adjusting items, from continuing operations amounted to 7.8p (HY21: 10.4p (restated), FY21: 25.0p). EPS, after adjusting items, from continuing operations amounted to 2.2p (HY21: 3.8p (restated), FY21: 11.6p). The prior period restatement of EPS numbers is as a result of the FY21 equity raise.

Finance charges
Finance costs have decreased to £12.9m (HY21: £21.7m, FY21: £41.8m) due to a reduction in bank interest as a result of the Group's improved average net debt position and a decrease in forward funding interest within Property. The Group chooses to forward fund certain developments in Property to de-risk the portfolio following COVID-19.

Total finance costs included bank interest of £9.6m, related to the Group's committed bank facilities, finance costs of £3.3m relating to interest and finance charges for lease liabilities. The Group continues to exclude lease liabilities from its definition of net debt.

Balance sheet

Net assets
The Group had net assets of £509.1m at 31 December 2021 (HY21: £189.3m, FY21: £435.0m). The primary drivers for this are the equity raise completed in FY21 and the increase in the pension scheme asset during the period.

Goodwill
The Group held intangible assets of £683.7m (HY21: £705.7m, FY21: £697.2m) of which goodwill represented £536.7m (HY21: £536.7m, FY21: £536.7m). No impairment indicators were identified in the period.

Deferred tax asset
The Group has a deferred tax asset of £116.9m recognised at 31 December 2021 (HY21: £124.1m, FY21: £138.0m) primarily due to prior year losses. The asset has decreased in the period primarily due to the deferred tax charge in relation to the movement in the pension scheme asset.

Based on the Group's forecasts, it is expected that the deferred tax asset will be utilised over a period of approximately 12 years.

A tax credit of £5.6m has been recognised in respect of adjusting items.

Free cash flow and Net debt

	£m
Operating profit	**25.3**
Depreciation of owned assets	**3.3**
Depreciation of right-of-use assets	**15.4**
Amortisation	**13.8**
EBITDA	**57.8**
Adjusting items excluding adjusting amortisation and interest	**19.0**
Adjusted EBITDA	**76.8**
Working capital outflow	**(143.0)**
Net capital expenditure including finance lease capital payments	**(19.6)**
Joint Venture dividends less profits	**0.1**
Other free cash flow items	**2.2**
Net interest and tax	**(10.1)**
Free cash flow before COVID-19	**(93.6)**
Net COVID-19 tax repayment	**(16.1)**
Free cash flow	**(109.7)**

	£m
Net cash at 30 June 2021	**3.0**
Free cash flow	**(109.7)**
Adjusting items	**(15.6)**
Pension deficit payments	**(5.8)**
Fees paid in respect of prior year equity raise	**(6.1)**
Other	**2.9**
Net debt at 31 December 2021	**(131.3)**

The Group experienced a free cash outflow during the period, which was driven by an anticipated working capital outflow and reduced volumes within the Construction business. The working capital outflow includes a continued reduction in the Group's use of its supply chain finance facility (KEPS), which reduced by £9.8m to £69.3m.

The Group’s average month end net debt has significantly reduced from £436m to £191m as a result of the successful capital raise, the sale of Kier Living and free cashflow generation. This was partially impacted by a £42m reduction in the average month end KEPS balance, repayment of HMRC Government support of £53m and adjusting items of £66m.

Government support
As of 31 December 2021, the Group’s remaining total indirect tax deferred amounted to £2.7m (HY21: £49.9m, FY21: £18.8m) representing VAT deferred in accordance with HMRC guidance.

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. At 31 December 2021, contract assets amounted to £332.6m (HY21: £279.2m, FY21: £366.4m). Contract liabilities were £55.7m (HY21: £86.7m, FY21: £59.9m).

Retirement benefits obligation
Kier operates a number of defined benefit pension schemes. At 31 December 2021, the reported surplus, which is the difference between the aggregate value of the schemes' assets and the present value of their future liabilities, was £133.9m (HY21: deficit of £1.4m, FY21: £46.2m), before accounting for deferred tax, with the movement in the period primarily as a result of actuarial gains of £81.6m.

Right-of-use assets and lease liabilities
At 31 December 2021 the Group had right-of-use assets of £88.5m (HY21: £92.6m, FY21: £96.5m) and associated lease liabilities of £167.8m (HY21: £161.6m, FY21: £163.8m).

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

Treasury facilities
Bank finance
The Group has committed debt facilities of £650.8m with a further £18.0m of uncommitted overdrafts. During the prior year, following the sale of Kier Living and the equity raise, the Group extended a number of its committed facilities, including £475m of its £535m Revolving Credit Facility and £69.6m of US Private Placement Notes

(USPP) to January 2025. In addition, the Group has £32.6m of USPP maturing December 2022 and £7.9m of Schuldschein notes maturing May 2023.

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 2021 was £69.3m (HY21: £109.4m, FY21: £79.1m).

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

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

The Group does not enter into speculative transactions.

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

The Group performed well through the half year ended 31 December 2021 and produced results in line with the Board's expectations. Average net debt compared to the prior period has reduced significantly following the sale of Kier Living and the equity raise in the last quarter of FY21. The Group continues to win new, high quality and profitable business in its markets on terms and at rates which reflect the new bidding disciplines and risk management practices introduced under the Group's Performance Excellence programme. As a result, the order book as at 31 December 2021 increased to £8.0bn compared to 30 June 2021 (£7.7bn).

Following the revised debt facility agreements, at 31 December 2021, the Group had £650.8m of unsecured committed facilities, £18.0m of uncommitted overdrafts and £69.3m of uncommitted supply chain financing facilities.

Financial covenant certificates for December 2021 have been prepared with no breaches noted. The Directors have reviewed the Group's cash flow forecasts for the period to 30 June 2023, which are included in the Group's three-year strategic plan, on the basis of certain key assumptions and including a number of stressed but plausible downside scenarios.

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

- Potential reductions in trading volumes;
- Potential margin erosion;
- Potential future unknown risks in respect of ongoing projects; and
- The availability of supply-chain finance.

The Board continue to monitor the ongoing impact of COVID-19, however a full shut-down of the construction industry akin to that of March 2020 is currently not considered plausible in light of the continued lifting of government restrictions.

The Board also considered the macroeconomic and political risks affecting the UK economy, including the availability of labour and increased supply chain costs. The Board noted that the Group's forecasts are underpinned by a significant proportion of revenue that is either secured or considered probable, often as part of long-term framework agreements, and that the Group operates primarily in sectors such as health, education and utilities, which are considered likely to remain largely unaffected by macroeconomic factors.

The Board has also considered the potential impact of climate change and has concluded that any adverse financial impacts from changes to operations regarding ESG initiatives would be offset by opportunities which present the Group with additional volumes and profits, such as replacement of non-sustainable buildings, construction of new ‘clean’ power plants and ‘green’ building conversions.

The Group is expected to continue to have available liquidity headroom under its finance facilities and operate within its financial covenants over the going concern period, including in a downside scenario. The Directors therefore believe the risk associated with going concern has reduced following the corporate actions taken in the previous financial year and in light of the Group's execution of its strategic milestones, its most recent trading performance and latest forecasts, and the associated improved headroom over liquidity and covenant limits.

As a result, the Directors are satisfied that the Group has adequate resources to meet its obligations as they fall due for a period of at least twelve months from the date of approving these interim financial statements 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 condensed interim financial statements have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting', and the Disclosure Guidance and Transparency Rules sourcebook of the UK's Financial Conduct Authority and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

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

There have been no changes to the directors of Kier Group plc as listed on pages 78 and 79 of the 2021 Annual Report and Accounts. A list of the current directors is also maintained on Kier Group plc's website at: www.kier.co.uk.

Signed on 8 March 2022 on behalf of the Board.

Andrew Davies	Simon Kesterton
Chief Executive	Chief Financial Officer

Independent review report to Kier Group plc
Report on the condensed consolidated interim financial statements

Our conclusion
We have reviewed Kier Group plc's condensed consolidated interim financial statements (the "interim financial statements") in the Condensed interim financial statements of Kier Group plc for the 6 month period ended 31 December 2021 (the "period").

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

What we have reviewed
The interim financial statements comprise:

- the Condensed consolidated balance sheet as at 31 December 2021;
- the Condensed consolidated income statement and Condensed consolidated statement of comprehensive income for the period then ended;
- the Condensed consolidated cash flow statement for the period then ended;
- the Condensed consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

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

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors
The Condensed interim 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 Condensed interim 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 Condensed interim 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 Condensed interim 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
8 March 2022

Condensed consolidated income statement

For the six months ended 31 December 2021

	Notes	**Unaudited six months to 31 December 2021 Total £m**	Unaudited six months to 31 December 2020[2] Total £m	Year to 30 June 2021 Total £m
Continuing operations				
Revenue				
Group and share of joint ventures	2	**1,536.2**	1,624.2	3,328.5
Less share of joint ventures	2	**(54.0)**	(7.1)	(67.5)
Group revenue		**1,482.2**	1,617.1	3,261.0
Cost of sales		**(1,350.9)**	(1,459.4)	(2,976.9)
Gross profit		**131.3**	157.7	284.1
Administrative expenses		**(116.9)**	(124.3)	(240.1)
Share of post-tax results of joint ventures		**10.9**	(4.6)	(0.3)
Profit from operations	2	**25.3**	28.8	43.7
Finance income	4	**0.3**	1.9	3.7
Finance cost	4	**(12.9)**	(21.7)	(41.8)
Profit before tax	2	**12.7**	9.0	5.6
Taxation	6	**(2.7)**	(1.9)	17.4
Profit for the period from continuing operations		**10.0**	7.1	23.0
Discontinued operations				
Loss for the period from discontinued operations (attributable to equity holders of the parent)		–	(1.8)	(24.6)
Profit/(loss) for the period		**10.0**	5.3	(1.6)
Attributable to:				
Owners of the parent		**9.6**	5.9	(0.3)
Non-controlling interests		**0.4**	(0.6)	(1.3)
		10.0	5.3	(1.6)
Earnings per share from continuing operations				
Basic	8	**2.2p**	3.8p	11.6p
Diluted	8	**2.1p**	3.8p	11.4p
Total earnings/(loss) per share				
Basic	8	**2.2p**	2.9p	(0.1)p
Diluted	8	**2.1p**	2.9p	(0.1)p
Supplementary information from continuing operations				
Adjusted[1] operating profit	3	**54.2**	47.6	100.3
Adjusted[1] profit before tax	3	**43.0**	27.8	65.4
Adjusted[1] earnings per share	8	**7.8p**	10.4p	25.0p
Adjusted[1] diluted earnings per share	8	**7.5p**	10.4p	24.6p

1 Reference to ‘adjusted’ excludes adjusting items, see notes 1 and 3.
2 Earnings per share has been re-presented in the comparative information as a result of the bonus element of the equity raise, which completed on 18 June 2021, see note 15.

Condensed consolidated statement of comprehensive income

For the six months ended 31 December 2021

	Notes	**Unaudited six months to 31 December 2021 £m**	Unaudited six months to 31 December 2020 £m	Year to 30 June 2021 £m
Profit/(loss) for the period		**10.0**	5.3	(1.6)
Items that may be reclassified subsequently to the income statement				
Fair value gain/(loss) on cash flow hedging instruments		**1.8**	(13.6)	(16.6)
Fair value movements on cash flow hedging instruments recycled to the income statement		**(2.4)**	10.4	15.0
Deferred tax credit on fair value movements on cash flow hedging instruments		**0.1**	0.6	0.3
Foreign exchange translation differences		**0.6**	(2.9)	(3.2)
Foreign exchange movements recycled to the income statement		–	0.1	0.1
Total items that may be reclassified subsequently to the income statement		**0.1**	(5.4)	(4.4)
Items that will not be reclassified to the income statement				
Re-measurement of retirement benefit assets and obligations	5	**81.6**	(66.5)	(29.8)
Deferred tax on re-measurement of retirement benefit assets and obligations		**(20.4)**	12.6	4.8
Total items that will not be reclassified to the income statement		**61.2**	(53.9)	(25.0)
Other comprehensive income/(loss) for the period		**61.3**	(59.3)	(29.4)
Total comprehensive income/(loss) for the period		**71.3**	(54.0)	(31.0)
Attributable to:				
Equity holders of the parent		**70.9**	(53.4)	(29.7)
Non-controlling interests – continuing operations		**0.4**	(0.6)	(1.3)
		71.3	(54.0)	(31.0)
Total comprehensive income/(loss) attributable to equity shareholders arises from:				
Continuing operations		**70.9**	(51.6)	(5.1)
Discontinued operations		–	(1.8)	(24.6)
		70.9	(53.4)	(29.7)

Condensed consolidated statement of changes in equity

For the six months ended 31 December 2021

	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 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	14	–	–	–	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
Loss for the period		–	–	–	(6.2)	–	–	–	(6.2)	(0.7)	(6.9)
Other comprehensive income/(loss)		–	–	–	28.9	1.3	(0.3)	–	29.9	–	29.9
Issue of own shares	15	2.9	–	–	–	–	–	215.8	218.7	–	218.7
Share-based payments	14	–	–	–	4.2	–	–	–	4.2	–	4.2
Purchase of own shares		–	–	–	(0.2)	–	–	–	(0.2)	–	(0.2)
At 30 June 2021		**4.5**	**684.3**	**2.7**	**(610.8)**	**(0.1)**	**5.0**	**350.6**	**436.2**	**(1.2)**	**435.0**
Profit for the period		–	–	–	9.6	–	–	–	**9.6**	0.4	**10.0**
Other comprehensive income/(loss)		–	–	–	61.2	(0.5)	0.6	–	**61.3**	–	**61.3**
Issue of own shares		–	–	–	–	–	–	–	–	0.6	**0.6**
Share-based payments	14	–	–	–	4.0	–	–	–	**4.0**	–	**4.0**
Purchase of own shares		–	–	–	(1.8)	–	–	–	**(1.8)**	–	**(1.8)**
At 31 December 2021		**4.5**	**684.3**	**2.7**	**(537.8)**	**(0.6)**	**5.6**	**350.6**	**509.3**	**(0.2)**	**509.1**

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

Condensed consolidated balance sheet

At 31 December 2021

	Notes	**Unaudited 31 December 2021 £m**	Unaudited 31 December 2020 £m	30 June 2021 £m
Non-current assets				
Intangible assets	9	**683.7**	705.7	697.2
Property, plant and equipment		**37.5**	45.4	43.3
Right-of-use assets		**88.5**	92.6	96.5
Investment properties		**63.0**	49.8	49.6
Investments in and loans to joint ventures		**96.5**	102.0	98.9
Capitalised mobilisation costs		**3.5**	2.0	3.8
Deferred tax assets	6	**116.9**	124.1	138.0
Contract assets		**30.7**	28.8	30.7
Trade and other receivables		**15.5**	30.7	24.1
Retirement benefit assets	5	**151.7**	67.1	87.2
Other financial assets		**5.5**	14.3	11.4
Non-current assets		**1,293.0**	1,262.5	1,280.7
Current assets				
Inventories		**56.7**	54.3	54.7
Contract assets		**301.9**	250.4	335.7
Trade and other receivables		**240.2**	287.5	203.1
Corporation tax receivable		**12.0**	8.1	13.6
Other financial assets		**2.3**	2.3	2.0
Cash and cash equivalents	10	**300.1**	328.6	391.2
Current assets		**913.2**	931.2	1,000.3
Assets held for sale as part of a disposal group		**–**	234.8	–
Total assets		**2,206.2**	2,428.5	2,281.0
Current liabilities				
Borrowings	10	**(32.6)**	(99.6)	(38.2)
Lease liabilities		**(30.0)**	(28.1)	(27.4)
Trade and other payables	11	**(934.2)**	(1,000.6)	(1,093.1)
Contract liabilities		**(55.7)**	(86.7)	(59.9)
Provisions		**(14.4)**	(13.7)	(14.9)
Current liabilities		**(1,066.9)**	(1,228.7)	(1,233.5)
Liabilities held for sale as part of a disposal group		**–**	(124.8)	–
Non-current liabilities				
Borrowings	10	**(406.0)**	(599.4)	(362.3)
Lease liabilities		**(137.8)**	(133.5)	(136.4)
Trade and other payables		**(35.9)**	(40.4)	(39.9)
Retirement benefit obligations	5	**(17.8)**	(68.5)	(41.0)
Provisions		**(32.7)**	(43.9)	(32.9)
Non-current liabilities		**(630.2)**	(885.7)	(612.5)
Total liabilities		**(1,697.1)**	(2,239.2)	(1,846.0)
Net assets	2	**509.1**	189.3	435.0
Equity				
Share capital		**4.5**	1.6	4.5
Share premium		**684.3**	684.3	684.3
Capital redemption reserve		**2.7**	2.7	2.7
Accumulated losses		**(537.8)**	(637.5)	(610.8)
Cash flow hedge reserve		**(0.6)**	(1.4)	(0.1)
Translation reserve		**5.6**	5.3	5.0
Merger reserve		**350.6**	134.8	350.6
Equity attributable to owners of the parent		**509.3**	189.8	436.2
Non-controlling interests		**(0.2)**	(0.5)	(1.2)
Total equity		**509.1**	189.3	435.0

Condensed consolidated cash flow statement

For the six months ended 31 December 2021

	Notes	**Unaudited six months to 31 December 2021 £m**	Unaudited six months to 31 December 2020[2] £m	Year to 30 June 2021 £m
Cash flows from operating activities				
Profit before tax – continuing operations		**12.7**	9.0	5.6
Loss before tax – discontinued operations		**–**	(1.8)	(24.6)
Net finance cost		**12.6**	19.8	38.1
Share of post-tax trading results of joint ventures		**(10.9)**	(2.3)	0.3
Current and past service costs for defined benefit pension schemes		**0.1**	0.6	0.7
Equity-settled share-based payments charge		**4.0**	2.8	7.0
Amortisation of intangible assets and mobilisation costs		**13.8**	15.7	30.9
Fair value adjustments to assets held for sale, intangible assets and investment properties		**(4.0)**	(3.8)	(5.1)
Research and development expenditure credit		**(6.9)**	(7.9)	(13.3)
Impairment and depreciation of property, plant and equipment		**7.4**	4.4	6.4
Impairment and depreciation of right-of-use assets		**20.6**	16.2	33.7
Loss on disposal of joint ventures and subsidiaries		**–**	–	12.1
(Profit)/loss on disposal of property, plant and equipment and intangible assets		**(0.1)**	0.7	(0.2)
Operating cash inflows before movements in working capital and pension deficit contributions		**49.3**	53.4	91.6
Deficit contributions to pension fund	5	**(5.8)**	(26.5)	(37.0)
(Increase)/decrease in inventories		**(2.0)**	5.7	3.9
(Increase)/decrease in receivables		**(29.7)**	(48.6)	43.0
Decrease/(increase) in contract assets		**33.4**	(6.0)	(95.3)
(Decrease)/increase in payables		**(149.5)**	36.4	100.7
Decrease in contract liabilities		**(4.2)**	(22.0)	(48.8)
Decrease in provisions		**(0.7)**	(15.2)	(31.3)
Cash (outflow)/inflow from operating activities		**(109.2)**	(22.8)	26.8
Dividends received from joint ventures		**10.9**	7.1	6.3
Interest received		**0.3**	1.9	3.7
Income tax received		**–**	10.9	11.2
Net cash (outflow)/inflow from operating activities		**(98.0)**	(2.9)	48.0
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment		**1.2**	–	2.5
Proceeds from sale of subsidiaries and joint ventures, net of cash disposed		**–**	–	120.8
Purchase of property, plant and equipment		**(3.5)**	(0.8)	(3.3)
Purchase of intangible assets	9	**(0.6)**	(0.1)	(3.1)
Purchase of capitalised mobilisation costs		**(0.2)**	(0.5)	(3.5)
Investment in or loans to joint ventures		**(7.4)**	(5.5)	(9.2)
Loan repayment and return of equity from joint ventures[2]		**9.7**	4.4	9.3
Classification to assets held for sale		**–**	(0.1)	–
Net cash (used in)/from investing activities		**(0.8)**	(2.6)	113.5
Cash flows from financing activities				
Issue of shares net of associated transaction costs	15	**(6.1)**	–	224.8
Issue of shares in subsidiary to non-controlling interests		**0.6**	–	–
Purchase of own shares		**(1.8)**	(0.3)	(0.5)
Interest paid		**(11.9)**	(15.2)	(28.4)
Principal elements of lease payments		**(16.4)**	(19.1)	(39.6)
Drawdown of borrowings		**76.3**	–	–
Repayment of borrowings		**(41.1)**	(42.4)	(337.4)
Settlement of derivative financial instruments		**7.5**	–	–
Net cash from/(used in) financing activities		**7.1**	(77.0)	(181.1)
Decrease in cash, cash equivalents and overdraft		**(91.7)**	(82.5)	(19.6)
Effect of change in foreign exchange rates		**0.6**	(2.8)	(3.1)
Opening cash, cash equivalents and overdraft		**391.2**	413.9	413.9
Closing cash, cash equivalents and overdraft	10	**300.1**	328.6	391.2

Supplementary information[1]

Adjusted cash (outflow)/ inflow from operating activities	3	**(93.6)**	4.3	98.9

1 Reference to 'adjusted' excludes adjusting items, see notes 1 and 3.

2 £4.4m has been re-presented in the HY21 comparative information from financial activities to investing activities for loan repayment and return of equity from joint ventures.

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 2nd Floor, Optimum House, Clippers Quay, Salford, M50 3XP.

The condensed interim consolidated financial statements (interim financial statements) for the six months ended 31 December 2021 comprise the Company and its subsidiaries (together referred to as the Group) and the Group's interest in jointly controlled entities.

Basis of preparation

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

This condensed interim financial statements for the half year ended 31 December 2021 has been prepared in accordance with the UK-adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

The unaudited financial information contained in this announcement does not constitute the Company's statutory accounts as at and for the six months ended 31 December 2021. Statutory financial statements for the year ended 30 June 2021 were approved by the Board of Directors on 15 September 2021 and delivered to the Registrar of Companies. The auditor's report on these accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain a statement under section 498 of the Companies Act 2006.

Going concern

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

The Group performed well through the half year ended 31 December 2021 and produced results in line with the Board's expectations. Average net debt compared to the prior period has reduced significantly following the sale of Kier Living and the equity raise in the last quarter of FY21. The Group continues to win new, high quality and profitable business in its markets on terms and at rates which reflect the new bidding disciplines and risk management practices introduced under the Group's Performance Excellence programme. As a result, the order book as at 31 December 2021 increased to £8.0bn compared to 30 June 2021 (£7.7bn).

Following the revised debt facility agreements, at 31 December 2021, the Group had £650.8m of unsecured committed facilities, £18.0m of uncommitted overdrafts and £69.3m of uncommitted supply chain financing facilities.

Financial covenant certificates for December 2021 have been prepared with no breaches noted. The Directors have reviewed the Group's cash flow forecasts for the period to 30 June 2023, which are included in the Group's three-year strategic plan, on the basis of certain key assumptions and including a number of stressed but plausible downside scenarios.

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

- Potential reductions in trading volumes;
- Potential margin erosion;
- Potential future unknown risks in respect of ongoing projects; and
- The availability of supply-chain finance.

The Board continue to monitor the ongoing impact of COVID-19, however a full shut-down of the construction industry akin to that of March 2020 is currently not considered plausible in light of the continued lifting of government restrictions.

The Board also considered the macroeconomic and political risks affecting the UK economy, including the availability of labour and increased supply chain costs. The Board noted that the Group's forecasts are underpinned by a significant proportion of revenue that is either secured or considered probable, often as part of long-term framework agreements, and that the Group operates primarily in sectors such as health, education and utilities, which are considered likely to remain largely unaffected by macroeconomic factors.

The Board has also considered the potential impact of climate change and has concluded that any adverse financial impacts from changes to operations regarding ESG initiatives would be offset by opportunities which present the Group with additional volumes and profits, such as replacement of non-sustainable buildings, construction of new 'clean' power plants and 'green' building conversions.

The Group is expected to continue to have available liquidity headroom under its finance facilities and operate within its financial covenants over the going concern period, including in a downside scenario. The Directors therefore believe the risk associated with going concern has reduced following the corporate actions taken in the previous financial year and in light of the Group's execution of its strategic milestones, its most recent trading performance and latest forecasts, and the associated improved headroom over liquidity and covenant limits.

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

1 Accounting policies continued

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 2021.

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. The Directors have considered the requirements of applicable accounting standards, along with additional guidance around alternative performance measures (APMs) and 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, in alignment with the Group's internal management reporting. 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 reporting 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 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.

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

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

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

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

2 Segmental reporting

For the six months ended 31 December 2021 **Continuing operations**	Infrastructure Services £m	Construction £m	Property £m	Corporate £m	Group £m
Revenue[1]					
Group and share of joint ventures	777.1	680.9	75.6	2.6	**1,536.2**
Less share of joint ventures	–	(1.4)	(52.6)	–	**(54.0)**
Group revenue	**777.1**	**679.5**	**23.0**	**2.6**	**1,482.2**
Profit for the period					
Operating profit/(loss) before adjusting items	32.9	26.3	10.4	(15.4)	**54.2**
Adjusting items	(10.4)	(13.5)	(0.6)	(4.4)	**(28.9)**
Profit/(loss) from operations	**22.5**	**12.8**	**9.8**	**(19.8)**	**25.3**
Net finance income/(costs)[2]	0.5	(2.0)	(1.2)	(9.9)	**(12.6)**
Profit/(loss) before tax from continuing operations	**23.0**	**10.8**	**8.6**	**(29.7)**	**12.7**
Taxation					**(2.7)**
Profit for the period from continuing operations					**10.0**
Profit for the period from discontinued operations					–
Profit for the period					**10.0**
Balance sheet					
Operating assets[3]	911.3	427.4	162.4	397.1	**1,898.2**
Operating liabilities[3]	(385.7)	(643.7)	(15.9)	(213.1)	**(1,258.4)**
Net operating assets/(liabilities)[3]	**525.6**	**(216.3)**	**146.5**	**184.0**	**639.8**
Cash, cash equivalents and borrowings	257.8	333.0	(122.7)	(606.6)	**(138.5)**
Net financial assets	–	–	–	7.8	**7.8**
Net assets/(liabilities) excluding net assets held for sale	**783.4**	**116.7**	**23.8**	**(414.8)**	**509.1**
Net assets held for sale					–
Net assets					**509.1**

2 Segmental reporting continued

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**

Notes to the financial statements
Continued

2 Segmental reporting continued

For the year ended 30 June 2021 **Continuing operations**	Infrastructure Services £m	Construction £m	Property £m	Corporate £m	Group £m
Revenue[1]					
Group and share of joint ventures	1,421.6	1,769.1	133.6	4.2	**3,328.5**
Less share of joint ventures	–	(1.5)	(66.0)	–	**(67.5)**
Group revenue	**1,421.6**	**1,767.6**	**67.6**	**4.2**	**3,261.0**
Loss for the year					
Operating profit/(loss) before adjusting items	65.3	56.7	5.7	(27.4)	**100.3**
Adjusting items	(23.9)	(16.0)	(3.4)	(13.3)	**(56.6)**
Profit/(loss) from operations	**41.4**	**40.7**	**2.3**	**(40.7)**	**43.7**
Net finance costs[2]	–	(3.9)	(10.8)	(23.4)	**(38.1)**
Profit/(loss) before tax from continuing operations	**41.4**	**36.8**	**(8.5)**	**(64.1)**	**5.6**
Taxation					**17.4**
Profit for the year from continuing operations					**23.0**
Loss for the year from discontinued operations					**(24.6)**
Loss for the year					**(1.6)**
Balance sheet					
Operating assets[3]	945.3	459.6	167.0	304.5	**1,876.4**
Operating liabilities[3]	(457.0)	(749.0)	(24.0)	(215.5)	**(1,445.5)**
Net operating assets/(liabilities)[3]	**488.3**	**(289.4)**	**143.0**	**89.0**	**430.9**
Cash, cash equivalents and borrowings	346.7	480.7	(126.4)	(710.3)	**(9.3)**
Net financial assets	–	–	–	13.4	**13.4**
Net assets/(liabilities) excluding net assets held for sale	**835.0**	**191.3**	**16.6**	**(607.9)**	**435.0**
Net assets held for sale					**–**
Net assets					**435.0**

1 Revenue is stated after the exclusion of inter-segmental revenue and before adjusting items. Over 90% of the Group's revenue is derived from UK based customers. 11% of the Group's revenue was received from National Highways (six months ended 31 December 2020: 12%, year ended 30 June 2021:12%).
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.

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			Profit before tax		
	Unaudited six months to 31 December 2021 £m	Unaudited six months to 31 December 2020 £m	Year to 30 June 2021 £m	**Unaudited six months to 31 December 2021 £m**	Unaudited six months to 31 December 2020 £m	Year to 30 June 2021 £m
Reported profit from continuing operations	**25.3**	28.8	43.7	**12.7**	9.0	5.6
Amortisation of acquired intangible assets	**9.9**	11.3	21.0	**9.9**	11.3	21.0
Restructuring and related charges	**11.8**	6.0	31.6	**11.8**	6.0	31.6
Preparation for business divestment or closure	**(0.3)**	(0.8)	0.5	**(0.3)**	(0.8)	0.5
Other	**7.5**	2.3	3.5	**8.9**	2.3	6.7
Adjusted profit from continuing operations	**54.2**	47.6	100.3	**43.0**	27.8	65.4

a) Amortisation of acquired intangible assets

	Note	**Unaudited six months to 31 December 2021 £m**	Unaudited six months to 31 December 2020 £m	Year to 30 June 2021 £m
Amortisation of acquired intangible assets	9	**(9.9)**	(11.3)	(21.0)

b) Restructuring and related charges

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

	Unaudited six months to 31 December 2021 £m	Unaudited six months to 31 December 2020 £m	Year to 30 June 2021 £m
Restructure of Regional Southern Building business[1]	**(6.0)**	(3.5)	(13.6)
Redundancy and other people related costs[2]	**(4.1)**	(1.4)	(5.4)
Professional adviser fees and other costs incurred implementing non-people initiatives[3]	**(0.3)**	(0.5)	(11.9)
Movements in fair value of investment properties and related costs[4]	**(1.4)**	(0.6)	(0.7)
Total	**(11.8)**	(6.0)	(31.6)

1 The Group has continued its strategic restructuring of its Regional Southern Build business. The current period costs predominantly relate to five remaining projects, all of which are due to complete within the next 18 months. These costs consist of charges in respect of the recoverability of assets and increased project costs due to settlements and delays, which have been directly impacted by this restructuring programme and represent an extension of costs incurred in the prior years.

2 Costs in respect of roles made redundant as a result of the ongoing implementation of cost saving programmes and from strategic decisions taken to reduce headcount in a number of the Group's principal operating divisions following the continued implementation of the strategic review. The current period charge also includes costs incurred in the re-sizing of the International operations.

3 This includes a credit of £1.3m as a result of the finalisation of costs incurred on the equity raise in the prior year. This is offset by £1.6m of various other non-people related initiatives undertaken in the period.

4 Includes an impairment of £5.2m in respect of the property in Fountain Street, Manchester, which was vacated during the period and is now held as an investment property. Following the fire, the land at the recycling plant has been transferred to investment property and has been included at fair value, which has resulted in a £2.7m credit. Also included is a further £1.4m credit in relation to fair value adjustments to the two other investment properties.

Notes to the financial statements
Continued

3 Adjusting items continued

c) 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 six months to 31 December 2021 £m	Unaudited six months to 31 December 2020 £m	Year to 30 June 2021 £m
Business closure and sales costs[1]	**0.3**	(2.2)	(3.5)
Fair value impairment of Assets Held for Sale	**–**	3.0	3.0
Total	**0.3**	0.8	(0.5)

1 The current period credit of £0.3m relates to land impaired in prior years through adjusting items. For consistency, an element of the subsequent reversal of this impairment has been taken through adjusting items.

d) Other

Other adjusting items are analysed below:

	Unaudited six months to 31 December 2021 £m	Unaudited six months to 31 December 2020 £m	Year to 30 June 2021 £m
Net financing costs[1]	**(1.4)**	–	(3.2)
Legal compliance[2]	**(2.2)**	(1.8)	(3.0)
Recycling Plant impairment and associated costs[3]	**(5.3)**	–	–
GMP equalisation pension charge	**–**	(0.5)	(0.5)
Total before tax	**(8.9)**	(2.3)	(6.7)

1 Net financing costs relate to IFRS 16 interest charges on investment properties.
2 The Group has incurred £1.7m of costs in the period in complying with the updated fire compliance regulations. The remaining charge relates to a settlement made in respect of an out of period claim that was notified during the period and so was treated as an adjusting item.
3 During the period a fire occurred at one of the Group's recycling plants in Warwickshire. Following the fire, the building has been demolished and the majority of the contracts terminated. The fire is considered a one-off, significant event and as such all costs relating to the business are considered to be adjusting items in accordance with the Group's policy. These costs include a £4.1m impairment of the property, plant and equipment.

e) Taxation

Adjusting items in respect of taxation are analysed below:

	Unaudited six months to 31 December 2021 £m	Unaudited six months to 31 December 2020 £m	Year to 30 June 2021 £m
Deferred tax credit as a result of the change in tax rate[1]	**–**	–	25.5
Tax impact of adjusting items[2]	**5.6**	5.6	12.2
Other tax charges[3]	**–**	–	(6.0)
Total tax credit	**5.6**	5.6	31.7

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

3 Adjusting items continued

f) Discontinued operations

Adjusting items within discontinued operations are analysed below:

	Unaudited six months to 31 December 2021 £m	Unaudited six months to 31 December 2020 £m	Year to 30 June 2021 £m
Loss on disposal	–	–	(12.1)
Fair value adjustment of Kier Living	–	0.8	–
Closure costs relating to non-core businesses[1]	–	(1.0)	(1.0)
Out of period charges in relation to the Eastern region[2]	–	(6.5)	(6.5)
Other disposal costs[3]	–	–	(5.2)
Total after tax	–	(6.7)	(24.8)

1 Prior period costs were incurred in respect of Living's decision to exit the affordable housing market as well as the Welsh and Northern regions.

2 In preparing the Kier Living business for disposal in the prior period, 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 were considered irrecoverable. These were written off in arriving at the loss from discontinued operations in the year.

3 Other disposal related costs in the prior period included management incentives and impairment charges as a result of the disposal of Kier Living.

g) Adjusted cash flow

	Unaudited six months to 31 December 2021 £m	Unaudited six months to 31 December 2020 £m	Year to 30 June 2021 £m
Reported cash (outflow)/inflow from operating activities	**(109.2)**	(22.8)	26.8
Cash outflow from operating activities (adjusting items)	**15.6**	27.1	72.1
Adjusted cash (outflow)/inflow from operating activities	**(93.6)**	4.3	98.9

Notes to the financial statements
Continued

4 Finance income and costs

	Unaudited six months to 31 December 2021 £m	Unaudited six months to 31 December 2020 £m	Year to 30 June 2021 £m
Finance income			
Interest receivable on loans to related parties[1]	**0.3**	1.9	3.7
	0.3	1.9	3.7
Finance costs			
Bank interest	**(9.6)**	(12.2)	(26.0)
Forward funding interest[2]	**(0.5)**	(6.0)	(8.8)
Interest payable on leases	**(3.3)**	(3.4)	(6.7)
Discount unwind[3]	**(0.4)**	(0.5)	(1.1)
Net interest on net defined benefit obligation	**0.4**	0.4	0.9
Recycling of translation reserve	**–**	–	(0.1)
Foreign exchange (losses)/gains on foreign denominated borrowings[4]	**(1.9)**	10.4	15.0
Fair value gains/(losses) on cash flow hedges recycled from other comprehensive income	**2.4**	(10.4)	(15.0)
Total	**(12.9)**	(21.7)	(41.8)
Net finance costs	**(12.6)**	(19.8)	(38.1)

1 Includes £nil (six months ended 31 December 2020: £1.3m, year ended 30 June 2021: £2.3m) receivable from discontinued operations. The Group disposed of Kier Living in May 2021. No further amounts will be received.
2 The forward funding interest costs of £8.8m in the year to 30 June 2021 reflect an alignment of the accounting treatment across all forward funding development contracts. The charge of £8.8m includes £3.9m that represents a cumulative catch up of interest costs that would have been recognised in previous reporting periods if the Group had always applied this accounting treatment to all applicable contracts. An offsetting credit is included within revenue, with a corresponding impact on the Group's operating profit. There was no impact on the statutory profit for the year from continuing operations.
3 Unwind of discount in respect of acquired intangible assets.
4 Foreign exchange (losses)/gains arise from foreign currency denominated borrowings, which are hedged by cross-currency swaps.

Notes to the financial statements

Continued

5 Retirement benefit obligations

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

	Unaudited at 31 December 2021 %	Unaudited at 31 December 2020 %	At 30 June 2021 %
Discount Rate	**1.90**	1.40	1.90
Inflation rate (Retail Price Index (RPI))	**3.30**	2.85	3.15
Inflation rate (Consumer Price Index (CPI))	**2.75**	2.15	2.60

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] £m	McNicholas Pension Scheme £m	**Unaudited six months to 31 December 2021 Total £m**
Opening surplus/(deficit)	78.6	(1.3)	(24.5)	(6.6)	**46.2**
Credit/(charge) to income statement	0.7	–	(0.3)	(0.1)	**0.3**
Employer contributions	0.3	1.0	3.9	0.6	**5.8**
Actuarial gains	54.2	3.5	21.8	2.1	**81.6**
Closing surplus/(deficit)	**133.8**	**3.2**	**0.9**	**(4.0)**	**133.9**
Comprising:					
Total market value of assets	1,339.1	91.0	559.0	29.1	**2,018.2**
Present value of liabilities	(1,205.3)	(87.8)	(558.1)	(33.1)	**(1,884.3)**
Net surplus/(deficit)	**133.8**	**3.2**	**0.9**	**(4.0)**	**133.9**
Presentation of net surplus/(deficit) above in the Consolidated balance sheet:					
Retirement benefit assets	133.8	3.2	14.7	–	**151.7**
Retirement benefit obligations	–	–	(13.8)	(4.0)	**(17.8)**
Net surplus/(deficit)	**133.8**	**3.2**	**0.9**	**(4.0)**	**133.9**

5 Retirement benefit obligations continued

	Kier Group Pension Scheme £m	May Gurney Pension Scheme £m	Mouchel Pension Schemes[1] £m	McNicholas Pension Scheme £m	Unaudited six 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)
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)

	Kier Group Pension Scheme £m	May Gurney Pension Scheme £m	Mouchel Pension Schemes[1] £m	McNicholas Pension Scheme £m	Year to 30 June 2021 Total £m
Opening surplus/(deficit)	89.8	(5.2)	(38.1)	(7.7)	38.8
Credit/(charge) to income statement	1.1	–	(0.8)	(0.1)	0.2
Employer contributions	13.9	4.9	17.0	1.2	37.0
Actuarial losses	(26.2)	(1.0)	(2.6)	–	(29.8)
Closing surplus/(deficit)	78.6	(1.3)	(24.5)	(6.6)	46.2
Comprising:					
Total market value of assets	1,273.2	85.1	525.3	26.3	1,909.9
Present value of liabilities	(1,194.6)	(86.4)	(549.8)	(32.9)	(1,863.7)
Net surplus/(deficit)	78.6	(1.3)	(24.5)	(6.6)	46.2
Presentation of net surplus/(deficit) above in the Consolidated balance sheet:					
Retirement benefit assets	78.6	–	8.6	–	87.2
Retirement benefit obligations	–	(1.3)	(33.1)	(6.6)	(41.0)
Net surplus/(deficit)	78.6	(1.3)	(24.5)	(6.6)	46.2

[1] 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

6 Taxation

	Unaudited six months to 31 December 2021 Total £m	Unaudited six months to 31 December 2020 Total £m	Year to 30 June 2021 Total £m
Profit before tax	**12.7**	9.0	5.6
Add: tax on joint ventures	–	–	(1.4)
Profit before tax including joint ventures	**12.7**	9.0	4.2
Current tax	**(2.1)**	(1.9)	(5.2)
Deferred tax	**(0.6)**	–	22.6
Total income tax (charge)/credit in the income statement	**(2.7)**	(1.9)	17.4
Tax on joint ventures	–	–	1.4
Effective tax (charge)/credit	**(2.7)**	(1.9)	18.8
Effective tax rate	**21.3%**	21.1%	447.6%

The deferred tax asset includes £108.9m of tax losses (six months ended 31 December 2020: £96.1m; year ended 30 June 2021: £108.6m), and £8.0m of other deferred tax assets and liabilities (six months ended 31 December 2020: £28.0m; year ended 30 June 2021: £29.4m).

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

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

- Significant progress has been made on the operational and financial turnaround strategy announced in June 2019, with the business trading in line with forecasts for the half-year FY22;
- The Group has substantially completed its restructuring activities; and
- The Group's core businesses are well-placed to benefit from the announced and committed UK Government spending plans to invest in infrastructure, decarbonisation and spending to support post COVID-19 recovery.

When considering the length of time over which the losses are expected to be utilised, the Group has taken into account that generally only 50% of profits in each year can be offset by brought forward losses.

Based on these forecasts, the Group is expected to utilise its deferred tax asset over a period of approximately 12 years.

The Research and Development Expenditure Credit (RDEC) of £6.9m was included in operating profit during the year (six months ended 31 December 2020: £7.9m; year ended 30 June 2021: £13.3m). Included in the corporation tax asset at 30 December 2021 were RDEC receivables of £12.9m (six months ended 31 December 2020: £12.0m; year ended 30 June 2021: £12.4m).

7 Dividends

The Group's focus on cash generation and reducing net debt has required a suspension in dividend payments. No interim or final dividends have been declared during the period (six months ended 31 December 2020: £nil, year ended 30 June 2021: £nil).

Notes to the financial statements
Continued

8 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 six months to 31 December 2021		Unaudited six months to 31 December 2020[2]		Year to 30 June 2021	
	Basic £m	Diluted £m	Basic £m	Diluted £m	Basic £m	Diluted £m
Earnings						
Continuing operations						
Earnings (after tax and non-controlling interests), being net profits attributable to equity holders of the parent	**9.6**	**9.6**	7.7	7.7	24.3	24.3
Impact of adjusting items[1] net of tax:						
Amortisation of intangible assets - net of tax credit of £2.0m (31 December 2020: £2.1m, 30 June 2021: £4.0m)	**7.9**	**7.9**	9.2	9.2	17.0	17.0
Other adjusting items[1] - net of tax credit of £3.6m (31 December 2020: £3.5m, 30 June 2021: £27.7m)	**16.8**	**16.8**	4.0	4.0	11.1	11.1
Earnings from continuing operations before adjusting items[1]	**34.3**	**34.3**	20.9	20.9	52.4	52.4
Discontinued operations						
Earnings/(losses)/ (after tax and non-controlling interests), being net profits attributable to equity holders of the parent	–	–	4.9	4.9	(0.3)	(0.3)
Adjusting items from discontinued operations	–	–	(6.7)	(6.7)	(24.3)	(24.3)
Loss from discontinued operations	–	–	(1.8)	(1.8)	(24.6)	(24.6)

	million	million	million	million	million	million
Weighted average number of shares used for earnings per share	**445.3**	**458.9**	201.6	201.6	210.3	212.3

	Basic	Diluted	Basic	Diluted	Basic	Diluted
Earnings per share	pence	pence	pence	pence	pence	pence
Continuing operations						
Earnings (after tax and non-controlling interests), being net profits attributable to equity holders of the parent	**2.2**	**2.1**	3.8	3.8	11.6	11.4
Impact of adjusting items[1] net of tax:						
Amortisation of intangible assets - net of tax credit	**1.8**	**1.7**	4.6	4.6	8.1	8.0
Other adjusting items[1] - net of tax credit	**3.8**	**3.7**	2.0	2.0	5.3	5.2
Earnings from continuing operations before adjusting items	**7.8**	**7.5**	10.4	10.4	25.0	24.6
Discontinued operations						
Earnings/(losses) (after tax and non-controlling interests), being net profits attributable to equity holders of the parent	–	–	2.4	2.4	(0.1)	(0.1)
Adjusting items from discontinued operations	–	–	(3.3)	(3.3)	(11.6)	(11.4)
Loss from discontinued operations	–	–	(0.9)	(0.9)	(11.7)	(11.5)
Total earnings/(losses) per share						
Statutory	**2.2**	**2.1**	2.9	2.9	(0.1)	(0.1)
Before adjusting items[1]	**7.8**	**7.5**	12.8	12.8	24.9	24.5

[1] See note 1 for reference to adjusting items.
[2] Earnings per share has been re-presented in the comparative information as a result of the bonus element of the equity raise, which completed on 18 June 2021, see note 15.

9 Intangible assets

	Goodwill £m	Intangible contract rights £m	Computer software £m	**Total £m**
Cost				
At 1 July 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**
Additions	–	–	3.0	**3.0**
Disposals	–	–	(1.1)	**(1.1)**
Transfers from property, plant and equipment	–	–	1.6	**1.6**
Transfers to assets held for sale	–	–	(1.0)	**(1.0)**
At 30 June 2021	**538.8**	**259.4**	**128.3**	**926.5**
Additions	–	–	**0.6**	**0.6**
Disposals	–	**(7.2)**	**(0.1)**	**(7.3)**
Transfers from property, plant and equipment	–	–	**(0.6)**	**(0.6)**
At 31 December 2021	**538.8**	**252.2**	**128.2**	**919.2**
Accumulated amortisation and impairment				
At 1 July 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)**
Charge for the period	–	(9.7)	(4.4)	**(14.1)**
Disposals	–	–	0.6	**0.6**
Impairment	–	–	2.4	**2.4**
Transfers to assets held for sale	–	–	0.1	**0.1**
At 30 June 2021	**(2.1)**	**(155.7)**	**(71.5)**	**(229.3)**
Charge for the period	–	(9.9)	(3.5)	**(13.4)**
Disposals	–	7.2	–	**7.2**
At 31 December 2021	**(2.1)**	**(158.4)**	**(75.0)**	**(235.5)**
Net book value				
At 31 December 2021	**536.7**	**93.8**	**53.2**	**683.7**
At 30 June 2021	536.7	103.7	56.8	697.2
At 31 December 2020	536.7	113.4	55.6	705.7

10 Cash, cash equivalents, overdraft and borrowings

	Unaudited at 31 December 2021 £m	Unaudited at 31 December 2020 £m	At 30 June 2021 £m
Net debt consists of:			
Cash and cash equivalents – bank balances and cash in hand	**300.1**	328.6	391.2
Borrowings due within one year	**(32.6)**	(99.6)	(38.2)
Borrowings due after one year	**(406.0)**	(599.4)	(362.3)
Impact of cross-currency hedging	**7.2**	16.9	12.3
Net (debt)/cash	**(131.3)**	(353.5)	3.0

Average month-end net debt for the six months to 31 December 2021 was £190.8m (six months to 31 December 2020: £436.3m, year to 30 June 2021: £431.9m). Net debt excludes lease liabilities.

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11 Trade and other payables

	Unaudited at 31 December 2021 £m	Unaudited at 31 December 2020 £m	At 30 June 2021 £m
Trade payables[1]	**338.8**	351.1	330.3
Accruals	**407.2**	488.2	531.8
Sub-contract retentions	**42.3**	39.4	39.1
Other taxation and social security[2]	**106.3**	88.7	144.2
Other payables	**39.6**	33.2	47.7
	934.2	1,000.6	1,093.1

1 Included within the trade payables balance is £69.3m (31 December 2020: £109.4m, 30 June 2021: £79.1m) 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 £2.7m (31 December 2020: £49.9m, 30 June 2021: £18.8m). This is comprised of £2.7m (31 December 2020: £23.2m, 30 June 2021: £18.8m) of VAT deferred in accordance with HMRC guidance and £nil (31 December 2020: £26.7m, 30 June 2021: £nil) subject to a Time To Pay agreement with HMRC.

12 Guarantees, contingent liabilities and contingent assets

The Company has given guarantees and entered into counter-indemnities in respect of bonds relating to certain of the Group's own contracts. The Company has also given guarantees in respect of certain contractual obligations of its subsidiaries and joint ventures, which were entered into in the normal course of business, as well as certain of the Group's other obligations (for example, in respect of the Group's finance facilities and its pension schemes). Financial guarantees over the obligations of the Company's subsidiaries and joint ventures are 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.

13 Related parties

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

There have been no significant changes in the nature of related party transactions since the last annual financial statements as at, and for the year ended, 30 June 2021. Share of post-tax results of joint ventures was a £10.9m profit (31 December 2020: £4.6m loss, 30 June 2021: £0.3m loss). The increase was due to the completion of several property sales during the period.

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

14 Share-based payments

The Group has an established long-term incentive plan (LTIP) under which directors and senior employees can receive awards of shares subject to the Group achieving certain performance targets. Participants are entitled to receive dividend equivalents on these awards. Awards under the LTIP are all equity settled. The awards made to directors are subject to a two-year post vesting holding period and malus and claw-back provisions. Further details of the LTIP schemes were disclosed in the 2021 annual financial statements. 8,264,521 new awards were granted under the LTIP during the six months to 31 December 2021 (six months to 31 December 2020 and year ended 30 June 2021: 17,856,246). No shares vested under the LTIP schemes during the six months to 31 December 2021 (six months to 31 December 2020 and year ended 30 June 2021: no share awards vested).

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 2021 (six months to 31 December 2020 and year ended 30 June 2021: no awards granted). 650,951 shares vested under the CSAP during the six months to 31 December 2021 (six months to 31 December 2020 and year ended 30 June 2021: 515,093). In accordance with the rules of the scheme, a further 9,777 shares were provided to recipients of the vesting CSAP shares, equivalent to the dividends that would have been received during the vesting period (six months to 31 December 2020 and year ended 30 June 2021: 72,562).

The Group also has an established Sharesave (SAYE) scheme. Options to acquire shares in the capital of Kier Group plc are granted to eligible employees who enter into a Sharesave contract, saving a regular sum each month. Participation in the scheme is offered to all employees of the Group who have been employed for a continuous period determined by the Board. 7,943,643 options were granted under the Sharesave scheme during the six months to 31 December 2021 (six months to 31 December 2020: no options granted; year ended 30 June 2021: 8,634,038). 40,487 Sharesave Scheme options were exercised during the six months to 31 December 2021 (six months to 31 December 2020 and year ended 30 June 2021: no share options were exercised).

The following assumptions were used in calculating the fair values of the grants made under the share-based payment schemes during the six months to 31 December 2021:

	LTIP	LTIP subject to a holding period	Sharesave
Grant date	28 October 2021	28 October 2021	29 October 2021
Shares granted	5,951,091	2,313,430	7,943,643
Share price at grant	108.40p	108.40p	106.80p
Exercise price	nil	nil	96.00p
Expected term	3 years	3 years	3.3 years
Holding period	n/a	2 years	n/a
Expected volatility	83.21%	66.55%	82.67%
Dividend yield	n/a	n/a	0.00%
Risk-free interest rate	0.67%	0.77%	0.73%
Value per option:			
LTIP - TSR element (25%)[1,3]	85.22p	76.25p	-
LTIP - EPS (50%) and free cash flow (FCF) (25%) elements [2,3]	108.40p	96.99p	-
Sharesave [2]	-	-	61.87p

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

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

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

The share-based payment charge recognised in the Group's income statement for the six months to 31 December 2021 was £4.0m (six months to 31 December 2020: £2.8m, year to 30 June 2021: £7.0m).

15 Share capital and reserves

Share capital

The share capital of the Company comprises:

	Unaudited six months to 31 December 2021		Unaudited six months to 31 December 2020		Year to 30 June 2021	
	Number	£m	Number	£m	Number	£m
Authorised, issued and fully paid ordinary shares of 1 pence each	**446,206,186**	**4.5**	162,115,870	1.6	446,165,699	4.5

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

During the six months to 31 December 2021, 40,487 shares were issued under the Sharesave Scheme (six months to 31 December 2020 and year ended 30 June 2021: none).

Firm Placing and Placing and Open Offer
On 18 June 2021, the Group issued new share capital by way of:

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

All of the above shares were issued at £0.85 per share. The total new shares of 284,049,829 generated proceeds of £207.8m after deducting costs of £33.6m, of which £22.7m were deducted from equity. These costs were fully paid as at 31 December 2021 (30 June 2021: £6.1m unpaid).

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

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

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

Merger reserve
The brought forward merger reserve of £134.8m arose on the shares issued at a premium to acquire May Gurney on 8 July 2013. The movement in the year ended 30 June 2021 of £215.8m relates to the issue of new share capital as described above.