

12 September 2024

Kier Group plc

FY24 Results

Year of significant growth; material debt reduction; new long-term growth plan

Kier Group plc ("Kier", the "Company" or the "Group"), a leading UK infrastructure services, construction and property group, announces its results for the year ended 30 June 2024 ("FY24" or the "year").

Financial Highlights – Continuing Operations

<i>(£m unless otherwise stated)</i>	Year to 30 June 2024	Year to 30 June 2023	Change
Adjusted results			
Revenue ¹	3,969.4	3,405.4	17%
Adjusted operating profit ²	150.2	131.5	14%
Adjusted operating margin (%)	3.8	3.9	(10)bps
Adjusted profit before tax ³	118.1	104.8	13%
Adjusted basic earnings per share (p) (note 9)	20.6	19.2	7%
Net cash ⁴	167.2	64.1	161%
Average month-end net debt	(116.1)	(232.1)	50%
Free cash flow	185.9	132.3	41%
Order book (£bn)	10.8	10.1	7%
Statutory reported			
Group revenue	3,905.1	3,380.7	16%
Operating profit	103.1	81.5	27%
Profit before tax	68.1	51.9	31%
Basic earnings per share (p) (note 9)	11.8	9.5	24%
Proposed full year dividend per share (p) (note 8)	5.15	–	–

FY24 Highlights

- Revenue growth and improved profitability driving material deleveraging
 - Revenue growth of 17% driven by strong operational delivery across divisions
 - Adjusted operating profit increased 14% to £150.2m (FY23: £131.5m)
 - Adjusted operating margin at 3.8%, ahead of the medium-term target of c.3.5%
 - Adjusted basic EPS: 20.6p (FY23: 19.2p), up 7%
 - Reported operating profit increased 27% to £103.1m (FY23: £81.5m)
 - Free Cash Flow of £185.9m outperformed the prior year (FY23: £132.3m) with an operating free cash flow conversion of 144.5%
 - Net cash of £167.2m, more than double the prior year-end (FY23: £64.1m)
 - Average month-end net debt halved to £(116.1)m (FY23: £(232.1)m)
- High quality order book, increased 7% to £10.8bn (FY23: £10.1bn) providing significant visibility over FY25 and beyond
- Acquisition of Buckingham Group's rail assets fully integrated into the business and continues to perform ahead of the pre-acquisition plan
- Refinancing complete with RCF maturity profile to 2027 and Senior Notes to 2029
- Proposed final dividend of 3.48p per share, together with an interim dividend of 1.67p, giving a total of 5.15p for FY24
- New long-term sustainable growth plan announced following the successful delivery of the FY21 medium-term value creation plan
- Current trading in-line with Board expectations

¹ Revenue of the Group and its share of revenue from joint ventures

² Stated before adjusting items of £23.9m (FY23: £30.8m) and amortisation of acquired intangible assets of £23.2m (FY23: £19.2m).

³ Stated before adjusting items of £26.8m (FY23: £33.7m) and amortisation of acquired intangible assets of £23.2m (FY23: £19.2m).

⁴ Disclosed net of the effect of hedging instruments and excludes leases – see note 13 to the preliminary financial statements.

Andrew Davies, Chief Executive, said:

"The past three years have seen the Group achieve significant operational and financial progress. The strong results for FY24 are testament to the hard work and commitment of our people who have enhanced our resilience and strengthened our financial position in-line with our medium-term value creation plan. Our order book remains strong and growing at £10.8bn and provides us with good multi-year revenue visibility. The contracts within our order book reflect the bidding discipline and risk management now embedded in the business.

I am also pleased to report that the Group significantly reduced its average month-end net debt position as well as improved its year-end net cash position. I am confident we can sustain this momentum going forward.

The Group has started the financial year well and is trading in-line with the Board's expectations. The Group is well positioned to continue benefiting from UK Government infrastructure spending commitments and we are confident in sustaining the strong cash generation evidenced especially over the last two years allowing us to significantly deleverage, increase dividends to shareholders and deliver the evolved long-term sustainable growth plan which will benefit all stakeholders."

FY24 Results Presentation

Kier Group plc will host a presentation for analysts and investors at 9:00am on 12 September 2024 at the offices of FTI Consulting, 200 Aldersgate Street, London EC1A 4HD.

Analysts wishing to attend should contact FTI Consulting to register – Connie.Gibson@fticonsulting.com

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

Webcast: <https://www.investis-live.com/kier/66cdecf94763e40c0030c838/jdnu>

United Kingdom: +44 800 358 1035

United Kingdom (Local): +44 20 3936 2999

Conference password: 915475

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

Online Retail Investor Presentation

Andrew Davies, Chief Executive and Simon Kesterton, Chief Financial Officer will be hosting a live online retail investor presentation at 10:30 am on 19 September 2024. To attend, please register via the following link:

[Zoom Webinar Registration – Kier Group investor presentation.](#)

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 2023 for a discussion of the factors that could affect the Group’s future performance and the industry in which it operates.

About Kier

Kier is a leading UK infrastructure services, construction and property group.

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

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

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

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

Follow us on X (formerly Twitter): @kiergroup

Connect with us on LinkedIn: Kier Group

Introduction

The Group delivered a strong set of results for the 12 months ended 30 June 2024 with significant growth in revenue and operating profitability. The material deleveraging is the result of the Group's focus on operational excellence and cash management. A clear demonstration of the commitment to our medium-term value creation plan launched three years ago.

Accordingly, on 7 March 2024, we announced the resumption of dividend distributions with an interim dividend payment with clear line-of-sight to a sustainable average month-end net cash position, alongside an appropriate longer term debt structure.

On 15 February 2024, we completed a successful £250m Senior Notes issue and extended the existing £261m Revolving Credit Facility ('RCF'), thereby securing a long-term debt structure for the Group. Given the considerable progress Kier has made and the Board's ongoing confidence in the Group's future prospects, a final dividend of 3.48p per share has been proposed – giving a total dividend of 5.15p for FY24.

The success for future years is underpinned by the year-end order book growing to £10.8bn in FY24, an increase of 7% against the prior year, resulting from a large number of contract wins across Infrastructure Services and Construction, providing multi-year revenue visibility. The new wins consist of high quality and profitable work in our markets reflecting the bidding discipline and risk management embedded in the business.

Benefiting from the order book strength and Kier's framework positioning, c.90% of Group revenue for FY25 is already secured which provides the Board with a high degree of confidence in our outlook.

New long-term sustainable growth plan

Since the medium-term value creation plan announced in June 2021, the Group has made significant progress against these financial targets with operating free cash flow conversion and profit margins met consistently over recent reporting periods. During that time, the Group has significantly de-risked, having deleveraged the business markedly, enabling the Group to commence incremental returns to shareholders.

The direction of travel is expected to be maintained with the recently secured long-term funding alongside our cash generative business model. We believe this will comfortably support our organic growth including further increases to Property investment and value accretive acquisitions. We are now in a position where we have capital allocation options to drive shareholder value over the long term.

Accordingly, the Group has evolved its targets.

Revenue:	GDP + growth through the cycle
Adjusted operating profit margin:	3.5% +
Cash conversion of operating profit:	c.90%
Balance sheet:	Average month-end net cash with investment of surplus cash
Dividend:	Sustainable dividend policy: c.3 x earnings cover through the cycle

Strategy

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 UK Government and regulated industry spending commitments to invest in UK infrastructure.

We believe UK infrastructure spending commitments are driven by structural demand which have a positive influence on Kier's chosen markets. Population growth, transportation pressures, aged infrastructure, energy security and climate change are substantial and largely non-discretionary.

Given that public funding may be insufficient to maintain public assets, customer behaviours are shifting further towards long-term partnerships. These continue to favour Kier, given our scale, integrated design and project management capability, track record of delivery and Environment, Social and Governance ('ESG') credentials.

These positive structural demand trends and customer behaviours are expected to expand our addressable market opportunities, particularly in water, environment, energy and affordable housing as well as increased demand in our Property business. In particular, the Group has been awarded a number of framework places as

part of the significant investment across the AMP8 water cycle. Kier is well positioned with all the major water companies to support them with their water infrastructure upgrade and maintenance work.

Customers and winning new work

The Group's core markets have remained favourable. We continue to be a "strategic supplier" to the UK Government, with c.90% of our revenue generated from public sector and regulated companies. Our contract awards reflect our long-standing client relationships and regionally based UK operations.

Highlights in the year:

- **Infrastructure Services:**

- Birmingham – appointed on a two-year interim extension to deliver maintenance and repair services across Birmingham's extensive road network
- United Utilities – five-year framework to deliver £100m per annum of design, engineering, project management and construction services for water and waste water infrastructure
- Southern Water – appointed to the £3.1bn seven-year Strategic Development Partnership framework to increase capacity at water supply and waste water treatment sites
- South West Water – appointed to the £2.8bn five-year Mechanical, Electrical, Instrumentation, Control and Automation ('MEICA') framework. An alliance to deliver their water infrastructure plan for 2025-2030
- Anglian Water – appointed on an extension for the next five years of the Integrated Maintenance, Repair and Developer Services ('IMRDS') alliance to provide vital repair services and infrastructure improvements across East Anglia

- **Construction:**

- Defence – appointed by the Defence Infrastructure Organisation ('DIO') on a six-year alliance to create 16,000 bed spaces for the Armed Forces in single-living accommodation.
- Education – awarded four projects worth over £130m
- Healthcare – awarded three projects worth over £55m including Cheshire Surgical Centre and Princess Royal University Hospital Endoscopy Unit
- Justice and Borders – awarded HMP Channings Wood and HMP Bullingdon design and build houseblock projects, together worth over £300m
- Other – appointed by Essex County Council to Lot 3 of a four-year £400m framework to provide design and construction services to public sector projects
- Kier Places – appointed by Heathrow Airport to deliver its Quieter Neighbour Support Scheme, a major programme of works over the next eight years to reduce the impact of aircraft noise on homes, businesses and community buildings around the airport

Financial summary

Kier's revenue of £4.0bn (FY23: £3.4bn) reflects growth across Infrastructure Services and Construction. The Group's FY24 results reflect a strong operational and financial performance.

Our order book has continued to grow and increased 7% year over year to £10.8bn. Approximately 60% of our order book is under target cost or cost reimbursable contracts. The remainder of the order book is on fixed priced contracts where the risk is negotiated and managed with our customers and supply chain partners.

With over 400 live projects at any given time, we are also regularly delivering on existing contracts and pricing new contracts which mitigates against cost pressures. In addition, we have an average order size of c.£20m in our Construction business which given its modest size, limits our risk exposure in the event a project does not go to plan.

The Group delivered adjusted operating profit of £150.2m which represents a 14% increase on the prior year (FY23: £131.5m) driven predominantly by profitable growth in Infrastructure Services.

Group adjusted operating profit margin decreased by 10 basis points to 3.8% (FY23: 3.9%) due to the timing and mix of projects. The margin remains above the Group's medium-term plan target and is industry leading. Profit for the year from continuing operations increased 25% to £51.3m (FY23: £41.0m) with lower adjusting items, partially offset by an increase in interest costs and taxation.

Adjusted earnings per share ('EPS') increased 7% to 20.6p (FY23: 19.2p) and reported EPS increased 24% to 11.8p (FY23: 9.5p).

The Group generated £185.9m of free cash flow in FY24 (FY23: £132.3m), with the increase attributable to the Group's revenue growth converted to increased profit and excellent cash conversion. The incremental cash has allowed the Group to invest further in the Property business, which is currently seeing a number of exciting opportunities. In addition, the Group experienced a seasonal working capital inflow of £68.4m, predominantly driven by Construction.

The Group's net cash position at 30 June 2024 was £167.2m (FY23: £64.1m) with supplier payment days remaining consistent with the prior year as the strong volume growth translated to increased cash receipts.

Average month-end net debt for the year ended 30 June 2024 was £(116.1)m (FY23: £(232.1)m). As noted above the increased activity seen across the Group which started in Q4 FY23 has translated into cash generation and lower net debt as well as allowing us to deploy cash to our Property business, acquire certain assets of Buckingham Group and paying pension deficit obligations.

In February 2024, we announced the completion of our £250m 5 year Senior Notes. The proceeds were used to further reduce our USPP ('US Private Placement') Notes by £37m and lower the RCF to £261m. These revised long-term debt facilities completed the last stage of the Group's recapitalisation and provides us with both flexibility and optionality whilst we continue to deleverage.

Capital allocation

In addition to the long-term sustainable growth plan, the Group has clear capital allocation priorities, which remain largely unchanged. The Group maintains a disciplined approach to capital and continuously reviews capital allocation priorities with the aim of maximising shareholder returns. The Group's capital allocation is underpinned by its commitment to maintain a strong balance sheet. The capital priorities are:

- **Capex** – investment to support its businesses
- **Deleveraging** – further deleveraging. Targeting an average month-end net cash position with investment of any surplus cash
- **Dividend** – targeting a dividend cover of around 3 x earnings through the cycle
- **Property** – disciplined non-speculative investment in the Property segment. ROCE target of 15%
- **Mergers and acquisitions** – the Group will consider value accretive acquisitions in core markets

Dividend

The importance of dividends to the Group's shareholders has always been recognised by the Board and was an important facet of the medium-term value creation plan launched during FY21. Our stated aim is to deliver a dividend, covered c.3x by adjusted earnings over the cycle and in a payment ratio of approximately one-third interim dividend and two thirds final dividend.

The Group has continued to deliver strong operating and financial performance resulting in material deleveraging during the period. This significant improvement, combined with the strength of the order book and future prospects of the Group have resulted in the Board proposing a final dividend of 3.48p per share. When combined with the interim dividend of 1.67p, the total dividend of 5.15p in FY24 represents an earnings cover of 4x as we progressively move to our target of 3x cover.

The final dividend will be paid on 29 November 2024 to shareholders on the register at close of business on 25 October 2024. The shares will be marked ex-dividend on 24 October 2024. Kier has a Dividend Reinvestment Plan ('DRIP'), which allows shareholders to reinvest their cash dividends in our shares. The final election date for the DRIP is 8 November 2024.

Property

Kier's property business invests in and develops sites across the UK, largely through joint ventures where it partners with local authorities, as well as blue-chip and regulated businesses. The business typically delivers mixed-use commercial and residential developments and specialises in urban regeneration, last mile logistics, modern sustainable office developments and affordable housing.

The Property division targets a return on capital employed of 15%. A component of the cash generated by our Construction and Infrastructure Services segments is invested in long-term property developments. It also recycles cash generated from completed property transactions as a further source of capital.

With the new Government's focus on the delivery of affordable housing combined with the cyclical recovery in the property market, the Group is currently seeing many attractive investment opportunities in Property. Accordingly, during FY24, the Board reviewed the capital employed in Property and increased the range to between £160m and £225m (previously £140m to £170m).

Acquisition

On 4 September 2023, Kier agreed to acquire substantially all of the rail assets of Buckingham Group Contracting Limited ("in Administration") and their HS2 contract supplying Kier's HS2 joint venture, Eiffage Kier Ferroviaire BAM ('EKFB'), for a total cash consideration of £9.4m.

The Group has previously stated it would consider value accretive acquisitions in core markets where there is potential to accelerate the medium-term value creation plan. This is an excellent example of an acquisition which provides a cultural fit as well as accelerating Kier's broader rail strategy. The rail assets consisted of design, build and project integration contracts for a range of customers including Network Rail.

As part of the acquisition, Kier achieved positions on various frameworks and projects including, the Control Period 6 ('CP6') North West & Central framework for Network Rail, Transport for Greater Manchester ('TfGM') framework, Transport for Wales ('TfW') framework, West Midlands Combined Authority: Willenhall & Darlaston Project, East Midlands Railway: Etches Park Project and Nexus' Whitley Bay Project.

The acquisition has been successfully integrated into the Group's Transportation business and is performing ahead of our initial expectations.

Performance Excellence

Through our Performance Excellence programme, which was introduced in 2020, Kier has embedded a strong operational and financial risk management framework across the Group. It is essential to, and embedded into, Kier's contract selection and delivery processes.

The Group's focus for FY24 was Digital and Simplification as we continuously improve the operational performance of the business. The key tenets were as follows:

- Site set-up – standardisation of site offices and enhancing site connectivity
- Health, safety and wellbeing – simplifying health and safety, data and sharing best practice
- Quality assurance – improving capability and digital tools
- Functions – simplifying processes and enhancing current systems

Supply chain partners

We continue to focus on maintaining and growing relationships with our key stakeholders, including our supply chain. Many of our suppliers are long-term partners of the Group and we value their contribution.

We were pleased to report that, in our latest Duty to Report on Payment Practices and Reporting submission, covering the period from 1 January 2024 to 30 June 2024, the Group's aggregate average payment days was 34 days (H1: 33 days) and the percentage of payments made to suppliers within 60 days was 86% (H1: 88%).

We are committed to further improvements in our payment practices and continue to work with both customers and suppliers to achieve this. We are fully committed to complying with the 30-day payment requirements for small and medium sized firms.

Environmental, Social and Governance ('ESG')

Kier's purpose is to sustainably deliver infrastructure which is vital to the UK. To achieve this, we are focused on growth that supports a just transition towards a greener, fairer, resilient and inclusive economy. As a "strategic supplier" to the UK Government, Environmental, Social, Governance ('ESG') is fundamental to our ability to win work and secure positions on long-term frameworks. UK Government contracts with a value of or above £5m per annum require net zero carbon and social value commitments.

Building for a Sustainable World

Last year, we launched our refreshed sustainability framework, "Building for a Sustainable World". It covers sustainability from both an environment and social perspective and focuses on three pillars: Our People, Our Places and Our Planet, alongside relevant metrics to report progress. Our actions during FY24 have been on establishing strong foundations: developing and embedding milestone plans to govern our actions and deliver against each framework topic and pillar.

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

Health, Safety and Wellbeing

The Group's 12-month rolling Accident Incident Rate ('AIR') in FY24 of 155 represents an increase of 76% compared to the prior year (FY23: 88).

The Group's 12-month rolling All Accident Incident Rate ('AAIR') in FY24 of 363 increased by 13.5% from the FY23 result of 320.

These FY24 figures are an increase on the high performing benchmark that we achieved last year. We are disappointed with these trends given our high standards, but we continue to outperform historic industry league tables. Safety remains our licence to operate. During FY24, we rolled out our culture programme, which complements safety-specific behavioural training across our projects. These programmes have been designed to bring positive health, safety and wellbeing approaches into our operations, and apply to all personnel, including our supply chain. They sit alongside our existing policies and procedures.

Environment

Net Zero Carbon Targets

In FY24, c.4% of Kier's carbon emissions came directly from our operations (Scope 1 & 2) such as the fuel in our fleet and energy consumed in the offices and depots that we operate. Scope 3 predominately relates to the emissions from the materials we buy and the supply chain partners we rely on to deliver our projects. Scope 3 makes up the remaining c.96% of the emissions.

We have prepared a milestone plan to become net zero carbon for Scope 1 & 2 by 2039. We achieved a 9% year-on-year reduction in Scope 1 & 2 carbon emissions in FY24. For value chain emissions (Scope 3), we are aiming for net zero carbon by 2045. We are working with our supply chain to target our most carbon intensive materials and activities. This is our third year of reporting on our Scope 3 emissions as we continue to improve the process.

Accreditations

In FY24, we received external verification of our approach to delivering our net zero ambitions:

- The Science Based Target initiative confirmed that our targets are aligned to limiting global warming to 1.5°C and Net Zero.
- PAS 2080 accreditation shows that our processes are contributing to reducing lifecycle carbon emissions from our customers' buildings and infrastructure projects.
- The British Standards Institute ('BSI') provided ISO14064-1 standards assurance of our FY23 and FY24 carbon footprint.

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

In February 2024, Kier was provided the London Stock Exchange Green Economy Mark demonstrating that 69% of our FY24 revenue was derived from green products and services.

Social

Delivering a legacy of social value continues to be a key priority for our customers and for Kier. This year we delivered £583m of added social value⁵ through our workforce, supply chain and positive impact in our local communities.

Emerging Talent

We continue to offer apprenticeships as a key means of upskilling employees and bringing in diverse emerging talent to reduce the industry skills gap.

Kier is a people-based business and our performance depends upon our ability to attract and retain a dedicated workforce. In FY24, we had over 660 apprentices participating in programmes, representing c.6.5% of our workforce and we welcomed c.60 future graduates on work experience placements and c.100 graduates onto our graduate programme, c.36% of which comprised women.

We contribute to a variety of educational engagement activities, including playing a leading role in Open Doors Week to introduce students and the general public to the construction industry.

Making Ground programme

As part of our drive to recruit diverse talent, Kier operates a prison engagement and employability programme, Making Ground. We have provided employment training to over 35 candidates in custody, offered 41 prison leavers employment and over 25 Released on Temporary Licence ('ROTL') opportunities to people in custody within our business or with our supply chain in FY24.

⁵ We now measure our added social value, which excludes the economic value gained from subcontracted spend if not with an SME or VCSE.

Kier also remains committed to offering employment opportunities to those who have served in our armed forces and has offered employment to 67 veterans and 11 reservists during the year.

Governance

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

Integral to this is our management of risk. We ensure that risk management is adopted at every stage of the project lifecycle to ensure that the delivery of the Group's order backlog remains profitable and cash generative in line with our long-term sustainable growth plan.

Built by Brilliant People™

Kier is Built by Brilliant People™. We have therefore invested in the rewards and benefits that we offer to them and their families. We are a proud Real Living Wage employer, and c.1,000 employees received a Real Living Wage increase of, on average, 7.3% in January 2024. All our employees receive life assurance and access to a range of wellbeing support including a virtual GP, confidential advice and counselling services.

Focus has also been made on wellbeing including such initiatives as Your Voice, a survey which enables employee engagement. This is an important measure to ensure our approach to employees is successful. The current surveys show a c.67% employee engagement score for FY24, an increase from the previous year (FY23: c.65%).

Our approach to sustainability safeguards our business and builds a resilient environment, community and profits over the long term.

Summary and outlook

The past three years have seen the Group achieve significant operational and financial progress. The strong results for FY24 are testament to the hard work and commitment of our people who have enhanced our resilience and strengthened our financial position in-line with our medium-term value creation plan. Our order book remains strong and growing at £10.8bn and provides us with good multi-year revenue visibility. The contracts within our order book reflect the bidding discipline and risk management now embedded in the business.

We are also pleased to report that the Group significantly reduced its average month-end net debt position as well as improved its year-end net cash position. We are confident we can sustain this momentum going forward.

The Group has started the financial year well and is trading in-line with the Board's expectations. The Group is well positioned to continue benefiting from UK Government infrastructure spending commitments and we are confident in sustaining the strong cash generation evidenced especially over the last two years allowing us to significantly deleverage, increase dividends to shareholders and deliver the evolved long-term sustainable growth plan which will benefit all stakeholders.

Operational Review

Infrastructure Services – 50% of FY24 Group revenue

	Year ended 30 June 2024	Year ended 30 June 2023	Change
Revenue (£m)	1,988.3	1,712.3	16%
Adjusted operating profit (£m) ⁶	112.3	79.8	41%
Adjusted operating margin (%)	5.6	4.7	90bps
Reported operating profit (£m)	88.7	57.2	55%
Order book (£bn)	6.4	5.8	10%

- Key contract wins include:

Transportation:

- Birmingham – appointed on a two-year interim extension to deliver maintenance and repair services across Birmingham's extensive road network

Natural Resources, Nuclear & Networks:

- United Utilities – five-year framework to deliver £100m per annum of design, engineering, project management and construction services for water and waste water infrastructure
- Southern Water – appointed to the £3.1bn seven-year Strategic Development Partnership framework to increase capacity at water supply and waste water treatment sites
- South West Water – appointed to the £2.8bn five-year Mechanical, Electrical, Instrumentation, Control and Automation ('MEICA') framework. An alliance to deliver their water infrastructure plan for 2025-2030
- Anglian Water – appointed on an extension for the next five years of the Integrated Maintenance, Repair and Developer Services ('IMRDS') alliance to provide vital repair services and infrastructure improvements across East Anglia

- 86% of revenue secured for FY25

Infrastructure Services segment comprised the Transportation and Natural Resources, Nuclear & Networks businesses.

Infrastructure Services revenue increased 16% against the prior year primarily due to the continued volume of work on HS2 and the impact of the Buckingham acquisition. Excluding the impact of Buckingham, revenue increased 9% on a like-for-like basis. Adjusted operating profit increased 41% to £112.3m due to these higher volumes.

The **Transportation** business division undertakes design, build and maintenance of assets to support the movement of people, goods and equipment. It includes our road, rail and aviation businesses.

The business experienced a period of continued work winning, including new contracts and contract extensions in road maintenance, rail projects, and the design and build of three National Highways major capital projects. The business has transitioned from a predominantly maintenance-focused to an established roads maintenance and capital works contractor. Adjusting items largely relate to acquisition activity including costs related to the Buckingham acquisition and the amortisation of contract rights from this and previous acquisitions.

During the year, the business benefited from a one-off £6m customer claim.

The **Natural Resources, Nuclear & Networks** division delivers long-term contracts in maintenance and capital projects to the water, nuclear and energy sectors; and protection of habitats and communities in our natural environment and waterways. The business is well positioned to benefit from the anticipated increased opportunities afforded by the new water spending cycle, AMP8 programme as well as opportunities in the environment and energy sectors.

In FY24, we delivered volume and margin growth in these key growth sectors which offset managed lower activity in telecoms.

⁶ Stated before adjusting items of £23.6m (FY23: £22.6m).

Construction – 48% of FY24 Group revenue

	Year ended 30 June 2024	Year ended 30 June 2023	Change
Revenue (£m)	1,907.8	1,652.5	15%
Adjusted operating profit (£m) ⁷	69.2	69.5	–%
Adjusted operating margin (%)	3.6	4.2	(60)bps
Reported operating profit (£m)	59.6	46.4	28%
Order book (£bn)	4.4	4.3	2%

- Key contract wins include:
 - Defence – appointed by the Defence Infrastructure Organisation ('DIO') on a six-year alliance to create 16,000 bed spaces for the Armed Forces in single-living accommodation.
 - Education – awarded four projects worth over £130m
 - Healthcare – awarded three projects worth over £55m including Cheshire Surgical Centre and Princess Royal University Hospital Endoscopy Unit
 - Justice and Borders – awarded HMP Channings Wood and HMP Bullingdon design and build houseblock projects, together worth over £300m
 - Other – appointed by Essex County Council to Lot 3 of a four-year £400m framework to provide design and construction services to public sector projects
 - Kier Places – appointed by Heathrow Airport to deliver its Quieter Neighbour Support Scheme, a major programme of works over the next eight years to reduce the impact of aircraft noise on homes, businesses and community buildings around the airport
- 97% of revenue secured for FY25

The Construction segment comprises Regional Building, Strategic Projects, and Kier Places (comprises three streams: residential solutions (housing maintenance and fire safety work), work place solutions (building facilities management) and building solutions (construction works for customers with a build value less than £10m)). Construction has national coverage delivering schools, hospitals, prisons, defence estate optimisation as well as commercial, residential and heritage buildings for local authorities, the Ministry of Justice and other government departments, and the private sector.

Revenue increased 15% largely due to increased volume in our regional build business.

Adjusted operating profit was in line with the prior period at £69.2m. In the prior year, the business benefited from a larger weighting towards the higher margin Kier Places business. In FY24, the mix was weighted towards the regional build business.

In addition, the segment experienced increased overheads for site starts, as anticipated.

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

Kier Places is a client-focused building, construction and property management business which delivers end-to-end solutions for places where people live, work and play. As part of Kier Construction, we focus our business on three key areas: Building Solutions, Residential Solutions and Workplace Solutions, with expertise and services extended to planned and reactive maintenance, renovation, facilities management, capital building works, mechanical and electrical maintenance, decarbonisation and retrofit, cladding remediation and fire compliance.

⁷ Stated before adjusting items of £9.6m (FY23: £23.1m)

Property – 2% of FY24 Group revenue

	Year ended 30 June 2024	Year ended 30 June 2023	Change
Revenue (£m)	71.0	37.6	89%
Adjusted operating profit (£m) ⁸	6.2	12.8	(52)%
Adjusted operating margin (%)	8.7	34.0	(2,530)bps
Reported operating profit (£m)	1.9	14.3	(87)%
Capital employed (£m)	166	150	11%
ROCE (%)	3.9	9.4	(550)bps

- Disposed of a 423 bed redeveloped student accommodation asset in Southampton to Greystar

The Property business invests in and develops mixed-use commercial and residential schemes across the UK, largely through joint ventures. For FY24, Property generated revenue of £71m (FY23: £37.6m) despite wider market conditions. The growth was predominately driven by the sale of our Southampton Student scheme in March 2024 for £44m.

The Property business has seen a challenging environment with scheme evaluations, developments and transactions being delayed due to market conditions. Despite the conditions, Property generated £6.2m in adjusting operating profit (FY23: £12.8m). These results include a fair value gain of £5.1m related to investments in various sectors, including the students and green investments.

The Group is focused on the disciplined expansion of the Property business through select investments and strategic joint ventures.

As at 30 June 2024, the capital employed in the Property segment was £166m excluding third party debt and fair value gains. Due to the Group's increased operating cash flows, the benefit of building out projects such as 19 Cornwall Street in Birmingham and market conditions, we have reviewed the capital employed in our Property segment and increased the range to between £160m and £225m (previously £140m to £170m).

In FY24, the Property business had a ROCE of 3.9%. The Group targets the Property business to generate a ROCE of 15%. The Property business is well-positioned to deliver this over time as it continues to support its capital-constrained public sector clients with asset optimisation, as well as leverage the structural trends in changing demographics, population growth and climate change. The business has had limited investment over the past three years. An increase in the value and consistency of capital investment is expected to smooth out the returns profile of the Property segment over time.

Corporate

	Year ended 30 June 2024	Year ended 30 June 2023	Change
Adjusted operating loss (£m) ⁹	(37.5)	(30.6)	23%
Reported operating loss (£m)	(47.1)	(36.4)	29%

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

⁸ Stated before adjusting items of £4.3m (FY23: £(1.5)m)

⁹ Stated before adjusting items of £9.6m (FY23: £5.8m)

Financial Review

Introduction

The Group has delivered a strong set of results for the year with further improvement in the order book, which has been converted into strong revenue growth in both Construction and Infrastructure Services. The Group's focus on operational delivery and cash management has seen the Group continue to deleverage materially with average month-end net debt improving significantly.

As a result of the clear line-of-sight to a sustainable net cash position alongside an appropriate longer-term debt structure, on 7 March 2024 the Group returned to the dividend list and declared an interim dividend payment. A final dividend of 3.48p has been proposed.

In February 2024, the Group completed a refinancing of its principal debt facilities and has secured significant committed funding to support its evolved long-term sustainable growth plan.

The Group delivered strong growth of 16.6% giving total Group revenues of £3,969.4m (FY23: £3,405.4m) and which helped deliver an adjusted operating profit of £150.2m (FY23: £131.5m).

The continued strong operational performance led to a 26.5% increase in operating profit to £103.1m (FY23: £81.5m) and an increase in profit before tax to £68.1m (FY23: £51.9m).

Adjusting items were £50.0m (FY23: £52.9m). The current period charge includes £23.2m of amortisation of intangible contract rights arising from acquisitions, and £15.0m of fire and cladding compliance costs. As expected, the Group's restructuring activities are now complete and no further restructuring costs have been incurred in adjusting items in the year.

Net finance charges, excluding adjusting items, for the period were £32.1m (FY23: £26.7m), with the benefit of lower average month-end net debt offset by higher interest rates through the year following the completion of the Group's refinancing in February 2024. Interest on the RCF facility remains at SONIA plus c.2.5%, the Senior Notes are issued at a fixed interest of 9% whilst the USPP notes incur fixed interest at c.5%.

Adjusted earnings per share increased 7.3% to 20.6p (FY23: 19.2p).

The Group generated a free cash inflow of £185.9m during the year (FY23: £132.3m) driven by a strong volume growth across Infrastructure Services and Construction and a focus on working capital management.

Free cash flow was used to fund the acquisition of the Buckingham Group's rail assets, adjusting items, pension deficit obligations as well as an interim dividend. Net cash at 30 June 2024 of £167.2m was significantly improved compared to the prior year (FY23: £64.1m).

Average month-end net debt for the year ended 30 June 2024 was £(116.1)m (FY23: £(232.1)m), reduced significantly from the prior year.

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

The order book has increased to £10.8bn (FY23: £10.1bn), a 6.9% increase compared to the prior year end, with c.90% of revenue for FY25 is already secured which provides certainty of further progress over next year; an increase over the same time in the prior year.

Summary of financial performance

	Adjusted ¹⁰ results			Statutory reported results		
	30 Jun 2024	30 Jun 2023	Change %	30 Jun 2024	30 Jun 2023	Change %
Revenue (£m) – Total	3,969.4	3,405.4	16.6	3,969.4	3,405.4	16.6
Revenue (£m) – Excluding joint ventures	3,905.1	3,380.7	15.5	3,905.1	3,380.7	15.5
Operating profit (£m)	150.2	131.5	14.2	103.1	81.5	26.5
Profit before tax (£m)	118.1	104.8	12.7	68.1	51.9	31.2
Earnings per share (p)	20.6	19.2	7.3	11.8	9.5	24.2
Total dividend per share (p)	5.15	–	100.0	5.15	–	100.0
Free cash flow (£m)	185.9	132.3	40.5			
Net cash (£m)	167.2	64.1	160.8			
Net debt (£m) – average month-end	(116.1)	(232.1)	(50.0)			
Order book (£bn)	10.8	10.1	6.9			

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

Revenue

The following table bridges the Group's revenue from the year ended 30 June 2023 to the year ended 30 June 2024.

	£m
Revenue for the year ended 30 June 2023	3,405.4
Infrastructure Services – existing businesses	156.1
Infrastructure Services – Buckingham acquisition	119.9
Construction	255.3
Property and Corporate	32.7
Revenue for the year ended 30 June 2024	3,969.4

The Group grew revenue across all segments, with Construction reporting revenue growth of 15.4% compared to the prior period and Infrastructure Services reporting revenue growth of 16.1% for the same period.

On 4 September 2023, the Group acquired substantially all of the rail assets of Buckingham Group Contracting Limited from administration. The acquisition has been successfully integrated into the Group's Transportation business, within Infrastructure Services.

The Group continues to focus on delivering high-quality and high-margin work.

Alternative performance measures ('APMs')

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

Adjusted Operating Profit

	£m
Adjusted operating profit for the year ended 30 June 2023	131.5
Volume / price / mix changes	21.0
Fewer Property transactions, net of valuation gains	(6.6)
Cost inflation	(8.3)
Management actions	12.6
Adjusted operating profit for the year ended 30 June 2024	150.2

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

	Operating profit		Profit before tax	
	30 Jun 2024	30 Jun 2023	30 Jun 2024	30 Jun 2023
	£m	£m	£m	£m
Reported profit from continuing operations	103.1	81.5	68.1	51.9
Amortisation of acquired intangible assets	23.2	19.2	23.2	19.2
Fire and cladding costs	15.0	12.6	15.0	12.6
Property-related items	7.2	(1.1)	7.2	(1.1)
Recycle of foreign exchange	(5.9)	–	(5.9)	–
Refinancing fees	4.5	–	4.5	–
Net financing costs	–	–	2.9	2.9
Insurance-related items	–	5.3	–	5.3
Redundancy and other people-related costs	–	4.8	–	4.8
Professional fees and other non-people initiatives	–	4.9	–	4.9
Other	3.1	4.3	3.1	4.3
Adjusted profit from continuing operations	150.2	131.5	118.1	104.8

Additional information about these items is as follows:

- Amortisation of acquired intangible assets £23.2m (FY23: £19.2m):

Comprises the amortisation of acquired contract rights through the acquisitions of MRBL Limited (Mouchel Group), May Gurney Integrated Services PLC and McNicholas Construction Holdings Limited. The current year charge also includes amortised contract rights in respect of the Buckingham Group rail acquisition.

- Fire and cladding costs £15.0m (FY23: £12.6m):

Costs have been incurred in rectifying legacy issues where the Group has used cladding solutions, in order to comply with the latest Government guidance. The net charge of £15.0m includes a credit of £11.8m in respect of insurance proceeds.

- Property-related items £7.2m (FY23: credit of £1.1m):

Property-related items consist of the loss on disposal of a property previously treated as adjusting items, and costs incurred and fair value adjustment in respect of corporate properties vacated in prior years as part of the review of Group premises.

The prior year credit consisted of vacated corporate property costs offset by a credit of £1.6m relating to the profit on the sale of mothballed land which had previously been impaired through adjusting items.

- Recycle of foreign exchange £5.9m credit (FY23: £nil):

The retranslation of the overseas subsidiary balance sheets has been recycled to the income statement following the down-sizing of the international business and has been treated as an adjusting item.

- Refinancing fees £4.5m (FY23: £nil):

These costs consist of professional advisor fees that were incurred as part of the refinancing exercise but that were not directly attributable to the issue of the debt instruments and so could not be capitalised.

- Net financing costs £2.9m (FY23: £2.9m):

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

- Other adjusting items £3.1m (FY23: £4.3m):

Other costs consist of charges in respect of the down-sizing of the International business and costs incurred on the acquisition of Buckingham Group's rail division.

Discontinued operations

Following the sale of its residential property building business ('Kier Living') in FY21, the Group retained responsibility for the cost of defect rectification works relating to former Kier Living sites. At the time of the sale, provisions were made for the expected rectification costs. These costs were included in discontinued operations as they were directly associated with the disposal of Living.

During FY24, the Group has reviewed the remaining liabilities for the defect rectification works, based on the outstanding scope of works to be completed and current market price. The cost has increased by £8.3m, net of tax credit of £0.8m, the majority of which remains as a provision on the year end balance sheet. The £8.3m has been recognised as an adjusting item within discontinued operations.

Earnings per share

EPS before adjusting items amounted to 20.6p (FY23: 19.2p). EPS after adjusting items amounted to 11.8p (FY23: 9.5p).

Finance income and charges

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

Net finance charges for the year were £32.1m (FY23: £26.7m) before adjusting items of £2.9m (FY23: £2.9m).

Interest on borrowings amounted to £31.5m (FY23: £29.0m). The Group was able to partially mitigate the risk of higher interest rates with fixed interest rate swaps. At 30 June 2024, the Group had an interest rate swap of £50m due to expire in June 2025.

Lease interest was £9.5m (FY23: £9.5m).

The Group had a net interest credit of £5.7m (FY23: £7.8m) in relation to the defined benefit pension schemes which has arisen due to the combination of the overall pension surplus and the discount rate (derived from corporate bond yields), at the start of the financial year. We anticipate this will reduce to c.£4m in FY25.

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

Dividend

The Board recognises the importance of a sustainable dividend policy to shareholders. Given the strong operational and financial performance in FY23 and throughout HY24, together with continued confidence over further progress in the short term, the Board reinstated a dividend at the announcement of its half year results in March 2024.

Over time, the Board's target is to progress to deliver a dividend, covered c.3x by adjusted earnings and in a payment ratio of approximately one-third interim dividend and two thirds final dividend.

As a result, the Board has proposed a final dividend of 3.48p per share.

Balance sheet

Net assets

The Group had net assets of £520.1m at 30 June 2024 (FY23: £513.0m). The primary driver for this is the retained profit for the year, offset by the decrease in the pension scheme surplus during the period.

Goodwill

The Group held intangible assets of £638.2m (FY23: £645.0m) of which goodwill represented £543.5m (FY23: £536.7m).

The Group completed its annual review of goodwill assuming a pre-tax discount rate of 12.4% (FY23: 13.1%), and concluded that no impairment was required.

The Infrastructure Services group of cash generating units ('CGU') comprise £523.1m of the total goodwill balance. Whilst no impairment is noted and management believes the discounted cash flows applied is underpinned by the order book and current pipeline prospects, this CGU is sensitive to changes in key assumptions. The key assumptions in the value in use calculations are the forecast revenues and operating margins, the discount rates applied to future cash flows and the terminal growth rate assumptions applied.

Deferred tax asset

The Group has a deferred tax asset of £133.1m recognised at 30 June 2024 (FY23: £128.8m) primarily due to historical losses. The asset has increased in the year predominantly due to the deferred tax debit in relation to the movement in the pension scheme asset. In addition, tax losses of £20.4m have been used against current year profits.

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

An adjusted tax credit of £11.6m (FY23: £11.1m) has been included within adjusting items.

Right-of-use assets and lease liabilities

At 30 June 2024, the Group had right-of-use assets of £95.0m (FY23: £105.4m) and associated lease liabilities of £173.1m (FY23: £182.6m). The movements reflect operational equipment requirements less associated depreciation and lease repayments.

Investment properties

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

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

The Group recognised an overall fair value gain of £6.5m across these sites which has been recognised in Other income.

Contract assets and liabilities

Contract assets represents the Group's right to consideration in exchange for works which have already been performed. Similarly, a contract liability is recognised when a customer pays consideration before work is performed. At 30 June 2024, total contract assets amounted to £358.1m (FY23: £401.9m).

Contract liabilities were £128.4m (FY23: £90.5m).

Retirement benefits obligation

Kier operates a number of defined benefit pension schemes. At 30 June 2024, the reported surplus, which is the difference between the aggregate value of the schemes' assets and the present value of their future liabilities, was £80.5m (FY23: £104.5m), before accounting for deferred tax, with the movement in the year primarily as a result of actuarial losses of £36.5m (FY23: £107.8m).

The net movement is due to both lower than assumed asset returns and changes in financial assumptions, with lower corporate bond yields leading to increased pension scheme liabilities. The impact of these changes have been partially offset by a change in demographic assumptions and deficit reduction contributions, both of which have led to a decrease in the schemes' liabilities.

In FY23 the Group agreed the triennial valuation for funding six of its seven defined benefit pension schemes, with the seventh scheme being agreed during this year. Given the Group's improved covenant and payments made under the existing schedule of contributions, the schemes are in a significantly improved position.

Accordingly, deficit payments will decrease from £9m in FY24 to £7m in FY25, £5m in FY26, £4m in FY27 and £1m in FY28.

Once the pension schemes are in actuarial surplus, they will cover their own administration expenses. In FY24, total expenses amounted to £2.3m (FY23: £2.9m), of which £1.7m (FY23: £nil) were paid by the schemes.

Free cash flow and net cash

	30 Jun 2024 £m	30 Jun 2023 £m
Operating profit	103.1	81.5
Depreciation of owned assets	8.3	6.1
Depreciation of right-of-use assets	39.0	43.7
Amortisation of intangible assets	30.6	26.8
Amortisation of mobilisation costs	3.2	7.1
EBITDA	184.2	165.2
Adjusting items excluding adjusting amortisation and interest	23.9	30.8
Adjusted EBITDA	208.1	196.0
Working capital inflow	68.4	80.3
Net capital expenditure including finance lease capital payments	(57.3)	(51.4)
Joint venture dividends less profits	0.7	0.7
Repayment of KEPS	–	(49.8)
Other free cash flow items	(2.8)	(5.2)
Operating free cash flow	217.1	170.6
Net interest and tax	(31.2)	(38.3)
Free cash flow	185.9	132.3

	2024 £m	2023 £m
Net cash at 1 July	64.1	2.9
Free cash flow	185.9	132.3
Adjusting items	(36.7)	(27.0)
Pension deficit payments and fees	(9.2)	(12.8)
Net purchase of own shares	(3.7)	(11.9)
Net investment in joint ventures	(18.2)	(18.6)
Acquisition of Buckingham	(9.4)	–
Dividends paid	(7.3)	–
Other	1.7	(0.8)
Net cash at 30 June	167.2	64.1

The Group has delivered a strong free cash flow for the year, driven by the underlying business performance and good working capital management.

The average month-end net debt position has reduced by half to £(116.1)m, (FY23: £(232.1)m). Positive operating cash flow was used to pay adjusting items, tax and interest, pension deficit obligations, interim dividend, the acquisition of the Buckingham rail assets, purchase existing Kier shares on behalf of employees and deploy cash to our Property business.

The purchase of existing shares relates to the Group's employee benefit trusts which acquire Kier shares from the market for use in settling the Long Term Incentive Plan ('LTIP') share schemes when they vest. The trusts purchased and sold shares at a net cost of £3.7m (FY23: £11.9m).

Given the extent of Free Cash Flow ('FCF') generation, we have a line-of-sight to further reduce average month-end net debt for FY25 and FY26.

Accounting policies

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

Treasury facilities

Bank finance

In February 2024 the Group completed a refinancing of its principal debt facilities. This included the issuance of a 5 Year £250m Senior Notes, maturing February 2029 and an extension of its RCF, with a committed facility of £150m from January 2025 to March 2027.

The proceeds of the Senior Notes were used to reduce the USPP notes by £37m and lower the RCF to £261m.

At 30 June 2024 the Group has committed debt facilities of £548.2m with a further £18.0m of uncommitted overdrafts.

The facilities comprise £250.0m Senior Notes, £260.9m Revolving Credit Facility ('RCF'), £37.3m US Private Placement ("USPP") Notes as well as £18.0m of overdrafts.

The remainder of its USPP notes and reduction in the RCF of £111m in January 2025 will be met from operating free cash flow.

The Group has a fixed interest rate swap of £50m through to June 2025.

With £400m of facilities (£250m Senior Notes and £150m RCF), post January 2025, the Group has secured significant committed funding to support its long-term sustainable growth plan.

Financial instruments

The Group's financial instruments mainly comprise cash and liquid investments. The Group selectively enters into derivative transactions (interest rate and currency swaps) to manage interest rate and currency risks arising from its sources of finance. The US dollar denominated USPP notes were hedged with fixed cross-currency swaps at inception to mitigate the foreign exchange risk.

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, so that assets denominated in foreign currencies are matched, as far as possible, by liabilities. Where exposures to currency fluctuations are identified, forward exchange contracts are completed to buy and sell foreign currency.

The Group does not enter into speculative transactions.

Going concern

The Directors are satisfied that the Group has adequate resources to meet its obligations as they fall due for a period of at least 12 months from the date of approving these financial statements and, for this reason, they continue to adopt the going concern basis in preparing these financial statements.

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

Financial statements
Condensed consolidated income statement
For the year ended 30 June 2024

	Note	2024 £m	2023 £m
Continuing operations			
Group revenue including share of joint ventures ¹	2	3,969.4	3,405.4
Less share of joint ventures	2	(64.3)	(24.7)
Group revenue		3,905.1	3,380.7
Cost of sales		(3,570.1)	(3,074.4)
Gross profit		335.0	306.3
Administrative expenses		(240.0)	(240.0)
Share of post-tax results of joint ventures		1.6	1.1
Other income	4	6.5	14.1
Operating profit	2	103.1	81.5
Finance income	5	9.2	9.4
Finance costs	5	(44.2)	(39.0)
Profit before tax	2	68.1	51.9
Taxation	7	(16.8)	(10.9)
Profit for the year from continuing operations	2	51.3	41.0
Discontinued operations			
Loss for the year from discontinued operations (attributable to equity holders of the Company)	2,3	(8.3)	–
Profit for the year	2	43.0	41.0
Attributable to:			
Owners of the Company		42.7	41.1
Non-controlling interests		0.3	(0.1)
		43.0	41.0
Earnings/(losses) per share			
Basic:			
– Continuing operations	9	11.8p	9.5p
– Discontinued operations	9	(1.9)p	–
Total		9.9p	9.5p
Diluted:			
– Continuing operations	9	11.3p	9.3p
– Discontinued operations	9	(1.8)p	–
Total		9.5p	9.3p
Supplementary information – continuing operations			
Adjusted ² operating profit	3	150.2	131.5
Adjusted ² profit before tax	3	118.1	104.8
Adjusted ² basic earnings per share	9	20.6p	19.2p

¹ Group revenue including share of joint ventures is an alternative performance measure.

² References to 'adjusted' excludes adjusting items, see note 3. These are alternative performance measures.

Financial statements
Condensed consolidated statement of comprehensive income
For the year ended 30 June 2024

	Note	2024 £m	2023 £m
Profit for the year		43.0	41.0
Other comprehensive (loss)/income			
Items that may be reclassified subsequently to the income statement			
Fair value movements on cash flow hedging instruments		(2.6)	2.1
Fair value movements on cash flow hedging instruments recycled to the income statement	5	–	1.2
Deferred tax on fair value movements on cash flow hedging instruments		0.9	(0.8)
Foreign exchange translation differences		(0.1)	0.3
Foreign exchange movements recycled to the income statement		(9.2)	–
Items that will not be reclassified to the income statement			
Re-measurement of retirement benefit assets and obligations	6	(36.5)	(107.8)
Tax on re-measurement of retirement benefit assets and obligations		9.1	26.5
Other comprehensive loss for the year		(38.4)	(78.5)
Total comprehensive income/(loss) for the year		4.6	(37.5)
Attributable to:			
Equity holders of the Company		4.3	(37.4)
Non-controlling interests		0.3	(0.1)
		4.6	(37.5)
Total comprehensive income/(loss) for the year attributable to equity holders of the Company arises from:			
Continuing operations		12.6	(37.4)
Discontinued operations		(8.3)	–
		4.3	(37.4)

Financial statements
Condensed consolidated balance sheet
As at 30 June 2024

	Note	2024 £m	2023 ^{1,2} £m
Non-current assets			
Intangible assets	11	638.2	645.0
Property, plant and equipment		27.7	29.8
Right-of-use assets		95.0	105.4
Investment properties	12	104.9	98.4
Investments in and loans to joint ventures		91.7	78.6
Deferred tax assets	7	133.1	128.8
Contract assets		53.6	43.7
Trade and other receivables		28.5	24.8
Retirement benefit assets	6	105.0	129.3
Other financial assets		–	9.7
Non-current assets		1,277.7	1,293.5
Current assets			
Inventories		74.0	72.9
Contract assets		304.5	358.2
Trade and other receivables		237.3	189.2
Corporation tax receivable		–	13.4
Other financial assets		7.1	1.0
Cash and cash equivalents	13	1,563.1	1,389.5
Current assets		2,186.0	2,024.2
Total assets		3,463.7	3,317.7
Current liabilities			
Bank overdrafts	13	(1,101.4)	(1,012.6)
Borrowings	13	(58.8)	–
Lease liabilities		(42.2)	(36.2)
Trade and other payables	14	(1,109.8)	(1,075.0)
Contract liabilities		(128.4)	(90.5)
Provisions		(55.3)	(38.2)
Current liabilities		(2,495.9)	(2,252.5)
Non-current liabilities			
Borrowings	13	(242.0)	(319.1)
Lease liabilities		(130.9)	(146.4)
Trade and other payables	14	(28.4)	(36.9)
Retirement benefit obligations	6	(24.5)	(24.8)
Provisions		(21.9)	(25.0)
Non-current liabilities		(447.7)	(552.2)
Total liabilities		(2,943.6)	(2,804.7)
Net assets	2	520.1	513.0
Equity			
Share capital		4.5	4.5
Share premium		3.2	684.3
Retained earnings/(accumulated losses)		162.1	(539.5)
Merger reserve		350.6	350.6
Other reserves		(0.2)	13.5
Equity attributable to owners of the Company		520.2	513.4
Non-controlling interests		(0.1)	(0.4)
Total equity		520.1	513.0

¹ £1,012.6m has been re-presented in the comparative information from cash and cash equivalents to bank overdrafts, as a result of a change in accounting policy (see note 13).

² £6.3m has been re-presented in the comparative information from capitalised mobilisation costs to trade and other receivables in non-current assets. £2.7m capital redemption reserve, £1.6m cash flow hedge reserve and £9.2m translation reserve have been re-presented in the comparative information to other reserves within equity.

Financial statements
Condensed consolidated statement of changes in equity
As at 30 June 2024

	Share capital ¹ £m	Share premium ² £m	(Accumulated losses)/ retained earnings £m	Merger reserve ³ £m	Other reserves ⁴ £m	Equity attributable to owners of the Company £m	Non-controlling interests £m	Total equity £m
At 1 July 2022	4.5	684.3	(494.9)	350.6	10.7	555.2	(0.6)	554.6
Profit/(loss) for the year	–	–	41.1	–	–	41.1	(0.1)	41.0
Other comprehensive (loss)/income	–	–	(81.3)	–	2.8	(78.5)	–	(78.5)
Total comprehensive (loss)/income for the year	–	–	(40.2)	–	2.8	(37.4)	(0.1)	(37.5)
Issue of own shares	–	–	–	–	–	–	0.3	0.3
Changes in ownership of subsidiary	–	–	(0.9)	–	–	(0.9)	–	(0.9)
Share-based payments	–	–	8.4	–	–	8.4	–	8.4
Purchase of own shares	–	–	(11.9)	–	–	(11.9)	–	(11.9)
At 30 June 2023	4.5	684.3	(539.5)	350.6	13.5	513.4	(0.4)	513.0
Profit for the year	–	–	42.7	–	–	42.7	0.3	43.0
Other comprehensive loss	–	–	(27.4)	–	(11.0)	(38.4)	–	(38.4)
Total comprehensive income/(loss) for the year	–	–	15.3	–	(11.0)	4.3	0.3	4.6
Dividends paid	–	–	(7.3)	–	–	(7.3)	–	(7.3)
Issue of own shares	–	3.3	–	–	–	3.3	–	3.3
Capital reduction	–	(684.4)	687.1	–	(2.7)	–	–	–
Share-based payments	–	–	9.3	–	–	9.3	–	9.3
Deferred tax on share-based payments	–	–	0.9	–	–	0.9	–	0.9
Purchase of own shares	–	–	(3.7)	–	–	(3.7)	–	(3.7)
At 30 June 2024	4.5	3.2	162.1	350.6	(0.2)	520.2	(0.1)	520.1

¹ The share capital includes 452,133,752 of authorised, issued and fully paid ordinary shares of 1p each (2023: 446,314,435). The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. During the year, 5,819,317 shares were issued under the Sharesave Scheme (2023: 72,753).

² On 22 December 2023, the Company completed a capital reduction exercise, resulting in £684.4m of share premium being cancelled and transferred to retained earnings.

³ £134.8m of the merger reserve arose on the shares issued at a premium to acquire May Gurney on 8 July 2013. In addition, a further £215.8m relates to the issue of share capital on 18 June 2021.

⁴ Other reserves includes capital redemption reserve, cash flow hedge reserve and translation reserve. On 22 December 2023, the Company completed a capital reduction exercise, resulting in £2.7m of capital redemption being cancelled and transferred to retained earnings.

Financial statements
Condensed consolidated statement of cash flows
For the year ended 30 June 2024

	Note	2024 £m	2023 £m
Cash flows from operating activities			
Profit/(loss) before tax - continuing operations		68.1	51.9
- discontinued operations	3	(9.1)	–
Net finance cost	5	35.0	29.6
Share of post-tax trading results of joint ventures		(1.6)	(1.1)
Pension cost charge		1.8	0.1
Equity-settled share-based payments charge		9.3	8.4
Amortisation of intangible assets and mobilisation costs		33.8	33.9
Change in fair value of investment properties	12	(6.5)	(11.4)
Research and development expenditure credit	7	(28.3)	(22.8)
Depreciation of property, plant and equipment		8.3	6.1
Depreciation of right-of-use assets		39.0	43.7
Recycling of foreign exchange movements to the income statement		(9.2)	–
Profit on disposal of property, plant and equipment, right-of-use assets and intangible assets		(1.3)	(1.8)
Operating cash inflows before movements in working capital and deficit contributions to pension funds		139.3	136.6
Deficit contributions to pension funds	6	(8.6)	(9.9)
Increase in inventories		(1.1)	(18.8)
(Increase)/decrease in receivables		(20.3)	12.2
Decrease/(increase) in contract assets		43.8	(4.4)
Increase in payables		23.7	26.1
Increase in contract liabilities		37.9	23.2
Increase in provisions		8.1	15.2
Cash inflow from operating activities		222.8	180.2
Dividends received from joint ventures		6.7	1.8
Interest received	5	3.5	1.6
Income tax paid		(2.9)	(0.1)
Net cash inflow from operating activities		230.1	183.5
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		1.8	2.6
Purchase of property, plant and equipment		(7.1)	(3.9)
Purchase of intangible assets	11	(9.5)	(2.7)
Purchase of capitalised mobilisation costs		(1.9)	(1.8)
Acquisition of assets	10	(9.4)	–
Investment in joint ventures		(23.8)	(35.7)
Acquisition of joint venture debt		–	(0.9)
Loan repayment and return of equity from joint ventures		5.6	17.1
Net cash used in investing activities		(44.3)	(25.3)
Cash flows from financing activities			
Issue of shares		3.3	0.3
Purchase of own shares		(3.7)	(11.9)
Interest paid		(32.7)	(39.5)
Principal elements of lease payments		(40.6)	(45.6)
Drawdown of borrowings		247.5	56.8
Repayment of borrowings		(267.4)	(43.2)
Settlement of derivative financial instruments		–	4.7
Changes in ownership interests of subsidiaries		–	(0.9)
Dividends paid	8	(7.3)	–
Net cash used in financing activities		(100.9)	(79.3)
Increase in cash, cash equivalents and bank overdrafts		84.9	78.9
Effect of change in foreign exchange rates		(0.1)	0.3
Opening cash, cash equivalents and bank overdrafts		376.9	297.7
Closing cash, cash equivalents and bank overdrafts	13	461.7	376.9

1 Significant accounting policies

Reporting entity

Kier Group plc (the Company) is a public limited company which is listed on the London Stock Exchange and incorporated and domiciled in the UK. The Company's registered number is 2708030. The address of its registered office is 2nd Floor, Optimum House, Clippers Quay, Salford, M50 3XP.

The consolidated financial statements (financial statements) for the year ended 30 June 2024 comprise the Company and its subsidiaries (together referred to as the Group) and the Group's interest in jointly controlled entities.

Basis of preparation

These results have been prepared in accordance with the UK Financial Conduct Authority and in accordance with the UK-adopted International Accounting Standards effective for accounting periods beginning on or after 1 July 2023 and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

The financial information contained in this preliminary announcement does not constitute the Company's statutory accounts as at and for the year ended 30 June 2024, but is derived from those statutory accounts. The Company's statutory accounts as at and for the year ended 30 June 2024 were approved by the Board on 11 September 2024 and received an unqualified audit report. These will be delivered to the Registrar of Companies following the Company's Annual General Meeting on 14 November 2024.

Going concern

In determining the appropriate basis of preparation of the financial statements, the Directors are required to consider whether the Group can continue in operational existence during the going concern period, which the directors have determined to be until 31 December 2025.

In February 2024 the Group completed a refinancing of its principal debt facilities, issuing a 5 Year £250m Senior Notes maturing February 2029; and an extension of its RCF, with a committed facility of £150m to March 2027. With £400m of facilities, post January 2025, the Group has lowered its facilities and secured significant committed funding to support its long-term sustainable growth plan. As at 30 June 2024, the Group had £548.2m of unsecured committed facilities and £18.0m of uncommitted overdrafts.

The Directors have carried out an assessment of the Group's ability to continue as a going concern for the period of at least 12 months from the date of approval of the financial statements. This assessment has involved the review of cash flow forecasts for the period to 31 December 2025 for each of the Group's divisions. The Directors have also considered the strength of the Group's order book which amounted to £10.8bn at 30 June 2024 and will provide a pipeline of secured work over the going concern assessment period.

The Directors have considered a number of stressed but plausible downside scenarios in assessing going concern:

- Potential reductions in trading volumes;
- Potential future challenges in respect of ongoing projects;
- Delays in Property transactions and cost of adoption of green legislation;
- Plausible changes in the interest rate environment; and
- The availability of mitigating actions that could be taken by management in such a scenario.

The Directors also considered the macroeconomic and political risks affecting the UK economy. The Directors 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 road, rail, water, energy, prisons, health and education, which are considered likely to remain largely unaffected by macroeconomic factors. Although inflationary pressures remain a risk, both in the supply chain and the labour market, this is partly mitigated by c.60% of contracts being target cost or cost plus.

The Directors have also considered the potential impact of climate change and do not consider the Group's operations are at risk from physical climate-related risks such as hurricanes and temperature changes in the short-term. In the medium-term the Directors have concluded that any adverse financial impacts from required changes to operations in line with ESG requirements will be offset by opportunities which present the Group with additional volumes and profits, such as construction of sustainable buildings, climate impact and water management, as well as nuclear infrastructure. As such, the longevity of the Group's business model means that climate change has no material adverse impact on going concern.

Having reviewed the Group's cash flow forecasts, the Directors consider that the Group is expected to continue to have available liquidity headroom under its finance facilities and operate within its financial covenants over the going concern period, including in a severe but plausible downside scenario.

As a result, the Directors are satisfied that the Group has adequate resources to meet its obligations as they fall due for a period of at least 12 months from the date of approving these financial statements and, for this reason, they continue to adopt the going concern basis in preparing these financial statements.

2 Segmental reporting

Year to 30 June 2024

	Infrastructure Services £m	Construction £m	Property £m	Corporate £m	Group £m
Revenue¹					
Group revenue including share of joint ventures	1,988.3	1,907.8	71.0	2.3	3,969.4
Less share of joint ventures	–	(2.4)	(61.9)	–	(64.3)
Group revenue	1,988.3	1,905.4	9.1	2.3	3,905.1
Timing of revenue¹					
Products and services transferred at a point in time	5.9	0.6	57.8	–	64.3
Products and services transferred over time	1,982.4	1,907.2	13.2	2.3	3,905.1
Group revenue including share of joint ventures	1,988.3	1,907.8	71.0	2.3	3,969.4
Profit/(loss) for the year					
Adjusted operating profit/(loss) ²	112.3	69.2	6.2	(37.5)	150.2
Adjusting items ²	(23.6)	(9.6)	(4.3)	(9.6)	(47.1)
Operating profit/(loss)	88.7	59.6	1.9	(47.1)	103.1
Net finance income/(costs) ³	4.4	1.4	(3.7)	(37.1)	(35.0)
Profit/(loss) before tax	93.1	61.0	(1.8)	(84.2)	68.1
Taxation					(16.8)
Profit for the year from continuing operations					51.3
Loss for the year from discontinued operations					(8.3)
Profit for the year					43.0
Balance sheet					
Operating assets ⁴	908.3	424.4	217.9	342.9	1,893.5
Operating liabilities ⁴	(499.8)	(814.2)	(14.8)	(212.6)	(1,541.4)
Net operating assets/(liabilities)⁴	408.5	(389.8)	203.1	130.3	352.1
Cash, cash equivalents, bank overdrafts and borrowings	540.4	700.4	(171.3)	(908.6)	160.9
Net financial assets	–	–	–	7.1	7.1
Net assets/(liabilities)	948.9	310.6	31.8	(771.2)	520.1
Other information					
Inter-segmental revenue	4.9	0.1	–	39.8	44.8
Capital expenditure on property, plant, equipment and intangible assets	2.4	4.4	–	9.8	16.6
Depreciation of property, plant and equipment	(0.7)	(0.4)	(0.2)	(7.0)	(8.3)
Amortisation of computer software	(1.1)	(0.2)	–	(6.1)	(7.4)

2 Segmental reporting continued

Year to 30 June 2023

	Infrastructure Services £m	Construction £m	Property £m	Corporate £m	Group £m
Continuing operations					
Revenue¹					
Group revenue including share of joint ventures	1,712.3	1,652.5	37.6	3.0	3,405.4
Less share of joint ventures	–	(2.4)	(22.3)	–	(24.7)
Group revenue	1,712.3	1,650.1	15.3	3.0	3,380.7
Timing of revenue¹					
Products and services transferred at a point in time	3.9	0.8	21.5	–	26.2
Products and services transferred over time	1,708.4	1,651.7	16.1	3.0	3,379.2
Group revenue including share of joint ventures	1,712.3	1,652.5	37.6	3.0	3,405.4
Profit/(loss) for the year					
Adjusted operating profit/(loss) ²	79.8	69.5	12.8	(30.6)	131.5
Adjusting items ²	(22.6)	(23.1)	1.5	(5.8)	(50.0)
Operating profit/(loss)	57.2	46.4	14.3	(36.4)	81.5
Net finance income/(costs) ³	1.4	(4.3)	(0.6)	(26.1)	(29.6)
Profit/(loss) before tax	58.6	42.1	13.7	(62.5)	51.9
Taxation					(10.9)
Profit for the year					41.0
Balance sheet					
Operating assets ⁴	973.7	413.1	188.5	342.3	1,917.6
Operating liabilities ⁴	(511.7)	(732.7)	(18.5)	(210.2)	(1,473.1)
Net operating assets/(liabilities)⁴	462.0	(319.6)	170.0	132.1	444.5
Cash, cash equivalents, bank overdrafts and borrowings	456.6	594.5	(134.1)	(859.2)	57.8
Net financial assets	–	–	–	10.7	10.7
Net assets/(liabilities)	918.6	274.9	35.9	(716.4)	513.0
Other information					
Inter-segmental revenue	31.5	0.1	–	40.5	72.1
Capital expenditure on property, plant, equipment and intangible assets	0.7	0.1	–	5.8	6.6
Depreciation of property, plant and equipment	(0.9)	(0.4)	(0.2)	(4.6)	(6.1)
Amortisation of computer software	(1.4)	(0.8)	–	(5.4)	(7.6)

¹ Revenue is stated after the exclusion of inter-segmental revenue. 100% of the Group's revenue is derived from UK-based customers. 15% of the Group's revenue was received from High Speed Two (HS2) Limited (2023: 15%). Group revenue including joint ventures is an alternative performance measure.

² See note 3 for adjusting items.

³ Interest was (charged)/credited to the divisions at a notional rate of 4.0% (2023: 4.0%).

⁴ Net operating assets/(liabilities) represent assets excluding cash, cash equivalents, bank overdrafts, borrowings, financial assets and liabilities, and interest-bearing inter-company loans.

3 Adjusting items

(a) Reconciliation to adjusted profit

	2024			2023		
	Adjusted £m	Adjusting items £m	Total £m	Adjusted £m	Adjusting items £m	Total £m
Continuing operations						
Group revenue	3,905.1	–	3,905.1	3,380.7	–	3,380.7
Cost of sales	(3,555.1)	(15.0)	(3,570.1)	(3,055.5)	(18.9)	(3,074.4)
Gross profit	350.0	(15.0)	335.0	325.2	(18.9)	306.3
Administrative expenses	(216.2)	(23.8)	(240.0)	(208.0)	(32.0)	(240.0)
Share of post-tax results of joint ventures	6.0	(4.4)	1.6	1.1	–	1.1
Other income	10.4	(3.9)	6.5	13.2	0.9	14.1
Operating profit	150.2	(47.1)	103.1	131.5	(50.0)	81.5
Net finance charges	(32.1)	(2.9)	(35.0)	(26.7)	(2.9)	(29.6)
Profit before tax	118.1	(50.0)	68.1	104.8	(52.9)	51.9
Taxation	(28.4)	11.6	(16.8)	(22.0)	11.1	(10.9)
Profit for the year from continuing operations	89.7	(38.4)	51.3	82.8	(41.8)	41.0
Loss for the year from discontinued operations	–	(8.3)	(8.3)	–	–	–
Profit for the year	89.7	(46.7)	43.0	82.8	(41.8)	41.0

Adjusting items include:

- Cost of sales:
 - Fire and cladding compliance costs of £15.0m – these consist of costs incurred in rectifying legacy issues to comply with the latest Government guidance. The net charge of £15.0m includes a credit of £11.8m in respect of insurance proceeds.
- Administrative expenses:
 - Amortisation of acquired intangible assets of £23.2m – comprises amortised contract rights arising from prior year acquisitions, along with the amortisation of contract rights relating to the Buckingham acquisition.
 - Recycle of foreign exchange gain of £(5.9)m – the retranslation of the overseas subsidiary balance sheets has been recycled to the income statement following the down-sizing of the international business and has been treated as an adjusting item.
 - Refinancing fees of £4.5m – these costs consist of professional advisor fees that were incurred as part of the refinancing exercise but that were not directly attributable to the issue of the debt instruments and so could not be capitalised.
 - Property-related items of £(1.1)m – these costs primarily consist of income and costs incurred in respect of corporate properties vacated in prior years as part of the review of Group premises.
 - Other adjusting items of £3.1m – other costs consist of charges in respect of the down-sizing of the International business and costs incurred on the acquisition of Buckingham Group's rail division.
- Share of post-tax results of joint ventures and other income:
 - Property-related items of £8.3m – these costs primarily consist of the loss on disposal of a property previously treated as adjusting items, and a fair value adjustment of £2.3m in relation to the Group's former head office.
- Net finance charges:
 - Net financing costs of £2.9m – these relate to IFRS 16 interest charges on leased investment properties previously used as offices.

(b) Discontinued operations

Following the sale of its residential property building business ('Kier Living') in FY21, the Group retained responsibility for the cost of defect rectification works relating to former Kier Living sites. At the time of the sale, provisions were made for the expected rectification costs. These costs were included in discontinued operations as they were directly associated with the disposal of Living.

During FY24, the Group has reviewed the remaining liabilities for the defect rectification works, based on the outstanding scope of works to be completed and current market price. The cost has increased by £8.3m, net of tax credit of £0.8m, the majority of which remains as a provision on the year end balance sheet. The £8.3m has been recognised as an adjusting item within discontinued operations.

(c) Cash outflow from adjusting items

	2024 £m	2023 £m
Adjusting items reported in the income statement		
– Continuing operations	50.0	52.9
– Discontinued operations	8.3	–
Less: non-cash items incurred in the year	(31.4)	(39.0)
Add: payment of prior year accruals and provisions	9.8	13.1
Cash outflow from adjusting items	36.7	27.0

4 Other income

	2024 £m	2023 £m
Insurance proceeds	–	2.7
Fair value gain on investment properties	6.5	11.4
Other income	6.5	14.1

5 Finance income and costs

	2024 £m	2023 £m
Finance income		
Bank deposits	3.4	0.5
Interest receivable on loans to related parties	0.1	1.1
Net interest on net defined benefit obligation	5.7	7.8
	9.2	9.4
Finance costs		
Interest payable on loans and overdrafts	(23.1)	(29.0)
Interest payable on bonds	(8.4)	–
Interest payable on leases	(9.5)	(9.5)
Foreign exchange movements on foreign denominated borrowings	(0.6)	2.5
Fair value movements on cash flow hedges recycled from other comprehensive income	–	(1.2)
Other	(2.6)	(1.8)
	(44.2)	(39.0)
Net finance costs	(35.0)	(29.6)

6 Retirement benefit obligations

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

	2024 %	2023 %
Discount rate	5.15	5.30
Inflation rate (Retail Price Index)	3.20	3.20
Inflation rate (Consumer Price Index) ¹	2.40 – 2.85	2.30 – 2.75

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

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

	2024			2023		
	Kier Group £m	Acquired schemes £m	Total £m	Kier Group £m	Acquired schemes £m	Total £m
Opening net surplus/(deficit)	117.5	(13.0)	104.5	170.2	24.5	194.7
Credit/(charge) to income statement	4.8	(0.9)	3.9	6.6	1.1	7.7
Employer contributions	–	8.6	8.6	0.4	9.5	9.9
Actuarial losses	(25.4)	(11.1)	(36.5)	(59.7)	(48.1)	(107.8)
Closing net surplus/(deficit)	96.9	(16.4)	80.5	117.5	(13.0)	104.5
Comprising:						
Fair value of scheme assets	825.2	393.4	1,218.6	850.9	396.8	1,247.7
Net present value of the defined benefit obligation	(728.3)	(409.8)	(1,138.1)	(733.4)	(409.8)	(1,143.2)
Net surplus/(deficit)	96.9	(16.4)	80.5	117.5	(13.0)	104.5
Presentation of net surplus/(deficit) in the Consolidated balance sheet:						
Retirement benefit assets	96.9	8.1	105.0	117.5	11.8	129.3
Retirement benefit obligations	–	(24.5)	(24.5)	–	(24.8)	(24.8)
Net surplus/(deficit)	96.9	(16.4)	80.5	117.5	(13.0)	104.5

7 Taxation

	2024 £m	2023 £m
Profit before tax	68.1	51.9
Losses/(income) from joint venture companies	1.6	(3.6)
Adjusted profit before tax	69.7	48.3
Current tax	(12.2)	(7.3)
Deferred tax	(4.6)	(3.6)
Total tax charge in the income statement	(16.8)	(10.9)
Effective tax rate	24.1%	22.6%

The deferred tax asset of £133.1m (2023: £128.8m) includes £106.8m of tax losses (2023: £106.2m) and £26.3m of other deferred tax assets and liabilities (2023: £22.6m).

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

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

- The business traded in line with Board expectations in 2024;
- The Group has completed its restructuring activities and is focusing on the achievement of the long-term sustainable growth plan; and
- The Group's core businesses are well-placed to benefit from the announced and committed UK Government spending plans to invest in infrastructure and decarbonisation.

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 8 years.

The Research and Development Expenditure Credit ('RDEC') of £28.3m was included in operating profit during the year (2023: £22.8m). Included in other receivables at 30 June 2024 were RDEC receivables of £30.0m (2023: £16.1m).

8 Dividends

	2024		2023	
	£m	pence per share	£m	pence per share
Current year interim	7.3	1.67	—	—
Total dividend recognised in the year	7.3	1.67	—	—

	2024		2023	
	£m	pence per share	£m	pence per share
Interim	7.3	1.67	—	—
Final	15.1	3.48	—	—
Total dividend relating to the year	22.4	5.15	—	—

The proposed final dividend for the year ending 30 June 2024 of 3.48p pence per share (2023: nil p) has not yet been paid and so has not been included as a liability in these financial statements. The dividend totalling approximately £15.1m will be paid on 29 November 2024 to shareholders on the register on 25 October 2024.

9 Earnings per share

	2024		2023	
	Basic £m	Diluted £m	Basic £m	Diluted £m
Continuing operations				
Profit for the year	51.3	51.3	41.0	41.0
Less: non-controlling interest share	(0.3)	(0.3)	0.1	0.1
Profit after tax and minority interests	51.0	51.0	41.1	41.1
Adjusting items (excluding tax)	50.0	50.0	52.9	52.9
Tax impact of adjusting items	(11.6)	(11.6)	(11.1)	(11.1)
Adjusted profit after tax from continuing operations	89.4	89.4	82.9	82.9
Discontinued operations				
Adjusting items from discontinued operations (net of tax)	(8.3)	(8.3)	–	–
Weighted average number of shares (no, m)	433.5	451.7	431.2	441.5
Basic earnings (p)				
Attributable to the ordinary equity holders of the Company from continuing operations	11.8	11.3	9.5	9.3
Attributable to the ordinary equity holders of the Company from discontinued operations	(1.9)	(1.8)	–	–
Total basic earnings per share attributable to the ordinary equity holders of the Company	9.9	9.5	9.5	9.3
Adjusted basic earnings (p)				
Adjusted basic earnings per share attributable to the ordinary equity holders of the Company	20.6	19.8	19.2	18.8

The weighted average number of shares is lower than the number of shares in issue by 18.6m (2023: 15.1m) primarily due to shares that are held by the Group's employee benefit trusts, which are excluded from the calculation, and the weighting applied to the new shares issued in the year in respect of the Sharesave scheme, which were predominantly in the fourth quarter of FY24.

Options granted to employees under the Sharesave and LTIP schemes are considered to be potential ordinary shares. They have been included in the determination of diluted earnings per share if the required performance obligations would have been met based on the Group's performance up to the reporting date, and to the extent to which they are dilutive. The options have not been included in the determination of basic earnings per share.

10 Acquisition

On 4 September 2023, the Group acquired the rail assets of the Buckingham Group, primarily consisting of 180 employees and a number of customer contracts.

The purchase has been accounted for as a business combination in accordance with IFRS 3. The fair value amounts recognised in respect of the identifiable assets acquired and liabilities assumed are set out in the table below. These values have been reconsidered since the half year as part of the hindsight period review and are now final.

	Fair value total £m
Intangible assets	7.5
Trade and other receivables	2.6
Trade and other payables	(1.6)
Provisions	(5.9)
Total identifiable assets and liabilities	2.6
Goodwill	6.8
Consideration payable	9.4

Adjustments to the acquired balance sheet primarily relate to intangible assets in relation to customer contracts along with the recognition of necessary provisions.

The goodwill recognised includes certain intangible assets that cannot be separately identified and measured due to their nature. This includes control over the acquired business and the skills and experience of the assembled workforce. Goodwill also represents the opportunity for Kier's Infrastructure segment to grow its business within the rail market.

Consideration consisted of £9.4m cash.

The Buckingham acquisition contributed £119.9m to the Group revenue for the period 5 September 2023 to 30 June 2024.

11 Intangible assets

	Goodwill £m	Intangible contract rights £m	Computer software £m	Total £m
Cost				
At 1 July 2022	538.8	252.2	132.6	923.6
Additions	—	—	2.7	2.7
Disposals	—	(16.5)	(9.6)	(26.1)
At 30 June 2023	538.8	235.7	125.7	900.2
Additions	—	—	9.5	9.5
Arising on acquisition	6.8	7.5	—	14.3
Disposals	—	—	(0.1)	(0.1)
At 30 June 2024	545.6	243.2	135.1	923.9
Accumulated amortisation and impairment				
At 1 July 2022	(2.1)	(168.2)	(84.2)	(254.5)
Charge for the year	—	(19.2)	(7.6)	(26.8)
Disposals	—	16.5	9.6	26.1
At 30 June 2023	(2.1)	(170.9)	(82.2)	(255.2)
Charge for the year	—	(23.2)	(7.4)	(30.6)
Disposals	—	—	0.1	0.1
At 30 June 2024	(2.1)	(194.1)	(89.5)	(285.7)
Net book value				
At 30 June 2024	543.5	49.1	45.6	638.2
At 30 June 2023	536.7	64.8	43.5	645.0

12 Investment properties

	Owned assets £m	Right-of-use assets £m	Total £m
At 1 July 2022	13.0	47.4	60.4
Transfers	2.7	—	2.7
Additions	22.8	1.1	23.9
Fair value gain/(loss) recognised in other income	14.4	(3.0)	11.4
At 30 June 2023	52.9	45.5	98.4
Fair value gain/(loss) recognised in other income	8.2	(1.7)	6.5
At 30 June 2024	61.1	43.8	104.9

13 Net cash

	2024 £m	2023 £m
Cash and cash equivalents	1,563.1	1,389.5
Bank overdrafts	(1,101.4)	(1,012.6)
Net cash, cash equivalents and bank overdrafts	461.7	376.9
Borrowings due within one year	(58.8)	—
Borrowings due after one year	(242.0)	(319.1)
Impact of cross-currency hedging	6.3	6.3
Net cash	167.2	64.1

Average month-end net debt was £116.1m (2023: £232.1m). Net debt excludes lease liabilities.

In May 2024, the Company received a letter from the Financial Reporting Council ('FRC') following its review of the Group's FY23 Annual Report and Accounts.

Following completion of a review, the Directors have concluded that separate presentation of these overdrafts and cash balances within the Consolidated Balance Sheet would be preferable, with cash held in subsidiary company bank accounts shown separately from overdrawn amounts in the Group's Consolidated Balance Sheet, with the prior year comparative balances re-presented accordingly.

The restatement did not result in any change to reported profit, earnings per share, net assets, net cash or cashflows reported in FY23.

Following provision of the information to the queries raised, the FRC concluded its enquiries in September 2024.

14 Trade and other payables

	2024 £m	2023 £m
Current:		
Trade payables	328.4	310.0
Accruals	580.2	585.1
Sub-contract retentions	30.8	22.5
Other taxation and social security	152.1	138.4
Other payables and deferred income	18.3	19.0
	1,109.8	1,075.0
Non-current:		
Trade payables	3.9	5.1
Sub-contract retentions	24.5	31.8
	28.4	36.9

15 Guarantees, contingent liabilities and contingent assets

The Company has given guarantees and entered into counter-indemnities in respect of bonds relating to certain of the Group's own contracts. The Company has also given guarantees in respect of certain contractual obligations of its subsidiaries and joint ventures, which were entered into in the normal course of business, as well as certain of the Group's other obligations (for example, in respect of the Group's finance facilities and its pension schemes). Financial guarantees over the obligations of the Company's subsidiaries and joint ventures are initially measured at fair value, based on the premium received from the joint venture or the differential in the interest rate of the borrowing including and excluding the guarantee. Subsequent to initial recognition, financial guarantee contracts are measured at the higher of the initial fair value measurement (adjusted for any income amounts recognised) and the amount determined in accordance with the expected credit loss model. Performance guarantees are treated as a contingent liability until such time as it becomes probable that payment will be required under its terms.

Provisions are made for the Directors' best estimate of known legal claims, investigations and legal actions relating to the Group which are considered more likely than not to result in an outflow of economic benefit. If the Directors consider that a claim, investigation or action relating to the Group is unlikely to succeed, no provision is made. If the Directors cannot make a reliable estimate of a potential, material obligation, no provision is made but details of the claim are disclosed.

Fire and cladding review

The Group has undertaken a review of all of its current and legacy constructed buildings where it has used cladding solutions and continues to assess the action required in line with the latest Government guidance, as it applies, to multi-storey and multi-occupied residential buildings. The buildings, including the cladding works, were signed off by approved inspectors as compliant with the relevant Building Regulations at the time of completion.

In preparing the financial statements, currently available information has been considered, including the current best estimate of the extent and future costs of work required, based on the reviews and physical inspections undertaken.

Where an obligation has been established and a reliable estimate of the costs to rectify is available, a provision has been made. No provision has been made where an obligation has not been established.

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

16 Related parties

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

There have been no significant changes in the nature of related party transactions since the last annual financial statements for the year ended 30 June 2023.

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