Vital to the UK

Annual Report and Accounts 2023

Financial highlights

Total Group revenue – including joint ventures[1]
£3.4bn
2022: £3.3bn

Total Group revenue – excluding joint ventures[1]
£3.4bn
2022: £3.1bn

Profit from operations[1]
£81.5m
2022: £45.1m

Adjusted operating profit from operations[1,2]
£131.5m
2022: £120.5m

Earnings per share[1,4]
9.5p
2022: 2.9p

Earnings per share before adjusting items[1,4]
19.2p
2022: 16.8p

Order book
£10.1bn
2022: £9.8bn

Net cash – 30 June[3]
£64.1m
2022: £2.9m

Net debt – average[3]
£(232.1)m
2022: £(216.1)m

1. See consolidated income statement on page 166.
2. See note 5 to the consolidated financial statements.
3. See note 22 to the consolidated financial statements.
4. See note 12 to the consolidated financial statements.

Strategic report

2 Kier at a glance
6 Chairman's statement
8 Chief Executive's review
16 Our business model
20 Our strategy
24 Operational review
32 Our marketplace
40 Our key performance indicators
42 Building for a Sustainable World
62 TCFD report
70 Our stakeholders
74 How we manage risk
84 Financial review
90 Section 172 statement
91 Non-financial and sustainability information statement

Governance

92 Governance at a glance
93 Chairman's introduction to corporate governance report
94 Board of Directors
96 Corporate governance
104 Risk Management and Audit Committee report
112 Environmental, Social and Governance Committee report
116 Nomination Committee report
120 Directors' Remuneration report
154 Directors' report
157 Statement of Directors' responsibilities

Financial statements

158 Independent auditors' report to the members of Kier Group plc
166 Consolidated income statement
167 Consolidated statement of comprehensive income
168 Consolidated statement of changes in equity
169 Consolidated balance sheet
170 Consolidated statement of cash flows
171 Notes to the consolidated financial statements
236 Company balance sheet
237 Company statement of changes in equity
238 Notes to the Company financial statements

Other information

242 Financial record
243 Glossary of alternative performance measures

Our purpose is to sustainably deliver infrastructure which is vital to the UK

Tackling climate change

Embedding sustainable construction practices into our projects and leading the way in the UK's transition to net zero.

Addressing population growth

Delivering the infrastructure and construction required by the growth of the UK's population.

Easing congested transport

Providing capital work and the maintenance of the UK's road network and supporting additional capacity on the rail network.

Addressing geographic imbalance

UK-wide geographic coverage serving communities and providing jobs and opportunities across the UK.

Supporting changing consumer trends

Delivering social infrastructure to support changes in the way we live and work.

Unlocking economic growth

Counter-cyclical business delivering projects to connect communities.

More on Our marketplace from page 32

Throughout this report we outline our vision, values and our strategy to illustrate how Kier is vital to the UK.

Kier at a glance

Our vision is to be the UK's leading infrastructure services and construction company

Kier in numbers:

+21,000km
Of roads maintained

c.47,000
School places delivered for the Department of Education over 6 years

c.10m
Homes we help to keep powered

646
Apprenticeship opportunities delivered

Our values

Trusted
We deliver what we promise. We act safely and ethically and we care for the environment and the communities in which we work.

Collaborative
We enjoy what we do and work closely with clients and stakeholders to reach innovative solutions.

Focused
We are clear in our approach. We are disciplined and thorough in how we work and deliver for our clients and customers.

Our strategy

The Group is focused on the successful delivery of its medium-term targets:

- Revenues of c.£4.0bn–£4.5bn
- Adjusted operating margin of c.3.5%
- Operating profit cash conversion c.90%
- Balance sheet: sustainable net cash position with capacity to invest
- Dividend: Sustainable dividend policy c.3 x earnings cover through the cycle

Kier:

Is focused on government, regulated or blue-chip client base

Operates in business-to-business markets

Contracts through long-term frameworks

Our strategy from page 20

Sustainability

Lives at the heart of our purpose and informs everything we do at Kier

More on sustainability from page 42

Creating value for our stakeholders

Our shareholders

£132.3m

Free cash flow generated

Our people

c.10,000

Employees

Our supply chain

c.69%

Subcontract spend with SMEs

Communities

£487k

Donated to youth homelessness charities throughout the partnership

See Our stakeholders on page 70 for more information on how we engage with them

Governance

The Board has continued its focus on the delivery of our strategy and medium-term value creation plan ensuring we promote long-term success and generate value for shareholders and stakeholders. An overview of our corporate governance structure, policies and practices as well as the key activities undertaken by the Board and its Committees are set out in the Corporate governance report.

More on Governance from page 92

Our operations

We are a leading provider of Infrastructure Services, Construction and Property developments. We are committed to delivering for communities and leaving lasting legacies through our work.

See our Operational review on pages 24–31

Delivering infrastructure to future-proof the UK

Infrastructure Services

From the 1 July 2023 this comprises our Transportation and Natural Resources, Nuclear & Networks businesses.

Transportation: builds and maintains roads for National Highways and a number of city and county councils. It also serves rail, airports' infrastructure and ports' markets.

Natural Resources, Nuclear & Networks: delivers long-term contracts providing repairs, maintenance and supporting capital projects to the water, nuclear, energy and telecommunications sectors.

- Revenue £1.7bn
- Adjusted operating profit £80m
- Maintains over 21,000 km of roads
- Helped keep power on for c.10 million homes
- Delivered over £273m of work for the Canal & River Trust

Supporting essential public service demands

Construction

Construction comprises of our Regional Building, Strategic Projects, Kier Places and International businesses. Kier is a leading UK national contractor, providing project delivery for the public and private sectors across a number of sectors including education, healthcare, custodial and defence.

- Revenue £1.7bn
- Adjusted operating profit £70m
- Completed 250 education projects
- Completed 135 healthcare projects over 5 years
- Provides facilities management for over 2,100 buildings

Creating spaces for communities to thrive

Property

Our Property business invests and develops schemes and sites across the UK. It concentrates on mixed-use commercial and residential development business delivered through joint venture partnerships.

- Revenue £38m
- Adjusted operating profit £13m
- Pipeline of +4,500 residential units
- Maintained c.£1.5bn GDV pipeline of development opportunities
- Delivered or in control of 6.7m ft^2 of industrial space

Chairman's statement

"We are confident that we can deliver the medium-term value creation plan and that Kier can continue to evolve and deliver, to all stakeholders, in the long-term."

MATTHEW LESTER
Chairman

Introduction

Welcome to our 2023 Annual Report.

I am pleased to report that the FY23 performance means the Group remains on track to deliver our strategy and our medium-term value creation plan despite another year of inflationary pressures and economic uncertainties. The Group has continued to strengthen financially through disciplined contract selection, operational delivery and embedding Performance Excellence processes.

I would like to thank the shareholders who took the time to engage with me earlier this year which enabled me to continue our dialogue and hear their views on a range of matters such as progress against our strategy, our performance, executive remuneration, people and ESG matters. Their views and feedback build into the Board's decision making and also into our triennial review of our Directors' Remuneration Policy consultation programme.

The Board has set itself objectives covering execution of the medium-term value creation plan, ensuring it understands the business thoroughly, people development and leadership, ESG and culture. I will touch here on the highlights of our work on these objectives.

Performance

Group revenue year-on-year has increased to £3.4bn (FY22: £3.3bn). The order book has increased to £10.1bn, a 3.1% increase compared to the prior year. The Group continued to win new, high-quality and profitable work and this gives us a strong platform for success in future years.

The Group's adjusted operating profit grew by 9.1% to £131.5m (FY22: £120.5m). Reported profit after tax was £41.0m. There has been a significant improvement in the year-end net cash balance of £64.1m (FY22: £2.9m) and free cash flow was £132.3m (FY22: £54.6m). Given the Group's strong operational and financial performance over the last year, the year-end net cash position and confidence over further progress in the short term, the Board is able to confirm its intention to commence dividend payments to shareholders. Over time, we will progress to deliver a dividend, covered 3x by earnings and in a payment ratio of one-third interim dividend and two thirds final dividend. The first dividend is expected to be announced alongside the FY24 interim results.

Culture

To enable the Board to ensure that the Group's purpose, values and strategy are aligned with our desired culture, it received feedback from key stakeholders such as customers and UK Government, as well as employee feedback through surveys and Visible Leadership Tours. Most importantly, Non-Executive Directors visited and engaged with local teams at 25 sites and offices to make a direct assessment on how our cultural objectives were being met.

In FY23, we launched a culture programme, building on the strong foundations we have been putting in place, the aim of which is for us all to shape a safe, collaborative and high-performing culture where our people feel they can belong, contribute and want to do their best work. The Board has had a deep dive into the culture programme to understand the behaviours that support our values and culture and how we will measure success.

More information on culture and employee engagement is set out in the Corporate governance report from page 92.

Our people

The Board would like to thank our people for the delivery of another year of strong performance. We will continue to review the rising cost of living and consider taking further steps as appropriate. Further details of all the initiatives to support our people through the cost of living crisis are set out on pages 14 and 15.

The Remuneration Committee is very mindful of the experience of our people and takes into account their remuneration when deciding executive remuneration.

We want to send our people home safely every day and we are pleased with the progress this year on our Accident Incident Rate reduction. This continues to be an area of focus for the Board, given its importance and we will continue working towards our objective of having zero incidents.

The Board has spent significant time looking at our people agenda. We are really encouraged by the focus on developing our talent through a variety of training programmes and the focus on individuals achieving their full potential through their own development. See page 58 where this is described. We continue to review the capability and development of our most senior management to ensure we have the necessary succession capacity to support the medium-term plan and beyond.

Pensions

Very important stakeholders in Kier are the c.4,800 pensioners most of whom depend on their income from Kier's legacy defined benefit schemes. When the current management team arrived in 2019, the schemes were in deficit. As a result of significant deficit contributions, and most importantly, an improvement in the quality of Kier's financial position, at 31 March 2022 the schemes were in net surplus. Accordingly not only have Kier's contributions going forward been reduced, but these pensioners position is substantially more secure. This is another example of steps delivered to ensure that Kier is fundamentally sustainable.

Environmental, Social and Governance ('ESG')

ESG is fundamental to Kier's ability to win work and secure positions on long-term UK Government frameworks and UK Government contracts above £5m require, net zero carbon and social value commitments. The Board through our ESG Committee, has been monitoring our progress against environmental and social targets. We also looked at climate adaptation and what we can do to combat climate change by minimising our environmental impact and how Kier can support clients on their decarbonisation agenda.

Our sustainability framework, Building for a Sustainable World, has evolved to ensure that we address the topics that are most important to our stakeholders and focus where we can have the most impact. This framework focuses on the three key pillars of Our People, Our Places and Our Planet. For each framework pillar we are outlining our short, medium and long-term targets together with our associated milestone plans to ensure we continue to align to our stakeholders' priorities, achieve interim targets and take strategic actions. More information is given on page 44.

A milestone plan setting out the key activities and timelines to reach our carbon targets was reviewed and agreed during the year. We have also agreed the inclusion of scope 1 & 2 carbon reduction targets into the Long-Term Incentive Plan and this will be effective from 1 July 2023, subject to the approval of the Directors' Remuneration Policy by shareholders at the 2023 AGM.

Further information on our work in ESG is set out in the Building for a Sustainable World report on pages 42–61 and in the ESG Committee report on pages 112–115.

Diversity

Having a workforce and leadership that reflects the communities Kier supports is integral to our culture. Achieving this will take time and a variety of initiatives consistently delivered. The Building for a Sustainable World report describes our objectives, progress and initiatives.

This needs to be supported by an appropriately diverse Board and I am pleased to report we continue to make progress as noted opposite.

New Board members

Dame Heather Rabbatts decided not to stand for re-election this year and stepped down from the Board in March 2023. I would like to say how much we appreciated all that Heather brought to the Board and her leadership of the Remuneration Committee.

I am delighted to welcome Margaret Hassall who joined the Board on 5 April 2023 as an Independent Non-Executive Director and the Chair of the Remuneration Committee replacing Dame Heather Rabbatts. Margaret is currently a Non-Executive Director and Chair of the Remuneration Committee at AJ Bell plc. She also brings technology experience. Margaret is an experienced Remuneration Committee Chair and has been leading on our triennial review of our Directors' Remuneration Policy. More information on our proposed changes to the Directors' Remuneration Policy and the outcome of our engagement with shareholders is set out in the Directors' Remuneration report.

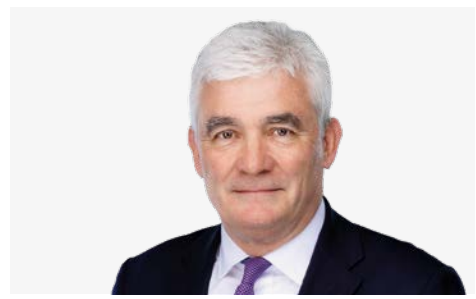
As reported last year, Chris Browne OBE joined the Board as an Independent Non-Executive Director on 15 September 2022. She brings significant experience in commercial and operational areas.

Looking forward

By building strong foundations, ensuring we carefully consider our customers' needs and ensuring we have the right people with the right capabilities to meet these needs, management has re-established Kier's reputation, as demonstrated by our strong order book. To have a sustainable future of long-term value creation, the business must have a culture that attracts and retains high-quality people and brings out the best in them. The Board has focused its time on ensuring these building blocks are in place. This year's financial results are a clear indication of the effectiveness of the approach. Accordingly, we are confident that we can deliver the medium-term value creation plan and that Kier can continue to evolve and deliver, to all stakeholders, in the long-term.

Matthew Lester
Chairman

Chief Executive's review



"The Group is well positioned to continue benefitting from UK Government spending commitments and we are confident in sustaining the strong cash generation evidenced this year."

Introduction

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

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

The success for future years is underpinned by the year-end order book growing to £10.1bn in FY23, an increase of 3.1% against the prior year, reflecting a large number of contract wins across all divisions and providing multi-year revenue visibility. Long-term framework positions, as well as pipeline opportunities and income from the Property division, are excluded from the order book and represent an additional opportunity. Given the order book strength and Kier's framework positioning, approximately 85% of Group revenue for FY24 is already secured which provides us with a high degree of confidence of further progress against a backdrop of wider market uncertainty.

Kier won new, high-quality and profitable work in our markets reflecting the bidding discipline and risk management embedded in the business.

Medium-term value creation plan

The Group is focused on delivering its medium-term targets over a three-to-five-year period:

Revenue:	£4.0bn–£4.5bn
Adjusted operating profit margin:	c.3.5%
Cash conversion of operating profit:	c.90%
Balance sheet:	Sustainable net cash position with capacity to invest
Dividend:	Sustainable dividend policy: c.3 x earnings cover through the cycle

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

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

Key investment proposition

Value accretive earnings-led business model

- Aligned to the UK Government's investment priorities and critical to the economic recovery of the UK
- Integrator with design, project management, engineering, logistics, supply chain management and ongoing maintenance capabilities

Attractive market positions

- Attractive market positions in growing markets
- Focused on UK markets in Infrastructure Services and Construction
- Delivery capability at both national and regional levels in the UK

Strong order book underpinned by frameworks

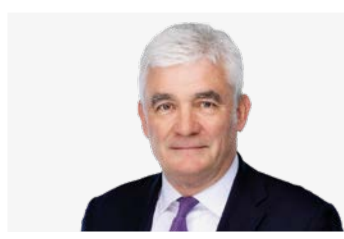
- Established position in core markets underpinned by long-term contracts and framework agreements
- Order book of £10.1bn
- We have places on agreements with an advertised value of up to £137bn (OJEU values) across all of our core markets covering both national and regional geographies and market sectors
- Contracts across a number of sectors including healthcare, education, custodial and defence
- Contracting with the UK Government, regulated and blue-chip clients
- Long-standing customers and suppliers

Management team with expertise and track record of delivery

- Proven track record of operational and financial delivery
- Successfully executed an ambitious self-help programme and right-sized the business
- Performance Excellence embedded in organisation to manage risk
- Financial discipline in quoting new contracts and capital allocation
- Continuing focus on business improvement efficiencies and managing costs

Executive Committee

Executive Board members



ANDREW DAVIES
Chief Executive

SIMON KESTERTON
Chief Financial Officer

Corporate functions

ALPNA AMAR
Corporate Development Director

LOUISA FINLAY
Chief People Officer

SOPHIE TIMMS
Corporate Affairs Director

Group Managing Directors

ANDREW BRADSHAW
Group Managing Director
Natural Resources, Nuclear & Networks

JOE INCUTTI
Group Managing Director
Transportation

MARK PENGELLY
Managing Director
EKFB

LEIGH THOMAS
Group Managing Director
Property

STUART TOGWELL
Group Managing Director
Construction

For more information on our Executive Committee, please refer to www.kier.co.uk

Customers and winning new work

We remain focused on winning work through our long-standing client relationships and regionally based operations.

Highlights in the year:

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

Strategy

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

The Group's strategy continues to be focused on:

- UK Government, regulated industries and blue-chip customers
- operating in the business-to-business markets
- contracting through long-term frameworks.

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

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

Financial summary

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

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

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

Adjusted earnings per share increased 14.3% to 19.2p (FY22: 16.8p) and reported earnings per share increased 228% to 9.5p (FY22: 2.9p) as revenue converted to profitability and adjusting items reduced.

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

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

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

The Group fully repaid its remaining £49.8m KEPS programme in July 2022 followed by a repayment of all its Schuldschein Notes and certain US Private Placement ('USPP') Notes totalling £43.8m. The Group's Revolving Credit Facility ('RCF') also reduced by £40m, in line with the facility agreement.

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

Capital allocation

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

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

Dividends

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

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

Acquisition

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

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

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

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

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

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

Supporting apprenticeships

As a people-based business whose performance depends upon our ability to attract and retain a dedicated workforce, we have around 6% of our workforce on apprentice schemes

Pension

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

Performance Excellence

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

Following the evolution of the Performance Excellence programme during 2022, the focus in 2023 has been on the five workstreams of Culture and Behaviours, Customers, Digital, Simplification and Wellbeing. These workstreams ensure we continue to meet our obligations to the environment and the communities we work within, as well as our investors and client expectations.

The key tenets are as follows:

- measure clients' and customers' experiences objectively, using data to improve our external relationships
- adopt a digital-first approach through a digitally enabled workforce increasing productivity
- instil best practices in our workforce through behaviour, cultural programmes, and wellbeing initiatives
- simplify processes across the Group
- win new business with attractive margins.

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

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

Supply chain partners

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

We were pleased to report that, in our latest Duty to Report on Payment Practices and Reporting submission, covering the period from 1 January 2023 to 30 June 2023, the Group's aggregate average payment days was maintained at 34 days (H1: 34 days) and the percentage of payments made to suppliers within 60 days was 85% (H1: 87%).

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

Management change

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

Environmental, Social and Governance ('ESG')

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

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

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

Environment

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

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

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

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

The plan is designed to help deliver our FY30 near-term targets of:
- a 66% absolute reduction in scope 1 & 2 emissions; and
- a 42% absolute reduction in scope 3 emissions.

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

Social

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

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

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

Kier is a people-based business and our performance depends upon our ability to attract and retain a dedicated workforce. During FY23 we had:
- 646 apprentices participating in programmes, representing c.6% of our workforce
- graduate intake of 115 of which 43% comprised of women
- developed and implemented a new health, safety and wellbeing strategy as well as launched a new behavioural programme.

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

Governance

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

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

Our people

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

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

"Focus has also been made on wellbeing including such initiatives as Employee Voice. We are currently extending our culture and behavioural programme."

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

- **Inflation support payment** – we awarded c.800 employees with an inflation support payment of £300 in November 2022. This payment was in addition to the pay increases noted earlier and was targeted to provide financial support to those who we believe are most challenged with the high increases in food, energy and household bills.
- **Enhanced sick pay** – we have also implemented enhanced sick pay terms for our lowest paid employees, providing them with increased financial peace of mind if they are absent from work due to sickness.
- **Financial support** – financial support for employees is always an important area and has been magnified by the cost of living pressures. For our workforce that need additional financial support we have introduced support and guidance in the form of Salary Finance. Salary Finance provides education and a savings option through HMRC's Help to Save scheme as well as responsible loans.
- **Mortgage advice** – we have arranged a bespoke service, providing our employees with free professional mortgage and financial advice.

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

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

Summary and outlook

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

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

Andrew Davies
Chief Executive

Our business model

About us

We are a strategic supplier to the UK Government with key strengths in education, healthcare, custodial and defence.

We have framework agreements in place, creating barriers to entry and long-term revenue streams.

We have a strong order book worth up to £10.1bn across key sectors.

c.94%
of Kier's revenue is derived from the public sector and regulated clients

400+
live projects running across the UK at any given time

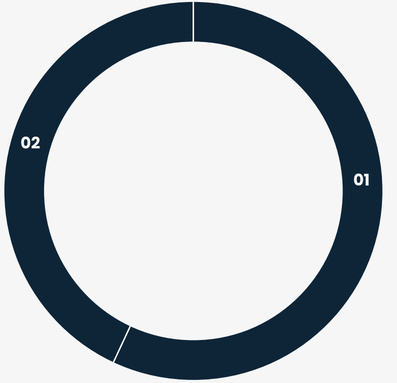
£137bn
value of long term frameworks on which we have a position

What we do

We hold attractive positions in our markets where we operate with scale and have leading delivery capability at both national and regional levels. We are a long-established, leading UK infrastructure and construction supplier with c.100 years' experience.

Read more in Kier at a glance on page 2

Our order book across key sectors (%)



01 **57%** Infrastructure Services
02 **43%** Construction

Infrastructure

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

Natural Resources, Nuclear & Networks
Our Natural Resources, Nuclear & Networks business division provides design, engineering, delivery and maintenance that protects and supports essential services across the UK. It includes our existing utilities business and infrastructure projects related to water, nuclear and other greener energy provisions, connected networks and environmental restoration and protection.

Construction

Regional Build
Our Construction business is a national builder offering a regional service through our 26 offices throughout the UK. The local footprint allows us to provide consistent local teams who build client and site knowledge, support collaboration with national and local clients, SME's and communities. We have key relationships in education, healthcare, custodial and defence which is aligned to UK Government infrastructure spending priorities as well as being key to delivering their environment and social value commitments.

Kier Places
The business provides two main services:
1) Facilities management service for public sector clients with specialist teams who have mechanical and electrical expertise.
2) Housing maintenance services for local authorities, housing associations and social landlords with capabilities including maintenance, fire safety, remediation, capital works and decarbonisation.

Property

Our property business invests and develops sites across the UK acting as a mixed-use commercial and residential developer, specialising in urban regeneration, last mile logistics and modern sustainable office developments working in joint venture with public and private sector clients.

Why our clients choose us

Design and engineering capability

Technical – preparing technical designs and undertaking supporting work for capital projects, through our team of designers.

Modern Methods of Construction ('MMC') – utilising MMC to maximise efficiency in timing, labour costs and supporting net zero ambitions.

Build – design support ranging from initial scheme feasibility to as-built phases.

Support – structural and civil engineering designers providing technical advice, building services and support across our network of UK offices.

Specialist expertise in project management

Experienced in delivering large-scale civil engineering projects, highways and utilities capital and maintenance works and developing properties.

Managing highly complex projects across business units.

Design, integration and delivery capabilities.

Working with multiple stakeholders.

Strong delivery culture

The Group aims to have consistency in our approach to people, projects, processes, cash management and future ways of working.

We continue to share best practice and look for continuous improvements across the Group. We have embedded the governance required under our Code of Conduct and Operating Framework.

Our Performance Excellence culture, which is underpinned by our values; collaborative, trusted and focused is supporting our focus on continuous improvement across the Group and helping us to deliver on our Purpose.

A responsible approach to sustainability

ESG is fundamental to our ability to win work and secure positions on long-term frameworks. To successfully win contracts with the UK Government, we must demonstrate we can meet environmental and social value commitments under procurement policy notes PPN 06/20 and 06/21.

As c.94% of Kier's revenue is derived from the public sector and regulated clients, our ability to win work is dependent on delivering on our ESG commitments.

The value we create

Our business performance and value we create comes from the contribution of both our internal and external stakeholders:
- customers
- shareholders
- people
- supply chain
- communities

Read more about the value we create on pages 18-19.

Creating value for our

customers

We sustainably deliver projects and services vital for UK infrastructure and connectivity

The Group delivers products and services to customers on time and within budget through project management expertise and supply chain partnerships.

We support our main customer base, the UK Government, to deliver policy outcomes. Through our ESG activities, we support our customers on the path to achieving net zero emissions by 2050 and create vital social value.

Every region of our UK-wide business ensures consistent delivery wherever required.

shareholders

We deliver financial returns for reinvestment back into the business and for our shareholders

Shareholder returns

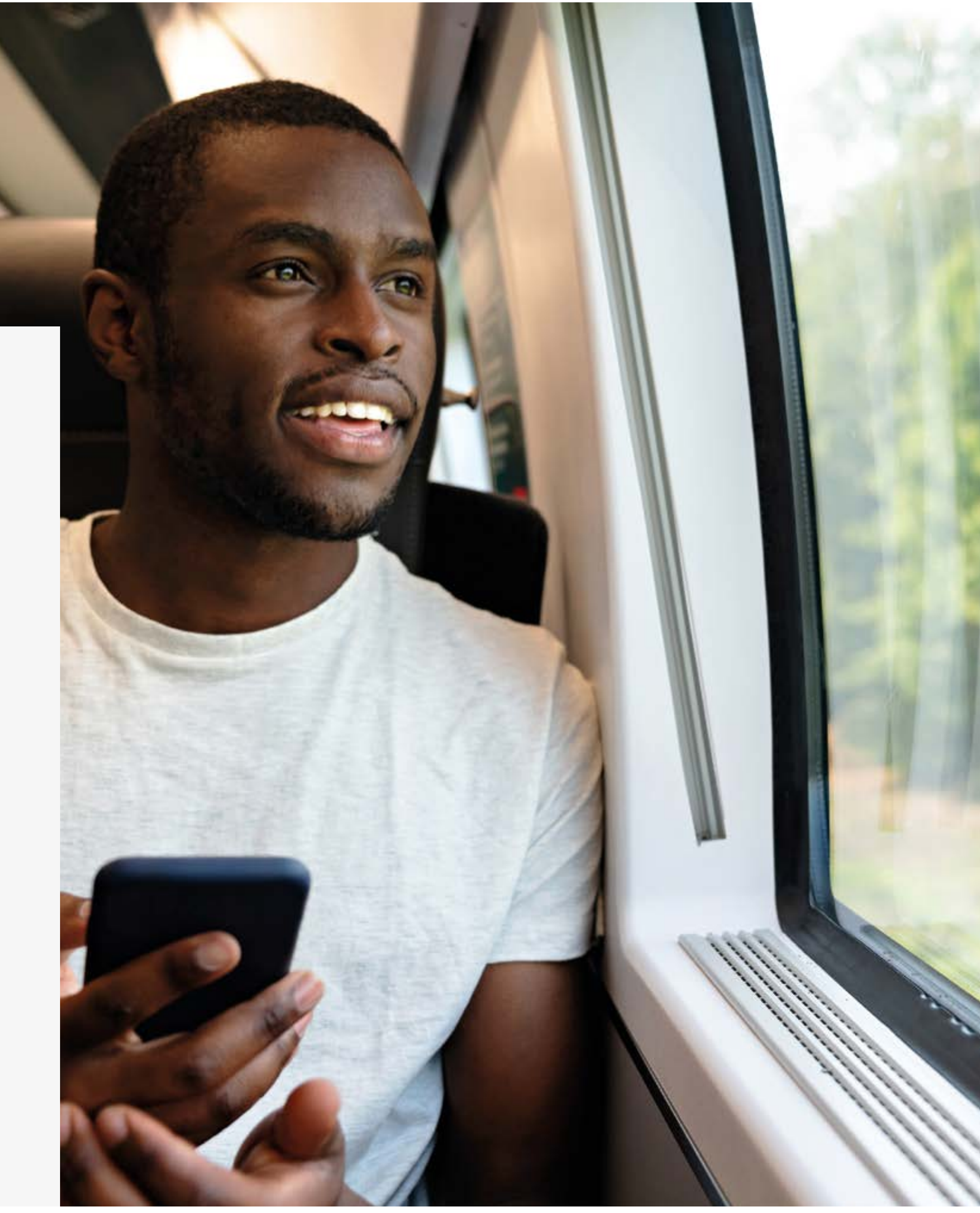
We aim to generate long-term sustainable shareholder returns through the execution of our medium-term value creation plan.

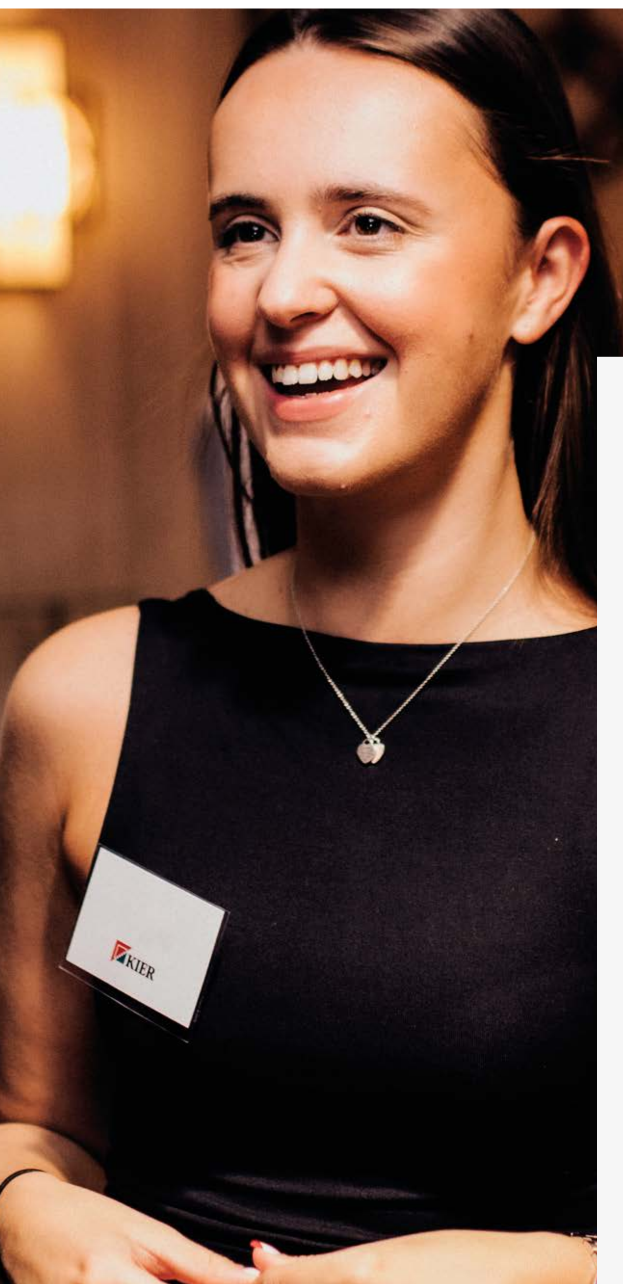
Dividend

Our medium-term plan outlines our dividend policy. This policy targets dividend cover of around three times earnings across the cycle.

Financial strength

Investment – strong, resilient and flexible balance sheet, providing capacity to invest.





people

Our people are at the heart of our business

Our people use their skills, knowledge and creativity to provide solutions to clients and customers and we are looking to bring a new generation of talent into the construction industry.

We ensure that our employees have skills and experience from a range of locations, sectors and backgrounds to reflect the communities where we work. We have various entry points to the Group, including graduate and apprenticeship opportunities.

Kier offers our colleagues a comprehensive rewards and benefits package, career development opportunities, an inclusive work environment as well as a range of family-friendly policies and wellbeing initiatives.

supply chain

We are able to operate at scale through the collective strength of our supply chain partnerships

Our supply chain partners are key to the success of the Group. They help us deliver our projects. It is important that the Group has an ethical, sustainable and resilient supply chain. During FY23 Kier spent c.69% of subcontracted expenditure with SMEs.

We work to build strong, collaborative relationships with our suppliers and invest in them by:

- Providing partner value through workshops, training and resources on sustainability
- Supporting our suppliers to meet high standards of compliance expected by us and our customers.

communities

We are mindful of our impact on communities and society

We benefit many communities through the creation of employment and continued support of employees.

Communities

We are focused on social sustainability by ensuring our actions directly and positively impact the communities we serve, and this in turn generates wider value for society.

Apprentices

The Group onboarded 322 apprentices in FY23. We have a total of 646 apprentices.

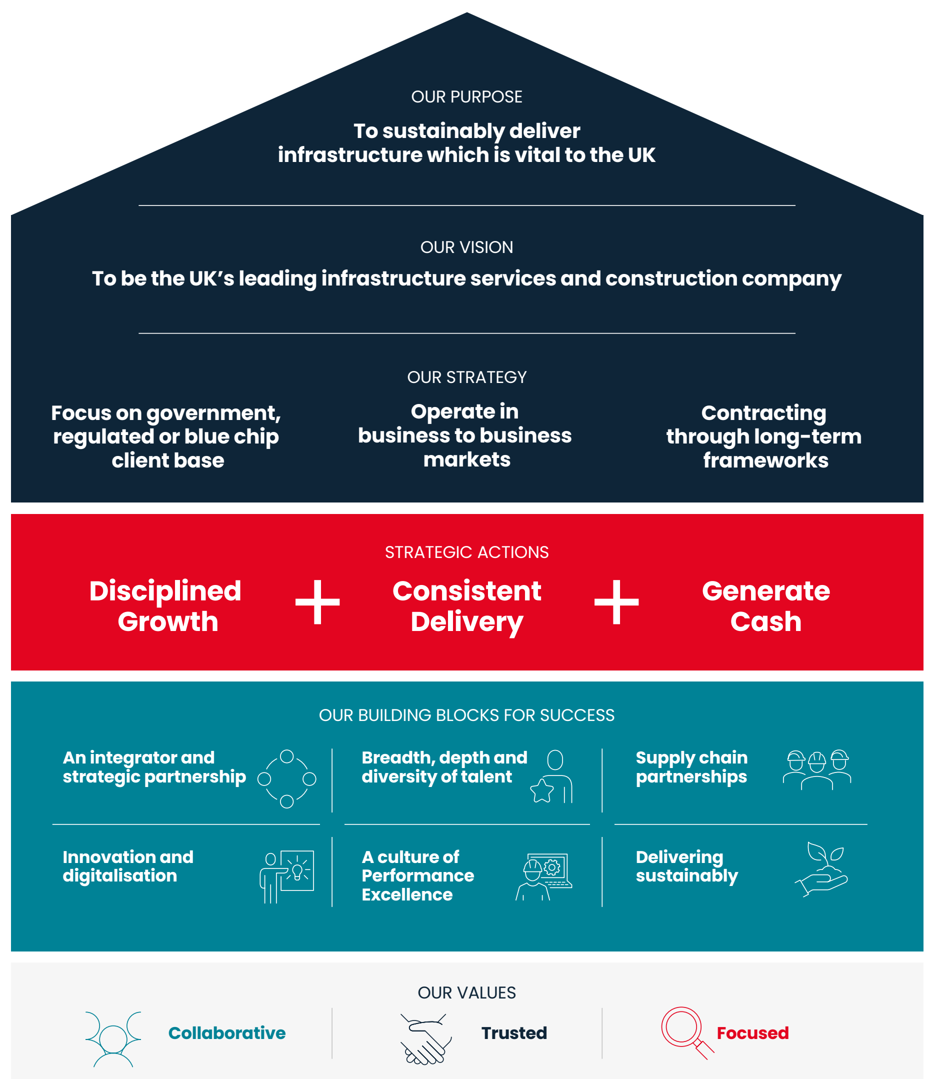
Kier Foundation

Kier Foundation is an independent charity. Our three-year partnership with homelessness charity, Every Youth, came to an end in FY23. During its partnership, Kier raised over £480k for this charity and delivered an additional £107k of pro bono work.

Our new partner is Trussell Trust, a charity working to stop UK hunger and poverty.

Our strategy

Our medium to long-term strategy focuses on leveraging our attractive market positions to sustainably deliver infrastructure which is vital to the UK.



We have four clear objectives to deliver on our strategic actions:

Objective 1
Leverage our attractive market share positions in growing markets

Objective 2
Maintain and enhance long-term customer relationships

Objective 3
Resilient and well-balanced portfolio

Objective 4
Deliver disciplined growth, consistent profitability and cash generation

Sustainability lives at the heart of our purpose and informs everything we do at Kier.

More on sustainability from page 42

Objective 1

Leverage our attractive market share positions in growing markets

Why this is vital

Supports the UK Government and asset managers deliver much needed Infrastructure Services including schools, hospitals, prisons, roads, rail and water treatment works.

£10.1bn
Order book as at 30 June 2023

c.94%
Revenue comes from Government and regulated contracts

Our progress this year

Infrastructure Services

Transportation

- Road – market-leading position
  - Established relationships with clients on long-term maintenance projects typically 5–10 years
- Rail – delivery partner on the largest section of High Speed 2 – Europe's largest rail project
- Air – appointed to Manchester Airports Group's £700m Capital Works Framework, working with our Construction business for Manchester, London Stansted and East Midlands airports
- Key contract wins include:
  - appointed by National Highways to carry out an essential maintenance programme on eight bridges at Lune Gorge, spanning the M6 motorway
- Over 90% of contracts will be delivered under cost reimbursable and target cost contracts

Natural Resources, Nuclear & Networks

- Water and Energy – top three contractor
- Over 85% of revenue from long-term contract and alliances
- Key contract wins include:
  - reappointed to the £55m per annum, 3 year extension of the Network Service Alliance framework by South West Water and Bournemouth Water

Construction

Regional Build

- Leading UK national contractor
- Strategic supplier to the Department for Education ('DfE'), Ministry of Justice ('MoJ') and Department of Health and Social Care ('DHSC')
- Key contract wins include:
  - appointed to the £5.1bn Strategic Alliance Contract Framework in relation to the Defence Estate Optimisation ('DEO') Portfolio by the Ministry of Defence
  - re-appointed to the £4.5bn Southern Construction Framework

Kier Places

- Facilities management provider to the UK Government
- Experienced housing maintenance service provider to local authorities
- Key contract wins include:
  - appointed by L&Q for its Major Works Investment Programme to deliver housing maintenance across its estate

Forward focus

- Strongly positioned in significant and growing markets to take advantage of market opportunities such as the UK Government's £600bn National Infrastructure Spending Programme and investment plans by UK asset owners

Property

- Non-speculative investment
- Funded principally through joint ventures
- Proven track record of delivery in mixed-use commercial and residential developments
- Targeting ROCE of 15%

Forward focus

- Market opportunities driven by the UK Government's agenda to address geographic imbalance, net zero carbon targets, hub programme and high street re-purposing

Objective 2

Maintain and enhance long-term customer relationships

Why this is vital

Delivers long-term capital and maintenance of assets for our customers including supporting them to achieve their environment and social commitments
- Maintain and enhance the Group's relationship with the UK Government, regulated and blue-chip client base
- Operating under long-term frameworks, which require strong client relationships and sector expertise

Our progress this year

- Order book increased by 3.1% to £10.1bn at 30 June 2023
- Positions on £137bn of frameworks for the UK Government and regulated entities
- Environment and social commitments and progress made in the year of:
  - Scope 1 & 2 carbon reduction of 18.7% from April 2022 to March 2023

Forward focus

- Continue to align the Group to our customers' needs
- Win new business with low-risk profiles and attractive margins
- Continue to deliver projects on time, to budget and in-line with customer requirements

98
Number of frameworks on which we have positions

250
Education projects delivered

Objective 3

Resilient and well-balanced portfolio

Why this is vital

- Balanced portfolio of projects and customers enables the Group to reduce risk and maximise opportunities
- Unlocks synergies from integrated businesses
- Enables a platform to attract and retain people talent
- Supports with supply chain relationships

Our progress this year

- Alongside deleveraging, cash generated from our Infrastructure Services and Construction segments has been invested in the Property segment to generate higher returns
- Infrastructure Services segment re-aligned to support evolving client needs
- Attracted and retained talent through our people policies including:
  - Flexible working
  - Maternity and paternity leave
  - Talent management programmes
- Relationships with supply chain developed and retained through:
  - Investing in supply chain partners through the prompt payment code adherence
  - Training using the Supply Chain Sustainability School

Forward focus

- Infrastructure Services and Construction – focus on winning market opportunities driven by UK Government spending and investment plans from UK asset owners
- Kier Property – focus on employing capital efficiently and delivering appropriate returns

+400
Live projects at any one time

£1.5bn
Pipeline GDV of development opportunities

Objective 4

Deliver disciplined growth, consistent profitability and cash generation

Why this is vital

- Disciplined growth, consistent profitability and generation of cash leads to a sustainable business

Our progress this year

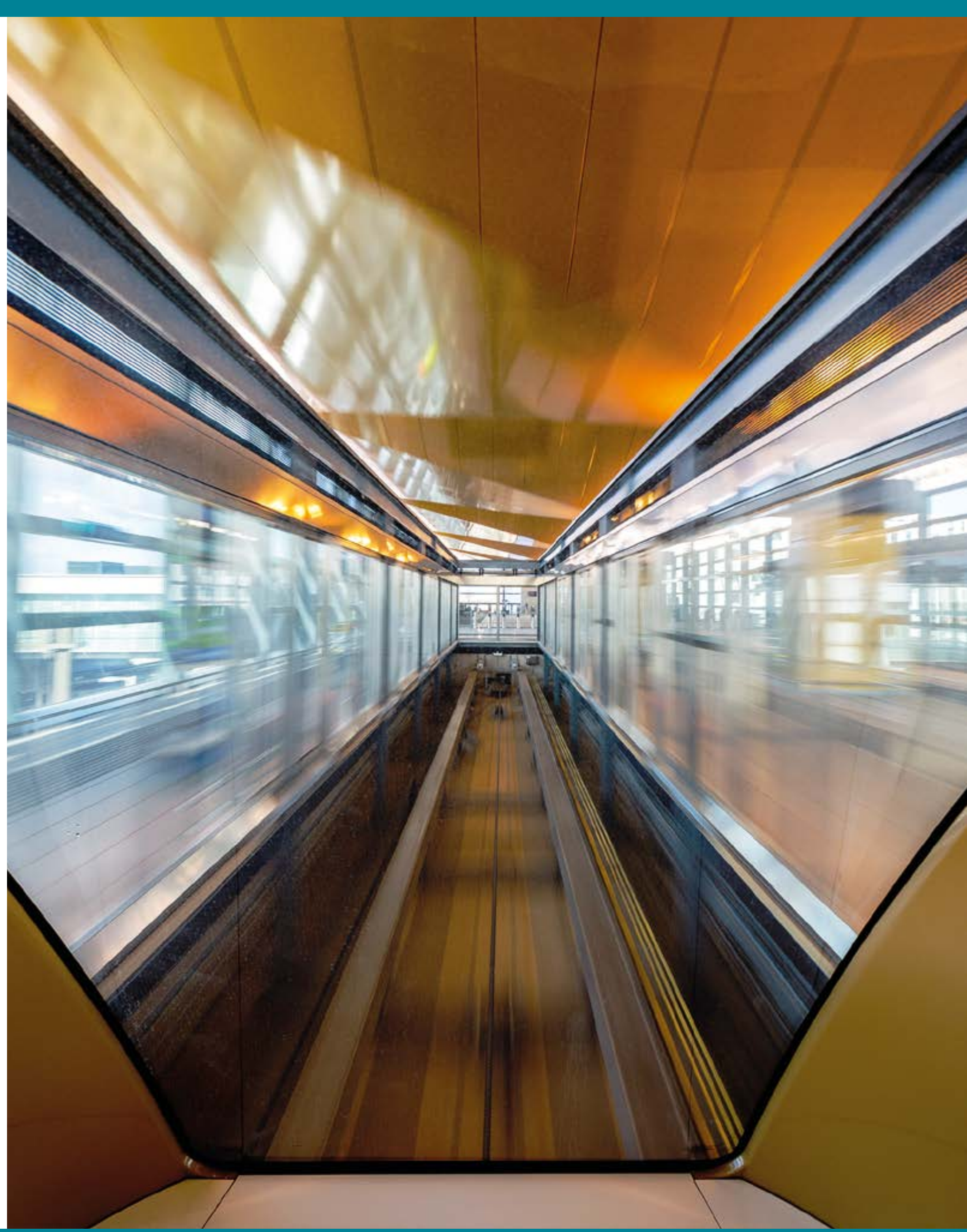
- Revenue growth of 4.6% to £3.4bn
- Adjusted Operating Profit growth of 9.1% to £131.5m
- Free Cash Flow of £132.3m (FY22: £54.6m)

Forward focus

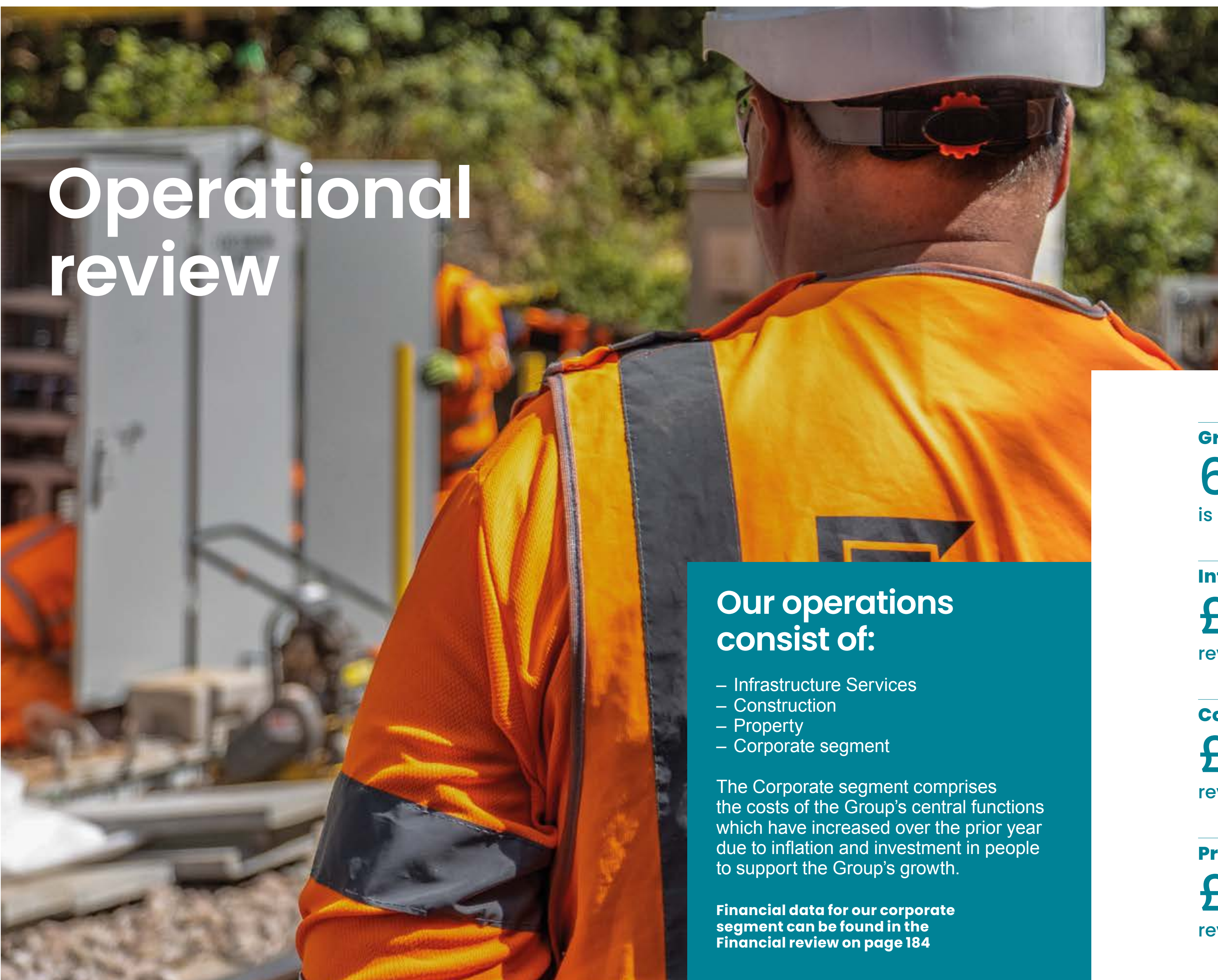
- Continue to grow the business in a disciplined way
- Monitor risk at every stage of the project

£132.3m
Free cash flow delivered

£64.1m
Net cash at 30 June 2023



Operational review



Our operations consist of:

- Infrastructure Services
- Construction
- Property
- Corporate segment

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

Financial data for our corporate segment can be found in the Financial review on page 184

Group operations

64%

is 'green' revenue[1]

Infrastructure Services

£1.7bn

revenue

Construction

£1.7bn

revenue

Property

£38m

revenue

1. See page 61 for further details.

Infrastructure Services case study

Driving sustainable rail infrastructure through HS2

Key facts

Project name
HS2 – Great Missenden to Southam

Project scope
80km of civil engineering works

Project status
Under construction

80km
civil engineering works

20m m^3+
tonnes of excavation

330
hectares of landscape planning being carried out

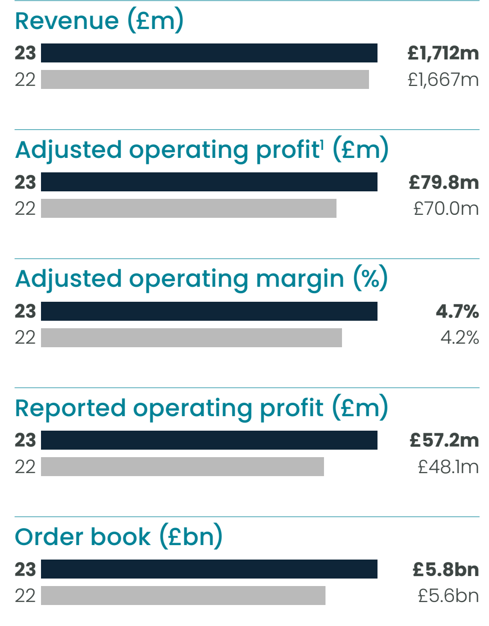
Read more online

Delivering high-speed travel

Kier is at the heart of Europe's largest infrastructure project – working as part of the EKFB (Effiage, Kier, Ferrovial Construction and BAM Nuttall) Joint Venture to deliver civil engineering works across an 80km section of the new high-speed ('HS2') rail project.

Tasked with one of the largest earthmoving projects for a generation, EKFB is carrying out these works from Great Missenden to Southam. The team has focused on delivering this sustainably to protect the long-term health of the surrounding environment, while delivering social value for the areas in which we are working. Over the course of the year nearly 2,000 of our frontline colleagues have been trained in the importance of meeting environmental standards, while we have delivered more than 50 community investment projects in communities close to the works. In addition, we have now started the construction of the second of two cut and cover green tunnels along the route, to reduce its impact on local communities and the environment.

Infrastructure Services



1. Stated before adjusting items of £22.6m (FY22: £21.9m).

Key contract wins include:

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

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

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

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

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

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

Re-alignment

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

- **Transportation:** this business division provides design, engineering, delivery and maintenance to support the movement of people, goods and equipment by land, sea and air. It includes our existing highways business and infrastructure projects relating to rail, ports and air.
- **Natural Resources, Nuclear & Networks:** this business division includes our existing utilities business and infrastructure projects related to water, energy, nuclear and networks.

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

Infrastructure Services case study

Rejuvenating essential water infrastructure

Key facts

Project name
Thames Water Mogden Sewage Treatment Works

Project scope
Refurbishment of existing sewage treatment works

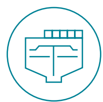
Project status
Under construction

Modernising existing infrastructure to improve resilience

We are working at Mogden Sewage Treatment Works to deliver a £66m project to refurbish and upgrade a site dating from the 1930s, which serves over two million people across south west London.

Updating this vital infrastructure will increase capacity and resilience, modernising process, mechanical and electrical equipment as well as helping sustainability through improving the quality of water discharged from the plant.

Our work, delivered through our sector expertise and use of digital tools, will support Thames Water's ambitions to reliably and sustainably meet water flow and quality standards, despite a continued growth in demand.

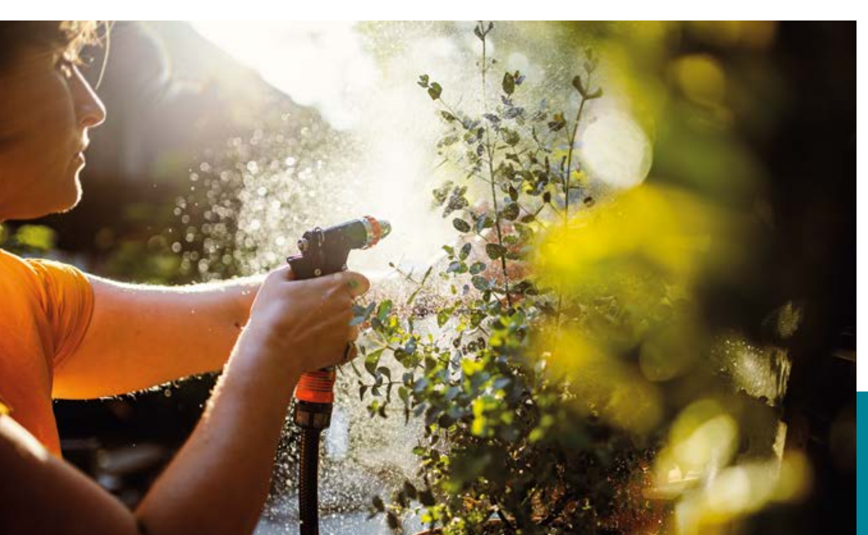


£66m
project value

2m+
people served by the treatment works

55
hectare site

Read more online



Construction case study

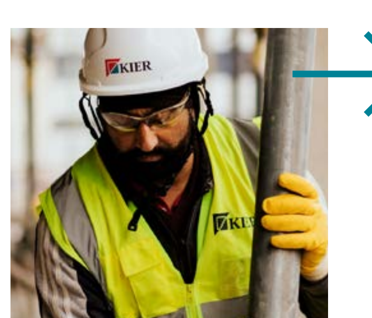
Defining next-gen construction

Key facts

Project name
HMP Millsike

Project scope
Lead design and build contractor

Project status
Under construction



2025
opening of HMP Millsike with capacity for nearly 1,500 prisoners

100
new local jobs being created within a 50 mile radius

10,000
precast concrete panels installed to date

Building the UK's first all-electric prison

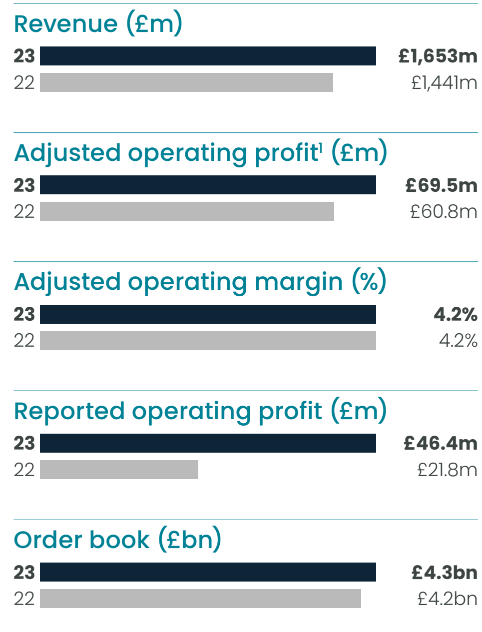
We are leading the construction of HMP Millsike, in Full Sutton, a Category C Resettlement Prison focused on training and resettlement of offenders. This will be the UK's first prison to run solely on electricity, utilising heat pumps and solar panels to generate energy.

It is the first of four new prisons being delivered by the Ministry of Justice's Alliance 4 New Prisons programme. Kier is a pioneer in alliancing, which benefits both clients and contractors as they allow for different suppliers to work collaboratively on large national programmes, with shared objectives and success factors.

Millsike's design and construction is centred around digital innovation, using Building Information Modelling ('BIM') to optimise operations. We are also developing a digital twin for Millsike, where every deliverable is planned and tracked, ensuring component accuracy on every component part, from design and manufacture through to installation and throughout the asset's lifecycle.

Read more online

Construction



Key highlights

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

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

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

Adjusted operating profit increased 14.3% to £69.5m driven by increased volume and the impact of the prior year's restructuring. Adjusting items include £12.6m relating to fire cladding costs, £5.2m of restructuring and related charges and a net £5.3m in relation to historical insurance-related claims. Adjusting items are significantly lower than last year, resulting in reported operating profit growing 113% to £46.4m.

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

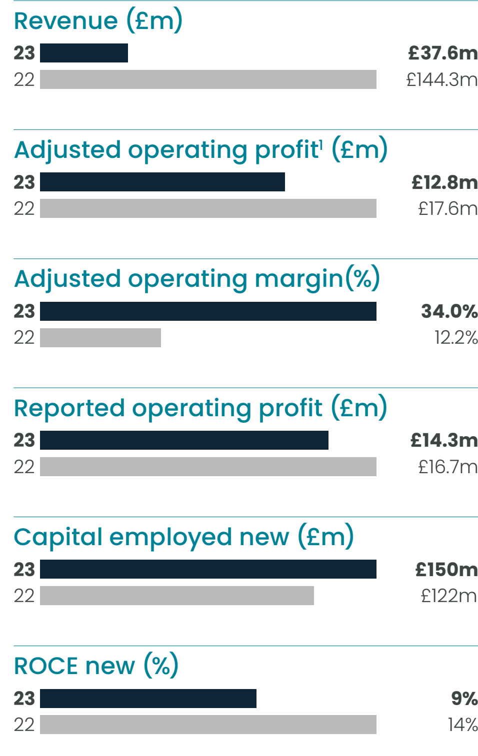
Our Kier Places business specialises in working in occupied properties including residential, offices and other facilities, delivering maintenance, repairs, fire safety and compliance services.

It is focused on central Government for our facilities management work and delivering housing maintenance services for local authorities. The net zero agenda alongside changes to building safety regulations continue to drive opportunities within the housing maintenance business. These have allowed the business to benefit from increased revenue volume and profitability including those from long-term maintenance contracts.

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

1. Stated before adjusting items of £23.1m (FY22: £39.0m).

Property



1. Stated before adjusting items of £(1.5)m (FY22: £0.9m).

Key highlights

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

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

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

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

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

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

Property case study

Adapting to changing demands

Key facts

Project name
Guildford station redevelopment under Solum JV

Project scope
Delivery of c.440 homes and regeneration to surrounding area

Project status
Construction of phase one completed, further construction in 2024 pending planning approval

c.440
high-quality new apartments

£200m
project value

c.100
apartments completed in phase one

Read more online

Buildings for tomorrow

We have now completed the first of five residential phases in our plans to transform Guildford station and the surrounding area.

'The Mint' is a build-to-rent development of c.100 apartments, built on railway land and providing improved access to a vital local transport hub. Delivered through Solum, our Joint Venture with Network Rail to attract investment into the rail network, the build-to-rent homes are the first of 438 we have planned on the site. Solum's £200m redevelopment will ultimately deliver a new Station Quarter for Guildford, including £25m of station upgrades, retail and office space, a multi-storey car park and significant public realm improvements. This regeneration provides a perfectly positioned development, giving local people high-quality homes which offers quick access both to London and to Guildford's town centre.

Addressing the challenges of today and tomorrow

Market
The UK Government has committed to infrastructure spending to boost growth across the country, which included over £600bn public sector investment over five years. In addition, UK regulated asset owners have announced their investment plans.

Climate change

Why this is important
Infrastructure Services and Construction
- Energy supply shortage, water conservation and rising demand driving investment
- UK Government's commitment to net zero carbon

Property
- Legislation change – driving obsolescence in real estate market
- ESG – net zero carbon, wellbeing and attracting and retaining employees, a key driver of demand
- Regional relocation – businesses relocating to regional cities due to growth of millennial population and improved infrastructure
- Energy efficiency – crucial factor in home moves

Population growth

Why this is important
Infrastructure Services and Construction
- Population expansion with people living longer, net immigration and mini baby boom
- Pressure on health, social and housing driving change

Property
- Population growth – 65+ age group is expected to see highest rate of population growth over the next two decades
- Households – increase in single person households
- Ownership – increased demand for build to rent
- Supply – shortage of housing and restrictive planning policies

Changing consumer trends

Why this is important
Property
- Demand – significant demand for high-quality large-scale warehouses
- Logistic vacancy rate – rate currently less than 3%
- Global supply chains – stockpiling and onshoring
- Technology: growth in AI, robotics and automation driving demand

Congested transport

Why this is important
Infrastructure Services and Construction
- Congested roads, rails and airports given population growth and increased travel

Addressing geographic imbalance

Why this is important
Infrastructure Services and Construction
- Increased spending in previously deprived areas to narrow the UK's regional inequality

Economic growth

Why this is important
Infrastructure Services and Construction
- UK economic growth expected to slow given rising cost of living
- Construction industry historically used to stimulate economy

Kier's position
Kier's scale, leading delivery capability at both national and regional levels, operational delivery, processes and expertise should enable Kier to take maximum advantage of the significant and committed UK Government and regulated industry spend over the medium and long term.

More detail on page 38

Construction and Property addressable market[1]
£35bn

Infrastructure Services addressable market[1]
£25bn

Marketplace highlights

Infrastructure investment

Transportation

Market opportunity:
- National Highways: Road Investment Strategy 2: £27bn investment in England's strategic roads from 2020–2025
  - 60% increase on Road Investment Strategy 1 from 2015–2020
- Local Authorities: Requirement for investment in local road networks increasing
- Local Authorities: Major planned projects afford significant opportunities across wider Group
- Project Speed and the new Acceleration Unit launched by Department for Transport ('DfT') in August 2020
- Sir Peter Hendy's Union Connectivity Review published in March 2021
- Managing the transport sector's response to changes resulting from climate change.
- £45bn committed over 5 years for CP7

Kier's market positioning:
- Market-leading position
- Integrator with unique in-house road design, construction and maintenance capabilities and long track record of successful delivery
- Established relationships with strategic clients on long-term frameworks of typically 5–10 years
- Asset and investment management expertise. UK highways assets valued at £500bn driving ongoing demand for major projects and maintenance
- Project delivery expertise

£27bn
investment in England's strategic roads from 2020–2025

£45bn
committed over 5 years for CP7

Natural Resources, Nuclear & Networks

Market opportunity:

- Water: England & Wales (Asset Water: England & Wales (Asset Management Plan 7 ('AMP7'): £51bn by 2025; (Asset Management Plan 8 ('AMP 8') 2025–2030 to be determined, but Price Review 2024 expected determine a greater investment than AMP7
- Water: Northern Ireland Price Control 21 ('NI PC21') – £4bn from 2021–2027
- Water – Canal and Rivers Trust framework
- Energy Distribution – GB Ofgem Pricing Framework ED1 ('RIIO') ED1 – £22.2bn by 2028
- Northern Ireland Regulatory Price Control for Electricity 6 ('NI RP6') – £657m by 2024
- Gas Distribution Price Control 2023 ('GD23') – £186m by 2028
- Gas Distribution – GIIO-GD2 £30bn by 2026
- Nuclear Power – £20bn for new nuclear build
- Nuclear Power – White paper commitment to a new power station c.£1.7bn
- Nuclear Power – Modular reactor commitment to support energy policy
- Electric vehicle ('EV') – plans to roll out charging points

Kier's market positioning:

- Key infrastructure provider of repairs, maintenance and capital projects to water and energy sectors
- Long-standing customers operating in regulated industries
- Consistently delivering services to customers and executing on direct-delivery model
- Project delivery expertise

£50bn
water commitment

£20bn
for new nuclear build

Marketplace highlights

Construction

Market opportunity:

Education
– 500 Department of Education ('DfE') school replacement project over 10 years
– +200 further free school projects approved for DfE capital funding
– Commitment to additional SEND funding and further investment into Further Education

Healthcare
– Up to £18.5bn indicative capital funding to 2031 under the New Hospital Programme
– £3.7bn New Hospitals Programme to be delivered by 2024/2025

Custodial
– 20,000 new prison places required
– £4bn committed over four years
– c.£250 million per annum of estate maintenance

Defence
– £4.3bn Defence Estate Optimisation Programme
– £1.5bn Facilities Management opportunities across the MoD Estate
– £650m future capital investment across US Visiting Forces estate in UK

Commercial
– Increase in office and residential building demand in major cities
– Regional focus

Kier Places
– Facilities management – supporting central UK Government with estate management
– Housing maintenance
  – Building safety regulations – fire protection work
  – UK Government net zero carbon agenda – significant retrofitting required

Kier's market positioning:
– A leading UK contractor with attractive market positions and regional footprint to take advantage of UK Government committed spend
– Track record of successful delivery with design, operational and support capability
– Long-standing collaborative relationships across chosen sectors and a 'strategic supplier' to the UK Government
– Contracting through frameworks providing competitive advantage, consistency and visibility over revenue streams
– Experienced facilities management and housing maintenance services provider

500
Schools Replacement Project over 10 years

£18.5bn
New Hospitals Programme to be delivered by 2031

Property

Market opportunity:
Urban regeneration:
- High street repurposing
- Supply shortage – one third of Local Authorities currently do not have a five-year housing supply
  - Growth in urban population
  - Post-graduation retention rates in regional cities

Addressing geographical inequality:
- 'Levelling up' agenda – increased spending in previously deprived areas
- Relocation of parts of the UK civil service
- Devolution and city mayors driving regional growth

Hub Programme
- Capital spending commitment of £600bn committed over five years
- This includes development and regeneration of local sites

Kier's market positioning:
- Well-established relationships with land-owners and local authorities providing access to a large land bank
- Proven track record of delivery in the urban regeneration and property development market. Experienced team with in-house capability
- Commercial and operational synergies with Kier's other businesses
- Potential to deliver consistent ROCE of 15%

£600bn
Capital spending commitment over 5 years

15%
Potential to deliver consistent ROCE

Addressable market

Kier's addressable market

Construction – £35bn

01 **26%** Commercial
02 **8%** Industrial
03 **13%** Public non housing
04 **2%** Repair and maintenance private
05 **10%** Repair and maintenance public

Infrastructure Services – £25bn

06 **12%** Infrastructure other new
07 **7%** Infrastructure other repairs, maintenance and improvements
08 **15%** Roads new
09 **7%** Roads repairs, maintenance and improvements

1. CPA Construction Industry Forecasts 2023–2025 Spring 2023 Edition.

Addressable market

The overall UK construction market is estimated to be worth £170bn in 2023.[1]

The Group's addressable market is estimated at £60bn. This comprises c.£25bn for Infrastructure Services and c.£35bn for Construction. The Group serves these markets through its three segments: Infrastructure Services, Construction and Property.

Infrastructure Services

Infrastructure Services is focused on two main markets, Transportation and Natural Resources, Nuclear & Networks. The Transportation business designs, builds and maintains roads for National Highways and a number of county councils. It also covers rail, airports and ports. Natural Resources, Nuclear & Networks delivers long-term contracts providing repairs, maintains and capital projects to the water, energy, and telecommunications sectors.

Construction

Construction is focused on delivering regional buildings across the UK for the public and private sector. The key sectors served include education, healthcare, custodial and defence. This segment also covers the Kier Places business. Kier Places provides facilities management and housing maintenance services to the public sector.

Property

Our Property segment delivers mixed-use commercial and residential developments by purchasing land or existing properties, developing them and then subsequently selling them on, allowing the capital to be returned or recycled. It typically operates through public and private sector joint ventures.

The importance of frameworks

Frameworks are our main route to market as nearly all major public sector work is awarded through frameworks. Kier remains focused on maintaining and growing our positions on both local and national frameworks.

We have places on agreements with an advertised value of up to £137bn (Official Journal of the European Union, 'OJEU' values) across all of our core markets covering both national and regional geographies and market sectors.

In our Infrastructure Services division we have places on 5 national and 40 regional frameworks with a total advertised OJEU value of £14bn.

In Construction we have been awarded places on 20 national and 33 regional frameworks worth £23bn.

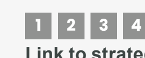
£60bn
Total addressable market for Infrastructure, Construction and Property

41%
Addressable market for Infrastructure Services

59%
Addressable market for Construction and Property

Our key performance indicators

KPI key



— No change
Increase
Decease

1 2 3 4 **Link to strategic objectives**
Read more on page 20

R **Link to remuneration**
Read more on page 123

Financial

Total Group revenue including joint ventures[1] (£bn)

1 2 4 Increase

£3.4bn

Year	Value
23	£3.4bn
22	£3.3bn

The growth in revenue is driven by both the Infrastructure Services and Construction segments, offset by lower revenue in Property.

In particular the ramp up of HS2 and HMP Millsike, Full Sutton, as well as an improved performance of its Kier Places business have all provided revenue growth.

Adjusted operating profit from operations[1,2] (£m)

2 3 4 R Increase

£131.5m

Year	Value
23	£131.5m
22	£120.5m

Adjusted operating profit has increased primarily due to an improvement in the volume/price/mix changes as well as the impact of management actions undertaken. These are partly offset by cost inflation experienced across the business.

Adjusted earnings per share[1,3] (p)

2 3 4 R Increase

19.2p

Year	Value
23	19.2p
22	16.8p

Adjusted earnings per share has increased due to the improved profit generation of the Group.

Order book (£bn)

1 2 3 Increase

£10.1bn

Year	Value
23	£10.1bn
22	£9.8bn

The order book remains strong and is underpinned by high-quality and profitable work.

Cash – free cash flow[4] (£m)

4 R Increase

£132.3m

Year	Value
23	£132.3m
22	£54.6m

Free cash flow has increased compared to prior year due to the improved underlying performance in the business.

Net cash – 30 June[4] (£m)

4 R Increase

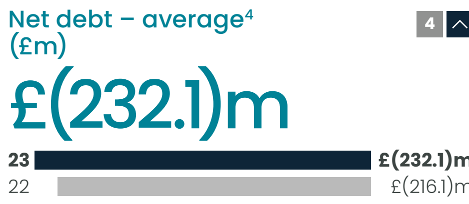
£64.1m

Year	Value
23	£64.1m
22	£2.9m

Net cash has increased significantly due to a strong working capital performance. This has been achieved despite the repayment of a number of items including the remaining balance of the supply chain finance programme ('KEPs').

Net debt – average[4] (£m)

4 Increase



£(232.1)m

Year	Value
23	£(232.1)m
22	£(216.1)m

Average net debt has increased compared to prior year and is better than expected, with positive operating cash flow used to pay off the remaining KEPs balance, the final HMRC COVID-19 debt, adjusting items and pension deficit obligations.

1. See consolidated income statement on page 166.
2. See note 5 to the consolidated financial statements.
3. See note 12 to the consolidated financial statements.
4. See note 22 to the consolidated financial statements.

KPI key

Link to strategic objectives
Read more on page 20

R
Link to remuneration
Read more on page 123

Non-financial

Safety – Group Accident Incident Rate ('AIR')

88

Achieve year-on-year improvement in the Group AIR. Remain below the Health and Safety Executive benchmark for the UK

The Group's 12-monthly rolling Accident Incident Rate ('AIR') of 88 represents a decrease of 23% compared to 115 in FY22. The AIR rate is calculated by headcount and therefore volume adjusted. It equates to 22 RIDDOR reportable incidents in FY23 compared to 28 in FY22. This is a strong performance and reinforces the positive effect our approach to risk and hazard management is having on our safety management.

The Group's 12-month rolling All Accident Incident Rate ('AAIR') of 320 has remained static with a 1% increase.

Employee engagement

65%

Achieve continuous improvement scores in employee engagement surveys

We continue to engage with our people through the Your Voice surveys. This enables us to understand what areas of focus are required to improve our people's engagement and workplace wellbeing.

The focus this year has been on inclusion within the workplace and the experiences of our degree students, apprentices, industrial placement students and graduates.

Customer experience

92%

Deliver a high level of customer satisfaction which is key to supporting sustainable long-term growth across our markets and client base

We remain stable with our scores and during FY23 as part of our Performance Excellence culture we have worked to provide the tools, training and information we need to continue fostering a customer-centric culture.

Scope 1 & 2 carbon intensity

9.7

We have achieved a c.20% decrease in our carbon intensity for scope 1 & 2 compared with FY22 and a c.59% decrease against our FY19 baseline

We continue to build on these successful reductions in line with our pathway to net zero.

* In FY22 we adjusted our reporting year definition from July-June to April-March, adjusting the intensity from 11.9.

Payment performance

34 days

Maintain a good relationship with supply chain partners

In line with the Prompt Payment Code, our latest Duty to Report on Payment Practices and Reporting submission covers the period from 1 January 2023 to 30 June 2023, showing the Group's aggregate average payment days was maintained (H1: 34 days).

Baseline scope 3 carbon intensity

276.5

Since introducing our scope 3 carbon baseline in FY22, we have reduced our scope 3 carbon intensity by 8%

We continue to focus on the enhancement of our scope 3 data and delivery of our pathway to net zero.

* In FY23 we increased the scope of our scope 3 carbon reporting, restating our FY22 intensity.

Building for a Sustainable World

“To be a responsible business, we must address both the impact of climate change and leave a lasting legacy in the communities we operate in.”

ANDREW DAVIES
Chief Executive

We believe that to be a responsible business and to play a leading role in our industry, we must address both the impact of climate change and leave a lasting legacy in the communities we operate in. Accordingly, Kier's purpose is to sustainably deliver infrastructure which is vital to the UK. As a strategic supplier to the UK Government, ESG is fundamental to our ability to win work and secure positions on long-term frameworks. UK Government contracts above £5m require net zero carbon and social value commitments.

Our ESG report outlines our commitments and progress against them.

Sustainability framework

During the year, we carried out a double materiality assessment which looked at how Kier is impacted by sustainability and how Kier's activities impact the environment and society. This has guided our evolution to our new 'Building for a Sustainable' framework.

For each framework pillar we are outlining our short, medium and long-term targets together with our associated milestone plans to ensure we continue to align to our stakeholders' priorities, achieve interim targets and take strategic actions.

The framework continues to follow the guiding principles of the United Nation's Sustainable Development Goals. Further details can be found on pages 44 and 45.

Environmental

This year our Task Force of Climate Related Financial Disclosures ('TCFD') assessment and disclosure has been enhanced through additional scenario analysis and detailed operational risk and opportunity assessments. You can find this from page 62.

Carbon emissions and Milestone plan

In 2023, c.3% of our 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 from. Scope 3, predominantly the emissions from the materials we buy and the supply chain partners we rely on to deliver our projects, makes up the remaining c.97%.

We have prepared a milestone plan which indicates a target to reduce scope 1 & 2 from business operations by 66% by 2030 and to become net zero carbon for scope 1 & 2 by 2039. We plan to transition our fleet away from fossil fuels through the use of electric vehicles and plant as well as use of alternative fuels.

In addition, we are reducing the carbon emissions of our projects and premises through the implementation of our agile working policy and improvement in site efficiency.

We achieved a c.19% year-over-year reduction in carbon emissions for scope 1 & 2, remaining below the required trajectory to achieve our net zero targets.

For value chain emissions (scope 3), we are targeting net zero carbon by 2045. We are working collaboratively with our supply chain partners to target our most carbon intensive materials and activities such as steel, concrete and diesel consumption. We have enhanced our sustainable design capability to reduce whole life carbon, including embodied and operational emissions.

This is our second year of reporting on our Scope 3 emissions.

Waste

Our construction waste landfill diversion rate is 91.5% (FY22: 90%). As a Tier 1 contractor, we see the largest opportunity for waste reduction with our supply chain and we continue to extensively work with them on this. We achieved a 33% year-over-year reduction in the volume of non-hazardous waste in FY23.

Water
We committed to reducing our water usage over the long term. We achieved a c.8% year-over-year reduction in cost (as a percentage of operating cost) in FY23. We will continue to monitor and reduce our water usage going forward. Following the double materiality assessment, our metrics have been updated with water no longer forming part of the framework due to its limited materiality within Kier.

Social
People
Kier is a people-based business and our performance depends on our ability to attract and retain a dedicated workforce. During the year we had c.9% of our employees on formal learning courses including apprenticeships as well as graduate and leadership programmes.

We had 646 apprentices employed at Kier in FY23 which equates to c.6% of our workforce. We are also a member of the 5% Club which brings together employers that are committed to developing and training talent.

Cost of living crisis
People are at the heart of Kier and we ensure we pay them a competitive wage as well as offering them support through the cost of living crisis. Since April 2021, Kier has been an accredited Real Living Wage employer. As a result of the cost of living crisis, we accelerated our increase in wages from April to January 2023. We also extended the Real Living Wage to our contingent workers.

Kier provided other areas of welfare and support to our employees including inflation support payments, enhanced sick pay, financial support and mortgage advice to those most affected by the cost of living crisis. We continue to monitor the situation and will consider taking further steps as appropriate.

Social value
We have also made commitments on social value. Our target was to create £5bn in social value by 2030. By capturing our social and economic value spend across our business over the last 3 years, we were able to achieve our £5bn target. Going forward, we will be reporting on 'added social value'. This will include a focus on employment opportunities, apprenticeship hours and spend with Small and Medium Enterprises ('SMEs').

Governance
Governance is a core component of the Group's approach to operations. Governance is delivered within Kier's Operating Framework. Within the Operating Framework is Kier's Code of Conduct which sets the corporate compliance agenda.

We ensure that risk management and governance is embedded across the business.

We believe our approach to sustainability aims to safeguard our business and build a resilient environment, community and profits over the long term.

Andrew Davies
Chief Executive

Environmental highlights:
- **Scope 1 & 2** – reduction in carbon emissions of 67% against our FY19 baseline. This represents a 18.7% reduction against our FY22 performance, from 38,967 tCO_2e to 31,668 tCO_2e
- **Scope 3** – our Scope 3 emissions were 905,839 tCO_2e. This represents a 6.7% reduction against our FY22 performance, from 971,314 tCO_2e

Social highlights:
- **Safety** – 12-month AIR 88 decreased c.23% compared with FY22. This is a strong performance following our focus on proactive risk management. AAIR 320 has remained static with a 1% increase compared to FY22
- **Training and development** – c.9% of employees on formal learning programmes including apprenticeships, graduate and leadership programmes
- **Apprenticeships** – 646 apprentices participating in apprenticeship programmes in FY23, c.6% of our workforce
- **SMEs** – c.69% of spending SMEs in FY23.

Our sustainability framework

Over the last three years the world has changed significantly with climate emergencies becoming more obvious in our day-to-day lives and the cost of living crisis.

To make sure we address the issues that are most important to our stakeholders and focus on where we can have the most impact we carried out a double materiality assessment (in accordance with EFRAG guidelines) and evolved our Building for a Sustainable World framework. As a responsible business, Kier understands that we must adapt our ways of working to be successful in this changing world.

As part of the evolution of the Building for a Sustainable World framework, we have introduced three pillars: Our People, Our Places and Our Planet. These areas have been aligned to the UN Sustainable Development Goals, targets and indicators to understand how we can maximise our contribution and market opportunities.

For each pillar we are outlining our short, medium and long-term targets. Each pillar also has a number of clearly defined non-financial measures, chosen to help demonstrate continual improvement and aligned to our key stakeholders' own priorities. Supporting the pillars are strategies and approaches to health, safety and wellbeing, diversity and inclusion and sustainable procurement.

Underpinning our three pillars we have embedded a governance framework, and policies to ensure we achieve our sustainability outcomes.

The diagram adjacent introduces our evolved Building for a Sustainable World framework and how it will help deliver our purpose, to sustainably deliver infrastructure which is vital to the UK.

Our performance in FY23 from pages 46–61, precedes the evolution of the Building for a Sustainable World framework. Updates are therefore aligned to the final year of the previous phase and pillars of the framework.

Building for a Sustainable World

OUR PURPOSE

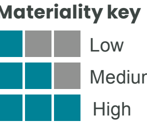
To sustainably deliver infrastructure which is vital to the UK

STRATEGIC PILLARS

Our People	Our Places	Our Planet
OBJECTIVES		
Building a workforce and supply chain for the future	Making a positive difference in our local communities	Improving the environment now and for future generations
TOPICS		
Prioritising all our people Ethical labour	Social impact Enabling social mobility	Climate action Valuing nature Resource efficiency
MEASURES		
% of apprentices and people in training and development programmes Develop ethical labour plan	Spend with SMEs and social enterprises Develop a social mobility plan inclusive of benchmarking	Carbon emissions (scope 1-3) / £m revenue Develop nature baseline Tonnes waste / £m revenue

% OF GROUP REVENUE AS ADDED SOCIAL VALUE

Priority Topics and Materiality Analysis



Our People
Building a workforce and supply chain for the future

Prioritising all our people
We aim to build a workforce that has the skills and capabilities for now and in the future

Financial Materiality

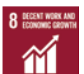
Impact Materiality

Ethical labour
We aim to ensure fair and equal treatment for our entire workforce and value chain

Financial Materiality

Impact Materiality

Main reference SDG



Our Places
Making a positive difference in our communities

Social impact
We aim to leave a positive legacy in the communities we work in

Financial Materiality

Impact Materiality

Enabling social mobility
We aim to tackle inequality by giving individuals and communities tools and opportunities

Financial Materiality

Impact Materiality

Main reference SDG

Our Planet
Improving the environment now and for future generations

Climate action
We aim to take carbon action by:
– reducing carbon emissions from our operations
– working with our clients to build infrastructure which is resilient against the impact of flooding, droughts, and higher temperatures

Financial Materiality

Impact Materiality

Valuing nature
We aim to protect and enhance biodiversity by:
– respecting our neighbours and natural surroundings
– managing nature risks in our supply chain
– working with our customers to construct green infrastructure that encourages people and nature to thrive

Financial Materiality

Impact Materiality

Resource efficiency
We aim to accelerate our transition to resource-efficient construction by:
– working with our supply chain to use resources in a sustainable way throughout a project's lifecycle
– designing for a low carbon/ resource efficient and water efficient future

Financial Materiality

Impact Materiality

Main reference SDG

Pollution prevention

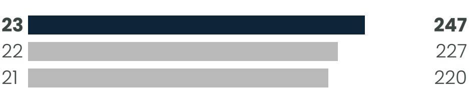
Strategic objective
Protecting the environments that we work within is important to Kier. We continue to train, support and audit our projects to minimise the risk of pollution.

Why it is important
We work across a wide variety of rural and urban habitats in the UK, which can be vulnerable to pollution. To prevent damage to these environments or negative impact on the communities in which we work, it is essential that we minimise pollution.

Target
Prevent pollution from all operations within our control and measure all environmental incidents across the Group.

Progress in FY23
During FY23 our AEIR increased slightly due to improved reporting and management systems.

All Environment Incident Rate ('AEIR')



Note: AEIR calculated as all environmental incidents divided by headcount and then multiplied by 100,000. AEIR excludes our HS2 Joint Venture.

Contemporary Environmental Management Systems
During FY23, we have undertaken a full review of our ISO14001:2015 certified environmental management systems ('EMS').

Our EMS underpins the work we do protecting and enhancing the environment including pollution prevention.

Pollution prevention guidance and training
Our climate is changing, and we are already seeing increased risks during construction both from extreme weather and seasonal climate change.

To adapt to our changing climate and minimise environmental risks and potential delays to works during FY23 we have launched:

– enhanced management systems for surface water and dust management
– a programme of monthly operational training and environment briefings on our standards

Tackling emissions

Non-Road Mobile Machinery ('NRMM') consists of any mobile machinery, transportable industrial equipment or vehicle fitted with an internal combustion engine not intended for passenger or goods transport by road. The Greater London Authority requires that in London NRMM has to meet tight emissions standards for particulates and nitrous oxides.

To support this transition to lower emission equipment and assess the availability of equipment and feasibility, we have begun to specify NRMM Low Emission Zone compliant equipment on sites in Clean Air Zones. A successful example is in Sheffield, where we successfully specified a low emission crane to complete works within the Clean Air Zone.

Net zero carbon

Strategic objective
We are targeting achieving net zero carbon across our business operations and value chain by 2045.

Why it is important
As a responsible business, it is our duty to reduce and avoid the impact we have on the climate. With the diverse range of public sector and blue-chip customers we work with and sectors that we work in, we have a unique opportunity to change the landscape of the UK-built environment for the better.

It therefore remains a strategic objective for us to deliver on our net zero commitments and support our clients in doing the same.

Targets
Net zero business operations carbon (scope 1 & 2) by 2039 and net zero carbon across our business operations and value chain by 2045 (scope 3).

Commitments
- 100% electric vehicles or alternative zero-carbon fuels for our own fleet by 2030
- 100% renewable electricity by 2030
- Net zero for on-site plant and equipment by 2040.

Milestone plan
As part of evolving the Building for a Sustainable World framework we are updating our net zero carbon milestone plan. The following details the high-level short and medium-term actions in our milestone plan relating to Climate Action with the long-term goals being:
- Net zero scope 1 & 2 by 2039. A 90% reduction, with no more than 10% offsetting
- Net zero scope 3 in 2045. A 90% reduction with no more than 10% offsetting

Supporting actions
- Launch new environmental data platform (2024)
- Verification of Science Based Targets (2024)
- Obtain ISO 14064 certification (2024)
- Expand our CDP disclosure to include climate, forests, and water (2025)

Scope 1
- Rolling out ultra-low emission and electric vehicles across our company car and commercial vehicle fleets (100% electric/ PHEV company cars & LCVs by 2030)
- Embedding energy efficiency and energy management technologies across our construction sites and facilities.

Scope 2
- Exploring renewable electricity self-generation opportunities to contribute towards achieving 100% renewable electricity 2030.

Progress up to FY23

FY19

Scope 1 & 2 carbon baseline set

Following several years of carbon reduction, we re-set our carbon baseline to FY19 for the new strategy period.

FY20

Building for a Sustainable World launched

We launched our sustainability framework, including the announcement of our net zero targets.

FY21

Science Based Targets Commitment

We made a commitment to set net zero and near-term targets with a business ambition for 1.5°C in line with the latest science.

EV100 Commitment

We became a signatory to EV100, committing to a 100% EV company car fleet by 2030.

FY22

Scope 3 carbon baseline set

We calculated a baseline following the launch of new reporting processes.

Scenario Analysis and TCFD Disclosure

We conducted scenario analysis and compiled our TCFD disclosure to support climate-related risk and opportunity management.

FY23

Science Based Targets Submission

We submitted our targets and carbon data for SBTi, awaiting verification in FY24.

Pioneering Cornwall Street

Targeting BREEAM 'Excellent', this commercial building takes a whole life carbon approach. The building has been designed to align with the UK Green Building Council 'Energy performance targets for buildings targeting net zero carbon operational energy' with the potential to meet a 2030–2035 interim target for landlord operational energy (~40% lower than current day 2020-2025 energy targets). The project is an all-electric, highly energy efficient design, achieving an EPC A rating with the provision of 400m² of solar photovoltaic panels, air source heat pumps, and sourcing of renewable energy through a power purchase agreement to demonstrate additionality.

Embodied carbon has also been carefully considered during the design. The design retains existing structures to reduce unnecessary material use and avoidable waste, resulting in the total upfront embodied carbon impact being low and designed to achieve a LETI Rating Band A+.

Scope 3

- Collaborating with our supply chain to enhance data quality
- Expanding our in-house carbon consultancy to deliver enhanced lifecycle carbon assessments in order to design out carbon.

Our milestone plan has been designed to deliver our science based targets which are currently are being validated.

Progress in FY23

Scope 1 & 2

This financial year we have implemented various initiatives to reduce our direct emissions, collectively contributing towards a reduction of our scope 1 & 2 carbon emissions by c.19%.

Petrol and diesel usage accounts for the majority of our scope 1 & 2 carbon footprint and is a large contributor to our supply chains operational emissions, making this a key focus.

Leased cars

Since launching our green car scheme and increasing electric options in our company car list, we have seen our employee uptake of electric vehicles and hybrid electric vehicles increase. However, our transition was temporarily impacted by vehicle availability and extended lead times following the pandemic and semiconductor shortages.

Scope 3

Purchased goods and services is the largest contributor to our carbon footprint at both a Group-wide and business division level, highlighting the necessity to work in collaboration with our supply chain towards carbon targets.

Working with our clients, designers, and supply chain, we have successfully trialled materials with reduced embodied carbon and embedded circular economy principles into design without compromising on quality.

In our Highways business these include foamix and biogenic polymodified binder for our highways clients (see page 51).

For our Construction and Property businesses, lifecycle emissions from buildings we construct is also a significant contributor to our total carbon footprint, highlighting the importance of building carbon mitigation within the design.

During the year, our Construction business has completed numerous buildings achieving high energy efficiency, including 12 BREEAM rated buildings within education, leisure and commercial sectors, and a net zero operational carbon care centre, achieving EPC A+.

GHG emissions data

Scope 1 & 2

Total emissions from our business operations carbon for the year was 31,668 tCO_2e which equates to 9.7 tonnes per £m revenue.

This represents a c.20% decrease in carbon intensity compared with 2022, and a c.59% reduction against the 2019 baseline.

Reporting follows the requirements of The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

Our carbon footprint was quantified by reviewing all operational data available in line with the Greenhouse Gases Protocol standard. We have applied the most relevant emission factors sourced from the UK Government's Greenhouse Gas ('GHG') Conversion Factors for Company Reporting and other equivalent data sources for our emissions outside of the United Kingdom.

Market-based emissions have been calculated since 2021 using more detailed tariff level data (where this was available), to show the benefit on the carbon footprint that we have had by purchasing primarily green energy tariffs. In previous years the market-based figure was based on supplier averages as published via fuel mix disclosures on their websites.

Scope 3

We have extended our reporting boundaries in 2023 by adding an additional three GHG Protocol categories: Use of sold products, upstream transportation and distribution and Investments.

The following improvements have been made:

- calculation of emissions for upstream transportation and distribution and use of sold products*
- improved our screening methodology for purchased goods and services
- increased our scope to include joint ventures emissions in the Investments category

As a result of these improvements, we have restated our 2022 scope 3 baseline for comparability.

Within scope 3, we currently exclude end-of-life treatment of sold products, and upstream leased assets due to data collection complexities. These emission sources are collectively estimated to make up c.4% of our scope 3.

The following scope 3 categories are not included in our reported footprint as they are not relevant or have limited materiality to Kier's operations: downstream transportation and distribution, processing of sold products, and franchises.

All other scope 3 categories defined in the GHG Protocol Corporate Value Chain Standard have been included.

We continue to mature and develop our reporting practices to provide increased accuracy, particularly for our scope 3 emissions. This involves transitioning from a screening methodology to an inventory methodology where possible. Over time, we expect to re-baseline in line with our carbon information management standard, seek third-party data verification and add further categories into our scope 3 reporting.

* We consider sold products relevant where we were appointed at RIBA Stage 2 or earlier as we have reasonable control or influence over the design and consequently the possible carbon reductions.

Reducing carbon and improving efficiency

The 1.5 mile (2.5km) Chipping Warden green tunnel for HS2 in Northamptonshire is being built on the surface using an off-site manufacturing approach to speed up construction and improve efficiency. This approach will see more than 5,000 concrete segments assembled on site. The completed tunnel will then be covered by earth, with trees, shrubs and hedgerows planted to fit in with the surrounding countryside. This lighter-weight modular approach is expected to more than halve the amount of carbon embedded in the structure. It also requires fewer people and equipment on site, improving safety and reducing disruption for residents.

GHG emissions data (scope 1, 2 & 3)

	FY Baseline Year ending 31 March 2019		Year ended 31 March 2021		Year ended 31 March 2022		Year ending 31 March 2023	
	UK	Global	UK	Global	UK	Global	UK	Global
Scope 1 (tonnes CO_2e) Combustion of fuel and operation of facilities	77,468	89,490	45,075	56,117	36,113	38,643	30,941	31,340
Scope 2 (tonnes CO_2e) Electricity purchased								
Location–based	7,132	7,170	5,274	5,304	4,543	4,569	3,585	3,600
Market–based	5,934	5,970	346	387	298	324	313	328
Total Scope 1 & 2 (tonnes CO_2e)								
Location-based	84,600	96,660	50,349	61,421	40,656	43,212	34,526	34,940
Market-based	83,402	95,460	45,421	56,504	36,411	38,967	31,254	31,668
Scope 3 (tonnes CO_2e)	n/a	n/a	n/a	n/a	970,680 (907,365)	971,314 (907,501)	905,732 (868,742)	905,839 (868,849)
Total Scope 1, 2 & 3 (tonnes CO_2e)								
Location-based	n/a	n/a	n/a	n/a	1,011,970 (948,021)	1,014,526 (950,713)	940,258 (903,268)	940,779 (903,789)
Market-based	n/a	n/a	n/a	n/a	1,007,091 (943,776)	1,010,281 (946,468)	936,986 (899,996)	937,507 (900,517)
Intensity Measurement (tonnes CO_2e per £m revenue) Scope 1 & 2								
Location-based	21.0	24.0	13.3	16.2	12.6	13.3	10.5	10.7
Market-based	20.7	23.7	12.0	14.9	11.2	12.0	9.5	9.7
Intensity Measurement (tonnes CO_2e per £m revenue) Scope 1, 2 & 3								
Location-based	n/a	n/a	n/a	n/a	312.2 (292.7)	313.2 (293.5)	287.0 (275.7)	287.2 (275.9)
Market-based	n/a	n/a	n/a	n/a	310.9 (291.4)	311.9 (292.2)	286.0 (274.7)	286.2 (274.9)
Energy Usage (Scope 1 & 2)								
Total energy consumed (kWh)	330,568,000	380,090,000	210,794,000	256,835,000	169,551,000	179,465,000	160,371,000	162,099,000

1. Location-based uses the average emissions intensity from the grid where we source the energy.
2. Market-based uses the emissions intensity based specifically on the energy mix procured.
3. All carbon emission statistics which include scope 2 electricity are calculated using a market-based method. This change from location-based methodology has been made to accurately align to our Science Based Target submission and accurately reflect our procurement of renewable electricity.
4. In FY22 we amended our carbon reporting period from 12 months ended 30 June to 12 months ended 31 March. All carbon data relates to this period.
5. Scope 3 emissions for FY22 & FY23 have been restated to reflect increased boundaries. Figures in brackets are as per the FY22 boundaries.
6. Energy usage (scope 1 & 2) is rounded to the nearest MWh.

Zero avoidable waste

Strategic objective

We define avoidable waste as waste being generated at every stage of a project's lifecycle and, at the end of life, recovering products, components and materials at the highest possible level of the waste hierarchy while ensuring minimal environmental impact.

To deliver these objectives we challenge our projects, waste contractors, materials providers and suppliers to implement circular solutions and project-specific waste reduction plans.

Why it is important

Delivering our zero avoidable waste strategy supports a reduction in the use of non-renewable materials by our business and contributes significantly to our scope 3 carbon reduction. In addition, a reduction in our waste will reduce costs to our business and our clients.

During FY23, we have continued to focus on waste reduction and avoidance.

Target

Elimination of avoidable waste by 2035. Targeting demolition and excavation waste and diversion from landfill.

Progress in FY23

Designing out waste

Across our business we are focused on designing out avoidable waste. Within our Highways division this can be seen in our collaboration with Birmingham City Council on asphalt road surfaces.

Single use plastic

We continue to focus on the minimisation of single use plastics across our business with the roll-out of our single use plastics toolkit helping to guide our colleagues with the phasing out of avoidable plastics. This guidance supports our aim to move to a more circular economy, keeping resources in use for longer and encapsulates the idea of 'waste less, reuse, recycle and repair more'.

To reinforce and embed our focus, we marked this year's World Environment Day by aligning to their theme of 'Beat Plastic Pollution'. This included direct action including beach cleans and litter picks by our colleagues.

Progress in FY23

Construction waste m³/£100k*

* Construction only.

Diversion from landfill (%)*

* Materials and packaging.

Demolition waste diversion from landfill (%)

Excavation waste diversion from landfill (%)

Biogenic asphalt & long-life road surfaces

As part of resurfacing works on the A452 Chester Road in Birmingham, we have trialled an innovative biogenic (plant-based) asphalt. Biogenic asphalts both replace some of the fossil fuel derived binder, reducing the production carbon footprint, and locks away carbon absorbed during the growth of the plant-based element, capturing around 3.45 tonnes of CO_2e. Additionally, using biocomponents in asphalt and bitumen supports the circular economy by ensuring 96% (76% reused and 20% recycled) of reclaimed asphalt is recycled or reused.

Given the importance of the A452 in Birmingham and the high volumes of traffic using it, to avoid future disruption, a high-strength polymer-modified bitumen ('PMB') was chosen for use in the surface over the biogenic asphalt. This approach provided further benefits by:

- extending the lifespan of the road surface;
- reducing future resurfacing;
- avoiding waste and carbon impacts of works;
- reducing congestions associated with ongoing maintenance, with carbon and air quality benefits.

Biosphere protection

"The biosphere and the protection of life on land and water is linked to and underpins all aspects of our operations."

Strategic objective

The biosphere, which is defined as the parts of Earth where life exists, provides basic life support systems and all the resources we rely on as a business.

We focus on the impact that our operations have on the planet's biosphere and introduce new ways of working to have a positive impact.

Why it is important

The biosphere and the protection of life on land and water is linked to and underpins all aspects of our operations. The work we undertake can have a lasting impact upon the environment.

The initiatives we develop to protect nature and better serve the environments we operate in will also help us to report in line with the forthcoming requirements of the Taskforce on Nature-Related Financial Disclosures.

Target

– To reduce the year-over-year cost of water.

Progress in FY23

As part of our commitment to mitigate the impact of our operations, we measure our use and conservation of water.

Cost of water as a percentage of operational spend (%)

Reducing flood risks: Par St Blazey Flood Alleviation Scheme

The St Austell Resilient Regeneration project aims to reduce flood risk to over 800 homes and businesses in Cornwall. The town's flood defences are old and over the years have become susceptible to the impact of climate change with increased flooding and coastal erosion. Working with the Environment Agency, we have delivered biodiversity net gain and carbon savings, transformed an uninteresting riverbank into a publicly accessible and wildlife friendly area; including:

- reinforcing river margins through the introduction of vegetated coir rolls to provide increased flow variation and shading along the river corridor for fish.
- replacing proposed gabion baskets with preseeded Geogrow bags to reduce carbon, cost and generate biodiversity benefits.
- introducing timber flow deflectors and stepped rocks in place of a concrete weir structure to address fish passage constraints.
- installing eel pipes, two kingfisher tunnels and recesses in stonework and slate ledges to provide fish refuges.

Sustainable procurement

Strategic objective
Sustainable procurement considers economic, environmental and social impacts alongside the more traditional quality and price elements when procuring goods and services.

Why it is important
Procurement decisions have a significant effect on the value chain. Understanding and actioning these impacts is critical to building sustainable supply chains.

Target
- Targeted spend of £2bn with our valued supply chain including Voluntary, Community and Social Enterprises ('VCSEs') across the UK's socially deprived areas.

Progress in FY23
- £2m spent with VCSEs in FY23

Prompt Payment
In line with the Prompt Payment Code, our latest Duty to Report on Payment Practices and Reporting submission, covering the half year from 1 January 2023 to 30 June 2023, showed the Group's aggregate average payment days was 34 days (H1: 34 days) and the percentage of payments made to suppliers within 60 days was 85% (H1: 87%).

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

Supply Chain Sustainability School
We are a founding partner of the Supply Chain Sustainability School where we collaborate with our peers, suppliers and clients to build a sustainable future for our industry. During the year we successfully commissioned a nature and biodiversity group.

Through the school we ensure our supply chain has the skills and competency to support our sustainability ambitions.

During the year, our supply chain attended over 3,000 workshops and completed over 5,000 hours of continuing professional development and training through the schools resources.

Supporting voluntary, community and social enterprise
We have continued to raise the visibility and capability of VCSE's in our supply chain.

Our Highways business worked with Skill Mill, a social enterprise focused on providing employment opportunities for young ex-offenders. We supported them gaining Constructionline Gold accreditation and have procured their services.

We also use two social enterprises for our Kier's signage requirements: Nordis Signs and Nuneaton Signs. Nordis Signs is our in-house business which is dedicated to employing people with disabilities.

Supply Chain Excellence
Our supply chain is a key part of our workforce and is fundamental to the successful delivery of our projects. We continue to collaborate with our supply chain to identify and share best practice.

We are currently focused on increasing the usage of our waste and fuel preferred suppliers. Our preferred supply chain partners work with us to drive better data accuracy, continuous improvement and social value benefits.

We also developed a sustainable procurement toolkit for our supply chain.

Diversity and inclusion

Strategic objective
We aim to shape a diverse and inclusive business which reflects the communities we live and operate in. We believe that diversity of thought creates a high-performing business.

Why it is important
A diverse and inclusive business enables:
- High-performing teams
- An innovative workplace
- The best service to our customers
- A culture where people can thrive

Targets
As part of our aims to reduce our Gender Pay Gap we will focus on:
- improving gender diversity through the organisation, increasing the representation of females in the top quartile by 15%
- increase the ethnicity of the organisation in line with our Diversity & Inclusion (‘D&I’) roadmap

Progress in FY23
Delivery against our D&I Roadmap
During the year, we progressed with the delivery of our D&I roadmap and making our project sites and offices more inclusive.

In October 2022, we performed a pulse survey on our people where 62% of respondents said they believe that Kier is making progress in creating a more inclusive workplace.

Policies
We also support flexible working practices at Kier and have introduced a number of family friendly policies including updated maternity and paternity leave as well as fertility and fostering policies.

Employee networks
We have established employee networks covering gender, ethnicity, ability, LGBT and Allies, Armed Forces and Kier Inclusion which act as a voice for our people to share experiences.

We have over 900 employees engaged in the networks, which is over 9% of employees.

Developing our people
Expect Respect
Our pulse survey also measured how included our people felt. 81% of respondents felt that Kier is a workplace where they can expect respect. We continue to deliver training to our people on D&I awareness and Expect Respect which educates and empowers colleagues to build an inclusive workforce.

Recently we have expanded our Expect Respect campaign to also focus on roadworker abuse. This campaign has been adopted by Birmingham City Council.

Other development programmes
We are committed to improving the diversity of our leadership teams at Kier. We monitor the diversity of those who take part in our leadership and management programmes and also track them through talent and succession plans. We are committed to developing diverse future leaders across Kier.

Inclusive Recruitment
We have a number of positive action programmes to bring new diverse talent into Kier. We are training our managers in inclusive recruitment and making our interview procedures more inclusive.

Prisoner Employment
Kier was the first construction company to offer an apprenticeship to a serving prisoner on release on temporary licence (‘ROTL’) and supported in the change of law that allowed this to happen. Since July 2022 we have delivered over 20 engagement events in custody which have led to 19 ROTL placements and over 21 offers of employment to prison leavers with Kier or our direct supply chain partners.

Refugee Employment
In July 2022 we launched a partnership with RefuAid, a refugee charity, to support forcibly displaced people find opportunities commensurate to their skills and experience within the UK. The partnership involved a mentorship programme as well as direct sourcing of candidates through RefuAid.

As a result of the scheme, Kier has offered eight refugee candidates employment, with five accepting and joining the business.

Armed Forces Employment

Since July 2022 we have offered over 50 Veterans and Reservists employment opportunities with Kier, and we have also offered 14 service leavers work placement opportunities on our sites.

All abilities

Kier is a disability confident employer and is committed to ensuring that the organisation is an inclusive place for all abilities. We recruit people based on abilities and individual merits.

We are members of the Business Disability Forum, a business membership organisation that works in partnership with business, UK Government and disabled people to remove barriers to inclusion. With the support of our occupational health team, we support colleagues that need workplace adjustments to ensure that they can fulfil their potential and progress their careers at Kier. This includes adjustments to roles, premises, workstations and equipment amongst others.

Gender and Ethnicity

We are passionate about developing our people and providing them with the tools, knowledge and drive, to progress in their careers into more senior roles across the business.

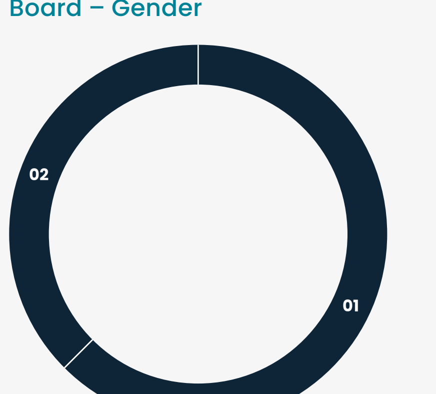
Our FY23 gender diversity at Board and senior manager level as a percentage of the workforce and our overall gender diversity remains similar to FY22 at 25%. With our D&I roadmap in place, we are targeting incremental change over the long term. This includes:

- implementation of a new performance management and employee development system, alongside a more transparent process for internal recruitment and promotion opportunities
- continue to monitor our data, challenging the inclusivity of our processes
- introduction of our agile working toolkit for sites
- continue to develop our diverse talent through our development programmes
- developing the inclusive leadership skills of our line managers through our ‘Being a Kier Manager’ development programme
- developing the Kier culture where inclusion and respect are key behaviours

We progressed our ethnic diversity from 8% in FY22 to 16% in FY23 due to improved recruitment and reporting.

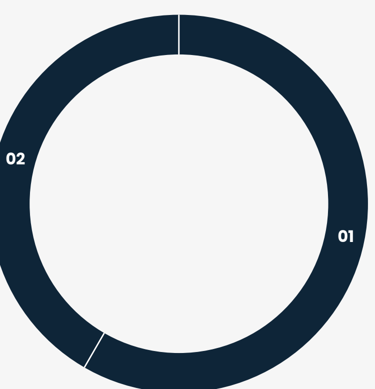
Gender and Ethnic diversity

Board – Gender



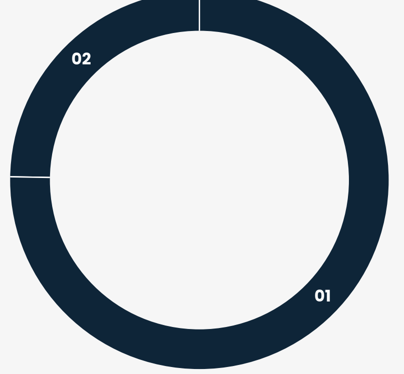
01 **5** Male
02 **3** Female

Senior managers – Gender



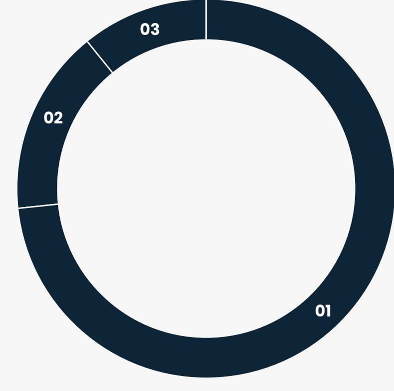
01 **56** Male
02 **40** Female

All employees – Gender



01 **7,700** Male
02 **2,510** Female

All employees – Ethnicity



01 **7,498** White
02 **1,624** Ethnic minority
03 **1,088** Not disclosed

Our social purpose and value

Strategic objective
We focus on opportunities to provide social, economic and environmental value for the communities our operations impact, focusing on the most vulnerable and disadvantaged.

Why it is important
As a strategic supplier to UK Government, delivering social, economic and environmental value is fundamental to our ability to win work and secure positions on long-term frameworks. UK Government contracts above £5m require social value commitments. We also believe social value is an important part of our aim to tackle inequality by creating employment and training opportunities.

Targets
- Working with our supply chain, employees and the community to generate £5bn of social value
- Create brighter futures for 500,000 individuals

Progress in FY23
- Achieved £5bn of cumulative social and economic value since we set our targets in FY21.

Open Doors
During the year, Kier was involved in Open Doors, an annual event run by Build UK. As part of the event, we opened several of our sites in the UK to visitors from local schools and colleges to inspire the next generation to consider a career in construction.

Teacher Encounters
We also believe teachers have a key role to play in offering careers advice. We supported the Careers and Enterprise Company's Teacher Encounter programme, which is part of a national initiative to encourage 1,000+ teachers to complete work experience in industry over the course of a year and take their learnings back to the classroom.

Community engagement
Community engagement and support is an important part of our social purpose.

Examples of key initiatives are set out below:

The Kier Foundation
The Kier Foundation is an independent registered charity with a vision to build a dynamic and engaging charity that will lead the way in social impact and employee wellbeing across Kier.

Our three-year partnership with homelessness charity, Every Youth, came to an end. During its partnership, Kier raised over £480k, and provided £107k of renovation work, which has enabled Every Youth to provide specialist support to c.400 young homeless people.

Our new partner is Trussell Trust, a charity working to stop UK hunger and poverty.

Creating opportunities to learn

The team at Sellafield Retreatment Plant provided c.850 volunteer hours and £800 worth of materials to refurbish a local theatre, Warrington's Carnegie Theatre. They created a safe meeting place for community groups and revenue-generating room hire for local businesses.

An in-house skills academy was also set up to create the next generation of construction workers. The academy delivered 14 apprenticeships and three graduate placements.

Supporting the local community

Our Bushmills Gas Pipeline project was awarded a Gold International Green Apple Environment Award for minimising disruption and adding value to the local community. The project provided lessons focused on sustainability and recycling, created outdoor classrooms and involved local groups to help with the build.

Employee wellbeing and engagement

"Safety is our licence to operate which is underpinned by the wellbeing of our greatest asset, our people."

Strategic objective
To create a safe, collaborative and high-performing culture where all our people belong, contribute and thrive.

Why it is important
Safety is our licence to operate which is underpinned by the wellbeing of our greatest asset, our people. We are committed to investing in our people to create a positive safety culture where everyone feels trusted, empowered and acts with integrity. Engaging with our supply chain as a responsible contractor and delivering best in class service to our clients.

Targets
- Improved year-over-year safety, wellbeing and engagement
- At least 50% of our colleagues feel emotionally engaged with Kier

Progress in FY23
- 65% employee engagement achieved in FY23 compared to 58% in FY22.

Safety
We are pleased that the Group's 12-monthly rolling Accident Incident Rate ('AIR') of 88 represents a decrease of 23% compared to 115 in FY22. The AIR rate is calculated by headcount and therefore volume adjusted. It equates to 22 RIDDOR reportable incidents in FY23 compared to 28 in FY22. This is a strong performance and reinforces the positive effect our approach to risk and hazard management is having on our safety management.

The Group's 12-month rolling All Accident Incident Rate ('AAIR') of 320 has remained static with a 1% increase.

We continue to focus on risk and hazard management across the business, providing autonomy to the businesses to manage their specific operations.

Each business has benchmarked its safety culture using the Health and Safety Executive ('HSE') safety climate tool. The results provided each business with their own platform to improve upon based on their own people's beliefs and perceptions.

Following an investigation by the UK's national regulator for workplace health and safety, the HSE, on 23 January 2023 the Group was fined £4.4m for safety breaches in connection with two incidents in our Highways business dating back to March 2018 and January 2019. The incidents relate to work carried out on the M6 motorway.

Since these incidents occurred, the Highways business has been very successful in transforming its safety record. Throughout the year to June 2023, Kier has had market-leading safety performance as recognised by National Highways.

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

We have also focused on many other areas of employee welfare and support with other key initiatives such as:
- **Inflation support payment** – we awarded c.800 employees with an inflation support payment of £300 in November 2022. This payment was in addition to the pay increases noted previously and was targeted to provide financial support to those who we believe are most challenged with the high increases in food, energy and household bills.
- **Enhanced sick pay** – we have also implemented enhanced sick pay terms for our lowest paid employees, providing them with increased financial peace of mind if they are absent from work due to sickness.
- **Financial support** – financial support for employees is always an important area and has been magnified by the cost of living pressures. For our workforce that need additional financial support we have introduced support and guidance in the form of Salary Finance. Salary Finance provides education and a savings option through HMRC's Help to Save scheme as well as responsible loans.
- **Mortgage advice** – we have arranged a service, providing our employees with free professional mortgage and financial advice.

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

Wellbeing

Alongside safety, we continue to place greater importance on the wellbeing of our people. We know that investing in our people and supply chain will help maintain their health, keep them energised and make them feel valued. During the year, we have done this through:

Employee engagement surveys

Engaging with our people through the Your Voice surveys. The focus this year has been on inclusion within the workplace and the experiences of our degree students, apprentices, industrial placement students and graduates.

Site visits

Visible Leadership Tours ('VLTs') from our Board, Executive Committee and senior management which involve significant employee engagement and feedback with site and project teams.

Health checks

Completion of over 40 sessions and testing over 2,000 people across our business with an external health check provider. We believe in proactively helping our people to manage their health. We have also rolled out a wellbeing training programme in addition to our existing first aid training.

Lighthouse Club

We began working with the Lighthouse Club, a construction industry charity that provides independent mental, physical, emotional and wellbeing support to workers and their families. All employees and our supply chain can access support through a 24/7 helpline, text support service and a network of people who offer a safe space to share and socialise with like-minded people in a face-to-face environment.

Culture

We rolled out a culture and behavioural programme through a series of workshops across Kier to further encourage and create a safe, collaborative and high-performing culture.

Emerging talent and Apprenticeships

We continue to invest in talent. In FY23, we had 9% of our employees undertaking formal learning programmes, including apprenticeships, graduates and leadership programmes. We are also a member of the 5% Club which supports training and development opportunities.

Apprentices

We continue to deliver apprenticeships as a key means of upskilling colleagues and bringing in diverse emerging talent to reduce the industry skills gap. In FY23 we had 646 apprentices which equates to 6% of our workforce.

50% of our apprentices are new recruits. The remaining apprentices are made up of upskilling existing employees, predominantly through our management and digital apprenticeships.

Supporting our workers

Kier is a company supporter of the Lighthouse Club, which provides mental health and wellbeing support to thousands of construction workers across the UK.

Every working day in the UK and Ireland, two construction workers take their own life and over 20% of recorded work-related absence in our industry is caused by stress, anxiety or depression.

Our partnership with the Lighthouse Club not only adds to the support we offer to Kier employees, but also ensures that it's accessible to thousands of people working within our wider supply chain. It offers a 24/7 emergency helpline and free translation for 200 languages – which means anyone can access emotional, financial and physical wellbeing support without a language barrier.

This offers continued access to their network of over 350 Lighthouse Beacons, which offer a safe space to share and socialise with like-minded people. The Beacons are facilitated by individuals with lived experience, who can encourage those struggling with life's problems to share their issues and, if necessary, signpost to additional support. Through our policy of offering staff two paid volunteering days each year, we are also encouraging colleagues to volunteer at the Beacons.

Protecting human rights

Strategic objective

We are committed to protecting the human rights of all those we encounter in the course of our business and in the wider communities where we operate. This commitment influences how we do business, driving ethical behaviour through our policies, procedures and governance.

Why it is important

Taking our responsibility to protect human rights seriously is the right thing to do for our people, for our customers, for our supply chain and for a strong resilient business.

Target

- Help mitigate against the risk of modern slavery in our business through awareness raising and training.

Progress in FY23

Training was undertaken by over 3,000 colleagues in FY23.

We have a number of policies which are designed to manage the risks relating to modern slavery and human trafficking, including our Operating Framework, Code of Conduct, Real Living Wage, Anti-Slavery and Human Trafficking Policy, Employee Handbook, Strategy for Responsible Procurement and Whistleblowing Policy.

Our modern slavery statement which is available on our website sets out where we are and what we have done to monitor and enhance the effectiveness of our actions against modern slavery and human trafficking.

During the year we established a working group with representation from each of our business divisions to further develop our processes in this area.

Procedures

The risks relating to modern slavery and human trafficking can apply anywhere in our operations, whether through direct employment, subcontracted employees or the supply of materials or services. We require our suppliers and subcontractors to ensure that there is no slavery or human trafficking in their own supply chains. If issues are identified which are not resolved to our satisfaction, we review these with the relevant organisation(s) and take remedial action, as appropriate.

All our employees undertake regular compliance training on how to identify the signs of modern slavery.

We also continue to offer training to our supply chain.

During the year, we completed a number of external ethical labour audits. We have used the findings to improve our processes going forward.

Building for tomorrow

"Building for tomorrow ensures that we continue to drive future-focused Kier initiatives both within the Group and externally."

Strategic objective

Drive innovation for our stakeholders, industry and communities.

Why it is important

Building for Tomorrow ensures that we continue to drive future-focused Kier initiatives both within the Group and externally. We learn from best practice in other organisations to better support our clients, supply chain and colleagues to deliver on their sustainability ambitions.

Targets

- Establish Kier as a leading sustainability business within the built environment and beyond; and
- Develop partnerships to drive forward sustainability initiatives.

Progress in FY23

Alternative fuel sourcing and innovation

Hydrogen trials

We have undertaken a green hydrogen generator trial in our Construction business. The trial delivered a proof of concept, to demonstrate that such technology could be adopted as supply of green hydrogen increases. In addition, our Transportation business continues to work with the supply chain on hydrogen technology and is currently undertaking a feasibility study for the UK's first hydrogen powered depot.

Sourcing sustainable hydrotreated vegetable oil ('HVO')

We are contributing to an industry research exercise alongside our peers, fuel supply chain and clients to deliver a due diligence framework that supports the assessment of HVO sustainability across the construction sector. In the meantime, we have paused any increase in the use of HVO and continue to prioritise other fuel reduction initiatives.

Green Revenue classification

The FTSE Russell's Green Revenues Classification System identifies company revenue from products and services contributing to a global green economy. For the first time this year, we have identified qualifying green revenue from each of our divisions in all 3 tiers:

- Tier 1 – Clear and significant environmental benefits
- Tier 2 – Limited but net positive environmental benefits
- Tier 3 – Some environmental benefits but are overall net neutral or negative

Green Economy Mark (FY23 FTSE Russell Green Revenues Classification)

Code	Micro-Sector	Green Tier	Description	£000's
ES.03.0	Smart City Design & Engineering (General)	2	Revenue generating activities related specifically to the design, development, manufacture or installation of products and services that allow cities to use IT and communication technologies to operate at a significantly higher resource efficiency level.	£87,008
EM.01.0	Buildings & Property (Integrated) (General)	1	Revenue generating activities related specifically to the design, development, manufacture or installation of energy and other resource efficient products and services for use in residential, commercial and municipal buildings. Products include those that contribute to international certification standards such as LEED and BREEAM and can include entire buildings.	£1,077,965
EM.06.0	Lighting (General)	1	Revenue generating activities related specifically to the design, development, manufacture or installation of energy efficient lighting.	£9,922
EQ.07.0	Nuclear (General)	3	Revenue generating activities related specifically to the development, processing, production and distribution of equipment and plants engaged in the supply of power generation that harnesses the energy present within atomic nuclei or their components.	£55,053
EG.08.0	Solar (General)	1	Revenue generating activities related specifically to the operation and supply of power generation that harnesses the power of solar radiation, such as solar photovoltaic or concentrated solar systems but excluding solar thermal heating systems.	£1,915
TE.02.1	Railway (Infrastructure)	1	Revenue generating activities related specifically to the design, construction or management of rolling stock and rail infrastructure. Activities include locomotives, rolling stock, railway infrastructure, systems and equipment (excluding infrastructure where the primary good transported is coal).	£525,524
WI.06.0	Water Infrastructure (General)	1	Revenue generating activities related specifically to the design, development, manufacture, operation or installation of products and services that enhance water infrastructure systems. This includes specialty pipes, pumps, valves, actuators, hydrants and meters activities and the development and construction of water infrastructure.	£231,537
WP.07.0	Waste Management (General)	2	Revenue generating activities related specifically to the design, development, manufacture, installation or operation of equipment and services for the collection, management and treatment of waste.	£9,804
EM.08.0	Smart & Efficient Grids	1	Revenue generating activities related specifically to the design, development, manufacture or installation of equipment and services that enhance the efficiency of operation of the electrical power network. This includes advanced meters, distributed generation, 'smart grid' technologies, high efficiency power generation, transmission and distribution technologies.	£99,824
WI.07.0	Water Treatment (General)	2	Revenue generating activities related specifically to the design, development, manufacture or installation of technologies or facilities for the separation and purification of water to meet environmental standards. This includes membranes, ultra-violet, desalination, filtration, ion exchange, biological treatment, chemical and environmental treatment.	£102,937

Total green revenue and % of total FY23 revenue		
Green Tier 1 revenue	Clear and significant environmental benefits	£1,946,688 (57.6%)
Green Tier 2 revenue	Limited but net positive environmental benefits	£199,749 (5.91%)
Green Tier 3 revenue	Some environmental benefits but are overall net neutral or negative	£55,053 (1.63%)

Sustainably delivering infrastructure vital to the UK

The COP26 and COP27 UN Climate Change Conferences highlighted that global greenhouse gas emissions continue to grow, with a requirement for them to peak before 2025 and drop by 43% by 2030 if we wish to limit global warming to 1.5°C and prevent the worst impact of climate change to society.

To support this there is an increasing focus on businesses to contribute, to make commitments, and take action supporting this reduction. Our actions must be based on science, and we must be accountable and transparent in our climate disclosure.

At Kier, our purpose is to sustainably deliver infrastructure which is vital to the UK. In accordance with this, our success cannot come at a cost to society or the environment, and we are working to accelerate our decarbonisation and the adaption of our business to our changing climate.

We are building upon our existing sustainability framework to support this objective through the evolution of our sustainability framework, including a double materiality assessment (conducted in accordance with EFRAG guidelines (see page 45).

In 2021, we launched our pathway to net zero, which sets out how our businesses will achieve net zero carbon emissions by 2045 across our own operations and value chain.

In this report, we detail our climate-related financial disclosures consistent with all of the Task Force on Climate-related Financial Disclosures ('TCFD') Recommendations and the recommended disclosures as outlined in 'Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures' published in October 2021, including the sector-specific content from the Materials and Buildings Group. The report covers our governance of climate change and demonstrates how Kier incorporates climate-related risks and opportunities into the Group's risk management, strategic planning and decision-making processes aligned to our net zero ambition.

Recommendation	Recommended disclosures	Pages
Governance Disclose the organisation's governance around climate-related risks and opportunities	a) Describe the Board's oversight of climate-related risks and opportunities	63
	b) Describe management's role in assessing and managing climate-related risks and opportunities	63
Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material	a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long-term	65–68
	b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning	64–65
	c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	68–69
Risk management Disclose how the organisation identifies, assesses and manages climate-related risks	a) Describe the organisation's processes for identifying and assessing climate-related risks	64
	b) Describe the organisation's processes for managing climate-related risks	64
	c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management	63–64
Metrics and targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material	a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	69
	b) Disclose scope 1, scope 2, and, if appropriate, scope 3 greenhouse gas ('GHG') emissions, and the related risks	50
	c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	69

Governance

Board level oversight

Board level oversight of our climate change strategy is provided by our ESG Committee, which is led by Non-Executive Director Alison Atkinson. The Committee oversees all ESG matters and is responsible for the oversight of climate-related issues, including risks and opportunities. During the year, our sustainability leaders delivered a deep dive into climate and social value for the ESG Committee. Net zero carbon is one of the ten pillars of the Group's Building for a Sustainable World framework. The framework ensures sustainable action is driven through our core business decisions, annual budget process and our strategic objectives. The current framework ended in FY23 and as part of its evolution we have expanded this focus from Net Zero Carbon to climate action (see pages 47–50).

In addition, the Board continues to recognise climate change as a principal risk for the business and the climate-related risks we have outlined below provide further details of that principal risk and are incorporated into our risk management structure. The Group's net zero targets and commitment to the Science Based Targets initiative ('SBTi') and Business Ambition for 1.5°C provide our overall short and long-term targets for climate change management. The Board monitors our progress against these and against several underlying interim targets (see page 47) which make up our net zero transition plan. In March 2023, we submitted and began the verification process for our net zero and near-term targets with the SBTi.

Management level

Climate-related management responsibility sits with our Group Sustainability Leadership Forum ('SLF') which oversees progress against the Building for a Sustainable World framework. The Group SLF is led by the Chief Executive, who has ultimate responsibility for climate-related risks, and includes the Chief People Officer who is responsible for driving Kier's sustainability strategy, and the Group Health, Safety and Wellbeing & Sustainability Director, who is responsible for sustainability delivery and performance. The Group SLF meets quarterly and monitors risks, opportunities and progress against our sustainability KPIs, reporting to the ESG Committee.

The Group SLF is informed by a Group-wide Sustainability Management Group, which manages our broad sustainability agenda, and a Climate Working Group convened specifically to co-ordinate delivery of our climate action and carbon reduction strategies. In turn, each of our divisions has its own Sustainability Leadership Forum, made up of key cross-functional individuals from the division, responsible for achieving the Building for a Sustainable World framework objectives. The Group's climate consultant, Energise, support accurate reporting of emissions and our climate management projects, e.g., tracking fuel use and emissions, quantification of embodied carbon in materials. Each Kier division has a transition pathway to net zero.

Evolving TCFD governance

As part of the evolution of our Building for a Sustainable World framework we are reviewing our governance and decision-making structures relating to sustainability issues at all levels of our business to increase integrated management and to review broader ESG disclosures as well as climate-related risks.

TCFD Governance

Board		Executive		Management
ESG Committee (Chair: Alison Atkinson – Non-Executive Director) The ESG Committee oversees all ESG matters and is responsible for the oversight of climate-related risks and opportunities of the Group.	**Risk Management and Audit Committee ('RMAC')** (Chair: Clive Watson – Non-Executive Director) The RMAC determines principal risk appetite, assessing the effectiveness of risk management and internal control designed to mitigate the impact of the Group's operations.	**Group Sustainable Leadership Forum** (Chair: Andrew Davies – Chief Executive) Management level oversight of progress against the Building for a Sustainable World framework, including climate-related responsibilities.	**Group Risk Committee** (Chair: Stephen Milne – Group Legal and Compliance Director) Acts as the link between the business and the Board/the RMAC with respect to risk management.	**Chief People Officer** Responsible for driving sustainability and ESG strategies **Group Legal and Compliance Director** Responsible for management of strategic risks, including climate change **Group Health, Safety and Wellbeing & Sustainability Director** Responsible for sustainability delivery and performance **Group Risk Function** Provides assurance of risk management framework and policy **Group Sustainability Management Group** Manages our broad environmental sustainability agenda **Business management** Identifies and assesses risk. Oversees the management of risk within the business **Group Net Zero Carbon Working Group** Co-ordinates implementation of the Group strategy into the business streams

Strategy

Climate change is reshaping the world we operate in. Although this generates risks for our business, the transition to a net zero world also provides compelling opportunities. We outline our relevant climate-related risks and opportunities and how each impacts our activities and strategy. Our evaluation of the risks and opportunities covers all of our divisions although some risks and opportunities are specific to particular markets, and this is reflected in our assessment of magnitude.

In FY22 we produced our first TCFD disclosure, identifying six climate-related risks and five climate-related opportunities that we assessed as having potential to materially impact our business. Materiality is determined to be risks and opportunities that, when not managed properly, have the potential to significantly impact on business or value chain operations, associated environmental impact or financial performance.

We have used scenario analysis to improve our understanding of the impacts of risks and opportunities under different climate outcomes, which helps assess the resilience of our business to climate change. During FY23 we continued to assess three climate-related scenarios looking forward to 2050, but have worked with our climate consultancy to refresh and enhance these with global (CMIP5 mean model from the World Meteorological Organization) and regional (UK Climate Projections 2018 and the UK Climate Resilience Programme) physical scenario data transition scenarios.

In alignment with this scenario analysis, we have updated the time horizons of this year's materiality review to better assess risks, assessing short-term as 2023–2025, medium-term as 2026-2030 and long-term as 2031-2050. The short and medium time horizons are broadly aligned to our strategic and business risk management processes and our near-term, 2030, science-based targets. The long-term time horizon was chosen to reflect the long-term lifecycle of the buildings and infrastructure Kier constructs and maintains and in alignment with the Paris Agreement net zero 2050 targets.

Scenarios:
- An orderly transition scenario, with early action and a temperature rise of around 1.5°C in 2100 (RCP2.6)
- A disorderly transition scenario, with late action and a temperature rise of around 2°C in 2100 (RCP2.6)
- A high emission scenario, with a temperature rise of greater than 3°C in 2100 (RCP8.5)

We have quantified our risks and disclose these in line with the low, medium and high definitions for risk impact outlined in the risk management section on pages 74–83.

Our updated assessment reviewed risks to each of our operating divisions, allowing us to develop mitigation and management strategies for key market risks. Our enhanced scenario analysis and adjusted time horizons have collectively resulted in revisions to our strategic risks and opportunities identifying five material climate-related risks and four opportunities; these are identified on pages 65 and 66.

We continue to work to address the challenges caused by climate change, to transition Kier to a low carbon business and to support our supply chain and clients with their own climate priorities. Case studies outlining our climate mitigation and adaptation activities are included throughout the Building for a Sustainable World report on pages 42–61.

Finally, because of the long-term nature of some of our climate-related risks and opportunities we acknowledge the challenges associated with aligning these to financial planning corporate risk processes. We will work to address these challenges as our TCFD methodology further matures.

Risk management

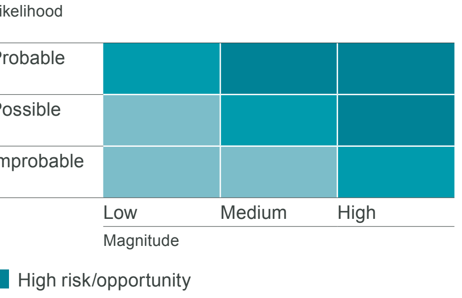
We consider climate-related risks and opportunities in all physical and transition risk categories, current and emerging, regulatory requirements whether they occur within our own operations, upstream, or downstream of the Group and whether they first occur within the short (until 2025), medium (2026-2030) or long term (2031-2050) time horizons. Climate-related risks and opportunities relevant to us were identified with the help of external consultants, CEN-ESG in FY22, being built upon and enhanced with Energise in FY23. Climate-related risks and opportunities are assessed on the existing Group risk management framework to determine their relative significance in relation to other Group risks and allow for integration into the Group risk management framework. Prioritisation of risks is primarily based on the risk score resulting from a 3x3 matrix encompassing impact magnitude and likelihood, combined with a supplemental measure of risk velocity, which provides an additional perspective to risk likelihood.

Risk and opportunity assessment

Risks and opportunities are assessed as through assessment of the likelihood and magnitude of risk.

Magnitude (quantification) is defined as:
- low (the exposure is well-understood, with a relatively low cost of mitigation, less than £10m),
- medium (risk may be tolerated provided that the benefits are considered to outweigh the consequence, £10m-£50m), or
- high (risk threatens the viability of the Group or there is a reasonable likelihood of danger to people or material reputational damage (greater than £50m).

Likelihood is defined as:
- improbable (the risk is not foreseen as likely to occur or may occur in exceptional circumstances),
- possible (a relatively infrequent occurrence for the Group), or
- probable (a relatively frequent occurrence for the Group).



The Chief Executive has ultimate responsibility for climate-related risks, and the Board has overall responsibility for risk management across the Group. The Chief Executive, Chief Financial Officer and Executive Committee carry out a quarterly risk review where the response, mitigations and controls of risks are assessed. The Group's Risk Management and Audit Committee ('RMAC') considers principal risks and reviews the effectiveness of the systems of risk management and internal control. The climate-related risk and opportunity register was reviewed and approved by the RMAC during the financial year.

Risks

Five key climate-related risks have been identified.

Risk	1. Carbon pricing mechanisms	2. Transitioning to lower emissions technology & materials	3. Increasing customer requirements & industry standards	4. Extreme weather events	5. Long-term climate impacts
Risk Rating	High	Medium	Low	Medium	Low
Type	Transition (emerging regulation)	Transition (technology)	Transition (markets)	Physical (acute)	Physical (chronic)
Area	Own operations	Upstream	Downstream	Upstream	Own operations/Upstream/ Downstream
Primary potential financial impact	Increased direct costs	Increased direct costs	Decreased revenues due to reduced demand for products and services	Increased direct costs, lost revenue and disruption	Decreased revenues due to reduced production capacity
Description	Legislation designed to reduce emissions through the application of a carbon tax to businesses and materials, expected to come into force around 2030. The highest impact is under the orderly transition with early climate action	Emerging regulations, standards, and incentives require products and materials to meet low carbon requirements. Our compliance is reliant on third-party innovation. Additionally, our net zero commitments may result in us having to turn down high emission contracts	All Kier divisions are exposed to increasing customer requirements and industry standards related to climate change. We may be at risk of losing contracts if they do not meet the latest standards or face penalties if contracts are in progress and standards are not met	We are exposed to extreme weather conditions in different ways. Extremes in temperature (heatwaves and icy conditions) can lead to damage to plant and result in unsafe working conditions. Flooding creates a risk to construction operations, including pollution risks, programme delays and necessitate changes to design	To date climate change impacts have been minimal. However, over the longer term we expect to see increasing operational risks and management costs associated with: – construction dust in summer and risks to sensitive local communities – water pollution risks in winter associated with increased rainfall – unsafe working conditions for employees, e.g. heat exhaustion
Time horizon	Medium term	Medium term	Short term	Long term	Long term
Mitigation	Kier has: – Committed to net zero scope 1, 2 & 3 operations by 2045 – Expanded our carbon design and assessment capability – Created operational decarbonisation pathways for all divisions – Committed to developing an internal carbon pricing mechanism in the next 2 years	We collaborate with suppliers, peers and clients to share the risk of developing and trialling low carbon products and materials An example this year is the collaboration relating to HVO due diligence (see page 60) In addition, a rigorous client and partner screening process ensures we choose to work with organisations whose goals are aligned to our own	We regularly engage with our clients to incorporate their carbon reduction plans into our design and planning. We report in full on our net zero processes, performance and ambition During FY23, we undertook a double materiality assessment as further align our strategy to stakeholder priorities Our Whole Life Carbon Assessment Service has been expanded, to lower project embodied and operational carbon, ahead of expected increasing client and regulatory requirements	We have integrated the UKCP18 into our scenario analysis for the first time allowing the assessment of climate risks regionally to inform management and mitigation We are using market-specific scenario analysis and risk assessments to continually improve operational risk controls During FY23 we updated our supply chain risk assessments, including the potential for disruption and increased costs from climate change	We integrate weather and climate risks into the project design and delivery schedule ensuring operations are prepared and adapted to our changing climate Our ISO 14001 certified environmental management system (EMS), across most divisions, ensures environmental risks are effectively assessed and managed In FY24 we will align our EMS to our project lifecycle management approach – enhancing operational controls at each lifecycle stage

Case studies demonstrating our progress to mitigate risks can be found through the Building for a Sustainable World report (see pages 42–61).

Opportunities

Four key climate-related opportunities were identified.

Opportunity	1. Customer demand	2. Resource efficiency and natural resources	3. Construction energy efficiency & renewable energy	4. Enhanced reputation
Opportunity Rating	High	Medium	Low	Medium
Type	Transition (products and services)	Transition (Resource efficiency)	Transition (Resilience)	Physical (Products and Services)
Area	Own operations/Upstream/ Downstream	Own operations	Own operations/Upstream	Downstream
Primary potential financial impact	Increased revenues through access to new and emerging markets	Reduced direct costs	Reduced direct costs	Additional revenue resulting from increased demand for products and services
Description	The trend towards low-carbon infrastructure, transport systems, renewable energy, and energy efficient buildings is creating a market growth opportunity for Kier including: – delivery of net zero buildings and retrofit – maintenance and repair of infrastructure – upgrades to flood defences and electrical grids	A key action to reduce our carbon footprint and mitigate higher build cost risks of lower carbon materials is by: – embracing modern methods of construction – the use of natural materials, and – resource efficient designs Realising this opportunity requires close collaboration with our client and supply chains as they can increase project duration and cost	Fleet and plant is a major operational decarbonisation focus; being predominantly fossil fuel fuelled (petrol and diesel) it accounts for 75% of our operational (scope 1 & 2) carbon footprint and is a large contributor to our supply chains operational emissions. Decarbonising heavy equipment and temporary power is the biggest opportunity to reduce operational carbon	Cultivating a reputation as a climate leader with a history of consistently going beyond compliance and delivering effective climate action across our value chain could lead to: – outperforming competitors and significant growth – an ability to attract and retain top talent – improved supply chain terms and costs
Time horizon	Short term	Medium term	Short term	Medium term
Mitigation	We have significantly expanded our in-house carbon assessment and design services. The use of regional scenario analysis (UKCP18) allows more tailored management of and response to physical climate risks and impacts	Our ISO 14001 certified management system ensures resources are managed sustainably, waste is avoided and we protect the natural environment Our in-house carbon assessment and advice service helps design out high carbon materials and identify opportunities for construction process efficiency Our continuing partnership with the Supply Chain Sustainability School provides a forum to increase supply chain skills and collaborate with our peers and clients to drive change	– We were the first major contractor to mandate battery storage units to be used alongside diesel generators – At our highway manufacturing plant we have switched our entire forklift fleet from diesel to electric – We are conducting a feasibility study examining if our highways depots can be powered using green hydrogen to fuel existing fleet, depots and equipment	During FY23 we have built a detailed understanding of our stakeholders' sustainability and climate change priorities and values as part of our double materiality assessment, aligning our Building for a Sustainable World Framework to the most material topics and our stakeholders' priorities. We regularly disclose our climate performance and supporting information through voluntary and mandatory disclosure schemes

Case studies demonstrating our progress to mitigate risks can be found through the Building for a Sustainable World report (see pages 42–61).

Significant climate-related risks and opportunities by division

Infrastructure Services

Transportation

Risks	Opportunities
Changes in temperature creating operational disruption	Reputational growth from strong performance
Physical climate impacts causing operational disruption and damage to assets	Growth in existing markets as a result of climate change

Natural Resources, Nuclear & Networks

Risks	Opportunities
Increasing fuel and energy costs	Growth customer demand for sustainability
Failure to meet client demand for climate performance	Growth in existing markets as a result of climate change

Construction

Risks	Opportunities
Changes in temperature impacting building design requirements	Growth in existing markets as a result of climate change
Exposure to carbon pricing mechanisms	Modern methods of construction

Property

Risks	Opportunities
Exposure to carbon pricing mechanisms	Growth in existing markets as a result of climate change
Increasing regulations and standards for climate resilience and carbon mitigation	Increased demand due to client onshoring associated with climate risks

Climate-related risks and opportunities by climate scenario before and after mitigation or management

Category	Climate aspect	Risk/Opportunity	Time Horizon		Scenario: **Orderly transition** ~1.5°C Early climate action/low carbon transition	Scenario: **Disorderly transition** <2°C Late climate action/low carbon transition	Scenario: **High Emissions Scenarios** >3°C No/limited addition climate/ carbon action
Transition Risks	**Emerging regulation**	Carbon pricing mechanisms	Medium term	Before mitigation	High risk	High risk	Medium risk
				After mitigation	Medium risk	Medium risk	Low risk
	Technology	Transitioning to lower emissions technology and materials	Medium term	Before mitigation	High risk	Medium risk	Low risk
				After mitigation	Medium risk	Low risk	Low risk
	Markets	Increasing customer requirements and industry standards	Short term	Before mitigation	Medium risk	Low risk	Low risk
				After mitigation	Low risk	Low risk	Low risk
Physical Risks	**Acute**	Extreme weather events	Long term	Before mitigation	Medium risk	Medium risk	High risk
				After mitigation	Low risk	Medium risk	Medium risk
	Chronic	Long term climate impacts	Long term	Before mitigation	Medium risk	Medium risk	High risk
				After mitigation	Low risk	Low risk	Medium risk
Opportunities	**Products and Services**	Customer demand	Short term	Before management	High opportunity	Medium opportunity	Medium opportunity
				After management	High opportunity	High opportunity	Medium opportunity
	Resource efficiency	Resource efficiency and natural resources	Medium term	Before management	Medium opportunity	Low opportunity	Low opportunity
				After management	Medium opportunity	Medium opportunity	Low opportunity
	Resilience	Construction energy efficiency and renewable energy	Short term	Before management	Low opportunity	Low opportunity	Low opportunity
				After management	Low opportunity	Low opportunity	Low opportunity
	Products and services	Enhanced reputation	Medium term	Before management	Medium opportunity	Low opportunity	Low opportunity
				After management	Medium opportunity	Medium opportunity	Low opportunity

High risk | Medium risk | Low risk | High opportunity | Medium opportunity | Low opportunity

Metrics and targets

We monitor and report on scope 1, 2 & 3 greenhouse gas ('GHG') emissions as well as energy consumption. The calculation of our carbon footprint is in line with the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard, as reported on pages 48–50.

The Group's Building for a Sustainable World strategy provides a framework to manage climate-related risks and opportunities at Group and divisional levels.

The strategy contains clear targets associated with climate action which are SBTi aligned and in line with the UK Government's commitment to net zero by 2050.

Additional controls, actions and targets are in place for broader sustainability topics, including targets relating to water and waste reduction, as outlined between pages 51 and 52.

During FY24, as we progress the implementation of the evolved Building for a Sustainable World framework we will:
- Undertake nature and water materiality exercises; aligned to the TNFD LEAP methodology this will support the setting of long-term metrics and targets.
- Enhance our social value calculation methodology to more fully reflect the value of our climate, nature and waste actions

Scenarios

We have analysed and quantified how each of our climate-related risks and opportunities behaves under the three scenarios outlined in the table below. When taken in aggregate, we concluded that our risk management strategies, strategy, disclosure, and ambition make our business resilient to climate change. We will continue to develop our analysis as new data is made available both internally and externally and we will continue to monitor our climate exposures and action plans through Kier's risk management framework, governance structure, and with support from our climate partner, Energise. The opportunities identified continue to be developed in line with the Group strategy and objectives.

Scenario	Temperature range	Source	Overview
Orderly transition	Global temperatures rise of well below 2°C by 2100	– REMIND-MAgPIE 1.7–3.0 – Immediate 1.5°C with CDR (Orderly, Alt)[1] – IPCC[2] – UKCP18 RCP 2.6[3] – CMIP5 RCP2.6[4]	A co-ordinated global low carbon transition, which limits the global temperature rise to 1.5°C by 2100 from pre-industrial levels. It assumes current net zero pledges are achieved in full and there are extensive efforts to realise near-term emissions reductions. This includes clear and consistently implemented government policies. This scenario includes a carbon price pathway of \$135–\$6,050 USD/tCO_2e in 2030, and \$245–\$14,300 USD/tCO_2e in 2050.[2] Under this scenario physical risks are reduced within increased risks and opportunities relating to transition.
Disorderly transition	Global temperatures rise of less than 2°C by 2100	– REMIND-MAgPIE 1.7–3.0 – Delayed 2°C with CDR (Disorderly, Alt)[1] – IPCC[2] – UKCP18 RCP2.6[3] – CMIP5 RCP2.6[4]	A more conservative pathway, where it is not taken for granted that governments will reach all announced goals. This scenario is based on current policies that are projected to result in a 2°C temperature increase by the end of the century. Because the transition is delayed there must be more severe action to compensate. Carbon prices increase to \$135–\$6,050 USD/tCO_2e in 2030, and \$245–\$14,300 USD/tCO_2e in 2050.[2] Under this scenario physical risks and opportunities occur earlier, and transitions impacts are more severe due to delayed action.
High emissions scenario	Global temperatures rise of greater than 3°C by 2100	– REMIND-MAgPIE 1.7–3.0 – Nationally determined contributions (NDCs) (Hot house world, Alt)[1] – IPCC[2] – UKCP18 RCP8.5[3] – CMIP5 RCP8.5[4]	A 'high emission' climate change scenario, with limited climate action beyond current levels and energy intensive growth and increasing fossil fuel consumption throughout the century. Carbon prices are limited to \$15–\$220 USD/tCO_2e in 2030 and \$45–\$1,050 USD/tCO_2e in 2050.[2] High physical climate risks are expected (extreme weather), with limited transition risks and lower opportunities for low carbon growth.

1. REMIND-MAgPIE. REgional Model of INvestments and Development.
2. IPCC (2018) Synthesis Report (SR1.5). Global warming of 1.5°C.
3. UKCP18: UK Climate Projections 2018 (part of the Met Office Hadley Centre Climate Programme).
4. CMIP5 mean model from the World Meteorological Organization.

Engaging with all our stakeholders

Our business performance comes from the contribution of both our internal and external stakeholders.

Our values contribute to Kier benefitting all of them and our approach to each one are set out here.

Our shareholders, customers, colleagues, supply chain partners, UK Government, banks, lenders, sureties and insurers, pension trustees and joint venture partners are all key stakeholders. We connect with them at all levels of our business through our frontline operations, support teams and our businesses, our senior leadership team, the Executive Committee and the Board and its committees.

We engage with stakeholders in lots of different ways – from virtual meetings and conferences to reviews, forums and webcasts. To understand how well we are re engaging with different groups, the Board and its Committees receive regular updates and use them to make better decisions, and provide feedback and constructive challenge on activities, programmes and initiatives being considered.

Shareholders

The owners of the Group backed Kier with significant investment during the 2021 capital raise and therefore engagement with them is very important.

Their expectations are:

– to generate long-term sustainable shareholder returns through the execution of our strategy.

What we have done

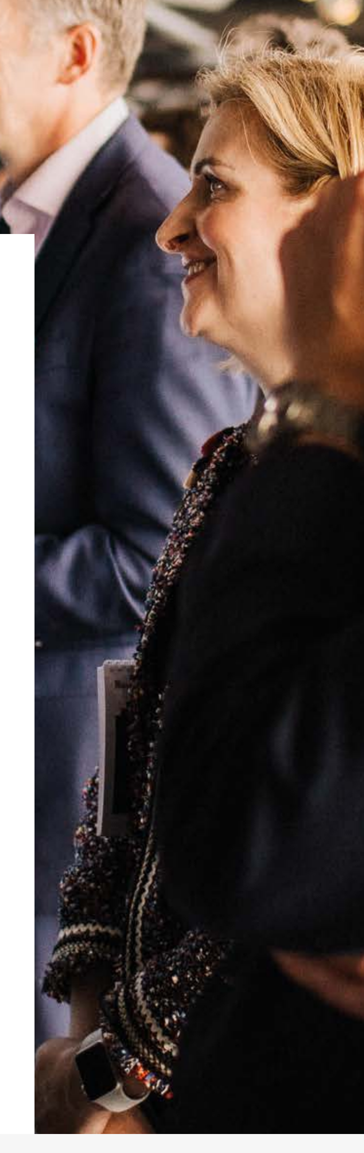
We communicate regularly with shareholders through our website, the Annual Report, trading statements and we held a site visit to see some of the work we are delivering for HS2.

During the year we held an AGM which afforded a chance for the Board to meet and engage with shareholders in person.

We manage relationships with institutional investors through an investor relations programme. It includes one-to-one conversations, roadshows, group meetings, conferences and industry events. We will also be reaching out to retail investors going forward.

During the year, our Chairman, Matthew Lester met investors to discuss corporate governance related matters and our new Remuneration Committee chair, Margaret Hassall consulted extensively with our largest shareholders to help shape the Directors' Remuneration Policy ahead of the 2023 AGM.

The Board receives regular reports on shares being bought and sold, share price performance and how we are engaging with institutional investors and analysts.



Customers

Our business is based upon long-term regional relationships which supports our work winning at a local and national level with the UK Government, regulated customers and blue-chip clients. We aim to meet our clients' and customers' expectations including pricing and scope of work with a risk-disciplined approach.

Their expectations are:

- to deliver projects on time and to budget using our workforce, design and project management skills. We aim to meet our clients' and customers' expectations including pricing and scope of work with a risk-disciplined approach
- supporting our customers achieve their environmental and social value commitments.

What we have done

We ensure that the Group maintains good relationships with key customers at a local level and consistently meets clients' expectations on project delivery.

Given the evolving needs of our clients, we recently re-aligned our Infrastructure Services segment from three segments into two: Transportation and Natural Resources, Nuclear & Networks. We believe this aligns our capabilities, skills and expertise to those of our customers.

The Group is a strategic supplier to the UK Government. Accordingly, we regularly report to the Cabinet Office to ensure we meet their requirements.

In addition, the Board receives regular reports covering customer feedback and we also measure our performance through customer satisfaction surveys.

Colleagues

Kier is a people-based business and our performance as a Group depends upon our ability to attract and retain a dedicated workforce of c.10,000 employees.

Their expectations are:

- our workforce is skilled, motivated and competitively compensated
- the safety, health and wellbeing of all our employees is our number one priority, and it remains of paramount importance
- we have policies and programmes in place to provide an inclusive work environment.

What we have done

The Board receives regular updates from the Chief Executive and the Chief People Officer on our colleagues, progress against key people strategy initiatives, culture and overall sentiment within the organisation.

- **Cost of living crisis** – the Group accelerated the application of the Real Living Wage from April to January, for c.850 people and we are working to extending this to all those employed on a Kier site. Kier employees received, on average, a c.4% pay rise in FY23 and we intend to offer a further payrise of up to 5% in FY24.

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

- **Inflation support payment** – we awarded c.800 employees with an inflation support payment of £300 in November 2022. This payment was in addition to the pay increases noted above and was targeted to provide financial support to those who we believe are most challenged with the high increases in food, energy and household bills
- **Enhanced sick pay** – we have also implemented enhanced sick pay terms for our lowest paid employees, providing them with increased financial peace of mind if they are absent from work due to sickness
- **Financial support** – financial support for employees is always an important area and has been magnified by the cost of living pressures. For our workforce that need additional financial support we have introduced support and guidance in the form of Salary Finance. It provides education and a savings option through HMRC's Help to Save scheme as well as responsible loans.
- **Mortgage advice** – we have arranged a bespoke service, providing our employees with free professional mortgage and financial advice.
- **Safety improved** – the Group's 12-month rolling Accident Incident Rate ('AIR') in FY23 of 88 represents an decrease of 23% compared to FY22 and indicates the focus given to it during the year and our approach to risk is improving our safety management.

- **D&I** – In October 2022 we completed an inclusion pulse survey of our people where 62% of our people stated they believe that Kier is making progress in creating a more inclusive workplace. There are seven Employee Networks, voluntary groups of employees that come together periodically based on shared identity or life experiences. They create a supportive environment to bring people together. During the year, our Employee Networks have continued to grow and are fundamental to the delivery of the roadmap. There are now over 900 employees engaged in the networks, which is over 9% of employees. Our networks have at least one Executive Committee sponsor and are committed to creating a diverse and inclusive workplace through clear action plans.
- Health, wellbeing and training remain critical to the future of the Group. As well as continued engagement surveys, both the Board and Executive Committee visited many of the Group's sites and locations to encourage engagement. Our employee engagement score has increased to 65% (FY22: 58%) and at least 50% of our colleagues feel emotionally engaged with Kier. We also arranged health checks across Kier reaching over 2,000 people. We started working with the Lighthouse Club, a Construction charity providing independent mental, physical, emotional and wellbeing support. We continue to invest in training, with 9% of our workforce in a formal learning programme. In FY23 we had 646 apprentices which equates to 6% of our workforce and 50% of our apprentices are new recruits. This is recognised through our continuing membership of the 5% Club.

Supply chain partners

Our supply chain partners are key to the success of the Group. They help us deliver our projects. It is important that the Group has an ethical, sustainable and resilient supply chain.

Their expectations are:

- pay them in line with our agreed terms
- collaborate with them to benefit all stakeholders
- help them optimise their own supply chains.

What we have done

During the year, we have focused on investing in our supply chain partners through two key methods – training and prompt payment.

Kier is a founding member of the Supply Chain Sustainability School which is available to everyone who works in the construction, facilities management, homes and infrastructure sectors. It covers such topics as Waste & Carbon, Fairness, Inclusion and Respect and The Modern Slavery Act as well as many more sustainability issues.

During the year, our supply chain attended over 3,000 workshops and completed over 5,000 hours of continuing professional development and training though the schools resources.

In the Payment Practices and Reporting submission covering the period from 1 January 2023 to 30 June 2023, the Group's average payment days were 34 days (H1: 34 days) and the percentage of payments made to suppliers within 60 days was 85% (H1: 87%).

We are committed to further improvements in our payment practices and continue to work with both customers and suppliers to achieve this. We are fully committed to complying with the 30-day payment requirements for small and medium sized firms. To further support local supply chains we have spent c.69% of expenditure with small-and-medium-term enterprises ('SME's') on public sector frameworks.

UK Government

As a strategic partner to the UK Government and a key supplier to UK regulated asset owners we are vital to building and maintaining infrastructure. In addition, we also support them in achieving their environmental and social value targets.

Their expectations are:

- invest in skills and capability aligned to their investment in infrastructure priorities
- assist in the delivery of their net zero carbon agenda and social value commitments
- provide value for money solutions.

What we have done

As one of the UK Government's strategic suppliers we regularly engage with representatives of the Cabinet Office.

We also participate in stakeholder receptions, workshops, roundtables, organise site visits and official site opening ceremonies with representatives of UK Government agencies and departments such as the Department of Education, Infrastructure Projects Authority, Department for Business and Trade, Department for Transport and the Ministry of Justice.

Banks, lenders, sureties and insurers

As providers of banking, debt facilities and other financial support they are key stakeholders unpinning the growth of the group.

Their expectations are:

- commitment to generate cash from operations and strengthen the balance sheet
- meet our covenant obligations.

What we have done

The Group's management has regular meetings with our financial partners, ensuring they have confidence in the financial performance and position of the Group. We report our covenant calculations every six months.

The Group ensures effective cash forecasting and working capital management through quarterly reviews, monthly management accounts and daily monitoring of our financial position.

Pension trustees

The trustees are responsible for ensuring our colleagues' pension schemes are run properly and that the benefits for the members are secure.

Their expectations are:

- Kier continues to fulfil our commitments under the deficit reduction plan
- that clear and open communication is maintained between trustees and the Group.

What we have done

The Group has continued to make agreed deficit reduction payments as agreed and regular meetings between the Group and the trustees have been maintained.

During the period we agreed the latest triennial actuarial valuations or the Kier Group and May Gurney schemes, both for 31 March 2022. This has resulted in a reduction in deficit payments going forward given Kier's improved financial position and the level of payments made over the last two years.

Joint venture partners

In order to ensure that we offer our customers the best solutions we often use joint venture partners to deliver projects, particularly on complex large-scale infrastructure projects. In addition, the Property business will often form joint ventures with public and private sector bodies.

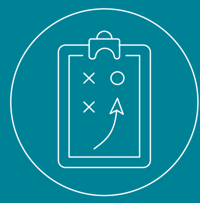
Their expectations are:

- Kier and the partner work together to deliver the agreed project outcome
- risks to be shared and mitigated.

What we have done

The Group continues to successfully deliver our section of High Speed 2 through our EKFB joint venture with Eiffage, Ferrovial and BAM.

We ensure that there is regular communication with the delivery partners to ensure that we meeting the expectations of the UK Government.



Oversight

The Board retains overall responsibility for how the Group manages risk and for the Group's systems of risk management and internal controls. The Board determines its appetite with respect to the Group's principal risks and, via the Risk Management and Audit Committee ('RMAC'), assesses the effectiveness of the systems of risk management and internal control which are designed to mitigate the impact of those risks on the Group's operations. The Board reviews risk as part of its strategy development sessions.

Risk management process

Group risks are assessed quarterly, agreed with risk owners and reported to the Group Risk Committee and RMAC. In addition, a risk management refresh is carried out with the Executive Committee annually. The business division commercial teams continue to ensure that the risk management principles of the Group are reflected within their operations and manage the process to allow the Group Risk Committee to consider both top-down and bottom-up risks.

Risk assessment and risk appetite

The Board undertook a review of the Group's principal and emerging risks (aligned to Kier's strategic actions), together with its appetite for the nature and extent of the risks that the Group is willing and able to take including those that would threaten its business model, future performance, solvency or liquidity, so as to inform the parameters within which the business is authorised to operate. Risk appetite qualitative statements provide further risk context and standards of mitigation from which they can be reported and monitored against. In addition, risk opportunities are also articulated and reviewed.

Key Risk Indicators ('KRIs') are used to evidence if a risk is improving or deteriorating in terms of likelihood and impact. KRIs have clear tolerance levels and are monitored and reported against each of the Principal Risks and Uncertainties ('PRUs'). This information is included in the reports to both the Group Risk Committee and the Risk Management and Audit Committee.

Risk management continues to remain at the heart of our operational delivery. Our risk management framework, which is based on the three lines of defence operating model, ensures we identify and manage the evolving internal and external risk landscape collaboratively with our clients. Further developments have been made throughout the year to the risk management framework – in particular, improvements in risk management reporting.

Three lines of defence operating model

01 Business teams

- Design and own operational risk and compliance frameworks
- Identify, assess, manage, monitor and report risks/issues controls and action plans

02 Risk & Compliance

- Design strategic risk and compliance frameworks
- Monitor adherence to the risk and compliance frameworks
- Provide support and challenge to the first line
- Monitor and report on risk

03 Internal Audit Team

- Independently review first and second lines of defence
- Deliver assurance over risk management frameworks

Our risk management process

Board
As part of the Board's overall responsibility for risk, there is a structured flow of risk information for its notification and approval. The Board is provided with regular updates on risk management of critical contracts, ensuring effective awareness of risk management actions.

Group Risk Team
Provides risk challenge and support to the first line teams and provides a Group-wide risk update on principal and emerging risks. In addition, the team provides assurance over the risk management framework and policy and consolidates risk information and reports across the Group, monitoring risk and response plans.

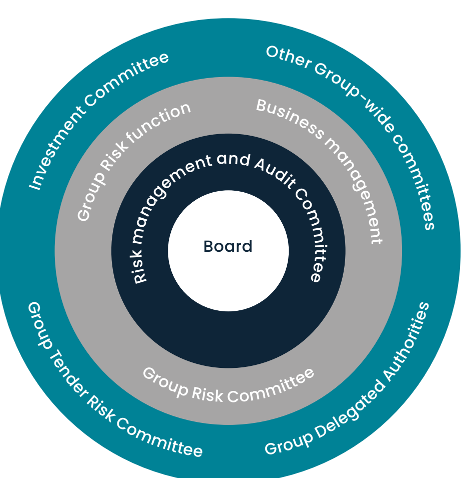
Internal Audit Team
Internal Audit supports the Group through independent review and objective assessment, and by promoting and supporting continuous improvement in the quality of business operations, the control environment and overall risk management.

Business management
Responsible for risk management frameworks, risk policy and processes. Commercial Directors, Group function heads and risk owners are on point for identifying, assessing, managing and mitigating current and emerging risks, and are pivotal in ensuring the right cultures and behaviours are demonstrated throughout business divisions.

Risk reporting and insight
The Group reviews its operations through the Executive Committee, Group Risk Committee, PRUs and operational risk processes to identify both risk and opportunities. Risk and internal audit support each other by reviewing the effectiveness of any changes made within operations to mitigate risks or benefit from opportunities.

"Group risks are assessed quarterly, agreed with risk owners and reported to the Risk Committee and RMAC. In addition, a risk management refresh is carried out with the Executive Committee annually."

Our risk management framework



Board
Overall responsibility for risk management across the Group and oversight of the internal control framework. Assesses the principal and emerging risks facing the Group and its appetite with respect to those risks. Sets the Group's culture relating to risk management.

Risk Management and Audit Committee
Responsibility for overseeing the management of the Group's systems of risk management and internal control.

Group Risk Committee
Acts as the link between the business and the Board/the RMAC with respect to risk management.

Business management
Identifies and assesses risk. Oversees the management of risk within the business.

Group risk function
Consolidates risk information, reports across the Group and monitors risks and response plans.

Investment Committee
Reviews risks relating to the Group's investment decisions.

Other Group-wide committees
In particular the Group Information Security Board and Group Sustainability Leadership Forum consider risks as part of their regular discussions and agendas.

Group Tender Risk Committee
Provides independent review and risk mitigation recommendations in relation to trading opportunities and tenders undertaken by all Group businesses.

Group Delegated Authorities
The Board delegates the responsibility for the day-to-day management of Kier and its subsidiaries to the Executive Directors and other members of Kier Group's management, as set out in the Group's Delegated Authorities.

Principal risks and uncertainties

Introduction

During the year, the Board identified the PRUs facing the Group and assessed its appetite with respect to each PRU. Understanding the Group's risk profile, and how the Group manages risk, is central to the Board's decision-making process.

The Board's assessment of risk

The Board's assessment of the PRUs facing the Group; their potential impact, the mitigating actions proposed in respect of each risk, the change in risk profile during the year (in terms of impact and likelihood), and an indication of the Board's risk appetite for each risk are summarised in the Risk heatmap opposite. The risks are not listed in any order of priority. Risks are plotted on a net basis, including current mitigations.

Changes to the principal risks and uncertainties

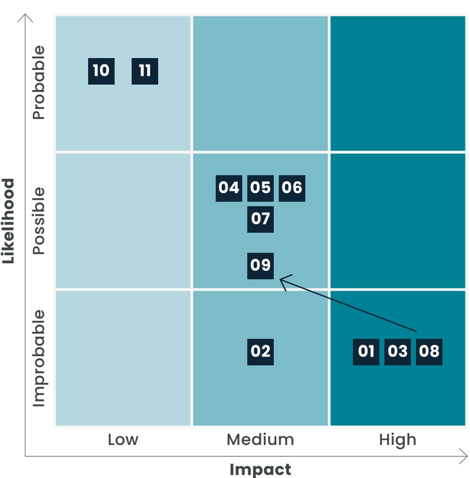
Last year's principal risks and uncertainties remain with one change to the IT security, resilience, cyber and data protection risk likelihood moved to 'possible' from 'improbable' and impact to 'medium' from 'high'. The key reasons for the likelihood change were the increase in cyber attacks generally across all organisations and heightened alerts globally. The impact of the risk has reduced through increased cyber risk mitigations across various areas.

We have reassessed our risk appetite in relation to macroeconomic risk from low to medium given that the current UK macroeconomic climate provides opportunities for Kier to capitalise on the UK government's infrastructure investment strategies.

Risk heatmap

The list below sets out the Group's principal risks and the Board's appetite with respect to each risk:

		Risk appetite
01	Health and safety	Low
02	Legislation and regulation	Low
03	Funding	Low
04	Maintaining an order book within selected markets	Low
05	Contract management	Low
06	People	Medium
07	Supply chain	Low
08	Strategy	Low
09	IT security, resilience, cyber and data protection	Low
10	Climate change	Medium
11	Macroeconomic	Medium



Risk appetite

Low – the Company has a very low appetite for risk that is likely to have adverse consequences and aims to eliminate, or substantially reduce, such risks.

Medium – the Company has some appetite for risk and balances its mitigation efforts with its view of the potential rewards of an opportunity.

High – the Company has a greater risk appetite where there is a clear opportunity for a greater than normal reward.

Impact

Low – The exposure is well understood with a relatively low cost of mitigation.

Medium – risk may be tolerated provided that the benefits are considered to outweigh the costs.

High – risk threatens the viability of the Group or there is a reasonable likelihood of danger to people or material reputational damage.

Likelihood

Improbable – the risk is not foreseen as likely to occur or may occur in exceptional circumstances.

Possible – a relatively infrequent occurrence for the Group.

Probable – a relatively frequent occurrence for the Group.

Principal risk	Description	Impact/actions

Health and safety

Level of impact
High

Risk status
No change

Risk owner
Chief People Officer

Link to strategic action
– Disciplined growth
– Consistent delivery

Board risk appetite
Low

Failure to maintain a safe working environment and prevent a major incident

The Group's operations are complex and potentially hazardous and require the continuous management of health, safety, wellbeing and sustainability matters.

Risk appetite rationale

Safety is, and will always be, our licence to operate. The health and wellbeing of our people has a direct impact on our operations. The Group will always have a low appetite for risk when it comes to protecting our most important asset, our people.

Risk appetite statement

We create and enable a working environment which ensures the health, safety and wellbeing of all our valued employees and stakeholders. We continue to maintain the various environments within which we operate.

Potential impact

- An increase in safety or environmental incidents on site
- The failure to meet clients' expectations, adversely affecting the ability to bid for and win new work
- Financial penalties arising from fines, legal action, and project delays
- An unhealthy employee population with heightened risk of stress resulting in greater levels of absence and less operational resilience.

Mitigating actions

- Focusing on the proactive approach to risk management including the creation of major risk groups specific to each business
- Simplifying our safety documentation making it easier for our people to access and understand and freeing them up to proactively manage safety on our projects
- Process put in place to enable greater lessons learnt sharing from incidents and high potential incidents
- Continued focus on the five safety, health and environment basics
- Embedding the four strategic pillars and associated objectives of the Health, Safety & Wellbeing strategy (behaviour, operational safety, health and wellbeing and engineering safety)
- Setting a tone from the top, through activities such as senior management visible leadership tours
- Ongoing roll-out and embed of the culture programme which recognises healthy behaviours.

Principle risks and uncertainties continued

Principal risk	Description	Impact/actions
Legislation and regulation **Level of impact** Medium **Risk status** No change **Risk owner** Group Legal & Compliance Director **Link to strategic action** – Disciplined growth – Consistent delivery – Generate cash **Board risk appetite** Low	**Failure to comply with and manage effectively current legislation and regulation, and any changes to them** The sectors in which the Group operates are subject to increasing scrutiny from stakeholders, oversight from regulators and requirements including those introduced by new legislation or regulation. **Risk appetite rationale** To operate in our chosen markets, Kier must comply with all applicable legislation and regulation. To win high quality work from our intended client base we must be able to demonstrate compliance. Therefore, it is fundamental to Kier's continued success that we remain compliant. **Risk appetite statement** We ensure compliance with legal and regulatory requirements and continue to identify and plan for the implementation of new requirements via horizon scanning and subsequent policy/procedure implementation.	**Potential impact** – Penalties for failing to adhere to legislation or regulation – Increased operating costs of compliance – The loss of business – Reputational damage. **Mitigating actions** – Appropriate policies that are regularly reviewed and relevant training and awareness programmes to support policy implementation – Regular engagement with Government and Government agencies with respect to the Group's continued compliance – Monitoring of, and planning for, the impact of new legislation and regulations – Collaborative engagement with external stakeholders.
Funding **Level of impact** High **Risk status** No change **Risk owner** Chief Financial Officer **Link to strategic action** – Disciplined growth – Consistent delivery – Generate cash **Board risk appetite** Low	**Failure to maintain adequate financial liquidity and/or comply with financial covenants** Failure to maintain adequate financial liquidity and/or comply with financial covenants resulting in an inability to execute the Group's strategy effectively. **Risk appetite rationale** Our risk appetite is low as having access to committed funding is critical to ensuring operational stability. **Risk appetite statement** Ensuring the Group operates responsibly within its agreed borrowing covenants is a key component of the Group's financial planning and monitoring processes. The Group is targeting a sustainable net cash position in the medium term.	**Potential impact** – The loss of confidence by other stakeholders (for example, investors, clients, subcontractors and employees) – Conducting existing business becomes increasingly challenging – The loss of future business. **Mitigating actions** – Effective cash forecasting and working capital management in combination with continued monitoring and prudent financial planning to ensure cash generation and covenant compliance is maintained – Continued collaborative engagement with key stakeholders – Through financial planning the Group ensures that appropriate levels of headroom under committed facilities and their financial covenants are in place to accommodate reasonable downside – The Group's revolving credit facility is scheduled to expire in January 2025. The Board is confident in the Group's ability to access a number of available funding markets to achieve an appropriate capital structure and would expect to complete its re-financing in the current financial year.

Principal risk	Description	Impact/actions
Maintaining an order book within selected markets **Level of impact** Medium **Risk status** No change **Risk owners** Group Managing Directors **Link to strategic action** – Disciplined growth – Generate cash **Board risk appetite** Low	**A general market or sector downturn materially and adversely affects the Group's ability to secure work – UK Government spending, certainty and timing, including competitiveness of the current market** The Group strategy sets out specific sectors that it wishes to trade within. The pipeline of work could be adversely affected by a general or sector downturn or cause a delay to projects going to site. **Risk appetite rationale** Low appetite to move away from our selected markets because of the higher risk of securing loss making projects and the additional costs associated with serving too many sectors. **Risk appetite statement** We are disciplined by operating in selected markets where opportunities are right for us in terms of our skills, expertise and suitability – enabling optimal delivery and benefits for our stakeholders.	**Potential impact** – A failure of one or more of the Group's businesses – Increased competition for new work – A decrease in stakeholder confidence in the Group. **Mitigating actions** – To continue to secure long-term frameworks within each of our business divisions – Tailoring the Kier offer to meet customer needs – Maintaining an efficient cost base.
Contract management **Level of impact** Medium **Risk status** No change **Risk owners** Group Managing Directors **Link to strategic action** – Disciplined growth – Generate cash **Board risk appetite** Low	**Failure to manage contracts effectively throughout the project lifecycle** The business suffers a significant loss as a result of failing to adequately undertake bidding, design, mobilisation, delivery and handover (including any remediation works). **Risk appetite rationale** The Group has a low risk appetite in relation to tender and change management because of the increased risk of a loss making project or unacceptable WIP. **Risk appetite statement** We are disciplined with our project selection to ensure we select projects under frameworks or with clients who provide repeat business. We then proactively manage contracts at each stage of a project's lifecycle gateway. Frameworks, policies and standards are in place and are consistently effective throughout the business.	**Potential impact** – A failure to manage project delivery and WIP and, ultimately, to meet the Group's financial targets – The Group incurring losses on individual contracts – The Group failing to win new work because of reputational impact. **Mitigating actions** – Tender peer review through the Group Tender Risk Committee – Kier standards for contract amendments – Commercial Handbook explains how we manage change – In-built escalation to identify unacceptable levels of unagreed change.

Principle risks and uncertainties continued

Principal risk	Description	Impact/actions
People **Level of impact** Medium **Risk status** No change **Risk owner** Chief People Officer **Link to strategic action** – Disciplined growth – Consistent delivery – Generate cash **Board risk appetite** Medium	**Failure to attract and retain key employees** The Group's employees are critical to its ability to deliver the medium-term plan. The Group needs to identify, retain and motivate people with the right skills, experience and behaviours and to identify tomorrow's leaders. **Risk appetite rationale** While there are market fluctuations outside of our control, we have appetite for people risk to a degree. We have strong mitigating controls and actions to ensure a workforce with strong competencies, skills and capabilities. **Risk appetite statement** We develop a workforce with the required competencies, skills and capabilities to deliver our business plan. We ensure we have a compelling employee proposition to ensure people are attracted, developed and retained in order to deliver operations.	**Potential impact** – An adverse effect on the delivery of the Group's purpose and strategy – A lack of operational leadership, potentially leading to poor project performance – An erosion of the Group's employer brand. **Mitigating actions** – Rollout of culture programme across the business – People strategy aligned to the medium-term business plan – Diversity and Inclusion roadmap – Health, safety and wellbeing strategy – Management and leadership development offer – Roll out of Being a Kier Manager/line manager training – Listening to feedback from employees, including the use of engagement surveys – Creating an effective, inclusive work environment, through our Performance Excellence culture.
Supply chain **Level of impact** Medium **Risk status** No change **Risk owner** Chief Financial Officer **Link to strategic action** – Disciplined growth – Consistent delivery **Board risk appetite** Low	**Failure to maintain effective working relationships with the supply chain, supply chain insolvencies, capacity, pricing, inflation volatility** The Group relies upon its partners for the delivery of its projects. Maintaining a close working relationship is a priority for the Group. **Risk appetite rationale** We have a low appetite to exposing ourselves to unmanageable supply chain risk because of the impact on our ability to deliver to customers. **Risk appetite statement** We continue to have positive relationships with our supply chain and subcontractors. They are risk assessed and vetted for good financial and reputational standing. We have a strong relationship with our suppliers and product associations and maintain a constant dialogue over the availability of products and alternatives.	**Potential impact** – Unavailability of appropriate resources, impacting on project delivery and cost – Use of suppliers from outside the preferred supplier list increases cost and decreases quality – Poor relationships lead to lack of confidence in the Group and adverse publicity. **Mitigating actions** – Continuing updating the Kier subcontract to reflect the principles of the Construction Playbook – Placement of a Procurement Director directly into Construction and Transportation divisions to deliver their supply chain management strategy, the review of Procurement personnel in other divisions is ongoing – Continued focus to meet prompt payment reporting requirements – Further use of the shared service centre and division resources to channel spend and reduce risk – Continued support of security software and investigate right to work module for further risk reduction across the business.

Principal risk	Description	Impact/actions
Strategy **Level of impact** High **Risk status** No change **Risk owner** Chief Executive **Link to strategic action** – Disciplined growth – Consistent delivery – Generate cash **Board risk appetite** Low	**Failure to deliver the Group's strategy** The Group fails to deliver its strategy in terms of medium-term targets – £4bn-4.5bn turnover, 3.5% margin, 90% cash conversion and a net cash balance. **Risk appetite rationale** Delivery of the Group's medium-term targets is critical to delivering our investment case. **Risk appetite statement** We have business plans that underpin the medium-term value creation plan. All of our operational performance management reviews are geared towards the achievement of this plan. Performance Excellence is in place to ensure we have the necessary focus on those capabilities to meet the strategic plan.	**Potential impact** – An adverse impact on the Group's net debt and liquidity – Failure to secure positions on national and regional frameworks – Failure to meet stakeholders' expectations may lead to a decline in confidence in the Group. **Mitigating actions** – Delivery of the balance sheet strategy – Maintaining a well bid order book – Delivery of project performance – Delivery of our Performance Excellence culture – Continued focus on cash management – Effective communication with stakeholders.
IT security, resilience, cyber and data protection **Level of impact** Medium **Risk status** Impact has moved from high to medium and the likelihood has moved from improbable to possible. **Risk owner** Chief Information Officer **Link to strategic action** – Disciplined growth – Consistent delivery – Generate cash **Board risk appetite** Low	**Kier is exposed to IT security, resilience, cyber and data protection incidents** Failure to keep up to date with the modern attack landscape as well as protecting infrastructure from current conventional cyber/loss of data risks. **Risk appetite rationale** We need to hold and send data related to our people and our clients. The geopolitical pressures have increased the level of UK exposure to state sponsored events and ransomware sophistication, so we are at a heightened state of vigilance in relation to a cyber attack. **Risk appetite statement** We ensure that effective security is in place to prevent the loss of data/sensitive information or assets. Any potential loss of data regarding key IT infrastructure and systems is carefully protected against, including cyber-attack counter measures.	**Potential impact** – Operational impact – e.g., delivery of projects, key systems outage, failure to win work, loss of confidential and/or other data – Financial impact – regulatory fines/prosecutions – Reputational/brand damage. **Mitigating actions** – Staff mandatory training, awareness and phishing campaigns – Vulnerabilities, access and incident management – ISO 27001 and cyber essentials accreditation – Information security cyber business continuity plan – System alerts – Patching/updates and monitoring – Data loss prevention tools – Partners and suppliers follow Group minimum standards re cyber, security and data.

Principle risk and uncertainties continued

Principal risk	Description	Impact/actions
Climate change 10 **Level of impact** Low **Risk status** No change **Risk owner** Chief People Officer **Link to strategic action** – Disciplined growth – Consistent delivery **Board risk appetite** Medium	**Failure to identify and effectively manage climate change risks and opportunities** The Group's operations are subject to physical and transitional climate change risks. Some climate resilience measures offer opportunities to innovate and expand/enhance capabilities. **Risk appetite rationale** Due to the cost associated with the speed at which we achieve net zero carbon, our appetite to achieve certain reduction targets needs to be balanced against the cost to the business. **Risk appetite statement** We are committed to addressing climate change and have clear goals and objectives in place with regards to waste, energy, carbon and biodiversity. We comply with the statutory reporting elements that are associated with the task force on Climate-related Financial Disclosures.	**Potential impact** – Failure to meet client and investor expectations or regulatory requirements – Loss of opportunity to contribute to UK climate action policy and direction – Reputational damage – Failure to prepare/plan for physical and financial impacts of extreme and frequent weather conditions affecting operations and supply chain. **Mitigating actions** – Delivering against the Group's evolved sustainability framework – Develop strategic action plans for each business division that are specific to their goals to achieve our short, medium and long term net zero ambitions – Work with our supply chain to help deliver the actions associated with our strategic pillars – Maintain the climate risk and opportunities register – Embrace modern methods of construction and product innovation – Develop working groups to tackle the actionable items in each of our strategic pillars – Implement a new environmental data management system – Obtain accreditation to ISO14064.

Principal risk	Description	Impact/actions

Macroeconomic

Level of impact
Low

Risk status
No change

Risk owner
Chief Executive

Link to strategic action
– Disciplined growth
– Consistent delivery
– Generate cash

Board risk appetite
Medium

Changes in macroeconomic conditions negatively impact on Kier, its workforce and its clients

Our ability to win and deliver projects is impacted by developments in the UK economy which may arise from economic slowdown, interest rate rises, unemployment, inflation or UK political and geopolitical instability, resulting in a reduction in, or pausing of, UK Government and private sector spending in our selected markets.

Risk appetite rationale

Whilst economic conditions are outside of our control, our risk appetite is medium. Our selected markets offer a counter cyclical opportunity and we also a have a robust tender process, operating model, financial position and a strong order book.

Risk appetite statement

We are disciplined by operating in selected markets and focus on business where opportunities have an acceptable risk. We continue to deliver our contracts, supported by our risk management framework, Operating Framework and Performance Excellence processes.

Potential impact

– Reduced revenue or margins
– Project affordability
– Availability of labour and materials
– Increased supply chain insolvency risk.

Mitigating actions

– Use of financial derivative instruments to hedge exposure to fluctuations in interest and exchange rates.
– Various market insight and intelligence relating to pricing, lead times
– Kier risk management framework
– Supply chain management
– Kier Operating Framework and Performance Excellence processes
– Kier Commercial Standards.

Financial review

"Continued strong operational performance led to a significant increase in profit from operations."

SIMON KESTERTON
Chief Financial Officer

Summary of financial performance

	Adjusted[1] results			Reported results		
	30 Jun 23	30 Jun 22	Change %	**30 Jun 23**	30 Jun 22	Change %
Revenue (£m) – Total	**3,405.4**	3,256.5	4.6	**3,405.4**	3,256.5	4.6
Revenue (£m) – Excluding JV's	**3,380.7**	3,143.9	7.5	**3,380.7**	3,143.9	7.5
Profit from operations (£m)	**131.5**	120.5	9.1	**81.5**	45.1	80.7
Profit before tax (£m)	**104.8**	94.1	11.4	**51.9**	15.9	226.4
Earnings per share (p)	**19.2**	16.8	14.3	**9.5**	2.9	227.6
Free cash flow (£m)	**132.3**	54.6	142.3			
Net cash (£m)	**64.1**	2.9	2,110.3			
Net debt (£m) – average month end	**(232.1)**	(216.1)	(7.4)			
Order book (£bn)	**10.1**	9.8	3.1			
Supply Chain Financing (£m)	**–**	(49.8)	100.0			

1. Reference to 'Adjusted' excludes adjusting items, see note 5.

Introduction

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

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

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

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

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

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

Streamlined performance

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.

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

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

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

Revenue

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

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

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

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

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

Alternative performance measures ('APMs')

The Directors continue to consider that it is appropriate to present an income statement that shows the Group's statutory results only. The Directors, however, still believe it is appropriate to disclose those items which are one-off, material or 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 2022	**120.5**
Volume/price/mix changes	9.2
Fewer property transactions, net of valuation gains	(4.8)
Cost inflation	(7.2)
Management actions	13.8
Adjusted operating profit for the year ended 30 June 2023	**131.5**

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

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

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

Additional information about these items is as follows:

- Amortisation of acquired intangible assets £19.2m (FY22: £19.7m):
  Comprises the amortisation of acquired contract rights primarily through the acquisitions of MRBL Limited (Mouchel Group), May Gurney Integrated Services PLC and McNicholas Construction Holdings Limited.
- Restructuring and related charges £13.0m (FY22: £40.0m):
  Restructuring costs include £7.6m incurred on redundancy and other people-related costs within the Group, including those related to the re-sizing of the International business. A further £4.9m was incurred on professional advisor fees and other non-people-related activities, including £1.6m of vacant property costs. The Group's restructuring is now substantially complete and there will be no further restructuring charges recognised in adjusting items.
- Other costs £20.7m (FY22: £18.5m):
  Legal and compliance costs include £12.6m incurred on fire compliance and cladding claims.
  A further £5.3m was incurred on insurance-related matters. This is made up of a provision of £8.0m against additional costs associated with an insurance-related receivable. This is offset by £2.7m of insurance proceeds following the fire at the Pure Recycling plant in July 2021.
  A further £1.5m was incurred as a result of the fine from HSE in relation to historical safety issues. In addition, £2.9m of finance costs relate to the IFRS 16 interest charge on leased properties that were previously vacated.
  Offsetting these costs was a £1.6m profit on the sale of mothballed land which had previously been impaired through adjusting items.

Earnings per share

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

Finance income and charges

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

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

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

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

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

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

Dividend

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

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

Balance sheet

Net assets

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

Goodwill

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

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

The Infrastructure Services group of Cash Generating Units ('CGU') comprises £516.3m of the total goodwill balance. Whilst no impairment is noted and management believes the discounted cash flows applied is underpinned by the order book and current pipeline prospects, this CGU is sensitive to changes in key assumptions. The key assumptions in the value in use calculations are the forecast revenues and operating margins, the discount rates applied to future cash flows and the terminal growth rate assumptions applied. Further details of the sensitivities of these assumptions are disclosed in note 13 of the financial statements

Deferred tax asset

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

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

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

Right-of-use assets and lease liabilities

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

Investment properties

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

In addition, the Group's Property business invests and develops primarily mixed-use commercial and residential schemes and sites across the UK. One of these sites is held as an investment property, along with the Group's former mine at Greenburn, Scotland, which was granted planning permission for a wind farm during the year. The Group recognised an overall fair value gain of £11.4m across these sites which has been recognised in Other income.

Contract assets 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 2023, total contract assets amounted to £401.9m (FY22: £397.5m).

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

Retirement benefits obligation

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

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

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

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

Free cash flow and Net debt

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

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

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

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

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

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

Accounting policies

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

Treasury facilities

Bank finance

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

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

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

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

Supply chain finance

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

Financial instruments

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

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

The Group does not enter into speculative transactions.

Going concern

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

Further information on this assessment is detailed in note 1 of the consolidated financial statements on pages 171 and 172.

Viability statement

The UK Corporate Governance Code requires the Board to explain how it has assessed the prospects of the Group, over what period it has done so and why it considers that period to be appropriate.

Assessment period

Consistent with the practice of previous years, the Board has assessed the prospects of the Group over a period of three years from 30 June 2023, taking account of its current position and the potential impact of the Group's principal risks and uncertainties (the 'PRUs') which is set out in this Annual Report and certain other risks referred to below. The Board has identified a three-year period as being a period over which it believes it is able to forecast the Group's performance with reasonable certainty, principally because:

- The Group's internal forecasting covers a three-year period;
- The tender process and delivery programme for a number of the Group's projects can, together, take a period of up to approximately three years; and
- The visibility of the Group's secured work and bidding opportunities can reasonably be assessed over a three-year period.

Within the assessment period, the Group's revolving credit facility is scheduled to expire (January 2025). Working with lenders and its advisors, the Board is confident in the Group's ability to access a number of available funding markets to achieve an appropriate capital structure to support the Group's strategic objectives; and would expect to complete a refinancing in the current financial year.

Assessment process

The work required to support the viability statement was undertaken by management, with the following being a summary of the key elements of the assessment process:

- The model used as the basis of the assessment included a number of key assumptions (please see 'Key assumptions') and was subject to stress-testing (please see 'Stress-testing')
- The process considered the Group's current performance and future prospects, strategy, the PRUs and the mitigation of the PRUs
- The process included a review of certain other risks relating to the Group, including macroeconomic and political risks affecting the UK (and global) economy, and risks relating to the Group's trading, the Group's pensions, the availability of the Group's finance facilities, systemic margin erosion, the execution of the Group's strategy, the supply chain, inflationary impacts and certain project specific risks.

Key assumptions

The key assumptions within the model used to support the viability statement include:

- No material changes to Group operations, including no material acquisitions or disposals
- The Group maintains its position as one of the leading providers of construction and infrastructure services to Government and regulated entities
- The Group's revolving credit facility is re-financed
- The Group operates within its financial covenants under its principal debt facilities during the review period
- The Group's other facilities are repaid on their respective maturity dates during the review period
- The Group makes payments to the pension schemes in line with the deficit recovery plan.

Stress-testing

Management assessed the financial impact of a number of severe but plausible downside scenarios (both individually and in combination) by overlaying them against the three-year business plan. These scenarios included:

- An adverse impact on the Group's forecasts, including a lower than forecast volume, an erosion of forecast margins and a reduction in the win rate of any revenue which is to be obtained
- A certain level of loss-making contracts having an impact on the Group's reported profit and cash over the review period
- The application of certain, additional macroeconomic factors which may impact the Group, including increases in inflation and a rise in interest rates.

Management also considered offsetting mitigating actions that could be taken in such a scenario. In addition, management have concluded that any adverse financial impacts from changes to operations regarding ESG initiatives would be offset by opportunities which present the Group with additional volumes and profits over the period of assessment.

Viability statement

The Board therefore has a reasonable expectation that the Group has adequate resources to continue to operate and to meet its liabilities as they fall due across the three-year review period.

Simon Kesterton
Chief Financial Officer

13 September 2023

Section 172 statement

The Board recognises the importance of effective stakeholder engagement and that stakeholders' views should be considered in its decision making. We see stakeholder engagement as key to the delivery of our purpose and strategy and therefore our long-term sustainable success. Although there are often competing interests and priorities involved, having an understanding of what matters to our stakeholders allows the Board to consider a wide range of factors.

During the year, the Directors believe that they have acted to promote the long-term success of the Group as set out in section 172(1) (a) to (f) of the Companies Act 2006.

Matters considered by the Board

Below are examples of decisions taken by the Board during the year and how stakeholder views and inputs, as well as other section 172 (1) considerations were considered.

S.172 factors

Consequences of decisions in the long term	Interests of the Company's employees	Foster the Company's business relationships with suppliers, customers and others	Impact of operations on communities and the environment	High standards of business conduct	Acting fairly between members
Pages 16–19 Our business model	**Pages 16–19** Our business model	**Pages 16–19** Our business model	**Pages 16–19** Our business model	**Pages 16–19** Our business model	**Pages 70–73** Our stakeholders
Pages 20–23 Our strategy	**Pages 42–61** Building for a Sustainable World	**Pages 32–39** Our marketplace	**Pages 42–61** Building for a Sustainable World	**Pages 42–61** Building for a Sustainable World	**Pages 154–156** Directors' report
Pages 32–39 Our marketplace	**Pages 70–73** Our stakeholders	**Pages 42–61** Building for a Sustainable World	**Pages 62–69** TCFD report	**Pages 74–83** How we manage risk	
Pages 42–61 Building for a Sustainable World	**Pages 74–83** How we manage risk	**Pages 70–73** Our stakeholders	**Pages 112–115** Environmental, Social and Governance Committee report	**Pages 92–153** Corporate Governance report	
Pages 62–69 TCFD report	**Pages 120–153** Directors' Remuneration report	**Pages 74–83** How we manage risk			
Pages 70–73 Our stakeholders					
Pages 74–83 How we manage risk					
Pages 120–153 Directors' Remuneration report					

Non-financial and sustainability information statement

The information below summarises how we comply with non-financial performance and sustainability reporting requirements and is produced to comply with sections 414CA and 414CB of the Companies Act 2006.

Reporting requirements	Kier policy/standards[1]	Read more
Anti-corruption and anti-bribery	Anti-Bribery and Corruption Policy (including Gifts and Hospitality)	Page 101
Employees	Code of Conduct Equality, Diversity and Inclusion Policy Kier recognises that diversity is an asset to its business. Kier wants a truly inclusive organisation where our people can bring their whole selves to work and does not discriminate on the basis of 'protected characteristics', which include gender, disability, race, colour, nationality, ethnic or national origin, sexual orientation, gender reassignment, religion or belief, marital status or civil partner status, age and pregnancy and maternity. The Equality, Diversity and Inclusion Policy applies to the treatment of visitors, clients, customers and suppliers by Kier employees and workers and the treatment of employees and workers by third parties. The policy sets out Kier's commitments to help achieve the policy aims. Health, Safety and Wellbeing Policy Whistleblowing Policy	Pages 54–58 and 101
Environmental matters	Sustainability Policy	Pages 42–52
Human rights	Code of Conduct Anti-Slavery and Human Trafficking Policy Data Protection Policy	Pages 14, 17 and 59
Social matters	Sustainability Policy	Pages 42–61
Business model	Description of the Group's business model	Pages 16–19
Non-financial KPIs	Description of the non-financial key performance indicators relevant to the Group's business.	Page 41
Principal risks	Description of the principal risks relating to the matters set out in section 414CB(1) of the Companies Act 2006 arising in relation to the Group's operations, and how those principal risks are managed.	Pages 74–83

1. All Kier Group policies are available on the Company's website, except for the Equality, Diversity and Inclusion Policy, which is not published externally but is available to employees through the Kier intranet.

Implementation of policies

Online training on key policies is carried out across the Group and is refreshed biennially. The training modules include scenarios and tests to enhance the understanding of, and compliance with, the policies by all employees.

All employees, contractors and third parties are encouraged to report any circumstances where there is a suspected or actual breach of any of the policies, applicable laws, or the standards as set out in the Code of Conduct, either through their managers, the confidential 'Speak-Up' helpline (which is run by an independent company, Safecall) or directly to the Corporate Compliance team. Further information on whistleblowing can be found on page 101. Kier views infringements of the policies, procedures and related guidance seriously and reserves the right to take disciplinary action in the event of non-compliance. All reported incidences of actual or suspected breach of any of the policies are promptly and thoroughly investigated.

The Executive Committee receive assurance via twice-yearly divisional and functional management statements confirming the extent to which employees have been provided access to our corporate policies, that appropriate training has been undertaken as required and that there are no unreported breaches.

The Board and the Risk Management and Audit Committee receive regular compliance updates from the Group Legal and Compliance Director.

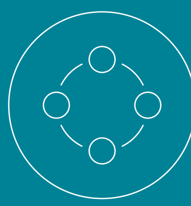
Climate-related financial disclosures

For information on climate-related financial disclosures, please see the TCFD report on pages 62–69.

This Strategic report on pages 1–91 (inclusive) was approved by the Board and signed on its behalf by:

Andrew Davies
Chief Executive
13 September 2023

Simon Kesterton
Chief Financial Officer



Governance at a glance

Key activities

Appointment of two independent Non-Executive Directors
Pages 117 and 119

Board site visit to Mogden Sewage Treatment Works
Page 100

Board engagement with our people
Page 102

Shareholder consultation on Remuneration Policy
Pages 120–124

External audit tender
Pages 110 and 111

Review the evolved Sustainability strategy
Page 113

Sustainability deep dive
Page 115

Board composition

Tenure of Non-Executive Directors (as at 13 September 2023)

0-3 years	3-6 years	6-9 years
3	2	1

Board independence

Non-independent	Independent
2	6

Board meetings Virtually and in person

Virtual	In person
1	6

Board diversity

Female	Male
3	5

You can find details including relevant skills and experience, principal current external appointments and Board Committee memberships on pages 94 and 95.

The 2018 UK Corporate Governance Code compliance

The Board considers that it has complied with the provisions of the 2018 UK Corporate Governance Code (the 'Code') during the year. Information on how we have applied the Code is provided in this Corporate governance report and the Directors' Remuneration report and a guide is provided in the table below. The Code can be found at www.frc.org.uk.

	Further information
Board leadership and Company purpose	
A: Board's role	Pages 92–103
B: Company's purpose, values, strategy and culture	Pages 1–3, 20–23 and 101
C: resources, prudent and effective controls	Pages 96, 97 and 106
D: shareholder and stakeholder engagement	Pages 70–73
E: workforce policies and practices and workforce concerns	Pages 54, 55, 57, 101 and 102
Division of responsibilities	
F: Chairman's role	Page 97
G: Board balance and division of responsibilities	Page 97
H: Non-Executive Directors' time and role	Page 97
I: information and resources	Pages 96 and 97
Composition, succession and evaluation	
J: Board appointments	Pages 116–119
K: Board and Committee composition, skills and tenure	Pages 94 and 95
L: Board evaluation	Page 99
Audit, risk and internal control	
M: policies and procedures for internal and external audit	Pages 106, 107, 110 and 111
N: fair, balanced and understandable assessment	Page 111
O: risk and internal control framework, risk assessment and management	Pages 74–83 and 106
Remuneration	
P: remuneration policies and practices	Pages 120–153
Q: Director and senior management remuneration	Pages 120–153
R: independent judgement and discretion on remuneration	Pages 120–153

Chairman's introduction to corporate governance

The Board has continued its focus on the delivery of our strategy and medium-term value creation plan ensuring we promote long-term success and generate value for our shareholders and stakeholders. Key activities undertaken during the year are set out in the Corporate governance report which includes our annual Strategy Day, presentations from business divisions, a Board visit to Mogden Sewage Treatment Works, deep dive into our culture programme and on environmental and social sustainability.

Dame Heather Rabbatts decided not to stand for re-election this year and stepped down from the Board in March 2023. I would like to say how much we appreciated all that Heather brought to the Board and her leadership of the Remuneration Committee. As I have set out in my Chairman's statement on page 7, we welcomed Chris Browne and Margaret Hassall as Independent Non-Executive Directors during the year. Our statement to address the diversity targets under the new Listing Rule 9.8.6R (9) (a) requirements is set out in the Nomination Committee report on pages 117 and 118. The Committee is prioritising a search for an additional Non-Executive Director who will be from an ethnic minority background who meets the skills, experience and diversity of thought that contribute to the decision making of the Company.

Our priorities during the year

Engaging with our shareholders

The Executive Directors continued with their regular engagement with shareholders following our results announcement and roadshows. Together with our Corporate Development Director, I met a number of our key shareholders following the half-year results announcement to hear their views on a range of matters such as our progress against our strategy, our performance, ESG matters and executive remuneration. This also builds into the shareholder consultation programme undertaken by the Chair of our Remuneration Committee on the proposed Remuneration Policy.

Executive remuneration

The Board acknowledged the 56% votes received at the 2022 AGM supporting the Directors' Remuneration Report contained in the 2022 Annual Report. This year is also the triennial review of our Directors' Remuneration Policy and the Remuneration Committee, led by Margaret Hassall, has communicated extensively with our key shareholders to understand their views on their votes on the last Directors' Remuneration Report and also to consult on our proposed Directors' Remuneration Policy. More information can be found in the Directors' Remuneration report on pages 120–124.

Employee engagement and culture

During the year, the Non-Executive Directors and myself made 25 site and office visits as part of our Visible Leadership Tours ('VLTs'). This provided an opportunity for us to hear first hand our employees' views and obtain feedback on a range of issues such as culture and its alignment with our values, the impact of our safety and wellbeing programmes, the talent development programmes and the progress of our diversity and inclusion initiatives. It also enabled us to deepen our understanding of the operation of the business. We will continue with our VLTs in the coming year and believe this approach is the best method for us to engage with our workforce. Further information on our VLTs and the outcome of our engagement can be found on page 102.

The Chair of the Remuneration Committee and our Chief People Officer also held an employee forum focusing on rewards and benefits and the details are set out on page 128. The Board also had a deep dive into our culture programme that was launched during the year. A range of measures that supports the Board's assessment of culture is set out on page 101.

ESG

As set out last year, the Board focused on creating a plan, with milestones, to enable the Board to monitor progress in achieving our carbon reduction targets and aligning this with our Remuneration Policy. A milestone plan setting out key activities and timelines to reach our carbon targets was agreed. The ESG Committee also reviewed and approved the evolved Building for a Sustainable World framework. As part of the Remuneration Policy approval, a recommendation to include a carbon reduction metric into the Long-Term Incentive Plan has been proposed. More information on the work of the ESG Committee is set out on pages 112–115.

External audit tender

As indicated last year, the Risk Management and Audit Committee led the process of an external audit tender as under current tenure rules, the last year PwC can audit Kier's financial statements is FY25 without a formal tender. The outcome is that PwC will be re-appointed under the new lead partner Darryl Phillips. Details of the tender process, criteria for appointment and transitioning arrangements are set out in the Risk Management and Audit Committee report on pages 110 and 111.

Our focus for the 2024 financial year

The Board will continue its focus and monitor progress against the delivery of our medium-term value creation plan. We will continue to assess culture as it underpins our performance. As stated earlier, the Board is also prioritising a search for an additional Non-Executive Director who will be from an ethnic minority background who meets the skills, experience and diversity of thought that contribute to the decision making of the Board. The Board, through the ESG Committee, will monitor the progress against the evolved Building for a Sustainable World framework.

Information on our AGM arrangements this year will be provided in the Notice of Annual General Meeting and we are pleased to invite our shareholders to attend this in-person event.

Matthew Lester
Chairman

Board of Directors

MATTHEW LESTER
Chairman

N R

Age: 60
Tenure: 3 years 8 months
Independent: Yes (on appointment)

Relevant skills and experience

- Substantial strategic and financial experience, through senior finance roles at Diageo plc and as Group Finance Director of ICAP plc and Chief Financial Officer of Royal Mail plc
- Significant non-executive director experience at Man Group plc, Barclays PLC and Capita plc
- A chartered accountant, having trained and qualified at Arthur Anderson

Principal current external appointments

- Non-Executive Director of Intermediate Capital Group plc and Chair of the Audit Committee

ANDREW DAVIES
Chief Executive

N

Age: 59
Tenure: 4 years 5 months
Independent: No

Relevant skills and experience

- Strong track record of business leadership across a number of sectors
- Significant experience of mergers and acquisitions and strategy development and implementation
- Significant operational and corporate experience through senior roles and over 28 years with BAE Systems plc
- Formerly Chief Executive Officer of Wates Group Limited

Principal current external appointments

- Non-Executive Director of Chemring Group PLC and Senior Independent Director
- Chairman on the Eiffage, Kier, Ferrovial Construction and BAM Nuttall (EKFB) JV Board

SIMON KESTERTON
Chief Financial Officer

Age: 49
Tenure: 4 years
Independent: No

Relevant skills and experience

- A member of the Chartered Institute of Management Accountants
- Broad range of financial, strategic and IT leadership experience in his former senior roles in the engineering and manufacturing industries
- Formerly Chief Financial Officer, Europe and Chief Strategic Officer at IAC Group and Group Finance Director of RPC Group plc
- Significant experience of the implementation of cost reduction, M&A and profitability improvement programmes

Principal current external appointments

- None

JUSTIN ATKINSON
Senior Independent Director

E N R RA

Age: 62
Tenure: 7 years 11 months
Independent: Yes

Relevant skills and experience

- Formerly Chief Executive of Keller Group plc and previously Keller's Group Finance Director and Chief Operating Officer
- Significant operational, financial and strategic experience
- In-depth knowledge of the construction sector, both in the UK and internationally
- A chartered accountant, having trained and qualified at a predecessor firm of PwC

Principal current external appointments

- Chairman of Forterra plc
- Non-Executive Director of James Fisher and Sons plc and Chairman of the Audit Committee

Board Committees key

E Environmental, Social and Governance
N Nomination
R Remuneration
RA Risk Management and Audit
Chair of the Committee

ALISON ATKINSON FREng, MICE CEng
Non-Executive Director

E N R RA

Age: 53
Tenure: 2 years 9 months
Independent: Yes

Relevant skills and experience

- Significant operational experience in large-scale national infrastructure
- In-depth experience of oversight of civil engineering and contracting through her roles as Projects & Development Director at Anglo American plc, Chief Executive Officer at AWE plc, and at Halcrow
- Significant experience in safety, diversity and inclusion, and sustainability matters
- Fellow of the Royal Academy of Engineering

Principal current external appointments

- From May 2023, member of the Executive Leadership Team at Anglo American plc as Projects & Development Director

CHRIS BROWNE OBE
Non-Executive Director

E N R RA

Age: 63
Tenure: 1 year
Independent: Yes

Relevant skills and experience

- Experience of the construction sector through her role as a Non-Executive Director of Vistry Group plc
- Significant commercial and operational experience through senior leadership positions in the aviation industry
- Chief Operating Officer of easyJet plc until June 2019, where she also served as their Non-Executive Director from January to September 2016, and Non-Executive Director of Norwegian Air Shuttle AS from June 2020 to December 2022
- Doctorate of Science (Honorary) for Leadership in Management from the University of Ulster

Principal current external appointments

- Non-Executive Director of Vistry Group plc
- Non-Executive Director of Constellium SE
- Non-Executive Director of C&C Group plc (with effect from 2 October 2023)

MARGARET HASSALL
Non-Executive Director

E N R RA

Age: 62
Tenure: 5 months
Independent: Yes

Relevant skills and experience

- Significant experience of remuneration matters through her current and former appointments as Chair of Remuneration Committees
- An experienced non-executive director from past appointments at Phoenix Group life companies, Tandem Bank, Nucleus Financial Group plc and One Savings Bank plc
- Broad experience in business operations, technology and large transformational change developed through senior positions across a range of different industry sectors, including some of the world's largest banks, financial services, manufacturing and utilities companies

Principal current external appointments

- Non-Executive Director, Chair of the Remuneration Committee and a member of the Audit and Nomination Committees of AJ Bell plc

CLIVE WATSON
Non-Executive Director

E N R RA

Age: 65
Tenure: 3 years 5 months
Independent: Yes

Relevant skills and experience

- Significant experience in financial matters, through senior finance positions both in the UK and overseas, latterly as the Group Finance Director of Spectris plc
- Experience of the engineering sector through his roles at Borealis AG and as a Non-Executive Director at Spirax-Sarco Engineering plc
- Detailed knowledge of systems of risk management and internal control

Principal current external appointments

- Senior Independent Director and Chair of the Audit and Risk Committee of Breedon Group plc
- Non-Executive Director, Chair of the Audit and Risk Committee of discoverIE Group plc
- Senior Independent Director and Chair of the Audit and Risk Committee of Trifast plc

Corporate governance

The governance framework at Kier

Board

- Accountable to shareholders and responsible for the long-term success of the Group
- Provides leadership of the Group, establishing the purpose, values and strategy
- Monitors the implementation of the strategy, safety, financial, operational, environmental and social performance of the Group
- Ensures that appropriate risk management systems and internal controls are in place
- Sets and monitors the Group's ethics and culture
- Ensures good corporate governance practices are in place

Board Committees

Environmental, Social and Governance Committee

- Reviews the Group's strategy with respect to safety, environment, social and ethical business practice

See page 112

Nomination Committee

- Makes recommendations to the Board regarding the structure, size, composition and succession needs of the Board and its Committees
- Oversees succession planning for Directors and the Executive Committee

See page 116

Remuneration Committee

- Sets the Group's Remuneration Policy for Directors
- Sets and monitors the level and structure of remuneration for the Executive Directors and other senior executives

See page 120

Risk Management and Audit Committee

- Oversees financial reporting procedures, systems of internal controls and risk management, the internal audit function and the effectiveness of the external auditor

See page 104

Executive Committee

- Discusses Group and business divisions' performance
- Reviews and approves material operational matters such as safety, IT, digital, business assurance and compliance, HR, environment, social and wellbeing

See page 10 for further details.

The Executive Committee is also supported by several Operational Committees and steering groups including the Group Risk Committee, the Investment Committee, the Group Tender Risk Committee and Sustainable Leadership Forums.

The Board

The Board is responsible for the effective leadership and promotes the long-term sustainable success of the Group, generating value for shareholders and contributing to the wider society. It is responsible for setting the Group's purpose 'to sustainably deliver infrastructure which is vital to the UK' and the strategy for achieving this. The purpose sets out why Kier exists, the market segments we operate in across the UK and acts as a guide to everything we do. Our strategic actions are set out on page 20. We continue to be guided by our values in what we do and our culture for how we undertake our activities.

The Board has delegated certain of its responsibilities to Board Committees in order to provide focus on those matters and allow the Board sufficient time on its agendas to consider strategic, operational, financial and governance matters. The principal activities of each of these Committees during the year are set out in their respective reports in this Annual Report.

The decisions which can only be made by the Board are clearly defined in the Schedule of Matters Reserved for the Board, which is available on the Company's website. This Schedule was reviewed during the year and changes were mainly around commercial matters such as material contract tenders and investments and some housekeeping matters to bring in line with Code requirements. The matters requiring Board approval include, amongst others:

- the Group's strategy, purpose and values
- mergers, acquisitions and disposals of a material size and nature
- material changes to the Group's structure and capital
- the payment of dividends
- the approval of material Group policies
- material contract tenders and material investments.

The Executive Directors have significant commercial, financial and operational experience of the markets and sectors within which the Group operates. The diverse range of skills and leadership experience of the Non-Executive Directors enables them to provide strategic guidance and constructive challenge to the Executive Directors. In addition, they scrutinise and hold to account the performance of management and the Executive Directors.

Biographies of the Board are set out on pages 94 and 95.

The Executive Committee

The Executive Committee is chaired by the Chief Executive and ordinarily meets monthly. It oversees the implementation of the Group's strategy and its operations including, for example, monitoring of business division performance, consideration of government and customers, people, environment, safety and wellbeing, IT and Performance Excellence matters.

Group delegations

The businesses are led by the Group Managing Directors, each of whom sits on the Executive Committee. They are responsible and accountable for the performance of the respective business divisions, in line with the Operating Framework and the Group's Delegations of Authority as well as contributing to the implementation of the strategy set by the Board. Within the business divisions, governance is delegated to the senior leadership teams. In addition, the legal subsidiaries within the business divisions and their holding companies have their own boards of directors to oversee the operational performance of those companies, in line with their statutory duties.

Division of responsibilities

Chairman

Responsible for the effective operation, leadership and governance of the Board:
- Chairs Board meetings, Nomination Committee meetings and the Annual General Meeting
- Sets the Board agenda with the Chief Executive and Company Secretary
- Facilitates active engagement by all Directors
- Ensures the Directors receive accurate, timely and clear information
- Sets the tone and style of Board discussions

Chief Executive

Responsible for proposing strategy to the Board and delivering it:
- Runs the business
- Ensures the Board is aware of current business issues
- Communicates the Board's expectations with regard to values, behaviours and culture

Chief Financial Officer

Responsible for the Group's financial affairs:
- Contributes to the management of the Group's business
- Supports the Chief Executive with the development and implementation of the strategy

Non-Executive Directors

Responsible for overseeing the delivery of the strategy:
- Advise and constructively challenge the Executive Directors
- Scrutinise the performance of management in achieving agreed objectives and goals and monitor the reporting of performance
- Perform their duties diligently and use best endeavours to promote, protect, develop and extend the business of the Group
- Devote time to develop and refresh knowledge and skills

Senior Independent Director

Responsible for ensuring that the Chairman's performance is evaluated:
- Acts as a sounding board for the Chairman and supports him in the delivery of his objectives
- Serves as an intermediary with the Chairman for other Directors if necessary
- Maintains a comprehensive understanding of the major issues of shareholders and is available if shareholders have any concerns that they have been unable to resolve through the normal channels

Company Secretary

Responsible for maintaining the governance and listing rules compliance framework:
- Supports the Chairman, Chief Executive and Committee Chairs in setting agenda items for Board and Committee meetings
- Assists the Chairman and the Chief Executive in ensuring that the Directors are provided with relevant information in a timely manner
- Organises inductions for new Directors and ongoing training for all Directors
- Advises the Board on developments in corporate governance, legislation and regulation

Link to strategic objectives
Read more on page 20

Board principal activities

The Board held seven scheduled meetings, one of which was a call, during the year. One day was also dedicated to discuss strategy.
The principal activities undertaken by the Board during the financial year were as follows:

Strategy

- Received an update from the Executive Committee on the progress of the implementation of the Strategy including ESG, people, IT and digital strategies within each business division
- Received an update on capital markets and refinancing from our advisors as part of its Strategy day
- Monitored progress against the medium-term value creation plan

Business and operational

- Received updates on the progress of our key contracts and projects, and order book
- Received regular updates on our key performance indicators such as safety, health, people, customers and sustainability metrics
- Received regular updates on the progress of our Performance Excellence workstreams
- Undertook deep dives into Construction and Natural Resources, Nuclear & Networks businesses to understand their challenges and opportunities and meet the management team
- The Board received an in-depth update on Environmental and Social matters including legislative and market updates and key trends

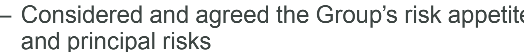
Financial

- Approved the full-year results and the Annual Report and financial statements for the 2022 financial year
- Approved the half-year results for the 2023 financial year
- Agreed the Viability statement as disclosed in the Annual Report
- Approved the Going concern basis of accounting in preparing the half-year and full-year results
- Approved the Group's Tax Strategy statement
- Approved the Budget for the 2024 financial year
- Regularly reviewed the Group's financial performance and forecasts and the funding of the Group
- Approved the recommendation of the re-appointment of PwC following the audit tender process

Leadership and people

- Appointment of Ms Chris Browne and Ms Margaret Hassall as Independent Non-Executive Directors
- Received updates on the Group's people agenda including progress on diversity and inclusion, rewards and benefits enhancements, employee engagement surveys, and development and talent programmes
- Received and reviewed the Gender Pay Gap report and the Ethnicity Pay Gap report

Internal control and risk management



- Considered and agreed the Group's risk appetite and principal risks
- Assessed the effectiveness of our internal control and risk management systems

Governance and stakeholders

- Received feedback from institutional investors and analysts through regular updates from our Investor Relations team on the views of our shareholders
- Chairman and Chair of the Remuneration Committee held meetings with key shareholders to discuss executive remuneration matters
- Approved the Modern Slavery Statement
- Received updates on our whistleblowing programme and compliance matters
- Engaged with our people through Visible Leadership Tours

Board and Committee membership and attendance

Details of attendance by each Director at the principal Board meetings and calls during the financial year are as follows:

Name	Attendance
Matthew Lester	7/7
Alison Atkinson	7/7
Justin Atkinson	7/7
Chris Browne[1]	6/6
Andrew Davies	7/7
Margaret Hassall[2]	2/2
Simon Kesterton	7/7
Dame Heather Rabbatts[3]	5/5
Clive Watson	7/7

1. Chris Browne appointed with effect from 15 September 2022.
2. Margaret Hassall appointed with effect from 5 April 2023.
3. Dame Heather Rabbatts resigned on 30 March 2023.

In addition, there was one unscheduled Board call during the year. Attendance at Board Committee meetings is set out in the respective Committee sections.

Board evaluation

2022 Board evaluation

The Board made good progress on the recommendations and agreed areas of focus from last year's internally facilitated review. These include the following matters and an update on the progress is set out below:

Feedback	Progress/Action
Continue focus and monitor the delivery of our medium-term plan	Increased focus and discussions at each Board meeting by way of tracking different metrics to monitor progress of our medium-term value creation plan.
Succession planning	A key part of this is Board and Executive Committee succession. The Board monitored the development plans for our Executive Committee in particular and the pipeline of talent coming up through the business. More information on this is set out in the Nomination Committee report on pages 117 and 118.
Deep dive on environment and social sustainability	The Board held a deep dive on environment and social sustainability.
Innovation and digital	There has been increased discussion on our digital strategy and showcase of the applications used to deepen the Board's understanding in this area plus site visits to see it in operation. The Board would like to monitor and support Kier on this journey. It has nominated one of our Non-Executive Directors, Chris Browne, to provide oversight on our digital strategy.

2023 Board evaluation

This year's Board evaluation took the form of a questionnaire and feedback was sought from all the Board members. The questionnaire sought input on a range of matters including culture, engagement with stakeholders, effective oversight of targets and objectives, quality of discussion and Board papers. Please see pages 105, 115, 119 and 142 for information about the effectiveness evaluation of each of the Committees conducted this year.

The outcome of the evaluation was discussed by the Board and showed that the Board is operating well. The review identified areas that could improve the Board's performance such as:

- meet the pipeline of talent coming through the business
- more meetings for Non-Executive Directors in view of additional new Board members.

The Board sets itself a series of objectives to ensure that the annual schedule of meetings enables an effective review of strategy and performance. It is designed to ensure that all stakeholder issues are covered over the cycle and to incorporate feedback from Board members.

The Chairman chose to conduct an externally-facilitated Board review in line with best practice in the 2021 financial year. It is the Board's intention to carry out an externally-facilitated review in the next financial year.

Board visit to Mogden Sewage Treatment Works

The Board visited our Mogden Sewage Treatment Works site in London where we are helping Thames Water in a resilience project that includes the design and construction of a significant modernisation and improvements to the existing facility, providing additional resilience and capacity. The team on site gave a briefing of the project and took the Board for a tour around the site. There was also an opportunity to ask questions and engage with our people on site.

This visit was combined with a presentation from our Natural Resources, Nuclear & Networks business where the senior leadership team discussed the priorities, opportunities, challenges, and market development in the various sectors we operate in and our relationship with key customers and stakeholders. It was insightful to hear in particular of our experience in the water industry following the site visit and how Kier can support our customers in this increasingly regulated market.

Board development

To ensure the Board continually updates and refreshes its skills and knowledge, ongoing training and development support is provided to the Board during the year. The Board is regularly briefed on business-related matters, governance, investor expectations, legal and regulatory impacts. Both the Risk Management and Audit Committee and Remuneration Committee received updates on relevant accounting and remuneration developments, evolving market trends and changing disclosure requirements from external advisers and management.

During the year, the Board members enhanced their professional development with the following training:

Construction business presentation

The senior leadership team gave the Board an in-depth presentation on the regional performance, market trends, risks and opportunities, strategic priorities, people agenda including the diversity and inclusion programmes, safety programmes and the evolution of their leadership team and business over the last few years. This was also an opportunity for the Board to meet the talents for succession planning purposes.

Sustainability deep dive

The Board received an in-depth update from our Environment and Social Sustainability teams during the year. This enabled the Board to understand our Social Value journey to date, how we measure Social Value and the evolution of our Social Value strategy. Following the disclosure of the scope 3 emission for the first time in FY22, the Committee reviewed the breakdown of our carbon footprint including understanding the components in our scope 3 calculations and where Kier has the biggest impact. The Board also received updates on our climate-related risks and opportunities. More information is set out in the ESG Committee report.

Board site visit and presentation by the Natural Resources, Nuclear & Networks team

Details of this visit are described in the case study on this page. This was a great opportunity for the Board to understand the sector and the business and meet the senior leadership team and talents in the business.

Culture

The Board recognises the important role that it plays in assessing and monitoring the Group's culture, so as to ensure that policy, practices and behaviour throughout the Group are aligned with its purpose, values and strategy.

The reports to the Board (via People updates or in other reports such as the Chief Executive's reports) included matters relating to culture such as:

- Employee pulse surveys
- Turnover and absenteeism rates
- Training data
- Senior recruitment, reward and promotion decisions
- Whistleblowing, grievance and 'speak-up' data
- Board interaction with senior management and workforce
- Health and safety data
- Promptness of payments to suppliers
- Attitudes to regulators, internal and external auditors and compliance
- Information from internal audit on the impact of policies and processes

The Board carefully considered the above matters, plus a range of initiatives and concluded that the culture at Kier was supportive of our vision and values and an enabler of sustainable performance.

Driving the culture programme

The Board also received periodic updates on the progress of the implementation of the culture programme that was launched last year. The purpose of this programme is to shape a safe, collaborative and high-performing culture. The Chief People Officer led the Board on a deep dive into the behaviour framework and the behaviours that support the culture and values. A balanced performance scorecard has also been developed based on the feedback of our people to measure how Kier is performing with key stakeholders such as customers, people, shareholders and supply chain partners.

Whistleblowing

In order that employees can report any matters of concern in confidence, the Group makes available an externally-hosted, confidential whistleblowing helpline, provided by Safecall. During the year, the Board received reports on calls received via the Safecall helpline and via other means. The reports categorised the matters reported into a range of issues such as financial, HR, safety, compliance (including anti-bribery and corruption) and how management had investigated them. In FY23 there were 31 calls made to Safecall (FY22: 40) and 15 reports received via other means such as line management or directly to Group Compliance (FY22: 22). The overall reduction is consistent with the decreased number of employees and a general downward trend following the pandemic.

No issues which were material in the context of the Group were reported to the helpline or via other means during the year. The Chairman will personally be informed of any issues raised concerning any members of the Board or senior management, even if not ordinarily qualifying as being regarded as material, noting that there were no such cases to be advised of in FY23.

Engaging with our people

During the financial year, the Chairman and Non-Executive Directors undertook a total of 25 visits (FY22: 20).

These visits are structured in a way to allow the Directors to get an overview of the project, speak directly to the workforce by way of question and answer sessions and provide visible leadership to the workforce on site.

A summary of feedback is reported back to the Board. Management considered their feedback carefully and as a result has implemented some key initiatives as set out on this page.

Conflicts of interest

The Board has a number of measures to manage conflicts of interest so as to ensure that the influence of third parties does not compromise or override its judgement. For example, the Board's agreement is required before a Director may accept any additional board commitments, whether paid or unpaid, so as to ensure that potential conflicts of interest are identified at an early stage and that the relevant Director will continue to be able to dedicate sufficient time to the Group. The Board considered all of Ms Browne and Ms Hassall's current commitments before making a decision to appoint them as Independent Non-Executive Directors.

The Board and our stakeholders

Kier engages with our stakeholders in different ways. Engagement activities with key stakeholders are set out on pages 70–73 in the Strategic report. The Board and its Committees receive regular updates on the engagements and use their views and feedback to either make better decisions or provide constructive challenge on activities, programmes and initiatives being considered. The following paragraphs set out the direct engagement that the Board has had with our stakeholders.

Engaging with our people

The Board decided not to introduce any of the three methods suggested in the Code but to develop an approach which built on the mechanism which we already had in place. Due to the nature and locations of the business and that Kier's workforce comprises individuals with a wide range of skills and experiences, the Board concluded that each Board member has responsibility for engaging with our people in order to gather their views and to understand the culture within the Group.

Each Board member had the opportunity to listen to employees' views on a wide range of areas such as Kier's strategy and performance, methods of communication, culture, talent development programmes, impact of our diversity and inclusion programmes, and our wellbeing and people agenda. A summary of feedback is reported back to the Board.

Management considered their feedback carefully and as a result has implemented some key initiatives such as engaging with the Lighthouse Club who provide preventative support via their raising awareness campaign 'Make it Visible' and reactive support such as emergency support following incidents; and improvement in the delivery of IT tools.

Some of the Chairman's site visits also took the form of two-day visits to a regional location, which included presentations from the regional business team on their recent projects, performance, challenges and opportunities in the region and deeper engagement with a small group of the workforce and the management team.

Engaging with our shareholders

The Board engages with shareholders throughout the year in many different ways. More information on our shareholder engagement programme is set out in Our stakeholders on page 70.

The past Chair of the Remuneration Committee engaged directly with key shareholders on matters in connection with executive remuneration prior to the 2022 AGM and after the AGM in order to understand their views on the resolution to approve the Directors' Remuneration report, which received 56% support.

The engagement was continued by Ms Hassall, the new Chair of the Remuneration Committee, in regard to our triennial approval of the Directors' Remuneration Policy.

The Chairman offered to meet shareholders after the publication of results. Only some took up the invitation and the Chairman and the Corporate Development Director met with a number of shareholders after the publication of our 2023 interim results. They discussed our performance, progress against the delivery of our medium-term value creation plan and ESG matters and heard the shareholders' views on executive remuneration. Details of the shareholder consultation on the Directors' Remuneration Policy is set out in the Directors' Remuneration report from page 121–124.

Annual General Meeting

The 2022 AGM was held in person. The Directors would like to extend their thanks to those shareholders who attended the meeting and asked interesting and informative questions. At the AGM, the Chief Executive gave a brief presentation on Kier's 2022 results and the highlights of the recently announced Trading Update. Following the meeting, the results of votes received in respect of each resolution put to the AGM, together with the number of abstentions, were announced through a regulatory information service and published on Kier's website. All the resolutions proposed at the 2022 AGM were passed with 63% of the issued share capital voted (2021: 55%).

Details of the 2023 AGM are set out in the Notice of AGM. Shareholders may submit proxy votes and any questions either electronically or by post.

S172 statement

How the Board took account of stakeholder views and the matters set out in section 172 of the Companies Act 2006 in Board discussions and decision making are set out on page 90. An example of this is set out below.

Strategy Day

In addition to reviews of the performance of the business, People, Responsible Business and Corporate Affairs matters throughout the year, the Board also dedicated a day to review the Group's strategy. Whilst a full pack of papers was provided covering a wide range of topics to ensure Directors were fully briefed, the focus of the Strategy Day was on a small number of key items. As well as hearing from our Executive Committee, external guests were invited to share their areas of expertise. Their insights contributed to the Board's discussions on the strategic priorities underlying the medium-term value creation plan. In considering this the Board focused on the long-term interests of the Company, the interests of shareholders, debt holders, employees, customers, and supply chain partners and the impact of the Company's operations on the community and environment. This Strategy Day also enabled the Board to plan its approach and priorities for the next financial year.

Risk Management and Audit Committee report

"In the year under review, the RMAC's role has continued to evolve. Our remit has expanded to monitor cyber risk management and IT resilience. We have also undertaken our external audit tender."

CLIVE WATSON
Chairman of the Risk Management and Audit Committee

Committee membership and attendance

Name	Attendance
Clive Watson (Chairman)	4/4
Justin Atkinson	4/4
Alison Atkinson	4/4
Chris Browne[1]	3/3
Margaret Hassall[2]	2/2
Dame Heather Rabbatts[3]	2/3

The secretary of the Committee is the Company Secretary.

The Committee's Terms of Reference were reviewed and updated during the year. Further details of the Committee's responsibilities can be found on the Company's website.

1. Chris Browne appointed with effect from 15 September 2022.
2. Margaret Hassall appointed with effect from 5 April 2023.
3. Dame Heather Rabbatts resigned on 30 March 2023 and was unable to attend a Committee meeting due to illness.

Key activities during the year

- External audit tender
- Reviewed the Group's financial results prior to announcement, external audit findings and ancillary matters including Going concern and the Viability statement
- Reviewed the assessment of the Group's systems of risk management and internal control
- Evaluated the effectiveness of the internal and external auditors
- Reviewed the progress against the FY23 internal audit plan and approved the FY24 internal audit plan
- Received risk management updates, reviewed the corporate risk register and reviewed and approved the Kier risk maturity assessment
- Received regular updates on the Group insurance programme and associated risks
- Reviewed the Group's tax strategy
- Received regular updates on fraud prevention and detection processes
- Received half-yearly updates on the Kier IT programme and cyber risk management
- Reviewed and assisted with remuneration discussions

Role of the Committee

- Monitoring the Group's financial reporting procedures
- Reviewing the integrity of the Group's financial statements, challenging significant financial and other judgements
- Reviewing the adequacy and effectiveness of the Group's risk management and internal control systems
- Advising the Board on the emerging and principal risks facing the Company (including those that would threaten its business model, future performance, solvency or liquidity and reputation), the identification of emerging risks and the management and mitigation of such risks
- Reviewing the effectiveness of the Group's Internal Audit function, agreeing the list of audits to be conducted each year and reviewing the results of those audits
- Reviewing the independence and objectivity of the external auditor, assessing its effectiveness, and approving the provision of non-audit services
- Reviewing the Group's fraud prevention and detection processes

The Committee undertakes these significant tasks on behalf of the Board and provides independent oversight on financial matters. This also frees the Board's available time to focus on strategic matters in line with its duties and responsibilities and matters reserved.

Chair's introduction

I am pleased to present the work of the Risk Management and Audit Committee ('RMAC' or the 'Committee') for the year.

The role of the RMAC at Kier continues to evolve. In the year we have continued to monitor developments in corporate governance including the draft Companies (Strategic Report and Directors' Report) (Amendment) Regulations and the Financial Reporting Council ('FRC') Corporate Governance Code consultation. The FRC plan to strengthen the 2018 UK Corporate Governance Code to provide for an explicit directors' statement about the effectiveness of a company's internal controls and the basis for that assessment, and to work with companies, investors and auditors to develop appropriate guidance. Management has continued to work on the implementation of controls and processes to strengthen our risk, controls, and assurance framework and is developing a Group Audit and Assurance Policy. We will monitor the developments in this area over the coming financial year and the development of a resilience statement.

We have also reviewed the FRC's Audit Committees and the External Audit: Minimum Standard (the 'Standard'). Whilst as at the date of this Annual Report, Kier is not required to apply the Standard, it is our long-term aim to comply with the Standard provisions.

The duties of the Committee are structured to reflect the financial reporting requirements of the Group. During the last year, the Committee has continued its usual review of accounting judgements and key disclosures on key accounting matters that include contract accounting and adjusting items, whilst overseeing the effectiveness of PwC as our external auditor. As outlined in the FY22 Annual Report, a competitive audit tender was undertaken during FY23 to comply with audit tenure requirements. We were pleased to reappoint PwC as the external auditor to the Company with Darryl Phillips appointed as the new audit partner for the financial year ending 30 June 2024. Further information on the audit tender process is provided in this report.

The Committee has continued to monitor and review the Group's systems of risk management and internal control. During the year, we have further developed our risk management framework, with our Corporate Risk Register being updated and simplified to include management action plans, status and assurance based on the Group's three lines of defence model.

The Committee has continued to monitor the Group's fraud prevention and detection processes and expanded its review of cyber risk management and IT resilience.

Information on the following pages sets out in detail the composition of the Committee, its activities and priorities going forward. I hope that you will find this report useful in understanding our work.

Clive Watson
Chairman of the Risk Management and Audit Committee

Composition of the Committee

In line with UK Corporate Governance Code recommendations, the Board has confirmed that all members of the Committee are Independent Non-Executive Directors and have been appointed to the Committee based on their individual financial and commercial experience.

The Board has also confirmed that Clive Watson, as Chairman of the Committee, has recent and relevant financial experience through his previous role as Finance Director of a listed company and experience as the Chairman of the Audit Committees of other listed companies. Justin Atkinson is also a qualified accountant and holds the position of Audit Committee Chairman for another listed company.

During the year under review, the following people have also attended Committee meetings:

– the Chairman, the Chief Executive and the Chief Financial Officer
– the Group Financial Controller
– representatives from PwC as external auditors
– the Group Legal and Compliance Director, the Chief Information Officer and the Head of Group Treasury
– the Head of Risk and Internal Audit, other members of the Risk and Internal Audit function and representatives from Deloitte, the Group's co-sourced internal audit services provider.

Outside of the formal meetings, the Chair of the Committee held discussions with members of management (including the Chief Financial Officer, the Group Financial Controller and the Head of Risk and Internal Audit) and with PwC without management present.

The Committee meetings also provide the opportunity for the Independent Non-Executive Directors to meet privately with PwC and the Head of Risk and Internal Audit without the Executive Directors present. There were no concerns raised for FY23.

Annual evaluation

This year's evaluation was performed by way of a questionnaire and the output was reported to the Committee. This concluded that the Committee remains effective, with agreement that the Committee should remain focused on the preparation for future reporting requirements.

Systems of risk management and internal control

The Board has ultimate responsibility for the Group's systems of risk management and internal control, including those established to identify, manage and monitor risks. The Board has delegated the responsibility for overseeing management's implementation of those systems to the RMAC.

The Head of Risk and Internal Audit reports to the Committee on strategic risk issues and oversees the Group's risk management framework. The Group Risk Committee, chaired by the Group Legal and Compliance Director, provides executive management leadership and oversight of the Group's risk management framework. It acts as a link between the RMAC and the business in relation to the management of risk.

Information on how the Group identifies, manages and monitors risks, including a description of the principal aspects of the Group's systems of risk management and internal controls and the risk management framework, is set out on pages 74–83.

As the Group's risk management and internal control systems mature, the Committee will continue to review the adequacy and effectiveness of these systems.

Annual review of the effectiveness of the systems of risk management and internal control

The Board conducted its formal annual review of the effectiveness of the Group's systems of risk management and internal control following management's assessment of the key elements of these systems, taking into account the FRC's Guidance. This year's review covered existing risk management practice and processes; risk appetite and culture; consideration of the review of the operation of the three lines of defence; the Operating Framework and its policies, minimum standards and procedures in relation to managing technical, commercial, legal and financial risks; compliance controls; and financial monitoring, reporting and internal control processes. It was concluded that there were no material breakdowns or weaknesses identified in the Group's risk management and internal control systems.

Fraud prevention and detection processes

The Committee's duties have expanded to monitor and review the Group's fraud prevention and detection processes. In light of the current geopolitical climate, it is an area that has seen heightened risk and with the implementation of the Economic Crime and Corporate Transparency Bill, together with the additional regulatory requirements that this will bring, the Committee will remain focused on this area.

As a Group, we believe that we have an effective control environment to prevent financial misstatement or manipulation of our financial systems, with our Code of Conduct setting clear expectations of honesty and integrity for every employee at all levels within the Group.

Internal audit

During the year, the Committee monitored progress against the FY23 internal audit plan working alongside Deloitte as co-source provider. Before each audit, the scope of review, timetable and resources required were agreed with management. Updates were provided to management and members of the Committee on the status of ongoing audits at Committee meetings during the year.

The audits undertaken in FY23 reflected the size of the Group and covered a wide range of areas that included, but was not limited to: contract management, financial systems, cyber security, environmental sustainability, compliance, diversity and inclusion and business division specific audits. Other elements of the Group's internal control environment were selected for review so as to assess the Group's exposure to its principal risks and uncertainties and develop ways to remedy any identified weaknesses in the Group's systems of risk management and internal control. Results from these audits were discussed by the Committee, together with the follow-up actions taken by management.

The Committee received, considered and approved the FY24 annual internal audit plan which has taken into account the increased maturity of the Group's risk management processes and control environment. During the year, the Internal Audit team strengthened its in-house capability with co-sourced arrangements remaining primarily focused on specialised audit areas such as cyber. Overall, the FY24 internal audit plan aligns to our principal risks and uncertainties, with an increased focus on the three lines of defence. Specific process audits are selected on risk and rotation, typically on a three-year cycle, unless there are significant changes to a business or process. The Committee confirmed that the internal audit function had sufficient experienced resources to deliver the plan.

Internal Audit function effectiveness

To assess the effectiveness of the Internal Audit function, members of the Committee and senior management completed a questionnaire addressing various aspects of the Internal Audit function's performance. The feedback was reviewed by the Committee and they concluded that, overall, the Internal Audit function was operating effectively within its remit.

Financial reporting

The Group has clear policies and procedures which are designed to ensure the reliability and accuracy of financial reporting, including the process for preparing the Group's interim and annual financial statements. The Group's financial reporting policies and procedures cover financial planning and reporting, preparation of financial information and monitoring and control of capital expenditure. The Group's financial statements preparation process includes reviews at business and Group levels. The Committee reviewed the accounting judgements, assumptions and estimates as set out in the papers prepared by management and determined, with the input from the external auditor, the appropriateness of these. The significant issues considered by the Committee in relation to this year's financial statements are listed on pages 108 and 109.

The Group's financial reporting calendar is as follows:

Financial reporting calendar

September

- Management updates Committee on the key accounting issues and judgements for approval by the Committee and recommendation to the Board
- Auditor presents their findings of the audit, together with their auditors' report and provides confirmation of their independence
- Committee makes a recommendation to the Board on whether the annual report and financial statements are fair, balanced and understandable and on the reappointment of the auditor at the AGM

December

- Review of external audit effectiveness
- Half-year review plan
- Auditor engagement letter

March

- Management presents the half-year financial statements
- Auditor presents half-year review memorandum
- Review of auditor independence
- Full-year audit strategy, plan and fee

June

- Management provides Committee with an overview on the key accounting issues and judgements in respect of the full-year results
- Update on the audit strategy, plan and fee
- Non-audit services policy review (annual)

External audit

FY23 audit

The Committee has taken the following key steps in overseeing the FY23 external audit by PwC:

- Reviewed the PwC audit plan, resources and audit risk assessments;
- Agreed the materiality level for the audit;
- Reviewed and agreed the timetable for the Annual Report and audit plans, including the key areas of focus;
- Agreed and approved the final audit fee;
- Discussed and reviewed the Going concern and Viability statements;
- Discussed and reviewed the audit findings, significant issues and other accounting judgements; and
- Approved the representation letter, following a review by management and noted PwC's independence.

External auditor effectiveness and audit quality

The Code requires the RMAC to undertake an annual assessment of the effectiveness of the external audit. This was performed through the use of a questionnaire which was issued to key stakeholders, including members of the Committee and those involved in the FY22 audit.

The review and qualitative assessment focused on feedback and insights, planning and communication, and the quality and experience of the audit team. The Committee considered the feedback received and its wider knowledge and concluded that the external audit process for FY22 was effective and that PwC provided an appropriate independent challenge to management. The feedback received in the effectiveness review has been taken into consideration in the FY23 audit.

The Committee will formally assess PwC's performance in relation to the FY23 audit following its completion.

> "For FY22, PwC provided an appropriate independent challenge to management. The feedback received in the effectiveness review has been taken into consideration in the FY23 audit."

Significant matters and accounting judgements relating to the financial statements

The Committee reviewed the following significant matters and other accounting judgements relating to the 2023 financial statements:

Contract accounting	The Group has significant long-term contracts in the Infrastructure Services and Construction businesses. Accounting for long-term contracts has continued to be a key area of focus for the FY23 audit. An assessment of the likely profit on long-term contracts requires significant judgement because of the inherent uncertainty in preparing estimates of the forecast costs and revenue. Recoverability of work-in-progress on long-term contracts involves significant estimates, including an estimate of the end-of-life outcome of the projects. During the year, the Board reviewed and challenged management's latest assessment of the forecast costs of, and revenues from, certain of the Group's long-term contracts and the Committee discussed PwC's audit of management's assessment of the performance of certain of the Group's contracts so as to satisfy themselves as to the positions taken in the 2023 financial statements.
Impairment of goodwill	The review of the carrying value of goodwill in Infrastructure Services was identified as a key area of focus for the FY23 audit. Having discussed the review with management and PwC, the Committee agreed that, although there was no requirement to take an impairment charge with respect to the Infrastructure Services business, specific disclosures would be included in the notes to the 2023 financial statements as to the sensitivity of impairment to changes in key assumptions.
Presentation of the Group's financial performance	As stated in its accounting policy, the Group has an alternative performance measure of 'adjusted operating profit' which is consistent with the measures used by management to assess the Group's financial performance and aid the understanding of the performance of the Group. The Committee i) reviewed the policy wording during the year and confirmed its ongoing application, ii) reviewed the individual items excluded from adjusted operating profit, and iii) agreed the classification of, and disclosures relating to the adjusting items presented in the 2023 financial statements, ensuring that APMs are presented with equal or lesser prominence than statutory figures and on a consistent basis year-on-year.

Significant matters and accounting judgements relating to the financial statements continued

Going concern/Viability statement	In conjunction with PwC, the Committee reviewed and assessed the work undertaken to support the adoption of the going concern basis for the 2023 financial statements and the viability statement. In particular, the Committee and the Board reviewed the Group's cash flow forecasts over the period ending 31 December 2024, in assessing the going concern basis; and over a period of three years from 30 June 2023 for the viability statement, which are included in the Group's three-year strategic plan together with the assumptions on which such forecasts are based. The Committee also considered the stress-testing of these forecasts for severe but plausible downside scenarios that could have an impact on the Group and the availability of mitigating actions, as required, in the event that such scenarios occurred. For further information on the work to support the going concern basis of preparation for the 2023 financial statements, please see 'Going concern' on pages 171 and 172 and further information on the work to support the Viability statement can be found on page 89.
Carrying value of investments in Kier Limited and recoverability of balances owed by subsidiary undertakings	In light of the carrying value of the Company's investment in its principal operating subsidiary, Kier Limited, and the carrying value of balances owed by subsidiary undertakings, relative to the Company's market capitalisation, the carrying value of these balances were identified as key areas of focus for the 2023 audit. Following management's review, which PwC concurred with, the Committee concluded that no impairment was required against either the carrying value of the investment held by the Company in Kier Limited or the balances owed by subsidiary undertakings.
Retirement benefit obligations	The Group operates a number of defined benefit pension schemes. The Committee reviewed the assumptions made by management in determining the defined benefit surplus at 30 June 2023. This included considering the advice from independent qualified actuaries, together with the views of PwC's pension specialists, and concluded that they were appropriate.

Provision of non-audit services

During the year, PwC provided certain non-audit services to the Group. The Committee monitors these services to ensure that the associated fees are not of a level that would affect PwC's independence and objectivity. The Chief Financial Officer has authority to approve up to £50,000 on individual assignments. For non-audit fees above £50,000, these must be approved in advance by the Committee and if approval is required urgently, this may be provided by the Chair of the Committee with subsequent reporting of the approval to the Committee. The Committee reviewed the non-audit fee policy for the external auditor during the year and confirmed it remained appropriate.

The Company's non-audit services policy reflects the FRC's revised Ethical Standard for Auditors (2019). The policy provides that the Committee expects that the level of non-audit fees in any one financial year will not exceed 15% of the audit fees payable in relation to the previous year. The Committee may approve non-audit fees in excess of this figure, up to 70% of the average of audit fees paid in the previous three years, subject to the Committee being satisfied that (i) there is clear evidence that the auditors' skills and experience make them the most appropriate firm to provide the relevant services and (ii) the auditors' independence and objectivity would not be compromised by the appointment.

The total non-audit fees paid to PwC in FY23 were £193,000. These non-audit fees related to PwC's work in relation to their review of the Group's 2023 interim results. The total non-audit fees subject to the FRC's 70% non-audit fee cap, which excluded amounts attributable to public reporting workstreams required by legislation, was ££193,000. This represented 5% of the average audit fees over the previous three years.

External auditor independence

The Committee concluded that PwC's independence and objectivity were not compromised by the provision of these services. As part of the FY23 audit, PwC confirmed that it was independent within the meaning of applicable regulatory and professional requirements. Taking this into account and having considered the steps taken by PwC to preserve its independence, the Committee concluded that PwC continues to demonstrate appropriate independence and objectivity.

"A clear set of assessment criteria was used to assess the two audit proposals and public reports published by the FRC on the quality of each firm's audits were used to understand how the firms were demonstrating continuous improvement in audit quality and culture."

Tenure and audit tender

PwC was appointed as external auditors in 2014 for the financial year ended 30 June 2015 following a competitive tender process. In accordance with audit regulation, PwC operates a policy of rotating the Audit Partner every five years. Andrew Paynter was appointed as the lead audit partner in January 2019 and the FY23 audit was his last Kier audit. As noted in the 2022 Annual Report, the Committee had determined that it was in the best interests of shareholders to undertake a competitive tender of external audit services in 2023. It should be noted that towards the end of our audit tender process, the FRC published the Audit Committees and External Standard: Minimum Standard (the 'Standard') and where possible, we have followed the Standard.

During the year, an audit tender sub-committee (the 'Sub-Committee') was formed to lead the audit tender process. The sub-committee was comprised of the Chairman of the Audit Committee, the Senior Independent Director, the Chief Financial Officer and the Group Financial Controller. Throughout the process, the Sub-Committee reported to the RMAC meetings on the progress of the audit tender.

At the beginning of the process, we approached six audit firms that included 'challenger' firms to assess their interest in participating in the audit tender, their ability to perform the audit and to confirm their independence.

Subsequently, two audit firms were selected to take part in the tender process. This included the incumbent auditors, PwC.

Both audit firms participating in the tender were given access across the Group to assist them in their understanding of our business, our finance function and our accounting policies. Each firm submitted an audit proposal that included an audit plan, together with their audit approach with particular focus on key risks faced by the Group. Presentations were made to the Sub-Committee by each lead audit engagement partner with their proposed audit team.

A clear set of assessment criteria was used to assess the two audit proposals and public reports published by the FRC on the quality of each firm's audits were used to understand how the firms were demonstrating continuous improvement in audit quality and culture. After careful consideration by the Sub-Committee, it was proposed that PwC, with Darryl Phillips as lead audit partner, be re-appointed to continue as external auditor to the Group. The Sub-Committee reached this conclusion based on their audit approach, their experience in our sector and technical capabilities. The RMAC carefully considered the results of the audit tender process and supported this conclusion. Following this outcome, a summary of the audit tender process was presented to the Board along with a comparison of how each of the two shortlisted firms performed against the agreed assessment criteria. After discussion, the Board agreed with the recommendation that PwC should be reappointed as auditor to the Group. A proposal to reappoint PwC as external auditor will be put to shareholders for approval at the 2023 AGM.

Mr Phillips will be working closely with Mr Paynter in order to ensure a smooth transition for the FY24 audit.

For this financial year, the Committee considers that the Group has complied with the Competition and Markets Authority's Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014.

There are no contractual obligations that restrict the Committee's choice of external auditor.

2023 Annual Report – fair, balanced and understandable statement

The Board and Committee discussed the 'fair, balanced and understandable' statement and the work undertaken to support it which included:

Who	How assurance was provided
Annual Report Working group	The working group comprised individuals involved in the drafting of the Annual Report. Material disclosure items were discussed by the working group. The working group members reviewed the sections drafted by them in light of the 'fair, balanced and understandable' requirement.
Key contributors to the Annual Report	Certain key contributors to sections of the Annual Report (for example managing directors and finance directors within the business) were asked to confirm the accuracy of the information provided.
External review	Willis Towers Watson and Linklakers reviewed the Directors' Remuneration report and Directors' Remuneration Policy respectively. Feedback was provided by PwC on the overall FY23 Annual Report. All external reviews were undertaken to enhance the quality of our reporting.
The Committee and the Board	Drafts of the Annual Report were circulated to individual members of the Board, the Committee and the full Board for review.

The Directors consider that this Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy.

Environmental, Social and Governance Committee report

"To ensure we address the topics that are most important to our stakeholders and focus where we can have the most impact, we have carried out a double materiality assessment, the output of which has guided the evolution of our Building for a Sustainable World framework."

ALISON ATKINSON
Chair of the ESG Committee

Committee membership and attendance

Name	Attendance
Alison Atkinson (Chair)	5/5
Justin Atkinson	5/5
Chris Browne[1]	4/4
Margaret Hassall[2]	2/2
Dame Heather Rabbatts[3]	3/3
Clive Watson	5/5

The Chairman, Chief Executive, Chief Financial Officer, Chief People Officer, Group Legal and Compliance Director and Group Health, Safety & Wellbeing Director also attended the Committee's meetings during the year by invitation.

The secretary of the Committee is the Company Secretary.

The Committee's Terms of Reference were updated during the year. Further details of the Committee's responsibilities can be found on the Company's website.

1. Chris Browne appointed with effect from 15 September 2022.
2. Margaret Hassall appointed with effect from 5 April 2023.
3. Dame Heather Rabbatts resigned on 30 March 2023.

Key activities during the year

- Monitored the performance of our safety targets along with the delivery of our health, safety and wellbeing strategy
- Received updates on our climate-related risks and opportunities including review of our TCFD and CDP disclosure
- Worked with the Remuneration Committee to develop ESG targets for inclusion in the executive remuneration
- Reviewed progress against the Building for a Sustainable World framework
- Approved the evolved Building for a Sustainable World framework
- Approved the carbon milestone plan
- Received updates on our ethical business practices and programmes
- Received deep dive training on sustainability matters
- Reviewed and agreed the approach to external reporting of sustainability performance
- Reviewed progress relating to both the Gender Pay Gap report and the Ethnicity Pay Gap report

Role of the Committee

- Reviewing the Group's strategy and policies with respect to safety, environment, social and governance matters
- Reviewing the initiatives and monitoring performance against the health, safety, wellbeing and environmental and social sustainability targets
- Reviewing the corporate policies and monitoring their implementation relating to responsible and ethical business practice and our proactive risk management approach
- Reviewing external reporting of sustainability performance and non-financial reporting requirements
- Reviewing the Group's exposure to ESG risks and advise the Risk Management and Audit Committee ('RMAC') of any material non-financial risks identified and any business ethics issues identified which are relevant to the role of the RMAC

Chair's introduction

This is my second ESG Committee report following the broadening of the Health and Safety terms of reference to include wider environmental and social matters that are fundamental to Kier's purpose. There has been continued focus on our safety performance and I am pleased to say that the Group's 12-monthly rolling Accident Incident Rate ('AIR') of 88 represents a decrease of 23% compared to 115 in FY22. It equates to 22 RIDDOR reportable incidents in FY23 compared to 28 in FY22. This is a strong performance and reinforces the positive effect our approach to risk and hazard management is having on our safety performance. The Committee notes the fine for safety breaches in connection with two incidents in our Highways business dating back to March 2018 and January 2019. Since these incidents occurred, the Highways business has been very successful in transforming its safety record.

To ensure we address the topics that are most important to our stakeholders and focus where we can have the most impact, we have carried out a double materiality assessment, the output of which has guided the evolution of our Building for a Sustainable World framework. Our evolved framework focuses on the three key pillars of Our People, Our Places and Our Planet. More information on the process of how we developed the framework and the way we will measure against our progress is set out in pages 42–45.

As set out last year, one of the objectives of the Committee was to oversee the development of a plan with milestones to deliver our ESG targets. Our long-term targets are set out on page 47. A milestone plan setting out the key activities and timelines to reach our carbon targets was reviewed and approved by the Committee. This is detailed on pages 47 and 48.

During the year, in consultation with the Remuneration Committee, we have agreed the inclusion of scope 1 & 2 carbon reduction targets into the Long-Term Incentive Plan. Subject to the approval of the Remuneration Policy, we anticipate it will take effect from FY24 starting from 1 July 2023. This further demonstrates our commitment to be a responsible business and to our purpose which is to sustainably deliver infrastructure which is vital to the UK. Details of this target are set out on page 141.

ESG reporting has also been a focus of the Committee to improve consistency and quality of data across each of the business divisions. Our approach to external reporting was also reviewed.

The Committee continued with its oversight of implementation of corporate policies across the Group and will be focusing on the effectiveness of the implementation of major corporate policies.

Following feedback from last year's annual evaluation, the Committee also undertook a deep dive on sustainability and gained a deeper understanding of social value matters and how best to meaningfully measure them. The Committee also undertook a review of our climate adaptation approach, the associated current legislation and the reporting environment, such as the ISSB and the UK Transition Plan Taskforce, in order to support our preparations to meet these disclosures in the near future.

The following pages set out in more detail the work of the Committee in health, safety and wellbeing, environment sustainability, social sustainability and ethical business practice.

For the coming year, the Committee will continue to focus on our ESG performance with the monitoring of progress against the carbon milestone plan as described above, improving the consistency and quality of our data, and will start to undertake relevant alignment to ISSB in order to enable Kier to meet the future regulatory and reporting requirements.

Alison Atkinson
Chair of the ESG Committee

Principal activities during the 2023 financial year

Safety, health and wellbeing

As set out earlier, the Group's 12-monthly rolling AIR decreased compared to the prior year. There has been much focus on Safety across the business to improve our safety performance and the Committee is pleased to see the good progress. Targeted activities have been undertaken to improve our safety culture, risk and hazard management, on development and training on major risk groups, and on better reporting of incidents and near misses. Safety is our licence to operate. We continue working towards our target of having zero incidents.

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

The Committee was kept informed of the wellbeing activities that had taken place during the year such as the implementation of our work with the Lighthouse Club and the feedback received. The Lighthouse Club is a construction industry-focused charity providing independent mental, physical, emotional and wellbeing support.

Environment sustainability

The Group's total emissions from our business operations carbon (scope 1 & 2) for the year were 31,668 tCO_2e which equates to 9.7 tonnes per £m revenue. This represents a c.20% decrease in carbon intensity compared with 2022, and a c.59% reduction against the 2019 baseline.

During the year, we submitted our scope 1 and 2 targets for verification by the Science Based Targets initiative (SBTi). We anticipate that we will be able to publish the verified science-based targets next year.

Aligned with our commitment last year to continue to improve our reporting practices and provide increased accuracy in our scope 3 emissions, we have extended the boundaries by adding an additional GHG Protocol category. As a result of these improvements, we have restated our prior year scope 3 baseline. This ensures we track our strategy progress against a comparable baseline. See page 50 for further information.

Construction waste reduced from 4.5 to $3.0m^3$/£100k against the prior year with landfill diversion rates remaining high and stable. This has been achieved through a focus on designing out waste and close collaboration with our preferred waste suppliers. More information is set out in the Building for a Sustainable World report from page 42.

During the year, climate adaptation and disclosure were discussed as part of the sustainability deep dive, with the Committee reviewing key climate-related risks and opportunities. Examples included physical impacts on Kier's operations and infrastructure, such as flooding; transition impacts and opportunities associated with net zero construction standards; and the expansion of Kier's whole life carbon assessment service which supports clients in their decarbonisation projects. See case study on page 115.

Social sustainability

Social value is an important part of delivering on our social purpose, which is tackling inequality by giving individuals and communities tools and opportunities to create brighter futures. It is also key to winning work. We measure the economic, social and environmental wellbeing we create using the Thrive tool and the Impact Evaluation Standard ('IES') framework that sits behind it.

By capturing our social and economic value spend across our business over the last 3 years, we were able to achieve our £5bn target. Going forward, we will be reporting on 'added social value'. This will include a focus on employment opportunities, apprenticeship hours and spend with Small and Medium Enterprises.

The Committee was kept informed on the activities of our work in our communities, and also our work with the Kier Foundation, an independent registered charity that supports Kier's charity partner. More information on the social value we create can be found in the Building for a Sustainable World report on page 56.

Environmental and Social governance and ethical business practice

The Group Legal and Compliance Director oversees the Governance element of this Committee's remit. This primarily focuses on ethical business practice such as implementation of our corporate policies and procedures and modern slavery. During the year, the Committee was kept updated on the activities to ensure compliance with corporate policies such as training, assurances undertaken, and external validation of the appropriateness of the legal compliance of our policies.

An ESG reporting manual setting out the standards and principles for ESG reporting across Kier to support our disclosures was developed and implemented during the year. This is part of the workstream to improve the consistency and quality of data and reporting. The overall governance framework for Environmental and Social governance was also formalised during the year.

The Committee will also be focusing on the effectiveness of the implementation of major corporate policies and ensure it is 'fit for purpose'. This is a three-year programme.

Annual evaluation

The Committee made good progress on the recommendations and agreed areas of focus from last year's internally facilitated review. These include the following matters and an update on the progress is set out below:

Feedback	Progress/Action
Training on environment and sustainability matters and understanding of how we measure social value and the Thrive calculator tool	The Committee had a deep dive on these topics during the year which was delivered by our sustainability leaders.
Improve consistency and quality of data	An ESG reporting manual was developed and implemented during the year. Work will continue in this area.

This year's evaluation was performed by way of a questionnaire and feedback was requested from Committee members and regular attendees. The questionnaire sought input on a range of matters including effective oversight of targets and objectives, quality of discussion and papers. The outcome of this evaluation concluded that the Committee remains effective, and identified areas of priorities and focus for next year.

Our Sustainability deep dive

Following feedback from the annual evaluation last year, the Committee had a deep dive on our environmental and social value matters which was delivered by our sustainability leaders. This supports the continual development of Committee members' understanding on environmental and social matters.

On social value, topics covered included Kier's social value journey to date and how social value is measured at Kier. The Committee was also taken through the metrics used in the Thrive tool to measure social value, which links to work winning and ultimately to delivery on our strategic actions.

The Committee was taken through the definitions of scope 1, 2 & 3 emissions to ensure a common understanding of the position for Kier. Following the disclosure of the scope 3 emissions for the first time in FY22, the Committee reviewed the breakdown of our carbon footprint including understanding the components in our scope 3 calculations and where Kier has the biggest impact. This also enabled the business to focus on the opportunities and how Kier can help our clients to achieve their net zero target.

Climate adaptation was also discussed, and climate-related risks and opportunities were reviewed. The Committee learnt how Kier has been making changes to our processes and operations to adapt to climate change such as flooding; how climate change is leading to warmer, wetter winters with increased risks of surface water pollution and hotter, drier summers increasing construction dust, impacting air quality.

The focus areas of social value, carbon and climate adaption were reviewed and discussed, to enable the risks and opportunities to be managed.

Nomination Committee report

"The Committee will ensure that we have a steady supply of talent for executive positions and establish succession plans for Board changes."

MATTHEW LESTER
Chairman of the Nomination Committee

Committee membership and attendance

Name	Attendance
Matthew Lester (Chairman)	2/2
Justin Atkinson	2/2
Alison Atkinson	2/2
Chris Browne[1]	2/2
Andrew Davies	2/2
Margaret Hassall[2]	1/1
Dame Heather Rabbatts[3]	1/1
Clive Watson	2/2

The Chief People Officer attended the Committee's meetings during the year by invitation.

The secretary of the Committee is the Company Secretary.

The Committee's Terms of Reference were updated during the year. Further details of the Committee's responsibilities can be found on the Company's website.

1. Chris Browne appointed with effect from 15 September 2022.
2. Margaret Hassall appointed with effect from 5 April 2023.
3. Dame Heather Rabbatts resigned on 30 March 2023.

Key activities during the year

- Led the search for a Non-Executive Director who would fulfil the role of the Chair of Remuneration Committee, leading to the appointment of Margaret Hassall
- Oversaw the appointment of Stuart Togwell as Group Managing Director, Construction and appointment of Louisa Finlay as Chief People Officer
- Deepened its understanding of the development of a diverse pipeline for succession of Executive Committee members

Role of the Committee

- Providing a formal, rigorous and transparent procedure for the appointment of new Directors to the Board
- Maintaining an effective succession plan for the Board and senior management
- Overseeing the development of a diverse pipeline for succession to these bodies

Chair's introduction

During FY23, the Nomination Committee continued focus on the long-term succession planning for Executive Directors and Executive Committee members.

As reported last year, the Nomination Committee led the search for a Non-Executive Director leading to the appointment of Chris Browne who joined the Board on 15 September 2022. The Committee also led the search for the appointment of a Non-Executive Director to replace Dame Heather Rabbatts in her role as the Chair of Remuneration Committee, leading to the appointment of Margaret Hassall with effect from 5 April 2023. Further information on her appointment process is set out on page 119. The induction process for both Chris and Margaret is also explained on page 119.

In relation to the Executive Committee, the Committee noted the appointment of Stuart Togwell to the Executive Committee as Group Managing Director, Construction; and the appointment of Louisa Finlay as Chief People Officer. Louisa Finlay has been with Kier for over 30 years and joined us as a trainee engineer. She has worked in various regional, national and sector roles across our Construction business. We are pleased to be able to fill these roles internally: it shows the strength of our talent and orderly and effective succession planning and development of our people.

The Committee is mindful of the targets under the new diversity Listing Rules and is prioritising a search for an additional Non-Executive Director who will be from an ethnic minority background and who meets the skills, experience and diversity of thought that contributes to the decision making of the Company. Our current gender and ethnicity representation is set out in the report below. The Committee will continue to oversee the succession planning for the Executive Committee members and ensure that we have a steady supply of talent for executive positions and establish succession plans for Board changes. It will monitor and support the specific development plans for key individuals, which include a programme for the Non-Executive Directors to get to know these people better.

Justin Atkinson, our Senior Independent Director, will be reaching his ninth year in role in October 2024; the Committee is working on his succession.

Matthew Lester
Chairman of the Nomination Committee

Diversity

As set out in the Chairman's statement, the Board values diversity. Accordingly, initiatives to support diversity are included within our Building for a Sustainable World framework and we have mandated the ESG Committee to monitor our progress. The Nomination Committee continues to focus on diversity matters at the Board, Executive Committee and senior management levels.

With reference to the Board, this policy has been implemented throughout the search and appointment process for new Directors. Search firms are instructed to take diversity into account when compiling a shortlist of candidates to put forward for consideration and will be considered by the Committee during the interview and selection process. In the final selection decision, all Board appointments are made on merit and relevant experience, against the criteria identified by the Committee with regard to the benefits of diversity in the widest sense. For further information about the Company's approach to diversity and inclusion, see pages 54 and 55.

Listing Rules and Disclosure Guidance and Transparency Rules

As at 30 June 2023, 38% of the Board and 37% of executive management are women. There is currently no Board member from an ethnic minority background and there are two members of executive management from an ethnic minority background. Executive management is defined as the members of the Executive Committee including the Company Secretary.

The Board is not yet compliant with the targets under the new Listing Rule 9.8.6R (9) (a) requirements. However, the Board is mindful of the targets and the recommendations of the Parker Review, and addressing this is a priority for our Nomination Committee. It has determined to always select the best candidate for a role, regardless of race, ethnicity or any other demographic factors, while taking into consideration the benefits of diversity. But between two candidates of equal merit the Board intends that, in recognition of any under-representation of gender and ethnic diversity on the Board, preference is given to a female candidate and/or candidate from an ethnic minority background when making future appointments. Our last two Board appointments were female.

Our future aim is to have a female in a senior Board position by October 2024. As stated earlier, currently there is no Board member from an ethnic minority background. The Board is committed to appoint an additional Non-Executive Director that meets the skills, experience and diversity of thought that contributes to the decision making of the Company. The search has commenced.

Gender

Chart 1: Reporting table on sex/gender representation

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (Chair, CEO, CFO and SID)	Number in executive management*	Percentage in executive management*
Female (including those self-identifying as female)	3	38%	–	4	37%
Male (including those self-identifying as male)	5	62%	4	7	63%
Not specified/prefer not to say	–	–	–	–	–

Ethnicity

Chart 2: Reporting table on ethnicity representation

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (Chair, CEO, CFO and SID)	Number in executive management*	Percentage in executive management*
White British or other White (including minority-white groups)	8	100%	4	9	82%
Mixed/multiple ethnic groups	–	–	–	–	–
Asian/Asian British	–	–	–	2	18%
Black/African/Caribbean/Black British	–	–	–	–	–
Other ethnic group, including Arab	–	–	–	–	–
Not specified/prefer not to say	–	–	–	–	–

* Executive management is defined as members of our Executive Committee including the Company Secretary.

The Company collects the above data used for the purposes of making this disclosure from Directors on a voluntary basis. The data of our executive management is captured via the Company's internal HR system on a voluntary basis.

42%
Direct reports to the Executive Committee that are women (FY22: 37%)

25%
Total workforce that are women (FY22: 24%)

Succession planning

The Committee is responsible for the effective and orderly succession planning for the Board and senior management. It monitors the tenure of Directors to ensure that it plans sufficiently in advance of retirements from the Board to ensure orderly succession of Non-Executive Directors. All the Directors stand for election or re-election at each AGM.

Along with considering Board succession, the Committee oversees the development of a strong pipeline of diverse and talented individuals below Board level. It regularly reviews the quality of the senior management team as it recognises the importance of creating and developing a suitably talented, diverse pipeline of leaders ready to serve as the next generation of Directors and senior management.

The Chief Executive, supported by the Chief People Officer, presents to the Committee on senior management succession planning and the talent development programme for the wider workforce. For Executive Directors and for roles in senior management, plans are in place for both sudden, unforeseen absences, and for longer-term succession. These form the basis of development plans for our most talented people and will ensure that, looking forward, we have the right people to deliver our strategy.

We encourage regular contact between senior management and the Board. This may be by way of presentation to the Board, a joint Visible Leadership Tour or a one-to-one session with Non-Executive Directors to discuss a specific issue.

Appointment process of Margaret Hassall as a Non-Executive Director

The Chairman led the search together with support from the Chief People Officer and the Company Secretary. The chart below summarises the process, the outcome of which culminated in the recommendation to the Board to approve the appointment of Margaret Hassall as a Non-Executive Director. Her biography can be found on page 95.

Board appointment process

Role requirements
A set of objective criteria for the role, including the skills, experience in particular being a chair of remuneration for at least 12 months, and attributes required was prepared.

Tender for the external recruitment agency
Two agencies were invited to tender to assist the Board with the search of this appointment. The agencies invited were new to Kier to give a fresh perspective and diverse thought in our recruitment process. Following the tender, Audeliss, who is a member of the Voluntary Code of Conduct for Executive Search Firms, was selected.

Candidate search
Audeliss was then instructed to facilitate the search and identify a diverse long-list of potential candidates. A video between the Chairman and Chief People Officer was recorded to give candidates a better understanding of Kier and the operation of the Board.

Interview process
A short-list of candidates was selected and undertook an interview process by a combination of the Chairman, Chief Executive, Senior Independent Director and Chief People Officer. The interviewees provided feedback to the Chairman.

Approval
Due diligence, conflict checks and references were also carried out. Time commitment of the candidate was also considered so as to ensure the candidate has sufficient time to devote to Kier. The Nomination Committee recommended its preferred candidate of choice to the Board for approval. The Company Secretary was then tasked with the formalities.

Induction process

Upon joining the Board, Chris Browne and Margaret Hassall had an induction programme in order to assist them in becoming effective in their role as quickly as possible. The Company Secretary put a programme together in consultation with the Chairman and Chief Executive which was essentially built around a series of meetings with the Board, the Executive Committee, the Company Secretary and members of senior management (for example the Group Financial Controller, Group Legal and Compliance Director, Head of Risk and Internal Control, Chief Information Officer, Group Procurement Director, Group Health, Safety & Wellbeing Director), as well as site visits to understand the operations of our business. They also completed online training on the Code of Ethics and Inside Information and Share Dealing. Board and Committee papers, Terms of References, the Strategy Paper, Capital Markets Day presentation and internal Corporate policies such as the Code of Ethics and Operating Framework were made available on the Board portal for them to read before their first Board meetings.

Annual evaluation

This year's evaluation was performed by way of a questionnaire and the output was reported to the Committee. This concluded that the Committee remains effective and to continue focus on succession planning and diversity across all levels.

The Committee reviewed the performance of the Executive Directors and reported its conclusions to the Remuneration Committee. The Senior Independent Director led the review of the performance of the Chairman which included getting feedback from the Board and the Company Secretary. The outcome of the review was reported to the Chairman.

Margaret Hassall's induction

Ms Hassall's induction programme included a one-to-one meeting with the remuneration external adviser, Willis Towers Watson, due to the nature of her role as Chair of the Remuneration Committee. She also held extensive meetings with the Chairman, Chief People Officer and her team to understand the issues on executive remuneration following the 2022 AGM and also as Kier embarks on its shareholder consultation on the Directors' Remuneration Policy.

"I have enjoyed engaging with a diverse group of people across Kier through meetings and site visits. I look forward to building my understanding further."

25
meetings undertaken by Margaret Hassall

Chris Browne's induction

Ms Browne's in-depth experience in the digital topics meant she had a particular focus on our digital strategy and she visited a site which had the most extensive use of digital applications and software.

"I thought the induction process worked really well. I was able to see a lot of people in a relatively short period of time and spending a few days on sites was really helpful."

20
meetings undertaken by Chris Browne

"The Committee's approach to remuneration seeks to support the strategy and promote long-term success for the benefit of all our stakeholders. It is directly linked to delivery of the Group's medium-term value creation plan."

MARGARET HASSALL
Chair of the Remuneration Committee

Committee membership and attendance

Name	Attendance
Margaret Hassall (Chair)[1]	2/2
Alison Atkinson	5/5
Justin Atkinson	5/5
Chris Browne[2]	4/4
Matthew Lester	5/5
Clive Watson	5/5
Dame Heather Rabbatts[3]	3/3

In addition, there were two unscheduled calls held during the year.

The Chief Executive, the Chief Financial Officer and the Chief People Officer also attended the meetings during the year. Willis Towers Watson, independent adviser, was also in attendance. The secretary of the Committee is the Company Secretary.

The Committee's Terms of Reference were updated during the year. Further details of the Committee's responsibilities can be found on the Company's website.

1. Margaret Hassall appointed with effect from 5 April 2023.
2. Chris Browne appointed with effect from 15 September 2022.
3. Dame Heather Rabbatts resigned on 30 March 2023.

Key activities during the year

- Consulted with key shareholders following the voting outcome of the 2022 AGM and agreed how the Committee will respond;
- Considered the changes required to the Remuneration Policy to ensure it continues to align management and shareholder interests by remaining competitive and incentivising delivery of the strategy through short, medium and long-term objectives of the Group
- Assessed and approved the FY23 bonus outcome and vesting of the 2020 LTIP share award
- Reviewed and approved the performance conditions of the FY24 bonus award and LTIP share award to ensure they are sufficiently stretching and directly aligned to the delivery of the medium-term value creation plan
- Considered and approved the introduction of an ESG element into the LTIP performance conditions
- Approved the FY24 base salary of the Executive Directors and senior management in the context of wider workforce remuneration
- Kept up to date on the market practice and proxy advisers' and shareholders' views on remuneration matters
- Engaged with the wider workforce through the Reward and Employee Benefits Forum
- Reviewed the Chairman's fees.

Role of the Committee

- Setting the remuneration policy relating to the Executive Directors and the Non-Executive Directors, for approval by shareholders
- Setting the remuneration of the Chairman, the Executive Directors and senior management
- Reviewing and aligning workforce remuneration and related policies;
- Approving the design of, and determining targets for, any annual performance-based bonus schemes applicable to the Executive Directors and senior management
- Approving annual bonus payments made to the Executive Directors and senior management
- Approving the design of, and determining the performance measures for, all share or share-based plans applicable to the Executive Directors and senior management
- Reviewing the vesting of all share or share-based plans applicable to the Executive Directors and senior management
- Considering payments to former Directors to ensure that they are within the terms of the remuneration policy
- Engaging with our investors on remuneration matters and maintaining awareness of broader investor expectations and best practices
- Appointing remuneration consultants and setting their terms of reference
- Determining the policy for pension arrangements for the Executive Directors and senior management.

Chair's introduction

On behalf of the Board, I am pleased to present my first annual statement as Chair of the Committee following my appointment to the Board in April 2023. The Directors' remuneration report for FY23 is divided into three principal sections:

- The annual statement, which summarises the Committee's activities and decisions during the year
- The annual report on remuneration, which provides details of the remuneration paid to the Board in FY23 and to be paid in FY24
- Directors' remuneration policy which will be subject to a shareholder vote at the 2023 AGM following its triennial review.

Before I report on the latter two items, I would like to start my statement by responding to the 2022 AGM vote on Directors' remuneration. Since my appointment I have had the opportunity to meet with several shareholders and proxy advisers. I would like to express my appreciation for the time taken to meet with me, the level of engagement and the constructive feedback given during those meetings.

Summary of shareholder feedback

Notably, all shareholders I spoke with recognised the progress made by Kier in respect of our medium-term value creation plan, how the Chief Executive and Chief Financial Officer are key to the ongoing turnaround and that they consider their retention and incentivisation a priority for the Committee. Points were raised with reference to historic communication, and the Committee notes the feedback and commits to ongoing open and proactive engagement. The majority of shareholders were also keen to hear about the support the Group has provided to employees with their wellbeing and cost of living pressures, and I summarise this in the 'Employee experience' section below.

Some shareholders felt that the grant price for the 2022 LTIP should not have used the share price at the time of grant, which was at a temporary low level, and wanted clarity regarding the decision to fully vest the 2019 LTIP grant in respect of net debt:EBITDA performance and the discretion used. Several shareholders asked about the Committee's target setting process, including how it chooses performance metrics and how it satisfies itself that the targets for the bonus and LTIP, and personal objectives for the Chief Executive and Chief Financial Officer, are sufficiently stretching and that they should not replicate other incentives.

A summary of progress to date includes:

Medium-term value creation plan targets	Progress to date
– Annual revenue c.£4.0bn–£4.5bn	– FY22: Annual revenue of £3.3bn. Order book increased by c.27% to £9.8bn – FY23: Increases in both annual revenue to £3.4bn and order book to £10.1bn
– Adjusted operating margin c.3.5%	– FY22: Margin improvement by 70 basis points to 3.7% which meets the medium-term target – FY23: Further margin improvement to 3.9%
– Cash flow conversion of operating profit c.90%	– FY22: Adjusted free cash flow conversion: 90% – FY23: Significant further increase to 130%
– Balance sheet: sustainable net cash position with capacity to invest	– The Group generated positive operating cash flow which was used to repay debt and debt-like items such as the average month-end KEPS balance, pay adjusting items, tax and interest, pension deficit obligations and remaining HMRC COVID-19 support – Average net debt reduction from £(432)m in FY21, £(216)m in FY22 to £(232)m in FY23
– Sustainable dividend policy: c.3x earnings cover through the cycle	– The Board intends to pay a dividend with effect from FY24

How the Committee is responding

I have taken the opportunity to brief the Committee on my discussions with shareholders and I am pleased to confirm how the Committee intends to respond.

- **LTIP grant price:** The 2023 LTIP grant will use a grant price that is the higher of the 2021 capital raise issue price (85p) or the three-month average share price leading up to the date of grant.
- **Metric selection:** The Committee has reviewed the portfolio of metrics for FY24 and their weighting. Average month end net debt will replace operating free cash flow in the FY24 annual bonus to remove duplication with the LTIP and in direct response to several shareholders who, like the Board, consider it a fundamental to the business.
- **Target setting:** In terms of financial targets, the Committee will continue to provide a comprehensive summary of its approach to bonus and LTIP target setting. The fundamentals will always be to improve on the previous year's achievements and to set maximum targets cognisant of both consensus at the time targets are set and the medium-term value creation plan, such that maximum pay-out will only trigger on outperformance of consensus and accelerated progress against the medium-term value creation plan. Please also note that adjusted items will no longer include restructuring and related charges from FY24 onwards.
- **Health & Safety:** The Board and management feel strongly that Health & Safety is Kier's licence to operate and it being an independently weighted metric in the annual bonus signals the importance the Board and management place on managing c.10,000 employees across c.400 live projects safely. There will continue to be no duplication of Health & Safety targets in personal objectives and targets set will be industry leading.
- **Personal objectives:** The Committee acknowledges and concurs with comments made that personal objectives should be independent of other metrics, to avoid paying twice, and be clearly measurable and related to strategy targets. The personal objectives for FY24 will be focused on employee engagement, reflecting our priorities around culture and the importance of our workforce being very engaged to deliver sustainable performance if the Group is to achieve its medium-term value creation plan. Starting with this year's Directors' remuneration report the Committee will provide a more comprehensive disclosure of personal objectives set and performance against those objectives.
- **Net Debt:EBITDA:** The 2020 LTIP award is the final award subject to a Net Debt: EBITDA target and unlike last year the Committee has been able to determine the formulaic outcome rather than exercise discretion. Detail on the formulaic outcome can be found on page 133.

These commitments, and the improvements made in the disclosures that follow, directly respond to shareholder feedback and I will continue to openly and proactively engage with our shareholders on remuneration matters.

FY23 Group performance

Notwithstanding the continued macroeconomic challenges, the Group has delivered another year of very strong operational and cash performance in the second year of the Group's medium-term value creation plan. FY23 highlights include:

- Increase in the year-end order book to £10.1bn with c.85% of revenue for FY24 secured (£9.8bn in FY22)
- 9.1% increase in adjusted operating profit to £131.5m (£120.5m in FY22) and an increased margin of 3.9% (3.7% in FY22)
- Year-end net cash position of £64.1m, an improvement of £61.2m on FY22
- Average net debt of £(232.1)m which is lower than budgeted and compares with £(216.1)m in FY22
- Significant improvement in operating free cash flow of £132.3m (£54.6m in FY22)

Employee experience

The medium-term value creation plan will only be achieved if the Group's c.10,000 strong workforce is engaged and employees feel fairly rewarded and supported during the cost of living crisis. The Committee was pleased to note that the Group's employees received, on average, a c.4% pay rise in FY23 base salaries. Kier remains an accredited Real Living Wage ('RLW') employer and in January 2023, c.850 employees received a pay increase of 10.1% following the increase in the RLW rate. I can confirm that the RLW now extends to contingent workers. Highlights in respect of key employee reward and benefits initiatives during the year included:

- Cost of living payments of £300 were made in November 2022 to c.800 of the Group's employees who we believed were most challenged with the high increases in food, energy and household bills.
- Enhancements made to life assurance, sick pay and annual leave entitlements with over 4,500 individual improvements made to employee terms and conditions across the Group. It is the first step in the wider alignment of employee benefits.
- Promotion of shopping discounts which in FY23 saved employees £260,000. Also in FY23, additional benefits were introduced which enabled the cost of purchasing white goods and services to be spread over 12 months.
- Introduction of new benefits to employees that could provide support and solutions to manage immediate financial stresses, including access to loans and other financial products through a specialist provider. Access to free mortgage advice for all employees and their families was also introduced.

Through the Reward & Employee Benefits Forum, I was able to discuss with employees from across the business, including the employee networks, how the benefits available can make a real difference to employees and their families, and where the opportunities are to further review and improve the range of benefits, and to drive engagement with them.

Shareholder experience

When making remuneration decisions, the Committee takes account of the shareholder experience. As already mentioned, the 2023 LTIP award will use a grant price that is the higher of the 2021 capital raise issue price (85p) or the three-month average share price leading up to the date of grant. Vesting will be satisfied by market purchased shares.

Directors' remuneration policy

In line with the normal three-year cycle, a new Directors' remuneration policy ('2023 Policy') will be subject to a shareholder vote at the 2023 AGM. During the year the Committee spent a significant amount of time reviewing the policy to ensure it would be able to attract, retain, and incentivise the required calibre of executive directors to deliver our ambitious plan in what continues to be a highly competitive market for senior talent. The Committee noted the small turnover in the Executive Committee members during the year.

Since 2020 Executive Director pension contributions have aligned with workforce rates, a two-year post-vesting holding period applies to vested LTIP awards and a 200% shareholding requirement for both the Chief Executive and Chief Financial Officer that extends two years post-employment has been in place. The 2023 Policy will continue to include these best practice features. For consistency, the Committee assessed the Chief Executive and the Chief Financial Officer pay competitiveness against the same tailored peer group of companies as when the Chief Executive base salary was reviewed in 2021. The median maximum bonus in this peer group is 150% and 145% of salary for the Chief Executive and Chief Financial Officer respectively. The Committee was also provided independent pay data that showed those companies with revenues similar to the Group, for which the bonus opportunity was also 150% of salary for both the Chief Executive and Chief Financial Officer. Both reference points along with the fact that there has been no change in bonus opportunity since 2017 informed the Committee's decision to increase the bonus opportunity from 125% to 150% of salary as part of 2023 Policy.

In return for the increase in bonus opportunity, shareholders rightly expect the FY24 annual bonus target to be commensurately more stretching and I provide more detail on the FY24 targets in the Looking Forward – FY24 section below and on page 126.

The Committee strongly believes that the tailored peer group should also be a primary reference point for policy features, including those that are less favourable to management. When reviewing the data, the Committee noted bonus deferral in the tailored peer group was 40% at median, whereas in general industry (and current policy) it is 33%. Consequently, the Committee considered it appropriate to increase the deferral to 40% until the shareholding guideline has been achieved (at which it would revert to 33%), recognising good progress has been made to achieving this metric as shown on pages 135 and 136. There is a mandatory three-year deferral period. The 2023 Policy also includes a reduction in the weighting on non-financial objectives from 25% to 20% for the annual bonus.

The normal annual LTIP grant level was always considered as 175% of base salary and for the avoidance of doubt there is no change to the normal grant level or maximum of 200% of base salary. As a consequence of this clarification the requirement to disclose reasons for an award above 150% will be removed from the 2023 Policy. It was noted that the current policy refers to LTIP awards typically vesting on the third anniversary of grant, rather than specifically being subject to a performance period of no less than three years. It has never been the intention of the Committee that LTIP awards would be subject to anything less than a three-year performance period as demonstrated by all previous LTIP awards being subject to performance over three financial years. I can confirm that the 2023 Policy makes this commitment explicit.

As a strategic supplier to the UK Government, environmental, social and governance ('ESG') matters are fundamental to the ability to win work and secure positions on long-term frameworks. UK Government contracts above £5m require net zero carbon and social value commitments. The Group has developed and published a net zero carbon milestone plan that it believes will support the decarbonisation of the economy in a socially just and inclusive way. We have set out the Group's pathway to become net zero carbon for business operations (scope 1 & 2) by 2039 and value chain (scope 3) by 2045, together with interim targets. Shareholders broadly welcomed the proposed introduction of an ESG metric for the 2023 LTIP award.

The Directors' remuneration policy can be found on pages 144 to 153.

FY23 outcomes

Annual bonus

The FY23 annual bonus targets related to adjusted operating profit (AOP), operating free cash flow (FCF), health and safety and personal objectives. At the time the targets were set, the Committee considered the medium-term value creation plan and analyst consensus such that maximum payment can only occur for outperformance of consensus.

- The AOP target had a threshold of £120.5m, on-target of £128.3m which was aligned with consensus and maximum of £133.3m which was above consensus at the time the target was set. AOP achieved was £131.5m but having reviewed the underlying operating adjusting items the Committee used a lower figure of £131.1m to determine pay-out which was 78% of maximum for this element.
- The operating FCF target had a threshold of £102.6m, target of £115.5m and maximum £121.9m. Actual operating FCF was significantly ahead of the Board's expectations at £170.6m as a result of revenue growth in Infrastructure Services and Construction which converted to increased profitability and cash. In addition, the Group experienced a seasonal working capital inflow of £80.3m, predominantly driven by Construction. The Committee considered the formulaic outcome a fair representation of underlying performance and pay-out was determined as 100% of maximum.
- The Committee purposefully simplified the health and safety target for FY23 by using a single performance measure – the Group's Accident Incident Rate. Starting from a baseline significantly below the Health and Safety Executive benchmark, threshold required a 5% reduction versus FY22 and a 10% reduction for maximum. The outcome was a 23% reduction and thus 100% of the health and safety metric paid out.
- The personal objectives for the Executive Directors included climate improvements through carbon reduction, driving an increase to employee engagement and improvements to average net debt and spot debt/cash positions. The Committee reviewed the extent to which the Executive Directors had satisfied their personal objectives and awarded 100% of the maximum opportunity of this element.

In light of the business and stakeholder context set out above, the Committee believes the bonus outcome of 91.2% of maximum is fair and appropriate, and no further discretion was exercised in relation to the formulaic outcome. FY23 bonuses will be delivered two thirds in cash and one third will be awarded in shares which will not be released until a three-year holding period is complete.

Further detail on the FY23 annual bonus outcome including detail on personal objectives can be found on pages 131 and 132.

2020 LTIP award

The targets for the 2020 LTIP award were AOP, total shareholder return ('TSR') and net debt:EBITDA. Targets were set shortly after the Group had reported AOP of £41.4m and significant net debt.

The targets demanded significant improvement in AOP by FY23 of at least £120.7m, improvement in net debt:EBITDA to at least 2.86:1 and Kier's TSR to outperform a comparator group of peers.

Actual AOP performance in FY23 was £131.5m resulting in 58.6% of this element vesting. Net debt:EBITDA was 0.58:1 and 100% of this element vested. The TSR element did not achieve threshold and so this element vested at 0%.

When considering the vesting outcomes, the Committee recognised that the targets were set during the implementation of the new strategy, and amidst the uncertainty caused by the Covid pandemic. Significant improvements have been made to the Group's financial position during the three-year performance period including improved profitability with lower adjusting items; and an improvement in the underlying cash generation of the business resulting in reduced average net debt, the repayment of the supply chain finance facility ('KEPs' and reduced leverage.

The Committee considered the grant price of the 2020 LTIP award (78.3p) and the current share price and also noted that the award was reduced from 175% to 130% of base salary at grant to take into account the performance of the share price preceding the grant. It was satisfied that no adjustments were required for windfall gains.

Consequently, the 2020 LTIP award vested at 54.3% of maximum opportunity which the Committee considered to be a fair representation of management performance over the period. The net shares vesting will be subject to a two-year holding period before being made available to the Executive Directors. Further detail on the 2020 LTIP award can be found on page 133.

Looking forward – FY24

Base salary

The Committee decided that the Chief Executive and Chief Financial Officer would receive a salary increase of 4.5%, which is lower than the c.5% increase for the majority of the wider workforce. The base salary for the Chief Executive will be effective from 1 November 2023 consistent with the commitment made in 2021 that it would not increase within the expiring policy period. The increase for the Chief Financial Officer will be effective from the normal review date of 1 October 2023.

Pension

The pension contributions for the Executive Directors in FY24 will remain at 7.5% of their respective base salaries, which is aligned with Company pension contributions made available to the wider workforce.

Annual bonus

Subject to approval of the 2023 Policy at the 2023 AGM, the maximum bonus opportunity for the Chief Executive and Chief Financial Officer will be 150% of base salary and the mandatory deferral into shares for three years will increase from 33% to 40% of any net bonus paid until the shareholding guideline has been achieved.

The FY24 bonus targets will continue to be based on AOP (40%), Group health and safety (10%) and personal objectives (10%). Average month end net debt (40%) will replace operating free cash flow to remove duplication with LTIP metrics and in direct response to several shareholders who, like the Board, consider it fundamental to the business and the medium-term value creation plan.

The Committee is focused on setting appropriately stretching objectives to justify and warrant the additional opportunity and although the Committee does not intend to publish the targets prospectively due to their sensitive nature, I can confirm that the Committee has set the threshold for adjusted operating profit above actual performance in 2023. The Committee also intends to stretch the target such that not only will it require accelerated delivery of the medium-term value creation plan, recognising the shorter target timeline, to achieve the maximum of 125%, the higher maximum opportunity of 150% will only pay out for further incremental improvement. Full details of the performance targets will be provided in the 2024 Directors' remuneration report.

On 4 September 2023, the Group announced that it had agreed to acquire substantially all the rail assets from Buckingham Group Contracting Limited. The proximity of the acquisition to FY24 targets being approved and the complicated nature of the assets being acquired meant that the full impact of the acquisition on business forecasts has yet to be determined. Therefore the Committee approved the already stretching FY24 targets for annual bonus and LTIP subject to it having discretion to adjust future performance outcomes to exclude the acquisition and/or to adjust targets once the implications have been fully reviewed and the acquisition has completed. Should any such adjustments be made they will be reported at the relevant time.

More detail on the Committee's approach to metric selection and target setting can be found on page 126.

LTIP awards

The Committee has determined that the Chief Executive and Chief Financial Officer will be granted LTIP awards at the normal annual grant level of 175% of base salary.

The 2023 LTIP grant will use a grant price that is the higher of the 2021 capital raise issue price (85p) or the three-month average share price leading up to the date of grant. The performance conditions will relate to EPS (40%), TSR outperformance (25%), operating FCF (25%) and reductions in the Group's scope 1 & 2 carbon emissions (10%).

Chairman fee

During the year the Committee reviewed the Chairman's fee and approved an increase to £253,000 (FY23: £235,000) effective 1 October 2023. Although a matter reserved for the Chairman and Executive Directors, in recognition of the additional time commitment associated with the role, they approved an increase in the additional fee payable for the Chair of the Remuneration Committee from £12,000 to £20,000 p.a. effective from the date of my appointment. I can confirm that there will be no other increase in the total fees payable to the Non-Executive Directors as set out on page 142.

As Committee Chair, I would like to reiterate my appreciation to those shareholders who provided feedback and I hope the direct response of the Committee to the feedback is sufficient to receive your support for the 2023 Policy and the 2023 Directors' remuneration report at the AGM in November.

Margaret Hassall
Chair of the Remuneration Committee

Remuneration at a glance

Approach to remuneration at Kier

Align with strategy and incentivise and reward performance:
Over two-thirds of the Executive Directors' maximum remuneration opportunity is variable and relates to the Group's performance against its strategic priorities.

Align Executive Directors' interests with those of shareholders:
Approximately half of the Executive Directors' maximum remuneration opportunity is satisfied in shares and the Executive Directors are encouraged to build up shareholdings in the Company of at least two years' base salary over a period of up to five years.

Support the delivery of the Group's strategy and promote its long-term success:
To achieve this aim, the Group needs to attract and retain talented management. The Committee therefore considers practices in comparable businesses so as to ensure that remuneration at Kier remains competitive, enabling it to attract and retain talented individuals, but without paying more than is necessary.

Remuneration framework

There are three elements to the framework for the Executive Directors' remuneration:

Fixed element

Comprises base salary, taxable benefits (private health insurance and a company car or car allowance) and pension contributions.

Short-term element

An annual bonus, which incentivises and rewards the delivery of a balanced selection of financial and non-financial targets in a financial year, with payments being satisfied in cash (two-thirds), which are subject to clawback, and shares (one-third), which are deferred for three years and subject to malus.

Long-term element

The LTIP incentivises financial performance over a three-year period, promoting long-term sustainable value creation for shareholders. Vested shares have a two-year holding period and are subject to clawback.

Strategic alignment of remuneration

For the Executive Directors' and senior management, a significant part of their total remuneration opportunity should be performance related, and those performance targets should be directly connected to the delivery of the Group's strategy and long-term returns. The following table illustrates how that is achieved:

Strategic actions

Disciplined growth	Consistent delivery	Generate cash

Medium-term value creation plan

Annual revenue c.£4.0bn–£4.5bn	Adjusted operating margin c.3.5%	Cash flow conversion of operating profit c.90%	Balance sheet: sustainable net cash position with capacity to invest	Sustainable dividend policy: c.3x earnings cover through the cycle

How strategy links to remuneration

Annual bonus targets for FY24

Adjusted operating profit	Average month end net debt	Health, safety & wellbeing	Personal objectives
40%	40%	10%	10%

LTIP performance conditions for FY24

Group adjusted earnings per share	Group free cash flow	Total shareholder return	Carbon emissions reduction
40%	25%	25%	10%

Approach to target setting and determining incentive outcomes

In setting targets and assessing performance the following process is adopted by the Committee:

Set performance measures aligned with strategy, budget and long-term forecasts

The Committee reviewed and selected incentive performance measures for FY23 that were fully aligned to the business strategy and the annual budget as approved by the Board.

FY23 annual bonus
- The 2023 annual bonus metrics included Group adjusted operating profit and free cash flow (both with a 40% weighting), Accident Incident Rate (AIR) weighted 10% and the Executive Directors had several personal objectives also weighted at 10%
- The adjusted operating profit target was also subject to a maximum level of adjusting items for the financial year as determined by the Committee. Any operational adjusting items above the maximum would be deducted from the Group adjusted operating profit on a pound-for-pound basis in determining the target's achievement. Free cash flow was subject to a performance requirement (an 'underpin') of actual average net debt for the financial year. In the event the average debt underpin was exceeded, the achievement of this target would be nil

2020 LTIP
- The 2020 LTIP vested based on performance in the three financial years ending 30 June 2023. Metrics included Adjusted operating profit (50% weighting), Net Debt: EBITDA (25%) and Total Shareholder Return (25%)
- When the Committee selected performance metrics in 2020, improvements in profitability and net debt were of primary importance and consequently the Committee set targets based on long-term improvements in these key areas
- At the time targets were set, adjusted operating profit was £41.4m (FY20) whereas the Group has just reported adjusted operating profit of £131.5m (FY23). Average net debt has also reduced significantly from £436m (FY20) to £232m (FY23) with a significant reduction in debt-like items over the period

Set stretching targets

In setting stretching performance targets the Committee considered a range of influencing factors that included the medium-term value creation plan, the annual budget, analysts' forecasts (consensus), economic conditions including the ongoing impact of the high inflationary environment and generally challenging trading conditions, individuals' areas of responsibilities and the Committee's expectations over the relevant period. A significant outperformance by the Executive Directors is required to achieve the maximum. The targets set for the FY23 annual bonus and the 2020 LTIP and a summary of performance against them is provided on pages 131 to 133.

Notwithstanding stretching targets set at the outset, the Committee will also consider the application of discretion at the end of the performance period if relevant (and this is set out in the remuneration policy).

Assess performance

A summary of FY23 bonus and LTIP performance is set out in the Chair's statement on pages 123 and 124.

Take account of wider circumstances

The Committee believes that the range of measures used to assess performance of the annual bonus and LTIP ensures that performance is assessed using a balanced approach, that is fully aligned with the business strategy. The Committee also considers the wider workforce remuneration and policies when making decisions on executive remuneration. Given the performance noted above and wider operational achievements, and after considering the potential for windfall gains arising on the LTIP vesting, the Committee is satisfied that the FY23 annual bonus and LTIP outcomes represent a fair reward for performance delivered.

Apply discretion if required

Depending on the circumstances, the Committee may exercise judgement in assessing performance and determining the level of achievement. The Committee has full discretion to override formulaic outcomes. Deferred shares and unvested LTIP awards will be subject to a 'malus' provision during the three-year deferral period and the three-year performance period prior to vesting, respectively. This allows the Committee to apply a reduction in certain circumstances including a material misstatement of the Group's financial statements, a material error in determining the satisfaction of a performance condition, a participant deliberately misleading the Company, the market and/or shareholders, material reputational damage to the Group, gross misconduct and any other circumstances similar in nature. Clawback applies to the cash element of the annual bonus and the two-year post-vesting holding period which applies to LTIP awards. The circumstances in which clawback apply are the same (or substantially the same) as for malus. The Committee has the right to apply the malus and clawback on an individual or on a collective basis.

Summary of the Executive Directors' FY23 remuneration outcome

Summary of the Executive Directors' FY23 remuneration outcome:

Andrew Davies (£s)

01 **£821,000** Salary, benefits and pension
02 **£855,000** Bonus
03 **£477,000** LTIP

Simon Kesterton (£s)

01 **£573,000** Salary, benefits and pension
02 **£597,000** Bonus
03 **£388,000** LTIP

Summary of the Executive Directors' maximum FY24 remuneration

Element	Chief Executive	Chief Financial Officer
Base salary	£783,750[1]	£547,617[2]
Pension	7.5% of salary	
Benefits	Private health insurance and a company car or car allowance	
Bonus	150% of salary	
Bonus measures[3,4]	Expected to include adjusted operating profit (40%), average month end net debt (40%), the Group's safety performance (10%) and personal objectives (10%), with a maximum of 20% of the opportunity relating to non-financial measures	
Deferred Shares[4,5]	33% of any net payment is in deferred shares which are held for three years. If the share ownership guideline has not been achieved then the net payment subject to deferral is 40%	
LTIP	175% of salary	
LTIP performance conditions[3,4]	Awards will be subject to the Group's performance over a three-year period to 30 June 2026 with performance measures expected to be: 40% Adjusted Earnings Per Share 25% Free Cash Flow 25% Total Shareholder Return 10% ESG – Carbon Emissions	
Holding period	Any vested LTIP shares must be held for two years after vesting (after payment of tax)	
Malus and clawback	Clawback will apply to any cash bonuses paid and to the post-vesting holding period for any LTIP shares. Malus will apply to any deferred shares (in the three-year deferral period) and LTIP awards (prior to vesting)	

1. With effect from 1 November 2023.
2. With effect from 1 October 2023.
3. The actual bonus targets (and performance against them) and details of the LTIP awards will be disclosed in the 2024 Annual Report.
4. Subject to approval of the 2023 Policy at the 2023 Annual General Meeting.
5. Increased from 33% to 40% of net bonus annual payment until the 200% share ownership guideline achieved.

Employee benefits

FY23 Workforce remuneration

	All Employees	Executive Directors
Salary	Pay review boundaries approved by Remuneration Committee	Increases typically in line with average awarded to the wider employee population
Bonus	800 employees eligible for a bonus Maximum opportunity: 80% of base salary FY23 Group targets: Profit, Cash Flow, Health & Safety	FY23 Maximum opportunity: 125% of base salary FY23 Group targets: Profit, Cash Flow, Health & Safety, Personal Objectives
Deferred Bonus shares	Executive Committee: 25% of net bonus deferred for 3 years	33% of net bonus deferred for 3 years
Long-Term Incentive Plan	Awarded to leadership and strategic managers Maximum award: 100% of base salary 3-year performance period Targets: Earnings Per Share, Shareholder Return, Cash Flow	Maximum award: 200% of base salary 3-year performance period, 2-year holding period Targets: Earnings Per Share, Shareholder Return, Cash Flow
Pension	7.5% matched employer pension contributions for majority of employees	7.5% employer pension contributions or cash allowance
Sharesave	Maximum contributions: £6,000 p.a. 3-year saving period	Maximum contributions: £6,000 p.a. 3-year saving period
Share Incentive Plan	Maximum contributions: £1,800 p.a. Group funded matching shares provided on 1:2 basis	Maximum contributions: £1,800 p.a. Group funded matching shares provided on 1:2 basis

Employee benefits

Providing employees with a range of employee benefits and support is critical to the Group attracting and retaining a diverse and motivated workforce. In addition, for FY23 there was a focus on providing new benefits to employees with an emphasis on assisting with cost of living pressures. The new benefits and enhanced policies introduced during the financial year included:

- All employees benefitted from an enhanced level of life assurance cover of 4x salary.
- C.2,500 employees received an increase in sick pay entitlement with statutory sick pay replaced with full pay for up to 20 days and half pay for a further 20 days.
- Over 1,000 employees received an enhancement to their annual leave entitlement and further phased uplifts are planned to ensure alignment across the Group.
- The Group is accredited as a Real Living Wage employer and c.850 employees received a pay increase in January 2023 when the RLW rate increased by 10.1%. Real Living Wage was also applied to contingent workers with effect from 1 July 2022 and subcontractors from 1 April 2023.

New benefits were made available to employees to assist with wellbeing and the cost of living pressures:

- access to loans through a specialist provider with a higher acceptance rate and lower interest rates than that of traditional lenders.
- spreading the cost of purchasing tech and white goods, and car repairs and maintenance, through repayments taken from salary.

Reward & Employee Benefits Forum (the 'Forum')

The Reward & Employee Benefits Forum has representatives from across the Group's UK business areas and the Group's inclusivity networks. It provides a platform to discuss a range of employee reward and benefits topics in the context of attracting, developing and retaining our people. The Forum has considered some of the key benefits available to employees including those that provide valuable savings on everyday family spend, mental and physical health focused support and Kier's pension scheme.

The Committee Chair and the Chief People Officer attend the meetings and the Forum recently discussed how the Executive Directors' remuneration arrangements are determined, the context and alignment with the pay and benefits of the wider workforce, the role of the Non-Executive Directors and the Remuneration Committee, and the 2023 Policy. The Chair updated the Committee on the outcome of the meeting and the feedback received.

Summary of the changes proposed to the Remuneration Policy

The Committee believes that whilst no significant structural changes are required to the Policy at this time, it is important that the Policy continues to attract, retain, and incentivise the required calibre of executive directors to deliver the medium-term value creation plan and secure long-term success, whilst being sensitive to stakeholders' views on executive pay. The 2023 Policy, which is set out on pages 144 to 153 (inclusive), will take effect from the conclusion of the 2023 AGM (subject to shareholder approval). The Committee is proposing that the changes to the annual bonus opportunity and LTIP grant level will apply to the awards made in FY24. A summary of the changes to the 2020 Policy are set out below.

Element	Change to 2020 Policy	Rationale
Annual bonus	The maximum potential bonus increases from 125% to 150% of base salary.	**Increase in opportunity:** For consistency the Committee assessed Chief Executive and Chief Financial Officer pay competitiveness against the same tailored peer group of companies as when the Chief Executive base salary was reviewed in 2021. The median maximum bonus in this peer group is 150% and 145% of salary for the CEO and CFO respectively. The Committee was also provided independent pay data that showed in companies with revenues similar to Kier, the bonus opportunity was also 150% of salary for both CEO and CFO. Both reference points along with the fact that there has been no change in bonus opportunity since 2017 informed the Committee's decision to increase the bonus opportunity from 125% to 150% of salary as part of the 2023 Policy.
	The maximum weighting towards non-financial measures is reduced from 25% to 20% of the maximum potential bonus.	**Non-financial measures:** The reduction in the weighting of non-financial objectives provides the Committee flexibility to ensure participants focus on the delivery of core, stretching financial objectives critical to the delivery of the medium-term value creation plan.
	The deferral allocation of any net payment into shares increases from 33% to 40% until the Executive Directors' share ownership guideline is achieved.	**Increase to deferral:** The Committee strongly believe that the tailored peer group should also be a primary reference point for policy features, including those that are less favourable to management. When reviewing the data, the Committee noted bonus deferral in the tailored peer group was 40% at median, whereas in general industry (and current policy) it is 33%. Consequently, the Committee considered it appropriate to increase the deferral to 40% until the shareholding guideline had been achieved.
LTIP awards	Clarification that LTIP awards made under the policy are subject to a three-year performance period.	**Performance period clarification:** It was noted that current policy refers to LTIP awards typically vesting on the third anniversary of grant, rather than specifically being subject to a performance period of no less than three years. It has never been the intention of the Committee that LTIP awards would be subject to anything less than a three-year performance period as demonstrated by all previous LTIP awards being subject to performance over three financial years. The 2023 Policy makes this commitment explicit.
	Clarification that the normal annual grant level is 175% of base salary and the maximum award level of 200% shall remain and continue to be only used in exceptional circumstances.	**Normal annual LTIP grant level:** Throughout the life of the current policy, LTIP grant levels have ranged between 130% and 200% of salary. The Committee has previously sought to strike the right balance between providing management a meaningful incentive and the share price at award. The normal LTIP grant level was always considered as 175% and for the avoidance of doubt there is no change to the normal grant level or maximum of 200%. As a consequence of this clarification the requirement to disclose reasons for a grant above 150% will be removed from the 2023 Policy.
	Inclusion of an ESG-related performance measure.	**Introduction of an ESG measure:** Aligned with the Group's commitment to a pathway to net zero carbon, the Committee believes it appropriate to introduce an ESG measure that is relevant, quantifiable and science-based.

Annual report on remuneration

Directors' remuneration for the 2023 financial year – audited

The following table provides details of the Directors' remuneration for the 2023 financial year, together with their remuneration for the 2022 financial year, in each case before deductions for income tax and national insurance contributions (where relevant):

	Fixed Pay								Variable Pay								Total	
	Salary/fee (£000)		Taxable benefits[1] (£000)		Pension[2] (£000)		Total fixed pay (£000)		Bonus (£000)		LTIP Vesting (£000)		Share Schemes (£000)[5]		Total variable pay (£000)		Total (£000)	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**[3]	2022[4]	**2023**	2022	**2023**	2022	**2023**	2022
Executive Directors																		
Andrew Davies	**750**	750	**15**	15	**56**	56	**821**	821	**855**	739	**477**	559	**–**	–	**1,332**	1,298	**2,153**	2,119
Simon Kesterton	**519**	499	**15**	15	**39**	37	**573**	551	**597**	496	**388**	390	**–**	–	**985**	886	**1,558**	1,437
Non-Executive Directors																		
Alison Atkinson	**69**	67	**–**	–	**–**	–	**69**	67	**–**	–	**–**	–	**–**	–	**–**		**69**	67
Justin Atkinson	**69**	67	**–**	–	**–**	–	**69**	67	**–**	–	**–**	–	**–**	–	**–**		**69**	67
Chris Browne[6]	**48**	–	**–**	–	**–**	–	**48**	–	**–**	–	**–**	–	**–**	–	**–**	–	**48**	–
Margaret Hassall[7]	**19**	–	**–**	–	**–**	–	**19**	–	**–**	–	**–**	–	**–**	–	**–**	–	**19**	–
Matthew Lester	**235**	235	**–**	–	**–**	–	**235**	235	**–**	–	**–**	–	**–**	–	**–**		**235**	235
Dame Heather Rabbatts[8]	**52**	67	**–**	–	**–**	–	**52**	67	**–**	–	**–**	–	**–**	–	**–**		**52**	67
Clive Watson	**69**	67	**–**	–	**–**	–	**69**	67	**–**	–	**–**	–	**–**	–	**–**		**69**	67
Total	**1,830**	1,752	**30**	30	**95**	93	**1,955**	1,875	**1,452**	1,235	**865**	949	**–**	–	**2,317**	2,184	**4,272**	4,059

1. Comprises private health insurance and a company car or a car allowance.
2. Comprises the payment of employer pension contributions and/or a cash allowance.
3. The award granted in 2020 will vest at 54.3%. The value is calculated using the Company's average share price for the three-month period ended 30 June 2023 of £0.76.
4. The figures in this column have been restated, as compared to those included in the 2022 Annual Report, to reflect the Company's share price on the vesting date for the 2019 LTIP award of £0.62. The figures in the relevant 2022 totals columns also reflect this restatement.
5. The value of the matching shares purchased under the Share Incentive Plan (SIP).
6. Chris Browne joined the Board on 15 September 2022.
7. Margaret Hassall joined the Board on 5 April 2023.
8. Dame Heather Rabbatts resigned from the Board on 30 March 2023.

All figures in the above table have been rounded to the nearest £1,000.

Pension entitlements – audited

The Executive Directors are eligible to participate in the Kier Retirement Savings Plan, a defined contribution plan. The employer pension contributions are aligned with those made available to the majority of the workforce. The contributions payable to the Executive Directors are subject to the annual allowance, with the balance being payable as a cash allowance. Cash allowances are subject to tax and national insurance deductions and are excluded when determining annual bonus and long-term incentive arrangements.

The pension contributions paid on behalf of, and the cash allowances paid to, the Executive Directors in respect of the 2023 financial year were:

Director	Employer pension contribution	Pension contribution	Cash allowance	Total
Andrew Davies	7.5%	–	£56,250	£56,250
Simon Kesterton	7.5%	–	£38,925	£38,925

Annual bonus – 2023 financial year – audited

In 2023, the Executive Directors were assessed against stretching financial and non-financial targets which included Group adjusted operating profit, Group year-end free cash flow, reduction in the Group's Accident Incident Rate, and a number of personal objectives. In setting the performance targets, the Committee considered a range of internal and external reference points, including the Group's medium-term value creation plan and analyst consensus to reflect market expectations, where available.

The Board set management a challenging 2023 financial year budget that required an 11.5% improvement in adjusted operating profit compared with FY22 and in the context of a continued challenging operating environment. Payment of the maximum bonus required outperformance of the analysts consensus available at the time the targets were set.

Bonus outcomes for the Executive Directors in respect of the 2023 financial year, in each case before deductions for income tax and national insurance, were:

Financial performance (aggregate weighting: 80%)

Target	Opportunity	Threshold target[1]	On target[1]	Stretch target[1]	Actual performance[2]	Actual performance as a % of opportunity
Group adjusted operating profit[3]	40%	£120.5m	£128.3m	£133.3m	£131.1m	78%
Group year-end free cash flow[4]	40%	£102.6m	£115.5m	£121.9m	£170.6m	100%

1. Bonus payment opportunity was 0% for threshold performance, 50% for on target performance and 100% for stretch target performance.
2. The AOP actual performance was reduced by £0.4m from £131.5m to reflect a deduction related to adjusting items – see note 3.
3. Opportunity was subject to a maximum level of adjusting items for the financial year as determined by the Committee (in consultation with RMAC). Any operational adjusting items above the maximum would be deducted from the Group adjusted operating profit on a pound-for-pound basis in determining the target's achievement.
4. Opportunity was subject to a performance requirement (an 'underpin') of actual average net debt for the financial year of £(259.9)m. In the event the average debt underpin was exceeded, the achievement of this target would be nil.

Non-financial performance (aggregate weighting: 20%)
Health, Safety & Wellbeing (maximum opportunity: 10%)

Target	Opportunity	Lower threshold[1]	Upper threshold[1]	Actual performance	Actual performance as a % of opportunity
Reduction in the Group's Accident Incident Rate[2]	10%	-5%	-10%	-23%	100%

1. Bonus payment opportunity was 50% for lower threshold performance and 100% upper threshold performance.
2. Position at end of the 2023 financial year compared to the end of the 2022 financial year.

Personal objectives (maximum opportunity: 10%)
A maximum of 10% of the total bonus opportunity related to the satisfaction of personal objectives as determined by the Committee. The Committee assessed performance against those objectives as follows:

	Strategic priority	Summary of objectives set	Summary of performance achieved	Determination
Andrew Davies Simon Kesterton	Performance Excellence	– Drive improvements in employee engagement	– Improved scores in employee engagement surveys from 58% to 65% in FY23. – Group-wide Culture programme launched with over 480 employees initially participating. Very positive feedback and engagement.	Fully achieved
	Working capital	– Improvements to average net debt and spot debt/cash positions	– The Group's net cash position at 30 June 2023 was £64.1m, an improvement of £61.2m compared to £2.9m as at 30 June 2022. Average net debt at FY23 is £232m, and whilst higher than the prior year, was lower than budget and significantly lower than the bonus underpin of £259.9m.	Fully achieved
	ESG	– Climate improvements through carbon reduction	– 19.6% decrease in carbon intensity achieved compared with the previous year. Total emissions from our business operations carbon for the year was 31,668 tCO_2e which equates to 9.7 tonnes per £m revenue. – Quarterly and year end targets achieved in line with pathway to net zero in each business and at Group level.	Fully achieved

Total outcome of annual bonus

Director	Bonus payable as % of opportunity	Opportunity as % of salary	Bonus payable as % of salary	Total bonus
Andrew Davies	91.2%	125%	114%	£855,000
Simon Kesterton	91.2%	125%	114%	£597,400

After significant assessment, the Committee was satisfied that the formulaic outcome was fair and appropriate including a reduction in the AOP outcome due to the operation of the limit on adjusting items. No adjustments were therefore made to the bonus targets and no discretion was exercised in relation to the outcome. In accordance with the approved Remuneration Policy, 33% of the total net bonus payments will be satisfied by an allocation of shares with legal ownership deferred for three years (subject to early release for 'good leavers' and upon a change of control).

LTIP awards – performance period ended 30 June 2023 – audited

The three-year performance period of the LTIP awards granted in 2020 ended on 30 June 2023. Performance against the performance conditions of those awards was as follows:

Performance Conditions	Weighting	Targets	Actual performance	Level of vesting as % of target[1]	Level of vesting as % of opportunity
Adjusted Operating Profit[2]	50%	0% vesting if AOP is less than £120.7m 25% vesting if AOP is equal to £120.7m 100% vesting if AOP is £144.8m Straight-line vesting between these points	£131.5m	58.6%	29.3%
Total Shareholder Return[3]	25%	0% vesting for performance below median constituent of the comparator group 25% vesting for performance in line with median constituent of the comparator group 100% vesting for performance equal to or outperforms the upper quartile of the comparator group Straight-line vesting between these points	Below Threshold	0%	0%
Net Debt:EBITDA[4]	25%	0% vesting for net debt:EBITDA greater than 2.86:1 25% vesting if net debt:EBITDA is equal to 2.86:1 100% vesting if net debt:EBITDA is 1.84:1 or lower Straight-line vesting between these points	0.58:1	100%	25%
Total					54.3%

1. Expressed as a percentage of maximum opportunity.
2. For the financial year ended 30 June 2023.
3. Against a comparator group of FTSE 250 Index excluding investment trusts.
4. Target measured by reference to the average (mean) of (i) the Group's net debt/cash position as at 31 December 2020, 30 June 2021, 31 December 2021, 30 June 2022, 31 December 2022 and 30 June 2023 and (ii) the Group's EBITDA for each of the 2021, 2022 and 2023 financial years.

The Committee reviewed the outcome of the LTIP, as well as overall levels of remuneration to ensure that they remain consistent with the overarching performance of the business and are in line with both colleague and shareholder experience and that there were no windfall gains. The Committee determined that this was the case and decided not to make any adjustments to the vesting level. The Committee also noted that the 2020 LTIP award was reduced from 175% to 130% of base salary at grant to take into account share price performance preceding grant.

The vesting of these awards will result in the allocation of the following number of shares:

Director	Maximum number of shares	Number of shares vesting[1,2]	Value[3]
Andrew Davies	1,154,816	627,065	£476,569
Simon Kesterton	940,350	510,610	£388,064

1. The vesting date is 18 December 2023.
2. Gross number of shares vesting. The net number of vesting shares (after payment of tax) delivered to the Director are subject to a two-year holding period.
3. The value of an award is calculated by multiplying the number of vested shares by the Group's average share price for the three-month period ended 30 June 2023 of £0.76. The values are stated before deductions for income tax and national insurance contributions.

Incentive awards made during the 2023 financial year – audited

The following incentive awards were made to those persons who, during the 2023 financial year, served as a Director:

Award[1]	Basis of award	Director	Face value[2]	Potential award for threshold performance	Performance period	Vesting date	Difference between exercise price and face value	Performance measures
LTIP	Percentage of base salary for the year ended 30 June 2023	Andrew Davies	£1,312,500	25% of face value	1 July 2022 – 30 June 2025	21 October 2025	n/a	Awards are based 50% on adjusted EPS for financial year ending 30 June 2025, 25% on TSR performance against a comparator group and 25% on adjusted Free Cash Flow. See table below for further detail.
		Simon Kesterton	£917,061					
Deferred Shares	One-third of the net bonus for the year ended 30 June 2022	Andrew Davies	£191,152	n/a	n/a	31 October 2025	n/a	Continuous service condition (subject to malus).
		Simon Kesterton	£85,616					

1. The LTIP awards made to Andrew Davies and Simon Kesterton were 175% of base salary and were at nil cost. The LTIP awards are a contingent right to acquire ordinary shares in the Group and are subject to a two-year post vesting holding period. The deferred shares are ordinary shares in the Group and subject to a three-year deferral period.
2. For the LTIP awards, 'face value' is calculated using the market price of a share in the capital of the Company on 20 October 2022 of 61.9p. For the deferred share awards, 'face value' is calculated using the market price of a share in the capital of the Company on 28 October 2022 of 61.7p.

No persons who, during the 2023 financial year, served as a Director received awards under the Share Incentive Plan.

LTIP 2022 Grant – Performance Conditions

The performance conditions (and respective weightings) and targets for the LTIP awards which were granted during the 2023 financial year are set out in the table below. The performance period is three years and the awards will, subject to the satisfaction of the performance conditions, vest on the third anniversary of the grant date (21 October 2025). In setting the Adjusted Earnings Per Share and Adjusted Free Cash Flow targets, the Committee considered a range of internal and external reference points, including the Company's operating and strategic plans and analyst consensus to reflect market expectations. In respect of the Adjusted EPS target, reflective of progress against the Group's medium-term value creation plan, the absolute performance required to reach threshold and stretch vesting has been significantly increased compared to the 2021 LTIP award. The Committee is satisfied that the performance targets represent the right balance between incentivising management and alignment with shareholder interests.

Performance condition	Weighting	Targets
Adjusted Earnings Per Share[1]	50%	0% vesting for below 19.2p 25% vesting for 19.2p 100% vesting for 22.6p Straight-line vesting between these points
TSR outperformance[2]	25%	0% vesting for performance below median constituent of comparator group 25% vesting for performance in line with median constituent of comparator group 100% vesting for performance equal to upper quartile of comparator group Straight-line vesting between these points
Adjusted Free Cash Flow[1]	25%	0% vesting for below £120.1m 25% vesting for £120.1m 100% vesting for £142.6m or higher Straight-line vesting between these points

1. For the financial year ending 30 June 2025.
2. The comparator group comprises FTSE 250 Index excluding investment trusts.

Payments for loss of office – audited
No payments were made for loss of office during the 2023 financial year.

Payments to past Directors – audited
No payments were made to past Directors during the 2023 financial year.

Directors' shareholdings and share interests – audited
The Committee encourages the Executive Directors to build up a shareholding in the Company of at least two years' base salary, to be accumulated over a period of up to five years. Executive Directors are therefore encouraged to retain any shares allocated to them as part of the annual bonus arrangements and upon the vesting of LTIP awards until this shareholding has been reached. The Executive Directors are required to retain shares equal in value to 100% of base salary for a period of two years from the date on which employment is terminated (or if the number of shares owned at such date is less than such value, the shares then owned).

The following table sets out details, as at 30 June 2023 (or the date on which the relevant individual left the Board), of the shareholdings and share interests of those persons (together with, where relevant, the shareholdings and share interests of their connected persons) who, during the 2023 financial year, served as a Director:

	Shares held				Options held				
As at 30 June 2023	Owned outright or vested[1]	Vested but subject to a holding period[2]	Unvested and subject to performance conditions[3]	Unvested and subject to continued employment[4]	Vested but not exercised	Unvested and subject to continued employment[5]	Shareholding guideline (% of salary)	Current shareholding (% of salary)[6]	Guideline met?
Alison Atkinson	–	–	–	–	–	–	n/a	n/a	n/a
Justin Atkinson	46,096	–	–	–	–	–	n/a	n/a	n/a
Chris Browne	–	–	–	–	–	–	n/a	n/a	n/a
Andrew Davies	159,275	885,154	4,658,934	–	–	10,534	200%	104.4%	No
Margaret Hassall	–	–	–	–	–	–	n/a	n/a	n/a
Simon Kesterton	159,024	563,155	3,351,537	–	–	10,534	200%	103.4%	No
Matthew Lester	117,531	–	–	–	–	–	n/a	n/a	n/a
Dame Heather Rabbatts	–	–	–	–	–	–	n/a	n/a	n/a
Clive Watson	82,275	–	–	–	–	–	n/a	n/a	n/a

1. Comprising shares held legally or beneficially by the relevant Director or their connected persons.
2. Comprising shares allocated following the vesting of LTIP awards (after the payment of tax) and subject to a holding period, and deferred shares allocated to the relevant Director in connection with annual bonuses.
3. Comprising unvested LTIP awards.
4. Comprising matching shares purchased after 30 June 2020 (or the date that was three years prior to the date of leaving the Board, as the case may be) under the SIP. See 'Share Incentive Plan' on page 137.
5. Comprising options under the SAYE schemes. See 'Save As You Earn schemes' on page 137.
6. Calculated by reference to (i) shares owned outright or vested by the Director or his/her connected persons, (ii) deferred shares allocated in connection with annual bonuses, (iii) shares allocated following vested LTIP awards in the post-vesting holding period using the closing market price of a share in the capital of the Company on 30 June 2023 of £0.75 and (iv) the gross base salaries for the year ended 30 June 2023.

There have been no changes in the interests of the Directors (or their connected persons) in the ordinary shares in the capital of the Company since 30 June 2023.

Illustration of estimated Directors' shareholdings and share interests – unaudited

The following table (unaudited) provides an illustration of the estimated shareholdings and share interests (together with, where relevant, the shareholdings and share interests of their connected persons) for the Executive Directors following the vesting of the LTIP awards granted in 2020 and the allocation of deferred shares following the payment of the 2023 annual bonus (which take place after the publication of this Annual Report):

	Shares held[1]				Options held[1]				
	Owned outright or vested	Vested but subject to a holding period[2]	Unvested and subject to performance conditions	Unvested and subject to continued employment	Vested but not exercised	Unvested and subject to continued employment	Shareholding guideline (% of salary)	Estimated shareholding (% of salary)[3]	Guideline met?
Andrew Davies	159,275	1,416,248	3,504,118	–	–	10,534	200%	152.8%	No
Simon Kesterton	159,024	972,647	2,411,187	–	–	10,534	200%	157.1%	No

1. This table provides an unaudited estimate and is calculated on the same basis as the previous table.
2. The estimated number of shares from the vesting of the LTIP awards granted in 2020 and the allocation of shares under the payment of the 2023 annual bonus, after applying a tax rate of 47% and a taxable value using the Group's average share price for the three-month period ended 30 June 2023 of £0.76.
3. Calculated using the FY24 salary.

Deferred bonus shares

Those persons who, during the 2023 financial year, served as a Director beneficially owned, at 30 June 2023, shares in the capital of the Company as a result of awards of deferred shares:

Director	2021 award	2022 award[1]	2023 award[2]	Cumulative total 30 June 2022	Cumulative total 30 June 2023
Andrew Davies	–	109,092	309,808	109,092	418,900
Simon Kesterton	–	98,702	138,761	98,702	237,463
Date of award	n/a	29 October 2021	31 October 2022	–	–
Share price used for award[3]	n/a	108.4 pence	61.7 pence	–	–
End of holding period[4]	n/a	29 October 2024	31 October 2025	–	–

1. 33% of the net bonus payable to the Executive Directors for FY21 was allocated as deferred bonus shares.
2. 50% of the net bonus payable to the Chief Executive Officer and 33% of the net bonus payable to the Chief Financial Officer for FY22 was allocated as deferred bonus shares.
3. The market price of a share from the business day immediately prior to the date of the award.
4. Subject to early release for 'good leavers' and upon a change of control.

LTIP awards

Those persons who, during the year ended 30 June 2023, served as a Director held LTIP awards over the following maximum number of shares in the capital of the Company at 30 June 2023:

Director	2021 award[1,3]	2022 award	2023 award	Cumulative total 30 June 2022	Cumulative total 30 June 2023
Andrew Davies	1,154,816	1,383,763	2,120,355	3,739,881	4,658,934
Simon Kesterton	940,350	929,667	1,481,520	2,709,162	3,351,537
Date of award	18 December 2020	28 October 2021	21 October 2022	–	–
Share price used for award[2]	78.3 pence	108.4 pence	61.9 pence	–	–
End of performance period	30 June 2023	30 June 2024	30 June 2025	–	–

1. Adjusted to take account of the 2021 capital raise.
2. The market price of a share from the business day immediately prior to the date of the award.
3. See 'LTIP Awards – Performance Period ended 30 June 2023' on page 133 for vesting outcome.

The performance conditions for the awards granted during the 2023 financial year are set out on page 134.

Share Incentive Plan

No persons who, during the 2023 financial year, served as a Director held shares under the Share Incentive Plan at 30 June 2023.

Save As You Earn scheme

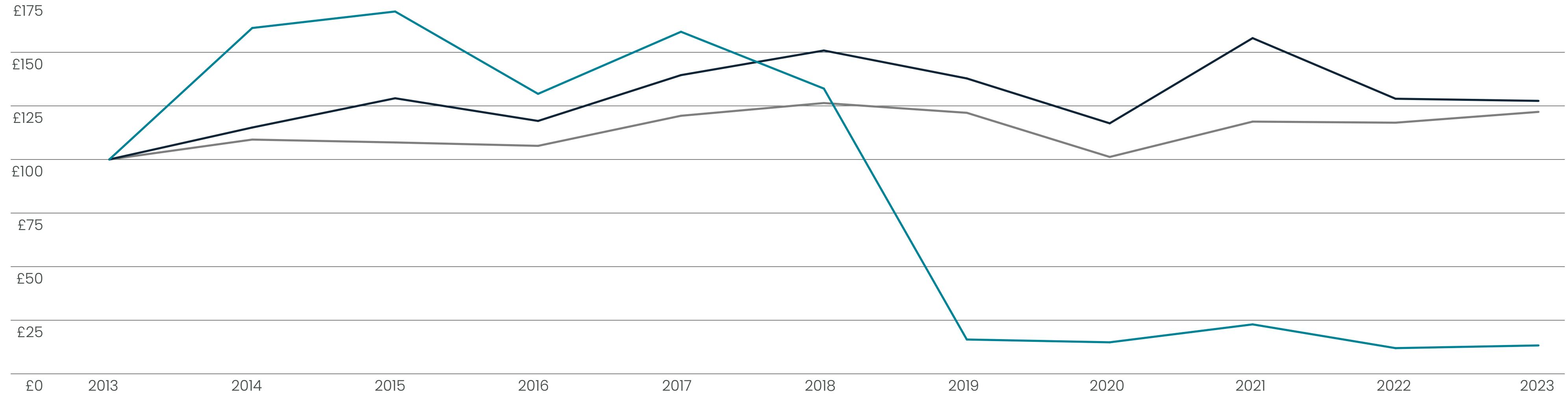
Those persons who, during the 2023 financial year, served as a Director had options under the Kier Group plc 2016 Sharesave Scheme at 30 June 2023:

Director	Date granted	Maximum number of shares receivable at 1 July 2022	Awarded during the year	Exercised during the year	Maximum number of shares receivable at 30 June 2023[1]	Exercise price	Exercise period
Andrew Davies	29 October 2021	5,625	–	–	5,625	£0.96	1 December 2024 – 31 May 2025
	2 November 2022	–	4,909	–	4,909	£0.55	1 December 2025 – 31 May 2026
Simon Kesterton	29 October 2021	5,625	–	–	5,625	£0.96	1 December 2024 – 31 May 2025
	2 November 2022	–	4,909	–	4,909	£0.55	1 December 2025 – 31 May 2026

1. Assumes that each Director continues to save at the current rate until the commencement of the exercise period.

Total shareholder return

The graph below shows the value, at 30 June 2023, of £100 invested in shares in the capital of the Company on 30 June 2013, compared with the value of £100 invested in (i) the FTSE 250 (excluding investment trusts) selected as the comparator group for the 2022 LTIP award (see page 134) and (ii) the FTSE 350 (excluding investment trusts). The LTIP comparator group was chosen because it includes companies of a similar size and complexity to the Group and the FTSE 350 was chosen to illustrate the Group's performance against a broad equity market index of the UK's leading companies. The other points plotted are the values at 30 June during the 10-year period.



— Kier — FTSE 250 Index (excluding investment trusts) — FTSE 350 Index (excluding investment trusts)

Chief Executive's remuneration

The table below sets out the total remuneration of the Chief Executive paid with respect to each financial year indicated:

Chief Executive	Year	Chief Executive single figure of remuneration (£000)[1]	Annual bonus payout against maximum opportunity (%)	LTIP vesting against maximum opportunity (%)
Paul Sheffield	2014	£1,099	68%	33%
Haydn Mursell	2015	£1,079	92%	–
	2016	£1,311	90%	34%
	2017	£1,199	48%	29%
	2018	£1,459	75%	24%
	2019[2]	£423	–	–
Andrew Davies	2019[2]	£140	–	–
	2020[3]	£613	–	–
	2021	£1,323	90%	–
	2022	£2,146	78.8%	75%
	2023	£2,153	91.2%	54.3%

1. All figures are rounded to the nearest £1,000.
2. Haydn Mursell stood down as Chief Executive on 22 January 2019 and Andrew Davies was appointed with effect from 15 April 2019.
3. Includes the temporary reduction in base salary and employer pension contributions and/or a cash allowance in response to COVID-19.

Executive Directors' external appointment

Andrew Davies is a non-executive director of Chemring plc and is entitled to retain those fees.

Percentage change in Directors' remuneration

The table below shows the percentage changes in base salary or fees, taxable benefits and annual bonus of each Director in the financial year indicated, as compared to previous financial years, together with the approximate comparative average figures for those employees who were eligible for salary reviews on 1 October of each year and who were not subject to collective agreements. In respect of the 2023 financial year, this section of the employee population (comprising approximately 6,100 individuals across a number of levels) is considered to be the most appropriate group for comparison purposes, as its remuneration is controlled by the Group and is subject to similar external market forces as those that relate to the Executive Directors' remuneration. Approximately 800 employees are eligible to receive a bonus.

	Base salary/fee[1,2]			Taxable benefits[1]			Annual bonus[3]		
	2023	2022	2021	**2023**	2022	2021	**2023**	2022	2021
Executive Directors									
Andrew Davies	**0%**	26.1%	6.7%	**0%**	7.1%	7.7%	**15.7%**	10.5%	n/a
Simon Kesterton	**4%**	3.5%	8.2%	**0%**	7.1%	7.7%	**20.4%**	(18.2)%	n/a
Chairman									
Matthew Lester	**0%**	0%	4.9%	**n/a**	n/a	n/a	**n/a**	n/a	n/a
Non-Executive Directors									
Alison Atkinson	**0%**	8.1%	–%	**n/a**	n/a	n/a	**n/a**	n/a	n/a
Justin Atkinson	**0%**	8.1%	6.9%	**n/a**	n/a	n/a	**n/a**	n/a	n/a
Chris Browne	**0%**	n/a	n/a	**n/a**	n/a	n/a	**n/a**	n/a	n/a
Margaret Hassall	**0%**	n/a	n/a	**n/a**	n/a	n/a	**n/a**	n/a	n/a
Dame Heather Rabbatts	**0%**	8.1%	6.9%	**n/a**	n/a	n/a	**n/a**	n/a	n/a
Clive Watson	**0%**	8.1%	8.1%	**n/a**	n/a	n/a	**n/a**	n/a	n/a
Other employees	**7.12%**	6.56%	4.73%	**(8.0)%**	(6.6)%	(0.57)%	**48.7%**	8.0%	n/a

1. Base salary/fee and taxable benefits as shown in the table on page 130 and the 2022 and 2021 Annual Reports.
2. Calculated on an annualised basis where base salary/fee or taxable benefits paid for part of financial year.
3. 'Other employees' percentage change calculated for employees subject to Group bonus targets.

Pay ratio of Chief Executive to average employee

The table below shows the ratio of the Chief Executive's total remuneration for the year ended 30 June 2023, using the information set out in the single total figure table on page 130, to the total remuneration of a lower quartile, median and upper quartile employee.

Year	Methodology	25th percentile pay ratio (Chief Executive:UK employees)	Median pay ratio (Chief Executive:UK employees)	75th percentile (Chief Executive:UK employees)
2023	Option B	77:1	52:1	34:1
2022	Option B	89:1	61:1	36:1
2021	Option B	50:1	36:1	22:1
2020	Option B	24:1	20:1	10:1

Further details of the remuneration of the Chief Executive in the 2023 financial year and those individuals whose remuneration in the 2023 financial year was at the median, 25th percentile and 75th percentile amongst UK-based employees are as follows:

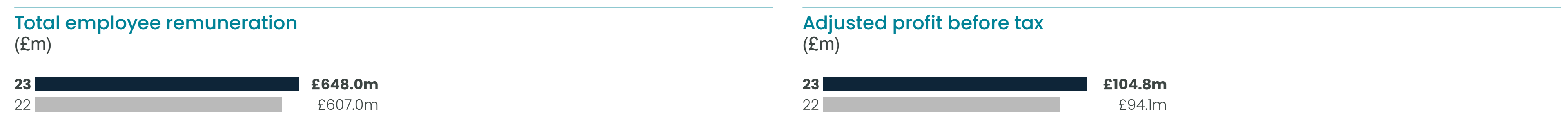
	Chief Executive	25th percentile	Median	75th percentile
Salary	£750,000	£26,746	£38,936	£57,412
Total remuneration	£2,152,336	£27,820	£41,272	£63,255

The median, lower and upper quartile figures used to determine the above ratios were calculated by reference to the full-time equivalent, annualised remuneration of the Group's UK-based employees (comprising salary, benefits, pension, annual bonus and share-based and other incentives), based on the Group's gender pay gap data at April 2023, to determine 'best equivalents' in accordance with Option B in the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended). The Committee selected this calculation methodology as it was considered to be the most efficient method of calculating the pay ratio given it utilises pre-existing data available to Kier.

The Committee noted the change in the Chief Executive's pay ratio was primarily due an increase in both salary and total remuneration for the Group's employees in the 2023 financial year, particularly those at the median and lower quartiles. It considers that the median pay ratio for 2023 disclosed in the above table is consistent with the pay, reward and the progression opportunities available to UK-based employees across the business.

Relative importance of spend on pay

The graph below shows the percentage changes in the total employee remuneration and adjusted profit before tax between the 2022 and 2023 financial years:



Employee remuneration is remuneration paid to or receivable by all employees of the Group (as stated in note 8 to the 2023 consolidated financial statements on page 190). The adjusted profit before tax as stated as supplementary information in the 2023 consolidated income statement on page 166. No dividends were paid during the 2023 financial year.

Implementation of the Remuneration Policy in 2024

Executive Directors' base salary

The base salaries for the majority of the workforce are ordinarily reviewed in July with any increase effective from 1 October. The wider workforce increase for 2023/24 is c.5% but the Committee decided that increases for the Executive Directors should be lower than those of the wider workforce and so approved an increase of 4.5%. The increase for Simon Kesterton will take effect from 1 October 2023 consistent with the wider workforce and for Andrew Davies with effect from 1 November 2023 given the prior commitment that there would be no increase in base salary during the remainder of the 2020 policy period following the increase in 2021.

The base salaries of the Executive Directors for the 2024 financial year are as follows:

Director	From 1 October 2022	From 1 October 2023[1]	Percentage increase
Andrew Davies	£750,000	£783,750	4.5%
Simon Kesterton	£524,035	£547,617	4.5%

1. Base salary increase for Andrew Davies to apply with effect from 1 November 2023.

Annual bonus

Subject to approval at the 2023 AGM, the maximum bonus opportunity for the Chief Executive and Chief Financial Officer will be 150% of base salary and the mandatory deferral allocation into shares increases from 33% to 40% until the share ownership guideline is achieved.

The FY24 bonus targets will continue to be based on Group adjusted operating profit (40%), Group health and safety (10%) and personal objectives (10%). Average month end net debt (40%) will replace operating free cash flow to remove duplication with LTIP metrics and in direct response to several shareholders who, like the Board, consider it fundamental to the business and the medium-term value creation plan.

The Committee is focused on setting appropriately stretching objectives to justify and warrant the additional opportunity and although the Committee does not intend to publish the targets prospectively due to their sensitive nature, the Committee has set the threshold for adjusted operating profit above actual performance for FY23. The Committee also intends to stretch the target such that not only will it require accelerated delivery of the medium-term value creation plan, recognising the shorter target timeline, to achieve the maximum of 125%, the higher maximum opportunity of 150% will only pay out for further incremental improvement. Full details of the performance targets will be provided in the 2024 Directors' remuneration report.

LTIP awards

In the 2024 financial year, the Chief Executive and the Chief Financial Officer will be granted an LTIP award of 175% of base salary. New for 2024, is the proposed inclusion of a relevant, quantifiable and science-based performance ESG target aligned to the Group's net-zero ambitions.

The performance conditions for these awards will relate to adjusted earnings per share (40%), TSR performance (25%), adjusted free cash flow (25%) and carbon emissions reduction (10%) over the three-year period ending 30 June 2026. A two-year holding period will apply to any vested awards.

On 4 September 2023, the Group announced that it had agreed to acquire substantially all the rail assets from Buckingham Group Contracting Limited. The proximity of the acquisition to FY24 targets being approved and the complicated nature of the assets being acquired meant that the full impact of the acquisition on business forecasts has yet to be determined. Therefore the Committee approved the already stretching FY24 targets for annual bonus and LTIP subject to it having discretion to adjust future performance outcomes to exclude the acquisition and/or to adjust targets once the implications have been fully reviewed and the acquisition has completed. Should any such adjustments be made they will be reported at the relevant time.

Pension and taxable benefits

The pension contributions or cash allowances payable on behalf of or to the Executive Directors in the 2024 financial year will be:

Director	Percentage of salary
Andrew Davies	7.5%
Simon Kesterton	7.5%

The Executive Directors will also continue to receive private health insurance and either a company car or a car allowance, which will be £13,900 per annum (2023: £13,900).

Non-Executive Directors' fees

Following a benchmarking review, the Chairman's fee will increase to £253,000 (FY23: £235,000) for the 2024 financial year. This is the first increase in the Chairman's fee since 2017. No other changes to fees are proposed for FY24. The total fees payable to the Non-Executive Directors with effect from 1 October 2023 are as follows:

Director	Base fee	Chair of Board Committee fee	Senior Independent Director fee	Total fee
Alison Atkinson	£57,000	£12,000	–	£69,000
Justin Atkinson	£57,000	–	£12,000	£69,000
Chris Browne	£57,000	–	–	£57,000
Margaret Hassall[1]	£57,000	£20,000		£77,000
Matthew Lester[2]	£253,000	–	–	£253,000
Clive Watson	£57,000	£12,000	–	£69,000

1. Margaret Hassall was appointed as the Chair of Remuneration with a committee fee of £20,000 to reflect the time commitment required for the role of Chair of Remuneration Committee.
2. Matthew Lester does not receive a fee for his work as the Chair of the Nomination Committee.

Annual evaluation

2023 evaluation

This year's evaluation was performed by way of a questionnaire and feedback was sought from Committee members on a range of matters including effective oversight of targets, performance of external adviser, monitoring of workforce remuneration and related policies and quality of papers. The output was discussed by the Committee and it was concluded that the Committee is operating effectively and appropriate areas of focus for the year ahead were confirmed.

Advisers

During the 2023 financial year, Willis Towers Watson ('WTW') acted as the Committee's independent adviser. During the year, fees paid to WTW for advice to the Committee were £57,235 (excluding VAT). During the year, WTW also provided rewards and benefits advice to the Group. WTW is a signatory of and adheres to the Code of Conduct for Remuneration Consultants which has been developed by the Remuneration Consultants Group. There are no connections between WTW and either the Company or any of the Directors. The Committee was satisfied that the advice it received from WTW is objective and independent. The Committee also received support from the Chief People Officer (Louisa Finlay) and the Company Secretary.

Shareholder voting

The Directors' remuneration report was subject to a shareholder vote at the 2022 AGM. The results of the vote on the resolution were:

Directors' remuneration report

Votes for[1]	Percentage votes for	Votes against[2]	Percentage votes against	Votes withheld
114,804,771	56.01%	90,166,133	43.99%	78,314,462

1. Includes those votes for which discretion was given to the Chairman.
2. Does not include votes withheld.

The Board understood the sensitivities around the issue of executive remuneration and the Chairman of the Board engaged directly with key investors during March and April 2023 to get their views on executive pay at the Company. The Remuneration Committee continued to actively engage with investors on executive pay matters with engagement and consultation on the policy review. See the Chair's statement on page 121 for more information.

The Directors' Remuneration Policy was subject to a shareholder vote at the 2020 AGM. The results of the votes on the resolution were:

Remuneration Policy

Votes for[1]	Percentage votes for	Votes against[2]	Percentage votes against	Votes withheld
54,809,976	97.81%	1,225,075	2.19%	34,828

1. Includes those votes for which discretion was given to the Chairman.
2. Does not include votes withheld.

How the Remuneration Policy aligns with the UK Corporate Governance Code

The Committee has determined the Policy in line with the Code as set out below:

Principle	Committee approach
Clarity Remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.	The Group's remuneration arrangements are clearly communicated to shareholders through this Directors' remuneration report. The Board actively engages with shareholders and the Chair discussed the arrangements with workforce representatives through the Group's Reward & Employee Benefits Forum.
Simplicity Remuneration structures should avoid complexity and their rationale and operation should be easy to understand.	The remuneration structures are straightforward with a small number of performance measures which are tied to the Group's strategy.
Risk Remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated.	The reputational and other risks that may result from excessive rewards are clearly understood. The Committee has the discretion to adjust annual bonus payments and vesting levels of LTIPs to address this issue. Wide-ranging malus and clawback provisions apply to the incentives.
Predictability The range of possible values of rewards to individual directors and any other limits or discretions should be identified and explained at the time of approving the policy.	The Committee maintains caps on the maximum incentive opportunities as reflected in the Group's remuneration policy.
Proportionality The link between individual awards, the delivery of strategy and the long-term performance of the Group should be clear. Outcomes should not reward poor performance.	Discretion can be applied in relation to variable remuneration to ensure that rewards reflect the long-term performance of the Group; and the performance measurements attached to awards are carefully chosen.
Alignment to culture Incentive schemes should drive behaviours consistent with the Group's purpose, values and strategy.	The Committee reviews the incentive schemes to ensure alignment with the strategy and medium-term value creation plan.

Compliance statement

This Directors' Remuneration report complies with the Companies Act 2006, Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) and the Listing Rules of the Financial Conduct Authority and applies the main principles relating to remuneration which are set out in the UK Corporate Governance Code (July 2018 edition).

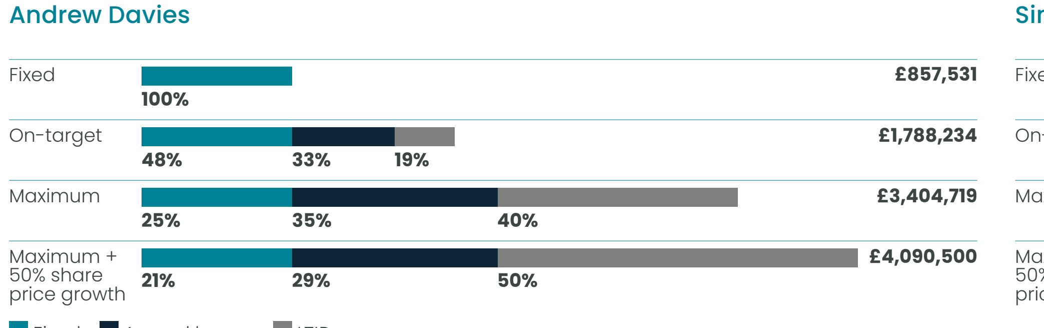
Directors' Remuneration Policy

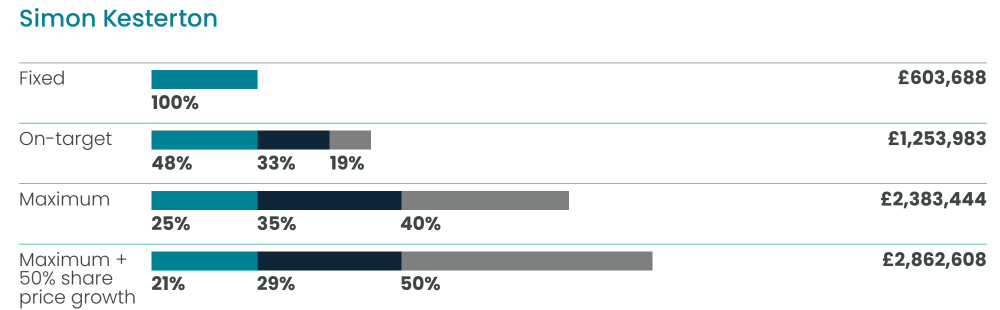
Introduction

The Company's current remuneration policy, as set out in the 2020 Annual Report, received shareholder approval at the AGM held in December 2020. The Company is therefore required to present a new remuneration policy (the '2023 Policy') to shareholders at the AGM on 16 November 2023. The 2023 Policy, which is set out on pages 144 to 153 (inclusive), will take effect from the conclusion of the 2023 AGM (subject to shareholder approval). The Committee is proposing that the changes to the annual bonus opportunity and LTIP grant level will apply to the awards made in FY24. The Committee is satisfied that the 2023 Policy is in the best interests of shareholders and its decision making process included measures to avoid conflicts of interest.

Illustration of application of remuneration policy

The charts below set out the minimum (i.e. 'fixed') remuneration receivable by each Executive Director as at the date of this Annual Report, and the potential remuneration for 'on-target' and 'maximum' performance, as a result of the remuneration paid in or awarded for the year ending 30 June 2024.





- 'Fixed' remuneration comprises:
  - base salary
  - the estimated value of taxable benefits to be provided in 2024
  - a pension contribution/cash allowance.
- A base salary of £783,750 for the Chief Executive and £547,617 for the Chief Financial Officer for the full 2024 financial year (although such salary will be effective from 1 November 2023 for Chief Executive and 1 October 2023 for Chief Financial Officer).
- The 'on-target' remuneration assumes an annual bonus payment of 50% of the maximum opportunity (assumed to be 150% of base salary) and a 'threshold' LTIP vesting (25% of the maximum opportunity, which is assumed to be 175% of base salary).
- The 'maximum' remuneration assumes maximum performance is achieved and therefore awards under the annual bonus and the LTIP pay out or vest at their maximum levels.
- The 'maximum +50% share price growth' assumes maximum performance is achieved and therefore the annual bonus pays out and the LTIP awards vest at their maximum levels and at a share price which is 50% higher than the share price on the date of grant.
- No bonus deferral is assumed.
- No value is assumed for participation in the Save As You Earn or the Share Incentive Plan.

Remuneration policy table

The Group's policy for each element of an Executive Director's remuneration, together with a summary of any changes to the 2020 remuneration policy (the '2020 Policy'), is set out in the table below. Further information on the changes to the 2020 Policy and the rationale is set out in the Chair's statement on page 122 and the summary of the changes on page 129.

Element and link to strategy	Operation	Opportunity	Performance measures	Change to 2020 Policy
Base salary To attract and retain Executive Directors of the calibre required to deliver the Group's strategy	Salaries are reviewed annually by reference to a number of factors, including an individual's experience, performance and role within the Group, the external market (including FTSE companies of a similar size and sector peers) and any increase awarded to the wider employee population.	Any increase will typically be in line with those awarded to the wider employee population. The Committee has discretion to award higher increases in circumstances that it considers appropriate, such as a material change in the complexity of the business or an individual's responsibility. Details of salary changes will be disclosed in the Annual Report. Please refer to the Chair's statement on page 124 for information on the setting of the FY24 pay award.	Not applicable	None
Benefits To provide benefits which are competitive with the market	Benefits are reviewed from time to time and typically include, but are not limited to, a company car or car allowance, private health insurance and life assurance.	Benefits are set at a level which the Committee considers appropriate in light of the market and an individual's circumstances.	Not applicable	None
Save As You Earn ('SAYE') schemes To encourage ownership of the Company's shares	One or more HMRC-approved schemes allowing all employees, including Executive Directors, to save up to the maximum limit specified by HMRC rules. Options are granted at up to a 20% discount.	The maximum amount that may be saved is the limit prescribed by HMRC (or such other lower limit as determined by the Committee) at the time employees are invited to participate in a scheme. Typically, employees are invited to participate on an annual basis.	Not applicable	None
Share Incentive Plan To encourage ownership of the Company's shares	An HMRC-approved scheme which is open to all UK tax resident employees of participating Group companies. Executive Directors are eligible to participate. The Company may match shares purchased with an award of free shares. Matching shares may be forfeited if employees leave within three years of their award, in accordance with the SIP rules.	Participants can purchase shares up to the prevailing limit approved by HMRC (or such other lower limit as determined by the Company) at the time they are invited to participate. The Company currently offers to match purchases made through the plan at the rate of one free share for every two shares purchased but may increase this to the prevailing limit approved by HMRC.	Not applicable	None
Pension To provide a retirement benefit which is competitive with the market	Executive Directors participate in a defined contribution scheme.	The maximum employer contribution for the Executive Directors is aligned with those made available to the workforce, being, at the date of this policy, 7.5% of pensionable salary. Executive Directors may elect to receive all or part of the employer contribution as a taxable cash supplement.	Not applicable	None

Element and link to strategy	Operation	Opportunity	Performance measures	Change to 2020 Policy
Annual bonus To reward the delivery of short-term performance targets and business strategy	The Company operates a discretionary bonus scheme. Whether a bonus is awarded and the amount (if any) of bonus awarded will be determined at the Committee's discretion. The Committee may determine that it is appropriate to adjust the bonus outcome taking into account such factors it considers relevant, including but not limited to: (i) the performance of the Company or of any member of the Group; (ii) the conduct or performance of a participant; and/or (iii) any circumstances or events which have occurred in the year. Payments under the bonus scheme are based on an assessment of performance against targets over the year. One-third of any net payment is satisfied by an allocation of Kier Group plc shares, which is deferred for three years (subject to early release for good leavers and upon a change of control). The proportion of the net payment to be allocated into Kier Group plc shares is increased to 40% until the Executive Director share ownership guideline is achieved. Dividend payments accrue on deferred bonus shares over the deferral period. Malus and, in the case of the cash element of a bonus, clawback will apply.	The maximum potential bonus for the Executive Directors is 150% of base salary. 'Threshold' performance, for which an element of bonus may become payable under each component of the annual bonus, is set by the Committee each financial year. The level of bonus for achieving threshold performance varies by performance target, and may vary for a target from year to year, to ensure that it is aligned with the Committee's assessment of the degree of difficulty (or 'stretch') in achieving it. No payment is made for a performance outcome below the threshold target. The outcome for achieving on-target performance would be 50% of maximum bonus opportunity.	The Committee determines the bonus targets and their relative weightings each year. The weighting towards non-financial targets will be no higher than 20% of the maximum potential bonus. The bonus targets for the 2024 financial year will relate to profit, net debt, the Group's safety performance and personal objectives. Actual bonus targets (and performance against each of these targets), and any use by the Committee of its discretion with respect to bonus payments, will be disclosed in the Annual Report immediately following the end of the relevant performance period.	The maximum potential bonus increases from 125% to 150% of base salary. The maximum weighting towards non-financial targets is reduced from 25% to 20% of the maximum potential bonus. The deferral allocation of any net payment into shares increases from 33% to 40% until the Executive Directors have met the share ownership guideline.

Element and link to strategy	Operation	Opportunity	Performance measures	Change to 2020 Policy
LTIP awards To reward the sustained strong performance by the Group over the longer term	Awards are granted annually and will typically vest, subject to the achievement of performance conditions, on the third anniversary of the date of grant. The performance period will be no less than three years. A two-year post-vesting holding period applies. A malus provision applies to awards pre-vesting and a clawback provision applies to the post-vesting holding period. Dividend equivalents may apply to awards. The awards are subject to the LTIP rules and the Committee may adjust or amend the awards only in accordance with the LTIP rules. The LTIP rules permit the Committee to exercise its discretion to modify any performance condition(s) when it deems it fair and reasonable to do so. Any use of Committee discretion with respect to modifying any performance condition(s) will be disclosed in the relevant Annual Report. The Committee may adjust the number of shares which will vest if, in its discretion, it determines that it would be appropriate to do so in order to override the formulaic outcome of any performance condition, taking into account such factors as it considers relevant, including but not limited to: (i) the performance of the Company or of any member of the Group; (ii) the conduct or performance of a participant; and/or (iii) any circumstances or events which have occurred since the award was granted.	The maximum award is 200% of base salary. The Committee may grant awards of up to the maximum permitted in exceptional circumstances. It considers 175% to be the normal annual grant level but shall reduce this level where it considers it appropriate to do so. On achieving the threshold performance level for each element of the award, 25% of the relevant element of the award will vest. Vesting is on a straight-line basis between threshold and maximum levels of performance.	Prior to granting an award, the Committee sets performance conditions which it considers to be appropriately stretching. The performance conditions for the LTIP awards to be granted in the 2024 financial year are expected to be Adjusted Earnings Per Share and/or Total Shareholder Return outperformance and/or Adjusted Free Cash Flow and a reduction in Carbon Emissions. See page 123 for more information on the carbon reduction performance condition. The performance conditions relating to an award, and their respective weightings, will be disclosed in the Annual Report immediately following its grant.	Clarification that the normal annual grant level is 175% of base salary. The requirement to disclose reasons for awards in excess of 150% is removed. Clarification that the performance period will be no less than three years. Inclusion of an ESG-related performance measure on reducing carbon emissions.

Payments from outstanding awards

The Company will honour any commitment entered into, and the Executive Directors will be eligible to receive payment from any award or arrangement made, either (i) before this policy came into effect or (ii) at a time when the relevant individual was not a Director and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director. For these purposes, 'payment' includes the satisfaction or vesting of awards of variable remuneration (including LTIP awards) and, in relation to awards of shares, upon the terms which were agreed when the award was granted. Any such award or arrangement will be subject to their existing terms, provided that such terms were permitted by the remuneration policy in force at the date on which the relevant award or arrangement was made, granted or entered into (as the case may be).

Notes to the future policy table

Malus and clawback

Allocations of shares in part satisfaction of annual bonus payments and unvested LTIP awards will be subject to a 'malus' provision during the three-year deferral period and the three year performance period prior to vesting, respectively.

This allows the Committee to determine, in its absolute discretion, that (i) the level of an unvested LTIP award (or part of an award) is reduced (including to nil) and/or (ii) the number of deferred shares is reduced (including to nil) in certain circumstances. Examples of such circumstances include, but are not limited to:

- A material misstatement of the Group's financial statements
- A material error in determining the level of satisfaction of a performance condition or target
- A participant deliberately misleading the Company, the market and/or shareholders in relation to the financial performance of the Group
- Any action or omission on the part of the participant which resulted in or which could reasonably be expected to have resulted in material reputational damage to the Group
- A participant's employment being terminated in circumstances of gross misconduct and/or circumstances justifying summary dismissal
- Any other circumstances similar in nature to those set out above which the Company considers justifies the application of malus.

The Committee has the right to apply the malus provision to an individual or on a collective basis.

Clawback applies to (i) the cash element of the annual bonus and (ii) the two-year post-vesting holding period which applies to LTIP awards. The circumstances in which clawback apply are the same (or substantially the same) as for malus. The ways in which clawback may be effected are set out in the Company's bonus rules and the LTIP rules, as the case may be. They include requiring an individual to pay or repay cash to the Company, reducing the level of awards made to an individual and delaying the vesting of LTIP awards.

Executive Director shareholding guidelines

The Committee encourages Executive Directors to accumulate a shareholding in the Company of at least 200% of base salary over a period of up to five years and the annual bonus deferral increases from 33% to 40% until this is achieved. Executive Directors are therefore required to retain any shares allocated to them as part of the annual bonus plan and upon the vesting of LTIP awards until they reach this level of shareholding.

A post-employment shareholding requirement also applies, pursuant to which, for a period of two years after the date on which employment terminates, an Executive Director is required to retain shares in the Company allocated as part of the annual bonus plan and upon the vesting of LTIP awards which are equal in value to 200% of base salary (or, if less than 200% at the date on which employment terminates, such shares then owned). Shares subject to the post-cessation shareholding requirement are those granted as either deferred shares or LTIP awards.

Selection of performance measures and approach to setting targets

The annual bonus measures are determined annually to reflect matters which the Committee considers to be areas of specific focus for the Executive Directors over the short-term. The Committee believes that using a number of measures provides a balanced incentive. The measures themselves are aligned to, and are designed to support the delivery of, the Group's strategic objectives.

The Committee sets performance conditions relating to the LTIP awards which are designed to align the interests of management and shareholders, incentivise management to deliver the Group's strategic objectives and reward performance over the longer-term. Please see page 126 for further information and the Chair's statement on page 123.

Targets for the annual bonus and performance conditions for the LTIP awards are reviewed before the awards are made, based on a number of internal and external reference points, including strategic plans and analyst consensus to reflect market expectations, where available. The Committee intends that the targets will be stretching and will align management's interests with those of shareholders. Please see page 126 for further information.

Approach to setting the remuneration of other employees

Kier's approach to setting annual remuneration is broadly consistent across the Group. Consideration is given to the experience, performance and responsibilities of individuals as well as to publicly available external benchmarking data, to the extent considered necessary or appropriate. Certain grades of senior employees are eligible to participate in an annual bonus scheme with similar performance targets to those used for the Executive Directors. Maximum opportunities and specific performance measures vary by seniority, with business-specific measures applied where appropriate. Senior leaders in strategic roles are also eligible to participate in a long-term share incentive plan under which awards will normally vest after three years, subject to continued employment. Award sizes vary according to seniority and responsibility.

Approach to remuneration on recruitment

External appointment

When recruiting a new Executive Director from outside the Group, the Committee may make use of all the existing components of remuneration. In addition, the Committee may consider it appropriate to grant an award under an alternative scheme or arrangement in order to facilitate recruitment of an individual, subject to the policy set out below. The theoretical maximum variable pay opportunity that can be awarded in one year will be up to 150% in an annual bonus and up to 200% in an LTIP award.

Component	Approach
Base salary	The base salaries of new appointees will be determined by reference to relevant market data, the experience and skills of the individual, internal relativities and the appointee's current base salary. Where a new appointee has an initial base salary set below the market median, any subsequent adjustment will be managed by the Committee, using (where appropriate) phased increases and subject to the individual's development in the role.
Benefits	New appointees will be eligible to receive benefits in line with the remuneration policy, which may also include (but are not limited to) any necessary expenses relating to expatriation or relocation on recruitment.
SAYE schemes	New appointees will be eligible to participate on the same terms as all other employees.
SIP	New appointees will be eligible to participate on the same terms as all other employees.
Pension	New appointees will receive employer pension contributions which are aligned with those available to the workforce, being, at the date of this policy, 7.5% of pensionable salary, into a defined contribution pension arrangement or an equivalent taxable cash supplement or a combination of both.
Annual bonus	The annual bonus structure described in the remuneration policy will apply to new appointees (including the maximum opportunity), pro-rated in the year of joining to reflect the proportion of that year employed. The mandatory deferral amount will be 40% of the net bonus earned until the shareholding guideline has been met, at which point the deferral amount shall be reduced to one-third of the net bonus earned.
LTIP	New appointees may be granted awards under the LTIP of up to 200% of salary.
'Buy out' awards	The Committee may consider it appropriate to grant a 'buy-out' award (with respect to either a bonus or a share-based incentive scheme) using either an existing incentive scheme or arrangement or an alternative scheme or arrangement in order to facilitate recruitment. When doing so, the Committee may, to the extent required, implement an arrangement referred to in Listing Rule 9.4.2. Any such 'buy-out' award would have a fair value no higher than that of the award forfeited. In granting any such award, the Committee will consider relevant factors, including any performance conditions attached to the forfeited awards, the likelihood of those conditions being met and the proportion of the vesting period remaining. When considering any performance conditions for any such award, the Committee will, where appropriate, take into account those used in the Company's existing incentive arrangements. Where appropriate, the Committee will also consider whether it is necessary to introduce further retention measures for an individual – for example, extended deferral periods.
Legal fees	The Company may agree to pay the reasonable legal fees incurred by a new appointee for advice received in relation to his/her contract of employment or service agreement.

In determining an appropriate remuneration package for a new Executive Director, the Committee will take into consideration such factors as it considers to be appropriate to ensure that the arrangements are in the best interests of the Company's shareholders.

Internal promotion

When recruiting a new Executive Director through internal promotion, the Committee will set remuneration in a manner consistent with the policy for external appointments set out above (other than with respect to 'buy-out' awards). Where an individual has contractual commitments made prior to their promotion to Executive Director level, the Company will continue to honour these commitments.

The remuneration of individuals below the Board is typically not greater than for Executive Directors, but may include additional payments for additional responsibilities.

Service contracts

A summary of the key elements of the Executive Directors' service agreements (insofar as they relate to remuneration) is as follows:

Summary of provisions

Contract duration	No fixed term.
Notice period	12 months' notice (both to and from the Executive Director).
Payment in lieu of notice (PILON)	Employment can be terminated with immediate effect by undertaking to make a PILON comprising base salary, pension contributions or allowance, car allowance and a sum representing the cost of private medical insurance. The Company may elect to provide private medical insurance and/or to allow an Executive Director to retain his or her company car through the notice period (or the balance of it) as an alternative to making cash payments. The Company is entitled to make the PILON on a phased basis, subject to mitigation, so that any outstanding payment(s) would be reduced or stopped if alternative employment is obtained.
Change of control	There are no payments due upon a change of control. Please see 'Payments for loss of office' below for a summary of change of control provisions.
Other entitlements on termination	There is no contractual entitlement to notice, or any other payments in respect of the period after cessation of employment, if the individual is summarily dismissed. If not required to take any remaining holiday entitlement during his/her notice period, the Executive Director will receive a payment for any accrued (but untaken) holiday entitlement. Please see 'Payments for loss of office' below for a summary of other entitlements which may be due upon termination (and which relate to remuneration).

The service agreements are available for inspection at the Company's registered office.

Payments for loss of office

The Company's policy on payments for loss of office is as follows:

Component	Approach
Annual bonus	Individuals who are determined by the Committee to be 'good leavers' may be considered for an annual bonus in relation to the year in which their active employment ceases. When deciding whether to exercise its discretion to allow a payment in respect of an annual bonus (and, if so, its amount and the terms on which it may be paid), the Committee will consider such factors as it considers to be appropriate, including performance against bonus targets, the performance of the individual and the Group in general and the circumstances in which the individual is leaving office. Any payment to a 'good leaver' in respect of an annual bonus will typically be made at the same time as annual bonuses are paid to other employees. Clawback will continue to apply to the cash element of any payment made in respect of an annual bonus. The Committee will determine if it is appropriate in the particular circumstances to apply bonus deferral. Deferred shares allocated in part satisfaction of annual bonuses may be released upon cessation of employment if an individual is determined by the Committee to be a 'good leaver'. Otherwise, they will be released at the end of the three-year holding period (unless they are forfeited in the case of circumstances justifying summary dismissal).
LTIP	If an Executive Director ceases to be an employee or a director of a member of the Group for reasons of: (i) death, (ii) ill-health/injury/disability, (iii) redundancy, (iv) retirement with the agreement of the Company, (v) the sale or transfer of the business or part of the business of the Group in which the Executive Director is employed to a company which is not a member of the Group, (vi) his/her employing company ceasing to be a member of the Group, or (vii) such other circumstances approved by the Committee, the unvested LTIP awards will continue to vest on the original vesting date (subject to satisfaction of performance conditions and, unless the Committee exercises its discretion to waive time pro-rating, time pro-rating to reflect the period worked). Alternatively, the Committee has discretion to allow the awards to vest on cessation of employment (subject to current and forecast progress against the performance conditions and any other factors considered by the Committee to be relevant). Unless the Committee exercises its discretion to waive time pro-rating, time pro-rating will apply to reflect the period worked. If an Executive Director ceases to be an employee or a director of the Group for any other reason, his/her LTIP awards (both vested and unvested) will lapse on the date of such cessation. Any vested shares are subject to the two-year post-vesting holding period, irrespective of the date on which they vest. Please see 'Change of control' below for the policy which applies in the event of a change of control of the Company.
SIP and SAYE schemes	The Executive Directors are subject to the same 'leaver' provisions as all other participants, as prescribed by the rules of the relevant scheme or plan.

Component	Approach
Other	If the Company terminates an Executive Director's employment by reason of redundancy, the Company will make a redundancy payment to the Executive Director in line with his/her service agreement, any applicable collective bargaining agreement and applicable law and regulation. The Company may make a contribution towards an Executive Director's legal fees for advice relating to a compromise or settlement agreement and may also make other payments connected to the departure – for example, for outplacement services, tax advice and relocation costs. With respect to any such payments, the Committee will authorise what it considers to be reasonable in the circumstances.
Change of control	Deferred bonus shares will be released and any outstanding LTIP awards will vest early to the extent determined by the Committee, having taken into account current and forecast progress against the performance condition(s), the proportion of the vesting period which has elapsed and any other factors considered by the Committee to be relevant; in such circumstances, no holding period will apply to the shares vesting and any holding period for previously vested LTIP awards will cease to apply. Unless the Committee determines otherwise, if, following a change of control, the acquiring company has substantially the same shareholders and in approximately the same shareholdings as those of the Company prior to the change of control, the LTIP awards will not vest but will be exchanged for equivalent awards over shares in the new holding company (and the holding period will continue to apply). Clawback will not apply to LTIP awards which vest as a result of a change in control or to any payments of cash bonuses made on a change of control. The rules of the SIP and the SAYE schemes will apply on a change of control. No payments are due under the Executive Directors' service agreements upon a change of control.

In exercising discretion in respect of any of the elements referred to above, the Committee will take into account such factors as it considers to be appropriate. These include, but are not limited to: the duration of the Executive Director's service; the Committee's assessment of the Executive Director's contribution to the success of the Group; whether the Executive Director has worked any notice period or whether a PILON is being made; the need to ensure an orderly handover of duties; and the need to compromise any claims which the Executive Director may have. Any use of Committee discretion will be disclosed in the relevant annual report on remuneration.

Where appropriate, the Committee will oblige the individual to mitigate his/her losses and may offset any alternative remuneration received by the individual against any notice or PILON payments made by the Company.

Consideration of employment conditions elsewhere in the Group

Employees are not formally consulted on the Executive Directors' remuneration and were not consulted during the preparation of the remuneration policy set out above. However, the Committee Chair attends the Group's Reward and Employee Benefits Forum where a range of employee reward and benefits issues including the Executive Directors' remuneration arrangements, the role of the Committee and the Policy, and how they link with wider workforce pay and benefits within Kier are discussed – see page 128 for further information.

The Committee takes into account the pay and employment conditions of employees within the Group when making decisions on the Executive Directors' remuneration; for example, the Committee reviews the Group's latest gender pay gap information and, prior to setting the Executive Directors' remuneration, reviews detailed information relating to the workforce's remuneration. Please see page 122 for further information. With respect to bonuses, the Committee set targets directly aligned to the delivery of the Group's medium-term value creation plan, its strategy and promotion of its long-term sustainable success. Bonus targets also include a target on workforce safety and, when setting Executive Directors' personal targets, the Committee will consider the inclusion of objectives related to employee engagement and diversity and inclusion.

Consideration of shareholders' views

The views of shareholders, and guidance from shareholder representative bodies, are important to the Committee and provide the context for setting the remuneration of the Executive Directors. For example, when setting the 2023 Policy, both the Chair of the Board and the Chair of the Remuneration Committee engaged with a number of major shareholders, whose feedback was reflected in the Committee's decision making. Please see the Annual Statement of the Chair of the Remuneration Committee on page 121 for further information on the areas discussed with the shareholders and a summary of the feedback received.

The Committee will keep the remuneration policy under regular review so as to ensure that it continues to relate to the Company's long-term strategy and aligns the interests of the Executive Directors with those of the shareholders. In addition, the Committee will continue to monitor trends and developments in corporate governance and market practice to ensure the structure of executive remuneration remains appropriate.

Non-Executive Director remuneration policy

General

The Non-Executive Directors' remuneration (including that of the Chairman) reflects the anticipated time commitment to fulfil their duties. Non-Executive Directors do not receive bonuses, long-term incentive awards, a pension or compensation on termination of their appointments. The policy on Non-Executive Directors' remuneration is as follows:

Element and link to strategy	Operation	Opportunity	Performance measures	Change to 2020 Policy
Fees To attract and retain Non-Executive Directors of the calibre required and with appropriate skills and experience	Fee levels are reviewed annually with reference to individual experience, the external market and the expected time commitment required of the Director. Additional fees are payable to the Chairs of the Board's committees and to the Senior Independent Director.	Fees may be increased in line with the outcome of the annual review and will not normally exceed the increase awarded to the wider employee population. Higher increases may be awarded should there be a material change to the requirements of the role, such as additional time commitment. Any changes to fees will be disclosed in the annual report on remuneration for the relevant year.	Not applicable.	None.
Benefits To reimburse Non-Executive Directors for expenses	Reasonable and necessary expenses are reimbursed, together with any tax due on them.	Expenses (including, without limitation, travel and subsistence) incurred in connection with Kier business and any tax payable thereon.	Not applicable.	None.

Recruiting Non-Executive Directors

When recruiting a new Non-Executive Director, the Committee will follow the policy set out in the table above.

Non-Executive Director letters of appointment

The Non-Executive Directors do not have service contracts but have entered into letters of appointment with the Company which can be terminated by either party on one month's notice or, in the case of the Chairman, six months' notice. The letters of appointment do not include any provisions for the payment of pre-determined compensation upon termination of appointment and are available for inspection at the Company's registered office. The Non-Executive Directors are subject to annual re-election at the AGM.

Directors' report

Introduction
This Directors' report and the Strategic report on pages 1–91 (inclusive) together comprise the 'management report' for the purposes of Disclosure Guidance and Transparency Rule 4.1.5R.

Information incorporated by reference
The information shown in table 1 opposite is provided in other appropriate sections of this Annual Report and the financial statements and is incorporated into this Directors' report by reference.

See table 1 opposite.

Disclosures required under Listing Rule 9.8.4R
Table 2 opposite sets out the location of information required to be disclosed under Listing Rule 9.8.4R, where applicable.

See table 2 opposite.

Political donations
The Company made no political donations during the year (FY22: nil).

Research and development
The Group undertakes research and development activities when providing services to its clients. The total amount of the direct expenditure incurred by the Group when undertaking such activities is not readily identifiable, as the investment is typically included in the relevant project.

Share capital
As at 30 June 2023, the issued share capital of the Company consisted of 446,314,435 ordinary shares of 1 pence each ('Ordinary Shares'). During the 2023 financial year, the Company issued 72,753 Ordinary Shares in connection with the exercise of options under the Kier Group plc Sharesave Scheme 2016 (the 'Scheme') (FY22: 75,983 Ordinary Shares). Between 1 July 2023 and 12 September 2023, no Ordinary Shares were issued in connection with the exercise of options under the Scheme. Further details of changes to the Ordinary Shares issued and of options and awards granted during the year are set out in notes 26 and 27 to the consolidated financial statements.

Subject to the provisions of the articles of association of the Company (the 'Articles') and prevailing legislation, shares may be issued with such rights or restrictions as the Company may by ordinary resolution determine or, if the Company has not so determined, as the Directors may decide.

1. Information incorporated by reference

Information	Reported in	Pages
Corporate governance	Corporate governance Statement of Directors' responsibilities	92–119 (inclusive) 157
Directors	Board of Directors Directors' Remuneration report – Directors' shareholdings and share interests	94–95 (inclusive) 135–137 (inclusive)
Employee engagement	Employee wellbeing & engagement Our key stakeholders	57–58 (inclusive) 71
Employment of disabled persons	Diversity & inclusion	55
Engagement with suppliers, customers and others	Our key stakeholders	70–73 (inclusive)
Financial instruments	Consolidated financial statements – note 29	223–227 (inclusive)
Going concern	Financial review	89
Greenhouse gas emissions	Building for a Sustainable World	47–50 (inclusive)
Important events since the end of the financial year	Chief Executive's review Consolidated financial statements – note 33	12 235
Likely future developments	Chief Executive's review	8–15 (inclusive)
Results and dividends	Financial review	84–89 (inclusive)

2. Disclosures required under Listing Rule 9.8.4R

Information required to be disclosed	Page(s)
(1) Amount of interest capitalised	n/a
(2) Publication of unaudited financial information	n/a
(4) Long-term incentive schemes	n/a
(5)–(11) Miscellaneous	n/a
(12)–(13) Waiver of dividends	155
(14) Agreement with controlling shareholders	n/a

3. Substantial holdings – section 793 information as at 31 August 2023

Shareholder	Interest
Schroder Investment Management	9.94%
M&G Investments	6.64%
JO Hambro Capital Management	5.38%
Hargreaves Lansdown Asset Management	4.86%
abrdn (Standard Life)	4.83%
JTC Employer Solutions Trustee Limited (Kier Employee Benefit Trust)	4.05%
BlackRock Investment Management	4.00%
Columbia Threadneedle Investments (formerly BMO Global Asset Management)	3.08%
Lombard Odier Asset Management	3.07%

4. Substantial holdings – DTR disclosures as at 12 September 2023

Shareholder[1]	Interest[2]
Schroders plc	9.98%
M&G Plc	9.93%
abrdn plc	8.28%
BlackRock, Inc.	6.51%
Pendal Group Limited	5.04%
Brewin Dolphin Limited	5.01%
Charles Stanley Group plc	5.00%
Lombard Odier Asset Management (Europe) Limited	4.98%
Rathbone Investment Management Limited	4.93%
Jupiter Fund Management PLC	4.78%
Aviva plc	4.77%
JTC Employer Solutions Trustee Limited (Kier Employee Benefit Trust)	4.08%
Norges Bank	3.03%

1. The most recent notification received by the Company from Woodford Investment Management Limited 'WIM') in July 2019 indicated a shareholding of 22,901,145 shares, which would represent 5.13% of the Company's issued share capital as at 12 September 2023. Although the Directors of the Company believe that the number of shares held by WIM has decreased significantly since that time, as they understand that the funds managed by WIM are in the process of being closed down, the Company has not received an updated notification of change in shareholding pursuant to the Disclosure Guidance and Transparency Rules.
2. Subject to rounding.

Restrictions on transfer of securities in the Company

There are no restrictions on the transfer of securities in the Company, other than those that are set out in the Articles or apply as a result of the operation of law or regulation. The Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities in the Company.

Substantial holdings

The information in table 3 opposite has been provided as at 31 August 2023 under requests made to shareholders under section 793 of the Companies Act 2006.

As such this information is regarded by the Company as providing an up-to-date representation of our major shareholders' interests.

In addition, we have included in table 4 opposite the interests in the share capital of the Company which have been notified to the Company as at 12 September 2023 under Rule 5.1 of the Disclosure Guidance and Transparency Rules. The information in table 4 is based on the latest notifications that have been made to the Company by the relevant shareholders; accordingly, it may not accurately represent the actual interests of the relevant shareholders in the share capital of the Company.

See tables 3 and 4 opposite.

Securities carrying special rights

No person holds securities in the Company carrying special rights with regard to control of the Company.

Rights under employee share schemes

As at 30 June 2023, JTC Employer Solutions Trustee Limited ('JTC'), as the trustee of the Kier Group 1999 Employee Benefit Trust, owned 16,933,916 Ordinary Shares (3.79% of the Company's issued share capital at that date). These shares are made available to satisfy share-based awards granted to senior management under the Group's remuneration arrangements. JTC does not exercise any voting rights in respect of these shares and waives any dividends payable. In addition, as at 30 June 2023, JTC held 1,147,924 Ordinary Shares (0.26% of the Company's issued share capital at that date) in a nominee capacity on behalf of senior management in connection with the Company's deferred bonus arrangements. JTC votes to the extent instructed by the holders of the beneficial interests in these shares (the 'Beneficial Holders') and distributes any dividends received to the Beneficial Holders.

As at 30 June 2023, Equiniti Limited ('Equiniti') held 8,415,751 Ordinary Shares (1.89% of the Company's issued share capital at that date) on trust for the benefit of members of the Kier Group plc Share Incentive Plan. Equiniti does not exercise any voting rights in respect of the shares held by the trust (although beneficiaries may authorise Equiniti to vote in accordance with their instructions). Equiniti distributes dividends received to beneficiaries under the trust.

As at 30 June 2023, the trustee of the May Gurney Integrated Services PLC Employee Benefit Trust held 19,045 shares (0.004% of the Company's issued share capital at that date). These shares are made available to satisfy awards of shares under the Group's remuneration arrangements. The trustees do not exercise any voting rights in respect of shares held by its trust and waive dividends payable with respect to such shares.

Restrictions on voting rights

No shareholder will, unless the Board otherwise determines, be entitled to vote at any general meeting unless all calls or other sums then payable by the shareholder in respect of that share have been paid or if that shareholder has been served with a disenfranchisement notice.

The Company is not aware of any agreements between holders of securities that may result in restrictions on voting rights.

Appointment and replacement of Directors

Directors may be appointed by the Company by ordinary resolution or by the Board. A Director appointed by the Board holds office until the next AGM of the Company after his/her appointment and is then eligible to stand for election.

Each of the Directors will stand for election or re-election by shareholders at the 2023 AGM. Further information about the Directors' skills and experience can be found on pages 94 and 95.

The Company may by ordinary resolution, of which special notice has been given, remove any Director before the expiry of the Director's period of office.

Directors' insurance and indemnities

The Directors have the benefit of the indemnity provisions contained in the Articles and the Company maintains Directors' and officers' liability insurance for the benefit of the Directors and the Company's officers. The Company and Kier Limited have also entered into qualifying third-party indemnity arrangements in a form and scope which comply with the Companies Act 2006. Each of these arrangements remain in force as at the date of this Annual Report.

Amendment of Articles

The Articles may be amended by a special resolution of the Company's shareholders.

Powers of the Directors

Subject to the Articles, applicable law and any directions given by shareholders, the Company's business is managed by the Board, which may exercise all the powers of the Company.

Powers in relation to the Company issuing its shares

The Directors were granted authority at the AGM on 17 November 2022 to allot shares in the Company (i) up to an aggregate nominal amount of £1,487,563 and (ii) up to an aggregate nominal amount of £2,975,127 in connection with a rights issue. The Directors were also granted authority to allot shares (i) non-pre-emptively and wholly for cash up to an aggregate nominal amount of £223,134 and (ii) for the purposes of financing an acquisition or other capital investment up to a further nominal amount of £223,134.

During the 2023 financial year, the Company issued 72,753 Ordinary Shares, with an aggregate nominal value of £727.53, in connection with the exercise of options under the Kier Group plc Sharesave Scheme 2016.

Powers in relation to the Company buying back its shares

The Company may only buy back shares if the Articles do not prohibit it from doing so and it has received the requisite authority from shareholders in general meeting. The Articles do not contain any such prohibition. The Company has not sought this authority from shareholders previously and no shares were purchased during the year. The Company proposes to seek authority at the 2023 AGM to make market purchases of up to 10% of its issued shares as at the latest practicable date prior to the publication of the Notice of AGM. The Directors have no present intention of exercising this authority but wish to have the flexibility to do so in the future.

Change of control

The Group's loan facility agreements with its UK lending banks and the note purchase agreements relating to the Group's US private placements of notes each contain provisions under which, in the event of a change of control of the Company, the Company may be required to repay all outstanding amounts borrowed.

Certain of the Group's commercial arrangements, including certain of its joint venture agreements, contract bond agreements and other commercial agreements entered into in the ordinary course of business, include change of control provisions.

Certain of the Group's employee share schemes or remuneration arrangements contain provisions relating to a change of control of the Company. Outstanding awards or options may become exercisable or vest upon a change of control.

There are no agreements between the Company and the Directors providing for compensation for loss of office that occurs as a result of a takeover bid (other than those referred to above).

Subsidiaries and branches

A list of the Group's subsidiaries and the branches through which the Group operates are listed in note 32 to the consolidated financial statements.

Auditors

The Board has decided that PricewaterhouseCoopers LLP will be proposed as the Group's auditors for the financial year ending 30 June 2024. A resolution relating to this re-appointment will be proposed at the forthcoming AGM.

AGM

The Company's 2023 AGM is scheduled to be held on 16 November 2023. Please see the Notice of AGM for further information.

This Directors' report was approved by the Board and signed on its behalf by:

Jaime Tham
Company Secretary

13 September 2023

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

Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with UK-adopted international accounting standards and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law).

Under company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently
- state whether applicable UK-adopted international accounting standards have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements
- make judgements and accounting estimates that are reasonable and prudent
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements and the Directors' remuneration report comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's and Company's position and performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the Annual Report confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Group
- the Company financial statements, which have been prepared in accordance with United Kingdom Accounting Standards, comprising FRS 101, give a true and fair view of the assets, liabilities and financial position of the Company
- the Annual Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

In the case of each Director in office at the date the Directors' report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group's and Company's auditors are unaware
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group's and Company's auditors are aware of that information.

Andrew Davies
Chief Executive

Simon Kesterton
Chief Financial Officer

13 September 2023

Independent auditors' report to the members of Kier Group plc

Report on the audit of the financial statements

Opinion

In our opinion:

- Kier Group plc's Group financial statements and Company financial statements (the 'financial statements') give a true and fair view of the state of the Group's and of the Company's affairs as at 30 June 2023 and of the Group's profit and the Group's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 'Reduced Disclosure Framework', and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts 2023 (the 'Annual Report'), which comprise: the Consolidated and Company balance sheets as at 30 June 2023; the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated and Company statement of changes in equity and the Consolidated statement of cash flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Risk Management and Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in note 4 to the financial statements, we have provided no non-audit services to the Company in the period under audit.

Our audit approach

Overview

Audit scope

- The Group is primarily UK-based and we have conducted audit work across all four of the Group's segments and achieved coverage over 98% (2022: 99%) of Group revenues.

Key audit matters

- Contract accounting (Group)
- Presentation of the Group's financial performance (Group)
- Impairment of goodwill (Group)
- Carrying value of investments in Group companies and recoverability of amounts owed by subsidiaries (Company).

Materiality

- Overall Group materiality: £11.8m (2022: £11.0m) based on 0.35% of total revenue.
- Overall Company materiality: £11.2m (2022: £9.9m) based on 1% of total assets limited by the application of component materiality.
- Performance materiality: £8.9m (2022: £8.3m) (Group) and £8.4m (2022: £7.4m) (Company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

The key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Contract accounting (Group) Refer to page 108 (Risk Management and Audit Committee report) and page 179 (Accounting policy). The Group has significant long-term contracts in its Infrastructure Services and Construction businesses. The recognition of revenue in relation to construction contracts is in accordance with IFRS 15 where for the majority of contracts revenue is recognised over time. Where this is the case the measure of progress is based on the 'input method' which is based on the stage of completion of contract activity based on the actual costs incurred to date compared to the estimated forecast costs at completion. For other contract arrangements, including for cost plus and 'schedule of rates' contracts, revenue is recognised as costs are incurred and does not involve significant levels of estimation uncertainty. Contracts accounted for on a stage of completion basis involve estimation uncertainty as management are required to accurately forecast the costs to come for each project. They are also required to assess whether revenue recognised to date is highly probable of not reversing. Revenue recognition on contracts accounted for on a stage of completion basis is a significant risk for our audit due to the inherent uncertainty in preparing accurate estimates of the forecast costs and revenue on contracts. An error in the contract forecast could result in a material variance in the amount of profit or loss (including for any onerous contracts) recognised to date and, therefore, the current financial year. This is also the case in respect of the Group's long term maintenance contracts for the maintenance of Private Finance Initiative ('PFI') lifecycle assets. These estimates include the determination of the expected recovery of costs arising from, for example, variations to the contract requested by the customer, compensation events, and claims made both by and against the Group for delays or other additional costs arising or projected to arise. The Group's accounting policy is to recognise additional contractual revenue from customers only when these amounts are considered highly probable of having no significant reversal. Amounts receivable from third parties (other than the Group's customers), suppliers or insurers are recognised only when they are determined to be 'virtually certain'.	Our work focused primarily on those contracts with the greatest estimation uncertainty over the final contract values and, therefore, profit or loss outcome. We selected a risk-based sample of contracts for our testing, based on both quantitative and qualitative risk criteria, including (for example): – contracts with high levels of revenue recognised in the year; – low margin or loss-making contracts; – contracts with significant work in progress balances and/or other balance sheet exposure; and; – contracts identified through our discussions with management, review of Board minutes, review of legal reports and review of publicly available information. Our audit procedures were then tailored according to the specific risk profile of each contract and included, but were not limited to, the following procedures: – Obtaining an understanding of the relevant contractual clauses and terms and conditions and agreed forecast revenue to signed contracts, signed variations, agreed compensation events or other corroborative and supporting documentation; – Challenging management's forecasts, in particular assessing the appropriateness of the key assumptions, which included the expected recovery of variations, claims and compensation events from clients, to determine the basis on which the associated revenue was considered to be 'highly probable' of not reversing; – Challenging those assumptions in respect of estimated recoveries from subcontractors, designers, and insurers included in the forecasts, to determine whether these could be considered 'virtually certain' of recoverability; – Substantively testing a sample of actual costs incurred to date to ensure that these had been recorded accurately; – Performing a margin analysis on the end-of-life forecasts ('ELFs') to assess the performance of the contract portfolios year-on-year; – Assessing the forecast margin for the Group's PFI lifecycle contracts by testing the forecast cash flows supporting the recognition of these amounts; – Inspecting correspondence and meeting minutes with customers concerning variations, claims and compensation events, and reviewing third party assessments of these from legal or technical experts contracted by the Group, where applicable, to assess whether this information was consistent with the estimates made; – Reconciling revenue recognised with amounts applied for and amounts certified by clients and agreeing on a sample basis the amounts received to cash to ensure any reconciling items were appropriate; – Agreeing forecast costs to complete to supporting evidence (such as orders signed with subcontractors, performing look back testing and assessing the appropriateness of forecast run rates) and applying industry knowledge and experience to challenge the completeness and accuracy of the forecast costs to complete, including any cost contingencies held; – Attending certain contract review meetings virtually or via conference call, and inspecting minutes of meetings that considered value cost reconciliations ('VCRs') in order to understand the controls operated by management; – Reviewing the outcome of prior year forecasts against current year outcomes to assess management's judgements and forecasting accuracy; – Discussing the status of certain third-party claims with the Group's internal legal counsel, external solicitors and, where relevant, external experts, and assessing the objectivity and independence of these third parties; and – Inspecting correspondence with insurers relating to recognised insurance claims as well as assessments of these undertaken by the Group's external solicitors and other advisors, where applicable, to assess whether this information supported the financial position taken. This included assessing whether contract provisions included appropriate provision for remediation and other costs, where required.

Key audit matter	How our audit addressed the key audit matter
Contract accounting (Group) continued On the basis of the significant estimates, judgements and inherent uncertainty involved in determining the appropriate revenue recognition and associated profit, we have identified Contract Accounting as a Key Audit Matter and are particularly focused on the existence/occurrence and accuracy of revenue recognition.	For the residual contract population ('the tail'), we performed targeted risk-based procedures including, for example, testing costs to complete, material unagreed change, reviewing the contract forecast for unusual items and recalculating the percentage of completion. For all contracts selected for testing our work included: – Assessing the impact of other identified risks including the impact of the current inflationary environment and the associated impact on the forecast cost at completion; – Assessing whether any material contracts exhibited heightened risk associated with climate change that needed reflecting in the end of life forecast; – Considering the adequacy of the disclosures in the financial statements in relation to specific contracts and also the disclosures in respect of significant judgements and estimates; – Considering any significant write-offs of contract assets during the year and obtaining evidence to demonstrate that the write-offs were driven by events during the 2023 financial year. Based on all of the evidence obtained from the above procedures, we concluded on the appropriateness of the recognition of contract revenues and profits/losses and of the amounts held as contract assets and liabilities. Given the degree of estimation, we also reviewed the disclosures regarding significant ongoing contracts included in note 1 to the financial statements.

Presentation of the Group's financial performance (Group)
Refer to page 108 (Risk Management and Audit Committee report) and page 181 (Accounting policy).
 	
Consistent with the prior year, the Directors present in note 5 to the accounts, the Group's principal Alternative Performance Measure as 'Adjusted Operating Profit' such that the Group's APM is consistent with how management reviews the performance of the business.
 	
The Group's adjusted profit from operations of £131.5m is stated after charging:
– £19.2m of amortisation of acquired intangibles;
– £13.0m of restructuring and related charges; and
– £17.8m of other adjusting items.
 	
The determination of which items are treated as 'adjusting' is judgemental and needs to be consistent with how the Directors review the segmental performance of the business. Users of the financial statements could be misled if amounts are not classified and disclosed in a transparent manner and consistent with the way in which the Board is reviewing segmental performance.
	We considered whether the presentation of Adjusted Operating Profit is appropriate. In doing this we performed the following procedures:
	– We obtained the latest internal Board reporting to evaluate whether the nature and quantum of the adjustments presented, for the Group and in respect of the segments, was consistent with those highlighted and adjusted in the financial statements;
	– We ensured that the Group's APMs were appropriately reconciled to the relevant statutory measures;
	– We reviewed the definition and classification of adjusting items in the Group's Annual Report, including the sub-categorisation of these items. In particular:
	  – We challenged whether immaterial items, for example redundancy costs and costs incurred resizing the international operations, were adjusting in line with the Group's accounting policy. We accepted the treatment on the basis that these items are excluded in the results reported to and reviewed by the Board (the Group's Chief Operating Decision Maker) and the costs are not dissimilar to those that are often excluded from headline profits. We also assessed whether income arising from any one-off transactions, including within the Property segment, should be considered as adjusting items;
	  – We tested the completeness and accuracy of the £12.6m of fire and cladding costs recorded as adjusting items to ensure there was sufficient evidence to support the positions taken and that their classification as adjusting items was appropriate. Where any economic outflow was not considered probable we ensured that sufficient contingent liability disclosure was included in the accounts; and
	  – We reviewed management's APM disclosures and ensured that sufficient disclosure was provided to justify why individual items were treated as adjusting.
	
	Overall based on these procedures we were satisfied with the presentation of the Group's profit before adjusting items, and that the reasons for the use of these APMs have been appropriately disclosed. We also considered whether there was appropriate balance in the Group's Annual Report between references to adjusted profit measures and the Group's statutory profit and were satisfied that this was the case.

Key audit matter	How our audit addressed the key audit matter
Impairment of goodwill (Group) Refer to page 108 (Risk Management and Audit Committee report) and page 180 (Accounting policy). The Group has £536.7m of goodwill on its balance sheet at 30 June 2023 of which £516.3m related to the Infrastructure Services segment and £20.4m related to the Construction segment. The audit of goodwill was a focus area given the value of the Group's assets in comparison to its market capitalisation. The carrying value of goodwill is required to be supported by the higher of future cash flows (value in use) or the fair value less cost to sell. There is a risk that the assets will be impaired if the cash flows do not meet the Group's forecast projections. The impairment reviews performed by the Group contain a number of estimates including discount rates, long-term growth rates and expected changes to revenue and operating margins during the forecast periods. Changes in these assumptions could lead to an impairment to the carrying value of the assets. We determined there to be a significant audit risk that the carrying value of goodwill allocated to Infrastructure Services may not be supportable when compared to its recoverable amount. The headroom in management's assessment is £166.3m (2022: £153.0m).	In evaluating the Directors' annual impairment assessment for goodwill in respect of Infrastructure Services, we performed the following procedures: – We tested the integrity of management's model and assessed the allocation of goodwill and acquired intangibles, and considered the Directors' conclusion that the significant majority of goodwill related to the Infrastructure Services segment and that this represented the lowest level at which goodwill is monitored for internal management purposes; – We evaluated whether the basis of allocation of corporate assets and central costs was reasonable; – We obtained the Board-approved three year forecasts which formed the basis of the model used in the Directors' impairment calculation. We considered whether the planned growth rates and expected operating margins in the impairment model were consistent with the Board-approved cash flows; – We tested certain contracts in the Group's order book to provide evidence of the associated revenue forecast in the cash flow model; – We challenged management's forecasts and compared future cash flow performance to historic levels, as well as to industry forecasts as part of our assessment as to whether the planned performance was considered achievable; – We challenged the assumption within the forecasts that the business's cash flows would be earned into perpetuity, including considering whether the impact of climate change posed a risk to the Group's long-term operations and associated impairment assessments; – We challenged management's assumptions in respect of inflation and how the potential impact of climate change had been reflected in future cash flows; – We tested the discount rate and long-term growth rate applied with the support of our internal valuation experts; and – We sensitised key assumptions including, the short-term and long-term growth rates applied to revenue, forecast operating profits and margins, the discount rate and established the impact of reasonably possible changes in these assumptions; we then ensured that these sensitivities were appropriately disclosed in accordance with IAS 36, 'Impairment of assets'. Based on the procedures performed, we were satisfied that no impairment of goodwill allocated to Infrastructure Services was required, and that the associated disclosures included in the financial statements were appropriate.
Carrying value of investments in Group companies and recoverability of amounts owed by subsidiaries (Company) Refer to page 109 (Risk Management and Audit Committee report) and page 240 (Company notes to the financial statements). The Company holds investments in subsidiaries of £446.2m (2022: £437.8m), the largest of which is in Kier Limited of £415.5m (2022: £415.5m) and net amounts owed by subsidiary undertakings of £1,469.4m (2022: £1,291.8m). We focused on these areas due to the magnitude of the investments in, and net amounts owed by, subsidiary undertakings, when for example compared to the Group's market capitalisation (which remains below the carrying value of the investments in subsidiaries). The Directors' assessment of the carrying value of investments was that no impairment was required. Similarly, all amounts owed by subsidiary undertakings were assessed as being recoverable.	We reviewed the Directors' impairment assessment of the carrying value of the investment in Kier Limited and net amounts owed by subsidiary undertakings. In respect of the investment in Kier Limited, we agreed the forecast cash flows used in this assessment to the forecasts used in the assessment of impairment of goodwill and other intangible assets. Our work performed on those cash flows is set out in the Goodwill Key Audit Matter above. We verified that the amounts owed by subsidiary undertakings were recoverable based on counterparty cash balances and/or expected future cash flows. As a result of these procedures, we were satisfied with the Directors' conclusion that no impairment was required against the carrying value of the investments in subsidiaries or the net amounts owed by subsidiary undertakings.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Group's operations and reporting process are structured into four segments represented by Infrastructure Services, Construction, Property and Corporate. The Group audit partner, supported by other UK engagement leaders, led UK-based teams responsible for the audit of each of these segments. The four segments include a number of reporting units in the Group's consolidation, each of which is considered to be a financial component.

Except for inconsequential revenue in Kier International, the Group's operations are entirely within the UK. Our audit approach was designed to obtain coverage over 98% of the Group's revenue. We are satisfied that we obtained appropriate audit coverage over the Group's income statement, balance sheet and cash flows through our audit work on the UK and overseas operations.

The impact of climate risk on our audit

As part of our audit we made enquiries with management to understand the extent of the potential impact of climate change risk on the Group's financial statements.

Management concluded that there was no material impact on the financial statements. Our evaluation of this conclusion included challenging key judgements and estimates in areas where we considered that there was greatest potential for climate change impact. We particularly considered how climate change risks (and opportunities) could impact the assumptions made in areas such as goodwill impairment, recoverability of contract assets (see key audit matters above) and the valuation of investment property. We also considered the consistency of the disclosures in relation to climate change in the other information within the Annual Report with that of the financial statements and our knowledge from our audit.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements – group	Financial statements – company
Overall materiality	£11.8m (2022: £11.0m).	£11.2m (2022: £9.9m).
How we determined it	0.35% of total revenue	1% of total assets limited by the application of component materiality
Rationale for benchmark applied	We considered different benchmarks based on a number of profit measures and revenue, taking into account the fluctuating performance of the business over the last few years and the overall scale of the business. This gave us a range within which to determine materiality. Based on our professional judgement, we concluded that an amount of £11.8m was appropriate, representing 0.35% of the Group's revenue.	The Company primarily holds intercompany receivables, investments in subsidiaries and debt. Accordingly we considered that total assets is the primary measure for shareholders when assessing the financial statements of the ultimate holding Company of the Group.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £0.8m and £11.0m. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2022: 75%) of overall materiality, amounting to £8.9m (2022: £8.3m) for the Group financial statements and £8.4m (2022: £7.4m) for the Company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Risk Management and Audit Committee that we would report to them misstatements identified during our audit above £0.6m (Group audit) (2022: £0.6m) and £0.6m (Company audit) (2022: £0.6m) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the Directors' assessment of the Group's and the Company's ability to continue to adopt the going concern basis of accounting included:

- Reviewing management's going concern paper to ensure it was based upon the latest Board approved forecasts and that the cash flow assumptions were consistent with our understanding of the outlook for the Group's businesses and the wider market;
- Testing, on a sample basis, significant contracts in the Group's pipeline to obtain evidence in support of the revenue forecasts in the going concern model;
- Performing sensitivity analysis over management's forecasts, including with respect to the current inflationary and interest rate environment, in order to determine whether under severe but plausible scenarios the Group's peak debt could exceed its lending limits and/or the Group could breach covenant limits. This included consideration as to whether management has mitigating actions available to it, and within its control, to prevent such a situation occurring;
- Comparing the prior year forecasts against current year actual performance to assess management's ability to forecast accurately;
- Reviewing management's covenant calculations, covering the period from 30 June 2023 to 31 December 2024, ensuring that the covenant thresholds and definitions were consistent with the financing agreements;
- Inspecting lending limits and availability of finance, ensuring that the accounting for these arrangements is appropriate, and;
- Holding discussions with management to understand the plans for and progress in relation to the refinance of the Group's revolving credit facility which expires on 31 January 2025, outside of the formal going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Company's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Company's ability to continue as a going concern.

In relation to the Directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information, which includes reporting based on the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 June 2023 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance statement

The Listing Rules require us to review the Directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The Directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The Directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The Directors' explanation as to their assessment of the Group's and Company's prospects, the period this assessment covers and why the period is appropriate; and
- The Directors' statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the Directors' statement regarding the longer-term viability of the Group and Company was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Group and Company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The Directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Risk Management and Audit Committee.

We have nothing to report in respect of our responsibility to report when the Directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK pensions and employment legislation, data protection legislation, the Health and Safety Executive

legislation and equivalent local laws, Fire Safety Act 2021, anti-bribery and corruption legislation, environmental legislation, construction laws and regulations applicable to overseas operations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006, Listing Rules and tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to fraudulent financial reporting and management bias in long-term contracting accounting estimates. The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included:

- Discussions with management, Internal Audit and internal legal counsel, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Assessment of matters reported to the Board, including those raised through the Group's whistleblowing helpline;
- Review of external press releases;
- Challenging assumptions and judgements made by management in the estimates involved in accounting for long-term contracts, and where applicable inspecting correspondence with external advisors; and
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- the Company financial statements and the part of the Directors' Remuneration report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Risk Management and Audit Committee, we were appointed by the members on 24 September 2014 to audit the financial statements for the year ended 30 June 2015 and subsequent financial periods. The period of total uninterrupted engagement is 9 years, covering the years ended 30 June 2015 to 30 June 2023.

Other matter

As required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these financial statements form part of the ESEF-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditors' report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

Andrew Paynter
(Senior Statutory Auditor)
for and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants
and Statutory Auditors
London

13 September 2023

Consolidated income statement

For the year ended 30 June 2023

	Note	2023 £m	2022 £m
Continuing operations			
Revenue	2		
Group and share of joint ventures[1]	3	**3,405.4**	3,256.5
Less share of joint ventures	3	**(24.7)**	(112.6)
Group revenue		**3,380.7**	3,143.9
Cost of sales		**(3,074.4)**	(2,879.9)
Gross profit		**306.3**	264.0
Administrative expenses		**(240.0)**	(245.5)
Share of post-tax results of joint ventures	16	**1.1**	26.6
Other income	6	**14.1**	–
Profit from operations	3, 4	**81.5**	45.1
Finance income	7	**9.4**	0.7
Finance costs	7	**(39.0)**	(29.9)
Profit before tax	3	**51.9**	15.9
Taxation	10	**(10.9)**	(3.2)
Profit for the year	3	**41.0**	12.7
Attributable to:			
Owners of the parent		**41.1**	12.7
Non-controlling interests		**(0.1)**	–
		41.0	12.7
Total earnings per share			
– Basic	12	**9.5p**	2.9p
– Diluted	12	**9.3p**	2.8p

	Note	2023 £m	2022 £m
Supplementary information from continuing operations			
Adjusted[2] operating profit	5	**131.5**	120.5
Adjusted[2] profit before tax	5	**104.8**	94.1
Adjusted[2] basic earnings per share	12	**19.2p**	16.8p
Adjusted[2] diluted earnings per share	12	**18.8p**	16.4p

1. Group revenue including joint ventures is an alternative performance measure, see page 243.
2. Reference to 'adjusted' excludes adjusting items, see notes 1 and 5. These are alternative performance measures, see page 243.

Consolidated statement of comprehensive income

For the year ended 30 June 2023

	Note	2023 £m	2022 £m
Profit for the year		**41.0**	12.7
Items that may be reclassified subsequently to the income statement			
Fair value movements on cash flow hedging instruments		**2.1**	6.4
Fair value movements on cash flow hedging instruments recycled to the income statement	7	**1.2**	(7.4)
Deferred tax on fair value movements on cash flow hedging instruments	10	**(0.8)**	0.2
Foreign exchange translation differences		**0.3**	3.9
Total items that may be reclassified subsequently to the income statement		**2.8**	3.1
Items that will not be reclassified to the income statement			
Re-measurement of retirement benefit assets and obligations	9	**(107.8)**	136.3
Tax on re-measurement of retirement benefit assets and obligations	10	**26.5**	(34.7)
Total items that will not be reclassified to the income statement		**(81.3)**	101.6
Other comprehensive (loss)/income for the year		**(78.5)**	104.7
Total comprehensive (loss)/income for the year		**(37.5)**	117.4
Attributable to:			
Equity holders of the parent		**(37.4)**	117.4
Non-controlling interests		**(0.1)**	–
		(37.5)	117.4

Consolidated statement of changes in equity

For the year ended 30 June 2023

	Note	Share capital £m	Share premium £m	Capital redemption reserve £m	Accumulated losses £m	Cash flow hedge reserve £m	Translation reserve £m	Merger reserve £m	Equity attributable to owners of the parent £m	Non-controlling interests £m	Total equity £m
At 1 July 2021		4.5	684.3	2.7	(610.8)	(0.1)	5.0	350.6	436.2	(1.2)	435.0
Profit for the year		–	–	–	12.7	–	–	–	12.7	–	12.7
Other comprehensive income/(loss)		–	–	–	101.6	(0.8)	3.9	–	104.7	–	104.7
Total comprehensive income/(loss) for the year		–	–	–	114.3	(0.8)	3.9	–	117.4	–	117.4
Issue of own shares		–	–	–	–	–	–	–	–	0.6	0.6
Share-based payments	27	–	–	–	8.6	–	–	–	8.6	–	8.6
Purchase of own shares	27	–	–	–	(7.0)	–	–	–	(7.0)	–	(7.0)
At 30 June 2022		4.5	684.3	2.7	(494.9)	(0.9)	8.9	350.6	555.2	(0.6)	554.6
Profit/(loss) for the year		–	–	–	**41.1**	–	–	–	**41.1**	**(0.1)**	**41.0**
Other comprehensive (loss)/income		–	–	–	**(81.3)**	**2.5**	**0.3**	–	**(78.5)**	–	**(78.5)**
Total comprehensive (loss)/income for the year		–	–	–	**(40.2)**	**2.5**	**0.3**	–	**(37.4)**	**(0.1)**	**(37.5)**
Issue of own shares		–	–	–	–	–	–	–	–	**0.3**	**0.3**
Changes in ownership of subsidiary		–	–	–	**(0.9)**	–	–	–	**(0.9)**	–	**(0.9)**
Share-based payments	27	–	–	–	**8.4**	–	–	–	**8.4**	–	**8.4**
Purchase of own shares	27	–	–	–	**(11.9)**	–	–	–	**(11.9)**	–	**(11.9)**
At 30 June 2023		**4.5**	**684.3**	**2.7**	**(539.5)**	**1.6**	**9.2**	**350.6**	**513.4**	**(0.4)**	**513.0**

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

Consolidated balance sheet

As at 30 June 2023

	Note	2023 £m	2022 £m
Non-current assets			
Intangible assets	13	**645.0**	669.1
Property, plant and equipment	14	**29.8**	32.7
Right-of-use assets	23	**105.4**	80.6
Investment properties	15	**98.4**	60.4
Investments in and loans to joint ventures	16	**78.6**	82.3
Capitalised mobilisation costs	17	**6.3**	11.6
Deferred tax assets	18	**128.8**	108.8
Contract assets	19	**43.7**	31.2
Trade and other receivables	20	**18.5**	17.0
Retirement benefit assets	9	**129.3**	199.2
Other financial assets	29	**9.7**	8.5
Non-current assets		**1,293.5**	1,301.4
Current assets			
Inventories	21	**72.9**	56.8
Contract assets	19	**358.2**	366.3
Trade and other receivables	20	**189.2**	202.9
Corporation tax receivable		**13.4**	10.0
Other financial assets	29	**1.0**	3.7
Cash and cash equivalents	22	**376.9**	297.7
Current assets		**1,011.6**	937.4
Total assets		**2,305.1**	2,238.8
Current liabilities			
Borrowings	22	–	(40.5)
Lease liabilities	23	**(36.2)**	(25.9)
Trade and other payables	24	**(1,075.0)**	(1,065.7)
Contract liabilities	19	**(90.5)**	(67.3)
Provisions	25	**(38.2)**	(22.2)
Current liabilities		**(1,239.9)**	(1,221.6)

	Note	2023 £m	2022 £m
Non-current liabilities			
Borrowings	22	**(319.1)**	(266.5)
Lease liabilities	23	**(146.4)**	(131.7)
Trade and other payables	24	**(36.9)**	(34.1)
Retirement benefit obligations	9	**(24.8)**	(4.5)
Provisions	25	**(25.0)**	(25.8)
Non-current liabilities		**(552.2)**	(462.6)
Total liabilities		**(1,792.1)**	(1,684.2)
Net assets	3	**513.0**	554.6
Equity			
Share capital	26	**4.5**	4.5
Share premium		**684.3**	684.3
Capital redemption reserve		**2.7**	2.7
Accumulated losses		**(539.5)**	(494.9)
Cash flow hedge reserve	26	**1.6**	(0.9)
Translation reserve	26	**9.2**	8.9
Merger reserve	26	**350.6**	350.6
Equity attributable to owners of the parent		**513.4**	555.2
Non-controlling interests		**(0.4)**	(0.6)
Total equity		**513.0**	554.6

The financial statements of Kier Group plc, company registration number 2708030, on pages 166–241 were approved by the Board of Directors on 13 September 2023 and were signed on its behalf by:

Andrew Davies
Chief Executive

Simon Kesterton
Chief Financial Officer

Consolidated statement of cash flows

For the year ended 30 June 2023

	Note	2023 £m	2022 £m
Cash flows from operating activities			
Profit before tax		**51.9**	15.9
Net finance cost	7	**29.6**	29.2
Share of post-tax trading results of joint ventures	16	**(1.1)**	(26.6)
Pension cost charge/(credit)	9	**0.1**	(0.4)
Equity-settled share-based payments charge	27	**8.4**	8.6
Amortisation and impairment of intangible assets and mobilisation costs	13,17	**33.9**	30.3
Change in fair value of investment properties	15	**(11.4)**	(0.2)
Research and development expenditure credit	10	**(22.8)**	(20.7)
Depreciation and impairment of property, plant and equipment	14	**6.1**	10.7
Depreciation and impairment of right-of-use assets	23	**43.7**	35.2
(Profit)/loss on disposal of property, plant and equipment and intangible assets		**(1.8)**	0.8
Operating cash inflows before movements in working capital and pension deficit contributions		**136.6**	82.8
Deficit contributions to pension funds	9	**(9.9)**	(10.8)
Increase in inventories	22	**(18.8)**	(2.1)
Decrease in receivables	20	**12.2**	7.3
Increase in contract assets	22	**(4.4)**	(31.6)
Increase/(decrease) in payables	22	**26.1**	(12.4)
Increase in contract liabilities	19	**23.2**	7.4
Increase in provisions	25	**15.2**	0.2
Cash inflow from operating activities		**180.2**	40.8
Dividends received from joint ventures	16	**1.8**	32.5
Interest received	7	**1.6**	0.7
Income tax paid		**(0.1)**	–
Net cash inflow from operating activities		**183.5**	74.0

	Note	2023 £m	2022 £m
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**2.6**	4.2
Purchase of property, plant and equipment	14	**(3.9)**	(6.0)
Purchase of intangible assets	13	**(2.7)**	(0.7)
Purchase of capitalised mobilisation costs	17	**(1.8)**	(10.2)
Acquisition of joint venture debt	16	**(0.9)**	–
Investment in joint ventures	16	**(35.7)**	(16.8)
Loan repayment and return of equity from joint ventures	16	**17.1**	27.5
Net cash used in investing activities		**(25.3)**	(2.0)
Cash flows from financing activities			
Issue of shares net of associated transaction costs		**–**	(6.1)
Issue of shares to non-controlling interest		**0.3**	0.6
Purchase of own shares	27	**(11.9)**	(7.0)
Interest paid		**(39.5)**	(28.8)
Principal elements of lease payments	23	**(45.6)**	(33.8)
Drawdown of borrowings	22	**56.8**	–
Repayment of borrowings	22	**(43.2)**	(101.8)
Settlement of derivative financial instruments		**4.7**	7.5
Changes in ownership interests of subsidiaries		**(0.9)**	–
Net cash used in financing activities		**(79.3)**	(169.4)
Increase/(decrease) in cash and cash equivalents		**78.9**	(97.4)
Effect of change in foreign exchange rates		**0.3**	3.9
Opening cash and cash equivalents		**297.7**	391.2
Closing cash and cash equivalents	22	**376.9**	297.7
Supplementary information			
Adjusted cash inflow from operating activities	5	**207.2**	82.0

1. Reference to 'adjusted' excludes adjusting items, see notes 1 and 5. This is an alternative performance measure, see page 243.

Notes to the consolidated financial statements

For the year ended 30 June 2023

1 Significant accounting policies

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

The consolidated financial statements were approved by the Directors on 13 September 2023.

Statement of compliance

The Group's consolidated financial statements have been prepared in accordance with UK-adopted International Accounting Standards effective for accounting periods beginning on or after 1 July 2022 and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

The Company has elected to prepare its parent company financial statements in accordance with the FRS 101 'Reduced Disclosure Framework'. These are presented on pages 236–241.

Basis of preparation

The financial statements are presented in pounds sterling. They have been prepared on the historical cost basis except for investment properties, defined benefit pension plans and derivative financial instruments which are stated at their fair value, and the IFRS 2 share-based payments charge which is based on the fair value of the options granted.

Kier Group plc is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is 2nd Floor, Optimum House, Clippers Quay, Salford, England, M50 3XP.

The following new amendments to standards are effective for the financial year ended 30 June 2023 onwards:

- Narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16 (published May 2020).

None of the above amendments to standards has had a material effect on the Group's financial statements for the current period nor is expected to do so for future periods. The following new standards and amendments to standards have been issued but were not yet effective and therefore have not been applied in these financial statements:

- IFRS 17 'Insurance Contracts'
- Amendments to IAS 1 'Presentation of Financial Statements' on classification of liabilities
- Narrow-scope amendments to IAS 1, Practice statement 2 and IAS 8 (published February 2021)
- Amendments to IAS 12 'Income Taxes' on deferred tax related to assets and liabilities arising from a single transaction and international tax reform (pillar two model rules)
- Amendments to IFRS 16 'Leases' in relation to the lease liability in a sale and leaseback
- Amendments to IAS 7 & IFRS 7 (not yet UK adopted) on supplier finance arrangements.

IFRS 17 will replace IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by entities that issue insurance contracts. The new standard will first be applied by the Group in the accounting year ended 30 June 2024. Whilst the Group does have its own captive insurance company, Tempsford Insurance Company Limited, this company does not issue insurance contracts to parties outside of the Group and therefore the Group has concluded that this arrangement will not have a material impact on the Group's consolidated financial statements. However, the widely drawn definition of an insurance contract means that a number of relatively common contracts entered into by non-insurers may be considered to be insurance contracts, even if they are not typically thought of in those terms. Some contracts that provide a service for a fixed fee may meet the definition of an insurance contract, where the level of service provided depends on uncertain future events (for example, reactive repair and maintenance services). The Group has reviewed its fixed fee service contracts and determined that there would be no material effect on the Group's financial statements under IFRS 17.

No significant net impact from the adoption of the above amendments to standards is expected. The Group has chosen not to adopt any of the above standards or amendments earlier than required.

Going concern

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

The Group performed well through the year ended 30 June 2023 and produced results in line with the Board's expectations.

The Group continues to win new, high-quality and profitable business in its markets on terms and at rates which reflect the new bidding disciplines and risk management practices introduced under the Group's Performance Excellence programme. At 30 June 2023, the order book was £10.1bn (2022: £9.8bn).

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

1 Significant accounting policies continued

Financial covenant certificates for June 2023 have been prepared with no breaches noted. The Directors have reviewed the Group's cash flow forecasts for the period to 31 December 2024, which are included in the Group's three-year strategic plan, on the basis of certain key assumptions and including a number of stressed but plausible downside scenarios.

These scenarios included the consideration of risks which may arise to the Group's available liquidity and its ongoing compliance with financial covenants within the Group's principal debt facilities as a result of or in light of the following factors or circumstances:
- Potential reductions in trading volumes;
- Potential future challenges in respect of ongoing projects;
- Project inflation and subcontractor insolvency;
- Reduced investment/delays in Property transactions and cost of adoption of green legislation;
- Plausible changes in the interest rate environment; and
- The availability of mitigating actions that could be taken by management in such a scenario.

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

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

The Board also considered the macroeconomic and political risks affecting the UK economy, including the availability of labour and inflationary pressures leading to increased supply chain costs. The Board noted that the Group's forecasts are underpinned by a significant proportion of revenue that is either secured or considered probable, often as part of long-term framework agreements, and that the Group operates primarily in sectors such as infrastructure, health, education and utilities, which are considered likely to remain largely unaffected by macroeconomic factors. Although inflationary pressures remain a risk, both in the supply chain and the labour market, this is partly mitigated by c.60% of contracts being target cost or cost plus.

The Board has also considered the potential impact of climate change and does not consider the Group's operations are at risk from physical climate-related risks such as hurricanes and temperature changes in the short term. In the medium term the Board has concluded that any adverse financial impacts from required changes to operations in line with ESG requirements will be offset by opportunities which present the Group with additional volumes and profits, such as replacement of non-sustainable buildings, construction of new 'clean' power plants and 'green' building conversions. As such, the longevity of the Group's business model means that climate change has no material adverse impact on going concern.

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

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

Basis of consolidation

(a) Subsidiaries

The consolidated financial statements comprise the financial statements of the Company and subsidiaries controlled by the Company drawn up to 30 June 2023. Control exists when the Group has direct or indirect power to govern the financial and operating policies of an entity so as to obtain economic benefits from its activities. Subsidiaries are included in the consolidated financial statements from the date that control transfers to the Group until the date that control ceases.

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

If a business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such remeasurements are recognised in profit or loss.

The Group measures goodwill at the acquisition date as:
- The fair value of the consideration transferred; plus
- The recognised amount of any non-controlling interests in the acquiree; plus
- If the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the result is negative, a 'bargain purchase' gain is recognised immediately in the income statement.

Provisional fair values allocated at a reporting date are finalised within 12 months of the acquisition date.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in the income statement. Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred. Any contingent consideration payable is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration are recognised in the income statement unless the contingent consideration is classified as equity, in which case settlement is accounted for within reserves.

Accounting policies of subsidiaries are adjusted where necessary to ensure consistency with those used by the Group. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

(b) Joint arrangements

A joint arrangement is a contractual arrangement whereby the Group undertakes an economic activity that is subject to joint control with third parties.

The Group's interests in joint ventures are accounted for using the equity method. Under this method the Group's share of the profits less losses of joint ventures is included in the consolidated income statement and its interest in their net assets is included in investments in the consolidated balance sheet. Where the share of losses exceeds the Group's interest in the entity and there is no obligation to fund these losses the carrying amount is reduced to nil, following which no further losses are recognised. Interest in the entity is the carrying amount of the investment together with any long-term interests that, in substance, form part of the net investment in the entity.

From time to time the Group undertakes contracts jointly with other parties. These fall under the category of joint operations as defined by IFRS 11. In accordance with IFRS 11, the Group accounts for its own share of sales, profits, assets, liabilities and cash flows measured according to the terms of the agreements.

Foreign currencies

Transactions denominated in foreign currencies are recorded at the exchange rates in effect when they take place. Resulting monetary foreign currency denominated assets and liabilities are translated at the exchange rates ruling at the balance sheet date. Exchange differences arising from foreign currency transactions are reflected in the income statement.

Items included in the financial statements of each of the Group's subsidiaries are measured using the currency of the primary economic environment in which each entity operates (the functional currency). The consolidated financial statements are presented in GBP, which is the Group's presentation currency.

The assets and liabilities of overseas subsidiary undertakings are translated at the rate of exchange ruling at the balance sheet date. Trading profits or losses are translated at average rates prevailing during the accounting period. Differences on exchange arising from the retranslation of net investments in overseas subsidiary undertakings at the year-end rates are recognised in other comprehensive income. All other translation differences are reflected in the income statement.

Revenue and profit recognition

Revenue comprises the fair value of the consideration received or receivable, net of value added tax, rebates and discounts and after eliminating sales within the Group. It also includes the Group's proportion of work carried out under jointly controlled operations.

The general principles for revenue and profit recognition across the Group are as follows:

- Provision is made for any unavoidable future net losses arising from contract obligations, as soon as they become apparent. These are accounted for under IAS 37 and are shown as onerous contract provisions in note 25;
- Additional consideration for contract modifications (variations) is only included in revenue (or the forecast contract out-turn) if the scope of the modification has been approved by the customer. If the scope of the modification has been approved but the parties have not yet determined the corresponding change in the contract price, an estimate of the change to the transaction price is made and included in calculating revenue to the extent that it is highly probable that a significant reversal of the amount in cumulative revenue recognised will not occur;
- Contract modifications are treated as separate contracts if the scope of the contract increases because of the addition of promised goods or services that are distinct, and the price of the contract increases by an amount of consideration that reflects the Group's stand-alone selling prices of the additional promised goods or services and any appropriate adjustments to that price to reflect the circumstances of the particular contract;
- Variable consideration amounts (gain-share amounts, KPI bonuses, milestone bonuses, compensation event claims, etc.) are included in revenue (or forecasts to completion) only to the extent that it is highly probable that a significant reversal of the amount in cumulative revenue recognised will not occur;
- Refund liabilities (liquidated damages, pain-share amounts, KPI penalties, etc.) are accounted for as a reduction in revenue (or in forecasting contract out-turns) as soon as it is expected that the Group will be required to refund some or all of the consideration it has received from the customer;
- Where revenue that has been recognised is subsequently determined not to be recoverable due to the inability of a customer to meet its payment obligations, these amounts are charged to administrative expenses as a credit loss;
- Claims against third parties (such as insurance recoveries and claims for cost reimbursements) outside of normal supplier price adjustments are recognised only when the realisation of income is virtually certain. The associated income is accounted for as reduction in costs rather than revenue; and
- Contract mobilisation is not considered to be a separate performance obligation in most situations, as the customer receives little or no benefit from mobilisation activities. Any consideration received from the customer in relation to the mobilisation phase of a contract is deferred and recognised as additional revenue relating to the performance obligations in the contract that benefit the customer.

1 Significant accounting policies continued

If the timing of payments agreed with the customer provides the Group or the customer with a significant benefit of financing the transfer of goods or services, the amount of consideration is adjusted for the effects of the time value of money. The Group does not make an adjustment for the time value of money in the following circumstances:

- When the Group expects, at contract inception, that the period between the entity transferring a good or service and the customer paying for it will be one year or less; or
- Where the timing of the payments is for commercial rather than financing reasons, e.g. construction contract retentions, where the payment terms are to provide the customer with protection from Kier failing to adequately complete some or all of its obligations under the contract.

Revenue and profit recognition policies applied to specific businesses are as follows:

(a) Construction contracts

Revenue is recognised on construction services over time as the benefit is transferred to the customer. The Group uses an input method to measure progress. The percentage of completion is measured using cost incurred to date as a proportion of the estimated full costs of completing the contract and is applied to the total expected contract revenue to determine the revenue to be recognised to date.

The assessment of the final outcome of each contract is determined by regular review of the revenues and costs to complete that contract. Consistent contract review procedures are in place in respect of contract forecasting.

(b) Services

Revenue and profit from services rendered, which include facilities management, highways maintenance, utilities maintenance, street cleaning and recycling, is recognised over time as the service is performed.

Progress on capital works and infrastructure renewal projects in the Highways and Utilities businesses is measured using costs incurred as a percentage of the estimated full costs of completing the performance obligation.

Where the contract includes bundled services, and those services are distinct, the transaction price is allocated to each performance obligation identified in the contract based on the relative stand-alone selling prices of each of the performance obligations. Revenue is then recognised independently when each of the performance obligations is satisfied.

Any variable consideration (e.g. performance bonus) attributable to a single performance obligation is allocated entirely to that performance obligation. Where variable consideration is attributable to the entire contract and is not specific to part of the contract, the consideration is allocated based on the stand-alone selling prices of each of the performance obligations within the contract.

Service contracts are reviewed monthly to assess their future operational performance and profitability.

(c) Property development

Revenue in respect of property developments is recorded on unconditional exchange of contracts on disposal of finished developments. Profit taken is subject to any amounts necessary to cover residual commitments relating to development performance.

Where developments are sold in advance of construction being completed, revenue and profit are recognised at the point of sale, reflecting the transfer of control to the customer in its current stage of completion. Thereafter, revenue for construction services provided to the customer to complete the property is recognised over time in line with the percentage of completion, consistent with the Group's accounting policy for recognition of revenue on construction contracts (see above).

Where consideration is paid in advance of the development's construction phase at a price less than market value, revenue is recognised on a discounted basis to reflect a financing component of the transaction. This revenue and forward funded interest unwinds as the construction takes place.

(d) Private Finance Initiative ('PFI') service concession agreements

Revenue relating to construction or upgrade services under a service concession agreement is recognised based on the stage of completion of the work performed, consistent with the Group's accounting policy on recognising revenue on construction contracts (see above).

Operation or service revenue is recognised in the period in which the services were provided by the Group. When the Group provides more than one service in a service concession agreement, the consideration received is allocated by reference to the relative stand-alone selling prices of the services delivered.

Pre-contract and contract mobilisation costs

Pre-contract costs to obtain a contract that would have been incurred irrespective of whether the contract was obtained are recognised as an expense when incurred, unless those costs are explicitly chargeable to the customer irrespective of whether the contract is obtained.

Mobilisation costs incurred in respect of a specific contract that has been won or an anticipated contract that is expected to be won (e.g. when the Group has secured preferred bidder status) are carried forward in the balance sheet as capitalised mobilisation costs if: the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and the costs are expected to be recovered (i.e. the contract is expected to be sufficiently profitable to cover the mobilisation costs).

The vast majority of contracts incurring significant mobilisation costs are contracts that exceed 12 months in duration. The Group's policy is therefore to show its capitalised mobilisation costs as a non-current asset, amortised over the expected contract duration.

Warranties and rectification costs

The Group does not offer extended insurance-type warranties at an additional cost to the customer (which would represent separate performance obligations). Standard industry assurance-type warranties are provided and are accounted for as rectification cost provisions based on the estimated costs of making good any latent defects.

Alternative performance measures

IAS 1 permits an entity to present additional information for specific items to enable users to better assess the entity's financial performance. The Directors have considered the requirements of applicable accounting standards, along with additional guidance around alternative performance measures ('APMs') and believe it is appropriate to inform users regarding various items and disclose those items which are deemed one-off, material or non-recurring in size or nature, in alignment with the Group's internal management reporting.

As such, the Group is disclosing as supplementary information an 'Adjusted Profit' APM which is reconciled to statutory profit in the notes to the financial statements and is consistent with IFRS 8 segmental reporting.

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

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

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

A full reconciliation from statutory numbers to adjusted profit measures has been presented in note 5.

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

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

A glossary of alternative performance measures is included on page 243.

Finance income and costs

Interest receivable and payable on bank balances is credited or charged to the income statement as incurred using the effective interest rate method. Interest receivable is presented within operating cash flows in the cash flow statement.

Borrowing costs are capitalised where the Group constructs qualifying assets. All other borrowing costs are written off to the income statement as incurred.

Borrowing costs incurred within the Group's jointly controlled entities relating to the construction of assets in PFI and PPP projects are capitalised until the relevant assets are brought into operational use.

Notional interest payable, representing the unwinding of the discount on long-term liabilities, is charged to finance costs.

Taxation

Income tax comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The deferred tax provision is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised or where other temporary differences are available.

The Group participates in the UK Government's Research and Development Expenditure Credit ('RDEC') tax incentive scheme. Credits receivable under the RDEC scheme are recognised within operating profit and are treated as taxable income. Amounts receivable in respect of RDEC claims are included on the balance sheet within the corporation tax receivable balance or as a reduction in the corporation tax payable balance, as appropriate.

Goodwill and other intangible assets

Goodwill arising on consolidation represents the excess of the consideration over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary.

1 Significant accounting policies continued

Goodwill is recognised as an asset and reviewed for impairment at least annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed. Negative goodwill is recognised in the income statement immediately. On disposal of a subsidiary or jointly controlled entity, the attributable carrying amount of goodwill is included in the determination of the profit or loss on disposal.

Other intangible assets which comprise contract rights and computer software are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to administrative expenses in the income statement on a straight-line basis over the expected useful lives of the assets, which are principally as follows:

Contract rights	Over the remaining contract life
Computer software	3–10 years

Internally generated intangible assets developed by the Group are recognised only if all of the following conditions are met:
- An asset is created that can be identified;
- It is probable that the asset created will generate future economic benefits; and
- The development cost of the asset can be measured reliably.

Other research expenditure is written off in the period in which it is incurred.

Software as a service

Costs incurred relating to software as a service ('SaaS') that provide future benefit to the Group are included within prepayments and written off over the period to which they relate. All other costs in respect of SaaS are expensed to the income statement as incurred.

Property, plant and equipment and depreciation

The cost of an acquired asset comprises the purchase price, any directly attributable costs and the estimated costs of dismantling and removing the item at the end of its life. Depreciation is based on historical or deemed cost, including expenditure that is directly attributable to the acquisition of the items, less the estimated residual value, and the estimated economic lives of the assets concerned. Freehold land is not depreciated. Other tangible assets are depreciated to residual values in equal annual instalments over the period of their estimated economic lives, which are principally as follows:

Land and buildings	25–50 years or period of lease
Plant and equipment	3–12 years

Leases

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:
- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the Group under residual value guarantees;
- The exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Most Group companies do not have any recent independent third-party financing to use as a starting point for the incremental borrowing rate. Therefore, the Group uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk, lease term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:
- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- Any restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

The Group has elected to use the following recognition exemptions, as permitted by the standard:
- Leases of low-value items – The Group has defined low-value items as assets that have a value when new of less than c.£5,000. Low-value items comprise IT equipment and small items of plant.
- Short-term leases – Leases with a lease term of less than 12 months at inception.

For leases in the above categories, a lease liability or right-of-use asset is not recognised. Instead, the Group recognises the related lease payments as an expense on a straight-line basis over the lease term.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Leased properties that meet the definition of investment properties are presented within 'investment properties' rather than 'right-of-use assets' on the balance sheet.

The Group enters into lease agreements as a lessor with respect to its investment properties. Leases for which the Group is a lessor are classified as finance or operating leases.

Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases. Finance lease income is calculated with reference to the gross carrying amount of the lease receivables, except for credit-impaired financial assets for which interest income is calculated with reference to their amortised cost (i.e. after a deduction of the loss allowance).

When a contract includes both lease and non-lease components, the Group applies IFRS 15 to allocate the consideration under the contract to each component.

Investment properties

Investment properties, principally office buildings and land, are held for the purpose of earning rentals and/or for capital appreciation and are not occupied by the Group. Investment properties are measured using the fair value model. Gains and losses arising from a change in the fair value of investment properties are recognised in the income statement in the period in which they arise.

Rental income and costs in respect of investment properties are included within administrative expenses and are disclosed in note 15(b). Where the investment property has come about through vacating corporate offices following the restructure of the Group's property portfolio, amounts in the income statement are treated as adjusting items.

Inventories

Inventories, including land held for and in the course of development, are valued at the lower of cost and net realisable value. Cost comprises direct materials and, where appropriate, labour and production overheads which have been incurred in bringing the inventories and work in progress to their present location and condition. Cost in certain circumstances also includes notional interest as explained in the accounting policy for finance income and costs. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Inventories are valued on a first in, first out ('FIFO') basis.

Land inventory is recognised at the time a commitment to purchase the land is made, generally at exchange of unconditional contracts.

Property inventory, which represents all development land and work in progress, is included at cost less any losses foreseen in completing and disposing of the development less any amounts received or receivable as progress payments or part disposals. Where a property is being developed, cost includes cost of acquisition and development to date, including directly attributable fees, expenses and finance charges net of rental or other income attributable to the development. Where development property is not being actively developed, net rental income and finance costs are taken to the income statement.

Contract assets and liabilities

When the Group transfers goods or services to a customer before the customer pays consideration or before payment is due, the amount of revenue associated with the transfer of goods or services is accrued and presented as a contract asset in the balance sheet (excluding any amounts presented as a receivable). A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer.

Contract assets are reduced by appropriate allowances for expected credit losses calculated using the simplified approach (as with trade receivables).

If a customer pays consideration, or the Group has a right to an amount of consideration that is unconditional (i.e. a receivable), before the Group transfers a good or service to the customer, the amount is presented as a contract liability on the balance sheet. A contract liability represents the Group's obligation to transfer goods or services to a customer for which the entity has received consideration (or an amount of consideration is due) from the customer.

The Group has allocated contract assets and liabilities due within 12 months of the balance sheet date to current with the remainder included in non-current.

1 Significant accounting policies continued

Assets held for sale

Assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable, and the assets are available for sale in their present condition.

Share capital

The ordinary share capital of the Company is recorded as the proceeds received, net of directly attributable incremental issue costs.

Merger reserve

Where equity raises are effected through a structure which is eligible for merger relief under section 612 of the Companies Act 2006, the Group transfers the excess of the net proceeds over the nominal value of the share capital issued to the merger reserve.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, and where it is probable that an outflow will be required to settle the obligation and the amount can be reliably estimated.

Contingent liabilities

The Group discloses a contingent liability in circumstances where it has a possible obligation depending on whether some uncertain future event occurs, or has a present obligation but payment is not probable, or the amount cannot be measured reliably.

Government grants

Government grant income is recognised at the point that there is reasonable assurance that the Group will comply with the conditions attached to it, and that the grant will be received.

Employee benefits

(a) Retirement benefit obligations

For defined contribution pension schemes operated by the Group, amounts payable are charged to the income statement as they fall due.

The Group accounts for defined benefit obligations in accordance with IAS 19. Obligations are measured at discounted present value while plan assets are measured at fair value. The operating and financing costs of such plans are recognised separately in the income statement; current service costs are spread systematically over the lives of employees and financing costs are recognised in full in the period in which they arise. Remeasurements of the net defined pension liability, including actuarial gains and losses, are recognised immediately in other comprehensive income.

The net finance cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in finance costs in the income statement.

Where the calculations result in a surplus to the Group, the recognised asset is limited to the present value of any available future refunds from the plan or reductions in future contributions to the plan that the Group has the unconditional right to realise.

(b) Share-based payments

Share-based payments granted but not vested are valued at the fair value of the shares at the date of grant. This applies to the Sharesave, Conditional Share Award Plan and Long-Term Incentive Plan ('LTIP') schemes. The fair value of these schemes at the date of award is calculated using the Black-Scholes model apart from the total shareholder return element of the LTIP which is based on a Stochastic model. Awards that are subject to a post-vesting holding period are valued using the Finnerty model.

The cost to the Group of awards to employees under the LTIP scheme is spread on a straight-line basis over the relevant performance period. The scheme awards to senior employees a number of shares which will vest after three years if particular criteria are met. The cost of the scheme is based on the fair value of the shares at the date the options are granted.

Shares purchased and held in trust in connection with the Group's share schemes are deducted from retained earnings. No gain or loss is recognised within the income statement on the market value of these shares compared with the original cost.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument. An assessment of whether a financial asset is impaired is made at least at each reporting date. The principal financial assets and liabilities of the Group are as follows:

(a) Trade receivables and trade payables

Given the varied activities of the Group it is not practicable to identify a common operating cycle. The Group has therefore allocated receivables and payables due within 12 months of the balance sheet date to current with the remainder included in non-current.

A trade receivable is recognised when the Group has a right to consideration that is unconditional (subject only to the passage of time before payment is due). Trade receivables do not carry interest and are stated at their initial cost reduced by appropriate allowances for expected credit losses.

The Group applies the simplified approach to measurement of expected credit losses in respect of trade receivables, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Trade payables on normal terms are not interest-bearing and are stated at their nominal value. Trade payables on extended terms, particularly in respect of land purchases, are discounted and recorded at their present value.

Amounts owing under supply chain finance arrangements are included within trade payables rather than bank debt. The purpose of supply chain finance is purely to grant subcontractors and suppliers access to credit and improve their cash flows. There have been no changes to the underlying terms of the supply chain finance arrangements.

The designation in trade payables is due to the assignment of invoice rather than a novation, the Group acting as an agent with fees related to supply chain finance being borne by the supplier and the final payment date to the bank being set by the Group with interest accrued for any late payments.

(b) Cash and cash equivalents

Cash and cash equivalents in the cash flow statement comprise cash at bank and in hand, including bank deposits with original maturities of three months or less, net of bank overdrafts where legal right of set off exists (to reflect the substance of cash pooling arrangements).

(c) Bank and other borrowings

Interest-bearing bank and other borrowings are recorded at the fair value of the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the income statement using the effective interest method and are added to the carrying value of the instrument to the extent that they are not settled in the period in which they arise.

(d) Private Finance Initiative ('PFI') assets

Under the terms of a PFI or similar project, where the risks and rewards of ownership remain largely with the purchaser of the associated services, the Group's interest in the asset is classified as a financial asset and included at its amortised cost within investment in joint ventures.

(e) Derivative financial instruments

Derivatives are initially recognised at fair value on the date that the contract is entered into and subsequently remeasured in future periods at their fair value. The method of recognising the resulting change in fair value depends on whether the derivative is designated as a hedging instrument and whether the hedging relationship is effective.

For cash flow hedges, the effective portion of changes in the fair value of these derivatives is recognised in the cash flow hedge reserve within equity. Any ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are recycled to the income statement in the periods when the hedged items will affect profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, the hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

The Group enters into forward contracts in order to hedge against transactional foreign currency exposures. In cases where these derivative instruments are significant, hedge accounting is applied as described above. Where hedge accounting is not applied, changes in fair value of derivatives are recognised in the income statement. The fair values of derivative instruments have been derived from proprietary models used by the bank counterparties using mid-market mark to market valuations for trades at the close of business on the balance sheet date.

Significant accounting estimates and critical judgements

Management considers that their use of estimates, assumptions and judgements in the application of the Group's accounting policies are inter-related and therefore discuss them together below with the major sources of estimation uncertainty and significant judgements separately identified:

(a) Revenue and profit recognition

The estimation techniques used for revenue and profit recognition in respect of property development, construction contracts and services contracts require forecasts to be made of the outcome of long-term contracts which require assessments and judgements to be made on the recovery of pre-contract costs, changes in the scope of work, programme of works, maintenance and defect obligations and changes in costs. The estimates and judgements in respect of construction contracts are considered to be critical.

There are a small number of contracts that the Group considers require significant accounting estimates and, as at 30 June 2023, the Group has included estimated recoveries from customers and other third parties with a combined value of £74.0m (2022: £76.6m). These recoveries are recognised in line with the Group's stated accounting policies. However, estimation uncertainty exists and there are a number of factors which will affect the final outcome once these contracts are finalised. The Group estimates that the final outcome on these contracts could collectively range from an upside of £82.8m (2022: £42.1m) to a downside, including the risk of counterclaims being levied against the Group, of £47.0m (2022: £40.1m).

Over 400 construction contracts (2022: over 500) were income generating during the year within the Group's Construction and Infrastructure Services operating divisions. Of these, three (2022: none) individually had a material impact on operating profit.

1 Significant accounting policies continued

The key judgements and estimates relating to determining the revenue and profit of material contracts are:
- costs to complete;
- achieving the planned build programme; and
- recoverability of claims and variations in accordance with IFRS 15.

Each contract is treated on its merit and is subject to a regular review of the revenue and costs to complete that contract, determined by a combination of management judgement and external professional assistance, backed up by accounting position papers for the contracts that have a material impact on the income statement.

The level of estimation uncertainty in the Group's construction businesses is reduced by the effect of its substantial portfolio and significant experience of the division's management team. The level of estimation is further reduced by the combination of the modest scale and short contract durations of the majority of the Group's projects. Nevertheless, the profit recognition in the Construction business is a critical estimate, due to the inherent uncertainties in any construction project over revenues and costs.

The level of estimation and uncertainty differs between the Group's construction businesses, particularly between Regional Building, Major Projects – Building and Infrastructure. Regional Building operates around 300 sites (2022: 350) each year with an average project size of £15.8m (2022: £12.9m) and with average revenue in the year of £4.4m (2022: £3.3m). These projects typically operate under framework contracts where costs are known with a greater degree of certainty. Infrastructure manages around 30 sites with projects ranging from a relatively small number of higher value major Infrastructure civil engineering projects to a larger number of more modest minor signalling upgrades and replacements.

The major infrastructure civil engineering projects typically include two stage Design and Build, Construct only and Target Cost contracts. The nature and length of these contracts means there can be a greater level of estimation and uncertainty. The blended portfolio risk of the overall construction businesses is mitigated by the relative sizes of the Regional Building, Major Projects – Building and Infrastructure businesses.

Construction revenue for the year was £1.7bn (2022: £1.4bn) with an associated adjusted operating profit margin of 4.2% (2022: 4.2%).

The historic profit margins in the construction businesses typically range from 3.2% to 4.2%. A potential downside risk in margin would be 1.0% (2022: 2.4%). Given the short-term average duration of the construction portfolio, the impact of such a decrease in margin across projects in delivery at the year-end would be a decrease in operating profit of £16.5m (2022: £34.6m).

(b) Lifecycle assets

The Group has a number of ongoing contracts where lifecycle funds are established to meet contractual obligations. At the 30 June 2023 the carrying value of these non-current contract assets was £43.7m, offset by a provision of £4.9m. The key sensitivity in the calculation is the percentage of the funds build-up required for future maintenance. A reasonably likely change would be an increase or decrease of 10% in the percentage of funds build-up required. Such a change would result in a profit impact of approximately £2m in any one year.

(c) Defined benefit pension scheme valuations

In determining the valuation of defined benefit pension scheme assets and liabilities, a number of key assumptions have been made. The key assumptions, which are given below, are largely dependent on factors outside the control of the Group:
- expected return on plan assets;
- inflation rate;
- mortality;
- discount rate; and
- salary and pension increases.

Details of the assumptions used and sensitivity to changes in these assumptions are included in note 9.

(d) Goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of cash generating units ('CGUs') to which the goodwill has been allocated. The value in use calculation requires an estimate to be made of the timing and amount of future cash flows expected to arise from the CGU and the application of a suitable discount rate in order to calculate the net present value. Cash flow forecasts for the next three years are based on the Group's budgets and forecasts. Other key inputs in assessing each CGU are revenue growth, operating margin, discount rate and terminal growth rate. The assumptions are set out in note 13 together with an assessment of the impact of reasonably possible sensitivities.

In undertaking the assessment, the potential net impact of climate change on the forecasts has been considered. At present, it has been concluded that it will not be significant.

Other accounting estimates and judgements

The consolidated financial statements include other areas of judgement and accounting estimates. While these areas do not meet the definition under IAS 1 of significant accounting estimates or critical accounting judgements, the recognition and measurement of certain material assets and liabilities are based on assumptions and/or are subject to longer-term uncertainties.

(a) Joint ventures
In accordance with IFRS 11 paragraph 7, joint ventures are identified where the control of an arrangement is shared and decisions around activities require unanimous consent if the action significantly affects the investee's return. The key judgement involved in determining joint control is that the Board structure and the mechanisms in the reserved matters do not give any one party majority control over relevant activities, regardless of the economic split between partners.

(b) Adjusting items
Adjusting items are items of financial performance which the Group believes should be separately presented to assist in understanding the financial performance achieved by the Group in accordance with the accounting policy set out on page 175. Determining whether an item is classified as an adjusting item requires judgement.

Total adjusting items of £52.9m were charged to the income statement in respect of continuing operations for the year ended 30 June 2023 (2022: £78.2m). The items that comprise this are set out in note 5 together with an explanation of their nature and consideration points as to why the Directors have treated these as adjusting items.

(c) Property leases
The Group continues to rationalise its property portfolio and exited its leased corporate offices in Foley Street, London and Fountain Street, Manchester during prior years. The properties are now being sublet for the remaining period of the lease and the associated right-of-use asset is classified as an investment property. Given the length of the underlying leases and the uncertainty in the property market, in calculating the fair value of the right-of-use asset judgement has been exercised. These areas of judgement are detailed in note 15.

(d) Taxation
The Group is predominantly UK-based and all entities are UK resident for tax purposes and therefore subject to UK tax regulations.

Deferred tax liabilities are generally provided for in full and deferred tax assets are recognised to the extent that it is judged probable that future taxable profit will arise against which the temporary differences will be utilised. In particular, the Group has exercised judgement in recognising a deferred tax asset of £106.2m (2022: £105.6m) in respect of tax losses.

The key judgements in assessing the recoverability of the deferred tax asset relate to the taxable profit forecasts. These forecasts are based on the same Board-approved information used to support the going concern and goodwill impairment assessments. The critical judgements related to these forecasts are the same as those described in the goodwill section of this note. In assessing the recoverability, the Group has considered various sensitivities regarding future profitability, those of which are also disclosed within the goodwill section of this note.

The basis for recognising this tax asset is set out in note 18 together with the period in which it is expected to be utilised.

(e) Land and property valuations
The recoverability of property development work in progress is an area which requires significant judgement due to the ongoing volatility in property valuations. An assessment of the net realisable value of inventory is carried out at each balance sheet date and is dependent upon the Group's estimate of forecast selling prices and build/development costs (by reference to current prices), which may require significant judgement. Where applicable, third-party valuations are used to support the position as at the balance sheet date.
In valuing work in progress at the lower of cost and net realisable value the Group has already recognised any expected downside, and any upside is contingent on the Group's continued development of the projects as it is not in the business of selling partly developed sites. At 30 June 2023, the value of land and work in progress held for development, included within inventory on the balance sheet, was £59.6m (2022: £43.0m).

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

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

Where an obligation has been established and a reliable estimate of the costs to rectify is available, a provision has been made (see note 25). 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.

2 Revenue
Revenue is entirely derived from contracts with customers.

Infrastructure Services
The Group derives revenue from capital infrastructure projects as well as the maintenance of infrastructure assets across various sectors including highways, rail, water, gas and domestic fibre installation.

2 Revenue continued

Capital projects can range from the construction of power station infrastructure, roads, railways, bridges and tunnels, over a period of several years (e.g. Hinkley Point C, Sellafield SRP and HS2), to small schemes completed in a matter of days. Revenue is recognised over time as the construction services are rendered to the customer. Each capital project is typically treated as a single performance obligation.

The Group also provides maintenance services for the UK road, rail and utilities infrastructure through both routine, preventative maintenance as well as reactive repairs. These services are generally delivered under framework contracts of between five to eight years; however, individual performance obligations under the framework are normally determined on an annual, monthly or ad hoc basis. Revenue is recognised over time as the maintenance services are rendered to the customer.

Where multiple services are supplied under a single contract they are treated as separate performance obligations and revenue is recognised separately as each performance obligation is satisfied.

Infrastructure services are normally invoiced monthly in arrears under normal commercial credit terms. Under some contracts, amounts are held back as a retention for periods that can exceed 12 months. However, as the purpose of the retentions is to ensure that the performance obligations on the contract are carried out to a satisfactory standard, the Group does not deem there to be a significant financing component in the timing of the cash flows on these amounts.

The Group's obligations to make good faulty workmanship under standard industry warranty terms are recognised as provisions (see note 25).

Construction

The Group undertakes over 300 building projects each year, providing construction services in the private, education and health sectors and on public sector frameworks. Projects range from minor extensions costing less than £0.5m to the construction of major strategic assets costing hundreds of millions of pounds. The construction of a building, including any associated design work, is normally accounted for as a single performance obligation as the services provided are normally highly interrelated. Revenue is recognised over time as the performance obligation is satisfied.

Invoices are typically raised monthly, based on valuations of the work completed, and have normal commercial payment terms. It is common in the construction industry for an amount to be held back as a retention for periods that can exceed 12 months. However, as the purpose of the retentions is to ensure that the performance obligations on the contract are carried out to a satisfactory standard, the Group does not deem there to be a significant financing component in the timing of the cash flows on these amounts.

Whilst the bulk of consideration associated with construction contracts is usually fixed, variable consideration elements can exist (milestone bonuses, gain share, event claims, etc.). The Group only recognises revenue for these amounts if they are highly probable not to reverse.

Liquidated and ascertained damages ('LADs') clauses are often present in construction contracts. Where it is anticipated that a LADs clause will be triggered (e.g. through overrunning works), revenue is constrained to reflect the expected amount of the deduction.

Modifications to the scope of construction work are agreed in principle with the customer before additional work is carried out. However, the price is not always determined until the final account stage. In these circumstances the Group treats the revenue associated with the modification as variable consideration and only recognises amounts that are highly probable not to reverse.

The Group's obligations to repair building faults under standard industry warranty terms are recognised as provisions (see note 25).

For the Group's construction activities in the Middle East, in some circumstances, customers pay upfront amounts to protect the Group against payment default. Payments on account are not normally made more than 12 months in advance of the service delivery.

The Group also provides maintenance services to local authorities and private landlords with large housing portfolios. Revenue for maintenance services is recognised over time as the services are rendered. Services are either invoiced monthly or shortly after completion of individual performance obligations. Normal commercial payment terms apply.

The Group also provides facilities management and maintenance services for commercial property owners, and waste and recycling collection services for local authority and commercial customers.

Facilities management and maintenance services revenue is recognised over time as the services are rendered. Invoices for services rendered are typically raised monthly. Normal commercial payment terms apply, with the exception of the PFI lifecycle contracts, as noted below.

The Group has a number of long-term PFI lifecycle contracts to maintain properties over periods of 25–30 years. A fund is established at the start of the contract and amounts are drawn down by the Group as maintenance work is performed. The Group is also entitled to share in any surplus left in the fund at the end of the contract. Revenue is recognised over time to reflect the rendering of the service including an assessment of the appropriate proportion of the likely surplus in the fund, subject to being highly probable not to reverse. As the surplus amount will not be paid until the end of the contracts, the contract asset associated with the surplus recognised to date is shown as a non-current asset in the balance sheet. Due to the length of time between performance of the services and payment of the surplus, the Group considers there to be a significant financing component within this element of the transaction price and has therefore adjusted for the time value of money in measuring the revenue recognised in respect of end-of-contract surpluses.

Environmental services contracts with local authorities, for domestic waste and recyclate collections and operation of household waste and recycling centres, have a typical duration of between 7 and 10 years. Contracts with commercial customers are typically for 12 months. Revenue from environmental services contracts is recognised over time as the services are performed. Invoices are raised monthly in arrears and normal commercial payment terms apply. Revenue for the sale of recyclate materials is recognised at the point in time that the materials are transferred to the customer.

Property
The Group undertakes property development on its own sites as well as a service for customers.

Revenue in respect of property developments is recorded on unconditional exchange of contracts. In most cases payment is received on legal completion.

Where developments are sold in advance of construction being completed, revenue and profit are recognised at the point of sale, reflecting the transfer of control to the customer in its current stage of completion. Thereafter, revenue for construction services provided to the customer to complete the property development is recognised over time as the construction services are rendered. Construction services are normally invoiced monthly based on valuations under normal commercial payment terms.

Occasionally the Group will sell land that it has previously acquired for potential commercial property or housing developments. Revenue from land sales and land exchanges is recognised on the unconditional exchange of contracts.

Transaction price allocated to remaining performance obligations
The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date.

At 30 June 2023

	2024 £m	2025 £m	2026 onwards £m
Infrastructure Services	**958.3**	**872.1**	**1,930.0**
Construction	**1,196.0**	**322.8**	**6.8**
Property	**–**	**–**	**–**
Total transaction price allocated to remaining performance obligations	**2,154.3**	**1,194.9**	**1,936.8**

At 30 June 2022

	2023 £m	2024 £m	2025 onwards £m
Infrastructure Services	955.4	676.5	493.7
Construction	752.9	255.8	2.0
Property	–	–	–
Total transaction price allocated to remaining performance obligations	1,708.3	932.3	495.7

The above transaction prices only include variable consideration if it is highly probable not to reverse and exclude any estimate of revenue from framework contracts for which a firm commitment or order has not been received at the reporting date.

The Group applies the practical expedient in paragraph 121 of IFRS 15 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

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

Segment information is based on the information provided to the Chief Executive, together with the Board, who is the Chief Operating Decision Maker. The segments are strategic business units with separate management and have different core customers and offer different services. The segments are discussed in the Operational Review on pages 24–31. The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies (note 1). The Group evaluates segmental information on the basis of profit or loss from operations before adjusting items (see note 5), interest and tax expense. The segmental results that are reported to the Chief Executive include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

3 Segmental reporting continued
Year to 30 June 2023

Continuing operations	Infrastructure Services £m	Construction £m	Property £m	Corporate £m	Group £m
Revenue[1]					
Group and share of joint ventures	1,712.3	1,652.5	37.6	3.0	3,405.4
Less share of joint ventures	–	(2.4)	(22.3)	–	(24.7)
Group revenue	1,712.3	1,650.1	15.3	3.0	3,380.7
Timing of revenue[1]					
Products and services transferred at a point in time	3.9	0.8	21.5	–	26.2
Products and services transferred over time	1,708.4	1,651.7	16.1	3.0	3,379.2
Group and share of joint ventures	1,712.3	1,652.5	37.6	3.0	3,405.4
Profit for the year					
Operating profit/(loss) before adjusting items[2]	79.8	69.5	12.8	(30.6)	131.5
Adjusting items[2]	(22.6)	(23.1)	1.5	(5.8)	(50.0)
Profit/(loss) from operations	57.2	46.4	14.3	(36.4)	81.5
Net finance income/(costs)[3]	1.4	(4.3)	(0.6)	(26.1)	(29.6)
Profit/(loss) before tax	58.6	42.1	13.7	(62.5)	51.9
Taxation					(10.9)
Profit for the year					41.0
Balance sheet as at 30 June 2023					
Operating assets[4]	973.7	413.1	188.5	342.3	1,917.6
Operating liabilities[4]	(511.7)	(732.7)	(18.5)	(210.2)	(1,473.1)
Net operating assets/(liabilities)[4]	462.0	(319.6)	170.0	132.1	444.5
Cash, cash equivalents and borrowings	456.6	594.5	(134.1)	(859.2)	57.8
Net financial assets	–	–	–	10.7	10.7
Net assets/(liabilities)	918.6	274.9	35.9	(716.4)	513.0
Other information					
Inter-segmental revenue	31.5	0.1	–	40.5	72.1
Capital expenditure on property, plant, equipment and intangible assets	0.7	0.1	–	5.8	6.6
Depreciation of property, plant and equipment	(0.9)	(0.4)	(0.2)	(4.6)	(6.1)
Amortisation of computer software	(1.4)	(0.8)	–	(5.4)	(7.6)

Year to 30 June 2022

Continuing operations	Infrastructure Services £m	Construction £m	Property £m	Corporate £m	Group £m
Revenue[1]					
Group and share of joint ventures	1,666.6	1,440.8	144.3	4.8	3,256.5
Less share of joint ventures	–	(3.1)	(109.5)	–	(112.6)
Group revenue	1,666.6	1,437.7	34.8	4.8	3,143.9
Timing of revenue[1]					
Products and services transferred at a point in time	5.3	1.5	90.7	–	97.5
Products and services transferred over time	1,661.3	1,439.3	53.6	4.8	3,159.0
Group and share of joint ventures	1,666.6	1,440.8	144.3	4.8	3,256.5
Profit for the year					
Operating profit/(loss) before adjusting items[2]	70.0	60.8	17.6	(27.9)	120.5
Adjusting items[2]	(21.9)	(39.0)	(0.9)	(13.6)	(75.4)
Profit/(loss) from operations	48.1	21.8	16.7	(41.5)	45.1
Net finance income/(costs)[3]	2.1	(4.1)	(1.6)	(25.6)	(29.2)
Profit/(loss) before tax	50.2	17.7	15.1	(67.1)	15.9
Taxation					(3.2)
Profit for the year					12.7
Balance sheet as at 30 June 2022					
Operating assets[4]	925.5	442.6	144.0	416.8	1,928.9
Operating liabilities[4]	(466.0)	(706.2)	(25.9)	(179.1)	(1,377.2)
Net operating assets/(liabilities)[4]	459.5	(263.6)	118.1	237.7	551.7
Cash, cash equivalents and borrowings	440.2	504.0	(90.3)	(863.2)	(9.3)
Net financial assets	–	–	–	12.2	12.2
Net assets/(liabilities)	899.7	240.4	27.8	(613.3)	554.6
Other information					
Inter-segmental revenue	25.7	–	–	43.6	69.3
Capital expenditure on property, plant, equipment and intangible assets	2.6	0.4	–	3.7	6.7
Depreciation of property, plant and equipment	(0.9)	(0.4)	(0.2)	(5.1)	(6.6)
Amortisation of computer software	(0.7)	(1.2)	–	(4.1)	(6.0)

1. Revenue is stated after the exclusion of inter-segmental revenue. 100% of the Group's revenue is derived from UK-based customers. 15% of the Group's revenue was received from High Speed Two (HS2) Limited (2022: 10%). Group revenue including joint ventures is an alternative performance measure, see page 243.
2. See notes 1 and 5 for adjusting items.
3. Interest was (charged)/credited to the divisions at a notional rate of 4.0%.
4. Net operating assets/(liabilities) represent assets excluding cash, cash equivalents, bank overdrafts, borrowings, financial assets and liabilities, and interest-bearing inter-company loans.

4 Profit from operations

Profit from operations is stated after charging/(crediting):

	Note	2023 £m	2022 £m
Auditors' remuneration:			
Fees payable for the audit of the parent company and consolidated financial statements		**2.3**	1.9
Fees payable to the Company's auditors for other services[1]:			
Audit of the Company's subsidiaries, pursuant to legislation		**1.2**	1.2
Audit-related assurance services		**0.2**	0.2
Amortisation of intangible assets	13	**26.8**	25.7
Impairment of intangible assets	13	**–**	2.2
Loss on disposal of computer software	13	**–**	0.9
Depreciation of property, plant and equipment	14	**6.1**	6.6
Profit on sale of property, plant and equipment		**(1.8)**	(0.1)
Impairment of property, plant and equipment	14	**–**	4.1
Depreciation of right-of-use assets	23	**43.7**	30.0
Impairment of right-of-use assets	23	**–**	5.2
Fair value adjustment to investment properties	15	**(11.4)**	(0.2)
Amortisation of capitalised mobilisation costs	17	**7.1**	2.4
Expenses relating to short-term leases and leases of low-value assets	23	**115.6**	98.9
Net Research and Development Expenditure Credit receivable[2]	10	**(21.2)**	(18.6)
Net profit from operations related to mining		**–**	(0.2)

1. The auditors' remuneration relates to amounts paid to PricewaterhouseCoopers LLP ('PwC'). A summary of other services provided by PwC during the year is provided on page 110. Included in the 2023 audit fees are £0.2m for prior year work (2022: £0.2m). In 2023, the fees relating to other assurance services primarily related to the review of the interim statements. Also included are £2,000 (2022: £2,000) for a subscription service providing factual updates and changes to applicable law, regulation or accounting and auditing standards.
2. Includes £22.8m of receipts (2022: £20.7m) and £1.6m of fees payable to consultants (2022: £2.1m).

5 Adjusting items

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

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

1. Operating profit adjusting items exclude net financing costs of £2.9m (2022: £2.8m), see note 5(c).

(a) Amortisation of acquired intangible assets

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

	Note	**2023 £m**	2022 £m
Amortisation of acquired intangible assets	13	**(19.2)**	(19.7)

(b) Restructuring and related charges

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

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

1. Costs of £4.8m in respect of roles made redundant as a result of the ongoing implementation of cost saving programmes and from strategic decisions taken to reduce headcount in a number of the Group's principal operating divisions, see note 8. The current year charge also includes £2.8m of costs incurred in the re-sizing of the International operations. The Directors consider this to be an adjusting item due to its nature and size.
2. This includes £1.6m of vacant property costs along with a further £4.8m of non-people related initiatives undertaken in the year. This is offset by a credit of £1.5m as a result of the finalisation of aborted acquisition costs from the prior year.
3. Investment property costs include £1.5m in respect of its investment properties vacated as part of the corporate review of Group premises. This is offset by a credit of £1.0m due to revaluation of the land at the Pure recycling plant.
4. In the prior year the Group completed its strategic restructuring of its Regional Southern Build business.

5 Adjusting items continued

(c) Other adjusting items

Other adjusting items are analysed below:

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

1. Net financing costs relate to IFRS 16 interest charges on leased investment properties previously used as offices.
2. The Group has provided for an additional £12.6m of costs in the year in complying with the updated fire compliance regulations, resulting in a year-end provision of £15.5m. In addition, following the Health and Safety Executive ('HSE') decision in January 2023 to fine the Group for historical safety issues, the Group provided for a further £1.5m to cover these costs.
3. A provision of £8.0m has been made for additional costs associated with an insurance-related receivable. Offsetting this is a credit of £2.7m in relation to insurance proceeds received in respect of the fire at the Group's recycling plant in Warwickshire, to offset the prior year impairment and associated costs.
4. In June 2023 the Group sold some of its land that was previously impaired through adjusting items. The profit of £1.6m has been credited to adjusting items so as to be consistent with the original accounting treatment.
5. During the prior year, the Group impaired some software related to one of its design businesses. This impairment has been treated as an adjusting item due to its nature.
6. During the prior year, a Pension Increase Exchange ('PIE') exercise was undertaken which generated a £0.5m credit to the income statement.

(d) Taxation

Adjusting items in respect of taxation are analysed below:

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

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

(e) Adjusted cash flow

	Note	2023 £m	2022 £m
Reported cash inflow from operating activities		**180.2**	40.8
Add: Cash outflow from operating activities (adjusting items)	5f	**27.0**	41.2
Adjusted cash inflow from operating activities		**207.2**	82.0

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

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

6 Other income

	Note	2023 £m	2022 £m
Insurance proceeds	5(c)	**2.7**	–
Fair value gain on investment properties	15	**11.4**	–
Other income		**14.1**	–

7 Finance income and costs

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

1. Foreign exchange (losses)/gains arise from movements in cross-currency swaps which hedge the currency risk on foreign denominated borrowings, see note 29.

8 Information relating to Directors and employees

	2023 No.	2022 No.
Monthly average number of people employed during the year including Executive Directors by geographical location was:		
United Kingdom	**9,909**	10,018
Rest of world	**55**	249
	9,964	10,267
Monthly average number of people employed during the year including Executive Directors by segment was:		
Infrastructure Services	**5,714**	5,895
Construction	**3,631**	3,780
Property	**75**	62
Corporate	**544**	530
	9,964	10,267

	Note	2023 £m	2022 £m
Group staff costs by geographical location are as follows:			
United Kingdom		**646.3**	602.8
Rest of world		**1.7**	4.2
		648.0	607.0
Group staff costs by segment are as follows:			
Infrastructure Services		**346.1**	328.2
Construction		**246.2**	222.3
Property		**13.7**	10.5
Corporate		**42.0**	46.0
		648.0	607.0
Comprising:			
Wages and salaries		**562.4**	522.8
Social security costs		**59.0**	53.3
Defined benefit pension scheme net credit to the income statement	9	**(7.7)**	(1.4)
Contributions to defined contribution pension schemes		**25.9**	23.7
Share-based payments charge	27	**8.4**	8.6
		648.0	607.0

The amounts disclosed above are in relation to the entirety of the Group's Directors and employees.

Information relating to Directors' emoluments, pension entitlements, share options and LTIP interests appears in the Directors' Remuneration report on pages 120–153. Redundancy costs incurred during the year of £4.8m (2022: £4.7m) have been classed as an adjusting item, see note 5, and are included in the disclosures above.

9 Retirement benefit obligations

The Group operates a number of pension schemes for eligible employees as described below.

For the defined benefit schemes, the assets of all schemes are held in trust separate from the assets of the Group. The Trustees are responsible for investing the assets and delegate day-to-day decisions to independent professional investment managers. The schemes are established under UK trust law and have a corporate trustee that is required to run the schemes in accordance with the schemes' Trust Deed and Rules and to comply with all relevant legislation. Responsibility for the governance of the schemes lies with the Trustees.

The Group has agreed deficit recovery plans with the Trustees of each of its defined benefit schemes which constitute minimum funding requirements for the purposes of IFRIC 14. These minimum funding requirements do not give rise to any additional liabilities on the Group's balance sheet as the Group has determined that it has a right to benefit from any surplus created by overpaid contributions, through either a reduction in future contributions or refunds of the surpluses on winding up of the schemes. Details of the contributions agreed for each of the schemes are provided in the individual scheme information sections below.

The pension obligations of the Group are valued separately for accounting and funding purposes. The accounting valuations under IAS 19 require 'best estimate' assumptions to be used whereas the funding valuations use more prudent assumptions. A further difference arises from the differing dates of the valuations. The accounting pension deficit or surplus is calculated at the balance sheet date (30 June) each year, whereas the actuarial valuations are carried out on a triennial basis at 31 March, or in the case of one scheme, 31 December. The differing bases and timings of the valuations can result in materially different pension surplus or deficit amounts. The date of the latest triennial funding valuation for each scheme is noted in the individual scheme information sections below.

The Group incurred fees totalling £2.9m (2022: £4.2m) in respect of the running and administration of the defined benefit schemes.

Kier Group scheme

This is the principal scheme and includes a defined benefit section and a defined contribution section. The defined benefit section of the scheme was closed to new entrants on 1 January 2002; existing members continued to accrue benefits for service until the scheme was closed to future accrual on 28 February 2015.

As at 30 June 2023, the scheme had 2,102 deferred members (2022: 2,178), and 2,852 retirees (2022: 2,874).

The most recent triennial valuation of the Kier Group scheme was carried out by the Trustees' independent actuaries as at 31 March 2022. At the valuation date the pension scheme's assets were greater than the technical provisions and therefore the scheme was in surplus. As a result, in May 2023 the Trustee agreed that deficit contributions for this scheme would cease with effect from 1 June 2023.

Other defined benefit schemes

Acquired with the May Gurney Group

The May Gurney defined benefit scheme was acquired with May Gurney on 8 July 2013 and is closed to future accrual.

As at 30 June 2023, the scheme had 269 deferred members (2022: 278) and 290 retirees (2022: 290).

The most recent triennial valuation of the May Gurney scheme was carried out by the Trustees' independent actuaries as at 31 March 2022. At the valuation date the pension scheme's assets were less than the technical provisions and therefore the scheme was in deficit. However, contributions made between the date of the valuation and finalisation of the funding valuation in May 2023, were sufficient to eliminate the funding deficit and therefore the Trustee agreed that deficit contributions would cease for this scheme with effect from 1 June 2023.

Acquired with the Mouchel Group

The Group acquired four defined benefit pension schemes with the Mouchel Group on 8 June 2015: the Mouchel Superannuation Fund, Mouchel Staff Pension Scheme, Mouchel Business Services Limited Pension Scheme (Final Salary Section) and EM Highways Prudential Platinum Scheme.

These schemes were closed to new entrants in 2001 and were closed to future accrual between 2010 and 2017, with the exception of the EM Highways Prudential Platinum Scheme which remains open to future accrual.

As at 30 June 2023, the Mouchel schemes had a total of 5 active members (2022: 18), 1,583 deferred members (2022: 1,638), and 1,691 retirees (2022: 1,646).

The EM Highways Prudential Platinum Scheme is a multi-employer scheme; however, Kier's share is separately identifiable. Therefore, the movements in the period are determined by reference to the change in valuation of this separate subsection. The EM Highways sub-scheme was formally valued by independent actuaries as at 31 December 2021. At the valuation date the assets of the pension scheme were greater than the technical provisions and therefore the scheme had a funding surplus and, as a result, deficit contributions are not required.

The most recent triennial valuations of the remaining Mouchel schemes were carried out by the Trustees' independent actuaries as at 31 March 2022. At the valuation date the assets of the Mouchel Superannuation Fund and Mouchel Staff Pension Scheme were less than the respective technical provisions and therefore the schemes were in deficit. Schedules of contributions for revised deficit recovery plans were agreed with the schemes' Trustee in May 2023. At the valuation date the Mouchel Business Services Limited Pension Scheme was in surplus and therefore deficit contributions were no longer required with effect from 1 June 2023.

9 Retirement benefit obligations continued

Acquired with the McNicholas Group

The McNicholas defined benefit pension scheme was acquired with the McNicholas Group on 12 July 2017. The scheme is closed to new entrants and no benefits have accrued since 30 April 2012. As at 30 June 2023, the scheme had a total of 53 deferred members (2022: 56) and 83 retirees (2022: 80).

During the prior year, the Group launched a member options exercise, offering a Pension Increase Exchange ('PIE') to members of the McNicholas pension scheme, in order to provide more flexibility and choice for members, reduce risk, and reduce cost in the Group's defined benefit pension schemes. The offering included a bulk PIE exercise, offering members who are already drawing a pension a one-off increase in pension in lieu of future annual increases on part of their pension and the introduction of a PIE option at the point of retirement. The terms are such that the IAS 19 pension liabilities are reduced if pensioners take up the PIE option. A combined gain, based on an assumed rate of take-up for both the bulk PIE exercise and the introduction of the at retirement option, of £0.5m was recognised as a past service gain in the year to 30 June 2022.

The most recent triennial valuation of the McNicholas scheme was carried out by the Trustees' independent actuaries as at 31 March 2020. At the valuation date the pension scheme's assets were less than the technical provisions and therefore the scheme was in deficit. Consequently, a deficit recovery plan has been agreed with the Trustee. The triennial valuation as at 31 March 2023 has not yet been finalised.

Contributions to defined benefit schemes

The aggregate contributions payable in the year ended 30 June 2023 in respect of the Group's defined benefit pension schemes amounted to £9.9m (2022: £10.8m), which included regular past service deficit contributions of £9.8m (2022: £9.9m) and current service employer contributions of £0.1m (2022: £0.2m). In the prior year, the Group also made additional deficit payments totalling £0.7m in respect of the proceeds received from the Group's June 2022 equity raise.

The Group agreed revised deficit recovery plans with the Trustees of the Kier Group scheme, May Gurney scheme, Mouchel Superannuation Fund, Mouchel Staff Pension Scheme and Mouchel Business Services Limited Pension Scheme (Final Salary Section) on 25 May 2023, and agreed the latest schedule of contributions for the McNicholas scheme on 26 May 2022. Based on these contribution plans, the Group expects to make the following contributions over the next five years:

	2024 £m	2025 £m	2026 £m	2027 £m	2028 £m
Deficit contributions	**8.9**	**8.1**	**5.5**	**3.5**	**0.9**

In addition to the above contributions, the Group has agreed with the Trustees of the Kier Group scheme, May Gurney scheme, Mouchel Superannuation Fund, Mouchel Staff Pension Scheme and Mouchel Business Services Limited Pension Scheme (Final Salary Section) that additional deficit contributions will be payable in certain circumstances, including in the event of the Group meeting certain financial targets.

The Group has also agreed with the Trustees of the May Gurney scheme, Mouchel Superannuation Fund, Mouchel Staff Pension Scheme and McNicholas scheme to meet each of the scheme's expenses including the Pension Protection Fund levy. As the Kier Group scheme and Mouchel Business Services Limited Pension Scheme (Final Salary Section) were in surplus at the last funding valuation date, the Trustees agreed that Kier would stop paying the expenses for these schemes with effect from 1 July 2023. If either of these schemes subsequently move into deficit, on the basis determined by the schemes' actuary at a 31 March measurement date, Kier will recommence payment of the scheme's expenses from 1 July the following year.

Contributions to defined contribution schemes

Contributions are also made to a number of defined contribution arrangements. The Group paid contributions to these arrangements of £25.9m (2022: £23.7m) during the year.

The Group makes contributions to local government defined benefit pension schemes in respect of certain employees who have transferred to the Group under TUPE transfer arrangements. The Group is unable to identify its share of the underlying assets and liabilities in the schemes on a consistent and reasonable basis and consequently the pension costs for these schemes are treated as if they were defined contribution schemes.

IAS 19 'Employee Benefits' disclosures

The Group recognises any actuarial gains or losses through the statement of comprehensive income as required under IAS 19.

The weighted average duration of the schemes' liabilities is approximately 13 years (2022: 15 years).

The IAS 19 accounting valuations at 30 June 2023 of the Kier Group scheme, May Gurney scheme, Mouchel Business Services Limited Pension Scheme and the EM Highways Prudential Platinum Scheme, indicated that the assets of each of these schemes exceeded their respective scheme liabilities. The Group has recognised these surpluses as retirement benefit assets on its balance sheet under IAS 19 and IFRIC 14, as the Group has determined that it has a right to benefit from any surpluses, through either reduced contributions or a refund of the surpluses on winding up of the schemes.

The principal assumptions used by the independent qualified actuaries are shown in the following table. This set of assumptions was used to value all of the defined benefit schemes, and has been based on the weighted average duration of the schemes' liabilities with the exception of CPI assumptions, which for 2023 have been based on the expected durations of each individual scheme.

	2023 %	2022 %
Discount rate	**5.30**	3.90
Inflation rate (Retail Price Index ('RPI'))	**3.20**	3.15
Inflation rate (Consumer Price Index ('CPI'))	**2.30–2.75**	2.65
Rate of general increases in pensionable salaries	**3.20**	3.15
Rate of increase in pensions payments liable for Limited Price Indexation		
– RPI subject to minimum of 0% and a maximum 5%	**2.90**	3.05
– RPI subject to minimum of 0% and a maximum 2.5%	**1.85**	2.15

The mortality assumptions used were as follows:

	2023 Male years	2023 Female years	2022 Male years	2022 Female years
Life expectancy for a male/female currently aged 60				
– Kier Group scheme	**26.7**	**28.7**	27.4	29.2
– Acquired schemes	**25.4–27.0**	**28.1–29.2**	26.8–27.7	29.2–30.0
Life expectancy for a male/female member aged 60, in 20 years' time				
– Kier Group scheme	**27.9**	**29.8**	28.7	30.6
– Acquired schemes	**26.9–28.2**	**29.5–30.7**	28.2–28.8	29.8–31.0

The assets, liabilities and net pension liabilities for the defined benefit arrangements are shown below. The assets are invested with professional investment managers and are measured based on quoted market valuations at the balance sheet date.

	2023			2022		
	Kier Group £m	Acquired schemes £m	Total £m	Kier Group £m	Acquired schemes £m	Total £m
Equities	**100.4**	**53.1**	**153.5**	152.1	74.1	226.2
Corporate bonds	**93.3**	**62.8**	**156.1**	187.9	97.0	284.9
Cash	**40.8**	**49.7**	**90.5**	21.1	94.6	115.7
Land and property	**15.6**	**1.1**	**16.7**	19.8	1.3	21.1
Absolute return	**62.9**	**27.9**	**90.8**	64.4	34.6	99.0
Annuity policies	**–**	**0.5**	**0.5**	–	1.0	1.0
Multi-asset	**95.0**	**44.8**	**139.8**	92.7	44.7	137.4
Liability-driven investments	**442.9**	**156.9**	**599.8**	510.0	161.7	671.7
Total market value of assets	**850.9**	**396.8**	**1,247.7**	1,048.0	509.0	1,557.0
Present value of liabilities	**(733.4)**	**(409.8)**	**(1,143.2)**	(877.8)	(484.5)	(1,362.3)
Net surplus/(deficit)	**117.5**	**(13.0)**	**104.5**	170.2	24.5	194.7
Related deferred tax (liability)/asset	**(29.4)**	**3.3**	**(26.1)**	(42.6)	(6.7)	(49.3)
Net pension asset/(liability)	**88.1**	**(9.7)**	**78.4**	127.6	17.8	145.4

9 Retirement benefit obligations continued

Amounts recognised in the financial statements in respect of these defined benefit schemes are as follows:

	2023			2022		
	Kier Group £m	**Acquired schemes £m**	**Total £m**	Kier Group £m	Acquired schemes £m	Total £m
(Charged)/credited to operating profit in the income statement						
Current service cost	**–**	**(0.1)**	**(0.1)**	–	(0.1)	(0.1)
Past service gain	**–**	**–**	**–**	–	0.5	0.5
Net interest on net defined benefit surplus	**6.6**	**1.2**	**7.8**	1.5	(0.5)	1.0
Pension income/(expense) recognised in the income statement	**6.6**	**1.1**	**7.7**	1.5	(0.1)	1.4
Remeasurement in comprehensive (loss)/gain						
Actual return less than that recognised in net interest	**(193.4)**	**(122.0)**	**(315.4)**	(208.4)	(131.5)	(339.9)
Actuarial gains due to changes in financial assumptions	**135.7**	**94.8**	**230.5**	302.7	182.4	485.1
Actuarial gains due to changes in demographic assumptions	**17.8**	**10.7**	**28.5**	0.9	0.6	1.5
Actuarial losses due to liability experience	**(19.8)**	**(31.6)**	**(51.4)**	(5.6)	(4.8)	(10.4)
Total amount recognised in comprehensive (loss)/gain	**(59.7)**	**(48.1)**	**(107.8)**	89.6	46.7	136.3
Changes in the fair value of scheme assets						
Fair value at 1 July	**1,048.0**	**509.0**	**1,557.0**	1,273.2	636.7	1,909.9
Interest income on scheme assets	**40.0**	**19.7**	**59.7**	23.8	12.0	35.8
Remeasurement losses on scheme assets	**(193.4)**	**(122.0)**	**(315.4)**	(208.4)	(131.5)	(339.9)
Contributions by the employer	**0.4**	**9.5**	**9.9**	0.5	10.3	10.8
Net benefits paid out	**(44.1)**	**(19.4)**	**(63.5)**	(41.1)	(18.5)	(59.6)
Fair value at 30 June	**850.9**	**396.8**	**1,247.7**	1,048.0	509.0	1,557.0

	2023			2022		
	Kier Group £m	**Acquired schemes £m**	**Total £m**	Kier Group £m	Acquired schemes £m	Total £m
Changes in the present value of the defined benefit obligation						
Fair value at 1 July	**(877.8)**	**(484.5)**	**(1,362.3)**	(1,194.6)	(669.1)	(1,863.7)
Current service cost	**–**	**(0.1)**	**(0.1)**	–	(0.1)	(0.1)
Interest expense on scheme liabilities	**(33.4)**	**(18.5)**	**(51.9)**	(22.3)	(12.5)	(34.8)
Past service gain	**–**	**–**	**–**	–	0.5	0.5
Actuarial gains due to changes in financial assumptions	**135.7**	**94.8**	**230.5**	302.7	182.4	485.1
Actuarial gains due to changes in demographic assumptions	**17.8**	**10.7**	**28.5**	0.9	0.6	1.5
Actuarial losses due to liability experience	**(19.8)**	**(31.6)**	**(51.4)**	(5.6)	(4.8)	(10.4)
Net benefits paid out	**44.1**	**19.4**	**63.5**	41.1	18.5	59.6
Fair value at 30 June	**(733.4)**	**(409.8)**	**(1,143.2)**	(877.8)	(484.5)	(1,362.3)
Amounts included in the balance sheet						
Fair value of scheme assets	**850.9**	**396.8**	**1,247.7**	1,048.0	509.0	1,557.0
Net present value of the defined benefit obligation	**(733.4)**	**(409.8)**	**(1,143.2)**	(877.8)	(484.5)	(1,362.3)
Net surplus/(deficit)	**117.5**	**(13.0)**	**104.5**	170.2	24.5	194.7
Related deferred tax liability	**(29.4)**	**3.3**	**(26.1)**	(42.6)	(6.7)	(49.3)
Net pension asset/(liability)	**88.1**	**(9.7)**	**78.4**	127.6	17.8	145.4

The net surplus/(deficit) above is split between retirement benefit assets and obligations in the statement of financial position based on whether the individual pension schemes have a net surplus or deficit, as follows:

	2023			2022		
	Kier Group £m	**Acquired schemes £m**	**Total £m**	Kier Group £m	Acquired schemes £m	Total £m
Retirement benefit assets	**117.5**	**11.8**	**129.3**	170.2	29.0	199.2
Retirement benefit obligation	**–**	**(24.8)**	**(24.8)**	–	(4.5)	(4.5)
Net surplus/(deficit)	**117.5**	**(13.0)**	**104.5**	170.2	24.5	194.7

9 Retirement benefit obligations continued

The movements in the net retirement benefit surplus/(deficit) are summarised as follows:

	2023			2022		
	Kier Group £m	**Acquired schemes £m**	**Total £m**	Kier Group £m	Acquired schemes £m	Total £m
Opening net surplus/(deficit)	**170.2**	**24.5**	**194.7**	78.6	(32.4)	46.2
Current service cost	**–**	**(0.1)**	**(0.1)**	–	(0.1)	(0.1)
Past service gain	**–**	**–**	**–**	–	0.5	0.5
Net interest on net defined benefit surplus	**6.6**	**1.2**	**7.8**	1.5	(0.5)	1.0
Contributions by the employer	**0.4**	**9.5**	**9.9**	0.5	10.3	10.8
Actual return less than that recognised in net interest	**(193.4)**	**(122.0)**	**(315.4)**	(208.4)	(131.5)	(339.9)
Actuarial gains due to changes in financial assumptions	**135.7**	**94.8**	**230.5**	302.7	182.4	485.1
Actuarial gains due to changes in demographic assumptions	**17.8**	**10.7**	**28.5**	0.9	0.6	1.5
Actuarial losses due to liability experience	**(19.8)**	**(31.6)**	**(51.4)**	(5.6)	(4.8)	(10.4)
Closing net surplus/(deficit)	**117.5**	**(13.0)**	**104.5**	170.2	24.5	194.7

History of experience gains and losses for defined benefit schemes in aggregate:

	2023 £m	2022 £m	2021 £m	2020 £m	2019 £m
Fair value of scheme assets	**1,247.7**	1,557.0	1,909.9	1,937.9	1,789.4
Net present value of the defined benefit obligation	**(1,143.2)**	(1,362.3)	(1,863.7)	(1,899.1)	(1,769.9)
Net surplus	**104.5**	194.7	46.2	38.8	19.5
Related deferred tax liability	**(26.1)**	(49.3)	(12.6)	(7.4)	(3.3)
Net pension asset	**78.4**	145.4	33.6	31.4	16.2
Difference between expected and actual return on scheme assets	**(315.4)**	(339.9)	(26.6)	177.6	113.9
Experience (losses)/gains on scheme liabilities	**(51.4)**	(10.4)	19.2	40.2	(5.6)

Risk exposure

As IAS 19 actual assumptions are driven by market conditions, there is a risk that significant changes in financial market conditions could lead to volatility in the defined benefit obligation disclosed in the balance sheet from year to year. In addition, the asset position may also be volatile as it will be influenced by changes in market conditions. However, the risk of significant changes to the overall balance sheet position has been mitigated to an extent due to the risk management strategy used by the schemes as described below.

The following schemes: Kier Group Pension Scheme, May Gurney Pension Scheme, Mouchel Business Services Limited Pension Scheme (Final Salary Section), Mouchel Superannuation Fund and Mouchel Staff Pension Scheme (together the 'Schemes'), have aligned their investment strategy and risk management process, providing a consistent framework across the Schemes to achieve their long-term objective. The liability hedging instruments are managed by Columbia Threadneedle Investments ('CTI') using cash, physical gilts, gilt repurchase agreements as well as interest and inflation swaps. In combination, the liability hedging assets are designed to hedge each Scheme's sensitivity to changes in interest rate and inflation. All Schemes have a relatively high hedge ratio; the Kier Group Pension Scheme and Mouchel Business Services Limited Pension Scheme (Final Salary Section) hedge 100% of the technical provisions liabilities, with other Schemes hedging 100% of assets.

The growth assets portfolio is managed by using a combination of underlying pooled funds providing diversification and dynamism. In addition, the Schemes also explicitly use equity downside protection strategies to provide a more balanced and risk managed portfolio.

The Schemes also have allocations to cash flow matching assets that are designed to fully match scheme benefit cash flows over the next five years. This reduces the risk that the Trustee will need to divest from assets to meet cash flow needs.

The Schemes primarily use GBP hedged share classes to manage their currency exposure. Any unhedged currency exposure is small in value relative to the size of the Schemes.

Pension sensitivity

The following table shows the change in the net surplus or deficit arising from a change in the significant actuarial assumptions used to determine the Group's retirement benefit obligations:

	2023		2022	
Kier Group scheme:	+0.25%/+1 year £m	-0.25%/-1 year £m	+0.25%/+1 year £m	-0.25%/-1 year £m
Discount rate (+/-0.25%)	**33.3**	**(35.2)**	47.6	(48.4)
Inflation rate (+/-0.25%)	**(18.6)**	**18.6**	(36.5)	35.2
Mortality (+/-1 year)	**32.3**	**(32.3)**	40.0	(39.8)

The sensitivity analyses above have been determined based on reasonably possible changes in the respective assumptions occurring at the end of the reporting period, based on a change in a key assumption while holding all other assumptions constant, and may not be representative of the actual change. When calculating the sensitivity to the assumption, the same method used to calculate the liability recognised in the balance sheet has been applied. The inflation sensitivities shown above include the impact of both RPI and CPI inflation. The methods and types of assumptions used in preparing the sensitivity analyses did not change compared with the previous year.

10 Taxation

Taxation in respect of continuing operations is analysed below.

(a) Recognised in the income statement

	2023 £m	2022 £m
Current tax		
UK corporation tax	**8.4**	5.1
Adjustments in respect of prior years	**(1.1)**	3.4
Total current tax charge	**7.3**	8.5
Deferred tax		
Origination and reversal of temporary differences	**3.2**	0.6
Adjustments in respect of prior years	**2.4**	(0.8)
Rate change effect on deferred tax	**(2.0)**	(5.1)
Total deferred tax	**3.6**	(5.3)
Total tax charge in the income statement	**10.9**	3.2
Reconciliation of effective tax rate		
Profit before tax	**51.9**	15.9
Less: Income from joint venture companies	**(3.6)**	(0.8)
Profit before tax excluding income from joint ventures	**48.3**	15.1
Income tax at UK corporation tax rate of 20.5% (2022: 19.0%)	**9.9**	2.9
Non-deductible expenses and unusable tax losses	**3.1**	0.8
Income not taxable	**(1.2)**	–
Impact of Group relief and consortium relief	**(0.1)**	0.2
Effect of change in UK corporation tax rate	**(2.0)**	(5.1)
Share-based payment	**1.5**	1.6
(Utilisation and recognition of tax losses)/deferred tax not recognised	**(1.6)**	0.2
Adjustments in respect of prior years	**1.3**	2.6
Total tax	**10.9**	3.2

10 Taxation continued

Kier Group and its subsidiaries are based predominantly in the UK and are subject to UK corporation tax. The Group does not have an aggressive tax policy and since 1 July 2012 Kier has not entered into any tax avoidance schemes which were or should have been notified under the Disclosure of Tax Avoidance Scheme ('DOTAS') rules.

The Group tax charge excluding joint ventures of £10.9m (2022: £3.2m) shown in the table equates to an effective tax rate of 22.6% (2022: 21.2%) on profit before tax excluding joint ventures of £48.3m (2022: £15.1m). This effective rate is different from the standard rate of corporation tax of 20.5% (2022: 19.0%) due to items shown in the table. The non-deductible expenses mainly relate to depreciation on non-qualifying assets, disallowed provisions, entertaining and legal and professional fees not eligible for tax relief. Income not taxable relates mainly to the reversal of impairments, insurance receipts and foreign exchange gains. Deferred tax not recognised/(Utilisation and recognition of tax losses) relates to deferred tax on losses not previously recognised less deferred tax on losses not expected to be recoverable.

In accordance with UK tax legislation, capital gains arising on disposal of certain investments, including some of the joint ventures disposed of during the year, are not subject to tax.

Tax relief on expenses not recognised in the income statement includes the impact of the tax deduction received in respect of the cost of shares exercised under the Group's employee Save As You Earn scheme and Long-Term Incentive Plan.

The Group provides for future liabilities in respect of uncertain tax positions where additional tax may become payable in future periods and such provisions are based on management's assessment of exposure. At the balance sheet date, a deferred tax liability of £2.0m (2022: £2.0m) has been recognised in respect of uncertain tax positions.

The net charge of £1.3m (2022: £2.6m) in respect of prior years' results arise from differences between the estimates of taxation included in the previous years' financial statements and the actual tax liabilities calculated in the tax returns submitted to HMRC.

On 20 June 2023, Finance (No.2) Act 2023 was substantively enacted in the UK, introducing a global minimum effective tax rate of 15%. The legislation implements a domestic top-up tax and a multinational top-up tax, effective for accounting periods starting on or after 31 December 2023. The Group has applied the exemption under the IAS 12 amendment to recognising and disclosing information about deferred tax assets and liabilities related to top-up income taxes.

(b) Recognised in the cash flow statement

The cash flow statement shows cash of £14.0m, in respect of RDEC credits and foreign tax, was received during the year (2022: £20.0m). See note 22.

(c) Recognised in the statement of comprehensive income

	2023 £m	2022 £m
Deferred tax (credit)/charge (including effect of change in tax rate)		
Fair value movements on cash flow hedging instruments	**0.8**	(0.2)
Actuarial (losses)/gains on defined benefit pension schemes	**(24.5)**	34.7
Total deferred tax (credit)/charge	**(23.7)**	34.5
Corporation tax credit in respect of pension contributions paid	**(2.0)**	–
Total tax (credit)/charge in the statement of comprehensive income	**(25.7)**	34.5

The £24.5m credit (2022: £34.7m charge) in deferred tax movements on the defined benefit pension scheme of comprised of a £20.1m credit (2022: £25.9m charge) on current year actuarial movements and a £4.4m credit (2022: £8.8m charge) in respect of the movements in tax rates at which deferred tax is being recognised.

(d) Factors that may affect future tax charges

The deferred tax balance as at the year-end has mainly been recognised at 25.0% (2022: 25.0%), which is the enacted corporation tax rate effective from 1 April 2023. Deferred tax at 30 June 2022 included an adjustment for timing differences expected to reverse prior to 1 April 2023.

Further disclosures in respect of the recoverability of the deferred tax asset have been included in note 18.

(e) Tax losses

At the balance sheet date, the Group has unused tax losses of £612.7m (2022: £639.4m) available for offset against future profits. A deferred tax asset has been recognised on £425.0m (2022: £430.1m) of these losses.

No deferred tax asset has been recognised in respect of the remaining losses as it is unlikely that there will be future taxable profit on which these tax losses could be utilised against. Under present tax legislation, these losses may be carried forward indefinitely.

(f) RDEC

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

11 Dividends

The Group's focus on cash generation and reducing net debt has required a suspension in dividend payments. No interim or final dividends have been declared during the year (2022: £nil). The Group intends to pay a dividend in FY24.

The parent company of the Group, Kier Group plc, is a non-trading holding company which derives its distributable reserves in part from dividends received from its subsidiaries. In determining the level of dividend payable in any year, in addition to the stated policy, the Board considers a number of other factors, including the following:

- the level of distributable reserves in the parent company, Kier Group plc;
- the level of distributable reserves in Kier Group plc's subsidiaries that are available to be distributed to Kier Group plc;
- the availability of cash resources;
- the Group's borrowing covenants;
- future cash commitments and investment plans to support the long-term growth of the Group; and
- potential strategic opportunities under consideration.

The Board reviews the level of distributable reserves in the parent company at least twice a year ahead of announcing proposed interim and final dividends. As at 30 June 2023, Kier Group plc had distributable reserves of £111.1m (2022: £79.7m). Distributable reserves can be significantly impacted by movements in pension liabilities. The reserves of Kier Group plc are not directly affected by these movements as the pension surpluses and liabilities are on the balance sheets of a certain number of the Company's subsidiaries. However, movements in the pension liabilities do have an effect on the level of distributable reserves in Kier Group plc's subsidiaries that are available to be paid up to the parent. Actuarial gains only increase the distributable reserves to the extent that they represent reversals of previous actuarial losses; otherwise they are treated as unrealised and are not distributable.

12 Earnings per share

(a) Reconciliation of earnings used in calculating earnings per share

Profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share.

	Note	2023 £m	2022 £m
Continuing operations			
Profit for the year		**41.0**	12.7
Less: non-controlling interest share		**0.1**	–
Profit (after tax and minority interests), being net gains attributable to equity holders of the parent (A)		**41.1**	12.7
Adjusting items (excluding tax)	5	**52.9**	78.2
Tax impact of adjusting items	5	**(11.1)**	(16.3)
Adjusted profit after tax (B)		**82.9**	74.6

(b) Weighted average number of shares used as the denominator

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

The weighted average number of shares is lower than the number of shares in issue (per note 26) primarily due to shares that are held by the Group's employee benefit trusts (see note 27), which are excluded from the calculation.

Options granted to employees under the Sharesave, CSAP 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. Details relating to the share option schemes are set out in note 27.

(c) Basic earnings per share

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

(d) Diluted earnings per share

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

13 Intangible assets

	Goodwill £m	Intangible contract rights £m	Computer software[1] £m	Total £m
Cost				
At 1 July 2021	538.8	259.4	132.8	931.0
Additions	–	–	0.7	0.7
Disposals	–	(7.2)	(0.9)	(8.1)
At 30 June 2022	538.8	252.2	132.6	923.6
Additions	**–**	**–**	**2.7**	**2.7**
Disposals	**–**	**(16.5)**	**(9.6)**	**(26.1)**
At 30 June 2023	**538.8**	**235.7**	**125.7**	**900.2**
Accumulated amortisation and impairment				
At 1 July 2021	(2.1)	(155.7)	(76.0)	(233.8)
Charge for the year	–	(19.7)	(6.0)	(25.7)
Disposals	–	7.2	–	7.2
Impairment	–	–	(2.2)	(2.2)
At 30 June 2022	(2.1)	(168.2)	(84.2)	(254.5)
Charge for the year	**–**	**(19.2)**	**(7.6)**	**(26.8)**
Disposals	**–**	**16.5**	**9.6**	**26.1**
At 30 June 2023	**(2.1)**	**(170.9)**	**(82.2)**	**(255.2)**
Net book value				
At 30 June 2023	**536.7**	**64.8**	**43.5**	**645.0**
At 30 June 2022	536.7	84.0	48.4	669.1

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

Goodwill largely relates to the group of cash generating units ('CGUs') in the Infrastructure Services segment and has been built up through acquisitions, primarily MRBL Limited (Mouchel Group) (£299.2m), May Gurney Integrated Services PLC (£194.7m) and McNicholas Construction (Holdings) Limited (£42.8m). These balances have been subject to an annual impairment review based upon the projected cash flows of each CGU.

The intangible contract rights were recognised on the acquisition of:
- May Gurney Integrated Services plc – Cost £106.8m (2022: £106.8m). Net book value £30.1m (2022: £37.7m).
- MRBL Limited (Mouchel Group) – Cost £127.1m (2022: £127.1m). Net book value £33.5m (2022: £45.0m).
- Certain business and assets of Babcock Civil Infrastructure Limited – Cost £1.6m (2022: £1.6m). Net book value £1.2m (2022: £1.3m).

Contract rights on May Gurney and Mouchel are amortised on a straight-line basis over the expected total contract duration. All other contract rights are amortised on a straight-line basis over the remaining contract life.

Carrying amounts of goodwill and intangible contract rights by CGU

For impairment testing purposes, goodwill has been allocated to the Infrastructure Services and Construction segments, being the lowest level at which management monitors goodwill. There is no goodwill attributed to the Property segment. The recoverable amount of the goodwill and intangibles has been determined based on value in use calculations, which use cash flow projections based on the Group's forecasts approved by management, covering a three-year period.

The resulting cash flows are discounted to present value, with the discount rate used in the value in use calculations based on an industry average cost of capital.

The cost of equity is calculated using observable market data from the Group's competitors. This data is used to calculate an average unlevered beta value after excluding any outliers. The average beta is then applied to the UK's equity risk premium and a risk-free rate added.

The cost of debt is calculated by taking the expected renewal costs of the Group's debt and adjusting for the tax rate.

The cost of equity and cost of debt are then combined using our competitors' average debt/equity split. The after-tax discount rate is then used to calculate the pre-tax discount rates. The pre-tax discount rates, which have been applied to the cash flows for each CGU, are of 13.1% (2022: 11.1%).

The Infrastructure Services segment impairment review is sensitive to changes in the following key assumptions: discount rate, revenue growth rate, operating margin and perpetual growth rates. Management considers that a reasonably possible change in any single assumption could give rise to an impairment of the carrying value of goodwill and intangibles.

Goodwill allocated to the Construction segment is not significant in comparison to the Group's total goodwill and is not sensitive to changes in assumptions.

	2023			2022		
	Goodwill £m	**Intangible contract rights £m**	**Total £m**	Goodwill £m	Intangible contract rights £m	Total £m
Infrastructure Services	**516.3**	**63.6**	**579.9**	516.3	82.7	599.0
Construction	**20.4**	**1.2**	**21.6**	20.4	1.3	21.7
	536.7	**64.8**	**601.5**	536.7	84.0	620.7

Infrastructure Services

Forecast revenue growth rates and operating profit margins are based on historical experience, adjusted for the impact of expected changes to contract portfolio and profitability. Based on the value in use calculation, these assumptions detailed below derived a recoverable amount for the Infrastructure Services segment that is £166.3m (2022: £153.0m) above the carrying value of the assets, an increase of £13.3m from the prior year.

The pre-tax discount rate used is 13.1% (2022: 11.1%). An increase in discount rate of 2.9% (2022: 2.2%) would eliminate headroom. A 0.5% increase in discount rate would reduce headroom by £34.9m (2022: £41.3m).

A terminal revenue growth rate of 2.0% (2022: 2.0%) has been applied into perpetuity. This would need to reduce by 3.7% (2022: 2.3%) to eliminate headroom. A 0.5% reduction would reduce headroom by £28.7m (2022: £41.7m).

Forecast revenue growth rates from FY24 to FY26 range from 2.4% to 2.7% (2022: FY23 to FY25 range from 4.1% to 7.7%). A reduction of 9.6% (2022: 5.6%) to the average growth rate would be required for headroom to be eliminated. A 0.5% reduction in growth rate in each year would reduce headroom by £9.1m (2022: £18.4m).

An operating margin of 5.5%[1], consistent with the margin in FY26, has been applied into perpetuity (2022: 5.0%). A reduction of 1.2% (2022: 0.9%) in margin would be required to eliminate headroom. A 0.5% reduction in operating margin would reduce headroom by £72.3m (2022: £87.0m).

Forecast operating margins from FY24 to FY26 range from 5.5% to 5.7% (2022: FY23 to FY25 range from 5.0% to 5.3%). A reduction of 0.8% (2022: 0.8%) in operating margin would be required to eliminate headroom. A 0.5% reduction in margins would result in a reduction in headroom by £98.6m (2022: £84.2m).

In terms of the possible impacts of climate change, the two key assumptions that could be sensitive to this are the growth rate and discount rates noted above. If climate change has a negative impact on revenues and/or the operating costs of the Group, there could be a potential impact on the discounted cash flow growth rates used within the valuation model. Lower future growth rates would reduce the level of the discounted cash flow valuation and hence the amount of headroom available to the Group above an impairment trigger. At present, the material short- to medium-term risks presented by possible climate change impacts are considered to be factored into the growth and discount rates where they are known and can be quantified. Using the current assumptions, no reasonably foreseeable change in the assumptions used within the value in use calculations would cause an impairment. Therefore, at present, changes in the long-term assumptions due to the impact of climate change would also not be expected to trigger an impairment.

1. Profit before interest and tax for the Infrastructure Services segment, prior to the value in use calculation taking into account an allocation of the Group's corporate overheads.

14 Property, plant and equipment

	Land and buildings £m	Plant and equipment £m	Mining asset[2] £m	Total £m
Cost				
At 1 July 2021	32.3	57.4	4.8	94.5
Additions	0.3	5.7	–	6.0
Disposals	(5.3)	(9.8)	–	(15.1)
Transfers[1]	(2.4)	–	–	(2.4)
Currency realignment	–	0.7	–	0.7
At 30 June 2022	24.9	54.0	4.8	83.7
Additions	**–**	**3.9**	**–**	**3.9**
Disposals	**(1.0)**	**(14.0)**	**(4.8)**	**(19.8)**
Transfers[1]	**–**	**0.7**	**–**	**0.7**
At 30 June 2023	**23.9**	**44.6**	**–**	**68.5**
Accumulated depreciation and impairment				
At 1 July 2021	(9.2)	(37.2)	(4.8)	(51.2)
Charge for the year	(0.8)	(5.8)	–	(6.6)
Impairment	–	(4.1)	–	(4.1)
Disposals	2.0	9.0	–	11.0
Transfers[1]	0.4	–	–	0.4
Currency realignment	–	(0.5)	–	(0.5)
At 30 June 2022	(7.6)	(38.6)	(4.8)	(51.0)
Charge for the year	**(0.2)**	**(5.9)**	**–**	**(6.1)**
Disposals	**0.4**	**13.5**	**4.8**	**18.7**
Transfers[1]	**–**	**(0.3)**	**–**	**(0.3)**
At 30 June 2023	**(7.4)**	**(31.3)**	**–**	**(38.7)**
Net book value				
At 30 June 2023	**16.5**	**13.3**	**–**	**29.8**
At 30 June 2022	17.3	15.4	–	32.7

1. Includes transfers between asset classes as follows:
   – Net book value of plant and equipment transferred from right-of-use assets was £0.4m (2022: £nil).
   – There were no transfers from land and buildings to investment properties (2022: £2.0m).
2. The mining asset represented the stripping activity at the UK Mining operations site. The asset has been disposed of in the current year now that the mine has been decommissioned.

15 Investment properties

(a) Reconciliation of carrying amount

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

Investment properties comprise office buildings and commercial land/properties that were formerly utilised by the Group that have been vacated, along with a student accommodation property held by the Group (previously held within a joint venture). They are leased out (or intended to be leased out) to third parties under operating leases and/or are held for capital appreciation. The investment properties include properties held as right-of-use assets, as well as a property owned by the Group. The investment properties are carried at fair value. Changes in fair values are presented in the profit or loss within other income (2022: immaterial net fair value gain of £0.2m was presented in administrative expenses).

(b) Amounts recognised in the income statement

Year to 30 June 2023:

	2023 £m	2022 £m
Rental income from operating leases	**5.1**	2.4
Direct operating expenses for property that generated rental income	**(2.7)**	(1.4)
Direct operating expenses for property that did not generate rental income	**–**	(0.6)
Fair value gain	**11.4**	0.2
Total net income recognised in the income statement	**13.8**	0.6

(c) Leasing arrangements

The investment properties are leased to tenants under operating leases with rentals payable either monthly or quarterly. Lease payments for some contracts include provisions for RPI increases. One contract entitles the Group to an element of variable lease rentals (in addition to the base rent payments) based on a share of the tenant's revenue in carrying out their business of providing serviced offices and hot desking space at the premises. Although the Group is exposed to changes in the residual value at the end of the current leases, the Group intends to enter into new operating leases and therefore will not immediately realise any reduction in residual value at the end of these leases. Some of the leases include a tenant option to renew the lease for a further period. Expectations about the future residual values are reflected in the fair value of the properties.

Minimum lease payments receivable on leases of investment properties are as follows:

	2023 £m	2022 £m
Less than one year	**3.0**	2.8
One to two years	**2.3**	3.0
Two to three years	**2.1**	2.3
Three to four years	**1.3**	2.1
Four to five years	**1.1**	1.3
Over five years	**–**	1.1
Total	**9.8**	12.6

(d) Measurement of fair values

The fair value of the owned investment property was determined as at 30 June 2022 by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The fair values of the right-of-use investment properties have been determined by the Group without the use of an independent valuer. The fair value measurements for all of the investment properties have been categorised as Level 3 fair values (as defined in note 29), based on the inputs to the valuation techniques used.

15 Investment properties continued

Investment property	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Owned assets	Market approach: The fair values have been determined by adopting an investment approach and assuming continued use as offices/student accommodation/future use as a wind farm.	External valuations are performed every two years. The last valuations were carried out as at 30 June 2022, using the following inputs: **Offices** – Expected market rental growth of 0% (2022: 0%); – Occupancy rate average of 95% (2022: 95%); – Void periods of 24 months to 36 months (2022: 24 months to 36 months); and – Rent-free periods of 12 months on a 5-year lease (2022: 12 months on a 5-year lease). **Student accommodation** – Expected market rental growth of 10% (2022: 3%); – Occupancy rate average of 98% (2022: 98%); and – Expected market yields of 5.8%-6.0% (2022: 5.3%-5.4%). **Wind farm** – Expected electricity price of £55 MW/h; and – Expected market yields of 7%. In years where no valuation is performed, the fair value is reviewed taking into consideration any changes in market conditions and any offers received on the property and adjustments made accordingly.	The estimated fair value would increase/(decrease) if: – Expected market rental growth were higher/(lower); – The occupancy rate was higher/(lower); – Void periods were shorter/(longer); – Rent-free periods were shorter/(longer); – Expected market yields were lower/(higher); or – Expected electricity price was higher/(lower).
Right-of-use assets	Income approach using discounted cash flows: The valuation model considers the present value of net cash flows to be generated from the property, taking into account the expected rental growth rate, void periods, occupancy rate, lease incentive costs such as rent-free periods and other costs not paid by tenants. The expected net cash flows are discounted using risk-adjusted discount rates.	– Expected market rental growth of 1% to 2% (2022: 1% to 2%%); – Occupancy rate average of 92% to 99% (2022: average of 93% to 99%); – Rent-free/void periods of 6–9 months at the end of each tenancy (2022: 6–9 months); and – Risk-adjusted discount rate of 4.2% (2022: 4.2%).	The estimated fair value would increase/(decrease) if: – Expected market rental growth were higher/(lower); – The occupancy rate was higher/(lower); – Rent-free/void periods were shorter/(longer); or – The risk-adjusted discount rate was lower/(higher).

16 Investments in and loans to joint ventures

(a) Movements in year

	2023 £m	2022 £m
Investments in joint ventures		
At 1 July	**82.3**	98.9
Additions	**35.7**	16.8
Acquisition of joint venture debt	**0.9**	–
Disposals	**(22.5)**	–
Loan repayments	**(11.3)**	(7.5)
Share of:		
Operating profit	**1.3**	26.4
Finance (costs)/income	**(0.1)**	0.4
Taxation	**(0.1)**	(0.2)
Post-tax results of joint ventures – continuing operations	**1.1**	26.6
Dividends received	**(1.8)**	(32.5)
Return of equity	**(5.8)**	(20.0)
At 30 June	**78.6**	82.3

(b) Analysis of investments in and loans to joint ventures

	2023 £m	2022 £m
Non-current assets		
Investment properties	**28.2**	42.5
Other non-current assets	**3.2**	–
Non-current assets	**31.4**	42.5
Current assets		
Cash and trade receivables	**127.1**	130.4
Current assets	**127.1**	130.4
Total assets	**158.5**	172.9
Current liabilities		
Trade and other payables	**(17.0)**	(19.8)
Current liabilities	**(17.0)**	(19.8)
Non-current liabilities		
Borrowings	**(62.9)**	(70.7)
Deferred tax liabilities	**–**	(0.1)
Other non-current liabilities	**–**	–
Non-current liabilities	**(62.9)**	(70.8)
Total liabilities	**(79.9)**	(90.6)
At 30 June	**78.6**	82.3

16 Investments in and loans to joint ventures continued

(c) Interests in joint ventures

Set out below are the joint ventures of the Group as at 30 June 2023 which, in the opinion of the Directors, are material to the Group. See note 32 for the full list of joint ventures. All of the entities are private entities and therefore do not have a quoted fair value. The country of incorporation or registration is also their principal place of business. All are measured under the equity method.

Name of entity	Place of business/country of incorporation	**% of ownership interest/voting rights 2023**	% of ownership interest/voting rights 2022	Nature of relationship	**Carrying amount 2023 £m**	Carrying amount 2022 £m
Kier Trade City[1]	England and Wales	**90%/50%**	90%/50%	Property division	**6.5**	6.8
Solum Regeneration[2]	England and Wales	**50%/50%**	50%/50%	Property division	**21.1**	21.3
Kier Cornwall Street[3]	England and Wales	**90%/50%**	90%/50%	Property division	**23.2**	7.2
Kier (Newcastle)[4]	England and Wales	**N/A**	75%/50%	Property division	**–**	8.4
Kier (Southampton)[5]	England and Wales	**75%/50%**	75%/50%	Property division	**3.4**	11.3
Watford Health Campus[6]	England and Wales	**50%/50%**	50%/50%	Property division	**8.9**	9.9
Kier Richmond[7]	England and Wales	**90%/50%**	90%/50%	Property division	**8.0**	7.7
Winsford[8]	England and Wales	**50%/50%**	50%/50%	Property division	**0.1**	0.4
Kier Maidenhead[9]	England and Wales	**90%/50%**	90%/50%	Property division	**0.1**	0.7
Kier PGIM Logistics[10]	England and Wales	**25.5%/25.5%**	25.5%/25.5%	Property division	**6.7**	7.4
Immaterial joint ventures					**0.6**	1.2
					78.6	82.3

1. Kier Trade City consists of Kier Trade City Holdco 1 LLP, Kier Trade City Holdco 2 LLP and Kier Trade City LLP.
2. Solum Regeneration consists of Solum Regeneration (Bishops) LLP, Solum Regeneration (Epsom) Limited Partnership, Solum Regeneration (Guildford) LLP, Solum Regeneration (Haywards) LLP, Solum Regeneration (Kingswood) LLP, Solum Regeneration (Maidstone) LLP, Solum Regeneration (Redhill) LLP, Solum Regeneration (Surbiton) LLP, Solum Regeneration (Twickenham) LLP, Solum Regeneration (Walthamstow) LLP, Solum Regeneration Epsom (GP Subsidiary) Limited, Solum Regeneration Epsom (GP) Limited, Solum Regeneration Epsom (Residential) LLP, Solum Regeneration Holding 1 LLP and Solum Regeneration Holding 2 LLP.
3. Kier Cornwall Street consists of Kier Cornwall Street Holdings 1 LLP, Kier Cornwall Street Holdings 2 LLP and Kier Cornwall Street LLP.
4. Kier (Newcastle) consists of Kier (Newcastle) Investment Limited, Kier (Newcastle) Operation Limited and Magnetic Limited.
5. Kier (Southampton) consists of Kier (Southampton) Development Limited, Kier (Southampton) Investment Limited and Kier (Southampton) Operations Limited.
6. Watford Health Campus consists of Watford Health Campus Limited, Watford Health Campus Partnership LLP, Watford Riverwell (Family Housing) LLP and Watford Woodlands LLP.
7. Kier Richmond consists of Kier Richmond Holdings Limited and Kier Richmond Limited.
8. Winsford consists of Winsford Holdings 1 LLP, Winsford Holdings 2 LLP and Winsford Devco LLP.
9. Kier Maidenhead consists of Kier Maidenhead Holdings 1 LLP, Kier Maidenhead Holdings 2 LLP and Kier Maidenhead LLP.
10. Kier PGIM Logistics consists of Kier PGIM Logistics Holdco Ltd, Kier PGIM Logistics (Bognor) Ltd, Kier PGIM Logistics (Bracknell) Ltd, Kier PGIM Logistics (Knowsley) Ltd, Kier PGIM Logistics (St. Albans) Ltd, Kier PGIM Logistics Propco 4 Ltd, Kier PGIM Logistics Propco 5 Ltd, Kier PGIM Logistics Propco 7 Ltd and Kier PGIM Logistics Propco 8 Ltd.

(d) Borrowing facilities and guarantees to joint ventures

The Group has provided guarantees to support borrowing facilities of joint ventures as follows:

	2023			2022		
	Borrowing facility £m	**Guarantees £m**	**Drawn at 30 June £m**	Borrowing facility £m	Guarantees £m	Drawn at 30 June £m
Kier Trade City LLP	**17.8**	**3.5**	**8.4**	17.8	3.1	7.6
Kier PGIM Logistics (Bognor) Ltd	**24.4**	**–**	**–**	27.0	1.4	2.8
	42.2	**3.5**	**8.4**	44.8	4.5	10.4

Other than as disclosed above the liabilities of the joint ventures are without recourse to the Group. Details of the Group's interests in joint ventures are given in note 32.

(e) Summarised financial information for joint ventures

The tables below provide summarised financial information for those joint ventures that are material to the Group. The information disclosed reflects the amounts presented in the financial statements of the relevant joint ventures and not the Group's share of those amounts. They have been amended to reflect adjustments made by the entity when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

	Kier Trade City		Solum Regeneration		Kier Cornwall Street		Kier (Newcastle)	
Summarised balance sheet	**2023 £m**	2022 £m	**2023 £m**	2022 £m	**2023 £m**	2022 £m	**2023 £m**	2022 £m
Current assets								
Cash and cash equivalents	**0.4**	0.3	**1.2**	0.6	**–**	1.8	**–**	0.7
Other current assets	**16.4**	16.0	**44.8**	51.7	**37.2**	34.4	**–**	2.8
Current assets	**16.8**	16.3	**46.0**	52.3	**37.2**	36.2	**–**	3.5
Non-current assets	**–**	–	**–**	–	**–**	–	**–**	25.1
Current liabilities								
Other current liabilities	**(1.2)**	(1.3)	**(3.9)**	(9.7)	**(1.2)**	(3.2)	**–**	(5.2)
Total current liabilities	**(1.2)**	(1.3)	**(3.9)**	(9.7)	**(1.2)**	(3.2)	**–**	(5.2)
Non-current liabilities								
Financial liabilities (excluding trade payables)	**(8.4)**	(7.5)	**–**	–	**(12.3)**	(25.0)	**–**	(12.1)
Other non-current liabilities	**–**	–	**–**	–	**–**	–	**–**	(0.1)
Total non-current liabilities	**(8.4)**	(7.5)	**–**	–	**(12.3)**	(25.0)	**–**	(12.2)
Net assets	**7.2**	7.5	**42.1**	42.6	**23.7**	8.0	**–**	11.2
Reconciliation to carrying amounts:								
Net assets at 1 July	**7.5**	12.3	**42.6**	63.4	**8.0**	13.9	**11.2**	10.9
Capital introduced	**–**	4.5	**7.8**	9.4	**19.4**	–	**16.3**	–
Disposals	**–**	–	**–**	–	**–**	–	**(30.1)**	–
(Loss)/profit for the year	**(0.3)**	20.3	**(0.4)**	(2.0)	**(3.7)**	(5.9)	**2.6**	0.3
Loan repayments	**–**	(8.3)	**–**	–	**–**	–	**–**	–
Return of equity	**–**	–	**(7.9)**	(27.8)	**–**	–	**–**	–
Dividends paid	**–**	(21.3)	**–**	(0.4)	**–**	–	**–**	–
Net assets at 30 June	**7.2**	7.5	**42.1**	42.6	**23.7**	8.0	**–**	11.2
Group's share (%)	**90%**	90%	**50%**	50%	**90%**	90%	**N/A**	75%
Group's share	**6.5**	6.8	**21.1**	21.3	**21.3**	7.2	**–**	8.4
Capital introduced on behalf of joint venture partner	**–**	–	**–**	–	**1.9**	–	**–**	–
Investment in joint venture	**6.5**	6.8	**21.1**	21.3	**23.2**	7.2	**–**	8.4

16 Investments in and loans to joint ventures continued

Summarised balance sheet	Kier (Southampton) 2023 £m	Kier (Southampton) 2022 £m	Watford Health Campus 2023 £m	Watford Health Campus 2022 £m	Kier Richmond 2023 £m	Kier Richmond 2022 £m
Current assets						
Cash and cash equivalents	**0.7**	1.1	**0.7**	0.4	**0.7**	0.4
Other current assets	**2.4**	2.7	**50.1**	36.7	**15.4**	15.6
Current assets	**3.1**	3.8	**50.8**	37.1	**16.1**	16.0
Non-current assets	**38.5**	31.5	**–**	–	**–**	–
Current liabilities						
Other current liabilities	**(3.4)**	(2.4)	**(17.8)**	(7.2)	**(0.3)**	–
Total current liabilities	**(3.4)**	(2.4)	**(17.8)**	(7.2)	**(0.3)**	–
Non-current liabilities						
Financial liabilities (excluding trade payables)	**(33.0)**	(17.9)	**(15.2)**	(10.2)	**(7.5)**	(7.5)
Other non-current liabilities	**(0.7)**	–	**–**	–	**0.6**	–
Total non-current liabilities	**(33.7)**	(17.9)	**(15.2)**	(10.2)	**(6.9)**	(7.5)
Net assets	**4.5**	15.0	**17.8**	19.7	**8.9**	8.5
Reconciliation to carrying amounts:						
Net assets at 1 July	**15.0**	14.5	**19.7**	18.4	**8.5**	8.6
Capital introduced	**–**	–	**–**	1.1	**–**	–
Profit/(loss) for the year	**4.5**	0.5	**1.7**	2.8	**0.4**	(0.1)
Loan repayments	**(15.0)**	–	**–**	–	**–**	–
Return of equity	**–**	–	**(3.6)**		**–**	
Dividends paid	**–**	–	**–**	(2.6)	**–**	–
Net assets at 30 June	**4.5**	15.0	**17.8**	19.7	**8.9**	8.5
Group's share (%)	**75%**	75%	**50%**	50%	**90%**	90%
Investment in joint venture	**3.4**	11.3	**8.9**	9.9	**8.0**	7.7

Summarised balance sheet	Winsford 2023 £m	Winsford 2022 £m	Kier Maidenhead 2023 £m	Kier Maidenhead 2022 £m	Kier PGIM Logistics 2023 £m	Kier PGIM Logistics 2022 £m
Current assets						
Cash and cash equivalents	**0.1**	0.4	**0.1**	–	**0.6**	4.0
Other current assets	**–**	0.7	**0.1**	1.0	**43.6**	54.2
Current assets	**0.1**	1.1	**0.2**	1.0	**44.2**	58.2
Non-current assets	**–**	–	**–**	–	**2.5**	–
Current liabilities						
Other current liabilities	**–**	(0.4)	**(0.1)**	(0.2)	**(0.4)**	(1.5)
Total current liabilities	**–**	(0.4)	**(0.1)**	(0.2)	**(0.4)**	(1.5)
Non-current liabilities						
Financial liabilities (excluding trade payables)	**–**	–	**–**	–	**(20.1)**	(27.7)
Total non-current liabilities	**–**	–	**–**	–	**(20.1)**	(27.7)
Net assets	**0.1**	0.7	**0.1**	0.8	**26.2**	29.0
Reconciliation to carrying amounts:						
Net assets at 1 July	**0.7**	4.7	**0.8**	3.5	**29.0**	–
Capital introduced	**–**	–	**–**	–	**4.7**	29.1
Profit/(loss) for the year	**0.7**	11.1	**–**	8.3	**(7.5)**	(0.1)
Return of equity	**–**	(4.8)	**–**	(3.6)	**–**	–
Dividends paid	**(1.3)**	(10.3)	**(0.7)**	(7.4)	**–**	–
Net assets at 30 June	**0.1**	0.7	**0.1**	0.8	**26.2**	29.0
Group's share (%)	**50%**	50%	**90%**	90%	**25.5%**	25.5%
Investment in joint venture	**0.1**	0.4	**0.1**	0.7	**6.7**	7.4

16 Investments in and loans to joint ventures continued

Summarised income statement	Kier Trade City 2023 £m	Kier Trade City 2022 £m	Solum Regeneration 2023 £m	Solum Regeneration 2022 £m	Kier Cornwall Street 2023 £m	Kier Cornwall Street 2022 £m	Kier (Newcastle) 2023 £m	Kier (Newcastle) 2022 £m
Revenue	**0.5**	50.1	**24.3**	35.3	**–**	0.6	**–**	1.9
Finance income	**–**	–	**–**	–	**–**	0.4	**–**	–
Finance costs	**–**	–	**–**	–	**(0.1)**	–	**–**	–
Taxation	**–**	–	**–**	–	**–**	–	**–**	(0.1)
Loss/(profit) for the year from continuing operations	**(0.3)**	20.3	**(0.4)**	(2.0)	**(3.7)**	(5.9)	**2.6**	0.3
Loss/(profit) for the year	**(0.3)**	20.3	**(0.4)**	(2.0)	**(3.7)**	(5.9)	**2.6**	0.3
Total comprehensive (expense)/income	**(0.3)**	20.3	**(0.4)**	(2.0)	**(3.7)**	(5.9)	**2.6**	0.3
Dividends received from joint ventures	**–**	19.2	**–**	0.2	**–**	–	**–**	–

Summarised income statement	Kier (Southampton) 2023 £m	Kier (Southampton) 2022 £m	Watford Health Campus 2023 £m	Watford Health Campus 2022 £m	Kier Richmond 2023 £m	Kier Richmond 2022 £m
Revenue	**3.1**	2.7	**12.4**	19.0	**0.9**	4.3
Depreciation and amortisation	**–**	(0.1)	**–**	–	**–**	–
Taxation	**(1.3)**	(0.1)	**–**	–	**0.3**	–
Profit/(loss) for the year from continuing operations	**4.5**	0.5	**1.7**	2.8	**0.4**	(0.1)
Profit/(loss) for the year	**4.5**	0.5	**1.7**	2.8	**0.4**	(0.1)
Total comprehensive income/(expense)	**4.5**	0.5	**1.7**	2.8	**0.4**	(0.1)
Dividends received from joint ventures	**–**	–	**–**	1.3	**–**	–

Summarised income statement	Winsford 2023 £m	Winsford 2022 £m	Kier Maidenhead 2023 £m	Kier Maidenhead 2022 £m	Kier PGIM Logistics 2023 £m	Kier PGIM Logistics 2022 £m
Revenue	–	22.7	–	19.6	0.3	–
Taxation	–	–	–	–	2.5	–
Profit/(loss) for the year from continuing operations	0.7	11.1	–	8.3	(7.5)	(0.1)
Profit/(loss) for the year	0.7	11.1	–	8.3	(7.5)	(0.1)
Total comprehensive income/(expense)	0.7	11.1	–	8.3	(7.5)	(0.1)
Dividends received from joint ventures	0.7	5.1	0.7	6.6	–	–

(f) Individually immaterial joint ventures

In addition to the interests in joint ventures disclosed above, the Group also has interests in a number of individually immaterial joint ventures that are accounted for using the equity method.

	2023 £m	2022 £m
Aggregate carrying amount of individually immaterial joint ventures	0.6	1.2
Dividends received from individually immaterial joint ventures	0.4	0.1
Aggregate amounts of the Group's share of:		
Loss from continuing operations	(0.1)	(0.3)
Total comprehensive expense	(0.1)	(0.3)

17 Capitalised mobilisation costs

	2023 £m	2022 £m
At 1 July	11.6	3.8
Additions	1.8	10.2
Amortisation	(7.1)	(2.4)
At 30 June	6.3	11.6

18 Deferred tax

The following are the major deferred tax assets and liabilities recognised by the Group and movements thereon during the current and prior reporting year:

	Intangible assets £m	Property, plant and equipment £m	Short-term temporary differences[1] £m	Retirement benefit obligations £m	Tax losses £m	Total £m
At 1 July 2021	(23.6)	36.3	29.3	(12.6)	108.6	138.0
Credited/(charged) to income statement – continuing	3.8	(1.5)	8.0	(2.0)	(3.0)	5.3
Credited/(charged) directly to comprehensive income	–	–	0.2	(34.7)	–	(34.5)
At 30 June 2022	(19.8)	34.8	37.5	(49.3)	105.6	108.8
Credited/(charged) to income statement – continuing	**3.9**	**(10.6)**	**3.8**	**(1.3)**	**0.6**	**(3.6)**
Acquisitions and disposals	**–**	**(0.1)**	**–**	**–**	**–**	**(0.1)**
Credited/(charged) directly to comprehensive income	**–**	**–**	**(0.8)**	**24.5**	**–**	**23.7**
At 30 June 2023	**(15.9)**	**24.1**	**40.5**	**(26.1)**	**106.2**	**128.8**

1. Included in short-term temporary differences are deferred tax assets of £15.8m (2022: £13.3m) in respect of RDEC Step 2 amounts carried forward and £23.3m (2022: £21.9m) in respect of the restricted interest amount caught under the UK Corporate Interest Restrictions ('CIR') tax rules.

Deferred tax assets and liabilities are attributed to temporary differences relating to the following:

	Assets		Liabilities		Total	
	2023 £m	2022 £m	**2023 £m**	2022 £m	**2023 £m**	2022 £m
Property, plant and equipment	**24.1**	34.8	**–**	–	**24.1**	34.8
Intangible assets	**–**	–	**(15.9)**	(19.8)	**(15.9)**	(19.8)
Retirement benefit obligations	**–**	–	**(26.1)**	(49.3)	**(26.1)**	(49.3)
Other short-term timing differences	**40.5**	37.5	**–**	–	**40.5**	37.5
Tax losses	**106.2**	105.6	**–**	–	**106.2**	105.6
Total	**170.8**	177.9	**(42.0)**	(69.1)	**128.8**	108.8
Set-off tax	**(42.0)**	(69.1)	**42.0**	69.1	**–**	–
Net tax assets	**128.8**	108.8	**–**	–	**128.8**	108.8

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. More information on these forecasts and the methodology applied are included in notes 1 and 13.

The following evidence has been considered when assessing whether these forecasts are achievable and realistic:
- The business traded in line with Board expectations in 2023;
- The Group has substantially completed its restructuring activities and is focusing on the achievement of the medium-term growth strategy; and
- The Group's core businesses are well-placed to benefit from the announced and committed UK Government spending plans to invest in infrastructure 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 10 years (2022: 10 years).

19 Contract assets and liabilities
(a) Current contract assets

	2023 £m	2022 £m
At 1 July	**366.3**	335.7
Transferred to receivables	**(342.6)**	(313.3)
Revenue adjustments recognised in the period for performance obligations satisfied in previous periods due to changes in the transaction price arising from changes in estimates of variable revenue	**(0.5)**	–
Balance remaining in relation to contract assets at the start of the year	**23.2**	22.4
Increase related to services provided in the year	**335.0**	343.9
At 30 June	**358.2**	366.3

(b) Non-current contract assets

	2023 £m	2022 £m
At 1 July	**31.2**	30.7
Increase related to services provided in the year	**12.5**	0.5
At 30 June	**43.7**	31.2

Non-current contract assets relate to Kier's share of the funding surpluses receivable at the end of long-term PFI maintenance contracts.

(c) Current contract liabilities

	2023 £m	2022 £m
At 1 July	**(67.3)**	(59.9)
Revenue recognised in the year that was included in contract liabilities at the beginning of the year	**60.0**	50.5
Contract liabilities repaid	**4.4**	–
Balance remaining in relation to contract liabilities at the start of the year	**(2.9)**	(9.4)
Increase due to cash received or invoices raised in the year for performance obligations not recognised in revenue	**(87.6)**	(57.9)
At 30 June	**(90.5)**	(67.3)

20 Trade and other receivables

	2023 £m	2022 £m
Current:		
Trade receivables	**50.5**	72.2
Construction contract retentions	**52.4**	72.4
Amounts receivable from joint ventures	**2.1**	4.0
Other receivables	**26.0**	15.8
Prepayments	**53.5**	30.2
Accrued income	**4.7**	8.3
	189.2	202.9
Non-current:		
Construction contract retentions	**18.5**	17.0
	18.5	17.0

Construction contract retentions are amounts withheld by the customer until they are satisfied with the quality of the work undertaken.

21 Inventories

	2023 £m	2022 £m
Raw materials and consumables	**13.3**	13.8
Land and work in progress held for development	**59.6**	43.0
	72.9	56.8

As at 30 June 2023, there were no provisions held against inventory relating to land and work in progress for development (2022: £1.5m).

22 Net cash

	2023 £m	2022 £m
Cash and cash equivalents – bank balances and cash in hand	**376.9**	297.7
Borrowings due within one year	**–**	(40.5)
Borrowings due after one year	**(319.1)**	(266.5)
Impact of cross-currency hedging	**6.3**	12.2
Net cash[1]	**64.1**	2.9

1. Net cash' is an alternative performance measure, see page 243.

22 Net cash continued

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

Cash and cash equivalents are subject to Group-wide cash pooling arrangements. On a gross basis, cash and cash equivalents were £1,389.5m (2022: £1,546.4m) and overdrafts were £1,012.6m (2022: £1,248.7m).

Cash and cash equivalents include £76.9m (2022: £74.4m) being the Group's share of cash and cash equivalents held by joint operations and £92.3m (2022: £39.9m) of bank balances that are not part of the Group-wide cash pooling arrangement.

Information on borrowings is detailed in note 29.

(a) Reconciliation of working capital between the consolidated balance sheet and consolidated cash flow statement

			2023			2022
	Inventories £m	**Contract assets £m**	**Trade and other payables £m**	Inventories £m	Contract assets £m	Trade and other payables £m
1 July balance sheet	**56.8**	**397.5**	**(1,099.8)**	54.7	366.4	(1,133.0)
30 June balance sheet	**72.9**	**401.9**	**(1,111.9)**	56.8	397.5	(1,099.8)
Movement per balance sheet	**16.1**	**4.4**	**(12.1)**	2.1	31.1	33.2
Transfers	**2.7**	**–**	**–**	–	–	–
Forward funding interest	**–**	**–**	**–**	–	0.5	–
Discount unwind[1]	**–**	**–**	**–**	–	–	0.7
Unpaid adviser fees in respect of the equity raise[2]	**–**	**–**	**–**	–	–	(6.1)
Net RDEC receipts	**–**	**–**	**(14.0)**	–	–	(20.0)
Other	**–**	**–**	**–**	–	–	4.6
Movement per cash flow statement	**18.8**	**4.4**	**(26.1)**	2.1	31.6	12.4

1. Discount unwind primarily relates to onerous loss-making contracts and deferred consideration.
2. Prior year unpaid adviser fees of £6.1m in respect of the equity raise have been disclosed within the issue of shares net of transaction costs, on the cash flow statement.

(b) Reconciliation of movements in net cash

	Cash and cash equivalents £m	Borrowings due within one year £m	Borrowings due after one year £m	Impact of cross-currency hedging £m	Total £m
Net cash/(borrowings) as at 1 July 2021	391.2	(38.2)	(362.3)	12.3	3.0
Cash flows	(97.4)	38.2	63.6	–	4.4
Transfers	–	(40.5)	40.5	–	–
Foreign exchange movements	3.9	–	(8.3)	(0.1)	(4.5)
Net cash/(borrowings) as at 30 June 2022	297.7	(40.5)	(266.5)	12.2	2.9
Cash flows	**78.9**	**40.5**	**(54.1)**	**–**	**65.3**
Foreign exchange movements	**0.3**	**–**	**1.5**	**(5.9)**	**(4.1)**
Net cash/(borrowings) as at 30 June 2023	**376.9**	**–**	**(319.1)**	**6.3**	**64.1**

(c) Reconciliation of movements in liabilities arising from financing activities

	Borrowings £m	Hedging derivatives £m	Lease liabilities £m
(Liabilities)/assets as at 1 July 2021	(400.5)	13.4	(163.8)
Changes from financing cash flows:			
Repayment of borrowings/principal elements of lease payments	101.8	–	33.8
Settlement of derivative financial instruments	–	(7.5)	–
Non-cash movements:			
Net lease additions	–	–	(27.6)
Foreign exchange movements	(8.3)	–	–
Changes in fair values of derivatives	–	6.3	–
(Liabilities)/assets as at 30 June 2022	(307.0)	12.2	(157.6)
Changes from financing cash flows:			
Drawdown of borrowings	**(56.8)**	**–**	**–**
Repayment of borrowings/principal elements of lease payments	**43.2**	**–**	**45.6**
Settlement of derivative financial instruments	**–**	**(4.7)**	**–**
Non-cash movements:			
Net lease additions	**–**	**–**	**(70.6)**
Foreign exchange movements	**1.5**	**–**	**–**
Changes in fair values of derivatives	**–**	**3.2**	**–**
(Liabilities)/assets as at 30 June 2023	**(319.1)**	**10.7**	**(182.6)**

(d) Free cash flow

	Note	2023 £m	2022 £m
Net cash at 1 July	22	**2.9**	3.0
Net cash at 30 June	22	**64.1**	2.9
Increase/(decrease) in net cash		**61.2**	(0.1)
Adjusted for:			
Payments in respect of adjusting items	5	**27.0**	41.2
Pension deficit payments and fees	9	**12.8**	15.0
Equity raise[1]		**–**	6.1
Purchase of own shares		**11.9**	7.0
Other items		**19.4**	(14.6)
Free cash flow		**132.3**	54.6

1. The £6.1m settled during the prior year relates to the payment of accrued costs previously recorded in equity.

See glossary of alternative performance measures on page 243.

23 Leases

(a) Group as a lessee

The Group has lease contracts for various properties, and items of plant, machinery, vehicles and other equipment used in its operations and for administration of the Group's business. Leases of properties have durations of between one and 44 years. Leases of plant and machinery and other equipment generally have lease terms between one and three years, while motor vehicles generally have lease terms between three and six years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes. A number of property leases contain extension or termination options. In these circumstances, the Group makes a judgement about the period for which it is reasonably certain to lease the property.

The Group's accounting policies for leases are set out in note 1. The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases and leases of low-value assets. The expense included in the income statements relating to these leases was £115.6m (2022: £98.9m). The assets leased under short-term leases are predominantly small items of plant and equipment and therefore are also of low value. The utilisation of these assets varies depending on the nature and levels of the Group's activities.

23 Leases continued

(b) Right-of-use assets

Set out below are the carrying amounts of right-of-use assets recognised in respect of the Group's leases and the movements during the year:

	Land and buildings £m	Motor vehicles £m	Plant and equipment £m	Total £m
At 1 July 2021	64.6	19.6	12.3	96.5
Additions	2.8	13.2	17.1	33.1
Depreciation	(7.9)	(11.8)	(10.3)	(30.0)
Impairment[1]	(5.2)	–	–	(5.2)
Transferred to investment properties[1]	(6.1)	–	–	(6.1)
Disposals	(0.9)	(1.7)	(5.1)	(7.7)
At 30 June 2022	47.3	19.3	14.0	80.6
Additions	**5.4**	**11.8**	**80.4**	**97.6**
Depreciation	**(8.1)**	**(9.5)**	**(26.1)**	**(43.7)**
Transferred to owned assets	**–**	**–**	**(0.4)**	**(0.4)**
Disposals	**(1.9)**	**(2.1)**	**(24.7)**	**(28.7)**
At 30 June 2023	**42.7**	**19.5**	**43.2**	**105.4**

1. During the year ended 30 June 2022, the Group vacated its property in Fountain Street, Manchester, which resulted in an impairment of the associated right-of-use asset. As the property was no longer occupied by the Group and was being held for the purpose of earning rental income, the asset was reclassified as an investment property.

(c) Lease liabilities

	2023 £m	2022 £m
Current	**36.2**	25.9
Non-current	**146.4**	131.7
	182.6	157.6

The maturity profile of the contractual cash flows associated with the lease liabilities is presented in note 29. The interest expense in respect of lease liabilities is included within finance costs in the income statement and is disclosed in note 7.

(d) Amounts recognised in the statement of cash flows

	2023 £m	2022 £m
Principal elements of lease payments[1]	**45.6**	33.8
Interest paid[1]	**9.5**	6.5
Payments for short-term leases and leases of low-value assets[2]	**115.6**	98.9
Total cash outflow for leases	**170.7**	139.2

1. Included within cash flows from financing activities within the statement of cash flows.
2. Included within operating cash flows within the statement of cash flows.

24 Trade and other payables

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

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

25 Provisions

	Insurance claims £m	Restoration of mining sites £m	HSE regulatory £m	Onerous contracts £m	Redundancy and site closure £m	Warranty, rectification and other contractual obligations £m	Total £m
At 1 July 2021	21.8	0.8	2.5	5.5	3.4	13.8	47.8
(Credited)/charged to income statement	(3.4)	(0.5)	0.5	3.7	0.9	5.1	6.3
Utilised	–	(0.1)	–	(0.4)	(2.7)	(3.5)	(6.7)
Unwinding of discount	–	–	–	0.2	–	–	0.2
Currency realignment	–	–	–	–	0.4	–	0.4
At 30 June 2022	18.4	0.2	3.0	9.0	2.0	15.4	48.0
(Credited)/charged to income statement	**5.1**	**–**	**1.5**	**6.2**	**1.0**	**12.4**	**26.2**
Utilised	**–**	**(0.1)**	**(4.5)**	**(5.5)**	**(1.6)**	**(4.6)**	**(16.3)**
Unwinding of discount	**–**	**–**	**–**	**0.2**	**–**	**–**	**0.2**
Transfer from creditors	**3.9**	**–**	**–**	**(0.8)**	**–**	**2.1**	**5.2**
Currency realignment	**–**	**–**	**–**	**–**	**(0.1)**	**–**	**(0.1)**
At 30 June 2023	**27.4**	**0.1**	**–**	**9.1**	**1.3**	**25.3**	**63.2**
Expected utilisation							
Within one year	**6.8**	**–**	**–**	**6.5**	**0.6**	**24.3**	**38.2**
After one year	**20.6**	**0.1**	**–**	**2.6**	**0.7**	**1.0**	**25.0**
At 30 June 2023	**27.4**	**0.1**	**–**	**9.1**	**1.3**	**25.3**	**63.2**
Within one year	–	0.2	3.0	6.4	0.8	11.8	22.2
After one year	18.4	–	–	2.6	1.2	3.6	25.8
At 30 June 2022	18.4	0.2	3.0	9.0	2.0	15.4	48.0

Insurance provisions are held in the Group's insurance captive in respect of legal and other disputes in various Group companies. Due to the nature of the provision for insurance claims, the timing of any potential future outflows in respect of these liabilities is uncertain and as such they are classified as due after one year.

Restoration of mining sites provisions represent the cost of restoration of opencast mining sites. The cost of restoration is recognised as a provision as soon as the restoration liability arises. The amount provided represents the present value of the anticipated costs. Costs are charged against the provision as incurred and the unwinding of the discount is included within finance costs.

HSE regulatory provisions are in respect of potential fines arising from changes to safety, health and environmental legislation and regulation.

Onerous contracts provisions are for loss-making contracts that the Group is legally obligated to complete.

Redundancy and site closure provisions are in respect of redundancy costs and office closures.

Warranty and rectification provisions are for potential claims against work completed by the Group. This includes provisions in respect of fire compliance and cladding.

26 Share capital and reserves

Share capital

The share capital of the Company comprises:

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

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

During the year, 72,753 shares were issued under the Sharesave Scheme (2022: 75,983).

Cash flow hedge reserve

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

Translation reserve

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

Merger reserve

£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.

27 Share-based payments

The Group operates a number of share-based payment schemes for eligible employees as described below.

Sharesave Scheme

Options over the Company's ordinary shares at 30 June 2023 were as follows:

	Sharesave Scheme 13 November 2019	Sharesave Scheme 15 February 2021	Sharesave Scheme 29 October 2021	Sharesave Scheme 2 November 2022	Total
Number of awards outstanding at 30 June 2023					
Directors	**–**	**–**	**11,250**	**9.818**	**21,068**
Employees[1]	**113,294**	**6,735,438**	**5,370,885**	**8,348,029**	**20,567,646**
	113,294	**6,735,438**	**5,382,135**	**8,357,847**	**20,588,714**
Exercise price (pence)[1]	**86.4**	**56.5**	**96.0**	**55.0**	

1. Where the options were granted before the share issue that completed on 18 June 2021, the numbers of options and the exercise prices have been adjusted to take account of the dilution resulting from the new shares.

Options to acquire shares in the capital of Kier Group plc have been granted to eligible employees who enter into a Sharesave ('SAYE') contract. The number of options granted to each participating employee are the number of shares which have an aggregate option price not exceeding the projected proceeds of the employee's Sharesave contract. Participation in the Kier Sharesave Scheme is offered to all employees of the Group who have been employed for a continuous period determined by the Board. Under the Sharesave contract, participating employees save a regular sum each month for three years up to a maximum of £500 per month.

8,730,264 options were granted in the year (2022: 7,943,643) under the Sharesave Scheme, which will all be equity settled.

72,753 Sharesave Scheme options were exercised during the year (2022: 75,983). The weighted average market price of Kier Group plc shares at the date of exercise of Sharesave Scheme options during the year was 66.9p (2022: 103.0p).

Conditional Share Award Plan

The Group previously operated a Conditional Share Award Plan ('CSAP'), under which senior employees receive awards of shares subject only to service conditions, i.e. the requirement for participants to remain in employment with the Group over the vesting period. Participants were entitled to receive dividend equivalents on these awards. Awards under the CSAP were all equity settled.

There were no outstanding CSAP awards at 30 June 2023.

No new awards were granted under the CSAP in the year (2022: no awards granted) and no shares vested under the CSAP during the year (2022: 650,951 shares vested plus a further 9,777 shares equivalent to the dividends that would have been received during the vesting period). The market price of Kier Group plc shares at the date of exercise of the CSAP options during the prior year was 108.2p.

Long-Term Incentive Plan

Awards over the Company's ordinary shares at 30 June 2023 were as follows:

	LTIP award 18 December 2020	LTIP award 28 October 2021	LTIP award 20 April 2022	LTIP award 21 October 2022	Total
Number of awards outstanding at 30 June 2023					
Directors	**2,095,166**	**2,313,430**	**–**	**3,601,875**	**8,010,471**
Employees[1]	**14,010,761**	**4,432,654**	**305,871**	**9,836,333**	**28,585,619**
	16,105,927	**6,746,084**	**305,871**	**13,438,208**	**36,596,090**
Exercise price (pence)[1]	**nil**	**nil**	**nil**	**nil**	

1. Where the options were granted before the share issue that completed on 18 June 2021, the number of options has been adjusted to take account of the dilution resulting from the new shares.

The Group has established a Long-Term Incentive Plan ('LTIP') under which Directors and senior employees can receive awards of shares. Awards made under the scheme are normally able to vest following the third anniversary of the date of the grant. Vesting may be in full or in part (with the balance of the award lapsing) and is subject to the Group achieving specific performance targets. Participants are entitled to receive dividend equivalents on these awards. Awards under the LTIP are all equity settled. The awards made to Directors are subject to a two-year post-vesting holding period and malus and clawback provisions.

15,492,751 new options were granted under the LTIP scheme in the year (2022: 8,570,392) and 8,432,381 shares vested during the year (2022: nil). The weighted average market price of Kier Group plc shares at the date of exercise of LTIP options during the year was 62.3p (2022: n/a).

Further description of the above share schemes and the terms and conditions of each scheme are included in the Directors' Remuneration report on pages 120–153.

27 Share-based payments continued

Shares held in trusts

The CSAP and LTIP awards, which are taken as shares, are intended to be satisfied from shares held by the Kier Group 1999 Employee Benefit Trust and May Gurney Group Trustees Ltd Employee Share Ownership Trust or the issue of new shares. The shares held by the trusts are accounted for as a deduction from equity within retained earnings. The movements in the number and historical cost value of shares held by the trusts are as follows:

	2023		2022	
	Number of shares	**Historic cost value £m**	Number of shares	Historic cost value £m
At 1 July	**7,555,030**	**7.7**	708,965	2.6
Acquired during the year	**18,607,232**	**12.4**	7,942,521	7.5
Issued in satisfaction of share scheme awards	**(8,432,381)**	**(8.0)**	(650,951)	(2.0)
Issued in satisfaction of dividend equivalents for share scheme awards	**–**	**–**	(9,777)	–
Issued in satisfaction of deferred bonus schemes	**(776,920)**	**(0.9)**	(435,728)	(0.4)
At 30 June	**16,952,961**	**11.2**	7,555,030	7.7

The market value of these shares at 30 June 2023 was £12.7m (2022: £5.1m).

The shares acquired by the trusts in the year at a cost of £12.4m (2022: £7.5m), net of cash received by the trusts in respect of the deferred bonus schemes of £0.5m (2022: £0.5m) is reflected in the statement of changes in equity as a net purchase of own shares of £11.9m (2022: £7.0m).

Fair value of share-based payments

The fair value per option granted has been calculated using the Black-Scholes model for all options apart from the total shareholder return ('TSR') element of the LTIP which is based on a Stochastic model. For awards made to the Directors which are subject to a two-year holding period post-vesting, the Finnerty model is used. The following assumptions were used in calculating the fair values:

Sharesave Scheme

Date of grant	18 November 2019	15 February 2021	29 October 2021	2 November 2022
Share price at grant (pence)	86.5	77.5	106.8	58.2
Exercise price (pence) – at grant	101.0	66.0	96.0	55.0
Exercise price (pence) – adjusted for share issue	86.4	56.5	96.0	55.0
Expected term (years)	3.3	3.3	3.3	3.3
Expected volatility	68.5%	80.2%	82.7%	62.1%
Dividend yield	0.0%	0.0%	0.0%	0.0%
Risk-free interest rate	0.49%	0.01%	0.73%	3.13%
Value per option (pence) – at grant	37.0	44.6	61.9	27.6
Value per option (pence) – adjusted for share issue	31.7	38.1	61.9	27.6

Long-Term Incentive Plan

Date of grant	18 December 2020	18 December 2020 (Directors)	28 October 2021	28 October 2021 (Directors)	20 April 2022	21 October 2022	21 October 2022 (Directors)
Share price at grant (pence)	81.0	81.0	108.4	108.4	80.8	60.0	60.0
Exercise price (pence)	nil	nil	nil	nil	nil	nil	nil
Expected term (years)	3.0	3.0	3.0	3.0	2.5	3.0	3.0
Holding period (years)	n/a	2.0	n/a	2.0	n/a	n/a	2.0
Expected volatility	90.7%	92.4%	83.2%	66.6%	83.2%	53.7%	44.5%
Risk-free interest rate	0.00%	0.00%	0.67%	0.77%	0.67%	3.83%	4.14%
Value per option (pence) – at grant							
– Market condition (25%)	58.4	50.6	85.2	76.3	63.5	41.2	38.1
– Non-market condition (75%)	81.0	70.1	108.4	97.0	80.8	60.0	55.6
Value per option (pence) – adjusted for share issue							
– Market condition (25%)	50.0	43.3	85.2	76.3	63.5	41.2	38.1
– Non-market condition (75%)	69.2	59.9	108.4	97.0	80.8	60.0	55.6

The value per option represents the fair value of the option less any consideration payable. The fair value of the proportion of the awards subject to performance conditions that are market conditions under IFRS 2 'Share-based Payments' (the TSR – total shareholder return element) incorporates an assessment of the number of shares that will vest.

The performance conditions linked to adjusted earnings per share, adjusted operating profit, the net debt to earnings before interest, tax, depreciation and amortisation ratio (Net Debt:EBITDA) and free cash flow, are non-market conditions under IFRS 2. Therefore, the fair value of these elements do not include an assessment of the number of shares that will vest. Instead, the amount charged is based on the fair values factored by a 'true-up' for the number of awards that are expected to vest.

The expected volatility is based on historical volatility over the period of time commensurate with the expected award term immediately prior to the date of grant. The risk-free rate of return is the yield on UK Government securities over a term consistent with the expected term.

A charge of £8.4m relating to share-based payments has been recognised in the income statement as employee costs (2022: £8.6m). Included in other payables is an amount of £1.0m (2022: £1.0m) relating to the accrual of employer's national insurance in respect of share-based payments expected to vest in the future.

27 Share-based payments continued

Summary of movements in the number of options

A reconciliation of option movements is shown below:

	2023		2022	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at 1 July	**57,273,676**	**26.3p**	47,929,960	23.9p
Granted	**24,223,015**	**19.8p**	16,514,035	46.2p
Lapsed or forfeited	**(15,806,753)**	**39.0p**	(6,443,385)	61.5p
Exercised	**(8,505,134)**	**0.5p**	(726,934)	7.5p
Outstanding at 30 June	**57,184,804**	**23.9p**	57,273,676	26.3p
Exercisable at 30 June	**105,434**	**66.8p**	294,805	81.7p

The options outstanding at 30 June 2023 have a weighted average remaining contractual life of 1.42 years (2022: 1.43 years).

28 Guarantees and contingent liabilities

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. Details of financial guarantees provided to support joint ventures are disclosed in note 16(d). 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

As disclosed in note 1 of the financial statements, the Group has undertaken a review of all of its current and legacy constructed buildings where it has used cladding solutions and continues to assess the action required in line with the latest updates to Government guidance, as it applies, to multi-storey and multi-occupied residential buildings. The buildings, including the cladding works, were signed off by approved inspectors as compliant with the relevant Building Regulations at the time of completion.

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

Where an obligation has been established and a reliable estimate of the costs to rectify is available, a provision has been made (see note 25). 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.

29 Financial instruments

The following table summarises the Group's financial instruments as at 30 June 2023:

	2023			2022		
	Financial assets at amortised cost £m	Financial liabilities at amortised cost £m	Derivatives £m	Financial assets at amortised cost £m	Financial liabilities at amortised cost £m	Derivatives £m
Financial assets						
Trade and other receivables (less prepayments)	**154.2**	**–**	**–**	189.7	–	–
Cash and cash equivalents	**376.9**	**–**	**–**	297.7	–	–
Equity loans provided to joint ventures	**101.8**	**–**	**–**	105.4	–	–
Other financial assets	**–**	**–**	**10.7**	–	–	12.2
Total	**632.9**	**–**	**10.7**	592.8	–	12.2
Financial liabilities						
Borrowings	**–**	**(319.1)**	**–**	–	(307.0)	–
Lease liabilities	**–**	**(182.6)**	**–**	–	(157.6)	–
Trade and other payables[1]	**–**	**(971.8)**	**–**	–	(977.3)	–
Total	**–**	**(1,473.5)**	**–**	–	(1,441.9)	–
Net	**632.9**	**(1,473.5)**	**10.7**	592.8	(1,441.9)	12.2

1. Trade and other payables exclude other taxes and social security and deferred income.

Capital risk management

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to optimise the capital structure in order to minimise the cost of capital whilst maintaining a strong balance sheet to support business development and tender qualification. The Group's capital management strategy is to use a blend of capital types with different risk, return and maturity profiles to support the operating divisions and deliver the Group's capital management objectives.

The capital structure of the Group comprises: equity, consisting of share capital, share premium, retained earnings and other reserves as disclosed in the consolidated statement of changes in equity; and cash, cash equivalents and borrowings as disclosed in note 22 and described further below. The Group forecasts and monitors short-, medium- and longer-term capital needs on a regular basis and adjusts its capital structure as required through the payment of dividends to shareholders, the issue of new share capital and the increase of repayment or borrowings. All investment decisions typically require a pre-tax annualised return of at least 15.0% to ensure such investments are value enhancing for shareholders.

Financial risk management

Financial risk management is an integral part of the way the Group is managed. In the course of its business, the Group is exposed primarily to credit risk, market risk and liquidity risk. The overall aim of the Group's financial risk management policies is to minimise any potential adverse effects on financial performance and net assets.

The Group's treasury team manages the principal financial risks within policies and operating limits approved by the Board. The treasury function is not a profit centre and does not enter into speculative transactions. Derivative financial instruments are used to hedge exposure to fluctuations in interest and exchange rates.

Where all relevant criteria are met, hedge accounting is applied to remove the accounting mismatch between the hedging instrument and the hedged item. This will effectively result in recognising interest expense at a fixed interest rate for the hedged floating rate borrowings and elimination of exchange rate movements in the income statement relating to the hedged foreign currency denominated borrowings.

29 Financial instruments continued

Credit risk

Credit risk arises on financial instruments such as trade receivables, short-term bank deposits and interest rate and currency hedges. Policies and procedures exist to ensure that customers have an appropriate credit history. The Group's most significant clients are public or regulated industry entities which generally have high credit ratings or are of a high credit quality due to the nature of the client.

Short-term bank deposits and hedging transactions are executed only with highly credit-rated authorised counterparties based on ratings issued by the major ratings agencies. Counterparty exposure positions are monitored regularly so that credit exposures to any one counterparty are within acceptable limits. At the balance sheet date there were no significant concentrations of credit risk.

Trade and other receivables and contract assets included in the balance sheet are stated net of expected credit loss ('ECL') provisions which have been calculated using a provision matrix grouping trade receivables and contract assets on the basis of their shared credit risk characteristics.

An analysis of the provision held against trade receivables is set out below:

	2023 £m	2022 £m
Provision as at 1 July	**2.1**	2.3
Credited to the income statement	**(1.4)**	(0.6)
Charged to the income statement	**1.5**	0.5
Utilised in the year	**(0.6)**	(0.1)
Provision as at 30 June	**1.6**	2.1

There were £12.4m (2022: £19.7m) of trade receivables that were overdue at the balance sheet date that have not been provided against, of which £3.7m (2022: £8.2m) had been received by the end of August 2023. There are no indications as at 30 June 2023 that the debtors will not meet their payment obligations in respect of the amount of trade receivables recognised in the balance sheet that are overdue and unprovided. The proportion of trade receivables at 30 June 2023 that were overdue for payment was 25% (2022: 28%). Credit terms vary across the Group; the average age of trade receivables was as follows:

Infrastructure Services	5 days (2022: 7 days)
Construction	9 days (2022: 13 days)
Property	186 days (2022: 4 days)

Overall, the Group considers that it is not exposed to significant credit risk.

Equity loans to joint ventures of £101.8m (2022: £105.4m) are considered under the general ECL model and have been compared to future cash flows and net assets of the joint venture to ensure that they are still expected to be fully recoverable.

Market risk

Interest rate risk

The Group has borrowing facilities to finance short-term working capital and term loans to finance medium-term capital requirements, which carry interest at floating rates, at a margin over SONIA. The Group's borrowings, excluding the effect of derivatives, can be analysed as follows:

	2023 £m	2022 £m
Fixed rate	**80.8**	131.2
Variable rate	**239.6**	177.9
Cost of raising finance	**(1.3)**	(2.1)
	319.1	307.0

The Group has entered into floating to fixed interest rate swaps in order to mitigate the Group's exposure to movements in interest rates. One of the Group's joint ventures has also entered into interest rate swaps in order to mitigate its own interest rate risk.

Interest rate risk arises on the Group's borrowings where they are not at fixed interest rates and are not hedged. A 50 basis point increase/decrease in the interest rate would lead to a c.£2.1m increase (2022: £1.8m) or £2.1m decrease (2022: £1.8m) in the Group's net finance cost.

Foreign currency risk

The Group operates primarily within the UK such that its exposure through its trading operations to currency risk is not considered to be significant. Where material foreign currency exposures are identified, these are hedged using forward foreign exchange contracts or swaps.

Changes in foreign exchange rates affect the carrying amount of the liability relating to foreign currency denominated debt on the Group's balance sheet. The utilisation of derivatives ensures that the movement recognised in the profit and loss is offset by movements on the derivative which are recycled from other comprehensive income. As at 30 June 2023 the Group had the equivalent £25.2m (2022: £45.7m) of debt denominated in US dollars at fixed currency rates using derivatives. A 5% increase/decrease in the US dollar to sterling exchange rate combined with a 5% increase/decrease in the euro to sterling exchange rate would lead to a £2.7m decrease (2022: £2.8m) or £2.9m increase (2022: £2.9m) in the carrying amount of the liability on the Group's balance sheet, with the movement recognised in other comprehensive income.

As at 30 June 2023 the Group had unhedged debt outstanding of US$35.9m (2022: US$39.1m). A 5% increase/decrease in the US dollar to sterling exchange rate would lead to a decrease of £1.4m/increase of £1.3m (2022: decrease of £1.7m/increase of £1.5m) in the carrying amount of the liability.

Liquidity risk

The Group's policy on liquidity risk is to ensure that sufficient borrowing facilities are available to fund operations over the medium term. The Group's principal borrowing facilities are provided by a syndicate of relationship banks and established investors, and in the case of a number of the loan notes, in the form of unsecured committed borrowing facilities. The amount of committed borrowing facilities available to the Group is reviewed regularly and is designed to exceed forecast peak gross debt levels.

Details of guarantees provided by the Group to support the borrowing facilities of its joint ventures are given in note 16(d). The Group provides no other financial guarantees other than those provided to its joint ventures.

Derivative financial instruments

As at 30 June 2023, the Group had the following cross-currency and interest rate swaps:

- One cross-currency swap taken out in 2014 to hedge the currency risk on a US dollar-denominated loan, nominal value US$40.0m.
- One floating to fixed interest rate swap taken out in 2022 to hedge the interest rate risk on part of the Group's revolving credit facility, nominal value £100.0m.
- One floating to fixed interest rate swap taken out in 2023 to hedge the interest rate risk on part of the Group's revolving credit facility, nominal value £100.0m, reducing to £75.0m in 2024 and £50.0m in 2025.

As at 30 June 2022, the Group had three additional cross-currency swaps, two with a total value of $20.0m and one with a value of $10.0m. They all expired during the year.

The Group has assessed the effectiveness of these swaps and concluded that they are highly effective. No amount in relation to hedge ineffectiveness has been charged or credited to the income statement in relation to any cross-currency or interest rate swap.

The following table indicates the periods in which the cash flows associated with cash flow hedges are expected to occur and the fair value of the related hedging instruments:

			Expected cash flows		
Continuing operations	Fair value £m	Total £m	0–1 years £m	1–2 years £m	2–5 years £m
Cross-currency swaps: asset					
Gross settled inflows		33.7	1.5	32.2	–
Gross settled outflows		(26.8)	(1.1)	(25.7)	–
	6.5	6.9	0.4	6.5	–
Interest rate swaps: asset					
Net settled	4.2	2.6	1.7	0.6	0.3

In addition to the above, one of the Group's property joint ventures has entered into an interest rate derivative as a means of hedging interest rate risk. The interest-bearing debt and associated interest rate derivative with this joint venture expires in May 2026 and is without recourse to the Group. At 30 June 2023, the aggregate amount outstanding on this interest-bearing debt against which an interest rate derivative is held is £12.3m (2022: £15.0m). The Group's share of the total net fair value asset of this interest rate derivative at 30 June 2023 amounted to £0.3m (2022: £0.1m) which have met the criteria for hedging accounting.

29 Financial instruments continued

Financial liabilities – analysis of maturity dates

At 30 June 2023, the Group had the following financial liabilities at amortised cost together with the maturity profile of their contractual cash flows:

	Continuing operations			
30 June 2023	Trade and other payables[1] £m	Borrowings £m	Lease liabilities £m	Total £m
Carrying value	971.8	319.1	182.6	1,473.5
Contractual undiscounted cash flows				
Less than one year	935.0	23.2	44.2	1,002.4
One to two years	31.4	325.2	35.7	392.3
Two to three years	6.1	–	24.5	30.6
Three to four years	2.1	–	16.0	18.1
Four to five years	–	–	11.6	11.6
Over five years	–	–	97.9	97.9
	974.6	348.4	229.9	1,552.9

	Continuing operations			
30 June 2022	Trade and other payables[1] £m	Borrowings £m	Lease liabilities £m	Total £m
Carrying value	977.3	307.0	157.6	1,441.9
Contractual undiscounted cash flows				
Less than one year	944.3	55.5	31.5	1,031.3
One to two years	25.4	9.4	24.2	59.0
Two to three years	8.0	269.2	17.4	294.6
Three to four years	1.7	–	13.1	14.8
Four to five years	0.2	–	11.4	11.6
Over five years	0.7	–	106.7	107.4
	980.3	334.1	204.3	1,518.7

1. Trade and other payables exclude other taxes and social security and deferred income.

There is no material difference between the carrying value and fair value of the Group's financial assets and liabilities.

Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). The Group uses cross-currency and interest rate swaps for hedging. These derivatives are classified as level 2. The prices of derivative transactions have been derived from proprietary models used by the bank counterparties using mid-market mark to market valuations for trades at the close of business on 30 June 2023.

Level 3 – Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table presents the Group's financial assets and liabilities that are measured at fair value at 30 June 2023:

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets				
Derivatives used for hedging – Cross-currency swaps	–	6.5	–	6.5
Derivatives used for hedging – interest rate swap	–	4.2	–	4.2

There were no transfers between levels 1 and 2 during the year ended 30 June 2023.

The following table presents the Group's financial assets and liabilities that are measured at fair value at 30 June 2022:

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets				
Derivatives used for hedging – Cross-currency swaps	–	12.2	–	12.2
Derivatives used for hedging – interest rate swap	–	–	–	–

There were no transfers between levels 1 and 2 during the year ended 30 June 2022.

Borrowings and borrowing facilities

As at 30 June 2023, the Group had the following unsecured committed facilities after the effect of derivatives:

- Revolving credit facility of £495.0m (2022: £535.0m), at a margin over SONIA, due for renewal on 31 January 2025, £229.9m drawn at 30 June 2023 (2022: £177.9m); and
- Two loan notes, principal amounts of £21.0m, US$75.9m, with fixed coupons of between 5.2% and 5.4% repayable in January 2025, fully drawn at 30 June 2023, totalling £74.4m, which includes elements at both fixed and floating currency rates (2022: £111.1m).

In addition, the Group has unsecured overdraft facilities of £18.0m (2022: £18.0m), at a margin over base rate, repayable on demand, undrawn at 30 June 2023 and 2022.

Included within borrowings are capitalised loan fees of £1.3m (2022: £1.9m).

The Group repaid and reduced total available facilities by £83.8m (2022: £38.2m) in the year ended 30 June 2023.

30 Financial and capital commitment

	2023 £m	2022 £m
Commitments for capital expenditure	**7.8**	18.9
	7.8	18.9

Capital commitments recognised during the year ended 30 June 2023 relate to capital contributions to a joint venture.

31 Related parties

Identity of related parties

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

Transactions with key management personnel

The Group's key management personnel are the Executive and Non-Executive Directors as identified in the Directors' Remuneration report on pages 120–153.

In addition to their salaries, the Group also provides non-cash benefits to Directors and contributes to their pension arrangements as disclosed on page 130. Key management personnel also participate in the Group's share option programme (see note 27).

Key management personnel compensation comprises:

	2023 £m	2022 £m
Total fixed pay as analysed in the Directors' remuneration report	**2.0**	1.9
Bonus as analysed in the Directors' remuneration report	**1.5**	1.2
Employer's national insurance contributions	**0.6**	0.4
Share-based payment charge[1]	**1.8**	1.1
Total key management personnel compensation	**5.9**	4.6

1. Share-based payment charge is calculated under IFRS 2 'Share-based Payments' as described in note 27.

Transactions with pension schemes

Details of transactions between the Group and pension schemes in which its employees participate are detailed in note 9.

31 Related parties continued

Transactions with joint ventures

	2023 £m	2022 £m
Construction services and materials	**0.9**	23.2
Staff and associated costs	**2.5**	2.4
Management services	**1.3**	1.0
Interest on loans to joint ventures	**0.4**	0.7
Plant hire	**0.2**	0.2
	5.3	27.5

Those joint ventures which the Directors consider to be material to the Group are disclosed in note 16.

Equity and other shareholder loans due from joint ventures are analysed below:

	2023 £m	2022 £m
Kier Cornwall Street Holdings 1 LLP	**16.2**	6.5
Kier Cornwall Street Holdings 2 LLP	**16.2**	6.5
Kier Richmond Holdings Limited	**9.9**	9.9
Kier PGIM Logistics Holdco Limited	**8.6**	7.4
Solum Regeneration (Twickenham) LLP	**8.5**	9.2
Solum Regeneration (Guildford) LLP	**7.5**	8.7
Solum Regeneration (Bishops) LLP	**7.5**	6.7
Watford Health Campus Partnership LLP	**7.2**	9.0
Kier Trade City Holdco 1 LLP	**6.8**	6.8
50 Bothwell Street Holdco 1 LLP	**5.2**	5.2
Solum Regeneration (Redhill) LLP	**3.1**	2.3
Solum Regeneration (Epsom) LLP	**1.6**	1.5
Solum Regeneration (Surbiton) LLP	**1.0**	0.8
Kier (Southampton) Investment Limited	**0.9**	12.2
Solum Regeneration (Maidstone) LLP	**0.7**	0.7
Solum Regeneration Holding 1 LLP	**0.7**	0.7
Solum Regeneration Holding 2 LLP	**0.2**	0.2
Kier (Newcastle) Investment Limited	**–**	11.1
	101.8	105.4

Trading balances and other loans due from/(to) joint ventures are analysed below:

	2023 £m	2022 £m
Kier Trade City LLP	**0.4**	(0.3)
Dragon Lane LLP	**0.1**	0.1
Kier Reading LLP	**(0.4)**	(0.4)
Kier Cornwall Street	**–**	2.0
Kier Maidenhead LLP	**–**	(0.4)
Lysander Student Operations Limited	**–**	(0.5)
Solum Regeneration (Twickenham) LLP	**–**	(6.7)
Winsford Devco LLP	**–**	–
Kier (Southampton) Investment Limited	**–**	–
Watford Health Campus Partnership LLP	**–**	–
Hackney Schools for the Future 2 Limited	**–**	–
Team Van Oord Limited	**–**	–
Kier Richmond Limited	**–**	–
	0.1	(6.2)

32 Subsidiaries and other undertakings

A full list of subsidiaries, branches, associated undertakings, and joint arrangements as at 30 June 2023 is detailed below. Unless stated otherwise, all undertakings are wholly owned and held indirectly by Kier Group plc.

Subsidiaries

Company name	Registered office[1]	Share class(es) held	% held by Group
2020 Liverpool Limited	1	Ordinary	100%
A C Chesters & Son Limited	1	Ordinary	100%
AK Student Living Limited	1	A Ordinary	100%
		B Ordinary	100%
Arena Central Developments LLP	1	–	100%
Arena Central Management Limited	1	A Ordinary	100%
			25%[3]
Caribbean Construction Company Limited	2	Ordinary	100%
Caxton Integrated Services Holdings Limited	1	Ordinary	100%
ClearBOX Limited	1	Ordinary	100%
Dudley Coles Limited	1	Ordinary	100%
FDT (Holdings) Ltd	1	Ordinary	100%
FDT Associates Ltd	1	Ordinary A	100%
Heart of Wales Property Services Limited	3	Ordinary	50%
J L Kier & Company (London) Limited	1	Ordinary	100%
J L Kier & Company Limited	1	Ordinary	100%
Kier (Catterick) Limited	1	A Ordinary	100%
		B Ordinary	100%
Kier (Kent) PSP Limited	1	A Ordinary	100%
		B Ordinary	100%
Kier (Malaysia) SDN. BHD. (in liquidation)	4	Ordinary	100%
Kier (Newcastle) Investment Ltd	1	Ordinary	100%
Kier (Newcastle) Operation Limited	1	Ordinary	100%
Kier (NR) Limited	1	Ordinary	100%
Kier Asset Partnership Services Limited	1	Ordinary	100%
Kier Benefits Limited	1	Ordinary	100%
Kier Build Limited	1	Ordinary	100%
Kier Business Services Limited	1	Ordinary	100%
Kier Caribbean and Industrial Limited	1	Ordinary	100%
Kier CB Limited	1	Ordinary	100%
Kier Commercial Investments Limited	1	Ordinary	100%
Kier Commercial UKSC Limited	1	Ordinary	100%
Kier Construction Limited	1	Ordinary	100%
Kier Construction Limited	5	Ordinary	100%
Kier Construction LLC[9]	6	Ordinary	49%
Kier Construction SA	7	Ordinary	100%
Kier Developments Limited	1	A Ordinary	100%
		B Ordinary	100%
		C Ordinary	100%
Kier Dormant Holdings Limited (in liquidation)	1	Ordinary	100%
Kier Dubai LLC[9]	8	Ordinary	49%
Kier Education Investments Limited	1	B Ordinary	100%
		M Ordinary	100%
Kier Education Services Limited	1	B Ordinary	100%
		M Ordinary	100%
Kier Energy Solutions Limited	1	Ordinary	100%
		A Ordinary	100%
Kier Ewan Limited	1	Ordinary	100%
Kier Facilities Services Limited	1	Ordinary	100%
Kier Finance & Treasury Holdings Limited	1	Ordinary	100%
Kier Finance Limited	1	Ordinary	100%
Kier Fleet Services Limited	1	Ordinary	100%
Kier Green Investments Limited (formerly Kier Thurrock Limited)	1	Ordinary	100%
Kier Group Trustees Limited[2]	1	Ordinary	100%
Kier Harlow Limited	1	A Ordinary	100%
		B Ordinary	100%
Kier Holdco 2 Limited	1	Ordinary	100%
Kier Holdings Limited	1	Ordinary	100%
		Irredeemable preference	100%
Kier Infrastructure and Overseas Limited	1	Ordinary	100%
Kier Infrastructure and Overseas Limited – Hong Kong Branch			
Kier Infrastructure and Overseas Limited – Jamaica Branch			
Kier Infrastructure and Overseas Limited – Trinidad Branch			

32 Subsidiaries and other undertakings continued

Company name	Registered office[1]	Share class(es) held	% held by Group
Kier Infrastructure Pty Ltd	9	Ordinary	100%
Kier Insurance Management Services Limited	1	Ordinary	100%
Kier Integrated Services (Estates) Limited	1	Ordinary	100%
Kier Integrated Services (Holdings) Limited	1	Ordinary	100%
		Deferred	100%
Kier Integrated Services (Trustees) Limited	1	Ordinary	100%
Kier Integrated Services Group Limited	1	Ordinary	100%
Kier Integrated Services Limited	1	Ordinary	100%
Kier International (Investments) Limited	1	Ordinary	100%
Kier International Limited	1	Ordinary	100%
Kier International Limited – India Branch (in liquidation)			
Kier International Limited – Jamaica Branch			
Kier International Limited	10	Ordinary	100%
Kier Islington Limited	1	Ordinary	100%
		Islington	100%
Kier Jamaica Development Limited	1	Ordinary	100%
Kier Limited[2]	1	Ordinary	100%
Kier Management Consulting Limited	1	Ordinary	100%
		A Ordinary	100%
		B Ordinary	100%
Kier MBS Limited	1	Ordinary	100%
Kier Midlands Limited	1	Ordinary	100%
Kier Minerals Limited	1	Ordinary	100%
Kier Mining Investments Limited	1	Ordinary	100%
Kier National Limited	1	Ordinary	100%
Kier North Tyneside Limited[5]	1	B Ordinary	100%
			80%[3]
Kier Overseas (Four) Limited	1	Ordinary	100%
Kier Overseas (Nine) Limited	1	Ordinary	100%
Kier Overseas (Seventeen) Limited	1	Ordinary	100%
Kier Overseas (Twenty-Three) Limited	1	Ordinary	100%
Kier Parkman Ewan Associates Limited	1	Ordinary A	100%
Kier Parkman GB Limited (in liquidation)	1	Ordinary	100%
Kier Parkman ServiGroup Limited (in liquidation)	1	Ordinary	100%

Company name	Registered office[1]	Share class(es) held	% held by Group
Kier Plant Limited	1	Ordinary	100%
Kier Professional Services Limited	1	Ordinary	100%
Kier Project Investment Limited	1	Ordinary	100%
Kier Property Developments Limited	1	Ordinary	100%
Kier Property Limited	1	Ordinary	100%
Kier Property Management Company Limited	1	Ordinary	100%
Kier Rail Limited	1	Ordinary	100%
Kier Recycling CIC	1	Ordinary	100%
Kier Services Limited	1	Ordinary	100%
Kier Sheffield LLP	1	–	80.1%
Kier South East Limited	1	Ordinary	100%
Kier Southern Limited	1	Ordinary	100%
Kier Stoke Limited	1	A Ordinary	100%
Kier Sydenham Limited	1	Ordinary	100%
Kier Traffic Support Limited	1	Ordinary	100%
Kier Transportation Limited (formerly Kier Highways Limited)	1	A Ordinary B Ordinary	100% 100%
Kier UKSC LLP	1	–	100%
Kier Ventures Limited	1	Ordinary	100%
Kier Ventures UKSC Limited	1	Ordinary	100%
Kier York Street LLP	1	–	100%
Liferange Limited	1	Ordinary	100%
Magnetic Limited	1	Ordinary	100%
McNicholas Construction (Holdings) Limited	1	Ordinary	100%
McNicholas Construction Services Limited	1	Ordinary	100%
MPHBS Limited	1	Ordinary	100%
MRBL Limited	1	Ordinary A	100%
		Ordinary B	100%
		Deferred B	100%
Parkman Consultants Limited	1	Ordinary	100%
Parkman Holdings Limited (in liquidation)	1	Ordinary	100%
Parkman Kenya Limited	11	Ordinary	100%
Parkman Nigeria Limited	12	Ordinary	100%
Pure Buildings Limited	1	Ordinary	100%
Pure Recycling Warwick Limited	1	Ordinary A	100%

Company name	Registered office[1]	Share class(es) held	% held by Group
		Ordinary B	100%
Saudi Kier Construction Limited (in liquidation)	13	Ordinary	100%
T Cartledge Limited	1	Ordinary	100%
T H Construction Limited	1	Ordinary	100%
T J Brent Limited	1	Ordinary	100%
		Ordinary B	100%
		Ordinary C	100%
Tempsford Insurance Company Limited[2]	14	Ordinary	100%
The Impact Partnership (Rochdale Borough) Limited	1	Ordinary	80.1%
Tor2 Limited	1	PSP Shares	100%
			80.01%[3]
TradeDirect Logistics Limited	1	Ordinary	100%
Turriff Contractors Limited	15	Ordinary	100%
Turriff Group Limited	15	Ordinary	100%
		Ordinary A	100%
		Ordinary B	100%
Usherlink Limited	1	Ordinary	100%
W. & C. French (Construction) Limited	1	Ordinary	100%
Wallis Limited	1	Ordinary	100%
Wallis Western Limited	1	Ordinary	100%
William Moss Construction Limited (in liquidation)	16	Ordinary	100%
William Moss Group Limited (The)	1	Ordinary	100%

1. See list of registered office details and explanatory notes on page 235.

Listed below are subsidiaries controlled and consolidated by the Group, which under Section 479A of the Companies Act 2006 (the 'Act') are exempt from the requirements of the Act relating to the audit of accounts.

Company name	Company registration number	Year-end
2020 Liverpool Limited	04782302	31 March 2023
Arena Central Developments LLP	OC305452	30 June 2023
Caxton Integrated Services Holdings Limited	01531034	30 June 2023
ClearBOX Limited	08658406	30 June 2023
Kier (Catterick) Limited	07372563	30 June 2023
Kier (Newcastle) Investment Ltd	09978111	30 June 2023
Kier (Newcastle) Operation Limited	10609470	30 June 2023
Kier Asset Partnership Services Limited	06928701	30 June 2023
Kier Build Limited	01551959	30 June 2023
Kier Commercial Investments Limited	04002798	30 June 2023
Kier Education Investments Limited	06458919	30 June 2023
Kier Education Services Limited	05457729	30 June 2023
Kier Finance Limited	05887689	30 June 2023
Kier Green Investments Limited (formerly Kier Thurrock Limited)	08922437	30 June 2023
Kier Harlow Limited	05961079	30 June 2023
Kier Holdings Limited	05887559	30 June 2023
Kier International (Investments) Limited	01463191	30 June 2023
Kier Islington Limited	03922885	30 June 2023
Kier MBS Limited	11632543	30 June 2023
Kier Minerals Limited	02099531	30 June 2023
Kier Overseas (Nine) Limited	01531039	30 June 2023
Kier Overseas (Seventeen) Limited	01462100	30 June 2023
Kier Overseas (Twenty-Three) Limited	02127112	30 June 2023
Kier Plant Limited	04233359	30 June 2023
Kier Professional Services Limited	08881783	30 June 2023
Kier Recycling CIC	03153490	30 June 2023
Kier Stoke Limited	06391459	30 June 2023
Kier Sydenham Limited	08486944	30 June 2023
Kier Thurrock Limited	08922437	30 June 2023
Magnetic Limited	07775665	30 June 2023
MPHBS Limited	05916368	30 June 2023
Pure Buildings Limited	06290364	30 June 2023
T H Construction Limited	01532971	30 June 2023
TradeDirect Logistics Limited	11400572	30 June 2023

32 Subsidiaries and other undertakings continued
Joint ventures

Company name	Registered office[1]	Interest held
Property		
3 Sovereign Square Holdings 1 LLP	1	50%
3 Sovereign Square Holdings 2 LLP	1	50%
3 Sovereign Square LLP	1	50%
50 Bothwell Street Holdco 1 LLP	17	50%
50 Bothwell Street Holdco 2 LLP	17	50%
50 Bothwell Street LLP	17	50%
Dragon Lane Holdings 1 LLP	1	50%
Dragon Lane Holdings 2 LLP	1	50%
Dragon Lane LLP	1	50%
Kent LEP 1 Limited	1	80%
Kier (Southampton) Development Limited	1	75%
Kier (Southampton) Investment Limited	1	75%
Kier (Southampton) Operations Limited	1	75%
Kier Cornwall Street Holdings 1 LLP	1	90%
Kier Cornwall Street Holdings 2 LLP	1	90%
Kier Cornwall Street LLP	1	90%
Kier Countryside Holdings 1 LLP	18	50%
Kier Countryside Holdings 2 LLP	18	50%
Kier Foley Street Holdco 1 LLP	1	90%
Kier Foley Street Holdco 2 LLP	1	90%
Kier Foley Street LLP	1	90%
Kier HGP Devco 1 LLP	1	50%
Kier HGP Devco 2 LLP	1	50%
Kier HGP Holdings 2 Limited	1	50%
Kier HGP Holdings LLP	1	50%
Kier Maidenhead Holdings 1 LLP	1	90%
Kier Maidenhead Holdings 2 LLP	1	90%
Kier Maidenhead LLP	1	90%
Kier PGIM Logistics (Bognor) Ltd	1	25.5%
Kier PGIM Logistics (Bracknell) Ltd	1	25.5%
Kier PGIM Logistics (Knowsley) Ltd	1	25.5%
Kier PGIM Logistics (Milton Keynes) Ltd	1	25.5%
Kier PGIM Logistics (St. Albans) Ltd	1	25.5%
Kier PGIM Logistics Holdco Ltd	1	25.5%
Kier PGIM Logistics Propco 5 Ltd	1	25.5%
Kier PGIM Logistics Propco 7 Ltd	1	25.5%
Kier PGIM Logistics Propco 8 Ltd	1	25.5%
Kier Reading Holdco 1 LLP	1	90%
Kier Reading Holdco 2 LLP	1	90%
Kier Reading LLP	1	90%
Kier Richmond Holdings Limited	1	90%
Kier Richmond Limited	1	90%
Kier Sydenham GP Holdco Limited	1	50%
Kier Sydenham GP Limited	1	50%
Kier Sydenham LP	1	50%
Kier Sydenham Nominee Limited	1	50%
Kier Trade City Holdco 1 LLP	1	90%
Kier Trade City Holdco 2 LLP	1	90%
Kier Trade City LLP	1	90%
Kier Warth Limited	1	50%
Lysander Student Properties Investments Limited	1	75%
Lysander Student Properties Limited	1	75%
Lysander Student Properties Operations Limited	1	75%
Penda Limited	1	50%
Premier Inn Kier Limited	1	50%
Saltbox Business Park (Management) Limited	1	16.75%
Solum Regeneration (Bishops) LLP	1	50%
Solum Regeneration (Epsom) Limited Partnership	1	50%
Solum Regeneration (Guildford) LLP	1	50%
Solum Regeneration (Haywards) LLP	1	50%
Solum Regeneration (Kingswood) LLP	1	50%
Solum Regeneration (Maidstone) LLP	1	50%
Solum Regeneration (Redhill) LLP	1	50%
Solum Regeneration (Surbiton) LLP	1	50%
Solum Regeneration (Twickenham) LLP	1	50%

Company name	Registered office[1]	Interest held
Solum Regeneration (Walthamstow) LLP	1	50%
Solum Regeneration Epsom (GP Subsidiary) Limited	1	50%
Solum Regeneration Epsom (GP) Limited	1	50%
Solum Regeneration Epsom (Residential) LLP	1	50%
Solum Regeneration Holding 1 LLP	1	50%
Solum Regeneration Holding 2 LLP	1	50%
Transcend Property Limited	19	50%
Tri-Link 140 Holdings 1 LLP	1	50%
Tri-Link 140 Holdings 2 LLP	1	50%
Tri-Link 140 LLP	1	50%
Watford Health Campus Limited	1	50%
Watford Health Campus Partnership LLP	1	50%
Watford Riverwell (Family Housing) LLP	1	50%
Watford Riverwell Management Company Limited	1	50%
Watford Woodlands LLP	1	50%
Winsford Devco LLP	1	50%
Winsford Holdings 1 LLP	1	50%
Winsford Holdings 2 LLP	1	50%
Construction		
Kier Graham Defence Limited	1	50%
Services		
2020 Knowsley Limited	1	80.1%
Hackney Schools for the Future Limited	1	80%
Team Van Oord Limited	20	25%

1. See list of registered office details and explanatory notes on page 235.

32 Subsidiaries and other undertakings continued

Joint operation name	Description	Trading address
UK		
Crossrail Contracts 300/410/435	a joint arrangement between Kier Infrastructure and Overseas Limited, BAM Nuttall Limited and Ferrovial Agroman (UK) Limited	BAM Ferrovial Kier JV C435, The London School of Beauty, 18-19 Long Lane, London, EC1A 9LP
Deephams	a joint arrangement between Kier Infrastructure and Overseas Limited, J Murphy & Sons Limited, and Aecom Limited	Deephams Sewage Treatment Wales, Pickett's Lock Lane, Edmonton, N9 0BA
Devonport	a joint arrangement between Kier Infrastructure and Overseas Limited and BAM Nuttall Limited	St. James House, Knoll Road, Camberley, Surrey, GU15 3XW
EKFB	a joint arrangement between Kier Infrastructure and Overseas Limited, Eiffage Génie Civil, Ferrovial Agroman (UK) Limited and BAM Nuttall Limited	5th Floor, Exchange House, Midsummer Boulevard, Milton Keynes, MK9 2EA
Hercules	a joint arrangement between Kier Construction Limited, Kier Living Limited and Balfour Beatty	Hercules Site Offices, The Wessex Building, MOD Lyneham, Calne Road, Lyneham, Chippenham, SN15 4PZ
Hinkley Framework	a joint arrangement between Kier Infrastructure and Overseas Limited and BAM Nuttall Limited	J23 P&R HPC Postal Consolidation Centre, Huntsworth Business Centre, North Petherton, Somerset, TA6 6TS
Kier BAM JV	a joint arrangement between Kier Integrated Services Limited and BAM Civil Limited (company number 17543, registered office Kill, County Kildaire)	2nd Floor, Optimum House, Clippers Quay, Salford, M50 3XP
KCD	a joint arrangement between Kier Integrated Services Limited and Clancy Docwra Limited	Thames Water Offices, Clear Water Court, Vastern Rd, Reading, RG1 8DB
Luton People Mover	a joint arrangement between Kier Infrastructure and Overseas Limited and VolkerFitzpatrick Limited	Hertford Road, Hoddesdon, EN11 9BX
Mersey Gateway	a joint arrangement between Kier Infrastructure and Overseas Limited, Samsung C&T ECUK Limited and FCC Construccion S.A.	Forward Point, Tan House Lane, Widnes, WA8 0SL
RAF Lakenheath	a joint arrangement between Kier Construction Limited and VolkerFitzpatrick Limited	Hertford Road, Hoddesdon, EN11 9BX
Tarmac Kier JV	a joint arrangement between Kier Highways Limited and Tarmac Trading Limited	2nd Floor, Optimum House, Clippers Quay Salford, M50 3XP
International		
The following joint operations, in which the Group participation is between 30% and 65%, operate overseas in the territory indicated:		
MTRC Contract 824	a joint arrangement between Kier Infrastructure and Overseas Limited and Kaden Construction Limited	Tower B, 6/F, Manulife Financial Centre, 223 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong
MTRC Contract 901	a joint arrangement between Kier Infrastructure and Overseas Limited, Laing O'Rourke Hong Kong Limited and Kaden Construction Limited	Room 905, 9/F, King's Road, North Point, Hong Kong
Saadiyat Rotana Hotel and Resort Complex	a joint arrangement between Kier Construction LLC and Ali and Sons Contracting Co LLC	P.O. Box 2153, Abu Dhabi
Kier ACC	a joint arrangement between Kier Dubai LLC and Arabian Construction Co.SAL	P.O. Box 24461, Dubai

Registered office addresses

Number	Address
1	2nd Floor, Optimum House, Clippers Quay, Salford, M50 3XP, UK
2	Harbour Head, Harbour View, Kingston 17, Jamaica
3	Unit 31, Ddole Road Industrial Estate, Llandrindod Wells, Powys, LD1 6DF, UK
4	9-5 & 7-5, Jalan 8/146, Bandar Tasik Selatan, Kuala Lumpur, 57000, Malaysia
5	c/o Grant Thornton, Cnr Bank Street and West Independence Sq Street, Basseterre, Saint Kitts and Nevis
6	Unit 869, Al Gaith Tower, Hamdan Street, PO Box 61967, Abu Dhabi, United Arab Emirates
7	151 Angle Avenue, Jean Paul II et Impasse Duverger, Turgeau, Port-au-Prince, Haiti
8	905, 9th Floor, Thuraya Tower, Tecom, P.O. Box 24461, Dubai, United Arab Emirates
9	Pinsent Masons, Level 46, 101 Collins Street, Melbourne, VIC 3000, Australia
10	6th Floor, Emperor Commercial Centre, 39 Des Voeux Road Central, Hong Kong
11	5th Floor, Agip House, P.O. Box 41425, Nairobi, Kenya
12	9, N/Azikiwe St., Lagos, Nigeria
13	Office No 5, 3rd Floor, Building No 8122, street 4A, 5323 Prince Muhammad Ibn Soud Dist, P.C. 32241 Dammam, Kingdom of Saudi Arabia
14	PO Box 33, Dorey Court, Admiral Park, St Peter Port, GY1 4AT, Guernsey
15	Campsie House, Buchanan Business Park, Cumbernauld Road, Stepps, Glasgow, G33 6HZ, UK
16	1 More London Place, London, SE1 2AF, UK
17	Renoir House, 135-137 New Bond Street, Mayfair, London, England, W1S 2TQ, UK
18	Countryside House, The Drive, Brentwood, Essex, CM13 3AT, UK
19	1 Kingsway, London, WC2B 6AN, UK
20	Bankside House, Henfield Road, Small Dole, Henfield, West Sussex, BN5 9XQ, UK

Explanatory notes

1. The share capital of all entities is wholly owned and held indirectly by Kier Group plc unless indicated otherwise.
2. Shares held directly by Kier Group plc.
3. Total interest in entity held by the Group as there are other share class(es) held by a third party.
4. In some jurisdictions in which the Group operates, share classes are not defined and in these instances, for the purposes of disclosure, these holdings have been classified as ordinary shares.
5. The Group has entered into a partnership arrangement with North Tyneside Council whereby the Council has a participating ownership interest and receives a minority share of the profits of Kier North Tyneside Limited.
6. Joint operations are contracted agreements to co-operate on a specific project which is an extension of the Group's existing business. Joint ventures are ongoing businesses carrying on their own trade.
7. Interests in the above joint ventures are held by subsidiary undertakings.
8. The joint ventures where the Group has an interest in excess of 50% are still considered joint ventures as the Group has joint control.
9. Accounted for as a subsidiary as control is achieved through an agreement between shareholders.
10. Where companies are shown as being in liquidation, in all cases this is either a members' voluntary liquidation or a strike-off application.

33 Post balance sheet event

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

Company balance sheet

As at 30 June 2023

	Note	2023 £m	2022 £m
Non-current assets			
Investments	5	**446.2**	437.8
Deferred tax assets[1]	6	**3.1**	3.3
Amounts due from subsidiary undertakings	7	**1,525.4**	1,467.5
Other financial assets	9	**9.7**	8.5
Non-current assets		**1,984.4**	1,917.1
Current assets			
Other financial assets	9	**1.0**	3.7
Current assets		**1.0**	3.7
Total assets		**1,985.4**	1,920.8
Current liabilities			
Bank overdraft		**(444.3)**	(415.8)
Creditors: amounts falling due within one year	8	**(2.5)**	(42.4)
Corporation tax payable[1]		**(15.2)**	(9.9)
Provisions for liabilities		**(2.2)**	(1.2)
Current liabilities		**(464.2)**	(469.3)
Non-current liabilities			
Creditors: amounts falling due after more than one year	8	**(309.4)**	(266.5)
Amounts due to subsidiary undertakings	8	**(56.0)**	(60.9)
Provisions for liabilities		**–**	(2.2)
Non-current liabilities		**(365.4)**	(329.6)
Total liabilities		**(829.6)**	(798.9)
Net assets		**1,155.8**	1,121.9

	Note	2023 £m	2022 £m
Shareholders' funds			
Called up share capital	9	**4.5**	4.5
Share premium account		**684.3**	684.3
Merger reserve		**350.6**	350.6
Capital redemption reserve		**2.7**	2.7
Profit and loss account		**111.1**	79.7
Cash flow hedge reserve		**2.6**	0.1
Total equity		**1,155.8**	1,121.9

1. Deferred tax asset of £3.3m and corporation tax payable of £9.9m have been re-presented in the comparative information to be shown separately on the face of the balance sheet and to present deferred tax in non-current assets.

The profit for the year was £34.9m (2022: £20.6m).

The financial statements of Kier Group plc, company registration number 2708030, on pages 236–241 were approved by the Board of Directors on 13 September 2023 and were signed on its behalf by:

Andrew Davies
Chief Executive

Simon Kesterton
Chief Financial Officer

Company statement of changes in equity

For the year ended 30 June 2023

	Called up share capital £m	Share premium account £m	Merger reserve £m	Capital redemption reserve £m	Profit and loss account £m	Cash flow hedge reserve £m	Total equity £m
At 1 July 2021	4.5	684.3	350.6	2.7	57.2	0.9	1,100.2
Profit for the year	–	–	–	–	20.6	–	20.6
Other comprehensive expense	–	–	–	–	–	(0.8)	(0.8)
Total comprehensive income/(expense) for the year	–	–	–	–	20.6	(0.8)	19.8
Purchase of own shares	–	–	–	–	(6.7)	–	(6.7)
Share-based payments	–	–	–	–	8.6	–	8.6
At 30 June 2022	4.5	684.3	350.6	2.7	79.7	0.1	1,121.9
Profit for the year	**–**	**–**	**–**	**–**	**34.9**	**–**	**34.9**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**2.5**	**2.5**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**34.9**	**2.5**	**37.4**
Purchase of own shares	**–**	**–**	**–**	**–**	**(11.9)**	**–**	**(11.9)**
Share-based payments	**–**	**–**	**–**	**–**	**8.4**	**–**	**8.4**
At 30 June 2023	**4.5**	**684.3**	**350.6**	**2.7**	**111.1**	**2.6**	**1,155.8**

Included in the profit and loss account is the balance on the share scheme reserve which comprises the investment in own shares of £11.2m (2022: £6.9m) and a credit balance on the share scheme reserve of £12.8m (2022: £15.5m).

Details of the shares held by the Kier Group 1999 Employee Benefit Trust and of the share-based payment scheme are included in note 27 to the consolidated financial statements.

Notes to the Company financial statements

For the year ended 30 June 2023

1 Accounting policies

The principal accounting policies are summarised below. Other than where new accounting policies have been adopted (as noted below), they have been applied consistently throughout the year and the preceding year.

Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ('FRS 101') and the Companies Act 2006. The financial statements have been prepared under the historical cost convention, except for derivative financial instruments which are stated at their fair value.

Kier Group plc is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is 2nd Floor, Optimum House, Clippers Quay, Salford, England, M50 3XP.

The Company's financial statements are included in the Kier Group plc consolidated financial statements for the year ended 30 June 2023. As permitted by Section 408 of the Companies Act 2006, the Company has not presented its own profit and loss account.

None of the standards, interpretations or amendments effective for the first time from 1 July 2022 have a material effect on the Company's financial statements.

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 101:

- The requirement of paragraphs 45(b) and 46–52 of IFRS 2 'Share-Based Payments'
- The requirements of IFRS 7 'Financial Instruments: Disclosures'
- The requirements of paragraphs 91–99 of IFRS 13
- 'Fair Value Measurement'
- The requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of paragraph 79(a)(iv) of IAS 1
- The requirement of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134–136 of IAS 1 'Presentation of Financial Statements'
- The requirements of IAS 7 'Statement of Cash Flows'
- The requirements of paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'
- The requirement of paragraphs 17 and 18A of IAS 24 'Related Party Disclosures'
- The requirements in IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group
- The requirements of paragraphs 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 'Impairment of Assets'.

These financial statements are separate financial statements.

Where required, equivalent disclosures are given in the Annual Report and Accounts of the Group as shown in notes 1–10.

Going concern

The Directors have made enquiries and have a reasonable expectation that the Company has adequate resources to continue in existence for the foreseeable future. For this reason, they adopt the going concern basis in preparing the financial statements. See also pages 171 and 172.

Fixed asset investments

Investments in subsidiary undertakings are included in the balance sheet at cost less any provision for impairment.

Taxation

Income tax comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The deferred tax provision is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of a past event, and where it is probable that an outflow will be required to settle the obligation and the amount can be reliably estimated.

Financial instruments

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. The principal financial assets and liabilities of the Company are as follows:

(a) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, including bank deposits with original maturities of three months or less, net of bank overdrafts where legal right of set-off exists. Bank overdrafts are included within financial liabilities in current liabilities in the balance sheet.

(b) Bank and other borrowings

Interest-bearing bank and other borrowings are recorded at the fair value of the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the income statement using the effective interest method and are added to the carrying value of the instrument to the extent that they are not settled in the period in which they arise.

(c) Amounts due from subsidiary undertakings

Amounts due from subsidiaries are initially recorded at their fair value. Subsequent to initial recognition, the loans are measured at amortised cost. In accordance with IFRS 9, the Company has undertaken an exercise of calculating the expected credit losses on the amounts due from subsidiaries. The Directors regard the relevant subsidiaries as having a relatively low probability of default on the loans and do not consider that there has been a significant increase in credit risk since the loan was first recognised. By virtue of their participation in Group bank pooling arrangements, the subsidiaries had access to sufficient facilities to enable them to repay the loans, if demanded, at the reporting date. Only immaterial amounts of expected credit losses were calculated and, therefore, the Company has chosen not to adjust the value of the loans for any expected credit loss provisions.

(d) Derivative financial instruments

Derivatives are initially recognised at fair value on the date that the contract is entered into and subsequently remeasured in future periods at their fair value. The method of recognising the resulting change in fair value depends on whether the derivative is designated as a hedging instrument and whether the hedging relationship is effective.

For cash flow hedges, the effective portion of changes in the fair value of these derivatives is recognised in the cash flow hedge reserve within equity. Any ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are recycled to the income statement in the periods when the hedged items will affect profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, the hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

The Company enters into forward contracts in order to hedge against transactional foreign currency exposures. In cases where these derivative instruments are significant, hedge accounting is applied as described above. Where hedge accounting is not applied, changes in fair value of derivatives are recognised in the income statement. The fair values of derivative instruments have been derived from proprietary models used by the bank counterparties using mid-market mark to market valuations for trades at the close of business on the balance sheet date.

Share-based payments

Share-based payments granted but not vested are valued at the fair value of the shares at the date of grant. This applies to the Sharesave, Conditional Share Award Plan and Long-Term Incentive Plan ('LTIP') schemes. The fair value of these schemes at the date of award is calculated using the Black-Scholes model apart from the total shareholder return element of the LTIP which is based on a Stochastic model. Awards that are subject to a post-vesting holding period are valued using the Finnerty model.

The cost to the Company of awards to employees under the LTIP scheme is spread on a straight-line basis over the relevant performance period. The scheme awards to senior employees of the Company a number of shares which will vest after three years if particular criteria are met. The cost of the scheme is based on the fair value of the shares at the date the options are granted.

Shares purchased and held in trust in connection with the Company's share schemes are deducted from retained earnings. No gain or loss is recognised within the income statement on the market value of these shares compared with the original cost.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company accounting policies which are described above, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates are based on historical experience and the factors that are considered to be relevant. Actual results may differ from those estimates.

The estimates are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised.

There are no critical judgements, apart from those involving estimates, that the Directors have made in the process of applying the Company's accounting policies and that have a significant effect on the amounts recognised in the financial statements.

1 Accounting policies continued

Valuation of investments

The Company tests annually whether its investments have suffered any impairment. The recoverable amounts of subsidiaries are determined based on value in use calculations or fair value less cost to sell, if held for sale. These calculations require the use of estimates.

Considerable headroom exists when comparing the book value of the investments with their recoverable amounts. Therefore, the Directors have determined that the investment value is not particularly sensitive to changes in the assumptions used in the value in use calculations. Any reasonable adjustment to any of the assumptions would not result in an impairment of the investments.

2 Profit/(loss) for the year

As permitted by section 408 of the Companies Act 2006, the Company has elected not to present its own profit and loss account for the year. The profit for the year was £34.9m (2022: £20.6m).

The auditors' remuneration for audit services to the Company was £0.1m (2022: £0.1m).

3 Information relating to Directors and employees

Information relating to Directors' emoluments, pension entitlements, share options and LTIP interests appears in the Directors' remuneration report on pages 120–153. The Company has no employees other than the Directors.

4 Dividends

No dividends have been paid by the Company (2022: £nil). See note 11 to the consolidated financial statements.

5 Investments

	2023 £m	2022 £m
At 1 July	**437.8**	429.2
Capital contributions	**8.4**	8.6
At 30 June	**446.2**	437.8

Details of the Company's subsidiaries at 30 June 2023 are provided in note 32 to the consolidated financial statements.

Capital contributions of £8.4m were made during the year ended 30 June 2023 in relation to share-based payments on behalf of subsidiaries (2022: £8.6m).

Certain subsidiaries of the Group have opted to take advantage of a statutory exemption from having an audit in respect of their individual statutory accounts. Strict criteria must be met for this exemption to be taken and it must be agreed to by the directors of those subsidiary companies. Listed in note 32 are subsidiaries controlled and consolidated by the Group where the directors have taken advantage of the exemption from having an audit of the companies' individual financial statements in accordance with Section 479A of the Companies Act 2006.

In order to facilitate the adoption of this exemption, Kier Group plc, the ultimate parent company of the subsidiaries concerned, undertakes to provide a guarantee under Section 479C of the Companies Act 2006 in respect of those subsidiaries.

6 Deferred tax assets

	2023 £m	2022 £m
Deferred tax	**3.1**	3.3
	3.1	3.3

7 Debtors

	2023 £m	2022 £m
Amounts falling due after more than one year:		
Amounts due from subsidiary undertakings[1]	**1,525.4**	1,467.5
	1,525.4	1,467.5

1. The amounts due from subsidiary undertakings incur interest at 4.0%, loans are contractually repayable on demand or in a period of up to 4 years but no amounts are expected to be repaid within 12 months.

8 Creditors

	2023 £m	2022 £m
Amounts falling due within one year:		
Borrowings	**–**	40.5
Other creditors	**2.5**	1.9
	2.5	42.4
Amounts falling due after more than one year:		
Borrowings	**309.4**	266.5
Amounts due to subsidiary undertakings[1]	**56.0**	60.9
	365.4	327.4

1. The amounts due to subsidiary undertakings incur interest at 4.0% and are repayable after one year.

Further details on borrowings are included in note 22 to the consolidated financial statements.

9 Other financial assets

The Company has the following cross-currency and interest rate swaps:

- One cross-currency swap taken out in 2014 to hedge the currency risk on a US dollar-denominated loan, nominal value US$40.0m.
- One floating to fixed interest rate swap taken out in 2022 to hedge the interest rate risk on part of the Group's revolving credit facility, nominal value £100.0m.
- One floating to fixed interest rate swap taken out in 2023 to hedge the interest rate risk on part of the Group's revolving credit facility, nominal value £100.0m, reducing to £75.0m in 2024 and £50.0m in 2025.

In FY22, the Company had three additional cross-currency swaps, two with a total value of $20m and one with a value of €10m. They all expired during the year.

The Company has assessed the effectiveness of these swaps and concluded that they are highly effective. No amount in relation to hedge ineffectiveness has been charged or credited to the income statement in relation to any cross-currency or interest rate swap.

The following table indicates the periods in which the cash flows associated with cash flow hedges are expected to occur and the fair value of the related hedging instruments:

	Fair value £m	Total £m	0–1 year £m	1–2 years £m	Expected cash flows 2–5 years £m
Cross-currency swaps: asset					
Gross settled inflows	–	33.7	1.5	32.2	–
Gross settled outflows	–	(26.8)	(1.1)	(25.7)	–
	6.5	6.9	0.4	6.5	–
Interest rate swaps: assets					
Net settled inflows	4.2	2.6	1.7	0.6	0.3

Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). The Company uses cross-currency and interest rate swaps for hedging. These derivatives are classified as level 2. The prices of derivative transactions have been derived from proprietary models used by the bank counterparties using mid-market mark to market valuations for trades at the close of business on 30 June 2023.

Level 3 – Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table presents the Company's financial assets and liabilities that are measured at fair value at 30 June 2023:

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets				
Derivatives used for hedging – Cross-currency swaps	**–**	**6.5**	**–**	**6.5**
Derivatives used for hedging – Interest rate swaps	**–**	**4.2**	**–**	**4.2**
	–	**10.7**	**–**	**10.7**

The following table presents the Company's financial assets and liabilities that are measured at fair value at 30 June 2022:

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets				
Derivatives used for hedging – Cross-currency swaps	–	12.2	–	12.2
Derivatives used for hedging – Interest rate swaps	–	–	–	–
	–	12.2	–	12.2

There were no transfers between levels 1 and 2 during the year.

10 Called up share capital

Details of the share capital of the Company are included in note 26 to the consolidated financial statements.

Financial record

(unaudited)

Continuing operations

Year ended 30 June	2023 £m	2022 £m	2021 £m	2020 £m	2019 £m
Revenue: Group and share of joint ventures	**3,405.4**	3,256.5	3,328.5	3,475.6	4,106.0
Less share of joint ventures	**(24.7)**	(112.6)	(67.5)	(53.1)	(154.9)
Group revenue	**3,380.7**	3,143.9	3,261.0	3,422.5	3,951.1
Profit					
Group operating profit[1]	**116.3**	93.6	96.4	41.0	75.6
Share of post-tax results of joint ventures	**1.1**	26.9	3.9	(0.2)	10.1
Other income	**14.1**	–	–	0.6	–
Operating profit before adjusting items	**131.5**	120.5	100.3	41.4	85.7
Net finance costs before adjusting items	**(26.7)**	(26.4)	(34.9)	(24.5)	(24.3)
Profit before adjusting items and tax	**104.8**	94.1	65.4	16.9	61.4
Amortisation of acquired intangible assets relating to contract rights	**(19.2)**	(19.7)	(21.0)	(23.7)	(24.8)
Adjusting finance costs	**(2.9)**	(2.8)	(3.2)	(5.2)	(1.7)
Other adjusting items	**(30.8)**	(55.7)	(35.6)	(213.3)	(264.4)
Profit/(loss) before tax	**51.9**	15.9	5.6	(225.3)	(229.5)
Basic earnings per share before adjusting items	**19.2p**	16.8p	25.0p	12.2p	24.8p
Dividend per share	**–**	–	–	–	3.9p
At 30 June					
Shareholders' funds (£m)	**513.0**	554.6	435.0	240.8	519.6

1. Stated before adjusting items. See note 5 for reference to adjusting items.

Glossary of alternative performance measures

The Group presents various alternative performance measures ('APMs') as the performance of the Group is reported and measured on this basis internally. This includes key performance indicators ('KPIs') which are included on page 40.

APM	Purpose	Reference
Total Group revenue	Revenue from the Group from continuing operations including joint ventures	KPIs Consolidated income statement
Adjusted operating profit	Operating profit for the year from continuing operations before adjusting items	KPIs Note 5
Adjusted profit before tax	Profit before tax for the year from continuing operations before adjusting items	Note 5
Adjusted earnings per share	Earnings per share for the year generated from continuing operations before adjusting items	KPIs Note 12
Adjusted diluted earnings per share	Diluted earnings per share for the year generated from continuing operations before adjusting items	Note 12
Adjusted cash flow from operating activities	Cash flow from operating activities for the year before adjusting items	Note 5
Net cash	The Group's net cash at the year-end date	KPIs Note 22
Average net debt	The Group's net cash/(debt) as an average of the month end positions up to the previous year-end date	KPIs Note 22
Free cash flow	An alternative cash flow measure to evaluate what is available for distribution	KPIs Note 22(c)
Operating free cash flow	Free cash flow before the payment of interest and tax	Operational review (pages 24–31) Finance review (pages 84–89)
Operating free cash flow conversion	Cash conversion calculated as a percentage of operating free cash flow over adjusted operating profit	Operational review (pages 24–31) Finance review (pages 84–89)
Adjusted operating margin	Operating margin calculated as a percentage of adjusted operating profit over total Group revenue	Operational review (pages 24–31)
Order book	Secured and probable future contract revenue not currently recognised in the financial statements	KPIs

www.kier.co.uk

Our corporate website has key information covering our capabilities, markets, corporate responsibility and investor relations.

Join the conversation

Engage with us and keep up with the latest news and developments via social media.

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Kier Group plc
2nd Floor
Optimum House
Clippers Quay
Salford
M50 3XP