16 September 2021

Kier Group plc
Results for the year ended 30 June 2021
Strong operational performance and materially improved results

Kier Group plc (the "Company" or the "Group"), a leading infrastructure services and construction company, announces its results for the year ended 30 June 2021 ("FY21" or the "year").

Key Financial Highlights – Continuing Operations

	Year to 30 June 2021	Year to 30 June 2020
Adjusted results		
Revenue (£m)[3]	**3,329**	3,476
Adjusted operating profit (£m)[1]	**100.3**	41.4
Adjusted operating margin	**3.0%**	1.2%
Adjusted profit before tax (£m)[2]	**65.4**	16.9
Adjusted basic earnings per share (note 8)	**25.0p**	12.2p
Net cash / (debt) (£m)[4]	**3.0**	(310.3)
Average month-end net debt (£m)	**(432)**	(436)
Reported		
Group revenue (£m)	**3,261**	3,423
Profit / (loss) from operations (£m)	**43.7**	(195.6)
Profit / (loss) before tax (£m)	**5.6**	(225.3)
Basic earnings per share (note 8)	**11.6p**	(85.3)p

Highlights

- **2019 operational and financial strategic actions delivered**
  - Simplification of the Group complete, Group's cash generation improved and balance sheet strengthened
    - Gross proceeds of c.£350m raised through successful capital raise and sale of Kier Living
    - Extension of the Group's 2017 Revolving Credit Facility (RCF) to January 2025
    - Performance Excellence culture established
    - Launched Sustainability Framework in July 2020, "Building for a Sustainable World"

- **Strong operational performance and materially improved results**
  - Revenue of £3.3bn (FY20: £3.5bn): reduction due to exiting non-core low margin and loss-making contracts, successful completion of our motorway upgrade projects and COVID-19 pandemic, partially offset by growth in our core businesses
  - Adjusted operating profit of £100m (FY20: £41m): reported profit £44m (FY20: loss £(196)m)
  - Margin improvement to 3% and improved quality of earnings
  - Adjusted basic EPS: 25.0p (FY20:12.2p): improvement driven by profit generation
  - Free cash flow of £93m (FY20: £(8)m): strong performance as profits translating to cash
  - Net cash / (debt) at 30 June 2021 of £3m (FY20: £(310)m), average month-end net debt of £(432)m (FY20: £(436)m)

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[1] Stated before adjusting items of £35.6m (2020: £213.3m) and amortisation of acquired intangible assets of £21.0m (2020: £23.7m).
[2] Stated before adjusting items of £38.8m (2020: £218.5m) and amortisation of acquired intangible assets of £21.0m (2020: £23.7m).
[3] Revenue of the Group and its share of joint ventures.
[4] Disclosed net of the effect of hedging instruments and excludes leases - see note 10 to the preliminary financial statements.

   - Includes reduction of £46m in supply-chain financing
   - Receipt of capital raise and Kier Living sale proceeds arriving in the final months of the year. Limited impact on average net debt

- **Recent contract awards**
  - Highways: appointed to deliver Transport for London's (TfL) new c.£200m Maintenance and Management contract
  - Infrastructure: appointed on the first stage of a £50m Enabling Civil Works programme on Phase 2a of HS2
  - Utilities: contract with Openreach to construct new broadband infrastructure
  - Construction: won a place on the Ministry of Justice's £1bn New Prisons Programme; appointed to Lot 1 of the SCAPE next generation framework in England & Wales and Lot 2 of newly launched SCAPE Scotland
  - Focused on winning and executing contracts with appropriate risk / reward

- **High quality order book of £7.7bn**
  - Covering 83% of FY22 expected revenue
  - New awards received in H2. Lower level than last year due to procurement delays from the pandemic
  - Underpinned by significant frameworks and other opportunities
  - Well positioned to continue benefiting from UK Government infrastructure spending commitments

- **Focused on delivering medium term value creation plan**

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

Andrew Davies, Chief Executive, said:
"The Group delivered a strong operational performance and materially improved results in FY21. We have completed the strategic actions set out in 2019 to simplify and focus the Group, improve cash generation and strengthen our balance sheet. The successful capital raise, the recent sale of Kier Living, and the extension of the Group's RCF facility provides Kier with the financial and operational flexibility to continue to pursue its strategic objectives within its chosen markets and will allow it to further enhance and capitalise on its position as a strategic partner to its customers.

Current trading is in line with our expectations, and despite inflationary pressures and the impact of increased national insurance contributions, our outlook for the current year remains unchanged. We are now focused on delivering our medium term value creation plan by leveraging our attractive market positions, delivering our high-quality order book and fostering our long-term customer relationships and sector expertise."

FY21 Results Presentation

Kier Group plc will host a presentation for analysts and investors at 8:30am on 16 September 2021 at the offices of FTI Consulting, 200 Aldersgate Street, London EC1A 4HD.

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

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

Webcast	https://www.investis-live.com/kier/61112ab3be9f22100006ce1d/fda
United Kingdom:	0800 640 6441
United Kingdom (Local):	020 3936 2999
All other locations:	+44 20 3936 2999
Conference password:	332505

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

Capital Markets Event

Kier Group plc will be hosting a Capital Markets Event in FY22. Further details to be announced.

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

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

Further Information:

Kier Group plc

Investor Relations	**+44 (0) 7933 388 746**
Kier Press office	**+44 (0) 1767 355 096**
FTI Consulting	**+44 (0) 20 3727 1340**
Richard Mountain	

Cautionary Statement

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

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

Principal Risks and Uncertainties

You are advised to read the section headed ''Principal risks and uncertainties'' in the Company's Annual Report and Accounts for the year ended 30 June 2021 for a discussion of the factors that could affect the Group's future performance and the industry in which it operates.

About Kier

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

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

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

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

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

Introduction

The Group delivered materially improved results in FY21 demonstrating the completion of our operational and financial strategic actions announced in June 2019; to simplify and focus the Group, improve the Group's cash generation and strengthen its balance sheet.

In FY21, we reported revenue of £3.3bn, a slight decrease of 4% on the prior year reflecting our ongoing exit of some non-core low margin and loss-making contracts, the successful completion of our motorway upgrade projects and the ongoing impact of the COVID-19 pandemic; partially offset by growth in our core businesses.

We generated strong adjusted operating profit of £100m (FY20: £41m). An increase in margin from 1.2% to 3.0% reflects our improved quality of earnings.

Free cash flow amounted to £93m (FY20: £(8)m). We achieved a high level of cash conversion as profits translated to cash and working capital normalised, enabling the Group to support business growth opportunities and deleveraging.

The Group's net cash position at 30 June 2021 of £3m (FY20: £(310)m) demonstrates the continued focus on cash and improved strength of the Group's balance sheet.

Average year-end net debt for FY21 was £432m and remained at a similar level to the prior year (FY20: £436m) due to the Group's receipt of the capital raise and Kier Living sale proceeds in the final months of the year.

Strategy Update

The strong performance demonstrates that the simplification of the Group has been completed through the exit of non-core businesses and the adoption of an appropriate cost base. These actions delivered a savings run rate of c.£115m in FY21. The Performance Excellence culture has been embedded in the Group which will drive continuous improvement.

The successful capital raise, together with the recent sale of Kier Living, raised c.£350m of gross proceeds for the Group. This, together with the extension of the Group's 2017 RCF Facility to January 2025, provides Kier with the financial and operational flexibility to continue to pursue its strategic objectives within its chosen markets and will allow it to further enhance and capitalise on its position as a strategic partner to its customers.

The Group's strategy continues to be focused on:

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

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

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

Medium Term Value Creation Plan

The Group is now focused on delivering its medium term targets:

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

The Group aims to achieve these medium term targets through:

- volume growth and improved contract profitability;
- continued management discipline;
- deploying additional capital in the Property business; and
- a recovery from COVID-19

Performance Excellence

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

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

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

Kier launched a new Operating Framework in January 2020, which sets out the governance structure within which the Group now operates, including a new framework for the assessment of contract risk and new project reviews to ensure that the Group only enters into contracts with an acceptable and appropriate risk and financial reward profile.

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

Supply Chain Partners

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

We were pleased to report that, in our latest Duty to Report on Payment Practices and Reporting submission covering the period from 1 January 2021 to 30 June 2021, the Group's aggregate average payment days was 34 days (H1: 33 days) and the percentage of payments made to suppliers within 60 days was 89% (H1:91%). For the year, our payments days have reduced from 38 to 34 days.

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

Management Changes

The Group has continued to strengthen its management team through the year with three new appointments to the Executive Committee:

- Alpna Amar, Corporate Development Director responsible for Strategy, Mergers & Acquisitions and Investor Relations
- Leigh Thomas, Group Managing Director of our Property business
- Sophie Timms, Corporate Affairs Director responsible for UK Government relations and communications

The refreshed team provides additional strength and perspectives as the Group moves into the next phase of its strategy.

Customers and winning new work

We remain focused on winning work through our long standing client relationships and regionally based operations. The Group's order book at 30 June 2021 was £7.7bn (FY20: £7.9bn). We continue to win new high quality and profitable work.

During the year:

- Highways was appointed to deliver a c.£200m maintenance and management contract for TfL over eight years
- Infrastructure was appointed on the first stage of a £50m Enabling Civils Works programme on Phase 2a of HS2
- Utilities won a contract with Openreach to construct new broadband infrastructure in urban and rural areas in the west and south of England as well as Scotland, building on our current delivery of a similar contract in Wiltshire, Hampshire and Berkshire
- Construction won a place on the Ministry of Justice's £1bn New Prisons Programme and was also appointed to Lot 1 of the SCAPE next generation framework in England & Wales and Lot 2 of newly launched SCAPE Scotland

Safety, Health and Environment (SHE)

The safety, health and wellbeing of all of our employees and suppliers remains of paramount importance. We continue to work in line with Government Guidance in respect of COVID-19.

With that, it is a matter of deep regret that an employee of one of our subcontractors suffered a fatality at one of our sites in our International business in UAE in August 2020. We worked with our subcontractor and fully co-operated with the local authority in their investigations to ensure all lessons learnt could be embedded in the Group's operations. Our sympathy goes out to the bereaved family.

The Group's 12-month rolling Accident Incident Rate ('AIR') of 105 and 12-month rolling All Accident Incident Rate ('AAIR') of 332 represents increases of c.21% and c.9% respectively compared to FY20. Whilst we recognise this is disappointing, we retain a solid safety record and maintain high safety standards in our industry. Health and safety remains our license to operate and we continue to embed best practice and make conditions as safe as possible for our workforce. Looking at the long-term trend, the Group's AIR and AAIR have both decreased by c.50% compared to five years ago.

ESG

In July 2020, the Group launched a new sustainability policy "Building for a Sustainable World", which reframed sustainability away from being an environmental specialism to being a strategic and business critical mindset, balancing the need for environmental resilience, community resilience and profitability in day-to-day decision making.

The framework is governed through Sustainability Leadership Forums established at Group level and for each core business.

- **Environmental**

Under this framework, the Group has committed to achieving net zero carbon across its own operations and supply chain by 2045. This supports the UK Government's commitment to Net Zero by 2050.

Our environmental sustainability approach is based on five pillars:

1. **Pollution prevention**: prevent pollution from all operations within our control
2. **Sustainable procurement:** take a life cycle approach to the sourcing of materials, products and services
3. **Net zero carbon**: achieve net zero carbon across its business operations by 2039 and supply chain by 2045
4. **Zero avoidable waste:** produce no avoidable waste by 2035 and operations to be single use plastic free by 2030
5. **Biosphere protection:** maintain a healthy environment for future generations

In FY21, the Group's businesses have concentrated on achieving their environmental framework reduction targets, which they have made considerable progress on, as well as developing the Group's pathway to Net Zero, with interim targets, annual carbon budgets and limits on carbon offsetting.

The Group is launching carbon, water, waste and biodiversity KPIs for FY22, and seeking to employ innovation, new technology and best practices in pollution prevention.

We have won a number of "Green Apple" awards for biodiversity and protected species enhancement. In partnership with Network Rail, Kier won a "Sustainability & Environmental Excellence" award at the 2020 Rail Business Awards, for its work in the community. Kier was shortlisted for "Most Innovative Use of Existing Tech" at the 2020 Water Industry Awards, as a result of its collaboration with Huber and South West Water to reduce chemical consumption and operating costs in the South West of the UK.

- **Social**

The Group's work and actions directly and positively impact the communities it serves, and this in turn generates wider value for society. Our social sustainability framework is based on the following pillars:

1. **Building for tomorrow:** developing partnerships to drive forward sustainability
2. **Diversity and inclusion:** creating a diverse and inclusive business
3. **Our social value and purpose**: tackling inequality at work and in communities
4. **Employee wellbeing and retention:** recognising the importance of safety, wellbeing and employee retention
5. **Protecting human rights:** addressing the way we operate and conduct our business

The Group has achieved progress on these objectives, including its graduate intake comprising 25% women in FY21 and achieving 41% of expenditure on a number of public sector frameworks with SMEs, as well as training 900 mental health first aiders.

The Group introduced a new severity-based metric to focus on wider health and safety performance in its operations. This follows an established track record on social sustainability matters. For example, the Group was the first construction company, as part of the Department of Education's Care Leaver Covenant, to support 16 to 25 year olds who had spent time as "cared for" children.

Our Highways business and our HS2 joint venture are both Disability Confident employers. Our Highways business has also been a Disability Confident Leader since 2019, enabling people of all abilities to come into the workplace.

The Group's social framework commitments include developing and launching a new employee health and well-being strategy, as well as a Group Equality, Diversity and Inclusion strategy. This is driven by our recently appointed Group Head of Equality, Diversity and Inclusion. These efforts are supported by a focus on social purpose that aims to tackle inequality by giving individuals and communities the tools and opportunities to create brighter futures. For example, we had 649 apprentices participating on a Kier apprenticeship programme during the financial year ended 30 June 2021 which included 220 graduate apprentices.

- **Governance**

Governance will remain a core component of the Group's approach to operations. The Group monitors governance matters through Annual BSI audits on ISO14001, 45001 & 9001 compliance, Integrated Operational Assurance Statement & processes and operating assurance statements. The Group's internal policy centre supports the Group's efforts in governance focus areas such as modern slavery, anti-bribery and corruption, data protection and whistleblowing matters.
Framework commitments on governance matters include continued participation in sustainability leadership forums, ensuring Board oversight and cross-functional input, as well as implementation of project lifecycle management systems and processes, and continuous improvement of the Operational Assurance Statement processes and increased training requirements.

Our People

The Group's strong performance is attributable to the dedication of our c.10,800 employees across the UK. I would like to thank them for their commitment and contribution throughout the year.

Summary and Outlook

The Group delivered a strong operational performance and materially improved results in FY21. We have completed the strategic actions set out in 2019 to simplify and focus the Group, improve cash generation and strengthen our balance sheet. The successful capital raise, the recent sale of Kier Living, and the extension of the Group's RCF facility provides Kier with the financial and operational flexibility to continue to pursue its strategic objectives within its chosen markets and will allow it to further enhance and capitalise on its position as a strategic partner to its customers.

Current trading is in line with our expectations and, notwithstanding potential inflationary pressures and the impact of increased national insurance contributions, our outlook for the current year remains unchanged. We are now focused on delivering our medium term value creation plan by leveraging our attractive market positions, delivering our high-quality order book and fostering our long-term customer relationships and sector expertise.

Operational Review

Infrastructure Services

	Year ended 30 June 2021	Year ended 30 June 2020
Revenue (£m)	**1,422**	1,506
Adjusted operating profit (£m)[1]	**65.3**	31.3
Adjusted operating margin	**4.6%**	2.1%

[1] Stated before adjusting items

Reported operating profit (£m)	**41.4**	9.4
Order book (£bn)	**4.4**	4.6

- Key contract wins include
    - Infrastructure – appointed to deliver a major programme of highway and utility works on HS2 Phase 2a
    - Highways – c.£200m eight-year maintenance and management contract for TfL
    - Utilities – contract with Openreach to construct new broadband infrastructure in urban and rural areas in the west and south of England as well as Scotland
- 87% of orders secured for FY22

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

Segmental revenue was 6% lower than last year primarily due to the successful handover of the M20, M23 and M6 motorway upgrade projects during the second half of FY21 which more than offset the start of work for HS2. The focus on higher margin maintenance and service based work together with reductions in COVID-19 related costs, resulted in an increase in adjusted operating profit by 109% to £65m.

The Infrastructure business delivers major and complex infrastructure and civil engineering projects, including the HS2 project in joint venture with Eiffage, Ferrovial and BAM Nuttall, the A13 dualling project and the Luton DART rail system in joint venture with VolkerFitzpatrick. Revenue and adjusted operating profit were above the comparative period, primarily due to ramp-up of capital works on HS2, as well as the reduction in both COVID-19 related volume declines and the additional costs incurred during the period of the pandemic.

The Highways business builds and maintains roads for National Highways and a number of district and county councils. During the year, three of our motorway upgrade projects, the M20, M23 and M6 were delivered on schedule and we continued to successfully deliver a fourth. The business continued to win work at both national and local levels. The business was appointed to deliver a c.£200m maintenance and management contract for TfL Road Tunnels and Pumping Stations (TAPS). The new contract commenced in April 2021 and will run for eight years.

The Utilities business delivers long-term contracts providing construction and maintenance services to the water, energy, rail and telecommunications sectors. Changes made to the business are starting to deliver increased year over year revenue and profitability. There is also a positive timing impact as successful contract wins have been mobilised and are now in their delivery phase, especially in the broadband rollout market. Utilities has also benefited from an increase in volumes and reduced costs as it recovers from COVID-19. Utilities has continued to win work including a contract with Openreach to construct new broadband infrastructure in urban and rural areas in the south & west of England and in Scotland. This complements similar contracts in other regions. The pipeline for attractive high-quality, long-term infrastructure work remains strong.

Construction

	Year ended 30 June 2021	Year ended 30 June 2020
Revenue (£m)	**1,769**	1,835
Adjusted operating profit (£m)[1]	**56.7**	43.6
Adjusted operating margin	**3.2%**	2.4%
Reported operating profit / (loss) (£m)	**40.7**	(52.3)
Order book (£bn)	**3.3**	3.3

- Awarded places on frameworks worth up to £11.5bn lasting typically four years
- Appointed to the Ministry of Justice's (MoJ) £1bn New Prisons Programme
- 80% of orders secured for FY22
- Margin improvement due to realisation of cost saving programme and improved productivity

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

[1] Stated before adjusting items

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

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

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

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

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

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

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

Property

	Year ended 30 June 2021	Year ended 30 June 2020
Revenue (£m)	**134**	124
Adjusted operating profit / (loss) (£m)[1]	**5.7**	(3.2)
Adjusted operating margin	**4.3%**	(2.6)%
Reported operating profit / (loss) (£m)	**2.3**	(21.7)

- The Solum Regeneration joint venture (between Kier Property and Network Rail) sold the last two phases of its Twickenham Gateway development scheme.
- We secured a pre-let to Leonardo hotels on a 35-year lease for a 284 bed hotel on our Pall Mall development in Liverpool.

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

Revenue increased 8% compared to the prior year as the easing of COVID-19 related problems resulted in an increased number of assets being sold during the second half of FY21.

Adjusted operating profit increased from £(3.2)m to £5.7m due to increased completions, prior year comparatives reflecting COVID-19 costs and £3.9m from the alignment of accounting treatment for forward funding-arrangements which, although increased adjusted operating profit, had no impact on statutory profit. The business has had limited

[1] Stated before adjusting items

investment over the last two years. The focus is to slowly expand the Property business through select investments and a disciplined capital approach.

Corporate

	Year ended 30 June 2021	Year ended 30 June 2020
Adjusted operating loss (£m)[1]	**(27.4)**	(30.3)
Reported operating loss (£m)	**(40.7)**	(131.0)

The Corporate segment comprises the costs of the Group's central functions. We continued to see year over year reductions in central costs, including further savings in FY21 as the implementation of the Group's cost reduction programme continues to deliver benefits.

Kier Living

The results for Kier Living for the period are classified as discontinued. Kier Living's adjusted operating profit for the period of ownership was £5.3m (FY20: loss £(5.4)m), as the smaller reorganised business recovered COVID-19 related losses.

On 16 April 2021, the Group announced that it had entered into an agreement for the sale of Kier Living. The transaction was approved by shareholders at a General Meeting held on 7 May 2021 and was completed on 28 May 2021. The sale resulted in a loss on disposal of £12.1m.

[1] Stated before adjusting items

Financial Review

Introduction

The Group performed well during the financial year FY21. Kier's income statement, cash flow and balance sheet all materially improved as the Group completed the strategic actions commenced two years earlier.

The Group delivered adjusted operating profit of £100.3m (FY20: £41.4m) with a margin of 3.0% (FY20: 1.2%).

A significant reduction in adjusting items in the period has resulted in the Group's return to profitability with a statutory profit before tax from continuing operations of £5.6m (FY20: loss £225.3m), driven by decisive management actions taken over the previous 24 months.

Adjusted earnings per share was 25.0p from continuing operations (FY20: 12.2p restated). The prior year has been restated as a result of the equity raise.

The Group delivered strong free cash flow of £93m (FY20: £8m outflow) as increased operating profit converted to cash and working capital normalised to levels seen prior to COVID-19.

The inefficiencies of COVID-19 reduced in the second half of FY21; both due to the investments made in the prior year to adopt socially distanced working, as well as our businesses and supply chain having learnt to adapt to the new working environment. The majority of the Group's sites remained open throughout the year.

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

The orderbook was £7.7bn at 30 June 2021. The Group continued to win new business in its markets on terms and rates which reflect the bidding discipline and risk management introduced under the Group's Performance Excellence programme.

The orderbook is underpinned by significant long-term framework agreements including new awards in the second half of the year, albeit at lower levels than seen last year due to procurement delays resulting from COVID-19.

Sale of Living business

On 28 May 2021 the Group announced the sale of its Living division. The disposal represented one of the final milestones in management's strategic actions to simplify the Group and create a strong, resilient and flexible balance sheet.

The sale generated cash proceeds of £110m with an additional payment received for working capital movements of £10.8m, less sale costs and liabilities created on disposal. The accounting loss on the assets, which were disclosed as held for sale prior to disposal, was £12.1m. This has been recognised within discontinued operations. See note 16 of the financial statements for further information.

The results for Kier Living for the period to 28 May 2021 are classified as discontinued. Kier Living's adjusted loss after tax for the period was £0.3m (FY20: £12.8m loss).

Equity raise and refinancing

On 18 June 2021 the Group issued 284,049,829 new shares at £0.85 per share by way of a Firm Placing and a Placing and Open Offer. Accordingly, the total issued share capital now comprises 446,165,699 shares.

The new shares generated gross cash proceeds of £241.4m before deducting costs of £33.6m, of which £22.7m were deducted from equity, £2.6m has been offset against debt with the remaining £8.3m being general advisory fees which have been expensed to the income statement and classified as an adjusting item. Fees of £6.1m remain unpaid as at 30 June 2021.

On completion of the equity raise, the existing RCF debt facilities were refinanced, extending the Revolving Credit Facility of £475m and US Private Placement Notes of £71m to January 2025.

__Summary of financial performance__

	Adjusted[1] results - continuing operations			Reported results - continuing operations		
	30 Jun 21	30 Jun 20	*change*	**30 Jun 21**	30 Jun 20	*change*
Revenue (£m) - Total	**3,328.5**	3,475.6	*(4.2)%*	**3,328.5**	3,475.6	*(4.2)%*
Revenue (£m) - Excluding JV's	**3,261.0**	3,422.5	*(4.7)%*	**3,261.0**	3,422.5	*(4.7)%*
Profit/(loss) from operations (£m)	**100.3**	41.4	*142.3%*	**43.7**	(195.6)	*N/a*
Profit/(loss) before tax (£m)	**65.4**	16.9	*287.0%*	**5.6**	(225.3)	*N/a*
Earnings/(loss) per share (p)	**25.0**	12.2	*104.9%*	**11.6**	(85.3)	*N/a*
Free cash flow (£m)	**92.6**	(8.3)	*100.9*			
Net cash/(debt) (£m)	**3.0**	(310.3)	*313.3*			
Net debt (£m) - average month end	**(431.9)**	(435.6)	*0.8%*			
Orderbook (£bn)	**7.7**	7.9	*(0.2)*			
Supply Chain Financing (£m)	**79.1**	125.5	*(46.4)*			

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

__Revenue from continuing operations__

The following table represents a bridge in the Group's revenue from the year ended 30 June 2020 to the year ended 30 June 2021.

	£m
Revenue for the year ended 30 June 2020	**3,475.6**
Construction	**(65.6)**
Infrastructure	**(84.6)**
Property and Corporate	**3.1**
Revenue for the year ended 30 June 2021	**3,328.5**

Revenue slightly decreased due to the completion of the Group's simplification, focusing on improving profitability by exiting non-core, low margin and loss-making facilities management and environmental services contracts and businesses, the successful completion of our motorway upgrade projects, as well as challenging market conditions and the ongoing COVID-19 pandemic, partly offset by growth in all of the Group's core businesses.

The above table shows our revenue performance by operating segment and reflects the market conditions experienced in the period along with the UK's exit from the first national lockdown that took place in the first quarter of FY21. The Group continues to focus on delivering high quality and high margin work and the reduction in revenue also reflects this.

__Alternative performance measures__

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 from continuing operations__

	£m
Adjusted operating profit for the year ended 30 June 2020	**41.4**
Volume / price / mix changes	**6.4**
Cost inflation	**(2.2)**
Management actions	**34.3**
Wages and salaries	**(14.9)**
COVID direct costs incurred in FY20	**35.3**
Adjusted operating profit for the year ended 30 June 2021	**100.3**

Adjusted operating profit improved significantly compared to the prior year despite the reduction in revenue. This is due to the full impact of management actions, including cost savings of £31.2m being translated into financial metrics. In addition, the costs incurred in the prior year as a result of the COVID-19 pandemic have not recurred. These improvements are partly offset by wages and salaries, which includes an increased bonus accrual, the reversal of the temporary pay reduction in the prior year and reduced holiday pay accrual.

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

	Operating profit / (loss)		Profit / (loss) before tax	
	2021 £m	2020 £m	**2021 £m**	2020 £m
Reported profit / (loss) from continuing operations	**43.7**	(195.6)	**5.6**	(225.3)
Amortisation of acquired intangible assets	**21.0**	23.7	**21.0**	23.7
Costs associated with previous acquisitions	**–**	5.0	**–**	5.0
Restructuring and related charges	**31.6**	156.1	**31.6**	156.1
Preparation for business divestment or closure	**0.5**	33.6	**0.5**	33.6
Other	**3.5**	18.6	**6.7**	23.8
Adjusted profit from continuing operations	**100.3**	41.4	**65.4**	16.9

Additional information about these items is as follows:

- Amortisation of acquired intangible assets £21.0m (FY20: £23.7m):
  Comprises the amortisation of acquired contract rights primarily relating to the acquisitions of May Gurney in 2013, Mouchel in 2015 and McNicholas in 2017.
- Costs associated with previous acquisitions £nil (FY20: £5.0m):
  In prior years the Group recognised charges in respect of the McNicholas acquisition and its subsequent integration. These non-recurring costs have now been substantially completed.
- Restructuring and related charges £31.6m (FY20: £156.1m):
  The Group incurred restructuring costs and related charges in the year totalling £31.6m. The Group continued its strategic restructuring of its Regional Southern Build business, which has included the closure of offices, a down-sizing of personnel and the withdrawal/early settlement of certain contract positions. As a result of these ongoing restructuring activities, a net cost of £13.6m was charged in the current year. This relates predominantly to charges in respect of the recoverability of assets and increased project costs due to settlements and delays, which have been directly impacted by this restructuring programme.
  This represents an extension of the prior year charges, which similarly included costs relating to the restructuring of management, closure of offices and closure of certain sectors, and the impact that COVID-19 had on market conditions. In addition, £11.9m was incurred on professional fees and non-people initiatives, including £8.3m of advisors' fees in respect of the equity raise. A further £5.4m of employee exit costs were incurred across the Group and a £0.7m lease impairment charge was also incurred.
- Costs relating to the preparation of busines divestment or closure £0.5m (FY20: £33.6m):
  A total net loss on sale of two properties has been recognised in the year of £2.2m. This is offset by a credit of £3.0m as a result of transferring the assets and liabilities of Pure Recycling Warwick Limited from Assets Held For Sale as it currently does not meet the criteria. These assets had previously been impaired and are now being carried at their book value.
- Other costs £6.7m (FY20: £23.8m)
  Other costs include a £2.4m IFRS 16 interest charge on a leased property that was previously vacated and the write off of £0.8m of unamortised debt refinancing fees relating to the previous refinancing. The remaining charge includes £3.0m in respect of fire compliance and cladding claims and £0.5m following

the most recent High Court ruling that pension schemes equalise Guaranteed Minimum Pension between male and female members.

In addition, adjusting items amounting to £24.3m were incurred within discontinued operations. There was a £12.1m loss on disposal of the Kier Living business, £6.5m relates to historical costs within a Kier Living joint venture that had built up in prior periods within work in progress and that were considered irrecoverable prior to sale. In addition, £4.1m was incurred in respect of mothballed land impairments and £1.1m of management incentives were paid in relation to the sale. A further £1.0m of additional cost was incurred in respect of the exit from the Welsh region. These costs are offset by a tax credit of £0.5m.

Earnings per share
Earnings per share (EPS), before adjusting items, from continuing operations were earnings of 25.0p (FY20: 12.2p (restated)). EPS, after adjusting items, from continuing operations were earnings of 11.6p (FY20: 85.3p losses (restated)). The prior year restatement of EPS numbers are as a result of the equity raise.

Finance charges
Finance costs have increased to £41.8m (FY20: £36.4m) due to additional forward funding interest within the Property division. Forward funding interest costs relate to advanced funding in relation to certain projects. The forward funding interest costs of £8.8m in the year to 30 June 2021 reflect an alignment of the accounting treatment across all forward funding development contracts. The charge of £8.8m includes £3.9m that represents a cumulative catch up of interest costs that would have been recognised in previous reporting periods if the Group had always applied this accounting treatment to all applicable contracts. An offsetting credit is included within revenue, with a corresponding impact on the Group's operating profit. There is no impact on the statutory profit for the year from continuing operations.

Underlying interest is broadly in line with prior year which reflects the consistent year-on-year average net debt position. Finance costs also include £6.7m (FY20: £7.2m) of costs relating to interest and finance charges for lease liabilities.

Segmental Reporting
As part of the Group’s continued focus on restructuring and streamlining operations, and in line with the Group’s strategy to simplify the Group’s portfolio, a review of the Group’s Specialist Services business (Facilities Management, Housing Maintenance, Design and Business Services and Environmental Services) was conducted during the year.

Following internal restructuring driven by the potential synergy benefits available, the Group’s remaining Specialist Services business is now rebranded as Kier Places, reporting into the Construction Leadership Team. As part of this process, the information that is used to manage the Construction business, and what is being reported to the Group’s Chief Operating Decision Maker, has been realigned to include these businesses.

As a result, the Group has considered this and concluded that the results of the Specialist Services division, Kier Places, should be reported within the Construction segment for external reporting purposes.

Balance sheet
Net assets
The Group had net assets of £435.0m at 30 June 2021 (FY20: £240.8m). The primary driver for this is the equity raise.

Goodwill
The Group held intangible assets of £697.2m (FY20: £720.6m) of which goodwill represented £536.7m (FY20: £536.7m).

The Group completed its review of goodwill at 30 June 2021, assuming a pre-tax discount rate derived from a weighted average cost of capital of 9.1%, and concluded that no impairment was required.

The Infrastructure Services CGU comprises £516.3m of the total goodwill balance. Whilst no impairment is noted and management believe the discounted cashflows applied is underpinned by the orderbook and current pipeline prospects, this CGU is sensitive to changes in key assumptions. The key assumptions in the value in use calculations are the forecast revenues and operating margins, the discount rates applied to future cash flows and the terminal growth rate assumptions applied. Further details of the sensitivities of these assumptions will be disclosed in the Annual Report and Accounts.

Deferred tax asset
Given the reported losses recorded over the last two financial years, the Group has a deferred tax asset of £138.0m recognised at 30 June 2021 (FY20: £111.0m). The asset has increased in the period due to the change in future UK corporation tax rates and movement in the defined benefit pension liability. Based on the Group's forecasts, it is expected that this will be utilised over a period of approximately 12 years. Further disclosures on the considerations made when assessing this timeframe will be disclosed in the Annual Report and Accounts.

Due to its magnitude and one-off nature, the £25.5m tax credit relating to the tax rate change has been treated as an adjusting item.

Free cash flow and Net debt

	£m
Operating profit from continuing operations	**43.7**
Depreciation of owned assets	**6.4**
Depreciation of right-of-use assets	**33.7**
Amortisation	**30.9**
EBITDA	**114.7**
Adjusting items excluding adjusting amortisation and interest	**35.6**
Adjusted EBITDA	**150.3**
Working capital inflow	**63.5**
Net capital expenditure including finance lease capital payments	**(47.0)**
Joint Venture dividends less profits	**6.6**
Other free cash flow items	**7.0**
Net interest and tax	**(26.8)**
Free cash flow before COVID-19	**153.6**
Net COVID-19 tax repayment	**(61.0)**
Free cash flow	**92.6**

	£m
Net debt at 30 June 2020	**(310.3)**
Free cash flow	**92.6**
Adjusting items	**(72.1)**
Pension deficit payments (including £10m related to Living disposal)	**(37.0)**
Sales proceeds	**120.8**
Equity raise (net of fees)	**224.8**
Discontinued operations	**(11.4)**
Other	**(4.4)**
Net cash as at 30 June 2021	**3.0**

The Group delivered strong free cash flow in the year, underpinned by cash generation from operations, a working capital inflow of £64m, which includes a £50m benefit from the implementation of the Domestic Reverse Charge (DRC) VAT regulations in the year, being partially offset by a £46m outflow as the Group's use of its supply chain finance facility (KEPS) continued to reduce (FY21: £79.1m, FY20: £125.5m). The Group paid £61m of VAT and payroll taxes that were deferred from 2020 as a result of COVID-19. Net cash proceeds from the sale of Living of £121m and the equity raise of £225m have contributed to the Group delivering a net cash position of £3m at the year end.

Government support
As of 30 June 2021, there was total tax deferred of £18.8m (FY20: £79.8m) representing VAT deferred in accordance with HMRC guidance.

Contract assets & liabilities
Contract assets represents the Group's right to consideration in exchange for works which has already been performed. Similarly, a contract liability is recognised when a customer pays consideration before work is

performed. At 30 June 2021, contract assets amounted to £366.4m (FY20: £278.5m). Contract liabilities were £59.9m (FY20: £108.7m).

Retirement benefits obligation
Kier operates a number of defined benefit pension schemes. At 30 June 2021, the reported surplus, which is the difference between the aggregate value of the schemes' assets and the present value of their future liabilities, was £46.2m (FY20: £38.8m), before accounting for deferred tax, with the movement in the period as a result of employer contributions of £37m, which includes £10m of contributions as a result of the Living disposal. This is partly offset by changes in financial assumptions.

Right-of-use assets and lease liabilities
At 30 June 2021 the Group had right-of-use assets of £96.5m (FY20: £100.9m) and associated lease liabilities of £163.8m (FY20: £172.9m).

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

Treasury facilities
Bank finance
The Group has committed debt facilities of £685.0m with a further £18m of uncommitted overdrafts. Following the half year results and the sale of Living and the equity raise, the Group extended its £475m Revolving Credit Facility and £70.9m of US Private Placement (USPP) notes to January 2025.

Over the year, management has reduced the Group’s total debt facilities by £189m.

Supply chain finance
The Group offers its supply chain in the Construction business the opportunity to participate in KEPS. The balance owed on this facility is included in trade creditors. The balance at 30 June 2021 was £79.1m (FY20: £125.5m) which was considerably reduced from the prior year.

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

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

The Group does not enter into speculative transactions.

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

The Group delivered improved results in FY21 demonstrating the significant progress made on the operational and financial turnaround strategy announced in June 2019; to simplify and focus the Group, improve the Group’s cash generation and strengthen its balance sheet.

The sale of Kier Living and the new share issue enabled the successful completion of the funding elements of the Group’s strategic plan. The transactions facilitated a reduction in the Group’s net debt, with a repayment of £189m of facilities prior to 30 June 2021; they have provided the Group with more working capital, and with less associated volatility; and they have removed the capital requirement to support residential land acquisition and presence of unconsolidated debt in certain joint ventures.

Along with the reduction in debt facilities in the year, the Group has also agreed and signed an extension to its Revolving Credit Facility (RCF) which was due to expire in July 2022. This has been extended to January 2025, with covenant requirements reset accordingly.

The Group performed well through the year ended 30 June 2021 and produced results slightly above the Board's expectations. Average net debt compared to the prior year has reduced slightly compared to FY20, and is expected to materially reduce going forward following the corporate actions noted above. The Group continues to win new business in its markets on terms and at rates which reflect the new bidding disciplines and risk management practices introduced under the Group's Performance Excellence programme. The orderbook as at 30 June 2021 was generally in line with the position at 30 June 2020 at £7.7bn.

Following the revised debt facility agreements, at 30 June 2021, the Group had £685.0m of unsecured committed facilities, £18.0m of uncommitted overdrafts and £79.1m of uncommitted supply chain financing facilities.

Financial covenant certificates for September 2020, December 2020, March 2021 and June 2021 have been prepared with no breaches noted. The Directors have reviewed the Group's cash flow forecasts for the period to 31 December 2022, which are included in the Group's three-year strategic plan, on the basis of certain key assumptions and including a number of stressed but plausible downside scenarios.

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

- The continued and ongoing impact of COVID-19, in respect of which a full shut-down of the construction sector akin to that of March 2020 was not considered plausible in light of the experience of government restrictions imposed during the first half of 2021;
- Potential reductions in trading volumes;
- Potential margin erosion;
- Risks in respect of certain specific projects; and
- The availability of supply-chain finance.

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

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

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

Viability statement

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

Assessment period

Consistent with the practice of previous years, the Board has assessed the prospects of the Group over a period of three years from 30 June 2021, taking account of its current position and the potential impact of the Group's principal risks and uncertainties (the PRUs) which is set out in this Annual Report and certain other risks referred to below. The Board has identified a three-year period as being a period over which it believes it is able to forecast the Group's performance with reasonable certainty, principally because:

- The Group's internal forecasting covers a three-year period;

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

Assessment process

The work required to support the viability statement was undertaken by management and has been substantially reviewed by external advisers with respect to certain elements of the work relevant to the recently completed corporate projects, being the Group's disposal of Kier Living and the June 2021 equity raise. The following is a summary of the key elements of the assessment process:

- The model used as the basis of the assessment included a number of key assumptions (please see 'Key assumptions' below) and was subject to stress-testing (please see 'Stress-testing' below);
- The process considered the Group's current performance and future prospects, strategy, the PRUs and the mitigation of the PRUs;
- The process included a review of certain other risks relating to the Group, including macroeconomic and political risks affecting the UK economy (for example, Brexit), and risks relating to the Group's trading, the Group's pensions, the availability of the Group's finance facilities, systemic margin erosion, the execution of the Group's strategy, the supply chain and certain project specific risks; and
- The process assessed the continuing impact of COVID-19, including ongoing adverse effects and the likelihood of further waves and further lockdowns.

The Director's note that the actions taken in the financial year have strengthened the balance sheet and have extended the maturity of the Group's Revolving Credit Facility to 2025; outside of the assessment period.

Key assumptions

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

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

Stress-testing

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

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

COVID-19

Significant judgement was required to assess the ongoing impact of COVID-19 on the three-year plan. The key assumptions used in this assessment were driven by the most recent experiences the Group has incurred whereby government lockdowns have not included the Construction industry and the primary markets in which the Group operates. The impact on the 2021 results are less severe than the impact incurred in 2020 as social distancing operating procedures have been adopted by the Group since the initial outbreak.

Viability statement

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

Financial Statements

Consolidated income statement

For the year ended 30 June 2021

	Notes	2021 £m	2020[2] £m
Continuing operations			
Revenue			
Group and share of joint ventures	2	**3,328.5**	3,475.6
Less share of joint ventures	2	**(67.5)**	(53.1)
Group revenue		**3,261.0**	3,422.5
Cost of sales		**(2,976.9)**	(3,220.4)
Gross profit		**284.1**	202.1
Administrative expenses		**(240.1)**	(391.7)
Share of post-tax results of joint ventures		**(0.3)**	(6.6)
Profit on disposal of joint ventures and subsidiaries		**–**	0.6
Profit/(loss) from operations		**43.7**	(195.6)
Finance income	4	**3.7**	6.7
Finance costs	4	**(41.8)**	(36.4)
Profit/(loss) before tax	2	**5.6**	(225.3)
Taxation	6	**17.4**	53.4
Profit/(loss) for the year from continuing operations		**23.0**	(171.9)
Discontinued operations			
Loss for the year from discontinued operations (attributable to equity holders of the parent)	11	**(24.6)**	(101.4)
Loss for the year		**(1.6)**	(273.3)
Attributable to:			
Owners of the parent		**(0.3)**	(273.3)
Non-controlling interests		**(1.3)**	–
		(1.6)	(273.3)
Earnings/(loss) per share from continuing operations			
– Basic	8	**11.6p**	(85.3)p
– Diluted	8	**11.4p**	(85.3)p
Total earnings/(loss) per share			
– Basic	8	**(0.1)p**	(135.5)p
– Diluted	8	**(0.1)p**	(135.5)p
Supplementary information from continuing operations			
Adjusted[1] operating profit	3	**100.3**	41.4
Adjusted[1] profit before tax	3	**65.4**	16.9
Adjusted[1] earnings per share	8	**25.0p**	12.2p
Adjusted[1] diluted earnings per share	8	**24.6p**	12.2p

1 Reference to ‘adjusted’ excludes adjusting items, see note 3.
2 Earnings per share has been re-presented in the comparative information as a result of the equity raise which completed on 18 June 2021, see note 17.

Consolidated statement of comprehensive income

For the year ended 30 June 2021

	Notes	2021 £m	2020 £m
Loss for the year		**(1.6)**	(273.3)
Items that may be reclassified subsequently to the income statement			
Share of joint venture fair value movements on cash flow hedging instruments		**–**	(0.3)
Fair value (loss)/gain on cash flow hedging instruments		**(16.6)**	5.7
Fair value movements on cash flow hedging instruments recycled to the income statement		**15.0**	(2.3)
Deferred tax credit/(charge) on fair value movements on cash flow hedging instruments		**0.3**	(0.7)
Foreign exchange gains on long-term funding of foreign operations		**–**	1.0
Foreign exchange translation differences		**(3.2)**	0.1
Foreign exchange movements recycled to the income statement		**0.1**	3.3
Total items that may be reclassified subsequently to the income statement		**(4.4)**	6.8
Items that will not be reclassified to the income statement			
Re-measurement of retirement benefit assets and obligations	5	**(29.8)**	(6.2)
Deferred tax on re-measurement of retirement benefit assets and obligations		**4.8**	6.4
Total items that will not be reclassified to the income statement		**(25.0)**	0.2
Other comprehensive (loss)/income for the year		**(29.4)**	7.0
Total comprehensive loss for the year		**(31.0)**	(266.3)
Attributable to:			
Equity holders of the parent		**(29.7)**	(266.3)
Non-controlling interests – continuing operations		**(1.3)**	–
		(31.0)	(266.3)
Total comprehensive loss attributable to equity shareholders arises from:			
Continuing operations		**(5.1)**	(164.9)
Discontinued operations		**(24.6)**	(101.4)
		(29.7)	(266.3)

Consolidated statement of changes in equity

As at 30 June 2021

	Notes	Share capital £m	Share premium £m	Capital redemption reserve £m	Accumulated losses £m	Cash flow hedge reserve £m	Translation reserve £m	Merger reserve £m	Equity attributable to owners of the parent £m	Non-controlling interests £m	Total equity £m
At 30 June 2019		1.6	684.3	2.7	(306.8)	(1.2)	3.7	134.8	519.1	0.5	519.6
Impact of adopting IFRS 16		–	–	–	(16.6)	–	–	–	(16.6)	–	(16.6)
At 1 July 2019		1.6	684.3	2.7	(323.4)	(1.2)	3.7	134.8	502.5	0.5	503.0
Loss for the year		–	–	–	(273.3)	–	–	–	(273.3)	–	(273.3)
Other comprehensive income		–	–	–	0.2	2.4	4.4	–	7.0	–	7.0
Dividends paid		–	–	–	–	–	–	–	–	(0.4)	(0.4)
Share-based payments	13	–	–	–	5.4	–	–	–	5.4	–	5.4
Purchase of own shares		–	–	–	(0.9)	–	–	–	(0.9)	–	(0.9)
At 30 June 2020		**1.6**	**684.3**	**2.7**	**(592.0)**	**1.2**	**8.1**	**134.8**	**240.7**	**0.1**	**240.8**
Loss for the year		–	–	–	(0.3)	–	–	–	**(0.3)**	(1.3)	**(1.6)**
Other comprehensive losses		–	–	–	(25.0)	(1.3)	(3.1)	–	**(29.4)**	–	**(29.4)**
Issue of own shares	17	2.9	–	–	–	–	–	215.8	**218.7**	–	**218.7**
Share-based payments	13	–	–	–	7.0	–	–	–	**7.0**	–	**7.0**
Purchase of own shares		–	–	–	(0.5)	–	–	–	**(0.5)**	–	**(0.5)**
At 30 June 2021		**4.5**	**684.3**	**2.7**	**(610.8)**	**(0.1)**	**5.0**	**350.6**	**436.2**	**(1.2)**	**435.0**

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

Consolidated balance sheet

For the year ended 30 June 2021

	Notes	2021 £m	2020 £m
Non-current assets			
Intangible assets	9	**697.2**	720.6
Property, plant and equipment		**43.3**	42.3
Right-of-use assets		**96.5**	100.9
Investment properties		**49.6**	49.8
Investments in and loans to joint ventures		**98.9**	105.6
Capitalised mobilisation costs		**3.8**	1.9
Deferred tax assets	6	**138.0**	111.0
Contract assets		**30.7**	28.8
Trade and other receivables		**24.1**	32.9
Retirement benefit assets	5	**87.2**	99.5
Other financial assets		**11.4**	30.0
Non-current assets		**1,280.7**	1,323.3
Current assets			
Inventories		**54.7**	60.0
Contract assets		**335.7**	249.7
Trade and other receivables		**203.1**	236.4
Corporation tax receivable		**13.6**	12.5
Other financial assets		**2.0**	–
Cash and cash equivalents	10	**391.2**	413.9
Current assets		**1,000.3**	972.5
Assets held for sale as part of a disposal group	11	**–**	196.7
Total assets		**2,281.0**	2,492.5
Current liabilities			
Borrowings	10	**(38.2)**	(61.6)
Lease liabilities		**(27.4)**	(33.1)
Trade and other payables	12	**(1,093.1)**	(957.5)
Contract liabilities		**(59.9)**	(108.7)
Provisions		**(14.9)**	(20.8)
Current liabilities		**(1,233.5)**	(1,181.7)
Liabilities held for sale as part of a disposal group	11	**–**	(81.7)
Non-current liabilities			
Borrowings	10	**(362.3)**	(689.8)
Lease liabilities		**(136.4)**	(139.8)
Trade and other payables	12	**(39.9)**	(46.5)
Retirement benefit obligations	5	**(41.0)**	(60.7)
Provisions		**(32.9)**	(51.5)
Non-current liabilities		**(612.5)**	(988.3)
Total liabilities		**(1,846.0)**	(2,251.7)
Net assets	2	**435.0**	240.8
Equity			
Share capital	17	**4.5**	1.6
Share premium		**684.3**	684.3
Capital redemption reserve		**2.7**	2.7
Accumulated losses		**(610.8)**	(592.0)
Cash flow hedge reserve		**(0.1)**	1.2
Translation reserve		**5.0**	8.1
Merger reserve	17	**350.6**	134.8
Equity attributable to owners of the parent		**436.2**	240.7
Non-controlling interests		**(1.2)**	0.1
Total equity		**435.0**	240.8

Consolidated cash flow statement

For the year ended 30 June 2021

	Notes	2021 £m	2020[1] £m
Cash flows from operating activities			
Profit/(loss) before tax – continuing operations		**5.6**	(225.3)
– discontinued operations		**(24.6)**	(101.4)
Net finance cost	4	**38.1**	29.7
Share of post-tax trading results of joint ventures		**0.3**	0.2
Normal cash contributions to pension fund in excess of pension charge		**0.7**	0.2
Equity-settled share-based payments charge	13	**7.0**	5.4
Amortisation of intangible assets and mobilisation costs		**30.9**	36.9
(Reversal of impairment)/impairment of assets held for sale, intangible assets and investment		**(5.1)**	57.0
Research and development expenditure credit		**(13.3)**	(10.2)
Depreciation of property, plant and equipment		**6.4**	7.6
Depreciation and impairment of right-of-use assets		**33.7**	46.0
Loss/(profit) on disposal of joint ventures and subsidiaries	16	**12.1**	(0.6)
(Profit)/loss on disposal of property, plant and equipment and intangible assets		**(0.2)**	4.9
Operating cash inflows/(outflows) before movements in working capital and pension deficit contributions		**91.6**	(149.6)
Deficit contributions to pension funds	5	**(37.0)**	(25.0)
Decrease in inventories		**3.9**	44.2
Decrease in receivables		**43.0**	108.1
(Increase)/decrease in contract assets		**(95.3)**	212.2
Increase/(decrease) in payables		**100.7**	(278.6)
Decrease in contract liabilities		**(48.8)**	(20.5)
Decrease in provisions		**(31.3)**	(4.0)
Cash inflow/(outflow) from operating activities		**26.8**	(113.2)
Dividends received from joint ventures		**6.3**	28.9
Interest received		**3.7**	6.7
Income tax received		**11.2**	5.9
Net cash inflow/(outflow) from operating activities		**48.0**	(71.7)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**2.5**	1.6
Proceeds from sale of subsidiaries and joint ventures, net of cash disposed		**120.8**	14.1
Purchase of property, plant and equipment		**(3.3)**	(3.8)
Purchase of intangible assets		**(3.1)**	(4.0)
Purchase of capitalised mobilisation costs		**(3.5)**	(0.8)
Investment in joint ventures		**(9.2)**	(14.2)
Loan repayment and return of equity from joint ventures[1]		**9.3**	9.4
Classification to assets held for resale		**–**	(0.1)
Net cash from investing activities		**113.5**	2.2
Cash flows from financing activities			
Issue of shares net of associated transaction costs		**224.8**	–
Purchase of own shares		**(0.5)**	(0.9)
Interest paid		**(28.4)**	(34.9)
Principal elements of lease payments		**(39.6)**	(40.4)
Drawdown of borrowings		**–**	274.7
Repayment of borrowings		**(337.4)**	(30.3)
Settlement of derivative financial instruments		**–**	(0.5)
Dividends paid to non-controlling interests		**–**	(0.4)
Net cash (used in)/from financing activities		**(181.1)**	167.3
(Decrease)/increase in cash, cash equivalents and overdraft		**(19.6)**	97.8
Effect of change in foreign exchange rates		**(3.1)**	4.4
Opening cash, cash equivalents and overdraft		**413.9**	311.7
Closing cash, cash equivalents and overdraft	10	**391.2**	413.9
Supplementary information			
Adjusted cash flow from operating activities	3	**98.9**	(19.7)

1 £9.4m has been re-presented in the comparative information from financing activities to investing activities for loan repayment and return of equity from joint ventures.

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 preliminary consolidated financial statements (financial statements) for the year ended 30 June 2021 comprise the Company and its subsidiaries (together referred to as the Group) and the Group's interest in jointly controlled entities.

Basis of preparation

These preliminary results have been prepared in accordance with the Disclosure Guidance and Transparency Rules of the UK Financial Conduct Authority and in accordance with International Accounting Standards, in conformity with the requirements of the Companies Act 2006, and International Financial Reporting Standards, adopted pursuant to regulation (ED) 1606/2000 as it applies in the European Union.

The financial information contained in this announcement does not constitute the Company's statutory accounts as at and for the year ended 30 June 2021, but is derived from those statutory accounts. The Company's statutory accounts as at and for the year ended 30 June 2021 will be delivered to the Registrar or Companies following the Company's Annual General Meeting on 19 November 2021.

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

The Group delivered improved results in FY21 demonstrating the significant progress made on the operational and financial turnaround strategy announced in June 2019; to simplify and focus the Group, improve the Group's cash generation and strengthen its balance sheet.

The sale of Kier Living and the new share issue enabled the successful completion of the funding elements of the Group's strategic plan. The transactions facilitated a reduction in the Group's net debt, with a repayment of £189m of facilities prior to 30 June 2021; they have provided the Group with more working capital, and with less associated volatility; and they have removed the capital requirement to support residential land acquisition and presence of unconsolidated debt in certain joint ventures.

Along with the reduction in debt facilities in the year, the Group has also agreed and signed an extension to its Revolving Credit Facility (RCF) which was due to expire in July 2022. This has been extended to January 2025, with covenant requirements reset accordingly.

The Group performed well through the year ended 30 June 2021 and produced results slightly above the Board's expectations. Average net debt compared to the prior year has reduced slightly compared to FY20, and is expected to materially reduce going forward following the corporate actions noted above. The Group continues to win new business in its markets on terms and at rates which reflect the new bidding disciplines and risk management practices introduced under the Group's Performance Excellence programme. The orderbook as at 30 June 2021 was generally in line with the position at 30 June 2020 at £7.7bn.

Following the revised debt facility agreements, at 30 June 2021, the Group had £685.0m of unsecured committed facilities, £18.0m of uncommitted overdrafts and £79.1m of uncommitted supply chain financing facilities.

Financial covenant certificates for September 2020, December 2020, March 2021 and June 2021 have been prepared with no breaches noted. The Directors have reviewed the Group's cash flow forecasts for the period to 31 December 2022, which are included in the Group's three-year strategic plan, on the basis of certain key assumptions and including a number of stressed but plausible downside scenarios.

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

- The continued and ongoing impact of COVID-19, in respect of which a full shut-down of the construction sector akin to that of March 2020 was not considered plausible in light of the experience of government restrictions imposed during the first half of 2021;
- Potential reductions in trading volumes;
- Potential margin erosion;
- Risks in respect of certain specific projects; and
- The availability of supply-chain finance.

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

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

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

Significant accounting policies
The accounting policies applied by the Group in these financial statements are consistent with those applied by the Group in its financial statements as at, and for the year ended, 30 June 2020.

Segmental reporting
As part of the Group's continued focus on restructuring and streamlining operations, and in line with the Group's strategy to simplify the Group's portfolio, a review of the Facilities Management, Housing Maintenance, Design and Business Services and Environmental Services businesses was conducted during the year to 30 June 2021. Following internal restructuring driven by the potential synergy benefits available, these businesses now report into the Construction Leadership Team. As part of this process, the information that is used to manage the Construction business, and what is being reported to the Group's Chief Operating Decision Maker, has been realigned to include these businesses.

The Directors have therefore concluded that the results of the Facilities Management, Housing Maintenance, Design and Business Services and Environmental Services businesses should be reported within the Construction segment for external reporting purposes, still named Construction. The Other segment now only consists of the Property division and has been renamed Property. The prior year segmental analysis has been restated to reflect these changes.

2 Segmental reporting

Year to 30 June 2021

Continuing operations	Infrastructure Services £m	Construction £m	Property £m	Corporate £m	Group £m
Revenue[1]					
Group and share of joint ventures	1,421.6	1,769.1	133.6	4.2	**3,328.5**
Less share of joint ventures	–	(1.5)	(66.0)	–	**(67.5)**
Group revenue	**1,421.6**	**1,767.6**	**67.6**	**4.2**	**3,261.0**
Timing of revenue[1]					
Products and services transferred at a point in time	5.2	9.2	59.0	–	**73.4**
Products and services transferred over time	1,416.4	1,759.9	74.6	4.2	**3,255.1**
Group and share of joint ventures	**1,421.6**	**1,769.1**	**133.6**	**4.2**	**3,328.5**
Loss for the year					
Operating profit/(loss) before adjusting items[5]	65.3	56.7	5.7	(27.4)	**100.3**
Adjusting items[5]	(23.9)	(16.0)	(3.4)	(13.3)	**(56.6)**
Profit/(loss) from operations	**41.4**	**40.7**	**2.3**	**(40.7)**	**43.7**
Net finance costs[2]	–	(3.9)	(10.8)	(23.4)	**(38.1)**
Profit/(loss) before tax from continuing operations	**41.4**	**36.8**	**(8.5)**	**(64.1)**	**5.6**
Taxation					**17.4**
Profit for the year from continuing operations					**23.0**
Loss for the year from discontinued operations					**(24.6)**
Loss for the year					**(1.6)**
Balance sheet					
Operating assets[3]	945.3	459.6	167.0	304.5	**1,876.4**
Operating liabilities[3]	(457.0)	(749.0)	(24.0)	(215.5)	**(1,445.5)**
Net operating assets/(liabilities)[3]	**488.3**	**(289.4)**	**143.0**	**89.0**	**430.9**
Cash, cash equivalents and borrowings	346.7	480.7	(126.4)	(710.3)	**(9.3)**
Net financial assets	–	–	–	13.4	**13.4**
Net assets/(liabilities)	**835.0**	**191.3**	**16.6**	**(607.9)**	**435.0**
Other information					
Inter-segmental revenue	20.1	0.3	–	46.7	**67.1**
Capital expenditure on property, plant, equipment and intangible assets	1.7	0.5	–	4.2	**6.4**
Depreciation of property, plant and equipment	(1.2)	(0.8)	–	(4.4)	**(6.4)**
Amortisation of computer software	(0.4)	(1.3)	–	(6.6)	**(8.3)**

2 Segmental reporting continued

Year to 30 June 2020[4]

Continuing operations	Infrastructure Services £m	Construction £m	Property £m	Corporate £m	Group £m
Revenue[1]					
Group and share of joint ventures	1,506.2	1,834.7	123.8	10.9	**3,475.6**
Less share of joint ventures	–	(7.4)	(45.7)	–	**(53.1)**
Group revenue	**1,506.2**	**1,827.3**	**78.1**	**10.9**	**3,422.5**
Timing of revenue[1]					
Products and services transferred at a point in time	3.9	8.5	44.5	–	**56.9**
Products and services transferred over time	1,502.3	1,826.2	79.3	10.9	**3,418.7**
Group and share of joint ventures	**1,506.2**	**1,834.7**	**123.8**	**10.9**	**3,475.6**
Loss for the year					
Operating profit/(loss) before adjusting items[5]	31.3	43.6	(3.2)	(30.3)	**41.4**
Adjusting items[5]	(21.9)	(95.9)	(18.5)	(100.7)	**(237.0)**
Profit/(loss) from operations	**9.4**	**(52.3)**	**(21.7)**	**(131.0)**	**(195.6)**
Net finance costs[2]	(1.5)	(8.4)	(3.8)	(16.0)	**(29.7)**
Profit/(loss) before tax from continuing operations	**7.9**	**(60.7)**	**(25.5)**	**(147.0)**	**(225.3)**
Taxation					**53.4**
Loss for the year from continuing operations					**(171.9)**
Loss for the year from discontinued operations					**(101.4)**
Loss for the year					**(273.3)**
Balance sheet					
Operating assets[3]	828.2	500.6	186.1	337.0	**1,851.9**
Operating liabilities[3]	(385.2)	(696.9)	(24.4)	(312.1)	**(1,418.6)**
Net operating assets/(liabilities)[3]	**443.0**	**(196.3)**	**161.7**	**24.9**	**433.3**
Cash, cash equivalents and borrowings	346.1	370.6	(145.5)	(908.7)	**(337.5)**
Net financial assets	–	–	–	30.0	**30.0**
Net assets/(liabilities) excluding net assets held for sale	**789.1**	**174.3**	**16.2**	**(853.8)**	**125.8**
Net assets held for sale					**115.0**
Net assets					**240.8**
Other information					
Inter-segmental revenue	16.4	0.2	–	43.6	**60.2**
Capital expenditure on property, plant, equipment and intangible assets	1.2	3.7	–	2.9	**7.8**
Depreciation of property, plant and equipment	(1.0)	(0.8)	–	(5.8)	**(7.6)**
Amortisation of computer software	(0.3)	–	–	(10.7)	**(11.0)**

1 Revenue is stated after the exclusion of inter-segmental revenue. Over 90% of the Group's revenue is derived from UK-based customers. 12% of the Group's revenue was received from National Highways (2020: 17%).
2 Interest was (charged)/credited to the divisions at a notional rate of 4.0%.
3 Net operating assets/(liabilities) represent assets excluding cash, cash equivalents, bank overdrafts, borrowings, financial assets and liabilities, assets and liabilities classified as held for sale and interest-bearing inter-company loans.
4 Prior year comparative information re-presented to show the new reporting segments.
5 See note 3 for adjusting items.

3 Adjusting items

These items are explained in detail below:

	Operating profit/(loss)		Profit/(loss) before tax	
	2021 £m	2020 £m	**2021 £m**	2020 £m
Reported profit/(loss) from continuing operations	**43.7**	(195.6)	**5.6**	(225.3)
Amortisation of acquired intangible assets	**21.0**	23.7	**21.0**	23.7
Costs associated with previous acquisitions	**–**	5.0	**–**	5.0
Restructuring and related charges	**31.6**	156.1	**31.6**	156.1
Preparation for business divestment or closure	**0.5**	33.6	**0.5**	33.6
Other	**3.5**	18.6	**6.7**	23.8
Adjusted profit from continuing operations	**100.3**	41.4	**65.4**	16.9

a) Amortisation of acquired intangible assets

	Notes	**2021 £m**	2020 £m
Amortisation of acquired intangible assets	9	**(21.0)**	(23.7)

b) Costs associated with previous acquisitions

	2021 £m	2020 £m
Integration costs relating to the McNicholas acquisition[1]	**–**	(8.5)
McNicholas acquired contract settlement[2]	**–**	3.5
Total charge before tax	**–**	(5.0)

1 Costs incurred in the prior year to integrate the McNicholas acquisition into the Utilities business including significant double-running of people and lease costs. These were considered to be adjusting items on the basis of their size, the fact that they related to a major acquisition and that these were non-recurring costs. These are no longer material for separate disclosure.

2 Revenue received in settlement of a contract acquired with McNicholas.

c) Restructuring and related charges

The Group has incurred significant restructuring charges relating to costs of multi-year organisational change associated with the Group's cost saving programmes and, the Group's Strategic Review programme announced following the appointment of Andrew Davies as CEO in 2019. These are treated as adjusting items on the basis of their size and the fact that they relate to significant changes to the Group's activities, property portfolio and workforce.

	2021 £m	2020 £m
Restructure of Regional Southern Build business[1]	**(13.6)**	(61.5)
Redundancy costs[2]	**(5.4)**	(29.5)
Professional adviser fees and other costs incurred implementing non-people initiatives[3]	**(11.9)**	(34.2)
Impairments and other costs relating to leased properties[4]	**(0.7)**	(14.4)
Costs in preparation for outsourcing arrangements[5]	**–**	(11.1)
Property impairment[6]	**–**	(5.4)
Total charge before tax	**(31.6)**	(156.1)

1 The Group has continued its strategic restructuring of its Regional Southern Build business, which has included the closure of offices, a down-sizing of personnel and the withdrawal/early settlement of certain contract positions As a result of these ongoing restructuring activities a net cost of £13.6m has been charged in the current year. This relates predominantly to charges in respect of the recoverability of assets and increased project costs due to settlements and delays, which have been directly impacted by this restructuring programme. This represents an extension of the prior year charges, which similarly included costs relating to the restructuring of management, closure of offices and closure of certain sectors, and the impact that COVID-19 had on market conditions.

2 Costs in respect of roles made redundant as a result of the ongoing implementation of cost saving programmes and from strategic decisions taken to reduce headcount in a number of the Group's principal operating divisions following the continued implementation of the strategic review.

3 The Group incurred various costs in respect of the restructuring activities during the year. In particular, £8.3m of adviser fees relating to the equity raise and debt refinancing were expensed to the income statement on the basis that they were not directly attributable to either transaction. In addition to the fees charged to adjusting items, £22.7m has been charged to equity and £2.6m offset against debt. The remaining adjusting costs were incurred implementing non-people initiatives.

4 The Group has incurred impairment and other charges on a corporate office lease of £0.7m (2020: £16.8m), which is being exited as part of the cost saving programme. These further charges are as a result of the delayed subletting of the property. In the prior year another corporate office lease that was previously impaired was brought back into use by the Group, which resulted in a net credit to adjusting items of £2.4m.

5 In the prior year the Group outsourced its Fleet and IT services, incurring £8.3m of costs. This included one-off set up costs and dual-running costs.

6 As part of its restructuring programme the Group closed its head office in the prior year, which is now held as an investment property. As a result, an impairment charge of £5.4m was recognised.

3 Adjusting items continued

d) Costs incurred in preparation for business divestment or closure

The Group has incurred various charges driven by the change in strategic direction of the Group and the decision to exit certain divisions deemed non-core to its ongoing operations. Most of these charges are non-cash and are treated as adjusting items on the basis that they relate to a major restructuring of the Group following the Strategic Review that took place in 2019.

	2021 £m	2020 £m
Business closure and sales costs[1]	**(3.5)**	(32.0)
Fair value reversal of assets held for sale	**3.0**	–
Impairment of ERP computer software[2]	**–**	(4.7)
Reversal of impairment of ERP computer software[2]	**–**	3.1
Total charge before tax	**(0.5)**	(33.6)

1 Following the announcement of the Group's intention to exit parts of the Group, a number of charges have been recognised. These primarily consist of the Group's share of net losses on disposal of two sites within the Property division (£2.2m). The prior year charge includes costs of £14.8m in Property, £1.6m in Facilities Management and £2.1m in Kier Business Services in relation to closure activities as well as adviser fees of £7.8m.
2 In the prior year a cost of £4.7m was written-off due to software functionality which was no longer to be utilised within the Group. Software previously impaired is instead being utilised and so this element of impairment was reversed.

e) Other adjusting items

Other adjusting items are analysed below:

	Notes	**2021 £m**	2020 £m
Net financing costs[1]		**(3.2)**	(5.2)
Legal compliance[2]		**(3.0)**	(7.6)
GMP Pension charge	9	**(0.5)**	–
Central charges and other items[3]		**–**	(8.9)
Procurement charge[4]		**–**	(2.1)
Total charge before tax		**(6.7)**	(23.8)

1 Net financing costs relate to IFRS 16 interest charges on vacated properties (£2.4m) and the write off of unamortised debt arrangement fees following the current year refinancing (£0.8m). The prior year charge included the discount unwinding of acquired intangible assets and the recycling of foreign exchange from the translation reserve in respect of the Caribbean operations.
2 The Group has incurred £3.0m (2020: £4.2m) of costs in complying with new fire compliance regulations. The remaining charge in the prior year related to incidents that occurred out of period but were notified to the Group within the year and so were treated as adjusting items.
3 In the prior year central charges and other items included a number of write offs that were recognised following a detailed review of certain carrying values. These were not considered to be part of the underlying performance of the business and so were highlighted as adjusting items.
4 The procurement charge in the prior year related to the write off of certain aged receivables, driven by a management review of contractual terms.

f) Taxation

Adjusting items in respect of taxation are analysed below:

	2021 £m	2020 £m
Deferred tax credit as a result of the change in tax rate[1]	**25.5**	–
Tax impact of adjusting items[2]	**12.2**	45.5
Other tax charges[3]	**(6.0)**	–
Total tax credit	**31.7**	45.5

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

3 Adjusting items continued

g) Discontinued operations

The Group disposed of Kier Living in May 2021. Adjusting items within discontinued operations in relation to this disposal are analysed below:

	Notes	2021 £m	2020 £m
Loss on disposal of Kier Living	16	**(12.1)**	–
Fair value adjustment of Kier Living		**–**	(51.6)
Closure costs relating to non-core businesses[1]		**(1.0)**	(29.0)
Charges in relation to the Eastern Region[2]		**(6.5)**	–
Other disposal related costs[3]		**(5.2)**	–
Rationalisation costs		**–**	(2.6)
Inventory write-downs		**–**	(5.4)
Total charge before tax		**(24.8)**	(88.6)
Tax on adjusting items (discontinued)		**0.5**	–
Total charge after tax		**(24.3)**	(88.6)

1 Costs incurred in respect of Living's decision to exit the affordable housing market as well as the Welsh and Northern regions. During the year some additional cost was recognised in respect of the Welsh region in preparing the business for disposal.
2 In preparing the Kier Living business for disposal, the Group identified £6.5m of historic costs within a Kier Living joint venture that had built up in prior periods within work in progress and that were considered irrecoverable. These were written off in arriving at the loss from discontinued operations in the year.
3 Other disposal related costs include management incentives and impairment charges as a result of the disposal of Kier Living.

h) Adjusted cash flow

	Notes	2021 £m	2020 £m
Reported cash inflow/(outflow) from operating activities		**26.8**	(113.2)
Cash outflow from operating activities (adjusting items)		**72.1**	93.5
Adjusted cash inflow/(outflow) from operating activities		**98.9**	(19.7)

4 Finance income and costs

	2021 £m	2020 £m
Finance income		
Interest receivable on bank deposits	**–**	0.3
Interest receivable on loans to related parties[1]	**3.7**	6.4
	3.7	6.7
Finance costs		
Bank interest	**(26.0)**	(23.6)
Forward funding interest[2]	**(8.8)**	(1.3)
Interest payable on leases	**(6.7)**	(7.2)
Discount unwind[3]	**(1.1)**	(1.7)
Net interest on net defined benefit obligation	**0.9**	0.7
Recycling of translation reserve	**(0.1)**	(3.3)
Foreign exchange gains/(losses) on foreign denominated borrowings[4]	**15.0**	(2.3)
Fair value gains on cash flow hedges recycled from Other Comprehensive Income	**(15.0)**	2.3
	(41.8)	(36.4)
Net finance costs	**(38.1)**	(29.7)

1 Includes £2.3m (2020: £5.6m) receivable from discontinued operations. The Group disposed of Kier Living in May 2021. No further amounts will be received.
2 The forward funding interest costs of £8.8m in the year to 30 June 2021 reflect an alignment of the accounting treatment across all forward funding development contracts. The charge of £8.8m includes £3.9m that represents a cumulative catch up of interest costs that would have been recognised in previous reporting periods if the Group had always applied this accounting treatment to all applicable contracts. An offsetting credit is included within revenue, with a corresponding impact on the Group's operating profit. There is no impact on the statutory profit for the year from continuing operations.
3 Unwind of discount in respect of acquired intangible assets.
4 Foreign exchange gains/(losses) arise from movements in cross-currency swaps which hedge the currency risk on foreign denominated borrowings.

5 Retirement benefit obligations

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

	2021 %	2020 %
Discount rate	**1.90**	1.60
Inflation rate (Retail Price Index)	**3.15**	2.85
Inflation rate (Consumer Price Index)	**2.60**	1.95

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

	2021					2020				
	Kier Group £m	**May Gurney £m**	**Mouchel £m**	**McNicholas £m**	**Total £m**	Kier Group £m	May Gurney £m	Mouchel £m	McNicholas £m	Total £m
Opening net surplus/(deficit)	**89.8**	**(5.2)**	**(38.1)**	**(7.7)**	**38.8**	39.4	1.4	(14.6)	(6.7)	19.5
Credit/(charge) to income statement	**1.1**	**–**	**(0.8)**	**(0.1)**	**0.2**	1.0	–	(0.4)	(0.1)	0.5
Employer contributions	**13.9**	**4.9**	**17.0**	**1.2**	**37.0**	12.4	2.0	9.4	1.2	25.0
Actuarial gains/(losses)	**(26.2)**	**(1.0)**	**(2.6)**	**–**	**(29.8)**	37.0	(8.6)	(32.5)	(2.1)	(6.2)
Closing net surplus/(deficit)	**78.6**	**(1.3)**	**(24.5)**	**(6.6)**	**46.2**	89.8	(5.2)	(38.1)	(7.7)	38.8
Comprising:										
Total market value of assets	**1,273.2**	**85.1**	**525.3**	**26.3**	**1,909.9**	1,300.5	83.5	526.4	27.5	1,937.9
Present value of liabilities	**(1,194.6)**	**(86.4)**	**(549.8)**	**(32.9)**	**(1,863.7)**	(1,210.7)	(88.7)	(564.5)	(32.5)	(1,899.1)
Net surplus/(deficit)	**78.6**	**(1.3)**	**(24.5)**	**(6.6)**	**46.2**	89.8	(5.2)	(38.1)	(7.7)	38.8
Presentation of net surplus/ (deficit) in the Consolidated balance sheet:										
Retirement benefit assets	**78.6**	**–**	**8.6**	**–**	**87.2**	89.8	–	9.7	–	99.5
Retirement benefit obligations	**–**	**(1.3)**	**(33.1)**	**(6.6)**	**(41.0)**	–	(5.2)	(47.8)	(7.7)	(60.7)
Net surplus/(deficit)	**78.6**	**(1.3)**	**(24.5)**	**(6.6)**	**46.2**	89.8	(5.2)	(38.1)	(7.7)	38.8

6 Taxation

	2021 £m	2020 £m
Profit/(loss) before tax	**5.6**	(225.3)
Add: tax on joint ventures included above	**(1.4)**	(1.4)
Adjusted profit/(loss) before tax	**4.2**	(226.7)
Current tax	**(5.2)**	(0.8)
Deferred tax	**22.6**	54.2
Total income tax credit in the income statement	**17.4**	53.4
Tax on joint ventures	**1.4**	1.4
Effective tax credit from continuing operations	**18.8**	54.8
Effective tax rate	**447.6%**	24.2%

The Deferred Tax Asset includes £108.6m of tax losses (2020: £94.6m), and £29.4m of other deferred tax assets and liabilities (2020: £16.4m).

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

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

› Significant progress has been made in the year on the operational and financial turnaround strategy announced in June 2019, with the business trading in line with forecasts in 2021;
› The Group has substantially completed its restructuring activities, with a significant reduction in adjusting items in the year; and
› The Group's core businesses are well-placed to benefit from the announced and committed UK Government spending plans to invest in infrastructure, decarbonisation and spending to support post COVID-19 recovery.

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

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

The Research and Development Expenditure Credit (RDEC) of £13.3m was included in operating profit during the year (2020: £10.2m). Included in the corporation tax asset at 30 June 2021 were RDEC receivables of £12.4m (2020: £13.6m).

7 Dividends

The Group's focus on cash generation and reducing net debt has required a suspension in dividend payments. No interim or final dividends have been declared during the year (2020: £nil).

8 Earnings/(losses) per share

A reconciliation of loss and earnings per share, as reported in the income statement, to profit and earnings per share before adjusting items is set out below. The disclosure is made to illustrate the impact of adjusting items.

	2021		2020[3]	
Earnings/(losses)	**Basic £m**	**Diluted £m**	Basic £m	Diluted £m
Continuing operations				
Profit/(loss) (after tax and minority interests), being net losses attributable to equity holders of the parent	**24.3**	**24.3**	(171.9)	(171.9)
Impact of adjusting items net of tax[1]:				
Amortisation of intangible assets – net of tax credit of £4.0m (2020: £4.5m)	**17.0**	**17.0**	19.2	19.2
Acquisition discount unwind – net of tax credit of £nil (2020: £0.3m)[2]	**–**	**–**	1.2	1.2
Other adjusting items – net of tax credit of £27.7m (2020: £40.7m credit)	**11.1**	**11.1**	176.2	176.2
Earnings from continuing operations before adjusting items	**52.4**	**52.4**	24.7	24.7
Discontinued operations				
Losses (after tax and non-controlling interests), being net loss attributable to equity holders of the parent	**(0.3)**	**(0.3)**	(12.8)	(12.8)
Adjusting items from discontinued operations	**(24.3)**	**(24.3)**	(88.6)	(88.6)
Loss from discontinued operations	**(24.6)**	**(24.6)**	(101.4)	(101.4)

	Million	**Million**	Million	Million
Weighted average number of shares used for earnings per share	**210.3**	**212.3**	201.6	201.6

	2021		2020	
Earnings/(losses) per share	**Basic pence**	**Diluted pence**	Basic pence	Diluted pence
Continuing operations				
Profit/(loss) (after tax and minority interests), being net losses attributable to equity holders of the parent	**11.6**	**11.4**	(85.3)	(85.3)
Impact of adjusting items net of tax[1]:				
Amortisation of intangible assets	**8.1**	**8.0**	9.5	9.5
Acquisition discount unwind[2]	**–**	**–**	0.6	0.6
Other adjusting items	**5.3**	**5.2**	87.4	87.4
Earnings from continuing operations before adjusting items	**25.0**	**24.6**	12.2	12.2
Discontinued operations				
Losses (after tax and minority interests), being net losses attributable to equity holders of the parent	**(0.1)**	**(0.1)**	(6.3)	(6.3)
Adjusting items from discontinued operations	**(11.6)**	**(11.4)**	(43.9)	(43.9)
Loss from discontinued operations	**(11.7)**	**(11.5)**	(50.2)	(50.2)
Total (losses)/earnings per share				
Statutory	**(0.1)**	**(0.1)**	(135.5)	(135.5)
Before adjusting items[1]	**24.9**	**24.5**	5.9	5.9

1 See note 3 for reference to adjusting items.
2 Unwind of discount in respect of deferred consideration.
3 Earnings per share has been re-presented in the comparative information as a result of the equity raise which completed on 18 June 2021, see note 17.

Options granted to employees under the Sharesave, CSAP and LTIP schemes are considered to be potential ordinary shares. They have been included in the determination of diluted earnings per share if the required performance obligations would have been met based on the Group's performance up to the reporting date, and to the extent to which they are dilutive. The options have not been included in the determination of basic earnings per share. Details relating to the share option schemes are set out in note 13.

9 Intangible assets

	Goodwill £m	Intangible contract rights £m	Computer software[1] £m	**Total £m**
Cost				
At 1 July 2019	544.7	259.4	155.0	**959.1**
Additions	–	–	4.0	**4.0**
Disposals	–	–	(20.1)	**(20.1)**
Transfers to property, plant and equipment	–	–	(8.7)	**(8.7)**
Transfers to assets held for sale	(5.9)	–	(4.8)	**(10.7)**
At 30 June 2020	**538.8**	**259.4**	**125.4**	**923.6**
Additions	–	–	3.1	**3.1**
Disposals	–	–	(1.1)	**(1.1)**
Transfers from property, plant and equipment	–	–	0.9	**0.9**
At 30 June 2021	**538.8**	**259.4**	**128.3**	**926.5**
Accumulated amortisation and impairment				
At 1 July 2019	(8.0)	(111.0)	(73.4)	**(192.4)**
Charge for the year	–	(23.7)	(11.0)	**(34.7)**
Disposals	–	–	15.1	**15.1**
Transfers to assets held for sale	5.9	–	3.1	**9.0**
At 30 June 2020	**(2.1)**	**(134.7)**	**(66.2)**	**(203.0)**
Charge for the year	–	(21.0)	(8.3)	**(29.3)**
Impairment reversal[2]	–	–	2.4	**2.4**
Disposals	–	–	0.6	**0.6**
At 30 June 2021	**(2.1)**	**(155.7)**	**(71.5)**	**(229.3)**
Net book value				
At 30 June 2021	**536.7**	**103.7**	**56.8**	**697.2**
At 30 June 2020	536.7	124.7	59.2	720.6

1 Computer software mainly relates to the Group's ERP implementation which was completed in FY19 and is being amortised.
2 Impairment relating to a prior year disposal has been reversed during the year.

10 Net cash/(debt)

	2021 £m	2020 £m
Cash and cash equivalents – bank balances and cash in hand	**391.2**	413.9
Borrowings due within one year	**(38.2)**	(61.6)
Borrowings due after one year	**(362.3)**	(689.8)
Impact of cross-currency hedging	**12.3**	27.2
Net cash/(debt)	**3.0**	(310.3)

Average month-end net debt was £431.9m (2020: £435.6m). Net debt excludes lease liabilities.

11 Assets held for sale and discontinued operations

(a) Assets held for sale

The Group's investment in its subsidiary Kier Living was classified as held for sale at 30 June 2020. The disposal was completed on 28 May 2021. See note 16 for further details.

The assets and liabilities of Pure Recycling Warwick Limited were presented as held for sale at 30 June 2020. As at 30 June 2021, Management do not believe the classification criteria has been met and have therefore ceased classifying the asset as held for sale, resulting in a £3.0m credit to adjusting items on the Income Statement.

	2021 £m	2020 £m
Assets of disposal group classified as held for sale		
Investments in and loans to joint ventures	**–**	52.2
Inventories	**–**	114.7
Trade and other receivables	**–**	22.2
Other assets	**–**	7.6
Total	**–**	196.7
Liabilities of disposal group classified as held for sale		
Trade and other payables	**–**	(59.9)
Other liabilities	**–**	(21.8)
Total	**–**	(81.7)

(b) Results of discontinued operations

Kier Living

Results for Kier Living for the period up to disposal are classified as discontinued.

	2021 £m	2020 £m
Results of discontinued operations		
Revenue	**98.3**	79.9
Share of post-tax results of joint ventures	**12.2**	7.8
Operating costs	**(105.2)**	(93.1)
Operating profit/(loss)	**5.3**	(5.4)
Finance costs[1]	**(5.1)**	(7.3)
Profit/(loss) before tax and adjusting items	**0.2**	(12.7)
Tax	**(0.5)**	(0.1)
Loss for the year before adjusting items	**(0.3)**	(12.8)
Adjusting items net of tax (note 3)[2]	**(24.3)**	(88.6)
Loss from discontinued operations after tax	**(24.6)**	(101.4)

1 Includes interest payable to the continuing Group of £2.3m (2020: £5.6m).
2 Includes £nil (2020: £1.4m) of share of post-tax results of joint ventures.

12 Trade and other payables

	2021 £m	2020 £m
Current:		
Trade payables[1]	**330.3**	255.8
Sub-contract retentions	**39.1**	35.0
Other taxation and social security[2]	**144.2**	131.4
Other payables	**47.3**	57.5
Accruals	**531.8**	477.1
Deferred income	**0.4**	0.7
	1,093.1	957.5
Non-current:		
Trade payables	**14.1**	14.2
Sub-contract retentions	**25.8**	32.3
	39.9	46.5

1 Included within the trade payables balance is £79.1m (2020: £125.5m) relating to payments due to suppliers who are on bank-supported supply chain finance arrangements.

2 As at 30 June 2021, there was total tax deferred under the Government's COVID-19 support schemes of £18.8m (2020: £79.8m). This comprises £18.8m payable by 28 January 2022 (2020: £25.1m) of VAT deferred in accordance with HMRC guidance, and £nil (2020: £54.7m) of a Time to Pay agreement with HMRC. VAT payable to HMRC was £120.9m (2020: £69.5m), an increase from the prior year as a result of implementing the new VAT regulations for the domestic reverse charge.

13 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. Further details of the LTIP schemes were disclosed in the 2020 annual financial statements. No shares vested under the LTIP schemes during the year (2020: no share awards vested). 17,856,246 new awards were granted under the LTIP during the year (2020: 13,741,092). Awards made to members of the Board are subject to a two-year holding period post vesting.

In 2017, the Group established a Conditional Share Award Plan (CSAP) under which senior employees receive awards of shares subject only to service conditions, i.e. the requirement for participants to remain in employment with the Group over the vesting period. Participants are entitled to receive dividend equivalents on these awards. No new awards were granted under the CSAP during the year (2020: no awards granted). 515,093 shares vested under the CSAP during the year (2020: no share awards vested). In accordance with the rules of the scheme, a further 72,562 shares were provided to recipients of the vesting CSAP shares, equivalent to the dividends that would have been received during the vesting period (2020: no dividend equivalent shares).

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. 8,634,038 options were granted under the Sharesave scheme (2020: 7,199,823).

On 18 June 2021, the Group issued new share capital at a discount to market value, by way of a firm placing, a placing and open offer, and Director subscriptions. The number of options and option prices for participants in the Group's share-based payments schemes were adjusted for the effect of the open offer but not the firm placing or Director subscriptions that existing shareholders were unable to participate in.

The assumptions used in calculating the fair values of the shares granted under the share-based payment schemes during the year were as follows:

	LTIP	LTIP subject to a holding period	Sharesave
Grant date	18 December 2020	18 December 2020	15 February 2021
Shares granted	16,063,973	1,792,273	8,634,038
Share price at grant	81.0p	81.0p	66.3p
Exercise price at grant	nil	nil	66.0p
Exercise price adjusted for bonus element of new share issue	nil	nil	56.5p
Option life	3 years	3 years	3 years
Holding period	n/a	2 years	n/a
Expected volatility	90.7%	92.4%	80.2%
Risk-free interest rate	0.0%	0.0%	0.0%
Dividend yield	n/a	n/a	0.0%
Value per option at grant:			
LTIP - TSR element (25%)[1,3]	58.4p	50.6p	-
LTIP - Adjusted operating profit (AOP) (50%) and Net Debt:EBITDA (25%) elements [2,3]	81.0p	70.1p	-
Sharesave [2]	-	-	35.8p
Value per option adjusted for bonus element of new share issue:			
LTIP - TSR element (25%)[1,3]	50.0p	43.3p	-
LTIP - Adjusted operating profit (AOP) (50%) and Net Debt:EBITDA (25%) elements [2,3]	69.2p	59.9p	-
Sharesave [2]	-	-	30.6p

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

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

The performance conditions of the adjusted operating profit 'AOP' and Net Debt:EBITDA elements are non-market conditions under IFRS 2. The fair value therefore does not include an assessment of the number of shares that will be awarded. Instead the amount charged for these elements is based on the fair value factored by a 'true up' for the number of awards that are expected to vest.

The share-based payment charge recognised in the Group's income statement for the year was £7.0m (2020: £5.4m).

14 Guarantees, contingent liabilities and contingent assets

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

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

As at 30 June 2021, the Group had contingent assets of £4.5m (2020: £12.4m) in relation to claims against third-parties for the reimbursement of costs on construction contracts. Under IAS 37 these amounts may only be recognised when the economic benefit arising from the claims is virtually certain. It is probable that these amounts will be recognised in future periods when the uncertainty over their recoverability has been removed.

As at 30 June 2021, the Group had no contingent liabilities (2020: £nil).

15 Related parties

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

The Group has disposed of a number of joint ventures during the year through the disposal of Kier Living, see note 16 below. There have been no other significant changes in the nature of related party transactions since the last annual financial statements as at, and for the year ended, 30 June 2021.

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

16 Acquisitions and disposals

The Group completed the disposal of Kier Living during the year. The disposal represents one of the final milestones in management's strategy to simplify the Group and to create a strong, resilient and flexible balance sheet.

	2021 £m
Sale proceeds	**110.0**
Working capital adjustment[1]	**10.8**
Total consideration	**120.8**
Book value of net assets disposed of	**(116.7)**
Sale costs	**(9.7)**
Liabilities recognised on disposal[2]	**(6.5)**
Loss on disposal	**(12.1)**

1 The disposal was subject to a "locked box" mechanism. The adjustment represents the movement in the Kier Living working capital since the "locked box" date.
2 As part of the disposal the Group retained some obligations to fulfil existing contracts. The Group created liabilities on disposal of Living which represent the costs of completing the outstanding work. In addition, a piece of land owned by Kier Limited was transferred to Kier Living on disposal, generating a Stamp Duty Land Tax liability.

In FY20, the Group disposed of its interest in Kier Hammersmith Holdco Limited, Strawberry Percy LLP and South West Hub with sales proceeds totalling £14.1m and a profit of £0.6m.

17 Share capital and reserves

Share capital

The share capital of the Company comprises:

	2021 Number	2021 £m	2020 Number	2020 £m
Authorised, issued and fully paid ordinary shares of 1 pence each	**446,165,699**	**4.5**	162,115,870	1.6

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.

Firm Placing and Placing and Open Offer

On 18 June 2021 the Group issued new share capital by way of:

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

All of the above shares were issued at £0.85 per share. The total new shares of 284,049,829 generated proceeds of £207.8m after deducting costs of £33.6m, of which £22.7m were deducted from equity. Of these costs, £6.1m remain unpaid as at 30 June 2021.

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

Cash flow hedge reserve

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

Translation reserve

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

Merger reserve

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