7 March 2024

Kier Group plc

Results for the period ended 31 December 2023

Strong operational performance; Material debt reduction; Dividend resumed

Kier Group plc ("Kier", the "Company" or the "Group"), a leading UK infrastructure services, construction and property group, announces its results for the six months ended 31 December 2023 ("HY24" or the "period").

Highlights

(£m unless otherwise stated)	**Six months to 31 December 2023[1]**	Six months to 31 December 2022[1]	*Change*
Adjusted results			
Revenue[2]	**1,883**	1,537	*23%*
Adjusted operating profit[3]	**64.7**	57.2	*13%*
Adjusted operating margin	**3.4%**	3.7%	*(30)bps*
Adjusted profit before tax[4]	**49.0**	45.8	*7%*
Adjusted basic earnings per share (note 9)	**8.7p**	8.5p	*2%*
Net cash / (debt)[5]	**17.0**	(130.6)	*113%*
Average month-end net debt	**(136.5)**	(242.7)	*44%*
Statutory reported			
Group revenue	**1,862**	1,526	*22%*
Profit from operations	**44.1**	38.3	*15%*
Profit before tax	**27.0**	25.4	*6%*
Basic earnings per share (note 9)	**4.6p**	4.7p	*(2)%*
Interim dividend per share	**1.67p**	-	-

HY24 Highlights

- Revenue growth and improved profitability driving material deleveraging
  - Revenue growth of 23% driven by Infrastructure Services and Construction
  - Adjusted operating profit increased 13% to £64.7m (HY23: £57.2m)
  - Adjusted operating margin at 3.4%, in-line with the medium-term target
  - Adjusted basic EPS: 8.7p (HY23: 8.5p), up 2%
  - Reported profit from operations increased 15% to £44.1m (HY23: £38.3m)
  - Free Cash Flow of £(7.9)m materially improved over the prior period (HY23 £(87.8)m) following a strong Q1 performance
  - Net cash at period-end of £17.0m, significantly higher than prior period-end (HY23: net debt (£130.6m)
  - Average month-end net debt materially reduced by £106.2m to £(136.5m)
- Resumption of dividends, with an interim dividend declared of 1.67p per share
- High quality order book, increased 6% to £10.7bn (FY23: £10.1bn) providing significant visibility
  - 97% of expected FY24 revenue secured
- Acquisition of Buckingham Group's rail assets fully integrated into the business and performing ahead of expectations as at the time of the transaction
- Successful refinancing post period-end providing long-term debt facilities and a strengthened maturity profile
- Sustainability strategy on track to deliver ESG targets

[1] Continuing operations
[2] Revenue of the Group and its share of revenue from joint ventures
[3] Stated before adjusting items of £9.5m (HY23: £9.1m) and amortisation of acquired intangible assets of £11.1m (HY23: £9.8m).
[4] Stated before adjusting items of £10.9m (HY23: £10.6m) and amortisation of acquired intangible assets of £11.1m (HY23: £9.8m).
[5] Disclosed net of the effect of hedging instruments and excludes leases – see note 13 to the preliminary financial statements.

Andrew Davies, Chief Executive, said:
"The past two and a half years have seen the Group achieve significant operational and financial progress and I am delighted that today marks a return to paying dividends. The first half has seen the Group deliver strong volume and profit growth, increased orders and material deleveraging. This 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 £10.7bn 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 that the Group significantly improved upon its year-end net cash position with significantly lower average month-end net debt and has confidence in sustaining this momentum going forward.

The second half of the financial year has started well, and we are trading in-line with 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 achieved over the last 18 months, allowing us to continue to significantly deleverage the Group. We remain committed to delivering our medium-term value creation plan which will benefit all stakeholders."

HY24 Results Presentation
Kier Group plc will host a presentation for analysts and investors at 9:00am on 7 March 2024 at the offices of FTI Consulting, 200 Aldersgate Street, London EC1A 4HD.

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

Analysts unable to attend in person will be able to join the webcast using the details below:
Webcast: https://www.investis-live.com/kier/65c25190d0d52012009b361c/aerz
United Kingdom (Local): +44 20 3936 2999
United Kingdom (Toll-Free): +44 800 358 1035
Conference password: 010525

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

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

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

Principal Risks and Uncertainties
You are advised to read the section headed "Principal risks and uncertainties' in the Company's Annual Report and Accounts for the year ended 30 June 2023 for a discussion of the factors that could affect the Group's future performance and the industry in which it operates. Following a review by the Board of these risks, the Climate Change principal risk has been replaced with a Sustainability principal risk 'Failure to identify and effectively manage sustainability risks and opportunities' which incorporates climate change and environmental incidents and aligns with Kier's Building for a Sustainable World strategy. Subject to this change the Board believes that these principal risks and uncertainties will continue to apply to the Group in the second half of the financial year.

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

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

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

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

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

Follow us on X (formerly Twitter): @kiergroup

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Introduction
The Group has delivered a strong set of results for the six months to 31 December 2023. The material deleveraging is a clear demonstration of the Group's commitment to our medium-term value creation plan launched two and a half years ago.

At the last year end, we committed to recommence dividend payments once we had clear line-of-sight of operating with a sustainable average month-end net cash position, alongside an appropriate longer term debt structure.

Following the period end we completed a Senior Notes issue and combined with an extended Revolving Credit Facility ("RCF"), have secured a long-debt debt structure for the Group. Given the considerable progress Kier has made and the Board's confidence in the Group's prospects, an interim dividend of 1.67p per share has been declared – returning Kier to the dividend list.

The success for future years is underpinned by the year-end order book growing to £10.7bn in HY24, an increase of 6% against the prior year comparative, reflecting a large number of contract wins across Infrastructure Services and Construction as well as 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 97% 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.

During the period, 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; and
- deploying additional capital in the Property business.

The Group continues to make good progress against these targets with free cashflow 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.93% of our contracts are with the public sector and regulated companies.

Customers and winning new work
We remain focused on winning work through our long-standing client relationships and regionally based operations. Highlights include:

- **Infrastructure services:** appointed a place on the £3bn SCAPE Utilities Framework aimed at delivering utilities, civil infrastructure and transportation services work
- **Construction:** awarded five education projects worth a total of c.£182m, four healthcare projects worth c.£81m, and awarded a new houseblock for the Ministry of Justice at HMP Elmley worth over £100m
- **Property:** our Kier Property and Housing Growth Partnership ("HGP") joint venture, acquired a development site in Tunbridge Wells, and Kier Property sold its Logistics City scheme in Whiteley, Hampshire for £10.5m

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

Our core businesses are well-placed to benefit from 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 the 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 in the period of £1.9bn (HY23: £1.5bn) reflects strong growth across Infrastructure Services and Construction. In particular, the strong momentum seen towards the end of FY23 in Construction continued into HY24.

The Group's HY24 results reflect 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 as well as through procurement strategies and negotiations on fixed price contracts. With over 400 live projects at any given time, we are also regularly delivering on existing contracts and pricing new contracts which mitigates against cost pressures. In addition, we have an average order size of c.£20m in our Construction business which given its modest size, limits our risk exposure in the event a project does not go to plan.

The Group delivered adjusted operating profit of £64.7m which represents a 13.1% increase on the prior period (HY23: £57.2m). Both our Infrastructure Services and Construction segments performed well in the period supplemented with a contribution from Property. Group adjusted operating profit margin fell by 30 basis points to 3.4% (HY23: 3.7%) due to the growth in volumes of the lower margin Construction business. Reported profit from operations increased 15.1% to £44.1m (HY23: £38.3m).

Adjusted earnings per share increased 2.4% to 8.7p (HY23: 8.5p) and reported earnings per share reduced 2.1% to 4.6p (HY23: 4.7p) due to increased amortisation and corporation tax offsetting profitable volume growth.

The Group generated £(7.9)m of free cash flow in HY24 (HY23: £(87.8)m), a significant improvement over the prior year comparative. The Group's revenue growth in Infrastructure Services and Construction converted to increased profit and cash.

The Group's net cash position at 31 December 2023 was £17.0m (HY23: net debt £(130.6)m) despite reducing supplier payment days by 1 day to 33 as the strong volume growth translates into cash receipts.

Average month-end net debt for the period ended 31 December 2023 was £(136.5)m (HY23: £(242.7)m). As noted above the increased activity seen across the Group which started in Q4 FY23 has translated into cash generation and lower net debt as well as allowing us to deploy cash to our Property business and paying pension deficit obligations.

During the period, the Group repaid £1.4m of its US Private Placement ("USPP") Notes in line with its repayment schedule and the Group's RCF reduced by £20.0m in-line with the facility agreement.

In February 2024, we announced the completion of our £250m 5 year Senior Notes. The proceeds of which were used to further reduce our USPP Notes by £36m and lower the RCF to £261m. These revised long-term debt facilities completed the last stage of the Group's recapitalisation and provides us with both flexibility and optionality going forward whilst we continue to deleverage.

Capital allocation
In addition to the medium-term value creation plan, the Group has clear 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
- **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
- **Property** – disciplined non-speculative investment in the Property segment
- **Dividend** – the reinstatement of 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

Dividend
The importance of dividends to the Group's shareholders has always been recognised by the Board and was an important facet of the medium-term value creation plan launched during FY21. Our stated aim is to deliver a dividend,

covered c.3x by adjusted earnings over the cycle and in a payment ratio of approximately one-third interim dividend and two thirds final dividend.

The Group has continued to deliver strong operating and financial performance resulting in material deleveraging during the period. This significant improvement, combined with the strength of the order book and future prospects of the Group have resulted in the Board declaring an interim dividend of 1.67p per share. This represents a dividend cover of 4x as we progressively move to the medium-term target. The interim dividend will be paid on 31 May 2024 to shareholders on the register at close of business on 19 April 2024. The shares will be marked ex-dividend on 18 April 2024. Kier has a Dividend Reinvestment Plan ("DRIP"), which allows shareholders to reinvest their cash dividends in our shares. The final election date for the DRIP is 9 May 2024.

Acquisition

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

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

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

The acquisition has been successfully integrated into the Group's Transportation business and is performing ahead of expectations compared to the time of the transaction.

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.

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

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

Supply chain partners

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

We were pleased to report that, in our latest Duty to Report on Payment Practices and Reporting submission, covering the period from 1 July 2023 to 31 December 2023, the Group's aggregate average payment days improved to 33 days (H2 FY23: 34 days) and the percentage of payments made to suppliers within 60 days was 88% (H2 FY23: 85%).

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

Environmental, Social and Governance ("ESG")

Kier's purpose is to sustainably deliver infrastructure which is vital to the UK. 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.

Our evolved Building for a Sustainable World framework continues to cover sustainability from both an environment and social perspective with a focus on the three key pillars of Our People, Our Places and Our Planet. Our framework follows the guiding principles of the United Nations Sustainable Development Goals ("SDGs").

- **Environmental**
  Under the Group's sustainability framework, Kier has set out our pathway to become net zero carbon across our business operations by 2039 (Scope 1 and 2) and value chain (Scope 3) by 2045.

  In February 2024, Kier was provided the London Stock Exchange Green Economy Mark. In order to obtain the Green Economy Mark, Kier was able to demonstrate that over 50% of our revenue was derived from green products and services in-line with the FTSE Russell Green Revenues Classification System. Climate change has led to increased demand in Kier's end markets.

  The Group is also pleased that the successful implementation of its Carbon Reduction Plan has been recognised by the Science Based Targets Initiative ("SBTi") including our target to achieve net zero carbon across scopes 1, 2 and 3 by 2045.

  In addition, our Infrastructure Services and Construction segments received certification to PAS 2080, the leading standard for carbon management solutions in buildings and infrastructure development. This demonstrates Kier's commitment to designing and managing out carbon from the lifecycle of UK infrastructure projects that we deliver for our customers.

  The combined achievements represent a key milestone in the Group's ESG strategy as Kier continues in its aim to deliver sustainable infrastructure which is vital to the UK whilst operating as a responsible business in itself.

- **Social**
  Delivering a legacy of social value continues to be a key priority for our customers and for Kier. We continue to offer apprenticeships as a key means of upskilling employees and bringing in diverse emerging talent to reduce the industry skills gap.

  At 31 December 2023, we had over 720 apprentices employed within Kier, which equates to 7% of our workforce. In addition, c.9% of the workforce are on a formal learning programme. These statistics represent an increase of 30% and 17% respectively compared with HY23.

  As part of our drive to recruit diverse talent, Kier has placed 23 prison leavers and eight Released on Temporary Licence ("ROTL") candidates in employment either within our business or with our supply chain partners in the first half of the year. Kier also remains committed to offering employment opportunities to those who have served in our armed forces and has hired 24 veterans in the same period.

  The Group's 12-month rolling Accident Incident Rate ("AIR") at HY24 of 108 represents a 23% increase on FY23. The 12-month rolling All Accident Incident Rate ("AAIR") at HY24 of 301 represents a 6% reduction compared to HY23. Whilst we are disappointed with the AIR performance, we remain focused on improving it. Accordingly, we are targeting a 10% reduction in this metric and have implemented a series of initiatives to address this including:

  - Culture Programme – continued roll out of the programme and alignment of our Behavioural Safety Programmes; and

  - Sharing Best Practice - the instigation of regular forums for our project leads, where key safety learnings and initiatives are discussed and shared

  Despite the recent AIR performance, we retain a strong overall safety record and maintain highest standards in our industry. Safety remains our license to operate and we continue to share and embed best practice across our divisions.

- **Governance**
  Governance remains a core component of the Group's approach to operations. The Group monitors governance matters through our annual audits and operating risk framework.

Summary and outlook

The past two and a half years have seen the Group achieve significant operational and financial progress and I am delighted that today marks a return to the dividend list. The first half has seen the Group deliver strong volume and profit growth, increased orders and material deleveraging. This 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 £10.7bn 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 that the Group significantly improved upon its year-end net cash position with significantly lower average month-end net debt and has confidence in sustaining this momentum going forward.

The second half of the financial year has started well, and we are trading in-line with 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 over the last 18 months allowing us to significantly deleverage the Group and deliver the medium-term value creation plan which will benefit all stakeholders.

Operational Review

Infrastructure Services

	Six months to 31 December 2023	Six months to 31 December 2022	*Change*
Revenue (£m)	**944**	816	*16%*
Adjusted operating profit (£m)[6]	**44.0**	33.8	*30%*
Adjusted operating margin (%)	**4.7%**	4.1%	*60bps*
Reported operating profit (£m)	**32.4**	22.0	*47%*
Order book (£bn)	**6.7**	5.8	*16%*

- Key contract wins include:
  - appointed a place on the £3bn SCAPE Utilities Framework aimed at delivering utilities, civil infrastructure and transportation services work

- 96% of orders secured for FY24

Infrastructure Services revenue increased 16% against the prior period primarily due to the continued ramp up of capital works on HS2. Adjusted operating profit increased 30% to £44.0m due to higher HS2 volumes. Adjusting items largely relate to acquisition related activity including costs related to the Buckingham acquisition and the amortisation of contract rights from this and previous acquisitions.

The **Transportation** 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 highways business and infrastructure projects business relating to rail, ports and air including our EKFB joint venture which is delivering 80km of HS2. The business has benefited from the start of contracts won in previous periods, the continued successful delivery of assets for HS2 and the delivery of contracts acquired from Buckingham.

The **Natural Resources, Nuclear & Networks** division includes our water, energy, nuclear and networks projects. The business is well positioned to benefit from the anticipated increased opportunities afforded by the new water spending cycle, AMP8 programme as well as opportunities in the energy and environment sectors. During the period, we saw reduced activity and margins in telecoms due to market conditions.

Construction

	Six months to 31 December 2023	Six months to 31 December 2022	*Change*
Revenue (£m)	**915**	709	*29%*
Adjusted operating profit (£m)[7]	**33.2**	32.8	*1%*
Adjusted operating margin (%)	**3.6%**	4.6%	*(100)bps*
Reported operating profit (£m)	**25.1**	25.6	*(2)%*
Order book (£bn)	**4.0**	4.3	*(7)%*

- Key contract wins include:
  - Five education projects worth a total of c.£182m,
  - Four healthcare projects worth c.£81m; and
  - Awarded a new houseblock for the Ministry of Justice at HMP Elmley worth over £100m
- 99% of orders secured for FY24

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

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[6] Stated before adjusting items of £(11.6)m (HY23: £(11.8)m).
[7] Stated before adjusting items of £(8.1)m (HY23: £(7.2)m)

Revenue increased 29% largely due to increased volume in our regional build business.

Adjusted operating profit increased 1% to £33.2m driven by increased revenue. The reduction in margin was driven by mix and increased overheads for site starts, as anticipated. Adjusting items include £7.2m relating to fire and cladding compliance costs.

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 consists of facilities management and housing maintenance services. The facilities management business specialises in working in occupied properties including residential and offices delivering maintenance, repairs, fire safety and compliance services, predominantly for the Ministry of Justice and central Government. The housing maintenance business delivers repairs and maintenance services for local authorities. We continue to grow our capabilities and customers with a focus on decarbonising social housing through retrofit and other interventions. These have allowed the business to benefit from increased revenue volume and profitability.

Property

	Six months to 31 December 2023	Six months to 31 December 2022	*Change*
Revenue (£m)	**22.1**	10.8	*105%*
Adjusted operating profit (£m)[8]	**4.6**	4.7	*(2)%*
Adjusted operating margin (%)	**20.8%**	42.7%	*2,190bps*
Reported operating profit (£m)	**4.6**	4.4	*5%*
Capital employed (£m)	**163**	148	*10%*
ROCE (%)	**5.9%**	7.0%	*(110)bps*

- Our Kier Property and Housing Growth Partnership ("HGP") joint venture, acquired a development site in Tunbridge Wells
- Sold its Logistics City scheme in Whiteley, Hampshire for £10.5m

The Property business invests and develops primarily mixed-use commercial and residential schemes 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.

Adjusted operating profit of £4.6m during the period was driven by limited transaction activity as a result of difficult market conditions. Property recognised a fair value gain of £3.8m within other income related to two sites that are held as investment properties.

As previously stated, the Group has focused on the controlled expansion of the Property business through select investments and strategic joint ventures using a disciplined capital approach. We had previously limited the amount of capital employed in our Property segment to £170m, excluding third party debt and fair value gains.

However, the property market is showing tentative signs of recovery and the Group is currently seeing many attractive investment opportunities. As at 31 December 2023, the capital employed in the Property segment was £163m excluding third party debt and fair value gains. Due to the Group's increased operating cash flows, the benefit of building out projects such as 19 Cornwall Street in Birmingham and market conditions, we have reviewed the capital employed in our Property segment and increased the range to between £160m and £225m (previously £140m to £170m).

The Property division targets a return on capital employed of 15%. Property transactions also provide a source of capital for the future as the cash is recycled.

[8] Stated before adjusting items of £nil (HY23: £(0.3)m)

Corporate

	Six months to 31 December 2023	Six months to 31 December 2022	*Change*
Adjusted operating loss (£m)[9]	**(17.1)**	(14.1)	*(21)%*
Reported operating loss (£m)	**(18.0)**	(13.7)	*(31)%*

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

[9] Stated before adjusting items of £(0.9)m (HY23: £0.4m)

Financial Review

Introduction

The Group performed well through the first half of the year with further improvement in the order book, which has been converted into strong revenue and profit growth in both Construction and Infrastructure Services. The Group's focus on operational delivery and cash management has seen the Group continue to deleverage materially with average month-end net debt improving significantly. In February 2024, the Group completed a refinancing of its principal debt facilities and has secured significant committed funding to support its medium-term value creation plan. Given the strong operational and financial performance, together with continued confidence over further progress in the future, the Board is pleased to reinstate dividends.

The Group delivered strong volume growth of 23% giving total Group revenues of £1,882.9m (HY23: £1,536.6m, FY23: £3,405.4m) and which helped deliver an adjusted operating profit of £64.7m (HY23: £57.2m, FY23: £131.5m).

The continued strong operational performance led to a 15% increase in profit from operations to £44.1m (HY23: £38.3m, FY23: £81.5m) and an increase in profit before tax to £27.0m (HY23: £25.4m, FY23: £51.9m).

Adjusting items were £22.0m (HY23: £20.4m, FY23: £52.9m). The current period charge includes £11.1m of amortisation of intangible contract rights and £7.2m of fire and cladding compliance costs. As expected, the Group's restructuring activities are now complete and no further restructuring costs have been incurred in adjusting items in the period.

Net finance charges, excluding adjusting items, for the period were £15.7m (HY23: £11.4m, FY23: £26.7m), with the benefit of lower average month-end net debt offset by higher interest rates through the period. Net finance charges are expected to increase with the completion of the Group's refinancing in February 2024. Interest on the RCF facility remains at SONIA plus c.2.5%, whilst the USPP notes incur fixed interest at c.5%.

Adjusted earnings per share increased to 8.7p (HY23: 8.5p, FY23: 19.2p).

The Group experienced a free cash outflow of £7.9m during the period, significantly improved from the prior period (HY23: £87.8m outflow, FY23: £132.3m inflow) driven by continued disciplined working capital management and assisted by volume growth, particularly in Construction. Although there was an expected H1 working capital outflow, this was significantly reduced compared with the prior period. The prior period free cash outflow included the repayment of the supply chain facility ("KEPS") of £49.8m.

Out of its free cashflow, the Group paid for the Buckingham acquisition, adjusting items, and pension deficit obligations. Net cash at 31 December 2023 of £17.0m was significantly improved compared to the prior period (HY23: £(130.6)m, FY23: £64.1m).

Average month-end net debt for the period ended 31 December 2023 was £(136.5)m (HY23: £(242.7)m, FY23 £(232.1)m), reduced significantly from the prior period and the prior year end.

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 £10.7bn, a 6% increase since the year-end (HY23: £10.1bn, FY23: £10.1bn). 97% of revenue for FY24 is already secured which provides certainty for the full year.

Summary of financial performance

	Adjusted[10] results			Statutory reported results		
	31 Dec 2023	31 Dec 2022	*Change %*	**31 Dec 2023**	31 Dec 2022	*Change %*
Revenue (£m) - Total	**1,882.9**	1,536.6	*22.5*	**1,882.9**	1,536.6	*22.5*
Revenue (£m) - Excluding JV's	**1,862.1**	1,525.8	*22.0*	**1,862.1**	1,525.8	*22.0*
Profit from operations (£m)	**64.7**	57.2	*13.1*	**44.1**	38.3	*15.1*
Profit before tax (£m)	**49.0**	45.8	*7.0*	**27.0**	25.4	*6.3*
Earnings per share (p)	**8.7**	8.5	*2.4*	**4.6**	4.7	*(2.1)*
Free cash flow (£m)	**(7.9)**	(87.8)	*91.0*			
Net cash / (debt) (£m)	**17.0**	(130.6)	*113.0*			
Net debt (£m) - average month-end	**(136.5)**	(242.7)	*43.8*			
Order book (£bn)	**10.7**	10.1	*5.9*			

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

Revenue

The following table bridges the Group's revenue from the period ended 31 December 2022 to the period ended 31 December 2023.

	£m
Revenue for the period ended 31 December 2022	**1,536.6**
Infrastructure Services	**128.8**
Construction	**206.4**
Property and Corporate	**11.1**
Revenue for the period ended 31 December 2023	**1,882.9**

The Group grew revenue across all segments, with Construction reporting revenue growth of 29.1% compared to the prior period and Infrastructure Services reporting revenue growth of 15.8% for the same period.

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

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

Alternative performance measures ("APMs")

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

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

Adjusted Operating Profit

	£m
Adjusted operating profit for the period ended 31 December 2022	**57.2**
Volume / price / mix changes	6.1
Management actions	5.4
Cost inflation	(4.0)
Adjusted operating profit for the period ended 31 December 2023	**64.7**

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

	Operating profit		Profit before tax	
	31 Dec 2023 £m	31 Dec 2022 £m	**31 Dec 2023 £m**	31 Dec 2022 £m
Reported profit	**44.1**	38.3	**27.0**	25.4
Amortisation of acquired intangible assets	**11.1**	9.8	**11.1**	9.8
Fire and cladding compliance costs	**7.2**	4.0	**7.2**	4.0
Legacy legal claims	**1.1**	1.5	**1.1**	1.5
Net financing costs	–	–	**1.4**	1.5
Redundancy and other people-related costs	–	1.7	–	1.7
Professional fees and other non-people initiatives	–	0.3	–	0.3
Other	**1.2**	1.6	**1.2**	1.6
Adjusted profit	**64.7**	57.2	**49.0**	45.8

Additional information about these items is as follows:

- Amortisation of acquired intangible assets £11.1m (HY23: £9.8m):
  Comprises the amortisation of acquired contract rights primarily through the acquisitions of MRBL Limited (Mouchel Group), May Gurney Integrated Services plc, McNicholas Construction Holdings Limited and the

Buckingham Group. The increase compared to prior period is due to the acquisition of the rail assets of the Buckingham Group during the period.

- Fire and cladding compliance costs £7.2m (HY23: £4.0m):
  The Group continues to review 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 charge incurred in the period is for those projects where the Group has confirmed liability and has a reasonable estimate of the cost to rectify the issues identified.

- Legacy legal claims £1.1m (HY23: £1.5m) and Other £1.2m (HY23: £1.6m):
  Legacy legal claims in the period relate to the disposal of Kier Living in May 2021. Included within other are legal fees and implementation costs in respect of the Buckingham acquisition, along with costs associated with the down-sizing of the International business. These were offset by fair value movements and associated costs relating to vacated leased properties.

Earnings per share
Earnings per share ("EPS"), before adjusting items, amounted to 8.7p (HY23: 8.5p, FY23: 19.2p). EPS, after adjusting items, from continuing operations amounted to 4.6p (HY23: 4.7p, FY23: 9.5p).

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

Net finance charges for the period were £15.7m (HY23: £11.4m, FY23: £26.7m) before adjusting items of £1.4m (HY23: £1.5m, FY23: £2.9m).

Interest on bank borrowings amounted to £14.7m (HY23: £11.9m, FY23: £29.0m). Although average month-end net debt has decreased, the impact of this on the interest charge has been more than offset by the higher interest rates throughout the period. The Group was able to partially mitigate the risk of higher interest rates with a fixed interest rate swap of £100m, which expired in September 2023, and an additional 3 year fixed interest rate swap of £100m, taken out in February 2023, which reduces to £75m in its second year and £50m in its third year.

Lease interest was £4.8m (HY23: £4.7m, FY23: £9.5m).

The Group had a net interest credit of £2.8m (HY23: £3.8m, FY23: £7.8m) in relation to the defined benefit pension schemes which has arisen due to the combination of the overall pension surplus and relatively high discount rate (derived from corporate bond yields), at the start of the financial year.

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

Dividend
The Board recognises the importance of a sustainable dividend policy to shareholders. Given the strong operational and financial performance in FY23 and throughout HY24, together with continued confidence over further progress in the short-term, the Board believes that now is the appropriate time to reinstate dividends.

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

As a result, the Board has declared an interim dividend of 1.67p per share.

Balance sheet
Net assets
The Group had net assets of £517.1m at 31 December 2023 (HY23: £482.6m, FY23: £513.0m).

Goodwill
The Group held intangible assets of £645.5m (HY23: £655.3m, FY23: £645.0m) of which goodwill represented £540.9m (HY23: £536.7m, FY23: £536.7m). The increase in goodwill in the period is due to the Buckingham acquisition. No impairment triggers were identified in the period.

Deferred tax asset
The Group has a deferred tax asset of £128.6m recognised at 31 December 2023 (HY23: £133.7m, FY23: £128.8m) primarily due to historical losses.

Based on the Group's forecasts, it is expected that the deferred tax asset will be utilised over a period of approximately 10 years.

An adjusted tax credit of £4.1m (HY23: £3.9m, FY23: £9.1m) has been included within adjusting items, representing the tax impact of adjusting items.

Right-of-use assets and lease liabilities
At 31 December 2023, the Group had right-of-use assets of £94.8m (HY23: £122.0m, FY23: £105.4m) and associated lease liabilities of £173.9m (HY23: £197.9m, FY23: £182.6m). The movements at each balance sheet date, reflect operational equipment requirements less associated depreciation and lease repayments.

Investment properties
As at 31 December 2023, the Group had investment properties of £102.2m (HY23: £89.3m, FY23: £98.4m). 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. Two of these sites are held as investment properties and during the period the Group recognised an overall fair value gain of £3.8m across these sites which has been recognised in Other income.

Contract assets & 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 31 December 2023, total contract assets amounted to £323.1m (HY23: £336.5m, FY23: £401.9m).

Contract liabilities were £119.2m (HY23: £73.3m, FY23: £90.5m).

Retirement benefits obligation
Kier operates a number of defined benefit pension schemes. At 31 December 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 £96.4m (HY23: £91.1m, FY23: £104.5m), before accounting for deferred tax, with the movement in the period primarily as a result of actuarial losses of £15.1m (HY23: £112.4m losses, FY23: £107.8m losses). The net movement is due to changes in financial assumptions, with lower corporate bond yields, increasing pension schemes' liabilities, which has been partially offset by both higher than assumed asset returns and a change in demographic assumptions, which has led to a decrease in the schemes' liabilities.

In FY23, the Group agreed the triennial valuation for funding six of its seven defined benefit pension schemes. 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. The largest of the six schemes is already in surplus.

Free cash flow and Net debt

	31 Dec 2023 £m	31 Dec 2022 £m
Operating profit	**44.1**	38.3
Depreciation of owned assets	**3.5**	2.7
Depreciation of right-of-use assets	**18.7**	21.8
Amortisation	**16.4**	19.0
EBITDA	**82.7**	81.8
Adjusting items excluding adjusting amortisation and interest	**9.5**	9.1
Adjusted EBITDA	**92.2**	90.9
Working capital outflow	**(46.4)**	(78.7)
Net capital expenditure including finance lease capital payments	**(26.3)**	(27.1)
Joint Venture dividends less profits	**(5.9)**	(2.2)
Repayment of KEPS	–	(49.8)
Other free cash flow items	**(1.2)**	(2.9)
Operating free cash flow	**12.4**	(69.8)
Net interest and tax	**(20.3)**	(18.0)
Free cash flow	**(7.9)**	(87.8)

	2023 £m	2022 £m
Net cash at 1 July	**64.1**	2.9
Free cash flow	**(7.9)**	(87.8)
Adjusting items	**(16.1)**	(22.7)
Pension deficit payments and fees	**(5.0)**	(6.6)
Net purchase of own shares	**(3.7)**	(11.9)
Acquisition of Buckingham	**(9.4)**	–
Other	**(5.0)**	(4.5)
Net cash / (debt) at 31 December	**17.0**	(130.6)

As expected, the Group experienced a free cash outflow during the period driven by a seasonal working capital outflow, however, this was significantly reduced compared to the prior period assisted by volume growth, particularly in Construction. Working capital is seasonal in the business with summer being a higher period of activity compared to winter months. As a result of the improved free cash flow performance, the Group delivered a net cash position at 31 December 2023 with the Group anticipating this improvement to continue through into H2.

The average month-end net debt position is better than the comparative period at £(136.5)m, (HY23: £(242.7)m, FY23: £(232.1)m). The business generated operating profit and positive working capital which was used to pay adjusting items, tax and interest, pension deficit obligations, invest in our Property business, purchase existing Kier shares on behalf of employees and acquire the rail assets of the Buckingham Group.

The purchase of existing shares relates to the Group's employee benefit trusts which acquire Kier shares from the market for use in settling the Long Term Incentive Plan ("LTIP") share schemes when they vest. The trusts purchased and sold shares at a net cost of £3.7m (HY23: £11.9m, FY23: £11.9m).

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 period.

Treasury facilities

Bank finance

At 31 December 2023, the Group had committed debt facilities of £548.2m with a further £18.0m of uncommitted overdrafts as at 31 December 2023.

The facilities comprised £475.0m RCF, £73.2m USPP Notes as well as £18.0m of overdrafts.

The Group has a fixed interest rate swap through to February 2026, initially contracted at £100m but which in February 2024 reduced to £75m in its second year, and will reduce further to £50m in its third year.

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

The proceeds of the Senior Notes were used to reduce the USPP notes by £36m and lower the RCF to £261m. The remainder of its USPP notes and reduction in the RCF of £111m in January 2025 will be met from operating free cash flow.

With £400m of facilities, post January 2025, the Group has secured significant committed funding to support its medium-term value creation plan.

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

Statement of directors' responsibilities

The Directors confirm that these condensed interim financial statements have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting', and the Disclosure Guidance and Transparency Rules sourcebook of the UK's Financial Conduct Authority and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

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

The directors of Kier Group plc are as listed on pages 94 and 95 of the 2023 Annual Report and Accounts, with the exception of the following change: Mohammed Saddiq joined the Board as a Non-executive Director on 1 January 2024.

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

Signed on 6 March 2024 on behalf of the Board.

Andrew Davies
Chief Executive

Simon Kesterton
Chief Financial Officer

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

Our conclusion
We have reviewed Kier Group plc's condensed consolidated interim financial statements (the "interim financial statements") in the unaudited results for the half year of Kier Group plc for the 6 month period ended 31 December 2023 (the "period").

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

The interim financial statements comprise:
- the Condensed consolidated balance sheet as at 31 December 2023;
- the Condensed consolidated income statement and Condensed consolidated statement of comprehensive income for the period then ended;
- the Condensed consolidated statement of cash flows for the period then ended;
- the Condensed consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

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

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

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

We have read the other information contained in the unaudited results for the half year and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

Conclusions relating to going concern
Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed. This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410. However, future events or conditions may cause the group to cease to continue as a going concern.

Responsibilities for the interim financial statements and the review
Our responsibilities and those of the directors
The unaudited results for the half year, including the interim financial statements, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the unaudited results for the half year in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority. In preparing the unaudited results for the half year, including the interim financial statements, the directors are responsible for assessing the group'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 to cease operations, or have no realistic alternative but to do so.

Our responsibility is to express a conclusion on the interim financial statements in the unaudited results for the half year based on our review. Our conclusion, including our Conclusions relating to going concern, is based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion paragraph of this report. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP
Chartered Accountants
London
6 March 2024

Financial statements
Condensed consolidated income statement
For the six months ended 31 December 2023

	Note	**Unaudited six months to 31 December 2023 £m**	Unaudited six months to 31 December 2022 £m	Year to 30 June 2023 £m
Continuing operations				
Revenue				
Group and share of joint ventures[1]	2	**1,882.9**	1,536.6	3,405.4
Less share of joint ventures	2	**(20.8)**	(10.8)	(24.7)
Group revenue		**1,862.1**	1,525.8	3,380.7
Cost of sales		**(1,715.1)**	(1,395.2)	(3,074.4)
Gross profit		**147.0**	130.6	306.3
Administrative expenses		**(112.6)**	(101.5)	(240.0)
Share of post-tax profits of joint ventures		**5.9**	3.2	1.1
Other income	4	**3.8**	6.0	14.1
Profit from operations	2	**44.1**	38.3	81.5
Finance income	5	**4.0**	0.6	9.4
Finance costs	5	**(21.1)**	(13.5)	(39.0)
Profit before tax	2	**27.0**	25.4	51.9
Taxation	7	**(7.4)**	(5.0)	(10.9)
Profit for the period	2	**19.6**	20.4	41.0
Attributable to:				
Owners of the parent		**19.6**	20.5	41.1
Non-controlling interests		**–**	(0.1)	(0.1)
		19.6	20.4	41.0
Earnings per share from continuing operations				
– Basic	9	**4.6p**	4.7p	9.5p
– Diluted	9	**4.4p**	4.7p	9.3p
Supplementary information from continuing operations				
Adjusted[2] operating profit	3	**64.7**	57.2	131.5
Adjusted[2] profit before tax	3	**49.0**	45.8	104.8
Adjusted[2] earnings per share	9	**8.7p**	8.5p	19.2p
Adjusted[2] diluted earnings per share	9	**8.5p**	8.5p	18.8p

1 Group revenue including joint ventures is an alternative performance measure.
2 Reference to 'adjusted' excludes adjusting items, see note 3. These are alternative performance measures.

Financial statements
Condensed consolidated statement of comprehensive income
For the six months ended 31 December 2023

	Note	**Unaudited six months to 31 December 2023 £m**	Unaudited six months to 31 December 2022 £m	Year to 30 June 2023 £m
Profit for the period		**19.6**	20.4	41.0
Items that may be reclassified subsequently to the income statement				
Fair value movements on cash flow hedging instruments		**(3.1)**	0.7	2.1
Fair value movements on cash flow hedging instruments recycled to the income statement	5	**0.1**	(0.9)	1.2
Deferred tax on fair value movements on cash flow hedging instruments		**0.8**	–	(0.8)
Foreign exchange translation differences		–	1.2	0.3
Foreign exchange movements recycled to the income statement		**(2.8)**	–	–
Total items that may be reclassified subsequently to the income statement		**(5.0)**	1.0	2.8
Items that will not be reclassified to the income statement				
Re-measurement of retirement benefit assets and obligations	6	**(15.1)**	(112.4)	(107.8)
Deferred tax on re-measurement of retirement benefit assets and obligations		**3.8**	28.1	26.5
Total items that will not be reclassified to the income statement		**(11.3)**	(84.3)	(81.3)
Other comprehensive loss for the period		**(16.3)**	(83.3)	(78.5)
Total comprehensive income/(loss) for the period		**3.3**	(62.9)	(37.5)
Attributable to:				
Equity holders of the parent		**3.3**	(62.8)	(37.4)
Non-controlling interests – continuing operations		**–**	(0.1)	(0.1)
		3.3	(62.9)	(37.5)

Financial statements
Condensed consolidated statement of changes in equity
For the six months ended 31 December 2023

	Note	Share capital £m	Share premium £m	Capital redemption reserve £m	(Accumulated losses)/ retained earnings £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
1 July 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 period		–	–	–	20.5	–	–	–	20.5	(0.1)	20.4
Other comprehensive income/(loss)		–	–	–	(84.3)	(0.2)	1.2	–	(83.3)	–	(83.3)
Total comprehensive income/(loss) for the period		–	–	–	(63.8)	(0.2)	1.2	–	(62.8)	(0.1)	(62.9)
Transactions with non-controlling interests		–	–	–	(0.9)	–	–	–	(0.9)	–	(0.9)
Issue of own shares		–	–	–	–	–	–	–	–	0.3	0.3
Share-based payments	16	–	–	–	3.4	–	–	–	3.4	–	3.4
Purchase of own shares	16	–	–	–	(11.9)	–	–	–	(11.9)	–	(11.9)
At 31 December 2022		4.5	684.3	2.7	(568.1)	(1.1)	10.1	350.6	483.0	(0.4)	482.6
Profit for the period		–	–	–	20.6	–	–	–	20.6	–	20.6
Other comprehensive income/(loss)		–	–	–	3.0	2.7	(0.9)	–	4.8	–	4.8
Total comprehensive income/(loss) for the period		–	–	–	23.6	2.7	(0.9)	–	25.4	–	25.4
Share-based payments	16	–	–	–	5.0	–	–	–	5.0	–	5.0
At 30 June 2023		4.5	684.3	2.7	(539.5)	1.6	9.2	350.6	513.4	(0.4)	513.0
Profit for the period		–	–	–	19.6	–	–	–	**19.6**	–	**19.6**
Other comprehensive loss		–	–	–	(11.3)	(2.2)	(2.8)	–	**(16.3)**	–	**(16.3)**
Total comprehensive income/(loss) for the period		**–**	**–**	**–**	**8.3**	**(2.2)**	**(2.8)**	**–**	**3.3**	**–**	**3.3**
Issue of own shares		–	0.1	–	–	–	–	–	**0.1**	–	**0.1**
Capital reduction	15	–	(684.4)	(2.7)	687.1	–	–	–	**–**	–	**–**
Share-based payments	16	–	–	–	4.4	–	–	–	**4.4**	–	**4.4**
Purchase of own shares	16	–	–	–	(3.7)	–	–	–	**(3.7)**	–	**(3.7)**
At 31 December 2023		**4.5**	**–**	**–**	**156.6**	**(0.6)**	**6.4**	**350.6**	**517.5**	**(0.4)**	**517.1**

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

Financial statements
Condensed consolidated balance sheet
As at 31 December 2023

	Note	**Unaudited 31 December 2023 £m**	Unaudited 31 December 2022 £m	30 June 2023 £m
Non-current assets				
Intangible assets	11	**645.5**	655.3	645.0
Property, plant and equipment		**29.6**	32.2	29.8
Right-of-use assets		**94.8**	122.0	105.4
Investment properties	12	**102.2**	89.3	98.4
Investments in and loans to joint ventures		**89.4**	66.7	78.6
Capitalised mobilisation costs		**5.0**	7.7	6.3
Deferred tax assets	7	**128.6**	133.7	128.8
Contract assets		**48.5**	31.7	43.7
Trade and other receivables		**17.6**	15.1	18.5
Retirement benefit assets	6	**125.0**	116.8	129.3
Other financial assets		**0.4**	8.1	9.7
Non-current assets		**1,286.6**	1,278.6	1,293.5
Current assets				
Inventories		**74.2**	77.2	72.9
Contract assets		**274.6**	304.8	358.2
Trade and other receivables		**216.1**	206.5	189.2
Corporation tax receivable		**23.9**	14.8	13.4
Other financial assets		**6.2**	2.7	1.0
Cash and cash equivalents	13	**327.3**	316.7	376.9
Current assets		**922.3**	922.7	1,011.6
Total assets		**2,208.9**	2,201.3	2,305.1
Current liabilities				
Borrowings	13	**–**	(7.9)	–
Lease liabilities		**(35.3)**	(39.7)	(36.2)
Trade and other payables	14	**(972.5)**	(886.4)	(1,075.0)
Contract liabilities		**(119.2)**	(73.3)	(90.5)
Provisions		**(29.7)**	(18.8)	(38.2)
Current liabilities		**(1,156.7)**	(1,026.1)	(1,239.9)
Non-current liabilities				
Borrowings	13	**(316.5)**	(448.5)	(319.1)
Lease liabilities		**(138.6)**	(158.2)	(146.4)
Trade and other payables	14	**(27.4)**	(34.1)	(36.9)
Retirement benefit obligations	6	**(28.6)**	(25.7)	(24.8)
Provisions		**(24.0)**	(26.1)	(25.0)
Non-current liabilities		**(535.1)**	(692.6)	(552.2)
Total liabilities		**(1,691.8)**	(1,718.7)	(1,792.1)
Net assets	2	**517.1**	482.6	513.0
Equity				
Share capital	15	**4.5**	4.5	4.5
Share premium	15	**–**	684.3	684.3
Capital redemption reserve	15	**–**	2.7	2.7
Retained earnings/(accumulated losses)		**156.6**	(568.1)	(539.5)
Cash flow hedge reserve	15	**(0.6)**	(1.1)	1.6
Translation reserve	15	**6.4**	10.1	9.2
Merger reserve		**350.6**	350.6	350.6
Equity attributable to owners of the parent		**517.5**	483.0	513.4
Non-controlling interests		**(0.4)**	(0.4)	(0.4)
Total equity		**517.1**	482.6	513.0

Financial statements
Condensed consolidated statement of cash flows
For the six months ended 31 December 2023

	Note	**Unaudited six months to 31 December 2023 £m**	Unaudited six months to 31 December 2022 £m	Year to 30 June 2023 £m
Cash flows from operating activities				
Profit before tax		**27.0**	25.4	51.9
Net finance cost	5	**17.1**	12.9	29.6
Share of post-tax trading results of joint ventures		**(5.9)**	(3.2)	(1.1)
Difference between pension funding contributions paid and the pension cost charge		**0.4**	–	0.1
Equity-settled share-based payments charge	16	**4.4**	3.4	8.4
Amortisation of intangible assets and mobilisation costs		**16.4**	19.0	33.9
Change in fair value of investment properties	12	**(3.8)**	(6.0)	(11.4)
Research and development expenditure credit	7	**(11.9)**	(9.5)	(22.8)
Depreciation of property, plant and equipment		**3.5**	2.7	6.1
Depreciation of right-of-use assets		**18.7**	21.8	43.7
Recycling of foreign exchange movements to the Income Statement		**(2.8)**	–	–
Profit on disposal of property, plant and equipment and intangible assets		**(0.6)**	(0.1)	(1.8)
Operating cash inflows before movements in working capital and pension deficit contributions		**62.5**	66.4	136.6
Deficit contributions to pension funds	6	**(4.6)**	(5.0)	(9.9)
Increase in inventories		**(1.3)**	(20.4)	(18.8)
(Increase)/decrease in receivables		**(22.1)**	(1.7)	12.2
Decrease/(increase) in contract assets		**78.8**	61.0	(4.4)
(Decrease)/increase in payables		**(110.4)**	(177.0)	26.1
Increase in contract liabilities		**28.7**	6.0	23.2
(Decrease)/increase in provisions		**(12.7)**	(3.1)	15.2
Cash inflow/(outflow) from operating activities		**18.9**	(73.8)	180.2
Dividends received from joint ventures		–	0.7	1.8
Interest received	5	**1.2**	0.6	1.6
Income tax paid		**(3.0)**	–	(0.1)
Net cash inflow/(outflow) from operating activities		**17.1**	(72.5)	183.5
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment		**1.0**	0.3	2.6
Purchase of property, plant and equipment		**(3.4)**	(2.8)	(3.9)
Purchase of intangible assets	11	**(4.4)**	(0.3)	(2.7)
Purchase of capitalised mobilisation costs		**(0.1)**	(1.0)	(1.8)
Acquisition of joint venture debt		–	(0.9)	(0.9)
Investment in joint ventures		**(13.0)**	(15.6)	(35.7)
Loan repayment and return of equity from joint ventures		**8.1**	12.1	17.1
Acquisition of business	10	**(9.4)**	–	–
Net cash used in investing activities		**(21.2)**	(8.2)	(25.3)
Cash flows from financing activities				
Issue of shares		**0.1**	–	–
Issue of shares to non-controlling interest		–	0.3	0.3
Net purchase of own shares		**(3.7)**	(11.9)	(11.9)
Interest paid		**(19.6)**	(18.0)	(39.5)
Principal elements of lease payments		**(19.4)**	(22.5)	(45.6)
Drawdown of borrowings		–	180.2	56.8
Repayment of borrowings		**(2.9)**	(32.7)	(43.2)
Settlement of derivative financial instruments		–	4.0	4.7
Transactions with non-controlling interests		–	(0.9)	(0.9)
Net cash (used in)/generated from financing activities		**(45.5)**	98.5	(79.3)
(Decrease)/increase in cash and cash equivalents		**(49.6)**	17.8	78.9
Effect of change in foreign exchange rates		–	1.2	0.3
Opening cash and cash equivalents		**376.9**	297.7	297.7
Closing cash and cash equivalents	13	**327.3**	316.7	376.9
Supplementary information				
Adjusted cash flow generated from/(used in) operating activities	3(b)	**35.0**	(51.1)	207.2

1 Significant accounting policies

Reporting entity

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

The interim condensed consolidated financial statements (financial statements) for the period ended 31 December 2023 comprise the Company and its subsidiaries (together referred to as the Group) and the Group's interest in jointly controlled entities.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

Basis of preparation

The interim condensed consolidated financial statements for the half year ended 31 December 2023 have been prepared in accordance with the UK-adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

The unaudited financial information contained in this announcement does not constitute the Company's statutory accounts as at and for the six months ended 31 December 2023. Statutory financial statements for the year ended 30 June 2023 were approved by the Board of Directors on 13 September 2023 and delivered to the Registrar of Companies. The auditor's report on these accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain a statement under section 498 of the Companies Act 2006.

A number of new or amended standards became applicable for the current reporting period, including IFRS 17 'Insurance Contracts'. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

Going concern

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

The Group performed well through the half year ended 31 December 2023 and delivered strong volume and adjusted operating profit growth, with the associated cash generation leading to material deleveraging with an over £106m reduction in average month end debt in the period. The Group continues to win new, high quality and profitable business in its markets on terms and at rates which reflect the bidding disciplines and risk management practices introduced under the Group's Performance Excellence programme and which provides good, multi-year revenue visibility. At 31 December 2023, the order book was £10.7bn (FY23: £10.1bn).

As at 31 December 2023, the Group had £548.2m of unsecured committed facilities and £18.0m of uncommitted overdrafts. In February 2024, the Group completed a refinancing of its principal debt facilities. This included the issuance of 5 Year £250m Senior Notes maturing February 2029; and an extension of its RCF, with a committed facility of £150m to March 2027. With £400m of facilities, post January 2025, the Group has lowered its facilities and secured significant committed funding to support its medium-term value creation plan.

Financial covenant certificates for December 2023 have been prepared with no breaches noted. The Directors have reviewed the Group's cash flow forecasts for the period to 30 June 2025, 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;
- 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.

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

The 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 construction of sustainable buildings, climate impact and water management, as well as nuclear infrastructure. As such, the longevity of the Group's business model means that climate change has no material adverse impact on going concern.

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

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

2 Segmental reporting

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

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

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

Unaudited six months to 31 December 2023

Continuing operations	Infrastructure Services £m	Construction £m	Property £m	Corporate £m	Group £m
Revenue[1]					
Group and share of joint ventures	**944.4**	**915.4**	**22.1**	**1.0**	**1,882.9**
Less share of joint ventures	**–**	**(1.4)**	**(19.4)**	**–**	**(20.8)**
Group revenue	**944.4**	**914.0**	**2.7**	**1.0**	**1,862.1**
Profit for the period					
Operating profit/(loss) before adjusting items[2]	**44.0**	**33.2**	**4.6**	**(17.1)**	**64.7**
Adjusting items[2]	**(11.6)**	**(8.1)**	**–**	**(0.9)**	**(20.6)**
Profit/(loss) from operations	**32.4**	**25.1**	**4.6**	**(18.0)**	**44.1**
Net finance income/(costs)[3]	**1.8**	**0.2**	**(1.0)**	**(18.1)**	**(17.1)**
Profit/(loss) before tax	**34.2**	**25.3**	**3.6**	**(36.1)**	**27.0**
Taxation					**(7.4)**
Profit for the period					**19.6**
Balance sheet					
Operating assets[4]	**900.7**	**407.8**	**206.5**	**359.9**	**1,874.9**
Operating liabilities[4]	**(419.2)**	**(712.6)**	**(14.5)**	**(228.9)**	**(1,375.2)**
Net operating assets/(liabilities)[4]	**481.5**	**(304.8)**	**192.0**	**131.0**	**499.7**
Cash, cash equivalents and borrowings	**280.8**	**463.1**	**(153.8)**	**(579.3)**	**10.8**
Net financial assets	**–**	**–**	**–**	**6.6**	**6.6**
Net assets/(liabilities)	**762.3**	**158.3**	**38.2**	**(441.7)**	**517.1**

Unaudited six months to 31 December 2022

Continuing operations	Infrastructure Services £m	Construction £m	Property £m	Corporate £m	Group £m
Revenue[1]					
Group and share of joint ventures	815.6	709.0	10.8	1.2	1,536.6
Less share of joint ventures	–	(1.4)	(9.4)	–	(10.8)
Group revenue	815.6	707.6	1.4	1.2	1,525.8
Profit for the period					
Operating profit/(loss) before adjusting items[2]	33.8	32.8	4.7	(14.1)	57.2
Adjusting items[2]	(11.8)	(7.2)	(0.3)	0.4	(18.9)
Profit/(loss) from operations	22.0	25.6	4.4	(13.7)	38.3
Net finance income/(costs)[3]	0.3	(2.4)	(0.2)	(10.6)	(12.9)
Profit/(loss) before tax	22.3	23.2	4.2	(24.3)	25.4
Taxation					(5.0)
Profit for the period					20.4
Balance sheet					
Operating assets[4]	927.6	417.6	180.1	348.5	1,873.8
Operating liabilities[4]	(417.4)	(594.2)	(14.1)	(236.6)	(1,262.3)
Net operating assets/(liabilities)[4]	510.2	(176.6)	166.0	111.9	611.5
Cash, cash equivalents and borrowings	267.8	342.5	(133.4)	(616.6)	(139.7)
Net financial assets	–	–	–	10.8	10.8
Net assets/(liabilities)	778.0	165.9	32.6	(493.9)	482.6

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
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					
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

1 Revenue is stated after the exclusion of inter-segmental revenue. 100% of the Group's revenue is derived from UK-based customers (31 December 2022: 90%; 30 June 2023: 100%). 16% of the Group's revenue was received from High Speed Two (HS2) Limited (31 December 2022: 16%; 30 June 2023: 15%). Group revenue including joint ventures is an alternative performance measure.
2 See note 3 for adjusting items.
3 Interest was (charged)/credited to the divisions at a notional rate of 4.0%.
4 Net operating assets/(liabilities) represent assets excluding cash, cash equivalents, bank overdrafts, borrowings, financial assets and liabilities, and interest-bearing inter-company loans.

3 Adjusting items

These items are explained in detail below:

	Operating profit			Profit before tax		
	Unaudited six months to 31 December 2023 £m	Unaudited six months to 31 December 2022 £m	Year to 30 June 2023 £m	**Unaudited six months to 31 December 2023 £m**	Unaudited six months to 31 December 2022 £m	Year to 30 June 2023 £m
Reported profit from continuing operations	**44.1**	38.3	81.5	**27.0**	25.4	51.9
Amortisation of acquired intangible assets[1]	**11.1**	9.8	19.2	**11.1**	9.8	19.2
Fire and cladding compliance costs[2]	**7.2**	4.0	12.6	**7.2**	4.0	12.6
Legacy legal claims[3]	**1.1**	1.5	1.5	**1.1**	1.5	1.5
Net financing costs[4]	–	–	–	**1.4**	1.5	2.9
Insurance-related items	–	–	5.3	–	–	5.3
Redundancy and other people related costs	–	1.7	4.8	–	1.7	4.8
Professional adviser fees and other costs incurred implementing non-people initiatives	–	0.3	4.9	–	0.3	4.9
Other[5]	**1.2**	1.6	1.7	**1.2**	1.6	1.7
Adjusted profit from continuing operations	**64.7**	57.2	131.5	**49.0**	45.8	104.8

1 Comprises the amortised contract rights relating to previous acquisitions of MRBL Limited (Mouchel Group), May Gurney Integrated Services plc and McNicholas Construction Holdings Limited, along with the amortisation of contract rights acquired as part of the Group's acquisition of the Buckingham Group rail business in HY24.
2 Fire and cladding compliance costs consist of costs incurred in complying with the updated fire and cladding compliance regulations on legacy projects.
3 Legacy legal claims related to the disposal of Kier Living in May 2021. The prior period charge of £1.5m relates to a HSE fine for historical safety issues.
4 Net financing costs relate to IFRS 16 interest charges on leased investment properties previously used as offices.
5 Other costs consist of charges in respect of the re-sizing of the International business and costs incurred on the acquisition of Buckingham Group's rail division.

(a) Taxation

The tax impact of the above adjusting items was a credit of £4.1m (six months ended 31 December 2022: £3.9m; year ended 30 June 2023: £9.1m). In addition, a credit of £2.0m was recognised in the year ended 30 June 2023 relating to the change in tax rate to 25%.

(b) Adjusted cash flow

	Note	**Unaudited six months to 31 December 2023 £m**	Unaudited six months to 31 December 2022 £m	Year to 30 June 2023 £m
Reported cash inflow/(outflow) from operating activities		**18.9**	(73.8)	180.2
Add: Cash outflow from operating activities (adjusting items)	3(c)	**16.1**	22.7	27.0
Adjusted cash inflow/(outflow) from operating activities		**35.0**	(51.1)	207.2

(c) Cash outflow from operating activities (adjusting items)

	Unaudited six months to 31 December 2023 £m	Unaudited six months to 31 December 2022 £m	Year to 30 June 2023 £m
Adjusting items reported in the income statement	**22.0**	20.4	52.9
Less: non-cash items incurred in the period	**(14.8)**	(12.9)	(39.0)
Add: payment of prior year accruals and provisions	**8.9**	15.2	13.1
Cash outflow from operating activities (adjusting items)	**16.1**	22.7	27.0

4 Other income

	Unaudited six months to 31 December 2023 £m	Unaudited six months to 31 December 2022 £m	Year to 30 June 2023 £m
Recycling Plant insurance proceeds	**–**	–	2.7
Fair value gain on investment properties	**3.8**	6.0	11.4
Other income	**3.8**	6.0	14.1

5 Finance income and costs

	Unaudited six months to 31 December 2023 £m	Unaudited six months to 31 December 2022 £m	Year to 30 June 2023 £m
Finance income			
Bank deposits	**1.2**	0.1	0.5
Interest receivable on loans to related parties	**–**	0.5	1.1
Net interest on net defined benefit assets	**2.8**	–	7.8
	4.0	0.6	9.4
Finance costs			
Bank interest	**(14.7)**	(11.9)	(29.0)
Interest payable on leases	**(4.8)**	(4.7)	(9.5)
Foreign exchange gains/(losses) on foreign denominated borrowings	**0.2**	(1.2)	2.5
Fair value (losses)/gains on cash flow hedges recycled from other comprehensive income[1]	**(0.1)**	0.9	(1.2)
Net interest on net defined benefit assets	**–**	3.8	–
Other	**(1.7)**	(0.4)	(1.8)
	(21.1)	(13.5)	(39.0)
Net finance costs	**(17.1)**	(12.9)	(29.6)

1 Fair value (losses)/gains arise from movements in cross-currency swaps which hedge the currency risk on foreign denominated borrowings.

6 Retirement benefit assets and obligations

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

	Unaudited 31 December 2023 %	Unaudited 31 December 2022 %	30 June 2023 %
Discount rate	**4.60**	4.95	5.30
Inflation rate (Retail Price Index)	**3.05**	3.10	3.20
Inflation rate (Consumer Price Index)	**2.20-2.65**	2.60	2.30-2.75

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

	Unaudited six months to 31 December 2023			Unaudited six months to 31 December 2022			Year to 30 June 2023		
	Kier Group plc £m	**Acquired schemes £m**	**Total £m**	Kier Group plc £m	Acquired schemes £m	Total £m	Kier Group plc £m	Acquired schemes £m	Total £m
Opening net surplus/(deficit)	**117.5**	**(13.0)**	**104.5**	170.2	24.5	194.7	170.2	24.5	194.7
Credit/(charge) to income statement	**2.8**	**(0.4)**	**2.4**	3.3	0.5	3.8	6.6	1.1	7.7
Employer contributions	**–**	**4.6**	**4.6**	0.2	4.8	5.0	0.4	9.5	9.9
Actuarial losses	**(4.2)**	**(10.9)**	**(15.1)**	(64.4)	(48.0)	(112.4)	(59.7)	(48.1)	(107.8)
Closing net surplus/(deficit)	**116.1**	**(19.7)**	**96.4**	109.3	(18.2)	91.1	117.5	(13.0)	104.5
Comprising:									
Fair value of scheme assets	**886.6**	**416.1**	**1,302.7**	888.7	413.2	1,301.9	850.9	396.8	1,247.7
Net present value of the defined benefit obligation	**(770.5)**	**(435.8)**	**(1,206.3)**	(779.4)	(431.4)	(1,210.8)	(733.4)	(409.8)	(1,143.2)
Net surplus/(deficit)	**116.1**	**(19.7)**	**96.4**	109.3	(18.2)	91.1	117.5	(13.0)	104.5
Presentation of net surplus/(deficit) in the Consolidated balance sheet:									
Retirement benefit assets	**116.1**	**8.9**	**125.0**	109.3	7.5	116.8	117.5	11.8	129.3
Retirement benefit obligations	**–**	**(28.6)**	**(28.6)**	–	(25.7)	(25.7)	–	(24.8)	(24.8)
Net surplus/(deficit)	**116.1**	**(19.7)**	**96.4**	109.3	(18.2)	91.1	117.5	(13.0)	104.5

Pension scheme contingent liabilities

In June 2023, in the case of Virgin Media vs NTL Pension Trustees II Limited, the High Court judged that amendments made to the Virgin Media scheme were invalid because they were not accompanied by the correct actuarial confirmation. If upheld, the High Court's decision could have wider ranging implications, affecting other schemes that were contracted-out on a salary-related basis, and made amendments between April 1997 and April 2016. There is still further uncertainty with a Court of Appeal hearing for the case set for 25 June 2024, as well as the potential for overriding government legislation to be introduced. As a result, the Group and the Trustees of the Group's pension schemes have not yet investigated the potential implications for the Group's accounts in detail. The Group considers the amount of any potential impact on the schemes' defined benefit obligation cannot yet be measured with sufficient reliability and therefore no allowance for this case has been made in calculating the defined benefit obligations at the reporting date.

7 Taxation

	Unaudited six months to 31 December 2023 £m	Unaudited six months to 31 December 2022 £m	Year to 30 June 2023 £m
Profit before tax	**27.0**	25.4	51.9
Less: (Loss)/profit from joint venture companies	**0.9**	(3.6)	(3.6)
Profit before tax excluding income from joint ventures	**27.9**	21.8	48.3
Current tax	**(3.8)**	(2.0)	(7.3)
Deferred tax	**(3.6)**	(3.0)	(3.6)
Total tax charge in the income statement	**(7.4)**	(5.0)	(10.9)
Effective tax rate	**26.5%**	22.9%	22.6%

As at 31 December 2023, the Group had a deferred tax asset of £128.6m, which includes £107.3m in relation to tax losses (31 December 2022: £104.6m; 30 June 2023: £106.2m), and £21.3m of other temporary differences (31 December 2022: £29.1m; 30 June 2023: £22.6m).

At 31 December 2023, the Group had unused tax losses of £175.4m (six months ended 31 December 2022: £203.6m; year ended 30 June 2023; £187.7m). There were no other temporary differences (six months ended 31 December 2022: £nil; year ended 30 June 2023; £nil) on which deferred tax had not been recognised.

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

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

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

When considering the length of time over which the losses are expected to be utilised, the Group has taken into account that only 50% of taxable profits in each year can be offset by brought forward losses, after the annual £5m deductions allowance.

Based on these forecasts, the Group is expected to utilise its deferred tax asset over a period of approximately 10 years.

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the year to 30 June 2024 is 26.5%, compared to 22.9% for the six months ended 31 December 2022. The estimated average annual tax rate was higher largely due to the increase in UK corporation tax to 25% which was effective from 1 April 2023.

The Research and Development Expenditure Credit ("RDEC") of £11.9m was included in operating profit during the period (31 December 2022: £9.5m; 30 June 2023: £22.8m). Included in the corporation tax asset at 31 December 2023 were RDEC receivables of £23.9m (31 December 2022: £16.9m; 30 June 2023: £16.1m).

On 20 June 2023, Finance (No2) 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 applied the exception under the IAS12 amendment to recognising and disclosing information about deferred tax assets and liabilities related to top-up income taxes.

8 Dividends

The proposed interim dividend for the year ending 30 June 2024 of 1.67p pence per share (2023: nil p) has not yet been paid and so has not been included as a liability in these financial statements. The dividend totalling approximately £7m will be paid on 31 May 2024 to shareholders on the register at the close of business on 19 April 2024.

9 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	**Unaudited six months to 31 December 2023 £m**	Unaudited six months to 31 December 2022 £m	Year to 30 June 2023 £m
Continuing operations				
Profit for the period		**19.6**	20.4	41.0
Less: non-controlling interest share		**–**	0.1	0.1
Profit (after tax and minority interests), being net gains attributable to equity holders of the parent (A)		**19.6**	20.5	41.1
Adjusting items (excluding tax)	3	**22.0**	20.4	52.9
Tax impact of adjusting items	3	**(4.1)**	(3.9)	(11.1)
Adjusted profit after tax (B)		**37.5**	37.0	82.9

b) Weighted average number of shares used as the denominator

	Unaudited six months to 31 December 2023 million	Unaudited six months to 31 December 2022 million	Year to 30 June 2023 million
Weighted average number of shares used as the denominator in calculating basic earnings per share (C)	**429.8**	433.0	431.2
Adjustments for calculation of diluted earnings per share:			
Impact of share options	**11.5**	4.2	10.3
Weighted average number of shares used as the denominator in calculating diluted earnings per share (D)	**441.3**	437.2	441.5

The weighted average number of shares is lower than the number of shares in issue (per note 15) primarily due to shares that are held by the Group's employee benefit trusts (see note 16), which are excluded from the calculation.

Options granted to employees under the Sharesave, Conditional Share Awards Plan ("CSAP") and Long Term Incentive Plan ("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 16.

c) Basic earnings per share

	Unaudited six months to 31 December 2023 pence	Unaudited six months to 31 December 2022 pence	Year to 30 June 2023 pence
From continuing operations attributable to the ordinary equity holders of the company (A/C)	**4.6**	4.7	9.5
Adjusted from continuing operations attributable to the ordinary equity holders of the company (B/C)	**8.7**	8.5	19.2

d) Diluted earnings per share

	Unaudited six months to 31 December 2023 pence	Unaudited six months to 31 December 2022 pence	Year to 30 June 2023 pence
From continuing operations attributable to the ordinary equity holders of the company (A/D)	**4.4**	4.7	9.3
Adjusted from continuing operations attributable to the ordinary equity holders of the company (B/D)	**8.5**	8.5	18.8

10 Acquisition

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

The purchase has been accounted for as a business combination in accordance with IFRS 3. The provisional fair value amounts recognised in respect of the identifiable assets acquired and liabilities assumed are set out in the table below:

	Unaudited Fair value total £m
Intangible assets	**7.5**
Trade and other receivables	**0.9**
Provisions	**(3.2)**
Total identifiable assets and liabilities	**5.2**
Goodwill	**4.2**
Consideration payable	**9.4**

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

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

Consideration consisted of £9.4m cash.

11 Intangible assets

	Unaudited Goodwill £m	Unaudited Intangible contract rights £m	Unaudited Computer software £m	Unaudited Total £m
Cost				
At 1 July 2022	538.8	252.2	132.6	**923.6**
Additions	–	–	0.3	**0.3**
At 31 December 2022	**538.8**	**252.2**	**132.9**	**923.9**
Additions	–	–	2.4	**2.4**
Disposals	–	(16.5)	(9.6)	**(26.1)**
At 30 June 2023	**538.8**	**235.7**	**125.7**	**900.2**
Additions	–	–	4.4	**4.4**
Arising on acquisition	4.2	7.5	–	**11.7**
Disposals	–	–	(0.6)	**(0.6)**
At 31 December 2023	**543.0**	**243.2**	**129.5**	**915.7**
Accumulated amortisation				
At 1 July 2022	(2.1)	(168.2)	(84.2)	**(254.5)**
Charge for the period	–	(9.8)	(4.3)	**(14.1)**
At 31 December 2022	**(2.1)**	**(178.0)**	**(88.5)**	**(268.6)**
Charge for the period	–	(9.4)	(3.3)	**(12.7)**
Disposals	–	16.5	9.6	**26.1**
At 30 June 2023	**(2.1)**	**(170.9)**	**(82.2)**	**(255.2)**
Charge for the period	–	(11.1)	(3.9)	**(15.0)**
At 31 December 2023	**(2.1)**	**(182.0)**	**(86.1)**	**(270.2)**
Net book value				
At 31 December 2023	**540.9**	**61.2**	**43.4**	**645.5**
At 30 June 2023	536.7	64.8	43.5	645.0
At 31 December 2022	536.7	74.2	44.4	655.3

12 Investment properties

	Unaudited Owned assets £m	Unaudited Right-of-use assets £m	Unaudited Total £m
At 1 July 2022	13.0	47.4	**60.4**
Additions	22.9	–	**22.9**
Fair value gain	5.7	0.3	**6.0**
At 31 December 2022	**41.6**	**47.7**	**89.3**
Transfers	2.7	–	**2.7**
Additions	–	1.1	**1.1**
Fair value gain/(loss)	8.6	(3.3)	**5.3**
At 30 June 2023	**52.9**	**45.5**	**98.4**
Fair value gain	3.7	0.1	**3.8**
At 31 December 2023	**56.6**	**45.6**	**102.2**

13 Net cash/(debt)

	Unaudited 31 December 2023 £m	Unaudited 31 December 2022 £m	Year to 30 June 2023 £m
Cash and cash equivalents – bank balances and cash in hand	**327.3**	316.7	376.9
Borrowings due within one year	**–**	(7.9)	–
Borrowings due after one year	**(316.5)**	(448.5)	(319.1)
Impact of cross-currency hedging	**6.2**	9.1	6.3
Net cash/(debt)	**17.0**	(130.6)	64.1

Average month-end net debt for the six months ended 31 December 2023 was £136.5m (six months ended 31 December 2022: £242.7m; year ended 30 June 2023: £232.1m). Net debt excludes lease liabilities.

14 Trade and other payables

	Unaudited 31 December 2023 £m	Unaudited 31 December 2022 £m	30 June 2023 £m
Current:			
Trade payables	**303.1**	274.5	310.0
Accruals	**484.7**	439.1	585.1
Sub-contract retentions	**33.1**	26.7	22.5
Other taxation and social security	**134.8**	127.4	138.4
Other payables and deferred income	**16.8**	18.7	19.0
	972.5	886.4	1,075.0
Non-current:			
Trade payables	**3.9**	9.4	5.1
Sub-contract retentions	**23.5**	24.7	31.8
	27.4	34.1	36.9

15 Share capital and reserves

Share capital

The share capital of the Company comprises:

	Unaudited 31 December 2023		Unaudited 31 December 2022		30 June 2023	
	Number	**£m**	Number	£m	Number	£m
Authorised, issued and fully paid ordinary shares of 1 pence each	**446,416,044**	**4.5**	446,305,548	4.5	446,314,435	4.5

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

During the six months to 31 December 2023, 101,609 shares were issued under the Sharesave Scheme (six months to 31 December 2022: 63,866; year ended 30 June 2023: 72,753).

Share premium account

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

Capital redemption reserve

On 22 December 2023, the Company completed a capital reduction exercise, resulting in £2.7m of capital redemption being cancelled and transferred to retained earnings.

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.

16 Share-based payments

The Group has an established long-term incentive plan (LTIP) under which directors and senior employees can receive awards of shares subject to the Group achieving certain performance targets. Participants are entitled to receive dividend equivalents on these awards. Awards made to members of the Board are subject to a two-year holding period post vesting. Further details of the LTIP schemes were disclosed in the 2023 annual financial statements. 8,695,601 shares vested under the LTIP schemes during the six months to 31 December 2023 (six months to 31 December 2022: 8,339,894; year ended 30 June 2023: 8,432,381). 9,088,937 new awards were granted under the LTIP during the six months to 31 December 2023 (six months to 31 December 2022 and year ended 30 June 2023: 15,492,751).

The Group also has an established Sharesave (SAYE) scheme. Options to acquire shares in the capital of Kier Group plc are granted to eligible employees who enter into a Sharesave contract, saving a regular sum each month. Participation in the scheme is offered to all employees of the Group who have been employed for a continuous period determined by the Board. 6,841,037 options were granted under the Sharesave scheme during the six months to 31 December 2023 (six months to 31 December 2022 and year ended 30 June 2023: 8,730,264). 101,609 Sharesave options were exercised during the six months to 31 December 2023 (six months to 31 December 2022: 63,866; year ended 30 June 2023: 72,753).

The following assumptions were used in calculating the fair values of the grants made under the share-based payment schemes during the six months to 31 December 2023:

	LTIP	LTIP subject to a holding period	Sharesave
Grant date	17 November 2023	17 November 2023	31 October 2023
Shares granted	6,740,256	2,348,681	6,841,037
Share price at grant	107.8p	107.8p	100.8p
Exercise price	nil	nil	90.0p
Expected term	3 years	3 years	3.3 years
Holding period	n/a	2 years	n/a
Expected volatility	37.9%	32.9%	43.7%
Risk-free interest rate	4.23%	3.97%	4.50%
Dividend yield	n/a	n/a	0.0%
Value per option:			
LTIP – Market condition (25%)[1,3]	88.8p	83.0p	-
LTIP – Non-market conditions (75%)[2,3]	107.8p	100.8p	-
Sharesave [2]	-	-	40.7p

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

The 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 total shareholder return 'TSR' element) incorporates an assessment of the number of shares that will vest.

Performance conditions linked to adjusted earnings per share, free cash flow and carbon reduction 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.

The share-based payment charge recognised in the Group's income statement for the six months to 31 December 2023 was £4.4m (six months to 31 December 2022: £3.4m; year ended 30 June 2023: £8.4m).

Shares held in trusts

The Group's employee benefit trusts acquire shares in the Group from the market, that are intended to be used in settling LTIP awards vesting in the future. The shares held by the trusts are accounted for as a deduction from equity within retained earnings.

Shares acquired by the trusts during the six months to 31 December 2023 at a cost of £4.1m (six months to 31 December 2022 and year ended 30 June 2023: £12.4m), net of shares transferred to deferred bonus recipients for proceeds of £0.4m (six months to 31 December 2022 and year ended 30 June 2023: £0.5m), are reflected in the statement of changes in equity as a net purchase of own shares of £3.7m (six months to 31 December 2022 and year ended 30 June 2023: £11.9m).

At 31 December 2023, a total of 11,804,281 shares were held by the trusts (31 December 2022: 17,001,979 shares; 30 June 2023: 16,952,961 shares), with an historic cost value of £9.0m (31 December 2022: £11.2m; year ended 30 June 2023: £11.2m).

17 Guarantees and contingent liabilities

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

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

Fire and cladding compliance review

The Group monitors the position on 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. 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.

18 Related parties

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

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

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