KIER

Sustainable Growth

Annual Report and Accounts 2024

Who we are and what we do

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

We are a leading provider of infrastructure services, construction, and property developments. We are committed to delivering for communities and leaving lasting legacies through our work.

See Our business model on page 15

Find out more on our website
www.kier.co.uk

Financial highlights

Total Group revenue – including joint ventures[1]	£4.0bn	FY23: £3.4bn
Total Group revenue – excluding joint ventures[1]	£3.9bn	FY23: £3.4bn
Adjusted operating profit[1,2]	£150.2m	FY23: £131.5m
Operating profit[1]	£103.1m	FY23: £81.5m
Adjusted earnings per share[1,3]	20.6p	FY23: 19.2p
Earnings per share[1,3]	11.8p	FY23: 9.5p
Dividend[4]	5.15p	FY23: nil
Order book	£10.8bn	FY23: £10.1bn
Net cash – 30 June[5]	£167.2m	FY23: £64.1m
Net debt – average[5]	£(116.1)m	FY23: £(232.1)m

Non-financial highlights

Roads maintained	+21k km
Value of health projects delivered over the last 3 years	c.168m
Capacity of four reservoirs maintained	c.3.6m^3
Apprentices	666
Donated to Trussell Trust	+£125k

1. See consolidated income statement on page 148.
2. See note 5 to the consolidated financial statements.
3. See note 12 to the consolidated financial statements.
4. See note 11 to the consolidated financial statements.
5. See note 21 to the consolidated financial statements.

Kier at a glance

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

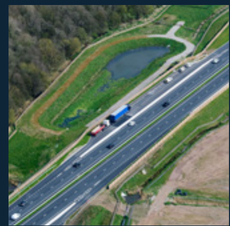
Our values

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

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

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

Our operations



Infrastructure Services

Transportation: designs, builds and maintains infrastructure for the highways, rail, aviation and ports sectors. It delivers work for National Highways, Network Rail, Transport for London and HS2 as well as a number of local and combined authorities.

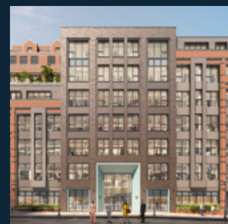
Natural Resources, Nuclear & Networks: delivers long-term contracts in maintenance and capital projects to the water, nuclear and energy sectors; and protection of habitats and communities in our natural environment and waterways.

Construction

Construction comprises our Regional Building, Strategic Projects and Kier Places (workplace solutions, residential solutions and building solutions). Kier is a leading UK national builder, providing project delivery for the public and private sectors across a number of sectors including education, healthcare, defence, justice and borders and commercial.

Property

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



See our Operational review on pages 22–29

Sustainable growth

We are a 'strategic supplier' to the UK Government with c.90% of our revenue with the public sector and regulated companies. Our work winning reflects our long-standing client relationships and regionally based UK operations.

Our core businesses are well-placed to benefit from UK Government and regulated industry spending commitments to invest in UK infrastructure.

Our customers' behaviours are shifting further towards value-for-money and long-term partnerships. These continue to favour Kier, given our scale, integrated design and project management capability, track record of delivery and Environment, Social and Governance ('ESG') credentials.

Sustainable growth

Sustainable growth is developing our business, increasing stakeholder value, including local communities, and reducing our environmental impact. We are well-placed to benefit from the UK Government's spending commitments to invest in infrastructure and the significant investment plans announced by regulated UK asset owners. Our delivery of these projects ensures we play a crucial role for UK communities and the environment. This, combined with our regional coverage, customer relationships and project management expertise, will deliver our strategic actions of sustainable growth, consistent and safe delivery and strong cash generation.

Read more in Our strategy on pages 18–21

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

Andrew Davies
Chief Executive

Our commitment to sustainable growth is demonstrated through our sustainability framework 'Building for a Sustainable World'. This framework covers sustainability from both an environmental and social perspective and focuses the Group on three pillars: People, Places and Planet. We aim to leave a lasting legacy, building low-carbon, nature-rich and community-orientated infrastructure and projects.

Read more on Building for a Sustainable World from page 38

Strategic report

How our strategic management is achieving sustainable growth:
The Strategic report explains in more detail how Kier is growing its business and profits by sustainably delivering infrastructure that is vital to the UK, how we integrate ESG principles across our business through our Building for a Sustainable World framework and how we deliver benefit from our operations for our people, communities, shareholders and other stakeholders over the long term.

Chairman's statement

Matthew Lester
Chairman

" The Board believes that our leaders and all of our people have achieved an exemplary turnaround of Kier and the medium-term value creation plan is substantially delivered."

Introduction

I am pleased to report that Kier has continued to build on the strong foundations which underpin the delivery of the medium-term value creation plan ('MTVCP'). The financial performance of the Group has been very strong. Disciplined contract selection, consistent operational delivery and good cash generation mean that the business has resumed paying dividends, a key component of the MTVCP. Whilst not an objective, it was pleasing to see our return to the FTSE 250.

The Board's objectives cover delivery of the Group's strategy, ensuring it continues to understand the competitive business environment, development of our people, ESG and culture. Our work on these objectives is explained further below.

Financial performance

The Board has continued its focus on delivering our MTVCP which was launched in 2021. The strong FY24 performance means we have substantially delivered on the MTVCP.

This year, our revenue is up 17% to £4bn, adjusted operating profit margin at 3.8%, ahead of the medium-term target of 3.5%, average month-end net debt is down 50% to £116m and an interim dividend of 1.67p was paid on 31 May 2024. A final dividend of 3.48p has been proposed for approval by shareholders at our AGM. When combined with the interim dividend, this represents a total dividend of 5.15p declared for FY24.

The order book has increased to £10.8bn, a 7% increase compared to the prior year. The Group continues to win new, high-quality and profitable work in our core markets. This gives the Board confidence in the longer-term prospects of the Group.

We continue to believe that having the ability to invest in an integrated property business, focused on areas where other parts of Kier have expertise, is an attractive component of Kier's strategy. Accordingly, the Board approved an increase in the maximum capital to be allocated to the Property business.

It is rewarding to see the significant reduction in average net debt. The business will continue to de-lever as part of the MTVCP. This progress has enabled the business to restructure its debt facilities in a secure manner for the longer term.

Strategy

The Board has started work on our strategy beyond the MTVCP. We aim to ensure we promote the long-term sustainable success of Kier, and to generate value for shareholders by meeting stakeholder needs. This culminated in our Board strategy day, where the Board considered the structural drivers, client and market trends, the macro and political environment and Kier's competitive advantage and market share, and the key growth markets and sectors.

We particularly focused on the opportunities in the Property business, which we expect to be a material contributor to profits in the future.

With a business that is financially stronger, Kier is well-placed to deliver a longer-term sustainable growth plan. These longer-term targets have similar elements of revenue growth, adjusted operating profit margin, cash conversion of operating profit and sustainable dividend policy, plus a new target to invest any surplus cash. Details of these longer-term targets are set out in the Chief Executive's review on page 10.

The Board has benefited from the introduction of a balanced scorecard to monitor the holistic performance of the Group. This ensures we focus on continuous improvement from the foundations of Kier's turnaround.

Culture

Management has continued to focus on ensuring our culture underpins the alignment of the Group's purpose, values and strategy. The Board is highly supportive of the continued high levels of investment in the culture programme. More details of this are in the Built by Brilliant People™ report on page 48.

One of the most important functions of an independent board is to monitor the culture of a company. The Board received feedback from key stakeholders such as customers, joint-venture partners and UK Government, as well as employee feedback through employee surveys and site engagement visits, to make a direct assessment of how our cultural objectives are being met.

The Board considered various metrics, plus a range of initiatives, and concluded that the culture at Kier was supportive of our strategy and values and an enabler of sustainable performance. More information on how we monitor culture and the Board's programme of engagement with employees, including a summary schedule of discussion topics, key points, the improvement areas identified and actions taken, is set out in the Corporate governance report on pages 96 and 97.

Our people

The Board would like to thank our people for their commitment and contribution to deliver another year of strong performance. I have ensured that we have passed on the Board's appreciation for the commitment and delivery of all of our colleagues whenever I have had the opportunity to meet them. In order to ensure this appreciation is not just words, we spend significant time looking at our people agenda, which includes our development and training programmes, reward and benefits offerings and our diversity and inclusion initiatives, to ensure we have the skills, capabilities and resources to deliver longer-term sustainable growth.

Safety is our licence to operate and we want to send our people home safely every day. As our Accident Incident Rate has increased by 76% (from 88 to 155) compared to the prior year, the Board through the ESG Committee has considered reports from management on the reasons for this increase. The Board will monitor the actions each division is taking to drive improved safety performance as a priority. Despite the FY24 position, given our high standards, we retain a strong safety record and continue to outperform historic industry league tables. Further information on the actions is set out in the Built by Brilliant People™ report on page 50.

Environmental, Social and Governance ('ESG')

ESG is fundamental to Kier's ability to win work and secure positions on long-term UK Government frameworks, as UK Government contracts above £5m per annum require net zero carbon and social value commitments. We continue to support our clients in their decarbonisation and social value agendas and examples of our work on this are showcased in this Annual Report.

The ESG Committee has approved a number of milestone plans with key activities and timelines to reach our targets under the various pillars of our sustainability framework, Building for a Sustainable World, which was approved last year. It will continue to review our progress against environmental and social targets; and monitor customer and key stakeholder feedback, developments and trends to ensure sustainable growth for Kier. We continue to make good progress against our carbon reduction targets.

Further information on our work in ESG is set out in the Building for a Sustainable World report on pages 38 to 47 and in the ESG Committee report on pages 107 to 108.

Our Board

We welcomed Mohammed Saddiq as a Non-Executive Director on 1 January 2024. Mohammed has brought valuable in-depth knowledge and experience in operational delivery, engineering and infrastructure services to the Board.

Justin Atkinson, our Senior Independent Director, will be retiring from the Board on 30 September 2024 as he will be reaching his ninth year as a Director. I am pleased to announce the appointment of Chris Browne OBE to succeed Justin as Senior Independent Director from 1 October 2024. As an experienced non-executive director, she is well-equipped to take on the additional responsibilities of the Senior Independent Director role in the next phase of Kier's growth. I would like to thank Justin for his significant contribution to Kier, especially on our successful turnaround, and on behalf of the Board, I wish him well for the future.

Upon Justin's retirement, Stuart Togwell, Group Managing Director Construction, will be joining the Board as an Executive Director with effect from 1 October 2024. The Board believes that we need to replace the construction industry expertise Justin brought and Stuart's significant strategic and operational delivery experience in the construction sector will be beneficial. Further, Stuart has insights into UK government as it plans future infrastructure investment. We believe having this direct insight available to us will enhance our understanding of their priorities and our strategic decision making.

I am also grateful to the Board Committee chairs for their work and expertise. A new Directors' Remuneration Policy was crafted and approved, we have milestone plans for the environmental and social initiatives and our risk management continuously improves.

Looking forward

The Board believes that our leaders and all of our people have achieved an exemplary turnaround of Kier and the MTVCP is substantially delivered. We have set out what shareholders can expect Kier to deliver in future, through the cycle. By focusing on all stakeholder needs, Kier will remain based on the sound, sustainable foundations which are now in place and which we will continuously improve.

Matthew Lester
Chairman

Chief Executive's review

Andrew Davies
Chief Executive

" The strong results for FY24 are testament to the hard work and commitment of our people who have enhanced our resilience and strengthened our financial position in line with our medium-term value creation plan."

Introduction

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

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

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

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

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

New long-term sustainable growth plan

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

Key investment proposition

Places on frameworks

£144bn

Advertised Value

Value accretive earnings-led business model

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

Attractive market positions

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

Strong order book underpinned by frameworks

- Established position in core markets underpinned by long-term contracts and framework agreements
- Order book of £10.8bn
- We have places on agreements with an advertised value of up to £144bn across all of our core markets covering both national and regional geographies and market sectors
- Contracts across a number of sectors including healthcare, education, justice and borders, rail, water, nuclear defence, and private
- Contracting with the UK Government, regulated and blue-chip clients
- Long-standing customers and supply chain relationships

Management team with expertise and track record of delivery

- Proven track record of operational and financial delivery
- Successfully executed an ambitious self-help programme and right-sized the business
- Operating framework embedded in organisation to manage risk
- Commercial and financial discipline in quoting new contracts and capital allocation
- Continuing focus on sustainable growth, business improvement and managing costs

Order book

£10.8bn

For more information please visit:
www.kier.co.uk/investors

Executive Committee

Executive Board members

Andrew Davies
Chief Executive

Simon Kesterton
Chief Financial Officer

Corporate functions

Alpna Amar
Corporate Development Director

Louisa Finlay
Chief People Officer

Sophie Timms
Corporate Affairs Director

Group Managing Directors

Andrew Bradshaw
Group Managing Director, Natural Resources, Nuclear & Networks

Joe Incutti
Group Managing Director, Transportation

Leigh Thomas
Group Managing Director, Property

Stuart Togwell
Group Managing Director, Construction

Note: Stuart Togwell, Group Managing Director Construction, will be joining the Board as an Executive Director with effect from 1 October 2024.

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

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

Accordingly, the Group has evolved its targets.

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

Strategy

The Group's strategy continues to be focused on:

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

Our core businesses are well-placed to benefit from UK Government and regulated industry spending commitments to invest in UK infrastructure.

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

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

These positive structural demand trends and customer behaviours are expected to expand our addressable market opportunities, particularly in water, environment, energy and affordable housing as well as increased demand in our Property business. In particular, the Group has been awarded a number of framework places as part of the significant investment across the AMP8 water cycle. Kier is well positioned with all the major water companies to support them with their water infrastructure upgrade and maintenance work.

Customers and winning new work

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

Highlights in the year:

Infrastructure Services:

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

Construction:

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

Financial summary

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

Read more in Our strategy on pages 18–21

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

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

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

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

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

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

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

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

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

Read more in our Operational review on pages 22–29

> "The Group is well positioned to continue benefiting from UK Government infrastructure spending commitments and we are confident in sustaining our strong cash generation."

Capital allocation

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

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

Dividend

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

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

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

Property

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

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

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

Acquisition

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

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

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

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

Performance Excellence

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

See our Financial review on pages 77–82

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

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

Supply chain partners

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

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

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

See our ESG Report on pages 36–64

Environmental, Social and Governance ('ESG')

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

Building for a Sustainable World

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

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

Health, Safety and Wellbeing

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

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

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

Environment

Net Zero Carbon Targets

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

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

Accreditations

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

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

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

Social

Delivering a legacy of social value continues to be a key priority for our customers and for Kier. This year we delivered £583m[1] of added social value through our workforce, supply chain and positive impact in our local communities.

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

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

Kier is a people-based business and our performance depends upon our ability to attract and retain a dedicated workforce.

In FY24, we had over 660 apprentices participating in programmes, representing c.6.5% of our workforce and we welcomed c.60 future graduates on work experience placements and c.100 graduates onto our graduate programme, c.36% of which comprised women.

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

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

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

> "Kier is also a people-based business and our performance depends upon our ability to attract and retain a dedicated workforce."

See our ESG report on pages 36–64

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

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

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

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

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

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

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

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

Andrew Davies
Chief Executive

Our business model

What we do

Infrastructure Services

This comprises our Transportation and Natural Resources, Nuclear & Networks businesses.

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

Natural Resources, Nuclear & Networks delivers long-term contracts for repairs, maintenance, and supporting capital projects in the water, environment, energy, and telecoms sectors.

Construction

Construction comprises our Regional Buildings, Strategic Projects and Kier Places. Kier is a leading UK national contractor, providing project delivery for our public and private clients across a number of sectors, including education, healthcare, justice and borders, defence, and commercial.

The Kier Places business comprises three business streams:

- Residential solutions which provides housing maintenance and fire safety work for local authorities and housing associations
- Workplace solutions which provide building facilities management for public sector clients
- Building solutions providing construction works for customers with a build value <£10m

Property

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

Read more in our Operational review from page 22

How we do it

Our strategy and risk management

Kier is focused on the successful delivery of our sustainable long-term plan. Our risk appetite aligns with our culture, and the Board reviews risk as part of its strategy development sessions.

Read Our strategy from page 18

Read How we manage risk from page 68

Sustainability

Sustainability is at the heart of our purpose to 'sustainably deliver infrastructure which is vital to the UK.'

Sustainability is fundamental to Kier's ability to win work and secure positions on long-term UK Government frameworks and contracts which require carbon and social value commitments. We also aim to minimise our environmental impact and support our employees through our 'Building for a Sustainable World' framework.

Read more in Our ESG report from page 36

Governance

The Board has focused on delivering our strategy and the medium-term value creation plan, ensuring we generate value for shareholders and other stakeholders. The Board is now in a position to drive shareholder value in the long term through the evolved sustainable growth plan.

Read our Governance report from page 86

Why our clients choose us…

Design and engineering capability

Technical
Preparing technical designs and undertaking supporting building work for some of the largest and most complex infrastructure projects throughout the UK on behalf of our clients. Driving value engineering, optimisation of assets and minimising disruption. This is done through our team of c.300 designers in FY24.

Modern Methods of Construction ('MMC')
Utilising MMC to maximise efficiency in timing and labour costs through our formed partnerships with a network of suppliers. We use a 'choice factory' approach to deliver a step change in our projects across a range of sectors.

Innovation and Digital
We work with leading software partners to deliver safer, smarter and more sustainable buildings for our clients. Our in-house digital construction team are located on projects across the UK.

Support
Structural and civil engineers providing technical advice and support across our network of UK offices including areas such as decarbonisation and energy efficiency.

Specialist expertise in project management

Experienced in delivering large-scale civil engineering projects, both capital and maintenance works, as well as property development.

Managing highly-complex projects and teams across our business units.

A large number of our contracts are secured through frameworks. We have early, close and continuous engagement with our clients, local supply chains and local communities to successfully deliver our projects.

Strong delivery culture

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

We continue to share best practice and look for continuous improvements across the Group e.g. through our Performance Excellence workstreams.

A responsible approach to sustainability

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

As c.90% of Kier's revenue is derived from the public sector and regulated clients, our ability to win work is dependent on delivering on our ESG commitments.

The value we create

Customers

We sustainably deliver projects and services that are vital for UK infrastructure and connectivity.

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

We support our main customer base, the UK Government, to deliver on its policy objectives through our ESG activities, supporting customers on their path to achieving net zero emissions by 2050 and creating social value.

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

Revenue from public and regulated sectors

c.90%

Shareholders

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

Shareholder returns
We aim to generate long-term sustainable shareholder returns through the execution of our sustainable growth plan.

Dividend
Our sustainable growth plan outlines our dividend policy. This policy targets dividend cover of around three times earnings across the cycle.

Financial strength
Investment – strong, resilient and flexible balance sheet, providing capacity to invest and no excess cash.

Dividend

5.15p

Our People

Our people are at the heart of our business and our success depends upon our ability to attract and retain a dedicated workforce.

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

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

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

No. of employees

c.10k

Supply chain

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

Our supply chain partners are key to the success of the Group. They help us deliver our projects. It is important that the Group has an ethical, sustainable and resilient supply chain. During FY24 Kier spent c.61% of subcontracted expenditure with SMEs.

We work to build strong, collaborative relationships with our suppliers and invest in them by:
– Providing partner value through workshops, training and resources on sustainability
– Supporting our suppliers to meet high standards of compliance expected by us and our customers

SME Spend

c.61%

Society

We are mindful of our impact on communities and society.

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

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

Apprentices
The Group onboarded over 120 apprentices in FY24.

Kier Foundation
Independent charity donated c.£125k to the Trussell Trust, our new charity partner for FY24.

Apprentices

666

Our strategy

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

OUR PURPOSE

To sustainably deliver infrastructure which is vital to the UK

OUR VISION

To be the UK's leading infrastructure services and construction company

OUR STRATEGY

- Focus on government, regulated or blue-chip client base
- Operate in business to business markets
- Contracting through long-term frameworks

STRATEGIC ACTIONS

Sustainable Growth + **Consistent and Safe Delivery** + **Generate Cash**

OUR BUILDING BLOCKS FOR SUCCESS

- An integrator and strategic partner
- Breadth, depth and diversity of talent
- Supply chain partnerships
- Innovation and digitalisation
- A culture of Performance Excellence
- Delivering safely and sustainably

OUR VALUES

- Collaborative
- Trusted
- Focused

Long-term sustainable growth plan

Following the significant progress of the Group over the last three years, the Group is now focused on driving long-term shareholder value through our evolved targets to FY30.

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

We have four objectives to deliver on our strategic actions:

Objective 1:
Leverage our attractive market share positions in growing markets

Objective 2:
Maintain and enhance long-term customer relationships

Objective 3:
Resilient and well-balanced portfolio

Objective 4:
Deliver disciplined growth, consistent profitability and cash generation

Objective 1:
Leverage our attractive market share positions in growing markets

Why this is vital
Supports the UK Government and asset managers to deliver much-needed UK infrastructure, particularly in areas impacted by historical under investment and the decarbonisation agenda such as water, environment, energy, affordable housing and housing maintenance.

Our progress this year: **Infrastructure Services**

Transportation
Our market leading position in roads is underpinned by spending on roads, e.g. the Road Investment Strategy 3 ('RIS3') funding for the national road network complemented by the predictable revenue streams generated by local authority maintenance contracts. Investment in improving connectivity between northern England and Scotland also benefits the Group.

The UK rail network will benefit from additional funding through the Network Rail Control Period 7 ('CP7') covering the period 2024 to 2029. Following our acquisition of certain rail assets of Buckingham Group, we were appointed to deliver the North West and Central area of CP7. We continue to deliver 80km of HS2 – Europe's largest rail project with a pipeline of further work opportunities available. With the rebound of aviation following the COVID-19 pandemic, this is another potential area of growth.

Natural Resources, Nuclear & Networks
We are accessing the significant growth opportunities in water, environment and the nuclear and energy sectors.

With wide experience in the water industry, the Group has successfully provided solutions across the water cycle, with further growth opportunities through the planned £88bn (subject to Ofwat determination) Asset Management Plan 8 ('AMP8') running from 2025 and 2030. Recent awards in AMP8 bids will expand our water portfolio to a prominent geographical presence across England. In addition to water management, our environment business is delivering key projects and emergency response to severe weather, addressing the need for increased investment in water management driven by climate change.

With the UK government committed to increasing energy generation by up to four times by 2050, and investing 2.5% of GDP in defence, our experience in nuclear and energy environments, such as the ongoing projects in Sellafield, Devonport and Hinkley Point, positions us for targeted growth opportunities in this sector.

Our progress this year: **Construction**

Regional Build
The focus on the business being a national one but delivered locally is driving growth in our core markets. The Department for Education remains focused on vital upgrades across the schools' estate and the recent need to address RAAC issues which results in a significant pipeline of opportunities to be delivered through frameworks that Kier has places on.

The UK's growing prison population, combined with ageing infrastructure, has resulted in the Ministry of Justice instigating a construction programme including new prisons, more accommodation in existing prisons and refurbishment of existing facilities using an alliancing model which plays to Kier's strengths.

Investment in the healthcare market, where significant spending is required to clear the maintenance backlog, is another attractive opportunity in a core market.

Kier Places
With increasing housing standards and fire and safety compliance, we expect the housing maintenance services business within Kier Places to benefit by leveraging our capability and relationships with local authorities and housing associations. Our history of working in public sector-occupied residential buildings supports customers as they decarbonise their portfolios and retrofit their buildings.

Forward focus:
Supporting the infrastructure needs of our clients in light of structural change such as population growth, transportation pressures, aged infrastructure, energy security and climate change.

Our progress this year: **Property**

Our property business provides mixed-use commercial and residential property development schemes for customers, predominantly delivered through joint ventures. We use established relationships to source projects, and deliver them successfully which generates repeat business. We specialise in urban regeneration, last mile logistics and sustainable office developments. Property includes our partnership housing business which delivers residential homes through open market sales, build to rent and affordable housing.

Forward focus:
The customer driven opportunities of:
- Asset optimisation for capital constrained public sector clients
- Continuing long-term trends of population growth, e.g. urbanisation
- Combating the effects of long-term climate change by reducing carbon in buildings for our customers
- Changing demographics with ageing populations and household make-up and their consequent housing requirements
- Adapting assets as consumer shifts change retail offerings.
- Support public sector clients with their historical underspend on building affordable housing

Objective 2:
Maintain and enhance long-term customer relationships

Why this is vital
Delivers long-term capital and maintenance of assets for our customers including supporting them to achieve their environmental and social commitments

- Maintain and enhance the Group's relationship with the UK Government, regulated and blue-chip client base
- Operating under long-term frameworks, which require strong client relationships and sector expertise

Our progress this year:

- Orderbook increase of 7% to £10.8 billion at 30 June 2024
- Positions on c.£144 billion of frameworks for the UK Government and regulated entities
- Environment and social commitments and progress made in the year including:
  - Scope 1 & 2 carbon reduction of 9% from April 2023 to March 2024.

Forward focus:
- Continue to align the Group to our customers' needs and the increasing movements toward alliancing, long-term partnerships and delivering value for money
- Win new business with low-risk profiles and attractive margins
- Continue to deliver projects on time, to budget and in line with customer requirements

Orderbook
£10.8bn

Places on frameworks
£144bn
(Advertised value)

Objective 3:
Resilient and well-balanced portfolio

Why this is vital
- It enables the Group to reduce risk and maximise opportunities
- Unlocks synergies from integrated business
- Enables a platform to attract and retain people talent
- Supports with supply chain relationships

Revenue growth to
£4.0bn

Adjusted Operating Profit
£150.2m

Our progress this year:
- Continued deleveraging, allocating the cash generated from our Infrastructure Services and Construction segments and investing for future growth from our Property segment and successfully completed and integrated acquired rail assets from Buckingham Group
- Infrastructure Services segment re-aligned to support evolving client needs, especially in higher growth sectors of water and nuclear
- Attracted and retained talent through our people programmes including:
  - Culture programme including workshops and launch of our nine healthy behaviours to support the growth of both Kier and our people
  - Improved measuring of performance through launch of our Balanced Performance Scorecard
- Relationships with supply chain developed and retained through:
  - Investing in supply chain partners through the prompt payment code adherence
  - Training using the Supply Chain Sustainability School

Forward focus:
Infrastructure Services and Construction – focus on winning market opportunities driven by UK Government spending and investment plans from UK asset owners.

Kier Property – focus on employing additional capital efficiently and delivering appropriate returns.

Objective 4:
Deliver disciplined growth, consistent profitability and cash generation

Why this is vital
Disciplined growth, consistent delivery and generation of cash leads to a sustainable business

Our progress this year:
- Revenue growth of 17% to £4.0bn
- Adjusted Operating Profit growth of 14% to £150.2m
- Free Cash Flow of £185.9 million (FY23: £132.3m)

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

Free Cash Flow
£185.9m

Operational review

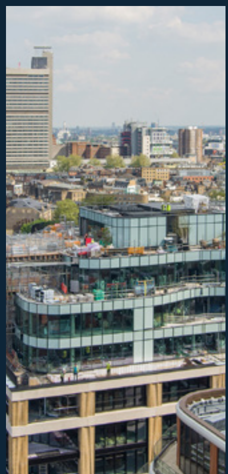
Sustainable growth: through our operations:

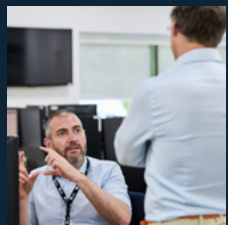
Group operations
69%
is 'green' revenue

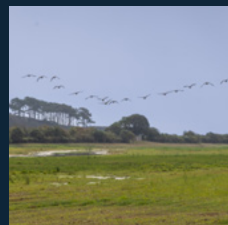
Infrastructure Services
£2.0bn
revenue[2]

Construction
£1.9bn
revenue[2]

Property
£71m
revenue[2]







1. The Corporate segment comprises the costs of the Group's central functions which have increased over the prior year due to inflation and investment in people and systems to support the Group's volume growth.
2. Financial data for our segments can be found in the segmental reporting note on page 167.

Sustainable growth:
through our Infrastructure Services

Creating a vital road link in the Cotswolds

Project
A417 Missing Link

Contract type
Road – design and project management

Project value
£460m

Project background

The A417 Missing Link scheme is a National Highways major strategic road upgrade and off-line build near Gloucester that will deliver over three miles of much-needed dual carriageway. It will support active travel for the people of Gloucestershire, with improved cycling and pedestrian lanes. There are a number of bridges, the main one being an environmental bridge, 37 metres wide where native plants will be planted alongside the bridge. A bat underpass will be constructed to give local wildlife safe passage from one side of the road to another.

The increased road capacity is anticipated to reduce congestion, traffic delays and improve safety while meeting specific requirements to preserve the Cotswolds landscape.

Approximately, 428,000 cubic metres of earth has been moved since the construction phase started in FY23. The project deployed a highly skilled team of ecologists and archaeologists to support the conservation and environmental enhancement of the area. It is also being used as the testing ground for an award-winning innovation to remove microplastics from road water runoff, developed through laboratory testing by Kier and TerrAfix.

At the end of FY24, the project had achieved over £10m in social value. This was achieved through volunteer work, and working with our charitable partners in particular, Great Western Air Ambulance charity and the Sam Polledri Foundation where 5 defibrillators have been placed on the network in hard to reach walking, cycling, horse-riding locations. The project has also provided training and employment opportunities in the local area.

Earth moved to date: m³
c.428k

Social value to date
c.£10.1m

Biodiversity: Environmental Bridge
37m wide

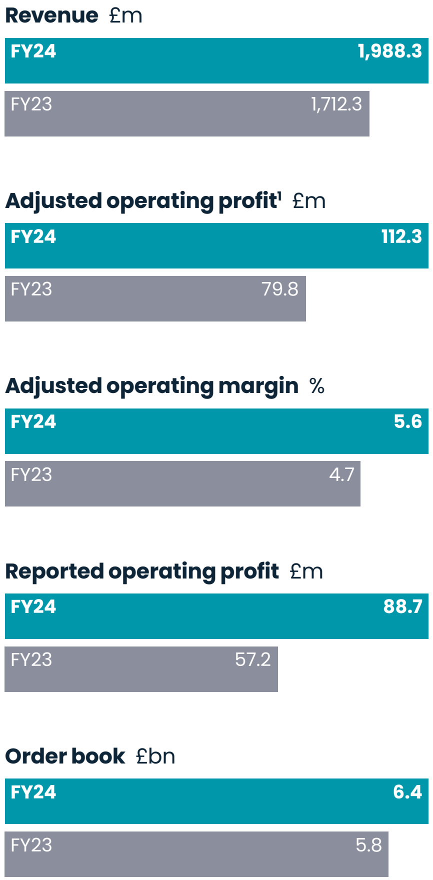
For more information please visit:
www.kier.co.uk

Infrastructure Services

Sustainable growth: Key contract wins include:

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

Natural Resources, Nuclear & Networks:
- United Utilities – five-year framework to deliver £100m per annum of design, engineering, project management and construction services for water and waste water infrastructure
- Southern Water – appointed to the £3.1bn seven-year Strategic Development Partnership framework to increase capacity at water supply and waste water treatment sites
- South West Water – appointed to the £2.8bn five-year Mechanical, Electrical, Instrumentation, Control and Automation ('MEICA') framework. An alliance to deliver their water infrastructure plan for 2025–2030
- Anglian Water – appointed on an extension for the next five years of the Integrated Maintenance, Repair and Developer Services ('IMRDS') alliance to provide vital repair services and infrastructure improvements across East Anglia
- 86% of revenue secured for FY25



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

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

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

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

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

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

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

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

Sustainable growth:
through our Infrastructure Services

Protecting the coast from the impact of climate change

Project
Arne Moors

Contract type
Natural Resources, Nuclear & Networks – project management

Project value
c.£37m

Project background

Kier is working with the Environment Agency, the Royal Society for the Protection of Birds and Natural England on a 150 hectare parcel of land on the Isle of Purbeck in Dorset, to create compensatory intertidal habitat. This will replace habitat protected under 2017 conservation regulations which is being lost in other areas of Poole Harbour due to rising sea levels pressing against fixed sea defences.

The project team at Arne Moors is working to adapt low-lying grasslands into diverse wetlands through constructing new 4,300 metres of new embankments which will be 500 metres further inland, creating 78 hectares of new intertidal habitat, a new 15 hectare freshwater habitat area and two shallow saline lagoons of 35 hectare.

Over time, the movement of the tides will help create features such as saltmarsh, mudflats, reed beds ensuring the vast array of wildlife the coastline is home to will remain protected for decades to come.

The site is home to many rare species of plants and animals including water voles, sand lizards and a wide variety of birds, botany and invertebrates, with our work creating enhanced habitats for plants and animals already on site while adding new habitats for a wider range of species.

Biodiversity:
Intertidal habitat creation
78 hectares

Social value
to date
c.£1.3m

For more information please visit:
www.kier.co.uk

Construction

Sustainable growth: Key contract wins include:

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

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

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

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

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

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

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

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

Sustainable growth:
through Construction

Delivering Scotland's third Passivhaus school

Project
Passivhaus Currie Community High School

Contract type
Construction – design and project management

Project value
£65m

Project background

Kier is delivering a new 1,000 place school for City of Edinburgh Council, which is set to be delivered to Passivhaus standard.

It is the third school to be built in Scotland to Passivhaus standards and expected to use 70% less energy when in operation compared to a traditionally built school. The school has been modelled to withstand predicted changes in climate conditions up to 2080.

Kier has a track record of delivering Passivhaus buildings, which focus on the five principles of insulation, heat controls, airtight construction, heat recovery ventilation and thermal bridge free design.

The project goes beyond the build and offers the opportunity for students to take their first step into the construction industry. Through Kier's 'Constructing Futures' programme, a construction academy was opened on site, offering 15 pupils from Currie and the nearby Balerno High School employability skills and an insight into the construction industry.

This additional commitment has been supplemented by working with the City of Edinburgh Council to deliver social value tailored to the needs of the community, including employment opportunities, education engagement events and volunteering with local community groups.

Social value to date
c.£5.6m

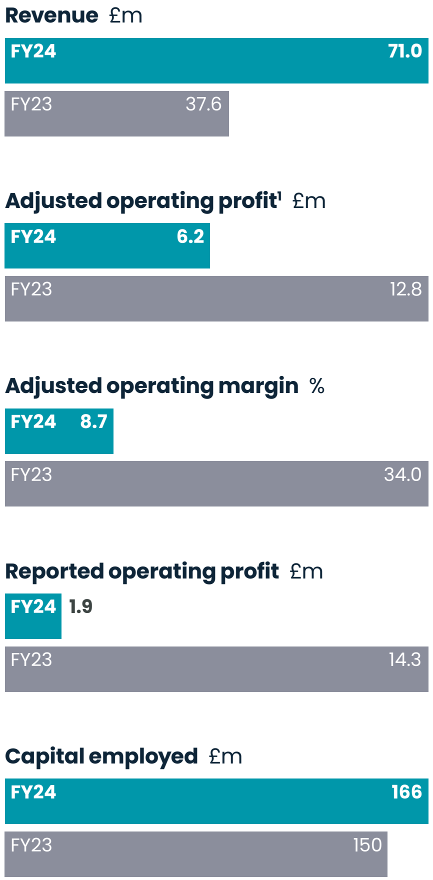
Less energy used than traditionally built school
70%

For more information please visit:
www.kier.co.uk

Property

Sustainable growth: Key contract wins and highlights

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



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

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

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

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

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

In FY24 the Property business had a ROCE of 3.9%. The Group targets the Property business to generate a ROCE of 15%. The Property business is well-positioned to deliver this over time as it continues to support its capital-constrained public sector clients with asset optimisation, as well as leverage the structural trends in changing demographics, population growth and climate change.

The business has had limited investment over the past three years. An increase in the value and consistency of capital investment is expected to smooth out the returns profile of the Property segment over time.

Sustainable growth: through Property

Regenerating Watford

Project
Watford Riverwell

Contract type
Property – joint venture regeneration

Project value
GDV of c.£500m

Project background
Kier has been working with Watford Borough Council since 2013 on a 20-year joint venture to regenerate 70 acres of land in the town, delivering residential, retail, leisure, industrial and hotel space.

Built around Watford General Hospital, the development takes a whole-place approach to improve local infrastructure, access and community facilities. To date, over £31m has been invested in remediation and infrastructure to support the transformation of this previously underutilised brownfield industrial land.

Watford Riverwell will provide c.1,000 much-needed new homes. The houses are being constructed with a fabric first design, making them more cost and energy efficient for homeowners.

The regeneration has also delivered over 70,000 sq ft of industrial space, a senior living village of 250 units and a 1,455 space car park for Watford General Hospital. A new neighbourhood centre with a hotel, shop and restaurant is also proposed. Green space is another important part of this scheme, with a public park already delivered as part of the plans.

Social value from FY22 to FY24
c.£1.5m

New homes delivered
c.1,000

For more information please visit:
www.kier.co.uk

Our marketplace

Positive market environment underpinning UK Government spending commitments

Infrastructure Investment
The attractive market served by Kier is expected to grow materially over the next few years as structural and non-discretionary UK Government infrastructure spending is committed to solving the long-term issues deriving from population growth, transportation pressures, aged infrastructure, energy security and climate change. The Government has committed to boosting infrastructure spending. In addition, UK-regulated water companies have announced their investment plans.

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

Market drivers

Demographic change

- Population expansion with people living longer, net migration and mini baby boom
- Pressure on health, social care and housing driving change

Economic growth

- UK economic growth slow to recover
- Construction industry historically used to stimulate economy

Aged infrastructure

- **Transport** – aged roads and rail infrastructure
- **Water** – deteriorating treatment plants and piping
- **Social infrastructure** – aged schools, hospitals and prisons

Addressing geographic imbalance

- Increased spending in previously deprived areas to narrow the UK's regional inequality

Climate change

- Energy supply shortage and rising demand driving investment
- UK Government's commitment to net zero carbon with energy plans and decarbonisation of infrastructure

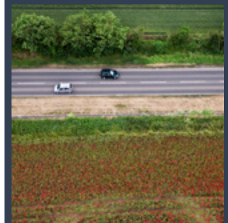
Transportation

Market Opportunity:

- National Highways: Road Investment Strategy 2 ('RIS2'): £27 billion investment in England's strategic roads from 2020–2025
- Local Authorities: £8.3bn fund for potholes and other highways maintenance
- Managing the transports sectors response to changes resulting from climate change
- £44bn committed over 5 years for CP7 rail network from April 2024
- TfL has agreed another £250m injection in 2024

Kier's Market Positioning:

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



Road Investment Strategy 2020–2025

£27bn

RIS2 to 2025

Rail Control Period 7

£44bn

5 years from 2024

Natural Resources, Nuclear & Networks

Market Opportunity:

- Water: England & Wales (Asset Management Plan 8 ('AMP8'): £88bn by 2025 (subject to Ofwat determination)
- Water: Northern Ireland Price Control 21 ('NI PC21') – £4bn from 2021–2027
- Energy Distribution: £30bn of investment in the energy network by 2026
- Great British Energy: £8.3bn
- Flood defences: £1.3bn for 34 flood defence projects

Kier's Market Positioning:

- Extensive experience in water
- Key infrastructure provider of maintenance and capital projects to water, nuclear and energy sectors
- Long-standing strong customer relationships operating in regulated and government funded sectors
- Specialist design, project management and integrator capability to civil engineering and mechanical, electrical, instrumentation, control and automation (MEICA) delivery
- Large geographical presence in the Water Asset Management plan £88bn (subject to Ofwat determination) AMP8 from 2025
- Expertise in the protection and restoration of natural habitats and waterways
- Well-placed in high quality and secure environments for infrastructure to nuclear and defence

Water Asset Management Plan 8

£88bn

AMP 8 from 2025

Great British Energy established

£8.3bn

Public funding

Construction

Education

Market Opportunity:

– 500 DfE school replacement projects over 10 years including 100+ of RAAC schemes to 2030

Health

Market Opportunity:

– Spending to address backlog of underinvestment in hospitals

Justice

Market Opportunity:

– 14,000 new prison places required
– £4bn committed over four years
– c.£250m per annum of maintenance work required to Ministry of Justice's retained estate

Defence

Market Opportunity:

– £5.1bn Defence Estate Optimisation Programme
– £1.2bn alliance to be spent in improving military homes framework
– £1.1bn future capital investment across US Visiting Forces estate in UK

Kier Places

Market Opportunity:

– UK Government net zero carbon agenda and increased housing standards both require significant retrofitting and maintenance of public housing particularly in high density urban areas

Kier's Market Positioning:

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

Property

Market drivers

Climate change

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

Population growth

– **Population growth** – 65–79 age group is predicted to increase by nearly a third in the next 40 years
– **Households** – increase in single person households
– **Ownership** – increased demand for build to rent
– **Supply** – shortage of housing, especially in affordable housing and restrictive planning policies

Changing consumer trends

– **Demand** – significant demand for high-quality large-scale warehouses
– **Logistic vacancy rate** – rate currently c.7%
– **Retail**– increase in online retail sales which is changing UK high streets and driving demand for last mile logistics
– **Global supply chains** – stockpiling and onshoring
– **Technology** – growth in AI, robotics and automation driving demand

Market Opportunity:

– Increasing focus on affordable housing results in significant opportunities of urban regeneration
– Geographic redistribution agenda – increased spending in deprived areas

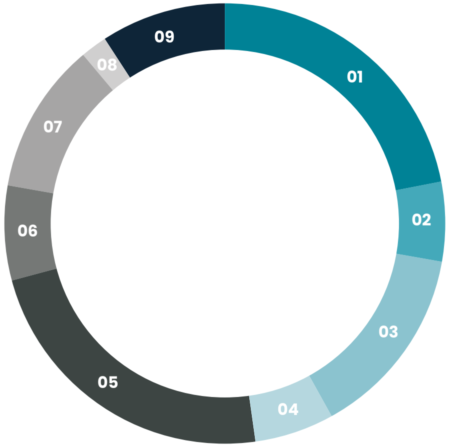
Kier's Market Positioning:

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

Addressable Market

The overall UK construction market is estimated to be worth £139bn[1].

Kier's addressable market



Infrastructure Services – £31bn

01 **22%** Infrastructure Other New
02 **6%** Infrastructure Other Repairs & Maintenance
03 **14%** Roads New
04 **6%** Roads Repairs & Maintenance

Construction – £35bn

05 **23%** Commercial
06 **7%** Industrial
07 **11%** Public Non-Housing
08 **2%** Repairs & Maintenance Private
09 **9%** Repairs & Maintenance Public

Addressable Market

£66bn

The Group's addressable market is estimated at £66bn. This comprises £31bn for Infrastructure Services and £35bn for Construction. The Group serves this market through its three segments: Infrastructure Services, Construction and Property as detailed in our business model.

Construction

£35bn

Infrastructure

£31bn

The importance of Frameworks

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

We have places on agreements with an advertised value of up to £144bn across all of our core markets covering both national and regional geographies and market sectors.

In our Infrastructure Services segment, we have places on 6 national and 33 regional frameworks with a total advertised value of £17bn.

In Construction, we have been awarded places on 22 national and 34 regional frameworks worth £127bn.

1. CPA Construction Industry Forecasts Spring Edition.

Our key performance indicators

Financial

Link to strategic objectives

- 1 Leverage our attractive market share positions in growing markets
- 2 Maintain and enhance long-term customer relationships
- 3 Resilient and well-balanced portfolio
- 4 Deliver disciplined growth, consistent profitability and cash generation
- R Link to remuneration

Total Group revenue including joint ventures[1] £bn
1 2 4

£4.0bn

FY24	£4.0bn
FY23	£3.4bn

The growth in revenue is driven by increased activity in both the Infrastructure Services and Construction segments.

In particular the acquisition of the Buckingham Group rail assets has been successfully integrated into the Group's Transportation business, within Infrastructure Services.

Adjusted operating profit[1,2] £m
2 3 4 R

£150.2m

FY24	£150.2m
FY23	£131.5m

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

Adjusted earnings per share[1,3] p
2 3 4 R

20.6p

FY24	20.6p
FY23	19.2p

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

Order book £bn
1 2 3

£10.8bn

FY24	£10.8bn
FY23	£10.1bn

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

Free cash flow[4] £m
4 R

£185.9m

FY24	£185.9m
FY23	£132.3m

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

Net cash – 30 June[4] £m
4

£167.2m

FY24	£167.2m
FY23	£64.1m

The Group's revenue growth converted to a significant increase in net cash. In addition, the Group experienced a seasonal working capital inflow, predominantly driven by Construction.

Net debt – average[4] £m
4 R

£(116.1)m

FY24	£(116.1)m
FY23	£(232.1)m

Increased activity across the Group has translated into cash generation and lower average net debt, as well as allowing us to be deploy cash to our Property business, acquire certain assets of Buckingham Group and paying pension deficit obligations.

Dividend[5] p
1 2 3

5.15p

FY24	5.15p
FY23	Nil

The Group's commitment to our medium-term plan has resulted in the Group materially deleveraging. This has allowed Kier to return to the dividend list in FY24. The total dividend declared represents a cover of 4x.

1. See consolidated income statement on page 148.
2. See note 5 to the consolidated financial statements.
3. See note 12 to the consolidated financial statements.
4. See financial review on page 81.
5. See note 11 to the consolidated financial statements.

Non-financial

Link to strategic objectives

1 Leverage our attractive market share positions in growing markets
2 Maintain and enhance long-term customer relationships
3 Resilient and well-balanced portfolio
4 Deliver disciplined growth, consistent profitability and cash generation
R Link to remuneration

Safety – Group Accident Incident Rate ('AIR')

1 2 R

155

FY24	**155**
FY23	88

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

The Group's monthly 12-monthly rolling Accident Incident Rate ('AIR') of 155 represents an increase of 76% compared to 88 in FY23. The AIR rate is calculated by headcount and is therefore volume adjusted. The AIR rate includes both Kier employees and contractors. It equates to 41 RIDDOR reportable incidents in FY24 compared to 22 in FY23.

The Group's 12-month rolling All Accident Incident Rate ('AAIR') of 363 is an increase of 13.5% compared to 320 in FY23.

These FY24 figures are an increase on the high performing benchmark that we achieved last year. Despite the increase, we retain a strong safety record and continue to outperform historic industry league tables. We rolled out our culture programme in FY24, together with our safety-specific behavioural training which sits alongside our existing policies and procedures.

Employee engagement

1 2 R

67%

FY24	**67%**
FY23	65%

Achieve continuous improvement scores in employee engagement surveys

We continue to engage with our people through the Your Voice surveys. In FY24, our surveys focused on wellbeing and culture.

Overall, we have seen a consistent increase in our employee engagement (positive emotions) score since FY22 (58% in FY22; 65% in FY23) which shows that our strong focus on taking action on the feedback received from our people is making a positive difference.

Scope 1 & 2 carbon intensity

1 2 R

7.4

FY24	**7.4**
FY23	9.7

We have achieved a 24% decrease in our carbon intensity for Scope 1 & 2 compared with FY23 and a 69% decrease against our FY19 baseline

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

Baseline Scope 3 carbon intensity

1 2

200.5

FY24	**200.5**
FY23	276.5

During FY24 our Scope 3 carbon emissions intensity has reduced 27%

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

Payment performance

1 2

34 days

FY24 H2	**34 days**
FY24 H1	33 days

Maintain a good relationship with supply chain partners

In line with the Prompt Payment Code, our latest Duty to Report on Payment Practices and Reporting submission covers the period from 1 January 2024 to 30 June 2024, showing the Group's aggregate average payment days had increased by 1 day (H1: 33 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.

ESG report

Andrew Davies
Chief Executive

Operational (Scope 1 & 2) carbon emissions reduction
9%

Value chain (Scope 3) carbon emissions reduction
13%

Apprentices in Kier's workforce
666

People in training and development programmes[1]
12.3%

Spent with SMEs[2]/VCSEs[3]
£1.4bn

1. Percentage of Kier's workforce in formal development programmes i.e., an accredited course of more than one year in duration. It includes apprentices and excludes Kier's wider learning and development offering.
2. Small and medium sized enterprises.
3. Voluntary, community and social enterprises.

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

Building for a Sustainable World

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

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

Health, Safety and Wellbeing

The Group's 12-month rolling Accident Incident Rate ('AIR') in FY24 of 155 represents an increase of 76% compared to the prior year (FY23: 88). The Group's 12-month rolling All Accident Incident Rate ('AAIR') in FY24 of 363 increased by 13.5% from FY23 of 320.

Scan to visit the Sustainability pages on our website

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

Environment

Net Zero Carbon Targets

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

As a Tier 1 supplier, the majority of our carbon emissions relate to the use of fuel, either on our sites or during travel to our sites. The Group continues to reduce our carbon footprint. During the year, we achieved a further 9% reduction in Scope 1 & 2 emissions, and cut Scope 3 emissions by 13%.

Accreditations

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

– The Science Based Targets initiative confirmed that our targets are aligned to limiting global warming to 1.5°C and net zero.

Our sustainability journey highlights (2020–2024)

2020[1]
– Launched 'Building for a Sustainable World' 10 pillar strategy
– Aligned targets to UN SDGs

2021
– Committed to net zero carbon emissions by 2045
– Committed to £5bn in social value by 2030

2022
– Set target to meet net zero by 2039
– Conducted EFRAG-aligned double materiality assessment

2023
– Launched 'Building for a Sustainable World' three pillar strategy
– Achieved LSE Green Economy Mark
– Achieved £5bn in social value over three years

2024
– Received verification from SBTi
– Received ISO 14064-1 verification for FY23 and FY24 carbon footprints
– Evolved our social value measurement[2]

Long-term destination
To further enhance our impact as a purpose-driven organisation which sustainably delivers infrastructure that is vital to the UK, including our net zero journey, our legacy in the communities we serve, and our inclusive workplace where everyone fulfils their potential and has their voice heard.

– PAS 2080 accreditation shows that our processes are contributing to reducing lifecycle carbon emissions from our customers' buildings and infrastructure projects.
– The British Standards Institute ('BSI') provided ISO 14064-1 assurance of our FY23 and FY24 carbon footprint.

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

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

We continue to progressively enhance our Task Force on Climate-Related Financial Disclosures ('TCFD') assessment and disclosure, taking on board recommendations from the Financial Reporting Council ('FRC') in our disclosure. You can find this from page 58.

Social
Delivering a legacy of social value continues to be a key priority for our customers and for Kier. This year, we delivered £583m[2] of added social value through our workforce, supply chain and positive impact in our local communities.

1. In 2020, we revised existing sustainability goals to reflect our refreshed strategy. In this timeline, and up to 2023, we report on our 2020–2023 10 pillar strategy; from 2023 onwards, we report on our 2023–2028 3 pillar strategy.
2. We now measure our added social value, which excludes the economic value gained from subcontracted spend if not with an SME or VCSE.

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

Kier is a people-based business, and our performance depends upon our ability to attract and retain a dedicated workforce.

In FY24, we had over 660 apprentices participating in programmes, representing c.6.5% of our workforce, and we welcomed c.60 future graduates on work experience placements and c.100 graduates onto our graduate programme, c.36% of which comprised women.

We contribute to a variety of educational engagement activities, including playing a leading role in Open Doors Week to introduce young people to the construction industry.

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

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

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

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

Built by Brilliant People™
Kier is Built by Brilliant People™. We have therefore invested in the rewards and benefits that we offer to our employees and their families. We are a proud Real Living Wage employer, and c.1,000 employees received a Real Living Wage increase of, on average, 7.3% in January 2024. All our employees receive life assurance and access to a range of wellbeing support including a virtual GP, confidential advice and counselling services. Focus has also been made on wellbeing including such initiatives as Your Voice, a survey which enables employee engagement. This is an important measure to ensure our approach to employees is successful. The current surveys show a 67% employee engagement score for FY24, an increase from the previous year (FY23: 65%).

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

Andrew Davies
Chief Executive

Building for a Sustainable World

As a responsible business, Kier understands that we must adapt our ways of working to be successful in a changing world, and to ensure that the impacts of our business in that world are positive.

To support our adaptation, we developed our sustainability framework around three pillars – Our People, Our Places and Our Planet – which guides our enduring commitments in these areas. Kier is Built by Brilliant People™ and our sustainability framework is no different, its successful delivery is underpinned by core functions in its strategic foundations, namely Diversity & Inclusion, Emerging Talent, Health, Safety & Wellbeing and Talent & Organisational Development.

We explore these foundations in more detail in the Built by Brilliant People™ section from page 48. We are implementing this strategy within Kier's robust governance framework, and we track our progress against detailed milestone plans.

Further details can be found in our statement on materiality and UN SDG alignment, available on our website

Each pillar has several clearly defined non-financial measures, chosen to help demonstrate continual improvement and aligned with our key stakeholders' own priorities. These are a mixture of qualitative and quantitative targets and measures to reflect our approach, as well as the maturity of our framework.

We continue to report our added social value using the Impact Evaluation Standard measurement framework. The Standard is fully aligned with the UK Government's Social Value Model (PPN 06/20) and is guided by an independent steering committee of social impact experts. Our definition of added social value excludes the economic value gained from subcontracted spend if not with a small or medium enterprise or social enterprise.

Materiality and aligning our targets

To guide our approach to developing not only our sustainability framework, but also how we report on our progress, we conducted a European Financial Reporting Authority Group ('EFRAG')-aligned double materiality assessment in 2022.

As part of our double materiality assessment and the development of milestone plans, we have improved our alignment to the United Nation's Sustainable Development Goals ('UN SDGs'), identifying 11 SDGs and 35 associated targets.

Building for a Sustainable World

OUR PURPOSE

To sustainably deliver infrastructure which is vital to the UK

STRATEGIC PILLARS

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

ADDED SOCIAL VALUE

Building for a Sustainable World continued

Our People

Building a workforce and supply chain for the future

Our people are at the heart of our business and Kier's success depends upon our ability to attract and retain a dedicated workforce. This includes those working within our supply chain.

As a business, we are committed to shaping a safe, collaborative and high-performing culture where our people feel they can belong, contribute and want to do their best work. We do this by prioritising our people and sourcing labour ethically.

Find out more about how we prioritise our people in Built by Brilliant People™ on pages 48–57

Prioritising all our people
At Kier, we build for sustainable growth, recognising that a well-trained, forward-focused workforce is essential to meeting our strategic and sustainability objectives. We are committed to providing training and development opportunities to equip our people and our business for a changing world. In 2024, we were awarded gold at the European Foundation for Management Development's Excellence in Practice awards for our leadership development programmes, which is explored in detail on page 54.

Apprentices in Kier's workforce
666

People in training and development programmes[1]
12.3%

Added social value for this pillar
£31m

Gold
MEMBER OF
The 5% Club
APPRENTICES AND GRADUATES
INVESTING IN A GENERATION
2023/24

1. Percentage of Kier's workforce in formal development programmes i.e., an accredited course of more than one year in duration. It includes apprentices and excludes Kier's wider learning and development offering.

Building for a Sustainable World: Our People continued

Our people use their knowledge and creativity to provide solutions to our clients and customers and, to support with their personal and professional development, Kier provides them with skills and experience to best serve the communities in which we work.

The 5% Club is an employer collective committed to offering training and development opportunities to their workforce. Following an audit by the 5% Club, we were awarded gold membership once again, demonstrating our commitment to attract and develop future talent.

For the workforce of tomorrow, we offer graduate and apprenticeship opportunities, encouraging a new generation of talent to join the construction industry. Such opportunities are explored on page 53. Kier also supports local colleges in their delivery of T-Levels with content that meets our needs as a business and helps students to be ready for work or further training. During the year, we have supported more than 50 students on industry placements across our divisions. We run a variety of upskilling activities in our local communities.

At The Forum in Gloucester, we developed an on-site Learning Hub for members of the local community to access training, career development and wellbeing support, in partnership with local social enterprises and over 2,500 individuals have been supported to date.

Read more in Built by Brilliant People™ on pages 48–57

Sustainucation®: Promoting sustainability literacy

Part of our strategy for sustainable growth is to upskill our people to understand how their roles contribute to Kier's sustainability journey. In a recent survey, 92% of our people were aware of the impact their role has on the environment and communities. We aim to provide knowledge and skills, and foster sustainability mindsets, both at work and at home, to support informed and effective decision making for a sustainable future. This is part of our commitment to prioritise our people.

In the spirit of this commitment, and as part of our online and in-person sustainability literacy programme, our Natural Resources, Nuclear & Networks ('NRNN') division have developed *Sustainucation*®, a programme designed to educate, engage, empower and drive ownership of sustainability in our teams. In May 2024, NRNN brought together 84 divisional leaders in the inaugural *Sustainucation*® event, an opportunity to engage in, commit to and learn about Kier's sustainability journey, as well as that of individuals in the team. NRNN reflected on positive changes and steps that can be taken in our professional and personal lives, from procurement practices to supermarket choices, diverse and inclusive recruitment to volunteering in our communities, from Kier's carbon reduction goals to understanding our personal carbon footprint.

By maturing sustainability literacy across our business, we aim to nurture innovation to support our sustainability goals and our journey of sustainable growth. The programme continues.

Ethical labour

According to the Unseen Modern Slavery Helpline, slavery experts estimate the number of people in modern slavery in the United Kingdom to be more than 100,000. As a strategic supplier to the UK Government, we support the aims in PPN 02/23 to tackle modern slavery in government supply chains. At Kier, we are committed to following best practice and collaborating with our peers to combat modern slavery in our industry. We implement policies to establish our approach and set out our position on modern slavery. We report on the effectiveness and progress against our targets in our modern slavery statement. In FY24, we worked with specialist companies to identify good practice and to develop opportunities to strengthen our approach. Furthermore, we trained more than 4,000 employees and people in our supply chain on our approach, as well as to recognise the signs of modern slavery and encourage action.

Scan for more on our:
- Modern Slavery statement
- Anti-slavery and human trafficking policy
- Real living wage policy
- Sustainability policy

Our supply chain partners are a key part of our workforce, essential to delivering our projects and to the Group's overall success. We are committed to ensuring that our supply chain is fair and ethical, sustainable and resilient, and that we protect the human rights of everyone we encounter in our business operations and in the wider communities where we operate. Our supplier due diligence process supports our aim to work with UK Real Living Wage employers with a public commitment to preventing modern slavery.

Furthermore, our Ethical Labour working group meets regularly to strengthen our procedures and to enable us to develop campaigns to raise awareness of this important issue. The group is working with a modern slavery social enterprise to review our understanding of and response to modern slavery and labour exploitation risks within our business. This is allowing us to develop a focused plan that centres around education, audit and mitigation. We share our experiences in the Supply Chain Sustainability School's Modern Slavery Working Group to drive industry-wide change. With our supply chain comprising 3,425 small and medium sized enterprises, it is important that we approach this collaboratively.

People trained on recognising and reporting modern slavery in FY24

4,186

Building for a Sustainable World: continued

Our Places

Making a positive impact in our local communities

Spent with SMEs[1] & VCSEs[2]

£1.4bn

Raised for UK charities through The Kier Foundation

£225k

Prison leavers offered employment

41

Added social value for this pillar

£552m

Veterans and reservists offered employment

78

1. Small and medium-sized enterprises.
2. Voluntary, community and social enterprises.

At Kier, we focus on ensuring our business directly and positively impacts the communities we serve, and in turn, benefits wider society. Furthermore, by creating employment opportunities and supporting our workforce, we deliver positive social impact and drive social mobility to make a difference where we work. To ensure we meet our objectives and leave a lasting legacy, we engage with communities local to our projects. Doing so is part of our commitment to the Considerate Constructors Scheme ('CCS'). As part of our engagement, we provide an openly accessible helpline for our projects to allow the public to raise a concern, as well as provide a dedicated stakeholder liaison to maintain dialogue. In FY24, 36 of our projects received recognition in the CCS National Site Awards, and our average score through monitor visits is 43/45.

Building for a Sustainable World: Our Places continued

Social impact

Social impact is intrinsically linked to sustainable growth: the long-term effect on people and local communities resulting from actions or activities to support development. At Kier, we make a positive social impact by providing support that addresses needs in local communities, focusing on the most vulnerable and disadvantaged, according to the indices of deprivation in the areas where we operate.

We generate positive social impact by delivering places that offer new green spaces, reduced carbon emissions, and which sit at the heart of the local community; by using local goods and labour; providing school children with hands-on learning experiences; and making donations of much needed items to the community.

Furthermore, as part of our commitment to our people and our communities, Kier employees are encouraged to take two paid volunteering days per year and have completed more than 850 days during the period. In FY25, we will simplify our processes to boost uptake of the volunteering day allowance.

By supporting small and medium enterprises ('SMEs') as well as voluntary, community and social enterprises ('VCSEs') across our contracts and projects, we create positive social impact as we generate revenue within our local economies.

In the last financial year, we spent c.61% of our subcontracted spend with SMEs and £7.4m with VCSEs.

Kier Construction Careers Hub

Kier Construction Careers Hub is a seven-month programme, piloted in London, delivering key workshops to students to provide wider awareness of Kier's work and of future career paths available. In FY24, sessions were delivered to c.50 students, which included career education from senior leaders from across the business. Further cohorts are now taking place in the South-East of England and in Scotland.

No. of students to whom we delivered career path sessions

c.50

Supporting the Crumbs Project

Our Natural Resources, Nuclear & Networks team supports 'The Crumbs Project', a local social enterprise in Bournemouth providing hospitality-based professional training programmes for neurodiverse adults. Kier's team procures their catering services, as well as regularly spending time volunteering on pro-bono projects.

Raising money through The Kier Foundation

Kier's own independently registered charity, The Kier Foundation, manages the Group charity partnership, which is currently with the Trussell Trust for FY24 – FY25. Since the beginning of this partnership, we have raised over £125k to support their work fighting UK poverty and our employees have volunteered their time at food banks across the UK.

The Foundation also supports other charities across the UK, and during the period has donated c.£100k in much-needed funds.

Moving through May is our annual fundraising activity that encourages teams to move more through May, completing a distance by walking, running or swimming. Employees covered c.180,000km to raise c.£80k in Moving Through May's 2024 edition.

For Kier, this activity is also a drive to boost employee wellbeing and mental health through exercise, teambuilding and getting outdoors. Kier takes an integrated approach to sustainability and by combining our health and wellbeing objectives with our social sustainability initiatives, we demonstrate how physical activity can support multiple outcomes for people, communities and our business. Find out more about how we integrate health and wellbeing into our performance on page 50.

Kierriculum

Grassroots engagement with communities is fundamental to improving the long-term social impact of our projects. Recognising this, and to continue delivering value in local communities, we developed our educational engagement offering. In FY24, Kier's people developed and launched an educational programme to inspire the next generation: Kierriculum.

Kierriculum's resources and activities are linked to the national curriculum and are designed to introduce students of all ages to the construction industry, by connecting what they're learning at school or college to real jobs and workplace scenarios.

Find out more about Kierriculum on our website

Building for a Sustainable World: Our Places continued

To get Kierriculum into as many schools and colleges as possible, we have also boosted the number of Kier colleagues who volunteer their time as STEM Ambassadors. We now have 113 ambassadors across the Kier Group who can engage young people in careers in construction.

Enabling social mobility

Kier believes that we should all have the opportunity to be successful, regardless of where we make our start in life, or what happens along the way.

Externally, a member of our executive committee is part of the UK Government's Social Mobility Commission employer advisory group, put in place to drive social mobility in the UK workplace and to support the Commission's employer-focused programme of work. Internally, we were inspired to establish a working group to begin addressing such inequalities within our business. As an important first step, we are establishing a socioeconomic diversity baseline for our workforce. This will provide a benchmark to set meaningful targets and identify where we need to focus our efforts. Representatives from our Social Value, Emerging Talent, and Equality, Diversity & Inclusion teams sit on this working group.

In parallel, Kier drives several schemes aimed at supporting individuals from disadvantaged backgrounds both into employment, and to develop their career.

Making ground – Prison engagement and employment programme

Kier is an industry leader in the recruitment of people with convictions. In FY24, we have provided employability training to over 35 candidates in custody, offered 41 prison leavers employment and over 25 ROTL[1] opportunities to people in custody within our business or our supply chain.

For Kier, this initiative brings diverse new skills into our business, and supports us to deliver on social value commitments. We believe that providing opportunities to all is a primary opportunity to sustainably strengthen our business and our societies. We share our experiences within our supply chain, amongst our clients and with local and national governments to drive continued positive change. In FY24, Making Ground won the Diversity and Inclusion Initiative of the Year award at the Water Industry Awards.

Armed forces recruitment

Kier aims to support Armed Forces veterans with their return to the civilian job market, and recognises the value and skills veterans bring to our business. In FY24, we offered employment to 67 veterans and 11 reservists (50 overall in FY23). We also expanded our recruitment offering to actively target military spouses and family members.

Open Doors

We partner with Build UK's Open Doors programme. The event goes 'behind the site hoardings' to showcase the range of careers available in the construction industry. Each year, we open sites across the country, and welcome hundreds of visitors from local schools, colleges and communities. Open Doors is an important opportunity to break down some of the stereotypes associated with the construction industry and encourage people into a possible career. Whilst the events are open to anyone, we target schools, colleges and underrepresented groups to inspire the next generation of apprentices and graduates, in line with the Our People pillar of our sustainability framework and our ambition to grow our business sustainably.

For a week in March 2024, we opened doors to 47 of our sites, depots and offices across the UK and welcomed over 900 visitors. Visitors included local schools, colleges, universities, prisons, charities, Job Centres and members of the public.

1. Released on Temporary Licence.

Building for a Sustainable World continued

Our Planet

Improving the environment now and for future generations

Our planet does a lot for us: it cleans the air we breathe, protects us from flooding, and provides us with food and natural resources. All essential elements for our everyday lives. However, climate change and human activity are putting increasing pressure on our planet and its ability to provide these services, causing more extreme weather, loss of biodiversity, erosion of soil, and increased pollution.

As a business, we are committed to accelerating our action and maintaining a healthy and safe environment for nature and our communities; using resources efficiently and playing our part to address the climate and nature emergencies.

Key achievements under the Our Planet pillar this year include:

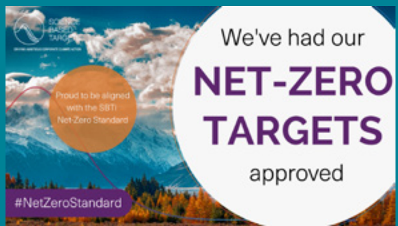
– Receiving validation from the Science Based Targets initiative that our carbon targets are aligned to limiting global warming to 1.5°C and achieving net zero operations, as well as reasonable assurance of our FY23 and FY24 carbon footprint to ISO 14064-1 standards
– Undertaking an initial nature materiality exercise that is aligned to the Taskforce on Nature-related Financial Disclosures ('TNFD') LEAP methodology. Following this assessment, we are setting long-term nature-related metrics and targets
– Enhancing our water data quality, with a focus on disclosing defined metrics in FY25

CDP DISCLOSER 2023

CDP Climate Change 2023 Score

B

CLIMATE GROUP EV100



GREEN ECONOMY LONDON STOCK EXCHANGE

LSE green economy mark of revenue from projects delivering a net environmental benefit

69%

Building for a Sustainable World: Our Planet continued

Climate Action

Our climate is changing. Across the world, as well as in the UK, our weather is less predictable and increasingly extreme. We are committed to taking climate action, reducing carbon emissions and working with clients to deliver infrastructure and buildings which are resilient to the effects of climate change.

Target

Net zero operational carbon (Scope 1 & 2) by 2039

Net zero carbon across our value chain by 2045 (Scope 3)

Performance

Operational (Scope 1 & 2) carbon emissions reduction

9%

Value chain (Scope 3) carbon emissions reduction

13%

Project revenue supporting climate resilience[1]

69%

1. Classified using the FTSE Russell's Green Revenues Classification System ('GRCS').
2. Reasonable assurance is a high level of assurance ensuring reported historical data and information is materially correct.

Recognition

In order to provide our stakeholders with confidence and to play our part in mitigating climate change, this year we received external recognition of our approach to delivering our net zero ambitions, with the Science Based Targets initiative validating our Scope 1, 2 & 3 net zero targets. To demonstrate the accuracy of our reported carbon footprint, BSI provided reasonable assurance[2], using the ISO 14064-1 standard, of our Scope 1, 2 & 3 carbon footprint for FY23 and FY24. Additionally, our Construction and Infrastructure Services businesses achieved PAS2080 accreditation, showing that our processes are contributing to reducing lifecycle carbon emissions from our buildings and infrastructure projects.

Supporting best practice HVO procurement guidance

Petrol and diesel use accounted for 95% of our Scope 1 & 2 emissions in FY24. A focus on fuel efficiency has reduced our petrol and diesel emissions by 11% (from 30,659 tonnes in FY23 to 27,425 tonnes in FY24). In the context of our growth, this reduction demonstrates our efforts to decouple business development and emissions

We recognise that, over the next decade, sustainable biofuels, such as Hydrotreated Vegetable Oil ('HVO'), will be a key action for our transition to a low carbon future.

Therefore, working collaboratively with our peers, we have co-funded the development of HVO procurement guidance to mitigate nature, modern slavery and climate risks.

Improving supply chain carbon data quality

This year, our Scope 3 emissions decreased by 13%. This is associated with our Purchased Goods and Services ('PGS'), where we employ a spend-based calculation methodology, applying UK Government carbon factors. Updated carbon factors and a c.9% reduction in applicable spend has driven the reduction. We are working to evolve our approach to use a more accurate supplier-specific inventory methodology.

Reliable supply chain data is essential to understanding our impact and identifying reduction opportunities. Our PGS emissions account for 89% (697,937 tonnes) of our Scope 3 emissions, down from 790,384 tonnes in FY23 (16% reduction against 2022 baseline). In collaboration with our peers, we are supporting the development of tools to accurately and consistently capture carbon data and improve performance

Delivering climate resilient projects

As well as reducing the climate impact of our operations, we deliver buildings and infrastructure that support a climate transition. This includes buildings which are net zero in operation, and infrastructure resilient to our changing climate. Our capabilities to deliver these projects continue to grow. Over the last year 69% of project revenue supported climate resilience, an increase from 64% in FY23.

Climate resilience and adaptation

Read about our approach to climate resilience and adaptation in our Task Force on Climate-Related Financial Disclosures report on pages 58–64.

Scan to discover our Carbon Reduction Plan

Climate resilience in action: Trade City Manchester

Forming part of the established Cheetham Hill Industrial area, Trade City Manchester provides Grade A industrial and trade space. This Kier Property development regenerates a derelict and contaminated brownfield former brick works and scrap yard, delivering high levels of sustainability including a BREEAM excellent rating and Energy Performance Certificate – A. Additionally, the site supports nature and adapts to our changing climate with the creation of a rain garden to capture water during extreme weather.

Scan to find out more about climate resilience in action

Building for a Sustainable World: Our Planet continued

Valuing Nature

Nature and biodiversity are under increasing pressure from human activity and climate change. We value nature, and as a major construction business, we understand our responsibility to protect, restore and enhance habitats and biodiversity across our value chain.

Performance

Significant Environmental Incident Rate ('SEIR')[1]

59

In previous years, we have reported all environmental incidents as a metric of environmental performance. It is important to instil a culture of recognising and reporting environmental incidents to identify opportunities for improvement and, in the past 12 months, additional focus has resulted in a positive increase in overall incidents reported. Whilst we continue to collate all environmental incident ('AEIR') statistics (reported on page 55), we are now focusing our attention on incidents that have the most critical impact. Our aim is to reduce significant risk to business operations while recognising efforts to reduce the overall number of incidents.

During the year, significant incidents ('SEIR') increased from 21 in FY23. 80% of contributing incidents related to instances of extreme rainfall which overwhelmed protection measures, leading to surface water runoff. In response to our changing climate, particularly an extremely wet year with numerous extreme rainfall events and the expectation of increased future risks, we are updating our surface water management controls across all divisions. Additionally, we have implemented processes to continuously review and improve these controls. While our attention is particularly focused on reducing significant impacts, all incidents were investigated to support our continuous improvement journey and remediated in accordance with our ISO 14001-certified environmental management system.

Developing our valuing nature baseline

In readiness for the Taskforce on Nature-related Financial Disclosures ('TNFD') framework, and to ensure we focus on our most material nature impacts and dependencies, we have undertaken a baseline assessment aligned to TNFD's LEAP approach.

Additionally, working with the Green Finance Institute and the Supply Chain Sustainability School, Kier led the establishment of a working group to collaboratively progress both the protection and enhancement of nature in the construction sector.

Providing nature training and guidance

Biodiversity Net Gain training has been delivered by the Wildlife Trust to our Infrastructure Services and Property business divisions. This training focused on embedding best practice assessment and delivery of biodiversity net gain on construction and infrastructure projects.

Placemaking guidance is being developed by our Property team. This includes our approach to using nature-based solutions that support wellbeing and wildlife, whilst also adapting projects to our changing climate.

Updating our Environmental Management System

To ensure our environmental management systems remain current, we are updating our wildlife and habitats assessment and management controls, reaffirming Kier's commitment to assess and protect ecology across all of our projects.

Scan to find out more about valuing nature in action

Valuing nature in action: Biochar innovation to tackle microplastics

Working with RSK Group company TerrAffix, we have been testing the ability of biochar to reduce the environmental impact of road runoff. Biochar is a carbon-rich material derived from organic waste. Our laboratory trials replicated potential approaches to treat runoff water, with successful outcomes, demonstrating that even the lowest biochar/filter stone mix was effective at removing microplastics, resulting in significant improvements in runoff water quality.

Following an award-winning laboratory demonstration, we are moving to real world trials within our A417 project to further demonstrate the potential of biochar in this application.

Additionally, the biochar itself sequesters carbon, contributing to carbon footprint reduction. This project not only enhances environmental sustainability but also showcases Kier's commitment to innovation and incorporating sustainability solutions into our projects.

1. SEIR is calculated as significant environmental incidents divided by headcount and then multiplied by 100,000. It excludes our HS2 joint venture.

Building for a Sustainable World: Our Planet continued

Resource Efficiency

Unsustainable consumption and wastefulness are driving resource scarcity, pollution and unnecessarily accelerating climate change. We aim to embed resource efficiency within Kier and across our supply chain to use resources in a sustainable way throughout the lifecycle of our projects.

Performance

Cubic metres of waste/£1m revenue[1]	Landfill diversion rate
148.5	93%

1. Approx. 0.4% of FY24 waste data, proportional to revenue, is derived from waste management contractual spend.

Resource efficiency is not a new concept to Kier, and we continually improve our performance. However, we understand the opportunity to design out waste, and to further enhance resource efficiency through modern methods of construction. To embed the priorities of our evolved Building for a Sustainable World framework this year, we have focused on establishing strong foundations, as follows.

Establishing a Group-wide resource efficiency working group

Formed of subject matter experts, the group has grown our previous waste focus to drive resource efficiency with the aim to embed circular economy principles. As part of this work, we are focusing on major opportunities to improve resource efficiency. After success reducing single use plastics across our business, we have evolved this approach to focus on cutting down on packaging.

Evolving our resource efficient metrics and targets

One of our resource efficiency working group's first tasks was to establish measures and targets. Supported by Rio AI's (see opposite) focus on data quality and automation, the Group has proposed and established our key targets and continues to work on further secondary metrics and targets that provide additional insights.

This year we have continued to report m^3 of waste intensity, having reduced this by 2%, from 152.1 m^3 per £1m revenue in FY23. To allow comparison with our peers, we intend to move to tonnage reporting from FY25.

Using AI to enhance environmental data and reporting

In FY24, we began our transition to Rio AI, an enterprise environmental data platform streamlining and enhancing the interrogation and reporting of environmental performance at all levels of our business, from project to Group-wide.

By focusing on accurate and timely data, we are building a solid foundation for all environmental data. This is key to strategic decision making for long-term value creation, client reporting and disclosure requirements.

Retendering our Group-wide waste management supplier framework

To ensure the continued sustainable management of waste from Kier projects, we are retendering our waste management framework, including criteria to:
- drive increased diversion from landfill
- enhance data integrity and quality
- improve use of local providers, including social enterprises
- ensure financial sustainability

Scan for more information on resource efficiency in action

Resource efficiency in action: Remediating brownfield sites at Darlaston

The new Darlaston Station is located on a legacy contaminated brownfield site and over a protected aquifer. Kier implemented an innovative remediation approach to protect the aquifer from contamination during construction of the station. We de-watered the site, cleaned the ground water and installed impermeable barriers to preserve cleaned areas. Using this approach, we have restored more than a hectare of brownfield land efficiently, reducing the volume of contaminated material otherwise requiring removal by 70%.

Additionally, we recycled waste concrete from an adjacent site for aggregate, avoiding the off-site delivery 3,700 tonnes of virgin aggregate.

Built by Brilliant People™

At Kier, we put our people – their health, safety and wellbeing, and their development – at the core of what we do.

Our culture mission statement is to create a safe, collaborative and high-performing workplace, where we all belong, contribute and thrive. Ensuring our people feel challenged, encouraged and valued in their roles is paramount to the business achieving its strategic goals.

Our culture programme was designed and delivered in partnership with an expert consultant. The key outputs of the programme included a clearly defined narrative, a balanced scorecard and a behaviour framework, comprised of nine healthy behaviours which align to our value. This forms the foundation of our culture today.

Over the last year, we have delivered a 'Built by Brilliant People™' upskill culture programme to senior leaders and managers comprised of three modules about working brilliantly together, being safe and responsible and driving performance. c.1,100 people have attended the modules and 91 culture champions were trained to support with facilitation and embedding the culture. We continue to develop activities, self-assessment tools, learning resources and initiatives to maintain momentum with embedding our culture and cementing the nine healthy behaviours.

Employee engagement[1]

67%

1. Employee engagement is measured using employee positive emotions.

People have completed the Culture programme

1,124

Understand how their role contributes to the goals of their team

93%

Kier's Nine Healthy Behaviours

Collaborative	Communicate clearly	Pride in Kier	Work brilliantly together
Trusted	Be safe and responsible	Respect others	Prioritise people
Focused	Be bold and future focused	High performance	Find safe, simple solutions

Built by Brilliant People™ continued

Building a health, safety and wellbeing-focused culture

Our health, safety, and wellbeing-focused culture applies to all personnel, including contractors.

We formalise our commitments to health, safety and wellbeing ('HSW') in our policies, and all projects where Kier is principal contractor operate within the business' ISO 9000, ISO 14001 and ISO 45001-certified management system.

People trained in behavioural safety techniques

1,463

Trained mental health first aiders

824

Further details on our safety performance can be found in our ESG performance data table on page 55

Safety performance

At Kier, safety is our licence to operate. Underlying this is a focus on the health, safety and wellbeing of our employees, supply chain and other stakeholders, which is key to our approach. Notwithstanding this strong focus, our FY24 AIR (Accident Incident Rate) and AAIR (All Accident Incident Rate) figures have increased year over year by 76% to 155 and by 13.5% to 363 respectively.

These FY24 figures are an increase on the high performing benchmark that we achieved last year. We are disappointed with these trends given our high standards, but we continue to outperform historic industry league tables.

Celebrating HSW at Pride of Kier

We celebrate our innovative Health, Safety and Wellbeing culture every year at our Pride of Kier awards. In 2024, Tyler Eastham, the winner of the HSW award was recognised for his contribution to mental health awareness, risk identification and building a culture of acceptance across Kier.

Built by Brilliant People™ continued

During FY24, we rolled out our culture programme, which includes our nine healthy behaviours and forms the basis of our culture. It complements our safety-specific behavioural training, which is being rolled out across our projects. These programmes have been designed to bring positive health, safety and wellbeing approaches into our operations, and apply to all personnel, including our supply chain. They sit alongside our existing policies and procedures.

Safety governance

Our safety management system is accredited to ISO 45001 standards. Our health, safety and wellbeing strategy – approved by our ESG Committee – is implemented by senior leaders and integrated into our governance structure. This approach ensures that health, safety and wellbeing is embedded into our company culture and considered alongside our Building for a Sustainable World framework, giving parity to our wider objectives and performance targets.

We support this integration with regular Visible Leadership Tours, an initiative designed to strengthen mutual dialogue between sites and senior leadership.

These tours ensure that strategic messaging is shared face-to-face between our leaders and site teams, and gives time to discuss opportunities for efficiency and business improvements.

Reporting and driving fast learning

At Kier, we learn fast to ensure that today's lessons are built into tomorrow's plans. Major incidents are reported through Kier's dedicated 24/7 reporting line. All incidents are investigated and key outputs, root cause analysis and causations are reviewed at divisional Incident Review Boards ('IRBs'). Specific incidents with notable or widely applicable learnings are escalated to the Group level IRBs, which are chaired by the Chief Executive, underlining the importance we place on Group-wide learning from incidents.

Learnings are shared widely through a combination of alerts and bulletins. Weekly calls are held to share details within and across the business divisions. Our senior leaders meet quarterly to review safety performance and confirm that necessary actions to prevent recurrence have been identified and undertaken.

Training

Divisional-level behavioural safety programmes, which nurture and promote our safety culture, have been a strong focus in FY24. Our bespoke 'Cleartrack' training programme began in our Transportation division in FY20. Our 'Think Safety Differently' ('TSD') programme was developed within our Construction division and has been rolled out during FY24. TSD sessions are held at key project stages to promote the safety leadership behaviours that enhance safety culture. Over 1,400 people have attended Cleartrack and TSD sessions during FY24.

Integrating health and wellbeing into our performance

We recognise that workplace safety is strongly linked to mental health and wellbeing. We have implemented a community of Wellbeing Champions across our business and a further 16 people were trained in FY24. The Wellbeing Champions are a point of contact and active promoter of our offerings that support both physical and mental health, as well as social and financial wellbeing. Additionally, we trained 266 new Mental Health First Aiders in FY24, expanding our network to 824 people, all educated in how to recognise the mental health needs of our teams, provide the time to talk, and signpost to the appropriate services.

Our employee assistance programme provides all of our personnel and their dependents with round-the-clock, confidential health and wellbeing support. We are a supporter of construction industry charity The Lighthouse Club, and regularly promote their mental, physical, emotional and wellbeing support services on our sites and to our supply chain.

Read more about our Raising and Building Leaders development programmes on page 54

Nurturing our site leaders

Kier's success relies on our people working brilliantly together, being safe and responsible, and performing in their roles. We strive to grow leaders across our business, and to nurture and retain their knowledge and expertise.

Since joining Kier in 2015, Laurence has progressed from the role of Foreman to Works Manager through ILM, Building Leaders and other training and development opportunities. He is based at our EKFB joint venture delivering HS2, currently the largest infrastructure project in Europe. Overseeing a site spanning 7.5km, Laurence ensures site supervisors complete their mandatory safety and leadership Certificate to Operate training, empowering them to carry out their roles as leaders on site and manage safety, environmental and assurance requirements.

"Kier has given me the opportunity to learn and challenge myself. I have developed skills for success, for myself and for my team, as well as knowledge of the safety, environmental and commercial aspects of a project."

Built by Brilliant People™ continued

Creating an environment to thrive

Networks to improve D&I

7

Employees in formal learning programmes[1]

12.3%

Graduate work experience placements

c.60

Graduates enrolled in FY24

c.100

Apprentices

666

1. Percentage of Kier's workforce in formal development programmes i.e., an accredited course of more than one year duration. It includes apprenticeships and excludes Kier's wider learning and development offering.

Kier is Built by Brilliant People™: vibrant, diverse, motivated, highly trained teams, who feel valued for their contribution to Kier's business. In this section, we explore how Kier creates a diverse, inclusive environment which attracts talented individuals and encourages them to thrive.

Fostering a diverse, inclusive workplace

At Kier, our mission is to shape a high-performing, diverse and inclusive business where we can all belong, contribute and thrive. To weave diversity and inclusion ('D&I') into our culture, all employees complete an introduction to D&I as part of their induction, with regular refresher training thereafter. Additionally, our 'Expect Respect' campaign is visible across our sites and offices, driving awareness of our culture of respect and of Kier's expectations of our people.

Key policies to support diversity and inclusion are listed on our website, are reviewed annually, and apply to all our employees. Our family-friendly policies, explored in more detail on page 54, support us to foster an inclusive workplace.

Our Diversity & Inclusion ('D&I') roadmap is published on our website. It sets out how we intend to support this mission, as well as our priorities. We measure our progress through our employee demographic data as well as through regular pulse surveys with our employees and against four overarching aims – developing our strategic approach, building a diverse workforce, developing inclusive workplaces and culture, and engaging everyone in the journey. We review our progress twice per year and revise our objectives where necessary to drive meaningful change.

Through our seven D&I networks, we are regularly engaged with the diverse voices of our workforce, which share experiences, suggest improvements and drive our roadmap forward.

We publish our gender pay gap information on our website and are preparing to collate ethnicity-related pay gap information for potential, future external reporting requirements.

More information about our approach to ensuring equality, diversity and inclusion, including our gender pay gap report can be found on our website

Built by Brilliant People™ continued

Inclusive recruitment

Part of our D&I strategy is to diversify our talent, which corresponds to Kier's overarching sustainability strategy: the Our Places pillar of our framework aims, through our projects, to promote social impact and enable social mobility in our communities. Our flagship inclusive recruitment programmes 'Making Ground' and 'Armed Forces Recruitment', underpin this strategic ambition. Find out more about these initiatives on page 43.

To support our D&I strategy, we train all hiring managers in inclusive recruitment practices, challenging them to think differently towards accepted recruitment processes and combat unconscious bias. In FY24, we launched an enhanced, inclusive careers system in a drive to boost applications from diverse backgrounds. In FY25, we will be able to measure the results of this investment in achieving our D&I aims.

All abilities

Kier is a disability confident employer and is committed to ensuring that the organisation is an inclusive place for all abilities. In support of our D&I strategic objective, we recruit our people based on abilities and individual merits, as measured against the criteria for the job, in a fair and inclusive manner, with the intention of finding the best candidate and ensuring we are actively removing barriers and disadvantage from our process.

We have an Ability employee network with over 350 members which supports neurodiverse and disabled colleagues. We are also members of the Business Disability Forum, a business membership organisation that works in partnership with businesses, Government, and disabled people to remove barriers to inclusion. Such activities help Kier to become more inclusive. With the support of our occupational health department, we support colleagues that need workplace adjustments to ensure that they can fulfil their potential and progress their careers at Kier. This includes adjustments to roles, premises, workstations and equipment, amongst others.

Gender and ethnic diversity

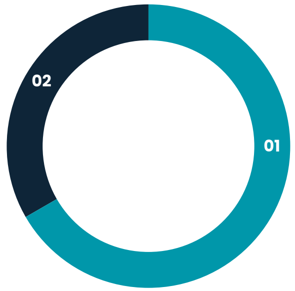
We measure the effectiveness of our D&I roadmap against our workforce-wide diversity figures. Opposite, we disclose our FY24 gender and ethnic diversity at Board and senior manager level and overall Kier level. As a percentage of our workforce, our overall gender diversity has progressed from 24.58% in FY23, to 25.20% in FY24. Our ethnic diversity has progressed from 15.91% in FY23 to 16.64% in FY24.

Embracing, developing and supporting talent

Throughout the year, our Emerging Talent, Learning & Development and Reward teams work to embrace, develop and retain our talent to not only safeguard our business for the future, but also to contribute to our communities and future generations of the workforce. This is in line with our culture mission statement described on page 48, and essential to meeting our strategic objectives.

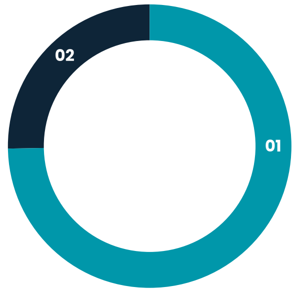
Gender and Ethnic diversity[1]

Board – Gender



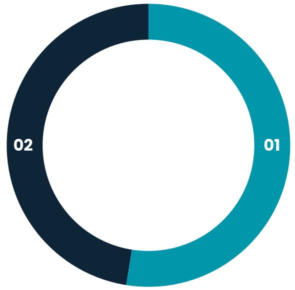
01 **67%** Male
02 **33%** Female

All employees – Gender



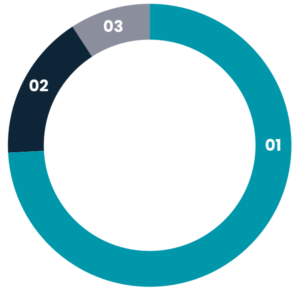
01 **75%** Male
02 **25%** Female

Senior managers – Gender



01 **53%** Male
02 **47%** Female

All employees – Ethnicity



01 **74%** White
02 **17%** Ethnic minority
03 **9%** Not stated

1. Kier employees only. Excludes contingent workers.

Built by Brilliant People™ continued

Providing opportunities to earn & learn: Emily's story

After finishing college in 2016, Emily joined Kier as a Junior Commercial Administrator. Once in post, she learned about Kier's apprenticeship scheme, which would allow her to study for a degree, whilst developing her skills and gaining valuable work experience. After six years of hard work, Emily graduated as a Quantity Surveyor, and continues to work with us in Kier Places.

"I am so glad that I took the leap and applied for a job in construction. Kier's apprenticeship scheme presented me with opportunities and pathways that I didn't know existed. In my work, I apply theory and knowledge cultivated during my apprenticeship to build for a more sustainable future."

Emily
Quantity Surveyor, Kier Places

Embracing our emerging talent

Developing the workforce of tomorrow is a key strategic opportunity for Kier. By encouraging and welcoming young people from a variety of backgrounds and locations in the UK into Kier, we ensure diverse ideas form the foundation of our business. We also contribute to overcoming an ageing population in the construction industry and address the consequent skills gap. As part of our investment in the future of our business and industry, we offer 'Earn and Learn' opportunities – an opportunity to develop professionally and academically, simultaneously – to people of all ages, every year. In FY24, we welcomed c.60 future graduates on work experience placements and c.100 graduates onto our graduate programme. Additionally, c.120 apprentices joined us in FY24, either in traditional apprenticeships or through a degree-apprenticeship programme. Apprenticeship programmes are available to new and emerging talent, as well as to existing talent as a development opportunity.

Developing our learning and performance culture

Retaining our talent is crucial to our business success and we are committed to ensuring our workforce is equipped, competent and confident to carry out their roles. We provide training to managers to support their team's performance, ensuring they feel valued, challenged and encouraged. We empower our employees to reach their full potential providing professional development programmes, opportunities to work on significant projects at the forefront of our industry, and mobility within our organisation to broaden their expertise.

As of June 2024, 12.3%[1] of employees were in formal learning programmes (9% in FY23).

In FY24, we launched Kier Learn & Perform, a new, dynamic online system to allow our people to develop at every stage of their career with Kier.

Learn

Kier Learn & Perform hosts all mandatory compliance, safety and job-specific training, which can be tailored to the learner's requirements. With strengthened accessibility and automation, our people have improved oversight of their mandatory training, and are empowered to autonomously make use of the available suite of self-paced courses.

Perform

One of Kier's Nine Healthy Behaviours is 'high performance'. To support our people in their development, we track their annual performance in Kier Learn & Perform, enhancing engagement with this important process and ensuring we are all working towards our personal and collective goals.

1. Percentage of Kier's workforce in formal development programmes i.e., an accredited course of more than one year duration. It includes apprenticeships and excludes Kier's wider learning and development offering.

Built by Brilliant People™ continued

Supporting our talent

How our people feel at work is vital to their sense of belonging, and hence their performance, at work. This is also essential to Kier's ability to retain our teams. We provide strategic training and development opportunities, as well as attractive reward and benefits to support our talent, their career progression, and their wellbeing. Employee engagement is an important measure of the success of our approach. As such, we run our Your Voice survey every year. In FY24, our employee engagement score was 67% (65% in FY23), reflecting not only Kier's investment in our people, but our people's investment in Kier. Furthermore, our most recent Your Voice survey demonstrated that 93% of our people understand where their role links to Kier's purpose.

Your Voice matters
You said. We did.

Part of Kier's investment is the reward and benefits we offer to all our employees. Kier is a proud Real Living Wage employer, and over 1,000 employees received an average Real Living Wage increase of 7.3%, in January 2024. For peace of mind, all Kier employees receive life assurance and access to a range of wellbeing support including a virtual GP, confidential advice and counselling services and market-leading health expertise. There is also a wide range of opt-in benefits such as the cycle-to-work scheme, discounted gym membership and the ability to purchase technology, white goods and car maintenance and spread the repayments. All these benefits help to support the wellbeing of our employees and their families.

Beyond remuneration, through the Kier Reward scheme, employees are able to secure savings across a wide range of retailers on both everyday spending and larger purchases. In FY24, our c.10,000 employees made savings of c.£276k through using this scheme.

All employees have access to two tax-efficient employee share plans enabling them to contribute and save on a regular basis and to share in the future success of Kier. Over 4,000 employees currently participate in one or both of the schemes, enabling them to benefit from buying shares at a discounted price or to receive free Kier shares, depending on the arrangement they choose.

Kier is a family-orientated business and offers a range of family friendly policies. Published on our website, policies such as our Agile and Flexible Working policy and Enhanced Maternity Leave and Paternity Leave policies, amongst others, foster our diverse and inclusive workplace. Kier's approach to diversity and inclusion is explored on page 51.

Empowering, Raising and Building Leaders

Our strategy to develop a diverse, inclusive workforce culminates in three key programmes.

Empower

Empower is a six-month development programme, specifically designed to support colleagues from diverse groups to embark on a journey of professional and personal development, build leadership skills and understand how their role impacts Kier. It is an opportunity for formal learning, networking, and to offer unique perspectives to the business' leaders.

Raising & Building Leaders

Kier's flagship talent development and retention programmes Raising Leaders and Building Leaders have been running since 2020 and 2021, respectively. Partnered with Cranfield University, these programmes equip management and leadership talent with the knowledge and skillset to evolve in their careers, meeting their aspiration and potential to reach senior positions in the business.

The efficacy of these programmes was awarded 'Gold' in the 2024 Excellence in Practice Awards, run by the European Foundation for Management Development in the Talent Development category. The programmes continue.

ESG performance

Performance metrics

Theme	Pillar/Strategic foundation	Metric (Unit)	For more information see pages	FY24	FY23	FY22
Building for a Sustainable World	Our People	Population of apprentices (count)	39–40 and 53	666	646	591
		Population of apprentices (% of total workforce)	39–40 and 53	6.5%	6%	6%
		People in formal training & development programmes (% of total workforce)[1]	39–40 and 54	12.3%	9%	6%
		People trained on modern slavery (count)[2]	40	4186	3,288	c.1,400
	Our Places	Spend with SMEs & VCSEs (£m)	41–42	£1,357m	£1,228m	£908m
		Subcontracted spend made with SMEs (% of total)	42	61%	69%	48%
	Our Planet	Scope 1 & 2 carbon emissions (tonnes)[3]	45 and 56	28,968	31,670	38,967
		Scope 3 carbon emissions (tonnes)[3]	45 and 56	787,008	905,529	971,314
		Volume of waste generated (m^3/£1m)	47	148.5	152.1	149.9
		Volume of waste diverted from landfill (% of total volume)	47	93%	90%	88%
		Significant Environmental Incident Rate (rate)[4]	46	59	21	–[5]
		All Environmental Incident Rate (rate)[4]	46	382	247	227
		LSE GEM | Revenue from green projects (% of total)	44	69%	64%	53%
Built by Brilliant People™	Health, safety and wellbeing	Fatal Accident Rate (rate)[6]	49–50	0	0	0
		RIDDOR incidents (count)[6]	49–50	41	22	28
		Accident Incident Rate (rate)[6]	49–50	155	88	115
		All Accident Incident Rate (rate)[6]	49–50	363	320	316
	Diversity & Inclusion	Gender diversity (all employees)	52	25.20%	24.58%	24.20%
		Ethnic diversity (all employees)	52	16.64%	15.91%	14.12%
	Employee Engagement	Your Voice survey (%)	54	67%	65%	63%

1. Percentage of Kier's workforce in formal development programmes i.e., an accredited course of more than one year duration. It includes apprenticeships and excludes Kier's wider learning and development offering.
2. In the reporting year.
3. FY23 and FY24 Scope 1, 2 & 3 emissions data has been reasonably assured as materially correct and a fair representation. Verification completed in accordance with ISO 14064-1 by BSI.
4. Excluding HS2 joint venture.
5. Not applicable.
6. Including employees and contractors.

ESG performance continued

Energy and Carbon reporting

		Global				UK			
		Year ending 31 March 2024	**Year ending 31 March 2023**	**Year ending 31 March 2022 (S3 base year)**	**Year ending 31 March 2019 (S1&2 base year)**	**Year ending 31 March 2024**	**Year ending 31 March 2023**	**Year ending 31 March 2022 (S3 base year)**	**Year ending 31 March 2019 (S1&2 base year**
Scope 1	tCO_2e	**28,853**	31,342 (31,340)	38,643	89,490	**28,675**	30,941	36,113	77,468
Scope 2 (market-based)	tCO_2e	**115**	328	324	5,970	**106**	313	298	5,934
Scope 2 (location-based)	tCO_2e	**2,521**	3,601 (3,600)	4,589	7,170	**2,512**	3,585	4,543	7,132
Scope 1 & 2 (market-based)	**tCO_2e**	**28,968**	31,670 (31,668)	38,967	95,460	**28,781**	31,254	36,411	83,402
Scope 3	tCO_2e	**787,008**	905,529 (905,839)	971,314	–	**786,959**	903,747 (905,732)	970,680	–
Scope 1, 2 (market-based) & 3	tCO_2e	**815,976**	937,199 (937,507)	1,010,281	–	**815,740**	935,001 (936,986)	1,007,091	–
Market-based intensity Scope 1, 2 & 3	**tCO_2e/£m revenue**	**207.9**	286.1 (286.2)	311.9	–	**207.8**	286.6 (286.0)	310.9	–
Scope 1 & 2	tCO_2e/£m revenue	**7.4**	9.7	12.0	23.7	**7.3**	9.5	11.2	20.7
Location-based intensity Scope 1, 2 & 3	**tCO_2e/£m revenue**	**208.5**	287.1 (287.2)	313.2	–	**208.4**	286.6 (287.0)	312.2	–
Scope 1 and 2	tCO_2e/£m revenue	**8.0**	10.7	13.3	24.0	**7.9**	10.5	12.6	21.0
Energy consumption	**kWh**	**138,746,000**	162,099,000	179,465,000	380,090,000	**138,714,000**	160,371,000	169,551,000	330,568,000

Energy and carbon reporting notes:

1. Scope 1: combustion of fuel and operation of facilities.
2. Scope 2: electricity purchased.
3. Scope 3: indirect emission sources.
4. Our GHG emissions quantification methodology is aligned with the GHG Reporting Protocol – Corporate Standard.
5. Location-based uses the average emissions intensity from the grid where we source the energy.
6. Market-based uses the emissions intensity based specifically on the energy mix procured.
7. We employ a spend-based methodology to calculate Scope 3 emissions from purchased goods and services. We are working to evolve our approach to make use of a more accurate inventory methodology.
8. Our targets as validated by the Science Based Targets initiative use a market-based approach, therefore all carbon emission statistics which include Scope 2 in this report use a market-based method.
9. Energy usage (Scope 1 & 2) is rounded to the nearest MWh.
10. FY23 and FY24 Scope 1, 2 & 3 emission data has been reasonably assured as materially correct and a fair representation. Verification completed in accordance with ISO 14064-1 by BSI.
11. FY23 Annual Report published emissions are identified between brackets alongside FY24 verified emissions.
12. As required by SBTi and ISO 14064, we exclude no more than 5% of GHG emissions from our reported total.
13. Additional information relating to the emissions data presented in this table, including calculation methodology and uncertainty assessment can be found in our Climate Report on our website.

Strategic management of ESG matters

Sustainability framework governance

Leadership

Board ESG Committee	Executive Group Managing Director ESG Committee	Leaders & Subject Matter Experts Leadership Forums
Chair: Non-Executive Director Scope: Oversees all ESG matters, including climate-related issues, risks and opportunities; Advises on strategic direction, embedding ESG priorities into strategic decisions, objectives and annual budget process. The committee is advised by the Group Managing Director ESG Committee and Leadership Forums.	Chair: Chief Executive Scope: Monitors, challenges and provides direction on all Building for a Sustainable World and Built by Brilliant People™ topics.	Chair: Chief People Officer Members: Health, Safety & Wellbeing, Human Resources and Sustainability Leaders & Subject Matter experts Scope: Lead implementation of Building for a Sustainable World and Built by Brilliant People™ strategic frameworks and commitments across all divisions.

Management

Kier group functions
Responsible Business Function (Health, Safety & Wellbeing, Assurance & Sustainability) & Human Resources

Scope: Providing business-wide co-ordination and direction for ESG strategy; including chairing management meetings and ensuring collaboration across business divisions; leading group-wide governance and reporting; and relationships with internal and external stakeholders.

Sustainability Teams Building for a Sustainable World Pillar Groups	Subject Matter Experts Working Groups Task & Finish Groups
Context: Each of the three strategic pillars of our Building for a Sustainable World framework has a dedicated pillar working group. Lead: Each working group is led by a senior member of the sustainability team. Scope: Co-ordinate strategy, activity and innovation with each strategic pillar.	Context: Material topics have dedicated working groups. Lead: Nominated Subject Matter Expert. Scope: Working Groups explore climate, ethical labour, social value, diversity & inclusion, and inclusive PPE; Task & Finish Groups develop improvements and tackle common challenges.

Implementation

Business Divisions
Building for a Sustainable World and Built by Brilliant People™

Scope: Co-ordinate and implement sustainability- and people-related priorities; deliver division-specific action plans, initiatives and policies; support and embed awareness, compliance and enhanced standards; share innovation and collaborate to continually improve.

Foundations

Sustainability Literacy	Learning & Performance	Health, Safety and Wellbeing Competencies
Providing knowledge and skills, and fostering sustainability mindsets, both at work and at home, to support informed and effective decision making for a sustainable future.	Supporting professional development and performance reviews to ensure an equipped, competent and confident workforce.	Ensuring appropriate skills and competency to manage health, safety and wellbeing in all areas of the business.

Here, we outline strategic management of Building for a Sustainable World, our sustainability strategy, and Built by Brilliant People™, our People strategy, collectively 'ESG matters'.

During the year, we reviewed and evolved our governance and decision-making structures at all levels of business to increase integrated management.

We expanded our climate change principal risk to include other material aspects of sustainability. Aligned to our Building for a Sustainable World strategy, this approach reflects our understanding that social and environmental sustainability are intrinsically linked and that action to mitigate risks and realise opportunities is most effective when considered holistically.

Management of climate-related risks and opportunities is integrated into our governance approach. A climate working group co-ordinates delivery of our climate action and carbon reduction strategies. Our expert carbon consulting partner supports each Kier division with its transition pathway to net zero, accurate reporting of carbon emissions and delivery of climate management projects.

ESG risk management

ESG risk management is integrated into the Group risk management framework through our Principal Risks and Uncertainties ('PRU') and operational risk processes. Further details are set out in the 'How do we manage risk' section on pages 68 to 76, which also contain more detail on the Health and Safety, People and Sustainability PRUs, as well as mitigating actions.

TCFD report

As the effects of climate change become an ever-growing part of our daily lives, both abroad and at home, Kier, like all businesses, has a responsibility to reduce our emissions. This, while continuing to create value for our shareholders and stakeholders, including our employees and local communities, and supporting a just transition towards a greener, fairer, resilient and inclusive economy.

At Kier, we are committed to sustainably delivering infrastructure which is vital to the UK. This is our purpose. To fulfil it, we must link our business ambitions with our environmental and social goals. In FY23, we relaunched our sustainability framework[1], designed to tackle our most material topics, as identified in our double materiality assessment[2]. Climate action – reducing the carbon footprint of our operations and adapting to the impacts of climate change – is key to this framework, which, in turn, underpins our strategy to deliver on our purpose.

1. Kier's sustainability framework, and progress against its objectives, are explored in the Building for a Sustainable World section of this ESG report (pages 38–47).
2. More details on Kier's double materiality assessment can be found on our website: www.kier.co.uk/sustainability/

Since 2021, we have progressed on our carbon-reduction pathway to meet our ambition of net zero carbon emissions (Scopes 1, 2 & 3) by 2045, and we report on our achievements throughout the ESG section of this annual report. Here, in our 'TCFD report', we detail our climate-related financial disclosures consistent with all of the Task Force on Climate-related Financial Disclosures ('TCFD') Recommendations and the recommended disclosures as outlined in 'Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures' published in October 2021, including the sector-specific content from the Materials and Buildings Group. We outline how our climate goals align with our business decisions, explore Kier's climate change governance, and demonstrate how climate-related risks and opportunities are managed, and how our strategic planning and decision-making processes drive us towards our net zero ambitions.

Strategy

Climate change generates accepted risks to our business, but climate action, in particular a just transition to net zero, presents compelling opportunities. In this report, we outline our relevant climate-related risks and opportunities and how each impacts our activities and strategy. Whilst our evaluation of the risks and opportunities covers all of our divisions, some risks and opportunities are specific to particular markets, and therefore divisions. This subtlety is reflected in our assessment of risk magnitude.

In FY24, we worked with our external experts to improve our understanding of the impacts of risks and opportunities under different climate outcomes, aligning our time horizons for risk and opportunity assessment to three climate-related scenarios and to our goals and targets supporting the Paris Agreement's 'net zero by 2050' targets. To assess the resilience of our business to climate change, we continue in our approach to scenario analysis, adopting global (CMIP5 mean model from the World Meteorological Organisation) and regional (UK Climate Projections 2018) physical and transition scenarios. These scenarios remain in place for our identification, management, and mitigation of climate-related risks and opportunities.

Scenarios (climate impacts by 2100):

- An orderly transition, with early action and a temperature rise of ~1.5°C (RCP2.6)
- A disorderly transition, with late action and a temperature rise of ~2°C (RCP2.6)
- High emission, with a temperature rise of greater than 3°C (RCP8.5)

To align with the projections from these scenarios and with the timescales of climate change, we assessed scenarios under the following time horizons.

TCFD report continued

Time horizons:
– Short-term: 2024–2026 (reflecting our strategic and business risk management processes)
– Medium-term: 2027–2030 (reflecting the timescales for our near-term science-based targets)
– Long-term: 2031–2050 (reflecting the lifecycle impacts of the buildings and infrastructure we construct and maintain in alignment with the Paris Agreement net zero 2050 targets)
(N.B. We have updated our short and medium term assessments this year from 2023–2025 and 2026–2030 to ensure our risk assessments remain contemporary and aligned to corporate risk horizons.)

As a result of our enhanced processes, we identified five climate-related risks and five climate-related opportunities that were assessed to have the potential to materially impact our business. Materiality is determined to be risks and opportunities that, when not managed properly, have the potential to significantly impact on business or value chain operations, associated environmental impact or financial performance. As part of this assessment, we have reviewed the risks to each of our operating divisions, enabling us to develop informed mitigation and management strategies. We have also gained insight into potential market growth opportunities as we support our clients in their response to the climate emergency through their climate mitigation and adaptation strategies.

We have quantified our risks and disclose these in line with the low, medium and high definitions for risk impact outlined in the risk management section on page 70, and our amended strategic risks and opportunities are identified and described on pages 60 and 61.

We continue to work to address the challenges caused by climate change, to transition Kier to a low-carbon business and to support our supply chain and clients with their own climate priorities.

Finally, because of the long-term nature of some of our climate-related risks and opportunities, we acknowledge the challenges associated with aligning these to financial planning corporate risk processes. We have started a financial assessment of our risks and opportunities internally this year, and continue to seek possible improvements as our TCFD reporting matures.

Risk management
We consider climate-related risks and opportunities in all physical and transition risk categories, current and emerging, regulatory requirements whether they occur within our own operations, upstream, or downstream of the Group and whether they first occur within the short (until 2026), medium (2027–2030) or long term (2031–2050) time horizons. Climate-related risks and opportunities relevant to us were initially identified in FY22, being built upon and enhanced with our climate consultants in FY23 and FY24. Climate-related risks and opportunities are assessed on the existing Group risk management framework to determine their relative significance in relation to other Group risks and allow for integration into the Group risk management framework. Prioritisation of risks is primarily based on the risk score resulting from a 3x3 matrix encompassing impact magnitude and likelihood, combined with a supplemental measure of risk velocity, which provides an additional perspective to risk likelihood.

In FY24, the Board evolved our climate change principal risk to a sustainability principal risk to better reflect interconnectedness of climate change and other sustainability topics. Our sustainability governance, including climate change, is outlined on page 57.

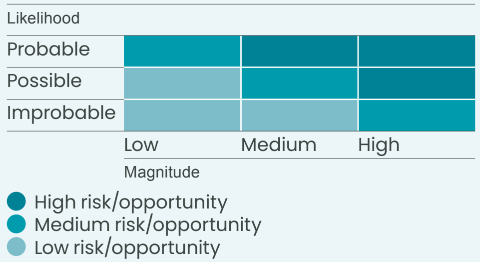
In line with our risk management framework, explored in detail on pages 68 to 76, we review sustainability, and in particular climate-related risk, at Board level in our ESG Committee. However, our sustainability ambitions are integrated into everything we do, and everyone involved in our operations is expected to take ownership of the sustainability-risk and opportunities within their remit.

Each Kier business division has its own climate-related risks and opportunity register. Within each division climate-related risks and opportunities are overseen by our sustainability teams, with significant risks elevated to the divisional risk register and controls integrated into operational processes, an example being physical climate risks being managed through severe weather plans, dust management plans and surface water management plans.

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

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

Likelihood:
– Improbable: the risk is not foreseen as likely to occur or may occur in exceptional circumstances
– Possible: a relatively infrequent occurrence for the Group
– Probable: a relatively frequent occurrence for the Group



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

TCFD report continued

Risks

Five key climate-related risks have been identified in our assessments.
Case studies demonstrating our progress to mitigate risks can be found in the Building for a Sustainable World section of this ESG report (see pages 38–47).

Risk	1. Carbon pricing mechanisms	2. Failure of development or adoption of technology and innovation	3. Increasing customer requirements & industry standards	4. Disruption due to extreme weather events	5. Long-term climate impacts on productivity
Risk rating	High	Medium	Low	Medium	Low
Type	Transition (emerging regulation)	Transition (technology)	Transition (markets)	Physical (acute)	Physical (chronic)
Area	Own operations	Upstream	Downstream	Upstream	Own operations/Upstream/ Downstream
Primary potential financial impact	Increased direct costs	Increased direct costs	Decreased revenues due to reduced demand for products and services	Increased direct costs, lost revenue and disruption	Decreased revenues due to reduced production capacity
Description	Legislation designed to reduce emissions through the application of a carbon tax to businesses and materials, expected to come into force around 2030. The highest impact is under the orderly transition with early climate action.	Achieving our Scope 3 climate targets relies in part on technological improvements and innovation within the supply chain which, in the short and medium term, may be prohibitively expensive where contract budgets do not allow for this cost.	Emerging disclosure requirements, e.g. ISSB, creates additional reporting burden and associated auditing and administrative costs. We may be at risk of reduced investor confidence and of losing contracts if our business divisions do not meet the latest standards or face penalties if contracts are in progress and standards are not met.	Various acute physical events related to climate change (storms, floods, wildfires, etc.) could disrupt supply chains and operations, especially for materials sourced from areas with less capacity to respond to such events. Some of our key material dependencies may be impacted by these risks, which could result in non-availability of key goods and associated project delays.	To date climate change impacts have been infrequent in our operating locations and in our upstream supply chain. However, over the long term we expect to see increasing temperatures, with extreme heat impacting productivity through: – Direct health impacts. – Heat-induced productivity loss. – Indirect losses resulting from heat-related economic disruptions throughout the supply chain.
Time horizon	Medium term	Medium term	Short term	Long term	Long term
Mitigation	Kier has: – Committed to net zero Scope 1, 2 & 3 operations by 2045 – Expanded our carbon design and assessment capability – Created operational decarbonisation pathways for all divisions – Committed to developing an internal carbon pricing mechanism in the next year	We collaborate with suppliers, peers and clients regularly through various channels to address this risk, including the Supply Chain Sustainability School. An example this year is the continued collaboration relating to Hydrotreated Vegetable Oil ('HVO') due diligence (see page 45). In addition, a rigorous client and partner screening process ensures we choose to work with organisations whose goals are aligned to our own.	We regularly engage with our clients to incorporate their carbon reduction plans into our design and planning. We report in full on our net zero processes, performance and ambition and continue to align with the strategies of our key stakeholders as identified through our double materiality analysis and ongoing engagement. Our Whole Life Carbon Assessment Service has been expanded, to lower project embodied and operational carbon, ahead of expected increasing client and regulatory requirements.	We continue to use UKCP18 within our scenario analysis allowing the assessment of climate risks regionally to inform management and mitigation. We are using market-specific scenario analysis and risk assessments to continually improve operational risk controls.	We integrate weather and climate risk mitigation into project design and delivery schedules ensuring operations are prepared and adapted to our changing climate. Our ISO 14001-certified environmental management system ('EMS'), across most divisions, ensures environmental risks are effectively assessed and managed. In FY24, we have progressed the alignment of our EMS to our project lifecycle management approach – enhancing operational controls at each lifecycle stage.
Associated metrics see pages 55–56	Carbon emissions	Carbon emissions	Green revenue %	Significant environmental incident rate	Significant environmental incident rate

TCFD report continued

Opportunities

Five key climate-related opportunities were identified in our assessments. Opportunity 1 and 5 expand on the FY23 opportunity '1. Customer Demand' providing more detailed disclosure. Case studies demonstrating our progress to act on opportunities can be found in the Building for a Sustainable World section of this ESG report (see pages 38–47).

Opportunity	1. Increased operating income for green-aligned projects	2. Resource efficiency and natural resources	3. Resilience to fossil fuel market volatility	4. Enhanced reputation	5. Increased demand for repair/maintenance services
Opportunity rating	High	Medium	Low	Medium	Medium
Type	Transition (Products and services)	Transition (Resource efficiency)	Transition (Resilience)	Physical (Products and services)	Transition (Products and services)
Area	Own operations/Upstream/ Downstream	Own operations	Own operations/Upstream	Downstream	Own operations/Upstream/ Downstream
Primary potential financial impact	Increased revenues through access to new and emerging markets	Reduced direct costs	Reduced direct costs	Additional revenue resulting from increased demand for products and services	Increased revenues through access to new and emerging markets
Description	Kier's revenue has been assessed in alignment with the FTSE Russell Green Revenues Classification System and has observed a growing proportion of green-aligned revenue over the past three years, focused primarily of low carbon construction. These projects provide market growth opportunities and opportunities for Kier to differentiate our business.	Energy and resource efficiency will be key components of Kier's early decarbonisation efforts and is increasingly incentivised or required by regulation and clients. Kier stands to benefit through lower expenditure on resources, fuels and energy.	As we transition our operations to work towards our near-term and net zero targets, we are exploring opportunities to increase self-generation of renewable electricity and opportunities to source renewable energy via lower carbon sources such as sustainable biomethane, Hydrotreated Vegetable Oil ('HVO') and electricity from Power Purchase Agreements ('PPAs'). If these opportunities are implemented, this will reduce emissions and increase resiliency to energy market volatility and potential price increases over time.	Cultivating a reputation as a climate leader with a history of consistently going beyond compliance and delivering effective climate action across our value chain could lead to: – outperforming competitors and significant growth. – an ability to attract and retain top talent. – improved supply chain terms and costs.	The chronic impacts of climate change are expected to increase the frequency and severity of extreme weather events in the UK. This will create adaptation opportunities for additional maintenance/repair contracts for Kier, especially among large public sector clients.
Time horizon	Short term	Short term	Medium term	Medium term	Medium term
Management	We continue to build upon our expertise and experience of delivering low carbon buildings, with our in-house climate consultancy supporting projects and clients to embed low carbon features. In FY24, our Construction and Infrastructure Services business divisions achieved PAS 2080 certification, recognising our performance, and aligning our operations and approach to the climate ambitions of our key clients.	Our ISO 14001-certified environmental management system ('EMS') ensures resources are managed sustainably, waste is avoided and we protect the natural environment. Our in-house carbon assessment and advice service helps design out high carbon materials and identify opportunities for construction process efficiency. Our continuing partnership with the Supply Chain Sustainability School provides a forum to increase supply chain skills and collaborate with our peers and clients to drive change.	We have begun the development of an internal energy scheme to gain deeper insight into renewable energy self-generation across our sites and offices. Due to limited availability of PPAs we are exploring opportunity to progress in collaboration with our peers.	We continue to work towards our Building for a Sustainable World framework which was created to align to the most material topics and our stakeholders' priorities. We regularly disclose our climate performance and supporting information through voluntary and mandatory disclosure schemes to evidence on continuous improvement.	In FY24, we have better understood this opportunity by carrying out a review of the climate adaptation strategies of our clients within key markets.
Associated metrics see pages 55–56	Green revenue	Operational carbon emissions (Scope 1 & 2)	Operational carbon emissions (Scope 1 & 2)	Green revenue	Green revenue

TCFD report continued

Significant climate-related risks and opportunities by division

Infrastructure Services

Transportation

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

Natural Resources, Nuclear & Networks

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

Construction

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

Property

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

TCFD report continued

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

(Refer to pages 60–61 for additional context)

	Climate aspect	Risk/Opportunity	Time horizon		Scenario: **Orderly transition** ~1.5°C Early climate action/low carbon transition	**Disorderly transition** <2°C Late climate action/low carbon transition	**High emissions scenarios** >3°C No/limited addition climate/ carbon action
Transition Risks	**Emerging regulation**	Carbon pricing mechanisms	Medium term	Before mitigation	High risk	High risk	Medium risk
				After mitigation	Medium risk	Medium risk	Low risk
	Technology	Failure of development or adoption of technology & innovation	Medium term	Before mitigation	High risk	Medium risk	Low risk
				After mitigation	Medium risk	Low risk	Low risk
	Markets	Increasing customer requirements and industry standards	Short term	Before mitigation	Medium risk	Low risk	Low risk
				After mitigation	Low risk	Low risk	Low risk
Physical Risks	**Acute**	Disruption due to extreme weather events	Long term	Before mitigation	Medium risk	Medium risk	High risk
				After mitigation	Low risk	Medium risk	Medium risk
	Chronic	Long term climate impacts on productivity	Long term	Before mitigation	Medium risk	Medium risk	High risk
				After mitigation	Low risk	Low risk	Medium risk
Opportunities	**Products and services**	Increased operating income for green-aligned projects	Short term	Before management	High opportunity	Medium opportunity	Medium opportunity
				After management	High opportunity	High opportunity	Medium opportunity
	Resource efficiency	Resource efficiency and natural resources	Medium term	Before management	Medium opportunity	Low opportunity	Low opportunity
				After management	Medium opportunity	Medium opportunity	Low opportunity
	Resilience	Resilience to fossil fuel market volatility	Short term	Before management	Low opportunity	Low opportunity	Low opportunity
				After management	Low opportunity	Low opportunity	Low opportunity
	Products and services	Enhanced reputation	Medium term	Before management	Medium opportunity	Low opportunity	Low opportunity
				After management	Medium opportunity	Medium opportunity	Low opportunity
	Products and services	Increased demand for repair/ maintenance services	Medium term	Before management	Low opportunity	Low opportunity	Medium opportunity
				After management	Low opportunity	Medium opportunity	Medium opportunity

● High risk ● Medium risk ● Low risk ● High opportunity ● Medium opportunity ● Low opportunity

TCFD report continued

Metrics and targets

We monitor and report on Scope 1, 2 & 3 greenhouse gas ('GHG') emissions as well as energy consumption. The calculation of our carbon footprint is in line with the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard, as reported on page 56.

The Group's Building for a Sustainable World strategy provides a framework to manage climate-related risks and opportunities at Group and divisional levels. The strategy contains clear targets associated with climate action, which have been validated by the Science Based Targets initiative ('SBTi') as being aligned to limiting global warming to 1.5°C and achieving net zero operations, and are in line with the UK Government's commitment to net zero by 2050.

Additional controls, actions and targets are in place for broader sustainability topics, as outlined on pages 38–47.

During FY24, we have progress the implementation of the evolved Building for a Sustainable World framework including:

- Receiving reasonable assurance of our FY23 and FY24 carbon footprint to ISO 14064-1 standard.
- Undertaking a nature materiality exercise; aligned to the Taskforce on Nature-related Financial Disclosures ('TNFD') LEAP methodology. Following this assessment, we are setting long-term nature-related metrics and targets.
- Enhancing our water data quality, with a focus on disclosing defined metrics in FY25.

Scenarios

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

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

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

Our stakeholders

We connect with our stakeholders

Our business performance comes from the contribution of both our internal and external stakeholders. Our values contribute to Kier benefiting all of them and our approach to each one are set out below.

Our colleagues, customers, shareholders, supply chain partners, the UK Government as well as financial and commercial partners are all key stakeholders. We connect with them at all levels of our business through our frontline operations, support teams and our businesses, our senior leadership team, the Executive Committee and the Board and its committees.

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

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

Shareholders

Their expectations are:

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

What we've done

- Regularly communicate with shareholders through:
  - our relaunched corporate website
  - Annual Report and Accounts
  - trading statements
  - a site visit to HMP Millsike in East Yorkshire
- Held our AGM in November open to all shareholders
- Extensive investor relations programme including:
  - one-to-one conversations
  - roadshows
  - group meetings
  - conferences
  - industry events
  - an online event specifically for retail investors
- Remuneration consultation undertaken by our Remuneration Committee Chair, Margaret Hassall

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

Customers

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

Their expectations are:

- to deliver projects on time and to budget using our workforce, design and project management skills
- supporting our customers achieve their environmental and social value commitments

What we've done

- Maintain good relationships with key customers
- Ensure that we are organised internally to better serve them
- Regular reports to the Cabinet Office as the Group is a key strategic supplier to the UK Government

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

Colleagues

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

Their expectations are:

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

What we've done

- We regularly review how our people are performing including:
  - progress against key people strategy initiatives
  - culture
  - overall sentiment within the organisation
- Safety with 12-month rolling Accident Incident Rate ('AIR') in FY24 of 155, 76% increase from FY23
- Operate seven employee networks to create a diverse and inclusive workplace
- ExCo employee roadshows across the county
- Held a 'Kier Live' event and opportunities for colleagues to engage and feedback with our executive committee
- Roll out of Culture programme

Supply Chain Partners

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

Their expectations are:

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

What we've done

- Invest in our supply chain partners' training;
  - Through the Supply Chain Sustainability School, we provided total partner value of c.£1.2m including workshops, training and other resources such as online courses
- Prompt payment:
  - The Group's average payment days were 34 days (H1: 33 days)
  - percentage of payments made to suppliers within 60 days was 86% (H1: 88%)
- Further improvements in our payment practices are anticipated:
  - Fully committed to complying with the 30-day payment requirements for small- and medium-sized firms
- 60.6% of expenditure with small- and medium-term enterprises (SMEs) on public sector frameworks

UK Government

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

Their expectations are:

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

What we've done

- Regular engagement with Cabinet Office.
- Participation in:
  - Stakeholder events
  - workshops
  - roundtables
  - site visits and official site opening ceremonies with representatives of UK Government departments, agencies and local government
- In addition, Kier plays its part in a number of industry bodies and working groups within the infrastructure services, construction and property sectors as well as outside of the sector to share best practice and drive positive change

Banks, lenders, sureties and insurers

The services these partners provide are essential to the day-to-day operation of the Group and supporting the medium-term value creation plan.

Their expectations are:

- commitment to generate cash from operations and strengthen the balance sheet
- operate the Group to the highest professional standards, protecting our insurers from unreasonable loss
- meet our covenant obligations

What we've done

- Successful refinancing with 5 year Senior Notes to 2029 and extension of RCF to 2027
- Renewed annual insurance programme
- Covenant compliance completed every six months

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

Pension Trustees

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

Their expectations are:

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

What we've done

- Payment of agreed deficit reduction payments
- Regular meetings between the Group and the trustees
- Strong company covenant underpinning improved pension performance

Joint Ventures partners

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

Their expectations are:

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

What we've done

The Group continues to successfully deliver our section of HS2 through our EKFB joint venture with Eiffage, Ferrovial and BAM.

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

How we manage risk

Our risk management framework

Risk management is fundamental to the sustainable growth of the business and remains at the heart of our operational delivery. Our risk management framework ensures we identify and manage the evolving internal and external risk landscape collaboratively with our clients. Further developments have been made to the risk management framework, in particular developing the assurance map to align to the principal risks and uncertainties. The roles and responsibilities for the framework are as shown here.

Board

Retains overall responsibility for how the Group manages risk and for the Group's systems of risk management and internal controls. The Board determines its appetite with respect to the Group's principal risks and, via the Risk Management and Audit Committee ('RMAC'), assesses the effectiveness of the systems of risk management and internal control which are designed to mitigate the impact of those risks on the Group's operations. The Board reviews risk as part of its strategy development sessions. As part of the Board's overall responsibility for risk, there is a structured flow of risk information for its notification and approval. The Board is provided with regular updates on risk management of critical contracts, ensuring effective awareness of risk management actions.

Risk Management and Audit Committee

Responsibility for overseeing the management of the Group's systems of risk management and internal control.

Group Risk Committee

Acts as the link between the businesses and the Board and RMAC with respect to risk management.

Other Group-wide committees

These include the Investment Committee which reviews risks relating to the Group's investment decisions and the Group Tender Risk Committee which provides independent review and risk mitigation recommendations relating to trading opportunities and tenders undertaken by all Group businesses.

Group Risk function

Provides risk challenge and support to the first line teams and provides a Group-wide risk update on principal and emerging risks. In addition, the function maintains the risk management framework and consolidates risk information and reports across the Group, monitoring risk and action plans.

Business management

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

Risk reporting and insight

The Group reviews its operations through the Executive Committee and Group Risk Committee ('GRC'), based on the Principal Risks and Uncertainties ('PRUs') and operational risk processes to identify both risks and opportunities. Key Risk Indicators ('KRIs') are used to evidence if a risk is improving or deteriorating in terms of likelihood and impact. KRIs have clear tolerance levels and are monitored and reported against each of the PRUs. ESG risk management is integrated into the PRU and operational risk processes and specifically the Health and Safety, People and Sustainability PRUs. Group risks are assessed quarterly, agreed with risk owners and reported to the GRC and RMAC. In addition, a risk management refresh is carried out with the Executive Committee annually. The business division commercial teams continue to ensure that the risk management principles of the Group are reflected within their operations and manage the process to allow the GRC to consider both top-down and bottom-up risks.

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

Assurance

Internal Audit supports the Group through independent review and objective assessment, and by promoting and supporting continuous improvement in the quality of business operations, the control environment and overall risk management. Third party assurance is provided over various Kier activities as agreed with independent service providers including accreditation bodies, External Audit and regulators.

An Audit and Assurance Policy, supporting documents and assurance mapping across the various sources of assurance are in development with their primary purpose to demonstrate to senior management, the RMAC and Board how Kier is assuring information related to its PRUs, external corporate reporting (such as the Annual Report and Accounts and investor presentations) and fraud risk.

> "Risk management is fundamental to the sustainable growth of the business and remains at the heart of our operational delivery."

Sources of assurance

Business teams (first line of defence)
- Design and own operational risk and compliance frameworks
- Identify, assess, manage, monitor and report risks/issues controls and action plans

Risk and Compliance (second line of defence)
- Design strategic risk and compliance frameworks
- Monitor adherence to the risk and compliance frameworks
- Provide support and challenge to the first line
- Monitor and report on risk

Internal Audit (third line of defence)
- Independently review first and second lines of defence
- Deliver assurance over risk management frameworks

External Assurance
- Deliver assurance over various Kier risks and activities

Principal risks and uncertainties

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

The Board's assessment of risk

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

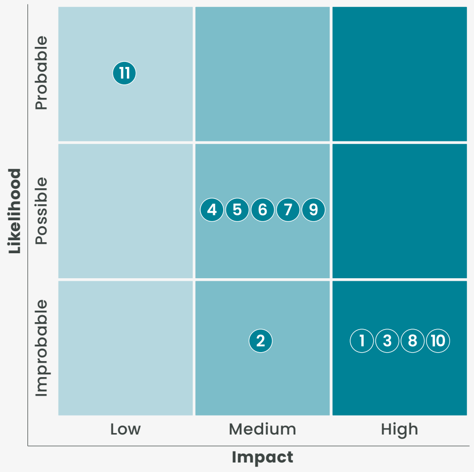
Changes to the PRUs

Last year's PRUs remain with one change – at half year, the Climate Change principal risk has been replaced with a Sustainability principal risk 'Failure to identify and effectively manage sustainability risks and opportunities' which incorporates climate change and environmental incidents and aligns with Kier's Building for a Sustainable World framework.

Risk heatmap

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

	Risk appetite
1 Health and safety	Low
2 Legislation and regulation	Low
3 Funding	Low
4 Maintaining an order book within selected markets	Low
5 Contract management	Low
6 People	Medium
7 Supply chain	Low
8 Strategy	Low
9 IT security, resilience, cyber and data protection	Low
10 Sustainability	Low
11 Macroeconomic	Medium



Risk appetite

Low – the Group has a very low appetite for risk that is likely to have adverse consequences and aims to eliminate, or substantially reduce, such risks.
Medium – the Group has some appetite for risk and balances its mitigation efforts with its view of the potential rewards of an opportunity.
High – the Group has a greater risk appetite where there is a clear opportunity for a greater than normal reward.

Impact

Low – the exposure is well understood with a relatively low cost of mitigation.
Medium – risk may be tolerated provided that the benefits are considered to outweigh the costs.
High – risk threatens the viability of the Group or there is a reasonable likelihood of danger to people or material reputational damage.

Likelihood

Improbable – the risk is not foreseen as likely to occur or may occur in exceptional circumstances.
Possible – a relatively infrequent occurrence for the Group.
Probable – a relatively frequent occurrence for the Group.

Principal risk	Description	Impact/actions
1 **Health and safety** **Board risk appetite** Low **Level of impact** High **Level of likelihood** Improbable **Risk status** No change **Risk owner** Chief People Officer **Link to strategic action** – Sustainable growth – Consistent and safe delivery	Failure to maintain a safe working environment and prevent a major incident The Group's operations are complex and potentially hazardous, and require rigorous management of health, safety and wellbeing matters. **Risk appetite rationale** Safety is, and will always be, our licence to operate. The health, safety and wellbeing of our people has a direct impact on our operations. The Group will always have a low appetite for risk when it comes to protecting all our people, stakeholders and members of the public. **Risk appetite statement** We create and enable a working environment which ensures the health, safety and wellbeing of all our people and stakeholders.	**Potential impact** – An increase in safety or environmental incidents on site – The failure to meet clients' expectations, adversely affecting the ability to bid for and win new work – Financial penalties arising from fines, legal action and project delays – An unhealthy employee population resulting in greater levels of absence, lowered operational performance and resilience. **Mitigating actions** – Simplified Integrated Management System making it easier for our people to access and understand, freeing them up to proactively manage Health and Safety on our projects – Improve safety performance by sharing lessons learnt from incidents via alerts, safety bulletins and the Incident Review Board Process – Embed the Responsible Business Strategy, including a focus on the five Safety, Health and Environment basics, our Group wide culture and emerging behavioural safety programmes – Proactive HSW Leadership including senior management Visible Leadership Tours, Operational Safety and Site Safety Inspections and the sharing of best practice – Compliance with ISO 45001 – Promotion of our network of Mental Health First Aiders, Wellbeing Champions and Employee Assistance Programme.

Principal risk	Description	Impact/actions
2 **Legislation and regulation** **Board risk appetite** Low **Level of impact** Medium **Level of likelihood** Improbable **Risk status** No change **Risk owner** Group Legal and Compliance Director **Link to strategic action** – Sustainable growth – Consistent and safe delivery – Generate cash	Failure to comply with and manage effectively current legislation and regulation, and any changes to them The sectors in which the Group operates are subject to increasing scrutiny from stakeholders, oversight from regulators and requirements including those introduced by new legislation or regulation. **Risk appetite rationale** To operate in our chosen markets, Kier must comply with all applicable legislation and regulation. To win high-quality work from our intended client base we must be able to demonstrate compliance. Therefore, it is fundamental to Kier's continued success that we remain compliant. **Risk appetite statement** We ensure compliance with legal and regulatory requirements and continue to identify and plan for the implementation of new requirements via horizon scanning and subsequent policy/procedure implementation.	**Potential impact** – Penalties for failing to adhere to legislation or regulation – Increased operating costs of compliance – The loss of business – Reputational damage. **Mitigating actions** – Appropriate policies that are regularly reviewed and relevant training and awareness programmes to support policy implementation – Regular engagement with Government and Government agencies with respect to the Group's continued compliance – Monitoring of, and planning for, the impact of new legislation and regulations – Collaborative engagement with external stakeholders.

Principal risk | Description | Impact/actions

3

Funding

Failure to maintain adequate financial liquidity and/or comply with financial covenants

Board risk appetite
Low

Level of impact
High

Level of likelihood
Improbable

Risk status
No change

Risk owner
Chief Financial Officer

Link to strategic action
– Sustainable growth
– Consistent and safe delivery
– Generate cash

Failure to maintain adequate financial liquidity and/or comply with financial covenants resulting in an inability to execute the Group's strategy effectively.

Risk appetite rationale
Our risk appetite is low as having access to committed funding is critical to ensuring operational stability.

Risk appetite statement
Ensuring the Group operates responsibly within its agreed borrowing covenants is a key component of the Group's financial planning and monitoring processes. The Group is targeting a sustainable net cash position in the medium term.

Potential impact
- The loss of confidence by other stakeholders (for example, investors, clients, subcontractors and employees)
- Conducting existing business becomes increasingly challenging
- The loss of future business.

Mitigating actions
- Effective cash forecasting and working capital management in combination with continued monitoring and prudent financial planning to ensure cash generation and covenant compliance is maintained
- Continued collaborative engagement with key stakeholders
- Through financial planning the Group ensures that appropriate levels of headroom under committed facilities and their financial covenants are in place to accommodate reasonable downside
- Established funding through to February 2029.

Principal risk | Description | Impact/actions

4

Maintaining an order book within selected markets

A general market or sector downturn materially and adversely affects the Group's ability to secure work – UK Government spending, certainty and timing, including competitiveness of the current market

Board risk appetite
Low

Level of impact
Medium

Level of likelihood
Possible

Risk status
No change

Risk owner
Group Managing Directors

Link to strategic action
– Sustainable growth
– Generate cash

The Group strategy sets out specific sectors that it wishes to trade within. The pipeline of work could be adversely affected by a general or sector downturn or cause a delay to projects going to site.

Risk appetite rationale
Low appetite to move away from our selected markets because of the higher risk of securing loss making projects and the additional costs associated with serving too many sectors.

Risk appetite statement
We are disciplined by operating in selected markets where opportunities are right for us in terms of our skills, expertise and suitability – enabling optimal delivery and benefits for our stakeholders.

Potential impact
- A failure of one or more of the Group's businesses
- Increased competition for new work
- A decrease in stakeholder confidence in the Group.

Mitigating actions
- To continue to secure long-term frameworks within each of our businesses
- Tailoring the Kier offer to meet customer needs
- Maintaining an efficient cost base
- Project Lifecycle Management gateway process.

Principal risk | Description | Impact/actions

5

Contract management

Board risk appetite
Low

Level of impact
Medium

Level of likelihood
Possible

Risk status
No change

Risk owner
Group Managing Directors

Link to strategic action
– Sustainable growth
– Generate cash

Failure to manage contracts effectively at each stage of a project's lifecycle.

The business suffers a significant loss as a result of failing to adequately undertake bidding, design, mobilisation, delivery and handover (including any remediation works).

Risk appetite rationale
The Group has a low risk appetite in relation to tender and change management because of the increased risk of a loss making project or unacceptable work in progress.

Risk appetite statement
We are disciplined with our project selection to ensure we select projects under frameworks or with clients who provide repeat business. We then proactively manage contracts at each stage of a project's lifecycle gateway. Frameworks, policies and standards are in place and are consistently effective throughout the business.

Potential impact
- A failure to manage project delivery and work in progress and, ultimately, to meet the Group's financial targets
- The Group incurring losses on individual contracts
- The Group failing to win new work because of reputational impact.

Mitigating actions
- Tender peer review through the Group Tender Risk Committee
- Kier standards for contract amendments
- Commercial Handbook explains how we manage change
- In-built escalation to identify unacceptable levels of unagreed change
- Project Lifecycle Management gateway process.

Principal risk | Description | Impact/actions

6

People

Board risk appetite
Medium

Level of impact
Medium

Level of likelihood
Possible

Risk status
No change

Risk owner
Chief People Officer

Link to strategic action
– Sustainable growth
– Consistent and safe delivery
– Generate cash

Failure to attract and retain key employees

The Group's employees are critical to its ability to deliver the business plan. The Group needs to attract, retain and develop people to ensure they have the right skills, experience and behaviours.

Risk appetite rationale
While there are market fluctuations outside of our control, we have appetite for people risk to a degree. We have strong mitigating controls and actions to ensure a workforce with strong competencies, skills and capabilities.

Risk appetite statement
We develop a workforce with the required competencies, skills and capabilities to deliver our business plan. We ensure we have a compelling employee proposition to ensure people are attracted, developed and retained in order to deliver operations.

Potential impact
- An adverse effect on the delivery of the Group's purpose and strategy
- A lack of operational leadership, potentially leading to poor project performance
- An erosion of the Group's employer brand.

Mitigating actions
- Embed and develop the Kier Culture (Values and healthy behaviours) to drive high and balanced performance.
- Delivering the People strategy and strategic workforce planning aligned to the business plan
- Deliver the responsible business strategy
- Deliver award winning leadership, management and technical development offer supported by a proactive talent management process
- Employee engagement, feedback and positive action plan (Your Voice)
- Compelling and competitive employee value proposition.

Principal risk	Description	Impact/actions
7 **Supply chain** **Board risk appetite** Low **Level of impact** Medium **Level of likelihood** Possible **Risk status** No change **Risk owner** Chief Financial Officer **Link to strategic action** – Sustainable growth – Consistent and safe delivery	Failure to maintain effective working relationships with the supply chain, supply chain insolvencies, capacity, pricing and inflation volatility The Group relies upon its partners for the delivery of its projects. Maintaining a close working relationship is a priority for the Group. **Risk appetite rationale** We have a low appetite to exposing ourselves to unmanageable supply chain risk because of the impact on our ability to deliver to customers. **Risk appetite statement** We continue to have positive relationships with our supply chain and subcontractors. They are risk assessed and vetted for good financial and reputational standing. We have a strong relationship with our suppliers and product associations and maintain a constant dialogue over the availability of products and alternatives.	**Potential impact** – Unavailability of appropriate resources, impacting on project delivery and cost – Use of suppliers from outside the preferred supplier list increases cost and decreases quality – Poor relationships lead to lack of confidence in the Group and adverse publicity. **Mitigating actions** – Continued updating of the Kier subcontracts to reflect the principles of the Construction Playbook – Placement of divisional Procurement Directors to deliver the supply chain management strategy – Continued focus to meet prompt payment reporting requirements – Further use of the Shared Service Centre and division resources to channel spend and reduce risk – early engagement project – Continued support of security software and investigate right to work module for further risk reduction across the business.

Principal risk	Description	Impact/actions
8 **Strategy** **Board risk appetite** Low **Level of impact** High **Level of likelihood** Improbable **Risk status** No change **Risk owner** Chief Executive **Link to strategic action** – Sustainable growth – Consistent and safe delivery – Generate cash	Failure to deliver the Group's strategy The Group fails to deliver its long-term sustainable growth plan. **Risk appetite rationale** Delivery of the Group's long-term sustainable growth plan is critical to delivering our investment case. **Risk appetite statement** We have business plans that underpin the long-term sustainable growth plan. All of our operational performance management reviews are geared towards the achievement of this plan. Performance Excellence is in place to ensure we have the necessary focus on those capabilities to meet the strategic plan.	**Potential impact** – An adverse impact on the Group's net debt and liquidity – Failure to secure positions on national and regional frameworks – Failure to meet stakeholders' expectations may lead to a decline in confidence in the Group. **Mitigating actions** – Maintaining the balance sheet strength – Maintaining a well bid order book – Delivery of project performance – Delivery of our Performance Excellence culture – Continued focus on cash management – Effective communication with stakeholders.

Principal risk | Description | Impact/actions

9

IT security, resilience, cyber and data protection

Board risk appetite
Low

Level of impact
Medium

Level of likelihood
Possible

Risk status
No change

Risk owner
Chief Information Officer

Link to strategic action
– Sustainable growth
– Consistent and safe delivery
– Generate cash

Kier is exposed to IT security, resilience, cyber and data protection incidents

Failure to keep up to date with the modern attack landscape as well as protecting infrastructure from cyber/loss of data risks and Artificial Intelligence increasing cyber threats.

Risk appetite rationale
We need to hold and send data related to our people and our clients. The geopolitical pressures have increased the level of UK exposure to state sponsored events and ransomware sophistication, so our partners and ourselves are at a heightened state of vigilance in relation to a cyber attack.

Risk appetite statement
We ensure that effective security is in place to prevent the loss of data/sensitive information or assets. Any potential loss of data regarding key IT infrastructure and systems is carefully protected against, including cyber-attack counter measures.

Potential impact
– Operational impact – e.g., delivery of projects, key systems outage, failure to win work, loss of confidential and/or other data
– Financial impact – regulatory fines/prosecutions
– Reputational/brand damage.

Mitigating actions
– Staff mandatory training, awareness and phishing campaigns
– Vulnerabilities, access and incident management
– ISO 27001 and Cyber Essentials accreditation
– Information security business continuity plan
– System alerts, patching/updates and monitoring
– Partners and suppliers follow Group minimum standards re cyber, security and data.

Principal risk | Description | Impact/actions

10

Sustainability

Board risk appetite
Low

Level of impact
High

Level of likelihood
Improbable

Risk status
No change

Risk owner
Chief People Officer

Link to strategic action
– Sustainable growth
– Consistent and safe delivery

Failure to identify and effectively manage sustainability risks and opportunities

Our ability to win work is dependent on delivering on our Environmental, Social and Governance ('ESG') commitments.

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

Sustainability development is a key focus within current legislation and regulation, with expectations for transparent ESG data reporting growing.

Risk appetite rationale
Sustainability is at the heart of our purpose and informs everything we do at Kier. To successfully win contracts we must demonstrate we can meet environmental and social commitments, including managing the risks and opportunities associated with climate change.

Risk appetite statement
Our sustainability framework, 'Building for a Sustainable World' ('BfaSW'), has evolved to ensure that we address the topics that are most important to our stakeholders across our three pillars of Our People, Our Places and Our Planet.

Potential impact
– Failure to win work
– Failure to meet our BfaSW targets
– Failure to meet client and investor expectations or regulatory requirements
– Not attracting or retaining people
– Reputational damage.

Mitigating actions
– Delivering against the BfaSW framework including monitoring key metrics and progress against targets
– Work with our supply chain to help deliver the actions associated with our strategic pillars and further embed product innovation, including modern methods of construction and digitalisation
– Embed the new environmental data management system (Rio)
– Maintain and improve performance through ESG certification, accreditation and benchmarks and continue proactive stakeholder reporting and disclosure
– Undertake climate scenario analysis, to mitigate risks and maximise opportunities.
– Retain ISO 14001 certification and embed environmental best practice.

Principal risk | Description | Impact/actions

11

Macro-economic

Board risk appetite
Medium

Level of impact
Low

Level of likelihood
Probable

Risk status
No change

Risk owner
Chief Executive

Link to strategic action
- Sustainable growth
- Consistent and safe delivery
- Generate cash

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

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

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

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

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

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

Financial review

Simon Kesterton
Chief Financial Officer

> "The Group has delivered a strong set of results for the year with further improvement in the order book, which has been converted into strong revenue growth in both Construction and Infrastructure Services."

Summary of financial performance

	Adjusted[1] results			Statutory reported results		
	30 June 24	30 June 23	Change %	**30 June 24**	30 June 23	Change %
Revenue (£m) – Total	**3,969.4**	3,405.4	16.6	**3,969.4**	3,405.4	16.6
Revenue (£m) – Excluding JV's	**3,905.1**	3,380.7	15.5	**3,905.1**	3,380.7	15.5
Operating profit (£m)	**150.2**	131.5	14.2	**103.1**	81.5	26.5
Profit before tax (£m)	**118.1**	104.8	12.7	**68.1**	51.9	31.2
Earnings per share (p)	**20.6**	19.2	7.3	**11.8**	9.5	24.2
Total dividend per share (p)	**5.15**	–	100.0	**5.15**	–	100.0
Free cash flow (£m)	**185.9**	132.3	40.5			
Net cash (£m)	**167.2**	64.1	160.8			
Net debt (£m) – average month-end	**(116.1)**	(232.1)	(50.0)			
Order book (£bn)	**10.8**	10.1	6.9			

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

Introduction

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

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

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

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

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

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

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

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

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

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

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

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

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

Revenue

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

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

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

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

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

Alternative performance measures ('APMs')

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

Adjusted Operating Profit

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

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

	Operating profit		Profit before tax	
	30 June 24 £m	30 June 23 £m	**30 June 24 £m**	30 June 23 £m
Reported profit from continuing operations	**103.1**	81.5	**68.1**	51.9
Amortisation of acquired intangible assets	**23.2**	19.2	**23.2**	19.2
Fire and cladding costs	**15.0**	12.6	**15.0**	12.6
Property-related items	**7.2**	(1.1)	**7.2**	(1.1)
Recycle of foreign exchange	**(5.9)**	–	**(5.9)**	–
Refinancing fees	**4.5**	–	**4.5**	–
Net financing costs	**–**	–	**2.9**	2.9
Insurance-related items	**–**	5.3	**–**	5.3
Redundancy and other people-related costs	**–**	4.8	**–**	4.8
Professional fees and other non-people initiatives	**–**	4.9	**–**	4.9
Other	**3.1**	4.3	**3.1**	4.3
Adjusted profit from continuing operations	**150.2**	131.5	**118.1**	104.8

Additional information about these items is as follows:

- Amortisation of acquired intangible assets £23.2m (FY23: £19.2m):
  - Comprises the amortisation of acquired contract rights through the acquisitions of MRBL Limited (Mouchel Group), May Gurney Integrated Services PLC and McNicholas Construction Holdings Limited. The current year charge also includes amortised contract rights in respect of the Buckingham Group rail acquisition.
- Fire and cladding costs £15.0m (FY23: £12.6m):
  - Costs have been incurred in rectifying legacy issues where the Group has used cladding solutions in order to comply with the latest Government guidance. The net charge of £15.0m includes a credit of £11.8m in respect of insurance proceeds.
- Property-related items £7.2m (FY23: credit of £1.1m):
  - Property-related items consist of the loss on disposal of a property previously treated as adjusting items, and costs incurred and fair value adjustments in respect of corporate properties vacated in prior years as part of the review of Group premises.
  - The prior year credit consisted of vacated corporate property costs offset by a credit of £1.6m relating to the profit on the sale of mothballed land which had previously been impaired through adjusting items.
- Recycle of foreign exchange £5.9m credit (FY23: £nil):
  - The retranslation of the overseas balance sheets has been recycled to the income statement following the down-sizing of the international business and has been treated as an adjusting item.
- Refinancing fees £4.5m (FY23: £nil):
  - These costs consist of professional advisor fees that were incurred as part of the refinancing exercise but that were not directly attributable to the issue of the debt instruments and so could not be capitalised.
- Net financing costs £2.9m (FY23: £2.9m):
  - Net financing costs relate to IFRS 16 interest charges on leased investment properties previously used as offices.
- Other adjusting items £3.1m (FY23: £4.3m):
  - Other costs consist of charges in respect of the down-sizing of the International business and costs incurred on the acquisition of Buckingham Group's rail division.

Discontinued operations

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

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

Earnings per share

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

Finance income and charges

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

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

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

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

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

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

Dividend

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

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

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

Balance sheet

Net assets

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

Goodwill

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

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

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

Deferred tax asset

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

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

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

Right-of-use assets and lease liabilities

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

Investment properties

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

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

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

Contract assets & liabilities

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

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

Retirement benefits obligation

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

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

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

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

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

Free cash flow and net cash

	30 June 24 £m	30 June 23 £m
Operating profit	103.1	81.5
Depreciation of owned assets	8.3	6.1
Depreciation of right-of-use assets	39.0	43.7
Amortisation of intangible assets	30.6	26.8
Amortisation of mobilisation costs	3.2	7.1
EBITDA	184.2	165.2
Adjusting items excluding adjusting amortisation and interest	23.9	30.8
Adjusted EBITDA	208.1	196.0
Working capital inflow	68.4	80.3
Net capital expenditure including finance lease capital payments	(57.3)	(51.4)
Joint venture dividends less profits	0.7	0.7
Repayment of KEPS	–	(49.8)
Other free cash flow items	(2.8)	(5.2)
Operating free cash flow	217.1	170.6
Net interest and tax	(31.2)	(38.3)
Free cash flow	185.9	132.3

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

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

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

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

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

Accounting policies

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

Treasury facilities

Bank finance

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

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

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

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

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

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

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

Financial instruments

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

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

The Group does not enter into speculative transactions.

Going concern

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

Further information on this assessment is detailed in note 1 of the consolidated financial statements on page 154.

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 2024, 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.

In February 2024 the Group completed a refinancing of its principal debt facilities. With £400m of facilities, post January 2025, the Group has secured significant committed funding to support its long-term sustainable growth plan.

Assessment process

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

- The model used as the basis of the assessment included a number of key assumptions (please see 'Key assumptions') and was subject to stress-testing (please see 'Stress-testing')
- The process considered the Group's current performance and future prospects, strategy, the PRUs and the mitigation of the PRUs

The process included a review of certain other risks relating to the Group, including macroeconomic and political risks affecting the UK (and global) economy, and risks relating to the Group's trading, the Group's pensions, the availability of the Group's finance facilities, systemic margin erosion, the execution of the Group's strategy, the supply chain, inflationary impacts and certain project-specific risks.

Key assumptions

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

- No material changes to Group operations, including no material acquisitions or disposals;
- The Group maintains its position as one of the leading providers of construction and infrastructure services to Government and regulated entities;
- The Group 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; and
- The application of certain, additional macroeconomic factors which may impact the Group, including the impacts of inflation and interest rate risk.

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

Viability statement

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

Section 172 statement

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

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

Matters considered by the Board

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

S.172 factors	Read more
Consequences of decisions in the long-term	– Our business model – Our strategy – Our marketplace – Building for a Sustainable World – Built by Brilliant People™ – TCFD report – Our stakeholders – How we manage risk – Directors' Remuneration report
Interests of the Company's employees	– Our business model – Building for a Sustainable World – Built by Brilliant People™ – Our stakeholders – How we manage risk – Directors' Remuneration report
Foster the Company's business relationships with suppliers, customers and others	– Our business model – Our marketplace – Building for a Sustainable World – Our stakeholders – How we manage risk
Impact of operations on communities and the environment	– Our business model – Building for a Sustainable World – TCFD report – Environmental, Social and Governance Committee report
High standards of business conduct	– Our business model – Building for a Sustainable World – How we manage risk – Corporate governance report
Acting fairly between members	– Our stakeholders – Directors' report

Acquisition of the rail assets of Buckingham Group Contracting Limited

The Group's capital allocation policy includes value-accretive acquisitions. In September 2023, the opportunity to acquire substantially all of the rail assets of Buckingham Group Contracting Limited was presented to the Board. The Board considered how the acquisition would accelerate Kier's existing rail strategy, provide certainty of supply for Kier's HS2 joint venture, Eiffage Kier Ferrovial BAM, and would be a good cultural fit.

Alongside these benefits, the Board considered the needs of other key stakeholders such as customers, employees, supply chain partners, and the benefits the acquisition might create for them.

Non-financial and sustainability information statement

The information below summarises how we comply with non-financial performance and sustainability reporting requirements and is produced to comply with sections 414CA and 414CB of the Companies Act 2006 and signposts where in the Annual Report you can find more information.

Reporting requirements	Kier policy/standards[1]	Read more
Anti-corruption and anti-bribery	Anti-Bribery and Corruption Policy (including Gifts and Hospitality)	Pages 95 and 108
Employees	Code of Conduct Diversity & Inclusion Policy Health, Safety and Wellbeing Policy Real Living Wage Policy Whistleblowing Policy	Pages 37–43, 48–55 and 95
Environmental matters	Environmental Policy Sustainability Policy	Pages 36–38, 44–47 and 55–57
Respect for human rights	Code of Conduct Anti-Slavery and Human Trafficking Policy Data Protection Policy	Pages 37 and 40
Social matters	Sustainability Policy	Pages 36–47
Business model	Description of the Group's business model	Pages 15–17
Non-financial KPIs	Description of the non-financial key performance indicators relevant to the Group's business	Page 35
Principal risks	Description of the principal risks relating to the matters set out in section 414CB(1) of the Companies Act 2006 arising in relation to the Group's operations, and how those principal risks are managed	Pages 68–76
Climate-related financial disclosures	TCFD report	Pages 58–64

1. All Kier Group policies are available on the Company's website.

Implementation of policies

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

All employees, contractors and third parties are encouraged to report any circumstances where there is a suspected or actual breach of any of the policies, applicable laws, or the standards as set out in the Code of Conduct, either through their managers, the confidential 'Speak-Up' helpline (which is run by an independent company, Safecall) or directly to the Corporate Compliance team. Further information on whistleblowing can be found on page 95. Kier views infringements of the policies, procedures and related guidance seriously and reserves the right to take disciplinary action in the event of non-compliance. All reported incidences of actual or suspected breach of any of the policies are promptly and thoroughly investigated.

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

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

This Strategic report on pages 1–84 (inclusive) was approved by the Board and signed on its behalf by:

Andrew Davies
Chief Executive

Simon Kesterton
Chief Financial Officer

11 September 2024

Corporate governance

How our governance activities enable sustainable growth: In this section we describe how the Board has continued its focus on the delivery of our strategy and medium-term value creation plan. We are committed to promoting long-term success and generating value for shareholders and stakeholders.

You will find an overview of our corporate governance structure, policies, practices and the key activities carried out by the Board and its Committees.

Governance at a glance

Key activities supporting sustainable growth

Approval of the acquisition of the rail assets of Buckingham Group Contracting Limited

Outcome: Supported our strategy as a value accretive acquisition in our core market, with potential to accelerate achievement of our medium-term value creation plan

Appointment of Mohammed Saddiq as an independent Non-Executive Director and appointment of Chris Browne OBE as Senior Independent Director

Outcome: Broadened the Board's skills, experience and diversity to improve its decision making

Approved the amendment and extension of the revolving credit facility and an issuance of Senior Notes

Outcome: Secured a long-term debt structure for the Group

Approved the interim dividend for FY24 and recommended a final dividend for FY24 to shareholders

Outcome: Supported the achievement of our medium-term value creation plan and resumption of dividend payment to shareholders

Approved additional capital investment into the Property business and Board site visit to the Watford Riverwell project

Outcome: Enhanced earnings potential for the Group and shareholders over time supporting the achievement of our strategy

Conducted an external Board evaluation

Outcome: Continued effectiveness of the Board and its Committees

Chairman's introduction to corporate governance

Matthew Lester
Chairman

"Throughout the year, the Board considers the risks, opportunities, challenges and stakeholder views to ensure Kier remains competitive and creates a platform for sustainable growth."

The Board has continued its focus on the delivery of our strategy, medium-term value creation plan and environmental and social performance, ensuring we promote long-term success and generate value for our shareholders and other stakeholders. Throughout the year, the Board considers the risks, opportunities, challenges and stakeholder views to ensure Kier remains competitive and creates a platform for sustainable growth.

Key activities undertaken during the year are set out in the Corporate governance report which includes:

- approval of the acquisition of Buckingham Group's rail assets
- approval of the amendment and extension of our revolving credit facility and issuance of Senior Notes
- resumption of dividend payments
- increasing capital investment into the Property business
- Board visits to the Finance Shared Service Centre and Watford Riverwell project
- looking beyond the medium-term value creation plan.

UK Corporate Governance Code 2024

The Board received an update on the changes required under the UK Corporate Governance Code 2024 ('2024 Code'). The Risk Management and Audit Committee is working towards meeting the new requirements, in particular Provision 29. In anticipation of the 2024 Code taking effect for FY26, we have simplified the Corporate Governance report with the aim of focusing on key activities and outcomes during the year where appropriate, and, where signposted, we have utilised information provided on our website as far as possible.

Board changes

Last year, I reported that the Nomination Committee was prioritising a search for an additional Non-Executive Director who would be from an ethnic minority background, who meets the skills, experience and diversity of thought that contribute to the effective decision making of the Board. I was pleased to welcome Mohammed Saddiq to the Board from 1 January 2024.

Justin Atkinson, our Senior Independent Director, will retire from the Kier Board as Senior Independent Director and a Non-Executive Director on 30 September 2024. Chris Browne OBE, will be appointed as the Senior Independent Director with effect from 1 October 2024. As an experienced non-executive director, she is well equipped to take on the additional responsibilities of the Senior Independent Director role in the next phase of Kier's growth. I would like to thank Justin for his nine years of service to Kier, initially as a Non-Executive Director and more recently as Senior Independent Director.

Justin has made a significant contribution to Kier. He has provided excellent advice to me and the Board and played an important role in Kier's successful turnaround. I wish him well in the future.

Upon Justin's retirement, Stuart Togwell, Group Managing Director Construction, will be joining the Board as an Executive Director with effect from 1 October 2024. The Board believes that we need to replace the construction industry expertise Justin brought and Stuart's significant strategic and operational delivery experience in the construction sector will be beneficial. See the Nomination Committee report for further information.

Externally facilitated Board evaluation

This year's Board evaluation was externally facilitated by Clare Chalmers Limited. Details of the process and scope are set out on page 94. She found the Board dynamics and performance have progressed significantly since the last evaluation in 2021 and found the Board to be engaged and demonstrating our values.

Culture and people

Further information on our culture, the outcome of employee engagement and site visits, is set out in the following pages of the Corporate governance report. I hope you will find this report useful in understanding our work. The Board concluded that the culture at Kier was supportive of our purpose and values and an enabler of sustainable growth.

> "The Board will continue to monitor progress of the implementation of our strategy and look forward to the delivery against the long-term sustainable growth plan."
>
> **Matthew Lester**
> Chairman

Our focus for the 2025 financial year

The Board will continue to monitor progress of the implementation of our strategy and look forward to the delivery against the long-term sustainable growth plan. We will ensure that Kier has strong foundations, the resources, appropriate risk management and internal controls in place for sustainable growth.

Information on our Annual General Meeting ('AGM') arrangements this year will be provided in the Notice of AGM and I look forward to meeting our shareholders at this in-person event.

Matthew Lester
Chairman

The 2018 UK Corporate Governance Code compliance

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

	Further information
Board leadership and Company purpose	
A. Board's role	Pages 89–97
B. Company's purpose, values, strategy and culture	Pages 1–3, 18–21 and 96
C. Resources, prudent and effective controls	Pages 89 and 99
D. Shareholder and stakeholder engagement	Pages 65–67
E. Workforce policies and practices and workforce concerns	Pages 48–54 and 95–97
Division of responsibilities	
F. Chairman's role	Page 89
G. Board balance and division of responsibilities	Page 89
H. Non-Executive Directors' time and role	Page 89
I. Information and resources	Page 89
Composition, succession and evaluation	
J. Board appointments	Pages 104–106
K. Board and Committee composition, skills and tenure	Pages 90 and 91
L. Board evaluation	Page 94
Audit, risk and internal control	
M. Policies and procedures for internal and external audit	Pages 101 and 103
N. Fair, balanced and understandable assessment	Page 103
O. Risk and internal control framework, risk assessment and management	Pages 68–76 and 99
Remuneration	
P. Remuneration policies and practices	Pages 109–134
Q. Director and senior management remuneration	Pages 109–134
R. Independent judgement and discretion on remuneration	Pages 109–134

Corporate governance

The governance framework at Kier

The Group's primary decision-making body is the Board. The diagram below sets out the role of the Board and how it has delegated certain responsibilities to a number of Committees.

Board

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

Board Committees

Environmental, Social and Governance Committee

- Reviews the Group's strategy with respect to safety, environment, social and ethical business practice

See page 107

Nomination Committee

- Makes recommendations to the Board regarding the structure, size, composition and succession needs of the Board and its Committees
- Oversees succession planning for Directors and the Executive Committee

See page 104

Remuneration Committee

- Sets the Group's Remuneration Policy for Directors
- Sets and monitors the level and structure of remuneration for the Executive Directors and other senior executives

See page 109

Risk Management and Audit Committee

- Oversees financial reporting procedures, systems of internal controls and risk management, the internal audit function and the effectiveness of the external auditors

See page 98

Executive Committee

- Implements the strategy
- Discusses Group and business divisions' performance
- Reviews and approves material operational matters such as safety, people, IT, digital, business assurance and compliance, environment, social and wellbeing

The Executive Committee is also supported by several Operational Committees and steering groups including the Group Risk Committee, the Investment Committee, the Group Tender Risk Committee and Sustainable Leadership Forums.

See page 9 for information on the composition of our Executive Committee

Group delegations

The decisions which can only be made by the Board are clearly defined in the Schedule of Matters Reserved for the Board, which is available on the Company's website. The businesses are led by the Group Managing Directors, each of whom sits on the Executive Committee. They are responsible and accountable for the performance of the respective business divisions, in line with the Operating Framework and the Group's Delegated Authorities as well as contributing to the implementation of the strategy set by the Board. Further information on the delegations are available on our website.

Division of responsibilities

The responsibilities of the Chairman, Chief Executive, Chief Financial Officer, Senior Independent Director, Non-Executive Directors and the Company are clearly defined and are set out on our website.

Scan the QR code to our website for further information on our governance framework and division of responsibilities

Board of Directors

Matthew Lester
Chairman

Age
61
Tenure
4 years
8 months
Independent
Yes (on appointment)

N R

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

Principal current external appointments
- Non-Executive Director of Intermediate Capital Group plc and Chair of the Audit Committee

Andrew Davies
Chief Executive

Age
60
Tenure
5 years
5 months
Independent
No

N

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

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

Simon Kesterton
Chief Financial Officer

Age
50
Tenure
5 years
Independent
No

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

Principal current external appointments
- None

Chris Browne OBE
Non-Executive Director
(Senior Independent Director from 1 October 2024)

Age
64
Tenure
2 years
Independent
Yes

E N R RA

Relevant skills and experience
- Experience of the construction sector through her role as a Non-Executive Director of Vistry Group plc
- Significant commercial and operational experience through senior leadership positions in the aviation industry
- Previously Chief Operating Officer of easyJet plc, where she also separately served as their Non-Executive Director, Non-Executive Director of Norwegian Air Shuttle AS and Non-Executive Director of Constellium SE
- Doctorate of Science (Honorary) for Leadership in Management from the University of Ulster

Principal current external appointments
- Non-Executive Director of Vistry Group PLC
- Senior Independent Director of C&C Group plc

Alison Atkinson FREng, MICE CEng
Non-Executive Director

Age
54
Tenure
3 years
9 months
Independent
Yes

E N R RA

Relevant skills and experience
- Significant operational experience of project development and delivery of large-scale infrastructure projects in public and private sector through her roles as Group Projects & Development Director at Anglo American plc and Chief Executive Officer at AWE plc, and at Halcrow
- In-depth experience of oversight of civil engineering and contracting, safety, diversity and inclusion, and sustainability matters
- A Chartered Civil Engineer and a Fellow of the Royal Academy of Engineering

Principal current external appointments
- Member of the Executive Leadership Team at Anglo American plc as Group Projects & Development Director
- Director of De Beers plc (a subsidiary of Anglo American plc)

Board Committees key

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

Justin Atkinson
Senior Independent Director
(retiring from the Board on 30 September 2024)

Age
63
Tenure
8 years
11 months
Independent
Yes

E N R RA

Relevant skills and experience
- Formerly Chief Executive of Keller Group plc and previously Keller's Group Finance Director and Chief Operating Officer
- Significant operational, financial and strategic experience and a chartered accountant
- In-depth knowledge of the construction sector, both in the UK and internationally

Principal current external appointments
- Chairman of Forterra plc
- Non-Executive Director of James Fisher and Sons plc and Chairman of the Audit Committee

Margaret Hassall
Non-Executive Director

Age
63
Tenure
1 year
5 months
Independent
Yes

E N R RA

Relevant skills and experience
- Significant experience of remuneration matters through her current and former appointments as Chair of Remuneration Committees
- An experienced non-executive director from past appointments at Phoenix Group, Tandem Bank, Nucleus Financial Group plc and One Savings Bank plc
- Broad experience in business operations, technology and large transformational change developed through senior positions across a range of different industry sectors

Principal current external appointments
- Non-Executive Director, Chair of the Remuneration Committee and a member of the Risk and Compliance and Nomination Committees of AJ Bell plc

Mohammed Saddiq
Non-Executive Director

Age
54
Tenure
8 months
Independent
Yes

E N R RA

Relevant skills and experience
- In-depth knowledge and experience in operational delivery, engineering and infrastructure services through his previous roles in senior management and engineering in the water, waste and renewables sectors
- An Executive Director at Wessex Water and Vice-Chair at Bristol University until 2022
- Associate Fellow of the Institution of Chemical Engineers, Fellow of the Chartered Institution of Water and Environmental Management and Chartered Member of the Institution of Environmental Sciences

Principal current external appointments
- Chair of Bristol Climate and Nature Partnership CIC
- Chair of Bristol Future Talent Partnership CIC
- Lord-Lieutenant of the County of Somerset

Clive Watson
Non-Executive Director

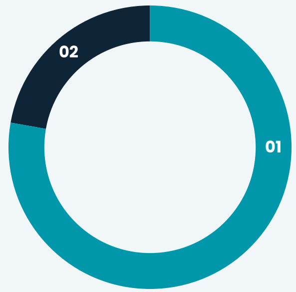
Age
66
Tenure
4 years
5 months
Independent
Yes

E N R RA

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

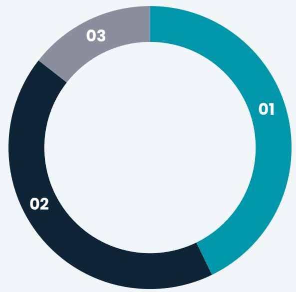
Principal current external appointments
- Senior Independent Director and Chair of the Audit and Risk Committee of Breedon Group plc
- Non-Executive Director, Chair of the Audit and Risk Committee of discoverIE Group plc
- Senior Independent Director and Chair of the Audit and Risk Committee of Trifast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

Board independence



01 **78%** Independent
02 **22%** Non-independent

Tenure of Non-Executive Directors



01	**3**	0 to 3 years
02	**3**	3 to 6 years
03	**1**	6 to 9 years

Note: Stuart Togwell, Group Managing Director Construction, will be joining the Board as an Executive Director with effect from 1 October 2024.

Board Committees key

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

Board key activities

The Chairman in conjunction with the Chief Executive, and with support from the Company Secretary, plans the Board meetings to ensure effective performance and governance of Kier. In addition to the usual activities of monitoring progress against business performance, the order book, financial targets, culture, whistleblowing and governance matters, Board meetings also encompass chosen topics and deep dives into matters of strategic importance. The key activities undertaken by the Board during the financial year were as follows:

Key to Strategic Objectives

1 Leverage our attractive market share positions in growing markets
2 Maintain and enhance long-term customer relationships
3 Resilient and well-balanced portfolio
4 Deliver disciplined growth, consistent profitability and cash generation

Key to Principal Risks and Uncertainties

1 Health and safety
2 Legislation and regulation
3 Funding
4 Maintaining an order book within selected markets
5 Contract management
6 People
7 Supply chain
8 Strategy
9 IT security, resilience, cyber and data protection
10 Sustainability
11 Macroeconomic

	Link to Principal Risks and Uncertainties	Link to stakeholders
Strategy 1 2 3 4		
Oversaw the review of our strategy, long-term sustainable growth plan and the growth areas for Kier (details of the Board strategy day are set out on page 93)	4 6 8 10 11	**Shareholders, People, Customers, Supply chain**
Monitored progress against the medium-term value creation plan	4 6 8 11	**Shareholders, People, Customers, Supply chain**
Approved the acquisition of the rail assets of Buckingham Group Contracting Limited	4 6 8 11	**Shareholders, People, Customers, Supply chain**
Business and operational 1 2 3 4		
Approved the Digital and Simplification workstreams under Performance Excellence	1 5 7	**People, Customers, Supply chain**
Visited and received presentations from the Finance Shared Service Centre and Property business to understand their challenges and opportunities and meet the management teams	5 6 8 9	**People, Customers, Supply chain**
Undertook deep dives into different functions and topics	4 5	**Customers, Supply chain, Shareholders**
Budget and financing 3 4		
Approved the budget for FY25	3	**Shareholders, People, Customers, Supply chain**
Approved the amendment and extension of the revolving credit facility and the issuance of Senior Notes	3	**Shareholders, Banks, People, Customers, Supply chain**
Approved the resumption of dividend payments which included an interim dividend for FY24 and a final dividend for recommendation to the shareholders	8	**Shareholders**
Approved additional capital investment into the Property business	8	**Shareholders, Customers, Supply chain**

Key to Strategic Objectives

1 Leverage our attractive market share positions in growing markets
2 Maintain and enhance long-term customer relationships
3 Resilient and well-balanced portfolio
4 Deliver disciplined growth, consistent profitability and cash generation

Key to Principal Risks and Uncertainties

1 Health and safety
2 Legislation and regulation
3 Funding
4 Maintaining an order book within selected markets
5 Contract management
6 People
7 Supply chain
8 Strategy
9 IT security, resilience, cyber and data protection
10 Sustainability
11 Macroeconomic

	Link to Principal Risks and Uncertainties	Link to stakeholders
Leadership, people and culture 2 3 4		
Appointed Mohammed Saddiq as a Non-Executive Director	6	**Shareholders, People**
Received updates on the Group's people agenda including progress on diversity and inclusion, reward and benefit enhancements, the outcomes of employee engagement surveys and the related actions taken, and on development and talent programmes	6	**People, Customers, Supply chain**
Received updates on the implementation and impact of our culture programme	6	**Shareholders, People, Customers, Supply chain**
Governance and key stakeholders 1 2 3 4		
Received feedback and sentiments from institutional investors following our FY23 results roadshow and discussed the Group Investor Relations programme	8	**Shareholders**
The Chair of the Remuneration Committee held meetings with key shareholders to discuss executive remuneration matters and to understand their views	8	**Shareholders**
Received updates from our Corporate Affairs Director on our interactions with the UK Government and local councils, their focus areas and the strength of our relationships with these key customers	4 11	**Customers**

Board strategy day

Purpose	To review our strategy beyond the medium-term value creation plan ensuring we continue to promote the long-term sustainable success of Kier, generating value for shareholders and stakeholders
Attendees	The Board, Executive Committee members, certain senior management and external adviser
Strategic topics reviewed and discussed	– The structural drivers, client and market trends, and macro and political environment – The competitive environment, Kier's competitive advantage and market share – Infrastructure Services, Construction and Property sector sentiments and themes – Capital allocation priorities – Investors' views and priorities surrounding Kier's strategy – The future of work, skills and capabilities to deliver the strategy – How our Digital and Simplification workstreams under Performance Excellence would support delivery of our strategy
Outcomes and next steps	– Reviewed the long-term sustainable growth plan and the evolved targets – Setting an ongoing programme of strategic questions and topics for consideration throughout FY25

Board and Committee membership and attendance

The Board held six meetings and two calls during the year. One day was also dedicated to discussing strategy. In addition, there was one unscheduled Board call during the year.

Details of attendance by each Director at the scheduled Board and Committee meetings during the financial year are as follows:

	Board meeting	RMAC meeting	ESG Co meeting	NomCo meeting	RemCo meeting
Matthew Lester	6/6	n/a	n/a	4/4	5/5
Alison Atkinson[1]	5/6	4/4	4/5	3/4	3/5
Justin Atkinson	6/6	4/4	5/5	4/4	5/5
Chris Browne	6/6	4/4	5/5	4/4	5/5
Andrew Davies	6/6	n/a	n/a	4/4	n/a
Margaret Hassall	6/6	4/4	5/5	4/4	5/5
Simon Kesterton	6/6	n/a	n/a	n/a	n/a
Mohammed Saddiq[2]	3/3	2/2	3/3	2/2	3/3
Clive Watson	6/6	4/4	5/5	4/4	5/5

1. Alison Atkinson was unable to attend a meeting due to illness and an unavoidable work commitment.
2. Mohammed Saddiq was appointed with effect from 1 January 2024.

Board evaluation

2023 Board evaluation

The Board made good progress on the recommendations and areas of focus from last year's internally facilitated review. An update on the progress is set out below:

Feedback	Progress/Action
More meetings for Non-Executive Directors in view of additional new Board members	Additional time was added to the start or end of Board meetings (as appropriate) to facilitate this.
Meet the pipeline of talent coming through the business	The Nomination Committee monitored the development plans for our Executive Committee members and also the pipeline of talent coming up through the business. The Board has various touch points where they can meet the talent, for example at Board meetings and Visible Leadership Tours. More information on this is set out in the Nomination Committee report on pages 104 to 106.

2024 Board evaluation

This year's Board evaluation was facilitated by Clare Chalmers Limited, who conducted our last external evaluation in 2021. The firm has no connections with Kier or the Board. Clare Chalmers attended the May 2024 Board and ESG Committee meetings to observe the Board's interactions. As the ESG Committee has been in operation for the third year since its remit was broadened to cover environmental and social matters, it was thought to be appropriate to give some focus to this Committee. Past Board papers and key governance documents, such as the Schedule of Matters Reserved for the Board and Terms of Reference, were also reviewed. Interviews were also carried out with each Board member and those who regularly attend Board and/or Board Committee meetings.

Her findings were presented to the Board in July 2024. In summary, she found the Board to be engaged and demonstrating our values: there was 'trust' and openness in challenges and positive interaction, 'collaboration' in decision making and 'focus' on the delivery of our medium-term value creation plan. To ensure the continued effective working of the Board to deliver long-term sustainable success for our stakeholders, further enhancements were suggested and these are set out below.

– **Customers and suppliers** – to hear more feedback from customers and suppliers
– **Board and Committee papers** – continue to make progress with the papers, aiming for consistently good summaries, pulling out the highlights, better 'storytelling' and more focus on outcomes
– **Decision making** – over the coming year, to give consideration to having a smaller group of Non-Executive Directors on each Committee with the aim of creating more efficient and focused groups, and a second layer of challenge at Board meetings
– **Dynamics** – to consider utilising more of the Non-Executive Directors' skills and experience as a sounding board for management outside of formal Board meetings
– **Board succession planning** – to implement a more formal process for determining the priorities we are looking for from the next Board appointment.

The Board will be working through the above suggestions and building them into the Board programme going forward.

The effectiveness of each of the Board Committees was also considered and it was concluded that they each continue to be effective. Suggestions were provided for each Board Committee to enhance its effectiveness and these are set out in the respective Committee reports.

Board development and training

To ensure the Board continually updates and refreshes its skills and knowledge, ongoing training and development support is provided to the Board during the year. The Board is regularly briefed on business-related matters, governance, investor expectations and legal and regulatory matters such as the 2024 Code. The Board has a series of training programmes, and this year had refreshed training on directors' duties and the UK market abuse regime. Both the Risk Management and Audit Committee and Remuneration Committee received updates from external advisers and management on relevant accounting and remuneration developments, evolving market trends and changing disclosure requirements.

As part of the Board's annual programme of site visits, they undertook two visits during this financial year and the details are set out below.

Board site visit to the Finance Shared Service Centre, Manchester

This was a great opportunity for the Board to understand how Kier is using automation and AI application for our sales and invoice processing and accounts payable processes. There was a demonstration on how the robots work by our external partner who develop the robots with Kier. This is a great example of robotics which supports our digital strategy. The FTE ('full-time equivalent') savings has allowed our people to work on other projects and there are plans to extend the use of robotics into other areas of processes.

Site visit to Watford Riverwell project and Property business presentation

As part of this presentation, the Board visited the Watford Riverwell project to gain first-hand experience of this flagship project which is a 50% joint-venture with Watford Borough Council. The Property senior leadership team gave the Board an in-depth presentation covering:

- the strategic aims and objectives of the partnership;
- the risks;
- the financial investments and returns; and
- the working relationship with the joint venture partner ensuring success for the project.

A representative from the joint-venture partner also attended the meeting to share his perspectives which the Board found invaluable. Lessons learned from this project were also covered and will be used on other joint ventures. The Board also received an update on the process against the balanced scorecard. One key outcome of the site visit was the Board had a deeper dive into this exemplar project and how the Property business supports the achievement of our strategy.

Conflicts of interest

The Board has a number of measures to manage conflicts of interest, so as to ensure that the influence of third parties does not compromise or override its judgement. For example, the Board's agreement is required before a Director may accept any additional board commitments, whether paid or unpaid, so as to ensure that potential conflicts of interest are identified at an early stage and that the relevant Director will continue to be able to dedicate sufficient time to the Group. The Board considered all of Mr Saddiq's current commitments before making a decision to appoint him as an Independent Non-Executive Director. In addition, the Board also considered if there was an additional time requirement on Ms Browne's appointment as the Senior Independent Director of another listed company.

Whistleblowing

In order that employees can report any matters of concern in confidence, the Group makes available an externally-hosted, confidential whistleblowing helpline, provided by Safecall. During the year, the Board received reports on calls received via the Safecall helpline and via other means. The reports categorised the matters raised into a range of topics such as financial, HR, safety and compliance (including anti-bribery and corruption) and included how management had investigated them. In FY24 there were 30 calls made to Safecall (FY23: 31) and 8 reports received via other means, such as line management or directly to Group Compliance (FY23: 15). Whilst there was a modest overall reduction of reports in FY24, utilisation of our whistleblowing channels remains above industry benchmarks and the Board and management remain highly attentive to all issues raised in this process.

No issues which were material in the context of the Group were reported to the helpline or via other means during the year. The Chairman will personally be informed of any issues raised concerning any members of the Board or senior management, even if not ordinarily qualifying as being regarded as material, noting that there were no such cases to be advised of in FY24.

Culture

The Board recognises the important role that it plays in assessing and monitoring the Group's culture, so as to ensure that policy, practices and behaviour throughout the Group are aligned with its purpose, values and strategy. Our culture programme with a framework of nine healthy behaviours aligns to our values and forms the foundation of our culture. Further information about this programme and how we embed culture throughout the Group is explained in the Built by Brilliant People™ report on page 48.

The reports to the Board (via People updates or in other reports such as the Chief Executive's reports) included matters relating to culture such as:

Progress on the implementation of our culture programme
Employee surveys
Attrition rates
Whistleblowing and 'speak-up' data
Board interaction with senior management and workforce
Health and safety data
Promptness of payments to suppliers
Compliance including the annual review of key policies
Information from internal audits on the impact of policies and processes

Culture in action

Three Non-Executive Directors participated in the culture programme to gain a deeper understanding of the programme and to join our workforce on this journey. The outcome was that our people felt supported by the Board and felt that the Board understood the importance of the programme.

> "Engagements levels were extremely good and the collaboration between employees was pleasing to see. It was great to see and feel the culture in the room."
>
> **Justin Atkinson**
> Senior Independent Director

The Board carefully considered the above matters, plus a range of initiatives, and concluded that the culture at Kier was supportive of our purpose and values and an enabler of sustainable growth. This was supported by the direct interactions the Non-Executive Directors had when undertaking their engagement visits, see 'Engaging with our people' below.

S172 statement

How the Board took account of stakeholder views and the matters set out in section 172 of the Companies Act 2006 in Board discussions and decision making is set out on page 83.

The Board and our stakeholders

Kier engages with our stakeholders in different ways. Engagement activities with key stakeholders are set out on pages 65–67 of the Strategic report. The Board and its Committees receive regular updates on the engagements and use their views and feedback to either make better decisions or provide constructive challenge on activities, programmes and initiatives being considered. The following paragraphs set out the direct engagement that the Board has had with our stakeholders.

Engaging with our people

The Board decided not to introduce any of the three methods suggested in the 2018 Code but to develop an approach which built on the mechanism which we already had in place. Due to the nature and locations of the business and that Kier's workforce comprises individuals with a wide range of skills and experiences, the Board concluded that each Board member has responsibility for engaging with our people in order to gather their views and to understand the culture within the Group.

During the financial year, the Chairman and Non-Executive Directors undertook a total of 22 employee engagement visits (FY23: 25). These visits (part of the Visible Leadership Tours, VLTs) are structured in such a way as to allow the Directors to get an overview of the project, speak directly to our employees by way of question-and-answer sessions and provide visible leadership to the people on site. Each Board member had the opportunity to listen to employees' views on a wide range of areas such as Kier's strategy and performance, methods of communication, talent development programmes, impact of our diversity and inclusion programmes, and our wellbeing and people agenda. A summary of feedback is reported back to the Board. Management considered their feedback carefully and acted as appropriate. The table on the next page sets out the discussion topics, key points and the improvement areas and actions taken from the engagement.

Schedule of VLT discussion topics, key points, the improvement areas and actions taken from Non-Executive Directors' engagement with our people

VLT discussion topics	Safety	Strategy and communications	Senior management and career progression	Pride in working for Kier	Prioritise people and respect others
Key points from the Non-Executive Directors' engagement	Consistent evidence of the 5 SHE basics and 'Expect Respect' on sites and clear and consistent safety signage. Good adherence to PPE requirements. Feedback that VLTs from senior leaders allow good and varied discussions.	Our people are very positive about communication and engagement and have sufficient information to give context to their roles. New starter experience could be improved to ensure they have equipment and access to Kier systems on starting. More communication and education around benefits, and specifically pensions, would be welcomed.	Good process for performance discussions and good development opportunities. Open and transparent management style valued. Some comments that the graduate programme could be better structured.	Employees feel pride in working for Kier and their contribution to the business. There is a real sense of belonging. Some employees feel a lack of prospects for the over 50s.	Diversity and inclusion programmes and initiatives seen as excellent. Most employees feel Kier cares for our people. Concerns raised about lack of suitable PPE for female employees. Processes and procedures can be cumbersome with too much time spent on form-filling meaning less time for work.
Improvements areas and actions taken	Arranging VLTs streamlined by setting up an internal SharePoint booking system.	HR/IT projects to enhance induction programme for new starters and ensure access to IT and Kier systems from Day 1 in progress. Reward and Pensions team hosting ongoing roadshows and pension provider holding webinars.	Introduced refreshed emerging talent, including graduate programme, to improve development and networking opportunities and give a clear structure. Implementing a new accredited training programme, including a manager induction, for all Kier managers to help them upskill their experience.	A project has begun to collate data on employees over 50 years of age to inform an action plan to both reskill and ensure a workforce for the future.	Our range of PPE expanded to include female-fit and maternity PPE with a wide range of footwear fit options. PPE forum created with representatives from across the business to help us continue to develop our PPE range. Safety, Health and Environmental Management System ('SHEMS') simplification process has been implemented. New workstreams for Performance Excellence to be rolled out focusing on digital developments and simplifications to address some of the cumbersome processes feedback.

Engaging with our shareholders

The Board engages with shareholders throughout the year in many different ways. We operate a structured investor relations programme, based around our formal announcements and the publication of the full year and half year results. Following our final results announcement last year, we held a presentation aimed at retail investors. It is our intention to continue with this programme. The Board is kept regularly apprised of the investor relations programme and receives a detailed report including the specifics of investor feedback following key engagements. Our corporate brokers also attend Board meetings as required to give their perspective on institutional shareholder sentiment.

During the year, we held an investor day at one of our key sites, HMP Millsike, providing investors with a deeper understanding of Kier's market opportunities and capabilities and of our environmental and social sustainability in action.

Details of the 2024 AGM are set out in the Notice of AGM. Shareholders may submit proxy votes and any questions either electronically or by post.

More information on our shareholder engagement programme is set out in Our stakeholders on page 65. Details of our engagement with shareholders on executive remuneration matters are set out in the Directors' Remuneration report.

Risk Management and Audit Committee report

Clive Watson
Chairman of the Risk Management and Audit Committee

> "The Committee has spent time preparing for proposed legislative and governance changes, whilst continuing to consider the enhancements that will be required to our risk management reporting."

Chair's introduction

I am pleased to present the work of the Risk Management and Audit Committee (the 'RMAC' or the 'Committee') for the year.

The role of the RMAC is to establish formal and transparent arrangements for considering how it should apply corporate reporting, risk management and internal control principles, and for maintaining an appropriate relationship with the Company's external auditors. Further details of the Committee's responsibilities are set out in the Terms of Reference which can be found on the Company's website.

During the year, we have spent time preparing for proposed legislative and governance changes, and the Committee has received regular updates from external advisors on the implementation of these changes. With the publication of the UK Corporate Governance Code 2024 (the '2024 Code'), we continue to consider the enhancements that will be required in respect of our risk management reporting and will provide information in this report on the steps that we have taken so far to consider the new reporting requirements.

In the last year, the Committee has reviewed all significant matters, accounting judgements and disclosures on key accounting matters for the interim and full-year results.
The RMAC has overseen the effectiveness of PwC as our external auditor, with Darryl Phillips appointed as the lead audit partner for the financial year ended 30 June 2024 ('FY24') The Committee continues to look to PwC for constructive challenge.

Following a tender process for an internal audit co-source partner and for an External Quality Assurance ('EQA') of the Internal Audit function, KPMG were appointed to carry out an EQA and subsequently appointed as the co-source partner for the financial year ending 30 June 2025. Please see page 101 for further details.

The monitoring of the Group's fraud and detection processes has remained as a priority for the Committee, with continued focus on reviewing cyber risk management and IT resilience.

Looking forward

For the coming year, the Committee will continue to review and respond to the evolving legal and regulatory landscape affecting the Group as guidance becomes available.

Information on the following pages sets out in detail the composition of the Committee, its activities and priorities for the year ahead. I hope that you will find this report useful in understanding our work.

Clive Watson
Chairman of the Risk Management and Audit Committee

Composition of the Committee

In accordance with the 2018 Code recommendations, all members of the Committee are independent Non-Executive Directors and have been appointed to the Committee based on their individual financial and commercial experience. Mohammed Saddiq joined the Committee on 1 January 2024 when he was appointed to the Board as a Non-Executive Director.

As Chairman of the Committee, Clive Watson has recent and relevant financial experience through his previous role as a Finance Director of a listed company and his experience as Audit Committee Chairman of other listed companies. Justin Atkinson is also a qualified accountant and holds the position of Audit Committee Chairman for another listed company.

Attendance of the members is set out on page 94. The Chairman, Chief Executive, Chief Financial Officer, Group Financial Controller, Head of Risk and Internal Audit, Group Legal and Compliance Director and other relevant people from the Group attend when appropriate. External meeting attendees have included representatives from PwC as external auditors and Deloitte, the Group's previous co-sourced internal audit services partner. The secretary of the Committee is the Company Secretary.

Outside of the formal meetings, the Chairman of the Committee held discussions with members of management (including the Chief Financial Officer, the Group Financial Controller and the Head of Risk and Internal Audit) and with PwC without management present. PwC and the Head of Risk and Internal Audit have also met privately with the independent Non-Executive Directors during the year. No concerns were raised in respect of FY24.

Annual evaluation

This year's evaluation was externally facilitated by Clare Chalmers Limited as part of the Board evaluation. Details of this process are set out on page 94. The outcome of this evaluation concluded that the Committee continues to be effective and operates with the required technical skills. To enhance its effectiveness, the Committee will continue to provide appropriate challenge on the structure of Committee papers with the aim to get better highlights and more focused outcomes.

Systems of risk management and internal control

The Board has ultimate responsibility for the Group's systems of risk management and internal control, including those established to identify, manage and monitor risks. The Board has delegated the responsibility for overseeing management's implementation of these systems to the RMAC.

The Head of Risk and Internal Audit reports to the Committee on strategic risk issues and oversees the Group's risk management framework. The Group Risk Committee, chaired by the Group Legal and Compliance Director, provides executive management leadership and oversight of the Group's risk management framework, whilst acting as the link between the RMAC and the business in relation to the management of risk.

Information on how the Group identifies, manages and monitors risks, including a description of the principal aspects of the Group's systems of risk management and internal control and the risk management framework, is set out on pages 68–76.

As the Group's risk management and internal control systems mature, the Committee will continue to review the adequacy and effectiveness of these systems. In particular, the RMAC is overseeing the development of an Audit and Assurance Policy which will include an assurance mapping exercise. This will reflect a best practice approach to the 2024 Code provisions on risk management and internal control which take effect from 1 July 2026.

Annual review of the effectiveness of the systems of risk management and internal control

The Board conducted its formal annual review of the effectiveness of the Group's systems of risk management and internal control following management's assessment of the key elements of these systems, when considering the Financial Reporting Council's ('FRC') risk guidance. The review in respect of FY24 covered existing risk management practice and processes; risk appetite and culture; consideration of the review of the operation of the three lines of defence; the Operating Framework and its policies, minimum standards and procedures in relation to managing technical, commercial, legal and financial risks; compliance controls; and financial monitoring, reporting and internal control processes. It was concluded that there were no material breakdowns or weaknesses identified in the Group's risk management and internal control systems.

Fraud prevention and detection processes

With the implementation of the Economic Crime and Transparency Act 2023 ('ECATA'), work has been ongoing throughout FY24 to review our control environment, to respond to the new 'failure to prevent fraud' offence, under the ECATA. The Committee has received regular updates on the key workstreams that have been set up to ensure that the Group is compliant with this requirement.

As a Group, we believe that we have an effective control environment to prevent financial misstatement or manipulation of our financial systems. We manage the risk of fraud in terms of prevention, deterrence and detection. Our Code of Conduct sets clear expectations of honesty and integrity for every employee at all levels within the Group.

Financial reporting

The Group has clear policies and procedures which are designed to ensure the reliability and accuracy of financial reporting, including the process for preparing the Group's interim and annual financial statements. The Group's financial reporting policies and procedures cover financial planning and reporting, the preparation of financial information, together with the monitoring and control of capital expenditure. The Group's financial statements preparation process includes reviews at business division and Group levels. The Committee reviewed the accounting judgements, assumptions and estimates as set out in the RMAC papers prepared by management and determined, with external auditor input, the appropriateness of these assumptions and estimates. The significant issues considered by the Committee in relation to this year's financial statements are listed on page 102.

Group's financial reporting calendar to RMAC

September	December	March	July
– Management updates the Committee on the key accounting issues and judgements for approval by the Committee and for recommendation to the Board in respect of the full-year results – External auditors present their findings of the audit, together with their auditors' report and provide confirmation of their independence – The Committee considers and makes a recommendation to the Board on whether the annual report and financial statements are fair, balanced and understandable – The Committee considers the proposed reappointment of the external auditors at the AGM	– Review of external auditors' effectiveness – Interim financial statements review plan – Auditors engagement letter in respect of the interim financial statements	– Management updates the Committee on the key accounting issues and judgements for approval by the Committee and for recommendation to the Board in respect of the interim financial statements – Management presents the interim financial statements – External auditors present interim review memorandum, together with their external auditors' report and confirmation provided of their independence – Review of external auditors' independence – Full-year audit strategy, plan and fee	– Management provides the Committee with an overview on the key accounting issues and judgements in respect of the full-year results – Update on the audit strategy, plan and fee – Non-audit services policy review (annual) – Adjusting items policy review (annual) – Group Tax strategy approval (annual)

Engagement with the FRC

In May 2024, the Company received a letter from the FRC following its review of the Group's FY23 Annual Report and Accounts, requesting further information in two principal areas: offsetting of account balances in relation to notional cash pooling arrangements; and impairment testing of intangible assets.

The Group has consistently applied an accounting policy of treating all the bank accounts within its Group cash pooling arrangement as a single unit of account, where the legal right of set-off existed as it was considered that this most appropriately reflected the overall net commercial and substantive position.

Following completion of this review, and further to correspondence with the FRC, the Committee has concluded that separate presentation of these overdrafts and cash balances within the Consolidated Balance Sheet would be preferable. The Group has therefore chosen to change its accounting policy in respect of offsetting of bank overdrafts and has presented cash held in subsidiary company bank accounts separately from overdrawn amounts in the Group's Consolidated Balance Sheet, with the prior year comparative balances re-presented accordingly. Further details are provided in Note 1, on pages 154 and 155.

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

Following provision of the information requested on both matters, the FRC concluded its enquiries in September 2024.

The FRC's review provides no assurance that the Annual Report and Accounts are correct in all material respects. The FRC's role is not to verify the information provided but to consider compliance with reporting requirements.

Internal audit

During the year, the Committee monitored progress against the FY24 internal audit plan which included the work of Deloitte as co-source partner. Before each internal audit, the scope of the review, timetable and resources required were agreed with management. Updates were provided to management and the Committee on the status of ongoing audits at RMAC meetings during the year.

The FY24 audits undertaken reflected the size of the Group and covered a wide range of areas that included, but were not limited to:

- Validation of risk owners' assessment of principal risks and uncertainties
- Contract management
- Specific business division audits
- Financial systems
- Cyber security and IT resilience
- Health and safety
- Sustainability
- Client satisfaction
- Published non-financial information metrics.

Results from these audits were discussed and noted by the Committee, together with the follow-up actions taken by management.

The Committee received, considered and approved the annual internal audit plan for FY25 which has taken into account the increased maturity of the Group's risk management processes and control environment. Overall, the FY25 internal audit plan aligns to our principal risks and uncertainties, with audits selected on a risk and rotational basis, with rotational audits typically on a three-year cycle, unless there are significant changes to a business division or process.

The co-source partner continues to carry out or support internal audits where subject matter expertise is required (for example cyber security and sustainability). The co-source partner also provides back up in the event of a shortage of in-house resource. On this basis, the Committee confirmed that the internal audit function had sufficient experienced resources to deliver the plan.

As of FY24, Deloitte had been the internal audit co-source partner for five years. Whilst the Committee was satisfied with their service and contribution over this period, the Committee determined it was appropriate to retender the co-source partner contract. Following the tender, KPMG were appointed co-source partner with the final decision based on bringing a fresh perspective to our internal audit activities.

Internal Audit function effectiveness

The RMAC Terms of Reference state, in relation to Internal Audit, that the Committee will, inter alia, consider whether an independent, third-party review of processes is appropriate. The Committee commissioned an EQA of the Internal Audit function which, following a tender process, was carried out by KPMG internal audit specialists.

The results of the EQA were discussed at the July 2024 Committee meeting. Whilst the results were positive overall, the Internal Audit function is developing a Quality Assurance and Improvement Programme ('QAIP') to further enhance the function's effectiveness. The Committee will monitor progress in the implementation of the QAIP.

External audit

FY24 audit

The Committee has taken the following key steps in overseeing the FY24 PwC external audit:

- Reviewed the PwC FY24 audit plan, resources and audit risk assessments
- Agreed the materiality level for the audit
- Reviewed and agreed the timetable for the FY24 Annual Report and audit plans for the Group and specific business divisions, including the key areas of focus
- Agreed and approved the final FY24 audit fee
- Discussed and reviewed the Going Concern and Viability statements
- Discussed and reviewed the audit findings, significant issues and other accounting judgements
- Approved the management representation letter, following a review by management and noted PwC's independence.

External auditor effectiveness and audit quality

The 2018 Code requires the RMAC to undertake an annual assessment of the effectiveness of the external audit. This was performed through the use of a questionnaire which was issued to key stakeholders, including members of the Committee and those involved in the FY23 audit.

The review and qualitative assessment focused on feedback and insights, planning and communication, and the quality and experience of the audit team. The Committee considered the feedback received and its wider knowledge and concluded that the external audit process for FY23 was effective and that PwC provided an appropriate independent challenge to management. The feedback received was used for continuous improvement in respect of the FY24 audit.

The Committee will formally assess PwC's performance in relation to the FY24 audit following its completion.

Significant matters and accounting judgements relating to the financial statements

The Committee reviewed the following significant matters and other accounting judgements relating to the FY24 financial statements. These included:

Contract accounting	The Group has significant long-term contracts in the Infrastructure Services and Construction businesses. Accounting for long-term contracts has continued to be a key area of focus for the FY24 audit. An assessment of the likely profit on long-term contracts requires significant judgement because of the inherent uncertainty in preparing estimates of the forecast costs and revenue. Recoverability of work-in-progress on long-term contracts involves significant estimates, including an estimate of the end-of-life outcome of the projects. During the year, the Board reviewed and challenged management's latest assessment of the forecast costs of, and revenues from, certain of the Group's long-term contracts and the Committee discussed PwC's audit of management's assessment of the performance of certain of the Group's contracts so as to satisfy themselves as to the positions taken in the FY24 financial statements.
Impairment of goodwill	The review of the carrying value of goodwill in Infrastructure Services was identified as a key area of focus for the FY24 audit. Having discussed the review with management and PwC, the Committee noted the increase in headroom and agreed that, although there was no requirement to take an impairment charge with respect to the Infrastructure Services business division, specific disclosures would be included in the notes to the FY24 financial statements as to the sensitivity of impairment to changes in key assumptions.
Presentation of the Group's financial performance	As stated in the accounting policy, the Group uses alternative performance measures ('APMs') which are consistent with the measures used by management to assess the Group's financial performance and aid the understanding of the performance of the Group. The Committee (i) reviewed the policy wording during the year and confirmed its ongoing application, (ii) reviewed the individual terms excluded from the adjusting operating profit, and (iii) agreed the classification of, and disclosures relating to, the adjusting items presented in the FY24 financial statements, ensuring that the APMs are presented with equal or lesser prominence than statutory figures and on a consistent basis year-on-year.
Going concern/Viability statement	In conjunction with PwC, the Committee reviewed and assessed the work undertaken to support the adoption of the going concern basis for the FY24 financial statements and the viability statement. In particular, the Committee and the Board reviewed the Group's cash flow forecasts over the period ending 31 December 2025, in assessing the going concern basis; and over a period of three years from 30 June 2024 for the viability statement, which are included in the Group's three-year strategic plan together with the assumptions on which such forecasts are based. The Committee also considered the stress-testing of these forecasts for severe but plausible downside scenarios that could have an impact on the Group and the availability of mitigating actions, as required, in the event that such scenarios occurred. The Committee noted the successful refinancing that occurred during the year, which provided long-term debt facilities and a strengthened maturity profile. For further information on the work to support the going concern basis of preparation for the FY24 financial statements, please see 'Going concern' on page 154 and further information on the work to support the viability statement can be found on page 82.
Carrying value of investments in Kier Limited and recoverability of balances owed by subsidiary undertakings	In light of the carrying value of the Company's investment in its principal operating subsidiary, Kier Limited, and the carrying value of balances owed by subsidiary undertakings, relative to the Company's market capitalisation, the carrying value of these balances were identified as key areas of focus for the FY24 audit. Following management's review, which PwC concurred with, the Committee concluded that no impairment was required against either the carrying value of the investment held by the Company in Kier Limited or the balances owed by subsidiary undertakings.
Retirement benefit obligations	The Group operates a number of defined benefit pension schemes. The Committee reviewed the assumptions made by management in determining the defined benefit surplus at 30 June 2024. This included considering the advice from independent qualified actuaries, together with the views of PwC's pension specialists, and concluded that they were appropriate.

Provision of non-audit services

During the year, PwC provided certain non-audit services to the Group. The Committee monitors these services to ensure that the associated fees are not of a level that would affect PwC's independence and objectivity. The Chief Financial Officer has authority to approve up to £50,000 on individual assignments. For non-audit fees above £50,000, these must be approved in advance by the Committee. If approval is required urgently, this may be provided by the Chairman of the Committee with subsequent reporting of the approval to the Committee. The Committee reviewed the non-audit fee policy for PwC as the external auditor during the year and confirmed it remained appropriate.

The Company's non-audit services policy reflects the FRC's revised Ethical Standard for Auditors (2019). The policy provides that the Committee expects that the level of non-audit fees in any one financial year will not exceed 15% of the audit fees payable in relation to the previous year. The Committee may approve non-audit fees in excess of this figure, up to 70% of the average of audit fees paid in the previous three years, subject to the Committee being satisfied that (i) there is clear evidence that the auditors' skills and experience make them the most appropriate firm to provide the relevant services and (ii) the auditors' independence and objectivity would not be compromised by the appointment.

The total non-audit fees paid to PwC in FY24 were £430,000. These non-audit fees related to PwC's work in relation to their review of the Group's FY24 interim results and their verification of the banking refinance documentation. The total non-audit fees subject to the FRC's 70% non-audit fee cap, which excluded amounts attributable to public reporting workstreams required by legislation, was £430,000. This represented 12% of the average audit fees over the previous three years.

External auditor independence

The Committee concluded that PwC's independence and objectivity were not compromised by the provision of these services. As part of the FY24 audit, PwC confirmed that it was independent within the meaning of applicable regulatory and professional requirements. Taking this into account and having considered the steps taken by PwC to preserve its independence, the Committee concluded that PwC continues to demonstrate appropriate independence and objectivity.

Tenure and audit tender

PwC was originally appointed as external auditors in 2014, for the financial year ended 30 June 2015. Following a formal tender process in 2023, PwC was reappointed as external auditor at the 2023 AGM. Darryl Phillips was appointed as the audit partner for FY24 and this was his first year in the role following partner rotation. The Committee confirms that the Company has complied with regard to the requirement of the provisions of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014.

2024 Annual Report – fair, balanced and understandable statement

The Board and Committee discussed the 'fair, balanced and understandable' statement and the work undertaken to support it which included:

Who	How assurance was provided
Annual Report Working group	The working group comprised individuals involved in the drafting of the Annual Report. Material disclosure items were discussed by the working group. The working group members reviewed the sections drafted by them in light of the 'fair, balanced and understandable' requirement.
Key contributors to the Annual Report	Certain key contributors to sections of the Annual Report (for example the Group Managing Directors and Finance Directors of our business divisions) were asked to confirm the accuracy of the information provided.
External review	Ellason, the Remuneration Committee's independent adviser, reviewed the Directors' Remuneration report. Feedback was provided by PwC on the overall FY24 Annual Report. All external reviews were undertaken to enhance the quality of our reporting.
The Committee and the Board	Drafts of the Annual Report were circulated individually to Board members, the Committee and the full Board for review.

The Directors consider that this Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy.

Nomination Committee report

Matthew Lester
Chairman of the Nomination Committee

> "The Committee was pleased to announce the appointment of Mohammed Saddiq in January 2024 and that Chris Browne OBE will become our Senior Independent Director from 1 October 2024."

Chairman's introduction

I am pleased to report the work of the Nomination Committee ('the Committee') for the year. The key role of the Committee is to provide a formal, rigorous and transparent procedure for the appointment of new directors to the Board, to maintain an effective succession plan for the Board and senior management and to oversee the development of a diverse pipeline for succession to these bodies. Further details of the Committee's responsibilities are set out in its Terms of Reference which can be found on the Company's website.

The members of the Committee comprise all the Non-Executive Directors and the Chief Executive. Mohammed Saddiq joined the Committee on 1 January 2024 when he was appointed to the Board as a Non-Executive Director. The attendance of Committee members is set out on page 94. The Chief People Officer also attended the Committee's meetings during the year by invitation. The secretary of the Committee is the Company Secretary.

Kier believes a diverse board is a necessary part of effective corporate governance. Most importantly, we believe we need to recruit directors who have different perspectives and have a broad range of skills and experience as this improves the decision making of the Board.

The Board recognises the UK Listing Rules targets for board gender and ethnic diversity. As with the rest of our business, our Board composition needs to reflect the communities we serve. I am very pleased we have been able to recruit a number of experienced, successful female leaders to our Board since I was appointed in 2020. This has resulted in Chris Browne OBE succeeding Justin Atkinson as Senior Independent Director upon his retirement on 30 September 2024. Following the recruitment of Mohammed Saddiq, and Chris Browne's appointment as Senior Independent Director, Kier complies with the UK Listing Rules' ethnicity target and Board leadership target.

Upon Justin's retirement, Stuart Togwell, Group Managing Director Construction, will be joining the Board with effect from 1 October 2024. The Committee believes that we need to replace the construction industry expertise Justin brought and Stuart's significant strategic and operational delivery experience in the construction sector will be beneficial to the Board. Further, Stuart has insights into UK government as it plans future infrastructure investment. We believe having this direct insight available to us will enhance our understanding of their priorities and our strategic decision making.

We will continue to look for high quality female candidates who can add value to the Board and seek to achieve the Board gender target of 40%. However, in its recent external assessment, the Board valued the dynamics afforded by its current size which is appropriate for the scale and complexity of its operations. So, the Committee will need to balance the benefits of meeting the target with its impact on Board dynamics.

The following pages explain the work of the Committee during the year and provide more details of how the Committee fulfils its roles and responsibilities. The Committee will continue its focus on maintaining an effective succession plan for the Board and senior management and overseeing the development of a diverse pipeline.

Matthew Lester
Chairman of the Nomination Committee

Succession planning

The Committee is responsible for the effective and orderly succession planning for the Board and senior management. It monitors the tenure of Directors to ensure that it plans sufficiently in advance of retirements from the Board to ensure orderly succession of Non-Executive Directors. All the Directors stand for election or re-election at our Annual General Meeting.

Along with considering Board succession, the Committee oversees the development of a strong pipeline of diverse and talented individuals below Board level. It regularly reviews the quality of the senior management team as it recognises the importance of creating and developing a suitably talented, diverse pipeline of leaders ready to serve as the next generation of Directors and senior management.

The Chief Executive, supported by the Chief People Officer, presents to the Committee on senior management succession planning and the talent development programme for the wider workforce. For Executive Directors and for roles in senior management, plans are in place for both sudden, unforeseen absences, and for longer-term succession. These form the basis of development plans for our most talented people and will ensure that, looking forward, we have the right people to deliver our strategy.

We encourage regular contact between senior management and the Board. This may be by way of presentations to the Board, joint Visible Leadership Tours or one-to-one sessions with Non-Executive Directors to discuss a specific issue.

Diversity and inclusion policy

As set out in the Chairman's statement and the Chairman's introduction to the Committee's report, the Board values diversity. Having a workforce and leadership that reflects the communities Kier supports is integral to our culture. Achieving this will take time and a variety of initiatives consistently delivered. The Built by Brilliant People™ report sets out the progress against our Diversity & Inclusion roadmap, and the programmes and initiatives that Kier is implementing. The Nomination Committee continues to focus on diversity matters at Board and its sub-Committees, Executive Committee and senior management levels. During the year, the Committee monitored progress with the collection of data regarding our people to enable Kier to assess the current status and set longer-term targets and objectives.

With reference to the Board and its sub-Committees, this Diversity policy has been implemented throughout the search and appointment process for new directors. Search firms are instructed to take diversity into account when compiling a shortlist of candidates to put forward for consideration and diversity will be considered by the Committee during the interview and selection process. In the final selection decision, all Board appointments are made on merit and relevant experience, against the criteria identified by the Committee with regard to the benefits of diversity in the widest sense.

Find our more about our Board Diversity Policy

UK Listing Rules and Disclosure Guidance and Transparency Rules

As at 30 June 2024, 33% of the Board and 40% of executive management are women. There is one Board member from an ethnic minority background and there are two members of executive management from an ethnic minority background. Executive management is defined as the members of the Executive Committee including the Company Secretary.

Gender

Chart 1: Reporting table on sex/gender representation as at 30 June 2024

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (Chair, CEO, CFO and SID)	Number in executive management[1]	Percentage in executive management[1]
Female (including those self-identifying as female)	3	33%[2]	–[2]	4	40%
Male (including those self-identifying as male)	6	67%	4	6	60%
Not specified/prefer not to say	–	–	–	–	–

1. Executive management is defined as members of our Executive Committee including the Company Secretary.
2. Following the appointment of Chris Browne OBE as the Senior Independent Director on 1 October 2024, there will be one female and three males in senior Board positions.

Ethnicity

Chart 2: Reporting table on ethnicity representation as at 30 June 2024

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (Chair, CEO, CFO and SID)	Number in executive management[1]	Percentage in executive management[1]
White British or other White (including minority-white groups)	8	89%	4	8	80%
Mixed/multiple ethnic groups	–	–	–	–	–
Asian/Asian British	1	11%	–	2	20%
Black/African/Caribbean/Black British	–	–	–	–	–
Other ethnic group, including Arab	–	–	–	–	–
Not specified/prefer not to say	–	–	–	–	–

1. Executive management is defined as members of our Executive Committee including the Company Secretary.

The Company collects the above data used for the purposes of making this disclosure from Directors on a voluntary basis. The data of our executive management is captured via the Company's internal HR system on a voluntary basis.

Appointment process of Mohammed Saddiq as a Non-Executive Director

The Chairman led the search together with support from the Chief People Officer and the Company Secretary. The chart below summarises the process, the outcome of which culminated in the recommendation to the Board to approve the appointment of Mohammed Saddiq as a Non-Executive Director. His biography can be found on page 91.

Board appointment process

Role requirements
A set of objective criteria for the role, including the skills, experience in particular from relevant sectors of the construction and infrastructure market in which Kier operates, and attributes required was prepared.

Candidate search
Nurole was then instructed to facilitate the search and identify a diverse long-list of potential candidates. Nurole is independent of Kier and the Board.

Interview process
A short-list of candidates was selected and undertook an interview process by a combination of the Chairman, Chief Executive, Senior Independent Director, two Non-Executive Directors and Chief People Officer. The interviewees provided feedback to the Chairman.

Approval
Due diligence, conflict checks and references were also carried out. Time commitments of the candidates were also considered so as to ensure the candidates would have sufficient time to devote to Kier. The Nomination Committee recommended its preferred candidate to the Board for approval. The Company Secretary was then tasked with the formalities.

Direct reports to the Executive Committee that are women (FY23: 42%)
47%

Total workforce that are women (FY23: 25%)
25%

Induction process

Upon joining the Board, Mohammed Saddiq undertook an induction programme in order to assist him in becoming effective in his role as quickly as possible. The Company Secretary devised a programme in consultation with the Chairman and Chief Executive which was essentially built around a series of meetings with the Board, the Executive Committee, the Company Secretary and members of senior management (for example, the Group Financial Controller, Group Legal and Compliance Director, Head of Risk and Internal Control, Chief Information Officer and Group Health, Safety & Wellbeing Director), as well as site visits to understand our business operations.

Mohammed was also briefed on shareholders' views and focus areas, including executive remuneration matters, enabling him to have the context prior to such matters being discussed at Board meetings. He received tailored training from external legal advisors on the legal and regulatory framework of a director of a listed company. He also completed online training on Kier's Code of Conduct and Inside Information and Share Dealing. Our Senior Independent Director also acted as an 'induction buddy' for Mohammed and had debrief sessions with him post Board meetings to answer any questions. Board and Committee papers, Committee Terms of Reference, the Strategy Paper, Capital Markets Day presentation and internal Corporate policies such as the Code of Conduct and Operating Framework were made available on the Board portal for him to read before his first Board meeting.

> "I have enjoyed getting to know more about Kier through the induction programme. The site visits were particularly impactful, giving me a deep appreciation for the dedicated employees who are not only committed to their work but also proud of building a lasting positive legacy for the communities we serve."
>
> **Mohammed Saddiq** on his induction.

Annual evaluation

This year's evaluation was externally facilitated by Clare Chalmers Limited as part of the Board evaluation. Details of this process and the outcome of the Board evaluation are set out on page 94. The outcome of this evaluation concluded that since the last review, the Committee has formalised with a more thorough agenda. To ensure continued effectiveness, the Committee will spend more time on Non-Executive Director succession planning, looking at long-term plans and Committee composition.

Environmental, Social and Governance Committee report

Alison Atkinson
Chair of the Environmental, Social and Governance Committee

> "As a Committee, safety has been in sharp focus and the Committee will continue to monitor and challenge its management, as part of our commitment to remain at the forefront of our industry."

Chair's introduction

I am pleased to set out the work of the Environmental, Social and Governance Committee ('the Committee') for the year. The key role of the Committee is to oversee the strategy for environmental, social and governance ('ESG') matters, including the implementation of that strategy by management, to review the Group's exposure to ESG risks and monitor performance against ESG targets. Further details of the Committee's responsibilities are set out in the Terms of Reference which can be found on the Company's website.

The members of the Committee comprise all the Non-Executive Directors. Mohammed Saddiq joined the Committee on 1 January 2024 when he was appointed to the Board as a Non-Executive Director. Attendance of the members is set out on page 94. The Chairman, Chief Executive, Chief Financial Officer, Chief People Officer, Group Legal and Compliance Director and Group Health, Safety & Wellbeing Director also attended the Committee's meetings during the year by invitation. The secretary of the Committee is the Company Secretary.

Health, safety and wellbeing

There has been continued focus on our safety performance. The Group's 12-monthly rolling Accident Incident Rate ('AIR') of 155 represents an increase of 76% compared to 88 in FY23. It equates to 41 RIDDOR reportable incidents in FY24 compared to 22 in FY23. These FY24 figures are an increase on the high-performing benchmark that we achieved last year. As a Committee this has been in sharp focus and actions taken by management to improve our safety performance have included continued implementation of our culture programme, progressing our Safety, Health and Environment Management System ('SHEMS') simplification programme, as well as broadening the roll-out of our behavioural safety programmes. More context on our health, safety and wellbeing performance is set out in the Built by Brilliant People™ report on pages 49 to 50.

Our safety performance is our licence to operate, and the Committee will continue to monitor and challenge its management, as part of our commitment to remain at the forefront of our industry in this area.

We also looked to enhance our employee wellbeing programmes. We invest in our people's health and wellbeing to ensure they stay healthy, and feel energised, valued and supported at work, which, in turn, drives strong business performance, including our safety performance. The Committee received updates on activities designed to strengthen such support programmes. Further information on our wellbeing programmes are explained in the Built by Brilliant People™ report.

Building for a Sustainable World

As reported last year, a double materiality assessment was carried out in FY23, which informed our evolved Building for a Sustainable World framework. The framework has three strategic pillars – Our People, Our Places and Our Planet. As part of this framework, our climate action (including carbon) milestone plan was approved, setting out the key activities and timelines to reach our long-term carbon targets.

During the year, the Committee monitored inclusion of enhanced sustainability disclosures, progress against targets set in previous years, and the development of milestone plans for remaining topics under each of the three pillars, which included the following:

- approval of milestone plan for social value;
- approval of milestone plan on ethical labour;
- approval of milestone plan on resource efficiency and the target of achieving a 20% reduction in tonnes of waste per £m of revenue by 2028; and
- carrying out a deep dive into nature and biodiversity, enabling the Committee to gain understanding of the upcoming change in legislation and its impact on Kier's operations and how we work with clients.

As part of the approval of the milestone plans, the Committee reviewed each of the respective topics to understand the context, purpose, objective, risks and opportunities.

The Committee also received updates on how Kier is supporting our clients, such as the UK Government and regulated companies, with meeting their decarbonisation targets such as by delivering buildings which are net zero in operations and infrastructure resilient to the impacts of climate change.

Our Scope 1, 2 & 3 carbon targets were validated by the Science Based Targets Initiative ('SBTi') during the year. The Committee recognises this significant achievement for the businesses and it gives assurance to both the Committee and the broader stakeholders that our carbon targets are aligned to limit global warming to 1.5°C and achieving net zero emissions. We continued to reduce our carbon footprint during the year with Scope 1 & 2 emissions falling by 9% and Scope 3 emissions by 13%.

Last year, the Committee recommended a carbon target to the Remuneration Committee for inclusion in the Long-Term Incentive Plan ('LTIP') awards (of up to 10% of the performance targets) and following the approval of our Directors' Remuneration Policy by shareholders at the 2023 AGM, this has been implemented in FY24. The Committee has recommended the same carbon reduction target, aligned with SBTi, for LTIP awards to be granted in FY25.

The Committee was kept informed of our work in our communities, for example our annual fund-raising event Moving Through May, and the work of The Kier Foundation, an independent registered charity which supports Kier's charity partner.

For more information on our work on the Building for a Sustainable World framework, progress against our targets and how we create social value, please see pages 36 to 47.

Governance

In addition to the usual updates on activities to ensure compliance with corporate policies, and as reported last year, we performed a review of the effectiveness of the implementation of major corporate policies, with support from external advisors as appropriate. The purpose of this review is to ensure the implementation is 'fit for purpose'. This is a three-year programme. During the year, the outcome of the planned review of Kier's Anti-Bribery and Corruption and Competition Policies was reported. It was concluded that the policies and their implementation remained effective with some recommendations to improve their effectiveness, such as targeted training to operatives.

The Committee has continued its focus on ESG reporting by way of improving consistency and quality of data across each of the business divisions. The ESG reporting manual, which sets out the standards and principles for ESG reporting across Kier to support our disclosures, has been embedded. The next stage is to transition to Rio AI, an enterprise environmental data platform, which will further streamline and enhance the interrogation and reporting of environmental performance at all levels of our business, from project to Group-wide.

During the year, the Committee had a deep dive into the Business Assurance function to gain understanding of its role as the second line of defence in Business Assurance and Operational Compliance and how it fits into the overall internal control framework. This enabled the Committee to assess and manage the risks and opportunities of our business assurance and operational compliance and ensures our systems and processes meet the required UK and international standards.

As explained in the Principal Risks and Uncertainties report, the 'Climate Change' principal risk was replaced with the 'Sustainability' principal risk 'failure to identify and effectively manage sustainability risks and opportunities' which incorporates climate change and environmental incidents and aligns with Kier's Building for a Sustainable World strategy.

External rating agencies and reporting

Our approach to external rating agencies of our ESG performance was also reviewed and streamlined to ensure Kier discloses relevant, key information to our stakeholders. Their opinions inform our approach to strengthening our management of ESG risks and opportunities and support us in developing our disclosures in future reporting years. We also achieved the London Stock Exchange's Green Economy Mark during FY24.

A high-level summary of our ESG performance reported by external rating agencies during FY24 is available on our website.

Annual evaluation

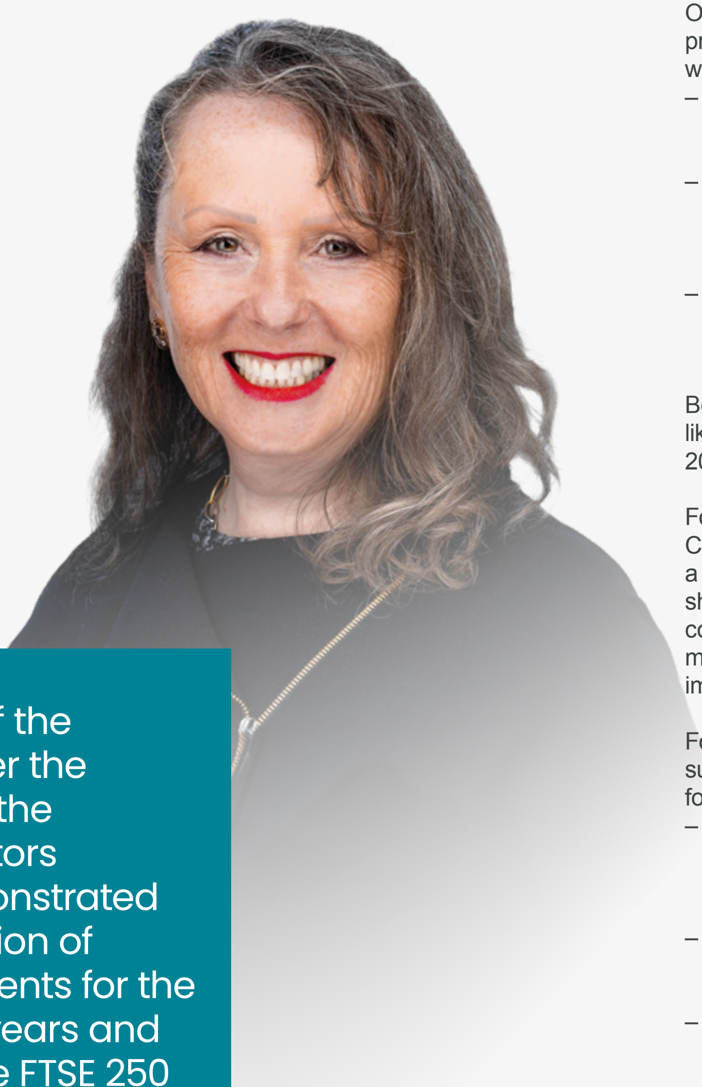
This year's evaluation was externally facilitated by Clare Chalmers Limited as part of the Board evaluation. Details of this process are set out on page 94. The outcome of this evaluation concluded that the Committee continues to be effective and has settled well following the establishment of an extended remit three years ago. To enhance its effectiveness, the Committee will continue to liaise with other Board Committee Chairs to ensure complete coverage of relevant matters and to avoid overlapping of remit.

Looking forward

For the coming year, the Committee will continue to focus on our ESG performance, monitoring safety performance and progress against the various milestone plans as described above.

Alison Atkinson
Chair of the ESG Committee

Directors' Remuneration report



Margaret Hassall
Chair of the
Remuneration Committee

" The strength of performance of the Company under the stewardship of the executive directors has been demonstrated by the resumption of dividend payments for the first time in six years and our return to the FTSE 250 after five years."

Chair's introduction

On behalf of the Board, I am pleased to present the Directors' Remuneration report which is divided into three principal sections:

– my annual statement, which summarises the Committee's activities and decisions during the year;
– the annual report on remuneration, which provides details of the remuneration paid to the Board in FY24 and to be paid in FY25; and
– a summary of the Directors' Remuneration Policy (the 'Policy') which was approved at the 2023 AGM.

Before I report on the latter two items, I would like to start my statement by responding to the 2023 AGM vote on the Policy.

Following the AGM, the Remuneration Committee ('the Committee') undertook a further engagement exercise. Our major shareholders that had supported the Policy continued to express their support for the management team and the Committee's implementation of the new Policy.

For those shareholders who did not support the Policy, the primary reasons for opposition were:

– the increase in the annual bonus opportunity from 125% to 150% of salary for the Chief Executive ('CEO') and Chief Financial Officer ('CFO');
– the formalisation of the regular Long Term Incentive Plan ('LTIP') awards being set at 175% of salary for the CEO and CFO; and
– the appropriateness of the benchmarking peer group and its influence on decision making.

That said, it was evident from these follow-up conversations that shareholders continued to fully support Kier's strategy and there was a clear recognition of the importance of retaining and incentivising the CEO and CFO as we deliver on our medium-term value creation plan ('MTVCP').

The past two and a half years have seen the Group achieve significant operational and financial progress (as set out in the FY24 Group performance section below). During the consultation, we reconfirmed our commitment to shareholders that the additional opportunity under the bonus plan would be achieved only if the Executive Directors ('the Executives') accelerated delivery of the MTVCP and achieved truly stretching performance significantly above previous expectations.

On the formalisation of the LTIP award level, we appreciate that this was not set out as clearly as it should have been in earlier annual reports and should have been clarified at the time of the previous policy review in 2020. Granting awards at 175% of salary was not an increase and simply reflects the normal award levels that were agreed at the time the CEO and CFO were appointed in 2019. Since the award level was not a change to the previous approach, and given the strong support demonstrated for the Directors' Remuneration report, the Committee considered it appropriate to continue with the grant of the awards shortly after the AGM.

The performance targets applying to these 2023 awards, which were disclosed on our website at the time of grant and which are set out on page 121, show significant growth in the financial targets (EPS and cash flow) vs the range set for the 2022 awards. The 2023 awards were granted at a share price of 99.2p, being the three-month average share price prior to the time of grant and ahead of the 2021 capital raise issue price (85p).

The Committee notes the concerns raised by shareholders previously about the share price at which the 2022 LTIP award was made and, consistent with our usual practice, we will make an assessment prior to vesting to ascertain whether any windfall gains have arisen and whether Committee discretion should be applied to moderate the outcome.

In determining the appropriate level of variable pay for the Executives, the primary consideration for the Committee was implementing a framework that would continue to drive positive outcomes for shareholders. The strength of performance of the Company under the stewardship of the Executives has been demonstrated by the resumption of dividend payments for the first time in six years and our return to the FTSE 250 after five years.

Although benchmarking was used as a reference point in determining changes to the Policy, it was not the primary consideration in determining any increase. The Committee considered a range of factors when reviewing the incentive opportunity and total remuneration packages for the Executives, including (i) Kier's recent performance, showing demonstrable progress against the MTVCP, and (ii) the performance of the CEO and CFO since their appointment, and their criticality to the completion of Kier's turnaround.

The Committee intends to continue with a tailored peer group as the primary reference for benchmarking pay. The tailored peer group currently comprises Babcock, Balfour Beatty, Capita, Costain, Galliford Try, Mitie, Morgan Sindall and Serco, being companies directly competing with Kier and/or with similar levels of operational complexity. This is consistent with the group that has been used since 2021. The Committee considers this group to be an accurate reflection of the scope and complexity of Kier's operations, as well as the market in which we compete for talent. The Committee recognises that some companies in the peer group are larger than Kier, and we have therefore size-adjusted the pay data to take into account Kier's relative revenue and headcount.

The Committee remains of the view that the positioning of the Policy is appropriate given the calibre and experience of the Directors and the emphasis, in the Policy, on performance related pay, aligning with shareholder and stakeholder interests over the longer term.

No changes have been made to the implementation of the Policy for FY25, but the Committee will continue to ensure that there is clear alignment between pay and performance and has improved the disclosures given in this annual report in this regard, to explain the remuneration outcomes delivered under the new Policy.

FY24 Group performance

The Group has delivered a further year of strong operational and cash performance, with material debt reduction, as it moves towards the completion of the MTVCP. This has included:

- A year-end order book that has increased by 7% to £10.8bn (£10.1bn in FY23)
- 14% increase in adjusted operating profit ('AOP') to £150.2m (£131.5m in FY23)
- A year-end net cash position of £167.2m (£64.1m in FY23)
- Average month end net debt of £(116.1)m which is significantly lower than £(232.1)m in FY23
- Operating free cash flow of £217.1m (£170.6m in FY23)
- Adjusted Earnings Per Share ('EPS') increasing to 20.6p (19.2p in FY23).

The Committee has been carefully monitoring progress against the MTVCP, and is pleased with the progress made as set out in the table below.

Employee experience

Improvements were made to the benefits for employees across the Group during the year and these are set out on page 116.

The Group's Reward & Employee Benefits Forum provides direct employee engagement on new or amended workforce policies, reward, benefits and pensions initiatives. It enables feedback to be received on the range of benefits available to employees, their accessibility and how they are communicated to our diverse workforce.

I attended the Forum and had the opportunity to discuss the implementation of the new Policy, how we engage with our shareholders and the 2023 AGM process with representatives from across the different business areas and the Group's inclusivity networks. We discussed the Committee's approach to the governance of executive pay and how the Policy aligns with our strategy. I was pleased with the positive engagement with the representatives at the meeting.

Over 1,500 employees that participated in the Group's January 2021 Sharesave which matured during FY24 benefited from the share price appreciation and received a significant increase in value to their savings. See page 116 for more information.

Medium-term value creation plan targets	Progress to date
Annual revenue c.£4.0bn–£4.5bn	– FY24: Annual revenue of £4.0bn – FY23: £3.4bn
Adjusted operating margin c.3.5%	– FY24: Margin of 3.8% – FY23: 3.9%
Cash flow conversion of operating profit c.90%	– FY24: Adjusted free cash flow conversion: 145% – FY23: 130%
Balance sheet: sustainable net cash position with capacity to invest	– FY24: Average month-end net debt £(116.1)m – FY23: £(232.1)m
Sustainable dividend policy: c.3x earnings cover through the cycle	– A dividend of 5.15p per share being paid for FY24

Shareholder experience

During FY24, dividend payments recommenced with an interim payment of 1.67p per share paid in May 2024 and a final dividend of 3.48p to be paid in November, subject to approval at the 2024 AGM.

Our share price increased from 75p at the end of FY23 to 132p at the end of FY24 and in March 2024 we returned to the FTSE 250 for the first time in five years.

FY24 outcomes

Annual bonus

The FY24 annual bonus targets related to AOP, average month end net debt, health and safety and personal objectives.

AOP

40% of the FY24 bonus was based on AOP. When setting the performance range, the Committee was keen to reward (i) progression on our objectives under the MTVCP, (ii) growth over the prior year, and (iii) outperformance of market consensus at the time the targets were set.

Threshold	£135.0m	The minimum pay out under the bonus required delivering £3.5m above FY23 actual.
On-target	£141.9m	The on-target pay out required outperformance of analyst consensus at the time the target was set.
Maximum	£153.0m	Full pay out required over 16% growth on FY23 actual, and 8% outperformance of the analyst consensus at the time the target was set.

The AOP achieved was £150.2m, equivalent to growth of 14% over FY23 and ahead of the growth observed for the same period amongst Kier's immediate construction peers.

The Committee considered the impact on the formulaic outcomes for both the AOP and average month end net debt targets from the acquisition of the rail assets of Buckingham Group Contracting Limited during the financial year. The Committee exercised its discretion to reduce the AOP achievement by £1m to £149.2m for which the payout was 33.2% of the 40% opportunity for this element of the annual bonus.

Group average month end net debt

40% of the FY24 annual bonus was based on average month end net debt. Threshold (£(155.0)m) required a material improvement on the FY23 position. On-target (£(135.0)m) was set in line with consensus at the time the target was set. Maximum (£(115.0)m) required considerable acceleration in achieving the objectives of the MTVCP.

The average month end net debt achieved was £(116.1)m.

The Committee considered the formulaic outcome a fair representation of underlying performance and payout was determined as 38.9% of the 40% opportunity for this element.

Health and safety

The safety target required an Accident Incident Rate ('AIR') result of 84, which was a 5% reduction on the previous year's result, for threshold achievement and an AIR of 79 or less, which was a 10% reduction on the previous year's result, for maximum achievement. The threshold level was not met and therefore no payment was made for this element.

Health and safety is our license to operate and remains a key operational focus at Kier. Actions have been taken by management to improve our safety performance including the roll out of our culture programme during FY24. This includes our nine healthy behaviours which form the basis of our culture and complement our safety specific behavioural training which is being rolled out across our projects. These programmes have been designed to bring positive health, safety and wellbeing approaches into our operations, and apply to all personnel, including our supply chain. They sit alongside our existing policies and procedures. More context on our health, safety and wellbeing performance is set out in the Built by Brilliant People™ report on pages 48 to 54.

Personal objectives

10% of the FY24 annual bonus was based on the achievement of personal objectives.

The personal objectives for the Executives included rolling out and embedding the culture programme and driving improvement via a balanced scorecard of financial and operational business measures.

The Committee reviewed the extent to which the Executives had satisfied their personal objectives and this is set out in detail on page 118. The employee engagement target that we had set had been achieved and progress against the KPIs in the balanced scorecard was strong. The Committee considered the strong foundations upon which the recent financial success has been built and concluded that this was the result of consistent focus by the Executives across a range of metrics. After due consideration, the Committee was supportive of full payment for this element of the bonus plan.

In light of the business and stakeholder context set out above, the Committee believes the overall bonus outcome of 82.1% of maximum opportunity is fair and appropriate. The FY24 bonuses will be delivered two-thirds in cash and one-third will be awarded in shares which will not be released until a three-year holding period is complete.

Further detail on the FY24 annual bonus outcome can be found on page 118.

2021 LTIP award

The targets for the 2021 LTIP award were adjusted EPS, with a weighting of 50%, total shareholder return ('TSR') with a weighting of 25% and adjusted free cash flow ('FCF') conversion with a weighting of 25%.

The targets were set at the start of the MTVCP and demanded significant improvement in EPS by FY24 of over 23% from the FY21 position, and an average adjusted free cash flow conversion of 95% to achieve maximum pay-out. In addition Kier's TSR needed to match or outperform the FTSE 250 (excluding investment trusts).

Actual adjusted EPS performance in FY24 was 20.6p resulting in 48.75% of the 50% opportunity for this element vesting. TSR was above upper quartile and average adjusted free cash flow conversion was 123.3%, resulting in both of these elements vesting in full.

When considering the LTIP vesting outcomes, the Committee recognised the significant improvements that have been made to the Group's financial position during the three-year performance period and the substantial delivery against all elements of the MTVCP since 2021.

The Committee considered the grant price of the 2021 LTIP award (108.4p) in the context of the award price for the prior year 2020 LTIP (78p) and the share price at the time of assessing the vesting level, and was satisfied that no adjustments were required for windfall gains.

The Committee was further satisfied that (i) the vast majority of the vest-date value of the 2021 LTIP award was attributable to strong performance leading to a high vesting percentage, with only c.20% attributable to share price gain; (ii) the high vesting of the financial components of the award indicated strong underlying company performance; and (iii) that the overall pay outcome for the CEO and CFO for FY24 was appropriate in the context of this strong performance. A final assessment will be made at the vest date in October.

Consequently, the 2021 LTIP award will vest at 98.75% of maximum opportunity which the Committee considers to be a fair representation of management performance over the period. The net shares vesting will be subject to a two-year holding period before being made available to the Executives. Further detail on the vesting can be found on page 119.

Looking forward – FY25

Base salary

The Committee decided that the CEO and CFO would receive a salary increase of 3.75%, which is lower than the average 4% increase that will be applied to the majority of the wider workforce. The increases will be effective from the normal review date of 1 October 2024.

Annual bonus

The maximum bonus opportunity for the CEO and CFO is unchanged at 150% of base salary.

The FY25 bonus targets will continue to be based on AOP (40%), average month end net debt (40%), Group health and safety (10%) and personal objectives (10%). The Committee has considered a range of factors to ensure targets are stretching. Significant outperformance will be required to achieve maximum pay out.

Full details of the performance targets will be provided in the 2025 Directors' Remuneration report.

LTIP awards

The LTIP award level is unchanged at 175% of base salary for the CEO and CFO.

The 2024 LTIP grant will use a grant price of the three-month average share price leading up to the date of grant. The performance conditions will continue to be EPS (40%), TSR outperformance (25%), FCF (25%) and reductions in the Group's Scope 1 & 2 carbon emissions (10%). The targets are set out on page 128.

Board appointment

As referenced in the Chairman's statement on page 6, Stuart Togwell will be joining the Board as an Executive Director with effect from 1 October 2024. His remuneration arrangements will be in line with the approved Policy.

As Committee Chair, I would like to reiterate my appreciation for the valuable feedback from shareholders and I hope to receive your support for the 2024 Directors' Remuneration report at the AGM in November.

Margaret Hassall
Chair of the Remuneration Committee

Remuneration at a glance

Approach to remuneration at Kier

Align with strategy and incentivise and reward performance:
Over two-thirds of the Executives' maximum remuneration opportunity is variable and relates to the Group's performance against its strategic priorities.

Align Executives' interests with those of shareholders:
Approximately half of the Executives' maximum remuneration opportunity is satisfied in shares and the Executives are encouraged to build up shareholdings in the Company of 200% of base salary over a period of up to five years.

Support the delivery of the Group's strategy and promote its long-term success:
To achieve this aim, the Group needs to attract and retain talented management. The Committee therefore considers practices in comparable businesses to ensure that remuneration at Kier remains competitive, enabling it to attract and retain talented individuals, but without paying more than is necessary.

Remuneration framework

There are three elements to the framework for the Executives' remuneration:

Fixed element

Comprises base salary, taxable benefits (private health insurance and a company car or car allowance) and pension contributions.

Short-term element

An annual bonus, which incentivises and rewards the delivery of a balanced selection of financial and non-financial targets in a financial year, with payments being satisfied in cash (two-thirds), which are subject to clawback, and shares (one-third), which are deferred for three years and subject to malus.

Long-term element

Performance share awards which incentivise and reward the delivery of sustainable, long-term performance and align executives with the interests of shareholders. Shares vest after three years subject to the achievement of a scorecard of financial, TSR and ESG-based measures. Shares (net of tax) must be held for a further two years post-vesting and remain subject to clawback.

Strategic alignment of remuneration

For the Executives and senior management, a significant part of the total remuneration opportunity is performance related, and the performance targets are directly linked to the delivery of the Group's strategy and long-term returns. The following table illustrates how that is achieved:

Strategic actions

Sustainable growth	Consistent and safe delivery	Generate cash

Medium-term value creation plan

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

How strategy links to remuneration

Annual bonus targets for FY25

Adjusted operating profit	Average month end net debt	Health, safety & wellbeing	Personal objectives
40%	40%	10%	10%

LTIP performance conditions for FY25

Group adjusted earnings per share	Group free cash flow	Total shareholder return	Carbon emissions reduction
40%	25%	25%	10%

Remuneration at a glance continued

Target setting and determining incentive outcomes

Strategic measure selection

Measures are strategic, taking into account budget and long-term forecasts

FY24 annual bonus:
Metrics included Group AOP (40%), average month end net debt (40%), Accident Incident Rate (AIR) (10%) and personal objectives (10%).

The financial targets were directly linked to the Group's strategic priorities and to the achievement of the MTVCP.

The non-financial targets reflected the priorities around health and safety performance, employee engagement and delivery of KPIs measured through a balanced scorecard.

2021 LTIP:
Metrics included adjusted EPS (50%), TSR (25%) and adjusted FCF (25%).

When the Committee selected performance metrics in 2021, the Group's turnaround was in progress but profitability and cash generation remained of primary importance and consequently long-term performance in these key areas was prioritised.

Set stretching targets

The Committee considers a range of factors to ensure targets are stretching

We take into account the MTVCP, the annual budget, analysts' forecasts (consensus), economic conditions that impact revenue or margin including cost inflation, individuals' areas of responsibilities and the Board's expectations over the relevant period.

Significant outperformance of target is required to achieve maximum pay out.

Take account of wider circumstances

The Committee takes a big picture approach

The Committee believes that the range of measures used to drive the annual bonus and LTIP ensures performance is assessed using a balanced and strategic approach. The Committee also considers the wider workforce remuneration and policies when making decisions on executive remuneration.

Given the Group's performance and wider operational achievements, and after considering the potential for windfall gains arising on the LTIP vesting, the Committee is satisfied that the FY24 bonus and 2021 LTIP outcomes represent a fair reward for performance delivered.

Apply discretion if required

Depending on circumstances, the Committee may exercise judgement in determining the level of achievement

The Committee has full discretion to override formulaic outcomes. Deferred shares and unvested LTIP awards are subject to a 'malus' provision during the three-year deferral/performance period. This allows the Committee to apply a reduction in certain circumstances including a material misstatement of the Group's financial statements, a material error in determining the satisfaction of a performance condition, a participant deliberately misleading the Company, the market and/or shareholders, material reputational damage to the Group, gross misconduct and any other circumstances similar in nature.

Clawback applies to the cash element of the annual bonus and the two-year holding period which applies to LTIP awards post-vesting. The circumstances in which clawback applies are the same (or substantially the same) as for malus. The Committee has the right to apply the malus and clawback on an individual or on a collective basis.

The Committee exercised its discretion in the year to reduce the formulaic out-turn under the adjusted operating profit measure in the annual bonus to reflect the impact of the acquisition of the rail assets of Buckingham Group (which was completed after the targets were originally set).

Remuneration at a glance continued

Summary of the Executive Directors' FY24 remuneration outcome

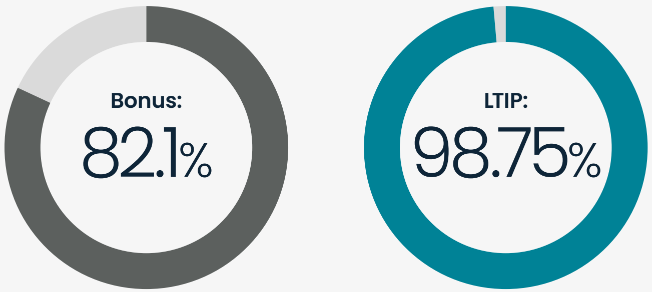
FY24 bonus performance:

Group AOP:
£149.2m (83% of max)
Average month end net debt:
£(116.1m) (97.3% of max)
Reduction in Group's Accident Incident Rate: 0%
Personal objectives:
100% achieved

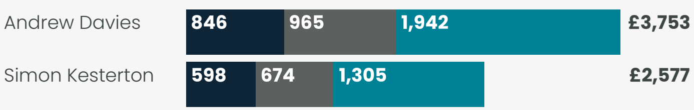
2021 LTIP performance:

Adjusted EPS:
20.6p (97.5% of max)
Relative TSR against FTSE 250:
above upper quartile
(100% of max)
Adjusted Free Cash Flow:
123.3% (100% of max)

Pay-out as a % of max
(both Executives)



FY24 Remuneration
(£000s)



Summary of the Executive Directors' FY25 remuneration framework

Base salary:

Andrew Davies (CEO): £813,141 (+3.75%)
Simon Kesterton (CFO): £568,153 (+3.75%)
Effective 1 October 2024

Annual bonus:

Maximum: 150% of salary
Targets: Group AOP (40%), average month end net debt (40%), Group safety performance (10%) and personal objectives (10%)

LTIP:

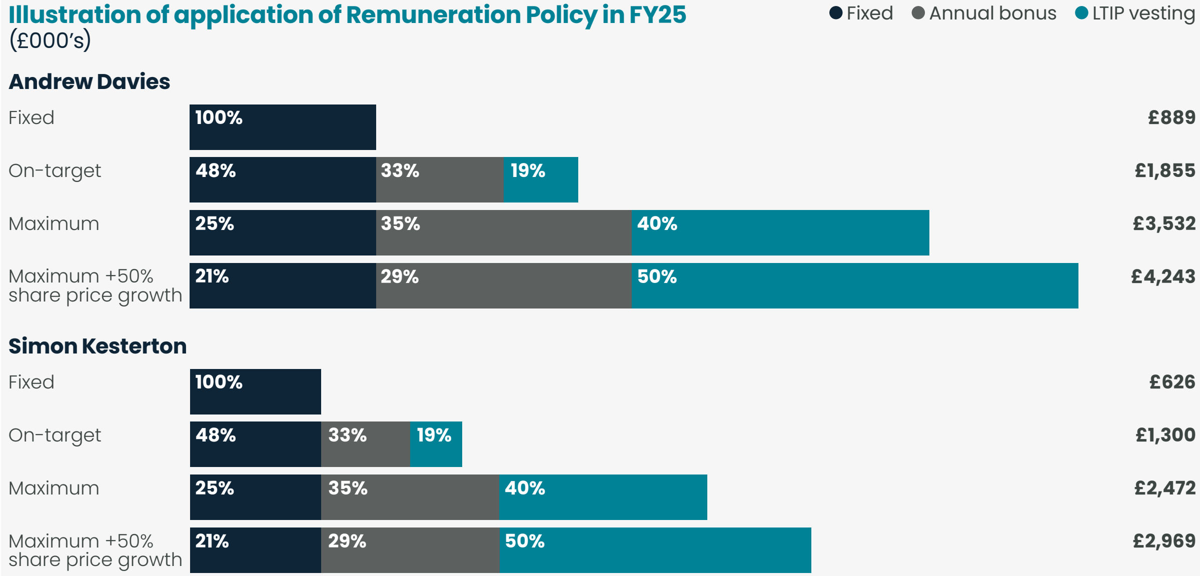
Maximum: 175% of salary
Targets: EPS (40%), FCF (25%), TSR (25%), carbon emission reduction (10%)

Pension:

7.5% of base salary

Illustration of application of Remuneration Policy in FY25

(£000's)



1. 'Fixed' remuneration comprises base salary, taxable benefits and a pension contribution/cash allowance.
2. The 'on-target' remuneration assumes an annual bonus payment of 50% of the maximum opportunity (150% of base salary) and a 'threshold' LTIP vesting of 25% of the maximum opportunity (175% of base salary).
3. The 'maximum' remuneration assumes maximum performance is achieved and therefore awards under the annual bonus and the LTIP pay out or vest at their maximum levels.
4. The 'maximum +50% share price growth' assumes maximum performance is achieved and therefore the annual bonus pays out and the LTIP awards vest at their maximum levels and at a share price which is 50% higher than the share price on the date of grant.
5. No dividend equivalents are included and no value is assumed for participation in the Save As You Earn or the Share Incentive Plan.

Remuneration at a glance continued

Alignment between executive and employee pay

Element of remuneration		All employees	Executive Directors
Salary		Pay review boundaries approved by the Committee	Increases typically in line with average awarded to wider workforce
Annual Bonus	Participants	9.2% of employees	CEO and CFO
	Opportunity	Grade related (between 10%–100% of salary)	150% of salary
	Measures	Profit; average month end net debt; health & safety	Profit; average month end net debt; health & safety; personal objectives
	Deferral	Executive Committee: 25% of net bonus deferred for 3 years	33% of net bonus deferred for 3 years (40% if share ownership guidelines not met)
LTIP	Participants	Leadership and strategic senior managers	CEO and CFO
	Opportunity	Grade related (between 25%–75% of salary)	175% of base salary
	Measures	EPS; shareholder return; cash flow; carbon emissions	EPS; shareholder return; cash flow; carbon emissions
	Performance Period	3 years	3 years
	Holding Period	n/a	2 years
Pension		7.5% of base salary	7.5% of base salary
All-employee plans	Sharesave	Max: £6,000 p.a. (3 year saving period)	Max: £6,000 p.a. (3 year saving period)
	Share Incentive Plan	Max: £1,800 p.a. (Group funded matching shares provided on 1:2 basis)	Max: £1,800 p.a. (Group funded matching shares provided on 1:2 basis)

Employee benefits

Benefits and support are critical to the Group attracting and retaining a diverse, motivated workforce

During FY24, the Group continued to review and improve employee policies, benefits and wellbeing initiatives. The outcome included enhancements to the service recognition scheme, with awards available for five years of service and an increase to car allowances (excluding Executives). In addition, a workplace adjustments policy was introduced to support employees returning to the business following, for example, periods of short-term illness and pregnancy.

In addition to the annual pay review, over 1,000 employees received an enhanced pay increase in January 2024 when the Real Living Wage increased by an average of 7.3%.

All employees have the opportunity to participate in two tax-efficient share plans. During FY24, 1,500 employees participating in the Sharesave scheme which launched in 2021 benefited from the increase in the Group's share price over the last three years. Employees exercising their share options at the scheme's maturity in April 2024, made an average gain of £3,113.

Annual report on remuneration

Directors' remuneration for the 2024 financial year (audited)

The following table provides details of the Directors' remuneration for the 2024 financial year, together with their remuneration for the 2023 financial year.

	Fixed Pay								Variable Pay						Total	
	Salary/fee (£000)		Taxable benefits[1] (£000)		Pension[2] (£000)		Total fixed pay (£000)		Bonus (£000)		LTIP vesting (£000)		Total variable pay (£000)		Total (£000)	
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023	**2024[3]**	2023	**2024[4]**	2023[5]	**2024**	2023[5]	**2024**	2023[5]
Executive Directors																
Andrew Davies	**773**	750	**15**	15	**58**	56	**846**	821	**965**	855	**1,942**	658	**2,907**	1,513	**3,753**	2,334
Simon Kesterton	**542**	519	**15**	15	**41**	39	**598**	573	**674**	597	**1,305**	536	**1,979**	1,133	**2,577**	1,706
Non-Executive Directors[6]																
Alison Atkinson	**69**	69	**–**	–	**–**	–	**69**	69	**–**	–	**–**	–	**–**		**69**	69
Justin Atkinson	**69**	69	**–**	–	**–**	–	**69**	69	**–**	–	**–**	–	**–**		**69**	69
Chris Browne	**57**	48	**–**	–	**–**	–	**57**	48	**–**	–	**–**	–	**–**	–	**57**	48
Margaret Hassall	**77**	19	**–**	–	**–**	–	**77**	19	**–**	–	**–**	–	**–**	–	**77**	19
Matthew Lester	**248**	235	**–**	–	**–**	–	**248**	235	**–**	–	**–**	–	**–**		**248**	235
Mohammed Saddiq[6]	**29**	–	**–**	–	**–**	–	**29**	–	**–**	–	**–**	–	**–**		**29**	–
Clive Watson	**69**	69	**–**	–	**–**	–	**69**	69	**–**	–	**–**	–	**–**		**69**	69
Total	**1,933**	1,778	**30**	30	**99**	95	**2,062**	1,903	**1,639**	1,452	**3,247**	1,194	**4,886**	2,646	**6,948**	4,549

All figures in the above table have been rounded to the nearest £1,000.

1. Comprises private health insurance and a company car or a car allowance.
2. Comprises the payment of employer pension contributions and/or a cash allowance.
3. 33% of the total net bonus payment will be deferred into shares for three years.
4. The estimated value of the LTIP award that was granted in respect of the 2022–24 performance period is included in the table above, based on a share price of 137p (the three-month average share price for the period ending 30 June 2024). The award will vest in October 2024 and the shares will then be subject to a two-year holding period. For Andrew Davies, £390,809 of the estimated value of the LTIP is attributable to share price growth and dividend equivalents of £70,000 have been included. For Simon Kesterton, £262,561 of the estimated value of the LTIP is attributable to share price growth and dividend equivalents of £47,000 have been included.
5. The figures in these columns have been restated, compared to the estimated values included in the 2023 Annual Report, to reflect the Company's share price on the vesting date for the 2020 LTIP award of 105p.
6. All the Non-Executive Directors were members of the Remuneration Committee for the 2024 financial year other than Mohammed Saddiq who joined the Board on 1 January 2024.

Notes to the Table

Pension entitlements (audited)

The Executive Directors are eligible to participate in the Kier Retirement Savings Plan, a defined contribution plan. The employer pension contributions are aligned with those made available to the majority of the workforce. The contributions payable to the Executive Directors are subject to the annual allowance, with the balance being payable as a cash allowance. Cash allowances are subject to tax and national insurance deductions and are excluded when determining annual bonus and long-term incentive arrangements.

The pension contributions paid on behalf of, and the cash allowances paid to, the Executive Directors in respect of the 2024 financial year were:

Director	Employer pension contribution	Pension contribution	Cash allowance	Total
Andrew Davies	7.5% of salary	–	£57,938	£57,938
Simon Kesterton	7.5% of salary	–	£40,629	£40,629

Annual report on remuneration continued

Annual bonus – 2024 financial year (audited)

Details of the annual bonus target setting process are set out on page 114. Bonus outcomes for the Executive Directors in respect of the 2024 financial year were:

Financial performance (weighting: 80%)

Target	Weighting	Threshold[1]	Target[1]	Maximum[1]	Actual performance	Actual performance as a % of bonus element
Group adjusted operating profit ('AOP')[2]	40%	£135.0m	£141.9m	£153.0m	£149.2m	33.2%
Group average month end net debt	40%	£(155.0)m	£(135.0)m	£(115.0)m	£(116.1)m	38.9%

1. Bonus payment opportunity was 0% for threshold performance, 50% for target performance and 100% for maximum performance.
2. The AOP actual performance was reduced by £1m from £150.2m to reflect a deduction in respect of the impact on the targets from the acquisition of the rail assets from the Buckingham Group Contracting Limited. Please see below for further information.

Health, Safety & Wellbeing (weighting: 10%)

Target	Weighting	Threshold	Maximum	Actual performance	Actual performance as a % of bonus element
Reduction in the Group's Accident Incident Rate ('AIR')[1]	10%	84	79	155	0%

1. Bonus payment opportunity was 50% for threshold performance (a reduction of 5% on the FY23 AIR) and 100% for maximum performance (a reduction of 10% on the FY23 AIR). Further information is set out on page 111.

Personal objectives (weighting: 10%)

A maximum of 10% of the total bonus opportunity is related to the satisfaction of personal objectives as determined by the Committee. The Committee assessed performance against those objectives as follows:

	Strategic priority	Summary of objectives set	Summary of performance achieved	Determination	Actual performance as a % of bonus element
Andrew Davies Simon Kesterton	Performance Excellence	Roll-out and embed the culture programme with employee engagement (positive emotions) score of 67%. Drive improvement via the balanced scorecard which measures key metrics around people, responsible business, customer and operational, and commercial and financial performance. The balanced scorecard is reviewed and discussed by the Board on a quarterly basis.	Roll-out of culture programme completed and moving into sustain phase. The employee survey that was focused on culture achieved an employee engagement (positive emotions) score of 68%. The weighted average score across all surveys undertaken in FY24 was 67%. The balanced scorecard for FY24 indicated improved performance in the four key areas. Specific measures to support the improvement in the metrics relating to people, responsible business, customer and operational, and commercial financial performance were: – reduction in the voluntary attrition rate; – increase in added social value (Thrive); – increase in female representation; – increase in customer satisfaction ('NPS'); and – digital adoption – use of Your Kier % increase.	Fully Achieved	10%

Annual report on remuneration continued

Total outcome of annual bonus

As referenced on page 111, the Committee considered the impact on the formulaic outcomes for both the AOP and average month end net debt targets from the acquisition of the rail assets from the Buckingham Group Contracting Limited during the financial year. As a result, the Committee exercised its discretion to reduce the AOP achievement by £1m to £149.2m.

Director	Bonus payable as % of opportunity	Maximum opportunity as % of salary	Bonus payable as % of salary	Total bonus
Andrew Davies	82.1%	150%	123.15%	£965,188
Simon Kesterton	82.1%	150%	123.15%	£674,390

In accordance with the approved Remuneration Policy, 33% of the net bonus payments will be deferred into shares which will be held for three years.

LTIP award – performance period ended 30 June 2024 (audited)

The three-year performance period for the LTIP award granted in 2021 ended on 30 June 2024. Achievement against the performance conditions for the LTIP award was as follows:

Performance Conditions	Weighting	Targets	Actual performance	Level of vesting as % of target[1]	Level of vesting as % of opportunity
Adjusted Earnings Per Share[2]	50%	0% vesting if less than 17.7p 25% vesting if equal to 17.7p 100% vesting if 20.7p or above Straight-line vesting between these points	20.6p	97.5%	48.75%
Total Shareholder Return vs FTSE 250 excluding investment trusts	25%	0% vesting for below median performance 25% vesting for at median 100% vesting for upper quartile or above Straight-line vesting between these points	Above upper quartile	100%	25%
Adjusted Free Cash Flow Conversion	25%	0% vesting if less than 68% 25% vesting if equal to 68% 100% vesting if 95% or above Straight-line vesting between these points	123.3%	100%	25%
Total					98.75%

1. Expressed as a percentage of maximum opportunity.
2. For the financial year ended 30 June 2024.

Annual report on remuneration continued

The vesting of these awards will result in the allocation of the following number of shares:

Director	Estimated number of shares due to vest[1,2]	Value[3]
Andrew Davies	1,417,833	£1,942,431
Simon Kesterton	952,556	£1,305,003

1. The vesting date is 28 October 2024.
2. Gross number of shares vesting including an estimate of the additional shares to be added at vesting from dividend equivalents. Following vest, the shares are subject to a mandatory two-year holding period.
3. The value of the shares has been calculated using the average share price for the three-month period ended 30 June 2024 which was 137p.

The Committee considered the grant price of the 2021 LTIP award (108.4p) in the context of the award price for the prior-year 2020 LTIP (78p) and the share price at the time of assessing the vesting level, and was satisfied that no adjustments were required for windfall gains. The Committee was further satisfied that (i) the vast majority of the vest-date value of the 2021 LTIP award was attributable to strong performance leading to a high vesting percentage, with only c.20% attributable to share price gain; (ii) the high vesting of the financial components of the award indicated strong underlying company performance; and (iii) that the overall pay outcome for the CEO and CFO for the 2024 financial year was appropriate in the context of this strong performance. A final assessment will be made at the vest date in October.

Share awards granted during the 2024 financial year (audited)

The following share awards were granted to those persons who, during the 2024 financial year, served as a Director:

Award[1]	Basis of award	Director	Shares awarded	Face value[2]	Award for threshold performance	Performance period	Vesting date	Performance measures
LTIP	Percentage of base salary for the year ended 30 June 2024	Andrew Davies	1,382,623	£1,371,562	25%	1 July 2023 – 30 June 2026	17 November 2026	The performance conditions are set out on page 121.
		Simon Kesterton	966,058	£958,330				
Deferred Shares	One-third of the net bonus for the year ended 30 June 2023	Andrew Davies	151,809	£151,050	n/a	n/a	30 October 2026	n/a
		Simon Kesterton	106,070	£105,540				

1. The LTIP awards were granted as conditional awards, based on 175% of base salary. On vesting, the LTIP awards are subject to a two-year mandatory holding period. The deferred shares are Ordinary Shares with a holding period of three years.
2. For the LTIP awards, the face value of the shares has been calculated using the average share price for the three-month period preceding the date of grant, which was 99.2p. For the deferred shares, the face value has been calculated using the share price on 27 October 2023, which was 99.5p.

No persons who, during the 2024 financial year, served as a Director received awards under the Share Incentive Plan.

Annual report on remuneration continued

LTIP 2023 Grant – Performance Conditions (audited)

The performance measures and targets for the LTIP awards that were granted during the 2024 financial year are set out in the table below. The performance period is three years and the awards will, subject to the satisfaction of the performance conditions, vest on the third anniversary of the grant date (17 November 2026). In setting the EPS and FCF targets, the Committee considered a range of internal and external reference points, including the Group's operating and strategic plans, and analyst consensus to reflect market expectations. The targets were aligned with the ambition set out in the Group's medium-term value creation plan.

The EPS target represents a 9% (1.8p) increase at threshold and a 16% (3.6p) increase at maximum compared to the range set for the 2022 LTIP grant. The FCF target is a 9% (£10.3m) increase at threshold and a 14% (£20.4m) increase at maximum compared to the range set for the 2022 LTIP grant.

The Committee has introduced a new performance condition related to the reduction in carbon emissions, based on the Group's Scope 1 & 2 carbon emissions between the FY23 position and the 2030 near-term net zero ambition (as validated by SBTi). This reflects the Group's commitment to become net zero for business operations (Scope 1 & 2).

The Committee is satisfied that the performance targets represent the right balance between incentivising management and alignment with shareholder interests.

Performance Conditions	Weighting	Targets[1]
Adjusted Earnings Per Share[2]	40%	0% vesting for below 21.0p 25% vesting for 21.0p 100% vesting for 26.2p
TSR vs FTSE 250 excluding investment trusts	25%	0% vesting for below median 25% vesting at median 100% vesting for upper quartile
Adjusted Free Cash Flow[2]	25%	0% vesting for below £130.4m 25% vesting for £130.4m 100% vesting for £163m
Reduction in Carbon Emissions[2,3]	10%	0% vesting for above 27,625 tCO_2e 25% vesting at 27,625 tCO_2e 100% vesting for 26,171 tCO_2e or below

1. Straight-line vesting between threshold (25% achievement) and maximum (100% achievement).
2. For the financial year ending 30 June 2026.
3. Measured over the period 1 April 2025–31 March 2026 to align with carbon reporting periods.

Annual report on remuneration continued

Directors' shareholdings and share interests (audited)

The Committee encourages the Executive Directors to build up a shareholding in the Company of at least two years' base salary, to be accumulated over a period of up to five years. Executive Directors are therefore encouraged to retain any shares allocated to them as part of the annual bonus arrangements, and upon the vesting of LTIP awards, until this shareholding level has been reached. The Executive Directors are required to retain shares equal in value to 200% of base salary for a period of two years from the date on which employment is terminated (or if the number of shares owned at such date is less than such value, the shares then owned).

The following table sets out details, as at 30 June 2024, of the shareholdings and share interests of those persons (together with, where relevant, the shareholdings and share interests of their connected persons) who, during the 2024 financial year, served as a Director:

	Shares held			Options held				
As at 30 June 2024	Owned outright or vested[1]	Vested but subject to a holding period[2]	Unvested and subject to performance conditions[3]	Vested but not exercised	Unvested and subject to continued employment[4]	Shareholding guideline (% of salary)	Current shareholding (% of salary)[5]	Guideline met?
Alison Atkinson	10,738	–	–	–	–	n/a	n/a	n/a
Justin Atkinson	89,308	–	–	–	–	n/a	n/a	n/a
Chris Browne	–	–	–	–	–	n/a	n/a	n/a
Andrew Davies	159,275	1,369,307	4,886,741	–	13,625	200%	257%	Yes
Margaret Hassall	18,234	–	–	–	–	n/a	n/a	n/a
Simon Kesterton	159,024	939,848	3,377,245	–	13,625	200%	265%	Yes
Matthew Lester	149,821	–	–	–	–	n/a	n/a	n/a
Mohammed Saddiq	–	–	–	–	–	n/a	n/a	n/a
Clive Watson	83,219	–	–	–	–	n/a	n/a	n/a

1. Comprising shares held legally or beneficially by the relevant Director or their connected persons.
2. Comprising shares allocated following the vesting of LTIP awards (after the payment of tax) and subject to a holding period, and deferred shares allocated to the relevant Director in connection with annual bonuses.
3. Comprising unvested LTIP awards.
4. Comprising options under the Sharesave (SAYE) schemes. See pages 123 and 124.
5. Calculated by reference to (i) shares owned outright or vested by the Director or their connected persons, (ii) deferred shares allocated (on a net of tax basis) in connection with annual bonuses, (iii) shares allocated following vested LTIP awards in the post-vesting holding period using the closing market price of a share in the capital of the Company on 28 June 2024 of £1.32 and (iv) the gross base salaries for the year ended 30 June 2024.

There have been no changes in the interests of the Directors (or their connected persons) in the Ordinary Shares in the capital of the Company since 30 June 2024.

Annual report on remuneration continued

LTIP awards, Deferred Shares and Sharesave options (audited)

The table below summarises the LTIP awards, deferred shares and sharesave options held by the Executive Directors.

Andrew Davies

	As at 30 June 2023	Awards granted during the year	Awards vested during the year	Awards lapsed during the year	Awards exercised during the year	Net shares received after income tax and NIC deduction	**As at 30 June 2024**	Date of grant[1]	Grant price at date of award[2,3]	Market price on date awards exercised	End of performance period[4]	End of holding period[5]
LTIP												
2020	1,154,816	–	1,154,816	527,751	627,065	332,344	**–**	18/12/2020	78.3p	105.0p	30 June 2023	18/12/2025
2021	1,383,763	–	–	–	–	–	**1,383,763**	28/10/2021	108.4p	–	30 June 2024	28/10/2026
2022	2,120,355		–	–	–	–	**2,120,355**	21/10/2022	61.9p	–	30 June 2025	21/10/2027
2023	–	1,382,623	–	–	–	–	**1,382,623**	17/11/2023	99.2p	–	30 June 2026	17/11/2028
Deferred Bonus Shares[6]												
2021	109,092	–	–	–	–	–	**109,092**	29/10/2021	108.4p	–	–	29/10/2024
2022	309,808	–	–	–	–	–	**309,808**	31/10/2022	61.7p	–	–	31/10/2025
2023	–	151,809	–	–	–	–	**151,809**	30/10/2023	99.5p	–	–	30/10/2026
Sharesave[7]												
2021	5,625	–	–	–	–	–	**5,625**	29/10/2021	96p	–	–	–
2022	4,909	–	–	–	–	–	**4,909**	02/11/2022	55p	–	–	–
2023	–	3,091	–	–	–	–	**3,091**	31/10/2023	90p	–	–	–

For notes see page 124.

Annual report on remuneration continued

Simon Kesterton

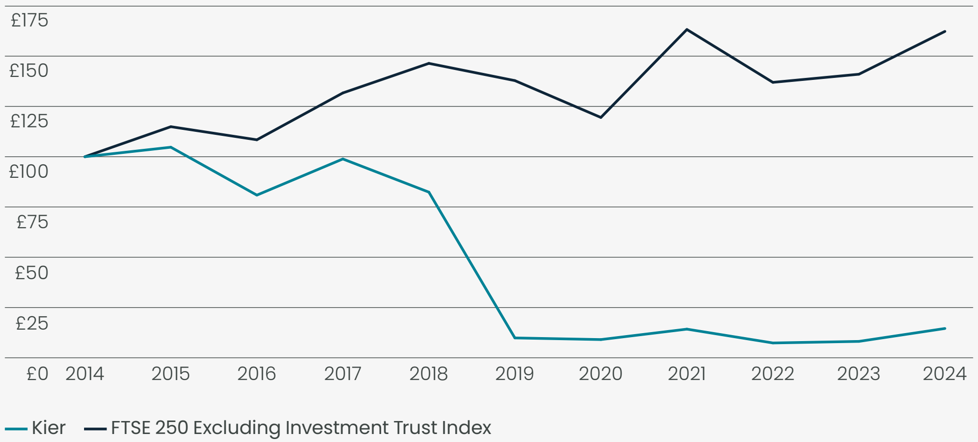
	As at 30 June 2023	Awards granted during the year	Awards vested during the year	Awards lapsed during the year	Awards exercised during the year	Net shares received after income tax and NIC deduction	**As at 30 June 2024**	Date of Grant[1]	Grant price at date of award[2,3]	Market price on date awards exercised	End of Performance Period[4]	End of holding period[5]
LTIP												
2020	940,350	–	940,350	429,740	510,610	270,623	**–**	18/12/2020	78.3p	105.0p	30 June 2023	18/12/2025
2021	929,667	–	–	–	–	–	**929,667**	28/10/2021	108.4p	–	30 June 2024	28/10/2026
2022	1,481,520	–	–	–	–	–	**1,481,520**	21/10/2022	61.9p	–	30 June 2025	21/10/2027
2023	–	966,058	–	–	–	–	**966,058**	17/11/2023	99.2p	–	30 June 2026	17/11/2028
Deferred Bonus Shares[6]												
2021	98,702	–	–	–	–	–	**98,702**	29/10/2021	108.4p	–	–	29/10/2024
2022	138,761	–	–	–	–	–	**138,761**	31/10/2022	61.7p	–	–	31/10/2025
2023	–	106,070	–	–	–	–	**106,070**	30/10/2023	99.5p	–	–	30/10/2026
Sharesave[7]												
2021	5,625	–	–	–	–	–	**5,625**	29/10/2021	96p	–	–	–
2022	4,909	–	–	–	–	–	**4,909**	02/11/2022	55p	–	–	–
2023	–	3,091	–	–	–	–	**3,091**	31/10/2023	90p	–	–	–

1. The LTIP awards vest on the third anniversary of the date of grant and are subject to a two year post-vesting holding period.
2. For LTIP awards and deferred shares, this is the market price of a share from the business day immediately prior to the date of the award or exercise, other than for the LTIP 2023 award (see note 3 below). For Sharesave, it is the exercise price.
3. The grant price for the LTIP 2023 award was the average share price for the three-month period immediately prior to the date of the grant.
4. See 'LTIP Award – Performance Period ended 30 June 2024' on page 119 for vesting outcome. The performance conditions for the LTIP 2022 and 2023 awards are set out on page 123 of the 2022 Annual Report and page 134 of the 2023 Annual Report.
5. For LTIP, the post-vesting holding period is two years. For deferred shares, the holding period is for three years subject to early release for 'good leavers' and upon a Change of Control (see Remuneration Policy for further information).
6. The amount of net bonus allocated as deferred shares was FY21: 33%, FY22: 50% (Andrew Davies) & 33% (Simon Kesterton) and FY23: 33%.
7. Assumes saving at the current rate for the three year savings period. The exercise period for each Award is six months commencing three years after date of grant.

Annual report on remuneration continued

Total shareholder return

The graph below shows the value, at the end of each financial year, of £100 invested in shares in the capital of the Company on 30 June 2014, compared with the value of £100 invested in the FTSE 250 (excluding investment trusts). The FTSE 250 was chosen because it includes companies of a similar size and complexity to the Group and is the comparator used for the LTIP TSR performance target.



CEO's remuneration

The table below sets out the total remuneration of the CEO paid with respect to each financial year indicated:

Year	2015	2016	2017	2018	2019[1]	2019[1]	2020[2]	2021	2022	2023	**2024**
Chief Executive	Haydn Mursell	Haydn Mursell	Haydn Mursell	Haydn Mursell	Haydn Mursell	Andrew Davies	Andrew Davies	Andrew Davies	Andrew Davies	Andrew Davies	**Andrew Davies**
Chief Executive single figure of remuneration (£000)[3]	£1,079	£1,311	£1,199	£1,459	£423	£140	£613	£1,323	£2,119	£2,334	**3,753**
Annual bonus pay-out against maximum opportunity (%)	92	90	48	75	–	–	–	90	78.8	91.2	**82.1**
LTIP vesting against maximum opportunity (%)	–	34	29	24	–	–	–	–	75	54.3	**98.75**

1. Haydn Mursell stood down as Chief Executive on 22 January 2019 and Andrew Davies was appointed with effect from 15 April 2019.
2. Includes the temporary reduction in base salary and employer pension contributions and/or a cash allowance in response to COVID-19.
3. All figures are rounded to the nearest £1,000.

Annual report on remuneration continued

Executive Directors' external appointments
Andrew Davies is a non-executive director of Chemring plc and is entitled to retain the fees that he receives for this role.

Payments for loss of office (audited)
No payments were made for loss of office during the 2024 financial year.

Payments to past Directors (audited)
No payments were made to past Directors during the 2024 financial year.

Percentage change in Directors' remuneration
The table shows the percentage change in base salary or fees, taxable benefits and annual bonus of each Director in the financial year indicated, compared to previous financial years, together with the approximate comparative average figures for those employees who were eligible for salary reviews on 1 October of each year and who were not subject to collective agreements. In respect of the 2024 financial year, this section of the employee population (comprising approximately 6,390 individuals across a number of levels) is considered to be the most appropriate group for comparison purposes, as its remuneration is controlled by the Group and is subject to similar external market forces as those that relate to the Executives' remuneration. Approximately 940 employees are eligible to receive a bonus.

	Base salary/fee[1,2]					Taxable benefits[1]					Annual bonus[3]				
	2024	2023	2022	2021	2020	**2024**	2023	2022	2021	2020	**2024**	2023	2022	2021	2020
Executive Directors															
Andrew Davies	**4.5%**	0%	26.1%	6.7%	(6.2%)	**0%**	0%	7.1%	7.7%	8.3%	**12.9%**	15.7%	10.5%	n/a	–%
Simon Kesterton	**4.5%**	4%	3.5%	8.2%	(6.3%)	**0%**	0%	7.1%	7.7%	8.3%	**12.9%**	20.4%	(18.2)%	n/a	–%
Chairman															
Matthew Lester[4]	**7.7%**	0%	0%	4.9%	(4.6%)	**n/a**	n/a	n/a	n/a	n/a	**n/a**	n/a	n/a	n/a	n/a
Non-Executive Directors															
Alison Atkinson	**0%**	0%	8.1%	–%	–%	**n/a**	n/a	n/a	n/a	n/a	**n/a**	n/a	n/a	n/a	n/a
Justin Atkinson	**0%**	0%	8.1%	6.9%	(6.5%)	**n/a**	n/a	n/a	n/a	n/a	**n/a**	n/a	n/a	n/a	n/a
Chris Browne	**0%**	0%	n/a	n/a	n/a	**n/a**	n/a	n/a	n/a	n/a	**n/a**	n/a	n/a	n/a	n/a
Margaret Hassall	**0%**	0%	n/a	n/a	n/a	**n/a**	n/a	n/a	n/a	n/a	**n/a**	n/a	n/a	n/a	n/a
Mohammed Saddiq	**0%**	n/a	n/a	n/a	n/a	**n/a**	n/a	n/a	n/a	n/a	**n/a**	n/a	n/a	n/a	n/a
Clive Watson	**0%**	0%	8.1%	8.1%	(6.5%)	**n/a**	n/a	n/a	n/a	n/a	**n/a**	n/a	n/a	n/a	n/a
Other employees[5,6]	**7.17%**	7.12%	6.56%	4.73%	2.35%	**(9.21)%**	(8.0)%	(6.6)%	(0.57)%	11.35%	**29%**	48.7%	8.0%	n/a	–%

1. Base salary/fee and taxable benefits as shown in the table on page 117 and the 2023, 2022, 2021 and 2020 Annual Reports.
2. Calculated on an annualised basis where base salary/fee or taxable benefits paid for part of financial year.
3. 'Other employees' percentage change calculated for employees subject to Group bonus targets.
4. The Chairman's fees increased in October 2023. The previous fee had been in place since his appointment in January 2020.
5. Includes relevant employees of subsidiaries of Kier Group plc as there are no employees other than the Executives in Kier Group plc.
6. The reduction in taxable benefits is primarily due to company cars with lower emissions.

Annual report on remuneration continued

Pay ratio of CEO to average employee

The table below shows the ratio of the Chief Executive's total remuneration using the information set out in the single total figure table, compared to the total remuneration of a lower quartile, median and upper quartile employee of the UK workforce.

Year	Methodology	25th percentile pay ratio	Median pay ratio	75th percentile
2024	Option B	121:1	86:1	57:1
2023	Option B	77:1	52:1	34:1
2022	Option B	89:1	61:1	36:1
2021	Option B	50:1	36:1	22:1
2020	Option B	24:1	20:1	10:1

Further details of the remuneration of the CEO in the 2024 financial year and those individuals whose remuneration in the 2024 financial year was at the 25th percentile, median and 75th percentile amongst UK-based employees are as follows:

	CEO	25th percentile	Median	75th percentile
Salary	£772,500	£30,000	£42,190	£58,125
Total remuneration	£3,752,574	£30,940	£43,563	£65,277

The median, lower and upper quartile figures used to determine the above ratios were calculated by reference to the full-time equivalent, annualised remuneration (as at 30 June 2024) of the Group's UK-based employees (comprising salary, benefits, pension, annual bonus and share-based and other incentives), based on the Group's gender pay gap data at April 2024, to determine 'best equivalents' in accordance with Option B in the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended). The Committee selected this calculation methodology as it was considered to be the most efficient method of calculating the pay ratio given it utilises pre-existing data available to Kier.

The CEO's remuneration package is more heavily weighted to variable pay components than is the case for the general employee population (consistent with market practice), leading to an increase in the ratio when bonus and LTIPs vest at high rates following strong performance, as is the case for FY24. The Committee considers that the median pay ratio for 2024 disclosed in the above table in consistent with the pay, reward and the progression opportunities available to UK-based employees across the business.

Relative importance of spend on pay

The graph below shows the total employee remuneration and dividends paid between FY23 and FY24:

Total employee remuneration
(£m)

Dividend
(£m)

Employee remuneration is remuneration paid to or receivable by all employees of the Group and the dividends are those paid in the 2023 and 2024 financial years as stated in notes 8 and 11 to the 2024 consolidated financial statements on pages 170 and 177 respectively.

Annual report on remuneration continued

Implementation of the Remuneration Policy in 2025

Remuneration Element	Implementation in the 2024 Financial Year	Implementation in the 2025 Financial Year
Executive Directors' base salary	Andrew Davies: £783,750 (effective 1 November 2023) Simon Kesterton: £547,617 (effective 1 October 2023)	With effect from 1 October 2024, salaries will be: Andrew Davies: £813,141 (+3.75%) Simon Kesterton: £568,153 (+3.75%) The base salaries for the majority of the workforce are ordinarily reviewed in July with any increase effective from 1 October. The wider workforce increase for FY25 is c.4%.
Annual bonus	The maximum opportunity for the Executives was 150% of salary (75% of salary at target). The performance measures and their weighting as a percentage of maximum opportunity were: Group AOP: 40% Average month end net debt: 40% Group health and safety: 10% Personal objectives: 10% Group AOP and average month end net debt pay-out ranges were as follows (as a percentage of maximum opportunity): Threshold performance: 0% On-target performance: 50% Maximum performance: 100%	No change to award opportunity, measures or their weighting. The performance targets are considered to be commercially sensitive and will be disclosed, on a retrospective basis, in the 2025 Annual Report.
LTIP	The LTIP awards made to the Executives were at 175% of salary. The performance conditions (and respective weightings) and targets for the LTIP awards are set out on page 121. The performance period is three years and the awards will, subject to the satisfaction of the performance conditions, vest on the third anniversary of the grant date. A two-year holding period will apply to any vested awards.	No change to the level of award, length of performance period and post-vesting holding period. The performance conditions for the award will be: Adjusted Earnings Per Share[1,2] (40% weighting): 0% vesting for below 22.4p; 25% vesting for 22.4p; 100% vesting for 27.1p TSR outperformance[2,3] (25% weighting): 0% vesting for below median; 25% vesting at median; 100% vesting for upper quartile Adjusted Free Cash Flow[1,2] (25% weighting): 0% vesting for below £135.8m; 25% vesting for £135.8m; 100% vesting for £169.8m or higher Reduction in Carbon Emissions[2,4,5] (10% weighting): 0% vesting for above 26,804 tCO$_2$e; 25% vesting for 26,804 tCO$_2$e; 100% vesting for 25,394 tCO$_2$e or below
Pensions	The pension contributions or cash allowances payable on behalf of or to the Executive Directors is 7.5% of salary. This is aligned with the pension benefit available to the majority of the workforce.	No change

Annual report on remuneration continued

Remuneration Element	Implementation in the 2024 Financial Year	Implementation in the 2025 Financial Year
Benefits	The Executives receive private health insurance and either a company car or a car allowance, which will be £13,900 per annum.	No change
All-employee share plans	The Executives are entitled to participate in the all-employee share plans on the same terms as all other eligible employees.	No change
Shareholding requirements	200% of salary. The deferral allocation of any net bonus payment into shares increases from 33% to 40% until the shareholding requirements are met. Post-employment: the Executives are required to retain the lower of the shares held at cessation of employment or shares to the value of 200% of base salary for a period of two years.	No change
Non-Executive Directors' fees	With effect from 1 October 2023:	With effect from 1 October 2024, the base fees will be increased by 3.75% which is aligned with the increase for the Executive Directors:

	2024 Financial Year	2025 Financial Year
Chair of the Board	£253,000	£262,488
Base fee for Non-Executive	£57,000	£59,138
Additional Fees:		
Chair of Environmental, Social and Governance Committee	£12,000	£12,000
Chair of Nomination Committee	–	–
Chair of Remuneration Committee	£20,000	£20,000
Chair of Risk Management and Audit Committee	£12,000	£12,000
Senior Independent Director	£12,000	£12,000

1. For the financial year ending 30 June 2027.
2. Straight-line vesting between threshold (25% achievement) and maximum (100% achievement).
3. The comparator group comprises FTSE 250 Index excluding investment trusts.
4. Kier's ESG performance metrics are set out on page 56.
5. Measured over the period 1 April 2026–31 March 2027 to align with carbon reporting periods.

Annual evaluation

2024 evaluation

This year's evaluation was externally facilitated by Clare Chalmers Limited as part of the Board evaluation. Details of this process are set out on page 94. The outcome of this evaluation concluded that the Committee continues to be effective with papers shared earlier for discussion and improved metrics. To maintain effectiveness and ensure relevant stakeholder views are being considered, the Committee will continue to engage with shareholders and management prior to determining and making a decision on executive remuneration matters.

Advisers

During the 2024 financial year, the Committee undertook a review of its advisers and following a selection process appointed Ellason LLP to replace Willis Towers Watson ('WTW') as its independent adviser. Both Ellason and WTW are signatories of and adhere to the Code of Conduct for Remuneration Consultants which has been developed by the Remuneration Consultants Group. There are no connections between Ellason or WTW and either the Company or any of the Directors. The Committee was satisfied that the advice it received from both Ellason and WTW is objective and independent. During the year, fees paid to Ellason and WTW for advice to the Committee were £41,010 and £74,223 (excluding VAT) respectively. The fees were charged on a time spent basis. During the year, WTW also provided rewards and benefits advice to the Group.

Annual report on remuneration continued

Shareholder voting

The Directors' Remuneration report and the Remuneration Policy were subject to shareholder votes at the 2023 AGM. The results of the vote on the resolutions were:

Directors' Remuneration report

Votes for[1]	Percentage votes for	Votes against[2]	Percentage votes against	Votes withheld
267,251,805	99.69%	835,349	0.31%	82,147

1. Includes those votes for which discretion was given to the Chairman.
2. Does not include votes withheld.

Remuneration Policy

Votes for[1]	Percentage votes for	Votes against[2]	Percentage votes against	Votes withheld
158,612,472	61.40%	99,696,433	38.60%	9,860,396

1. Includes those votes for which discretion was given to the Chairman.
2. Does not include votes withheld.

The Board understood the sensitivities around the issue of executive remuneration and the Chair of the Committee has engaged directly with key investors. Please refer to the Chair's statement on pages 109 to 112 for more information.

How the Remuneration Policy aligns with the UK Corporate Governance Code 2018

The Policy is available at www.kier.co.uk. The Committee has determined the Policy in line with the UK Corporate Governance 2018 (the '2018 Code') as set out below:

Principle		Committee approach
Clarity	Remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.	The Group's remuneration arrangements are clearly communicated to shareholders through this Directors' Remuneration report. The Board actively engages with shareholders and the Chair discussed the arrangements with workforce representatives through the Group's Reward & Employee Benefits Forum.
Simplicity	Remuneration structures should avoid complexity and their rationale and operation should be easy to understand.	The remuneration structures are straightforward with a small number of performance measures which are tied to the Group's strategy.
Risk	Remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated.	The reputational and other risks that may result from excessive rewards are clearly understood. The Committee has the discretion to adjust annual bonus payments and vesting levels of LTIPs to address this issue. Wide-ranging malus and clawback provisions apply to the incentives.
Predictability	The range of possible values of rewards to individual directors and any other limits or discretions should be identified and explained at the time of approving the policy.	The Committee maintains caps on the maximum incentive opportunities as reflected in the Group's Remuneration Policy.
Proportionality	The link between individual awards, the delivery of strategy and the long-term performance of the Group should be clear. Outcomes should not reward poor performance.	Discretion can be applied in relation to variable remuneration to ensure that rewards reflect the long-term performance of the Group; and the performance measures attached to awards are carefully chosen.
Alignment to culture	Incentive schemes should drive behaviours consistent with the Group's purpose, values and strategy.	The Committee reviews the incentive schemes to ensure alignment with the strategy and medium-term value creation plan.

Compliance statement

This Directors' Remuneration report complies with the Companies Act 2006, Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) and the Listing Rules of the Financial Conduct Authority and applies the main principles relating to remuneration which are set out in the 2018 Code.

Directors' Remuneration Policy

Introduction

The Company's Remuneration Policy received shareholder approval at the AGM held in November 2023 and a summary of the key features is set out below. The full policy can be found on pages 144 to 153 of the 2023 Annual Report.

Element and link to strategy	Operation	Opportunity	Performance measures
Base salary To attract and retain Executive Directors of the calibre required to deliver the Group's strategy	Salaries are reviewed annually by reference to a number of factors, including an individual's experience, performance and role within the Group, the external market (including FTSE companies of a similar size and sector peers) and any increase awarded to the wider employee population.	Any increase will typically be in line with those awarded to the wider employee population. The Committee has discretion to award higher increases in circumstances that it considers appropriate, such as a material change in the complexity of the business or an individual's responsibility. Details of salary changes will be disclosed in the Annual Report.	Not applicable.
Benefits To provide benefits which are competitive with the market	Benefits are reviewed from time to time and typically include, but are not limited to, a company car or car allowance, private health insurance and life assurance.	Benefits are set at a level which the Committee considers appropriate in light of the market and an individual's circumstances.	Not applicable.
Save As You Earn ('SAYE') schemes To encourage ownership of the Company's shares	One or more HMRC-approved schemes allowing all employees, including Executive Directors, to save up to the maximum limit specified by HMRC rules. Options are granted at up to a 20% discount.	The maximum amount that may be saved is the limit prescribed by HMRC (or such other lower limit as determined by the Committee) at the time employees are invited to participate in a scheme. Typically, employees are invited to participate on an annual basis.	Not applicable.
Share Incentive Plan To encourage ownership of the Company's shares.	An HMRC-approved scheme which is open to all UK tax resident employees of participating Group companies. Executive Directors are eligible to participate. The Company may match shares purchased with an award of free shares. Matching shares may be forfeited if employees leave within three years of their award, in accordance with the SIP rules.	Participants can purchase shares up to the prevailing limit approved by HMRC (or such other lower limit as determined by the Company) at the time they are invited to participate. The Company currently offers to match purchases made through the plan at the rate of one free share for every two shares purchased but may increase this to the prevailing limit approved by HMRC.	Not applicable.
Pension To provide a retirement benefit which is competitive with the market	Executive Directors participate in a defined contribution scheme.	The maximum employer contribution for the Executive Directors is aligned with those made available to the workforce, being, at the date of this policy, 7.5% of pensionable salary. Executive Directors may elect to receive all or part of the employer contribution as a taxable cash supplement.	Not applicable.

Directors' Remuneration Policy continued

Element and link to strategy	Operation	Opportunity	Performance measures
Annual bonus To reward the delivery of short-term performance targets and business strategy	The Company operates a discretionary bonus scheme. Whether a bonus is awarded and the amount (if any) of bonus awarded will be determined at the Committee's discretion. The Committee may determine that it is appropriate to adjust the bonus outcome taking into account such factors it considers relevant, including but not limited to: (i) the performance of the Company or of any member of the Group; (ii) the conduct or performance of a participant; and/or (iii) any circumstances or events which have occurred in the year. Payments under the bonus scheme are based on an assessment of performance against targets over the year. One-third of any net payment is satisfied by an allocation of Kier Group plc shares, which is deferred for three years (subject to early release for good leavers and upon a change of control). The proportion of the net payment to be allocated into Kier Group plc shares is increased to 40% until the Executive Director share ownership guideline is achieved. Dividend payments accrue on deferred bonus shares over the deferral period. Malus and, in the case of the cash element of a bonus, clawback will apply.	The maximum potential bonus for the Executive Directors is 150% of base salary. 'Threshold' performance, for which an element of bonus may become payable under each component of the annual bonus, is set by the Committee each financial year. The level of bonus for achieving threshold performance varies by performance target, and may vary for a target from year to year, to ensure that it is aligned with the Committee's assessment of the degree of difficulty (or 'stretch') in achieving it. No payment is made for a performance outcome below the threshold target. The outcome for achieving on-target performance would be 50% of maximum bonus opportunity.	The Committee determines the bonus targets and their relative weightings each year. The weighting towards non-financial targets will be no higher than 20% of the maximum potential bonus. Actual bonus targets (and performance against each of these targets), and any use by the Committee of its discretion with respect to bonus payments, will be disclosed in the Annual Report immediately following the end of the relevant performance period.

Directors' Remuneration Policy continued

Element and link to strategy	Operation	Opportunity	Performance measures
LTIP awards To reward the sustained strong performance by the Group over the longer term	Awards are granted annually and will typically vest, subject to the achievement of performance conditions, on the third anniversary of the date of grant. The performance period will be no less than three years. A two-year post-vesting holding period applies. A malus provision applies to awards pre-vesting and a clawback provision applies to the post-vesting holding period. Dividend equivalents may apply to awards. The awards are subject to the LTIP rules and the Committee may adjust or amend the awards only in accordance with the LTIP rules. The LTIP rules permit the Committee to exercise its discretion to modify any performance condition(s) when it deems it fair and reasonable to do so. Any use of Committee discretion with respect to modifying any performance condition(s) will be disclosed in the relevant Annual Report. The Committee may adjust the number of shares which will vest if, in its discretion, it determines that it would be appropriate to do so in order to override the formulaic outcome of any performance condition, taking into account such factors as it considers relevant, including but not limited to: (i) the performance of the Company or of any member of the Group; (ii) the conduct or performance of a participant; and/or (iii) any circumstances or events which have occurred since the award was granted.	The maximum award is 200% of base salary. The Committee may grant awards of up to the maximum permitted in exceptional circumstances. It considers 175% to be the normal annual grant level but shall reduce this level where it considers it appropriate to do so. On achieving the threshold performance level for each element of the award, 25% of the relevant element of the award will vest. Vesting is on a straight-line basis between threshold and maximum levels of performance.	Prior to granting an award, the Committee sets performance conditions which it considers to be appropriately stretching. The performance conditions relating to an award, and their respective weightings, will be disclosed in the Annual Report immediately following its grant.

Directors' Remuneration Policy continued

Non-Executive Director remuneration policy

General

The Non-Executive Directors' remuneration (including that of the Chairman) reflects the anticipated time commitment to fulfil their duties. Non-Executive Directors do not receive bonuses, long-term incentive awards, a pension or compensation on termination of their appointments. The policy on Non-Executive Directors' remuneration is as follows:

Element and link to strategy	Operation	Opportunity	Performance measures
Fees To attract and retain Non-Executive Directors of the calibre required and with appropriate skills and experience	Fee levels are reviewed annually with reference to individual experience, the external market and the expected time commitment required of the Director. Additional fees are payable to the Chairs of the Board's committees and to the Senior Independent Director.	Fees may be increased in line with the outcome of the annual review and will not normally exceed the increase awarded to the wider employee population. Higher increases may be awarded should there be a material change to the requirements of the role, such as additional time commitment. Any changes to fees will be disclosed in the annual report on remuneration for the relevant year.	Not applicable.
Benefits To reimburse Non-Executive Directors for expenses	Reasonable and necessary expenses are reimbursed, together with any tax due on them.	Expenses (including, without limitation, travel and subsistence) incurred in connection with Kier business and any tax payable thereon.	Not applicable.

Directors' report

Introduction

This Directors' report and the Strategic report on pages 1 to 84 (inclusive) together comprise the 'management report' for the purposes of Disclosure Guidance and Transparency Rule 4.1.5R.

Information incorporated by reference

The information shown in table 1 opposite is provided in other appropriate sections of this Annual Report and the financial statements and is incorporated into this Directors' report by reference.

Disclosures required under UK Listing Rule 6.6.1R

Table 2 opposite sets out the location of information required to be disclosed under UK Listing Rule 6.6.1R, where applicable.

Results and dividends

The Group's results and performance highlights for the year are set out on pages 77 to 82. An interim dividend of 1.67p per Ordinary Share of 1p each ('Ordinary Share') in the capital of the Company (FY23: nil) was paid on 31 May 2024. The Directors propose a final dividend of 3.48p per Ordinary Share (FY23: nil). Subject to approval at the 2024 Annual General Meeting ('AGM'), the final dividend will be paid on 29 November 2024 to shareholders on the register of members at close of business on 25 October 2024.

Share capital

As at 30 June 2024, the issued share capital of the Company consisted of 452,133,752 Ordinary Shares. During FY24, the Company issued 5,819,317 Ordinary Shares in connection with the exercise of options under the Kier Group plc Sharesave Scheme 2016 (the 'Scheme') with an aggregate nominal value of £58,193.17 (FY23: 72,753 Ordinary Shares with an aggregate nominal value of £727.53). Between 1 July 2024 and 10 September 2024, 488,694 Ordinary Shares were issued in connection with the exercise of options under the Scheme. Further details of changes to the Ordinary Shares issued and of options and awards granted during the year are set out in the Consolidated statement of changes in equity and in note 25 to the consolidated financial statements. The Company does not currently hold any Ordinary Shares in Treasury.

Subject to the provisions of the articles of association of the Company (the 'Articles') and prevailing legislation, shares may be issued with such rights or restrictions as the Company may by ordinary resolution determine or, if the Company has not so determined, as the Directors may decide.

As authorised by shareholders at the 2023 AGM, the Company undertook a capital reduction pursuant to section 641(1)(b) of the Companies Act 2006, whereby the Company's share premium account of £684.4m and capital redemption reserve of £2.7m were cancelled in their entirety (the 'Capital Reduction'). This was undertaken as a housekeeping exercise in order to create distributable reserves to support the potential future payment by the Company of dividends as well as future share buybacks, should circumstances dictate it desirable to do so. The Capital Reduction was effective on 22 December 2023.

1. Information incorporated by reference

Information	Reported in	Pages
Corporate governance	Corporate governance Statement of Directors' responsibilities	85–134 (inclusive) 138
Directors	Board of Directors Directors' shareholdings and share interests	90–91 (inclusive) 122–124 (inclusive)
Employee engagement	Built by Brilliant People™ Our key stakeholders Engaging with our people	48–54 (inclusive) 66 96–97 (inclusive)
Employment of disabled persons	Creating an environment to thrive	52
Engagement with suppliers, customers and others	Our key stakeholders	65–67 (inclusive)
Financial instruments	Consolidated financial statements – note 27	195–199 (inclusive)
Going concern	Financial review	82
Greenhouse gas emissions	Energy and carbon reporting	56
Important events since the end of the financial year	n/a	n/a
Likely future developments	Chief Executive's review	7–14 (inclusive)
Results and dividends	Financial review	77–82 (inclusive)

2. Disclosures required under UK Listing Rule 6.6.1R

Information required to be disclosed	Page(s)
(1) Amount of interest capitalised	n/a
(2) Publication of unaudited financial information	n/a
(3) Long-term incentive schemes	n/a
(4)–(10) Miscellaneous	n/a
(11)–(12) Waiver of dividends	136
(13) Agreement with controlling shareholders	n/a

3. Substantial holdings – section 793 information as at 30 August 2024

Shareholder	Interest
Hargreaves Lansdown Asset Management	4.62%
Schroder Investment Management	4.36%
JO Hambro Capital Management	4.25%
abrdn (Standard Life)	3.89%
Columbia Threadneedle Investments (formerly BMO Global Asset Management)	3.30%
M&G Investments	3.19%

4. Substantial holdings – DTR disclosures as at 10 September 2024

Shareholder[1]	Interest[2]
abrdn plc	5.76%
Pendal Group Limited	5.04%
Brewin Dolphin Limited	5.01%
Charles Stanley Group plc	5.00%
BlackRock, Inc.	4.99%
M&G Plc	4.99%
Lombard Odier Asset Management (Europe) Limited	4.98%
Rathbone Investment Management Limited	4.93%
Schroders plc	4.93%
Jupiter Fund Management PLC	4.78%
Aviva plc	4.77%
Norges Bank	3.03%

1. The most recent notification received by the Company from Woodford Investment Management Limited ('WIM') in July 2019 indicated a shareholding of 22,901,145 shares, which would represent 5.06% of the Company's issued share capital as at 10 September 2024. Although the Directors of the Company believe that the number of shares held by WIM has decreased significantly since that time, as they understand that the funds managed by WIM are in the process of being closed down, the Company has not received an updated notification of change in shareholding pursuant to the Disclosure Guidance and Transparency Rules.
2. Subject to rounding.

Substantial holdings

The information in table 3 opposite has been provided as at 30 August 2024 under requests made to shareholders under section 793 of the Companies Act 2006. As such this information is regarded by the Company as providing an up-to-date representation of our major shareholders' interests.

In addition, we have included in table 4 opposite the interests in the share capital of the Company which have been notified to the Company as at 10 September 2024 under Rule 5.1 of the Disclosure Guidance and Transparency Rules. The information in table 4 is based on the latest notifications that have been made to the Company by the relevant shareholders; accordingly, it may not accurately represent the actual interests of the relevant shareholders in the share capital of the Company.

Rights under employee share schemes

As at 30 June 2024, JTC Employer Solutions Trustee Limited ('JTC'), as the trustee of the Kier Group 1999 Employee Benefit Trust, owned 11,785,236 Ordinary Shares (2.61% of the Company's issued share capital at that date). These shares are made available to satisfy share-based awards granted to senior management under the Group's remuneration arrangements and may be used to satisfy the exercise of options granted under all employee share plans. JTC does not exercise any voting rights in respect of these shares and waives any dividends payable. In addition, as at 30 June 2024, JTC held 1,498,159 Ordinary Shares (0.33% of the Company's issued share capital at that date) in a nominee capacity on behalf of senior management in connection with the Company's deferred bonus arrangements.

JTC votes to the extent instructed by the holders of the beneficial interests in these shares (the 'Beneficial Holders') and distributes any dividends received to the Beneficial Holders.

As at 30 June 2024, Equiniti Limited ('Equiniti') held 9,741,302 Ordinary Shares (2.15% of the Company's issued share capital at that date) on trust for the benefit of members of the Kier Group plc Share Incentive Plan. Equiniti does not exercise any voting rights in respect of the shares held by the trust (although beneficiaries may authorise Equiniti to vote in accordance with their instructions). Equiniti distributes dividends received to beneficiaries under the trust.

As at 30 June 2024, the trustee of the May Gurney Integrated Services PLC Employee Benefit Trust held 19,045 shares (0.004% of the Company's issued share capital at that date). These shares are made available to satisfy awards of shares under the Group's remuneration arrangements. The trustees do not exercise any voting rights in respect of shares held by its trust and waive dividends payable with respect to such shares.

Restrictions on transfer of securities in the Company

There are no restrictions on the transfer of securities in the Company, other than those that are set out in the Articles or apply as a result of the operation of law or regulation. The Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities in the Company.

Securities carrying special rights

No person holds securities in the Company carrying special rights with regard to control of the Company.

Restrictions on voting rights
No shareholder will, unless the Board otherwise determines, be entitled to vote at any general meeting if any calls or other sums then payable by the shareholder in respect of that share are unpaid or if that shareholder has been served with a disenfranchisement notice.

The Company is not aware of any agreements between holders of securities that may result in restrictions on voting rights.

Appointment and replacement of Directors
Directors may be appointed by the Company by ordinary resolution or by the Board. A Director appointed by the Board holds office until the next AGM of the Company after his/her appointment and is then eligible to stand for election.

Each of the Directors will stand for election or re-election by shareholders at the 2024 AGM. Further information about the Directors' skills and experience can be found on pages 90 and 91.

The Company may by ordinary resolution, of which special notice has been given, remove any Director before the expiry of the Director's period of office.

Directors' insurance and indemnities
The Directors have the benefit of the indemnity provisions contained in the Articles and the Company maintains Directors' and officers' liability insurance for the benefit of the Directors and the Company's officers. The Company and Kier Limited have also entered into qualifying third-party indemnity arrangements in a form and scope which comply with the Companies Act 2006. Each of these arrangements remain in force as at the date of this Annual Report.

Powers of the Directors
Subject to the Articles, applicable law and any directions given by shareholders, the Company's business is managed by the Board, which may exercise all the powers of the Company.

Powers in relation to the Company issuing its shares
The Directors were granted authority at the 2023 AGM to allot shares in the Company (i) up to an aggregate nominal amount of £1,487,731 and (ii) up to an aggregate nominal amount of £2,975,462 in connection with a rights issue. The Directors were also granted authority to allot shares (i) non-pre-emptively and wholly for cash up to an aggregate nominal amount of £446,319 and (ii) for the purposes of financing an acquisition or other capital investment up to a further nominal amount of £446,319.

In addition, at the 2023 AGM, the Directors were granted authority in connection with follow-on offers, up to a maximum amount of £178,527. The concept of follow-on offers was introduced by the latest institutional shareholder guidelines, including the Pre-Emption Group's Statement of Principles which were updated in November 2022 to help existing and retail investors to participate in equity issues.

Powers in relation to the Company buying back its shares
The Company was granted authority at the 2023 AGM to make market purchases of up to 44,631,938 Ordinary Shares (representing 10% of its the Company's issued shares as at 21 September 2023) up until the earlier of the conclusion of the 2024 AGM and close of business on 31 December 2024. The Directors had no intention at the time of the 2023 AGM of exercising the authority but wished to have the flexibility to do so in future. No Ordinary Shares were purchased by the Company during the year.

The Company proposes to seek at the 2024 AGM renewal of its authority to make market purchases of up to 10% of its issued shares as at the latest practicable date prior to the publication of the Notice of AGM. As in 2023, the Directors have no present intention of exercising this authority but wish to have the flexibility to do so in the future.

Amendment of Articles
The Articles may be amended by a special resolution of the Company's shareholders.

Change of control
The Group's senior borrowing facilities, being: (i) a bank funded £260m revolving credit facility, (ii) 2014 note purchase agreements relating to the Group's US private placements of notes, and (iii) the £250m 2024 senior notes each contain provisions under which, in the event of a change of control of the Company, the Company may be required to repay all outstanding amounts borrowed.

Certain of the Group's commercial arrangements, including certain of its joint venture agreements, contract bond agreements and other commercial agreements entered into in the ordinary course of business, include change of control provisions.

Certain of the Group's employee share schemes or remuneration arrangements contain provisions relating to a change of control of the Company. Outstanding awards or options may become exercisable or vest upon a change of control.

There are no agreements between the Company and the Directors providing for compensation for loss of office that occurs as a result of a takeover bid (other than those referred to above).

Subsidiaries and branches
A list of the Group's subsidiaries and the branches through which the Group operates are listed in note 31 to the consolidated financial statements.

Political donations
The Company made no political donations during the year (FY23: nil).

Research and development
The Group undertakes research and development activities when providing services to its clients. The total amount of the direct expenditure incurred by the Group when undertaking such activities is not readily identifiable, as the investment is typically included in the relevant project.

Auditors
The Board has decided that PricewaterhouseCoopers LLP will be proposed as the Group's auditors for the financial year ending 30 June 2025. A resolution relating to this re-appointment will be proposed at the forthcoming AGM.

AGM
The Company's 2024 AGM is scheduled to be held on 14 November 2024. Please see the Notice of AGM for further information.

This Directors' report was approved by the Board and signed on its behalf by:

Jaime Tham
Company Secretary

11 September 2024
2nd Floor, Optimum House,
Clippers Quay, Salford M50 3XP

Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Annual Report and Accounts 2024 and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with UK-adopted international accounting standards and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law).

Under company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the Directors are required to:

– select suitable accounting policies and then apply them consistently;
– state whether applicable UK-adopted international accounting standards have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101 have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
– make judgements and accounting estimates that are reasonable and prudent; and
– prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements and the Directors' Remuneration report comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

The Directors consider that the Annual Report and Accounts 2024, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's and Company's position and performance, business model and strategy.

Each of the Directors, whose names and functions are listed in Governance section, confirm that, to the best of their knowledge:

– the Group financial statements, which have been prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Group;
– the Company financial statements, which have been prepared in accordance with United Kingdom Accounting Standards, comprising FRS 101, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
– the Strategic report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

In the case of each Director in office at the date the Directors' report is approved:

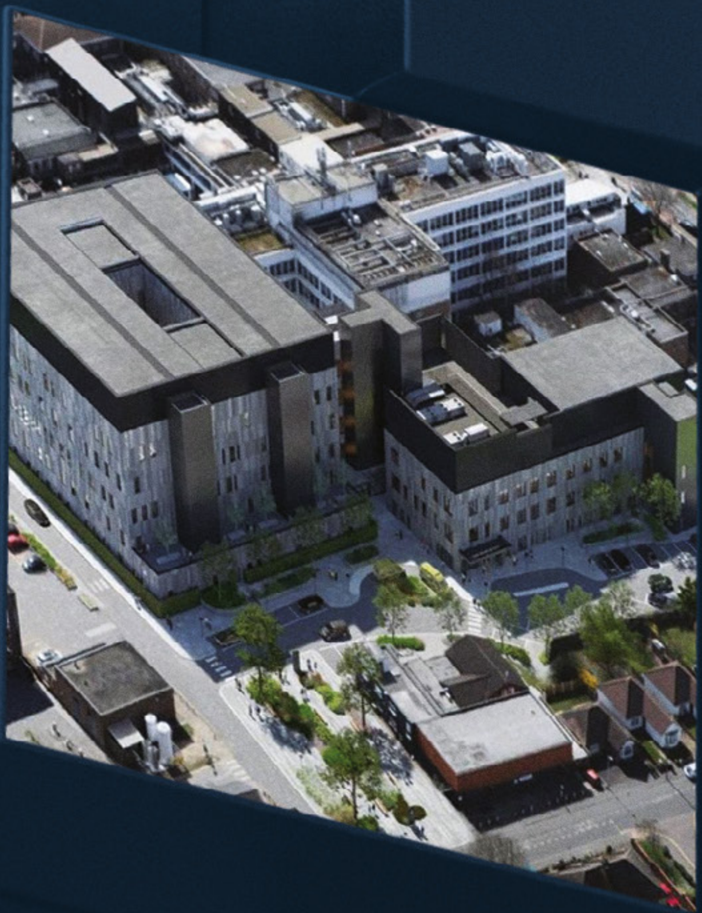
– so far as the Director is aware, there is no relevant audit information of which the Group's and Company's auditors are unaware; and
– they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group's and Company's auditors are aware of that information.

Andrew Davies
Chief Executive

Simon Kesterton
Chief Financial Officer

11 September 2024

Financial statements



Other information

Independent auditors' report to the members of Kier Group plc

Report on the audit of the financial statements

Opinion

In our opinion:

- Kier Group plc's Group financial statements and Company financial statements (the 'financial statements') give a true and fair view of the state of the Group's and of the Company's affairs as at 30 June 2024 and of the Group's profit and the Group's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 'Reduced Disclosure Framework', and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts 2024 (the 'Annual Report'), which comprise: the Consolidated and Company balance sheets as at 30 June 2024; the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated and Company statements of changes in equity and the Consolidated statement of cash flows for the year then ended; and the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Our opinion is consistent with our reporting to the Risk Management and Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in Note 4, we have provided no non-audit services to the company or its controlled undertakings in the period under audit.

Our audit approach

Overview

Audit scope

- The Group is primarily UK based and we have conducted audit work across all four of the Groups segments and achieved coverage over 97% (2023: 98%) of Group revenues.

Key audit matters

- Contract accounting (Group).
- Impairment of goodwill (Group).
- Carrying value of investment in Group companies and recoverability of amounts owed by subsidiaries (Company).

Materiality

- Overall Group materiality: £13.7m (2023: £11.8m) based on 0.35% of Group revenue.
- Overall Company materiality: £13.0m (2023: £11.2m) based on 1% of total assets limited by the application of component materiality.
- Performance materiality: £10.2m (2023: £8.9m) (Group) and £9.7m (2023: £8.4m) (Company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Presentation of the Group's financial performance, which was a key audit matter last year, is no longer included because the quantum and categories of adjusting items recognised continues to decrease year on year. Furthermore, no significant errors were identified in the previous years, therefore we have changed the risk assessment to normal and removed this as a key audit matter in the current year. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Contract accounting (Group) Refer to page 102 (Risk Management and Audit Committee report) and page 163 (Accounting policy). The Group has significant long-term contracts in its Infrastructure Services and Construction businesses. The recognition of revenue in relation to long-term contracts is in accordance with IFRS 15 where for the majority of contracts revenue is recognised over time. Where this is the case the measure of progress is based on the 'input method' which is based on the stage of completion of contract activity. This is determined based on the actual costs incurred to date compared to the estimated forecast costs at completion. For other contract arrangements, including for cost plus and schedule of rates contracts, revenue is recognised as costs are incurred. Contracts accounted for on a stage of completion basis involve estimation uncertainty as management are required to accurately forecast the costs to come for each project. They are also required to assess whether revenue recognised to date is highly probable of not reversing. These estimates include the determination of the expected recovery of costs arising from, for example, variations to the contract requested by the customer, compensation events and claims made both by and against the Group for delays or other additional costs arising or projected to arise. An error in the contract forecast could result in a material variance in the amount of profit or loss (including for any onerous contracts) recognised to date and, therefore, the current financial year. The Group's accounting policy is to recognise additional contractual revenue from customers only when these amounts are considered highly probable of having no significant reversal. Amounts receivable from third party suppliers or insurers are recognised only when they are determined to be virtually certain. On the basis of the significant estimates, judgements and inherent uncertainty involved in determining the appropriate revenue recognition and associated profit, we have identified Contract Accounting as a Key Audit Matter and are particularly focussed on the existence/occurrence and accuracy of revenue recognition.	Our work focused primarily on those contracts with the greatest estimation uncertainty over the final contract values and, therefore, profit or loss outcome. We selected a risk based sample of contracts for our testing, based on both quantitative and qualitative risk criteria, including (for example): – contracts with high levels of revenue recognised in the year; – low margin or loss making contracts; – contracts with significant work in progress balances and/or other balances sheet exposure; and – contracts identified through our discussions with management, review of Board minutes, review of legal reports and review of publicly available information. Our audit procedures were then tailored according to the specific risk profile of each contract and included, but were not limited to, the following procedures: – Obtaining an understanding of the relevant contractual clauses and terms and conditions and agreeing forecast revenue to signed contracts, signed variations, agreed compensation events or other corroborative and supporting documentation; – Challenging management's forecasts. In particular assessing the appropriateness of the key assumptions, which included the expected recovery of variations, claims and compensation events from clients, to determine the basis on which associated revenue was considered to be 'highly probable' of not reversing; – Challenging those assumptions in respect of estimated recoveries (where relevant) from subcontractors, designers and insurers included in the forecasts, to determine whether these could be considered 'virtually certain' of recoverability; – Substantively tested a sample of actual costs incurred to date to ensure that these had been recorded accurately; – Performing a margin analysis of the end of life forecasts ('ELFs') to assess the consistency of the performance of the contract portfolios year-on-year; – Inspecting correspondence and meeting minutes with customers concerning variations, claims and compensation events and reviewing third party assessments of these from legal or technical experts contracted by the Group, where applicable to assess whether this information was consistent with the estimates made; – Reconciling revenue recognised with amounts certified by clients and agreeing on a sample basis to cash received; – Agreeing forecast costs to complete to supporting evidence (such as orders signed with subcontractors, performing look back testing and assessing the appropriateness of forecast run rates); and – Attending certain contract review meetings virtually and inspecting minutes of meetings that considered value cost reconciliations ('VCRs') in order to understand, but not rely upon, the controls operated by management. For the residual contract population (the tail), we performed targeted risk based procedures including, for example, testing costs to complete, material unagreed changes, reviewing the contract forecast for unusual items and recalculating the percentage of completion. For all contracts selected for testing we also assessed the impact of other identified risks including the impact of climate change, the current economic environment and the associated impact on the forecast cost at completion. Based on the evidence obtained from the above procedures we concluded on the appropriateness of the recognition of contract revenues and profits/losses and of the amounts held as contract assets and liabilities. Given the degree of estimation, we also reviewed the disclosures regarding significant judgements and estimates included in note 1 to the financial statements.

Key audit matter	How our audit addressed the key audit matter
Impairment of goodwill (Group) Refer to page 102 (Risk Management and Audit Committee report) and page 164 (Accounting policy). The Group has £543.5m of goodwill on its balance sheet at 30 June 2024 of which £523.1m relates to the Infrastructure Services segment and £20.4m relates to the Construction segment. The audit of Infrastructure Services goodwill of £523.1m was a focus area given the value of the Group's assets in comparison to its market capitalisation. The carrying value of goodwill is required to be supported by the recoverable value, the higher of value in use (through future cash flows) or the fair value less cost to sell. The VIU model requires estimation of projected future cash flows and a number of estimates including discount rates, long-term growth rates and expected changes to revenue and operating margins during the forecast periods. In making such future assumptions, there is an inherent level of estimation uncertainty to consider. We determined there to be a significant audit risk that the carrying value of goodwill allocated to Infrastructure Services may not be supportable when compared to its recoverable amount. The headroom in the Director's assessment is £303.5m (2023: £166.3m).	In evaluating the Directors' annual impairment assessment for goodwill in respect of Infrastructure Services, we performed the following procedures: – We tested the integrity of the Directors' model and assessed the allocation of goodwill and acquired intangibles, and considered the Directors' conclusion that the significant majority of goodwill related to the Infrastructure Services segment and that this represented the lowest level at which goodwill is monitored for internal management purposes; – We evaluated the basis of allocation of corporate assets and central costs ensuring these were allocated on a reasonable and consistent basis; – We obtained the Board-approved three year forecasts which formed the basis of the model used in the Directors' impairment calculation. We considered whether the planned growth rates and expected operating margins in the impairment model were consistent with the Board-approved cash flows; – We tested certain contracts in the Group's order book to provide evidence of the associated revenue forecast in the cash flow model; – We challenged the Directors' forecasts and compared future cash flow performance to historic levels, as well as to industry forecasts as part of our assessment as to whether the planned performance was considered achievable; – We challenged the assumption within the forecasts that the business's cash flows would be earned into perpetuity, including considering whether the impact of climate change posed a risk to the Group's long-term operations and associated impairment assessments; – We tested the discount rate and long-term growth rate applied with the support of our internal valuation experts; and – We sensitised key assumptions including, the short-term and long-term growth rates applied to revenue, forecast operating profits and margins, the discount rate and established the impact of reasonably possible changes in these assumptions; we then ensured, if relevant, that these sensitivities were appropriately disclosed in accordance with IAS 36, 'Impairment of assets'. Based on the procedures performed, we were satisfied that no impairment of goodwill allocated to Infrastructure Services was required, and that the associated disclosures included in the financial statements were appropriate.

Key audit matter	How our audit addressed the key audit matter
Carrying value of investments in Group companies and recoverability of amounts owed by subsidiaries (Company) Refer to page 102 (Risk Management and Audit Committee report) and page 213 (Company notes to the financial statements). The Company holds investments in subsidiaries of £455.5m (2023: £446.2m), the largest of which is in Kier Limited of £454.2m (2023: £445.0m) and net amounts owed by subsidiary undertakings of £1,534.7m (2023: £1,469.4m). IAS 36 'Impairment of assets' requires management to consider whether there are any indicators of impairment in respect of non-financial assets. Due to the quantum of the carrying amount and the market capitalisation of the Group this was an area of focus for the audit of the Company. The Directors' assessment of the carrying value of investments was that no impairment was required. Similarly, all amounts owed by subsidiary undertakings were assessed as being recoverable.	We reviewed the Directors' impairment assessment of the carrying value of the investment in Kier Limited and net amounts owed by subsidiary undertakings. In respect of the investment in Kier Limited, we agreed the forecast cash flows used in this assessment to the forecasts used in the assessment of impairment of goodwill and other intangible assets. We also considered wider market evidence and possible contradictory views, for example current enterprise value, and cross checked to other listed companies in the sector. Our work performed on those cash flows is set out in the Goodwill Key Audit Matter above. We verified that the amounts owed by subsidiary undertakings were recoverable based on counterparty cash balances and/or expected future cash flows. As a result of these procedures, we were satisfied with the Directors' conclusion that no impairment was required against the carrying value of the investments in subsidiaries or the net amounts owed by subsidiary undertakings.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Group's operations and reporting processes are structured into four segments represented by Infrastructure Services, Construction, Property and Corporate. The Group audit partner, supported by other UK engagement leaders, led UK-based teams responsible for the audit of each of these segments. The four segments include a number of statutory entities/reporting units in the Groups' consolidation, each of which is considered to be a financial component.

Except for inconsequential revenue in Kier International, the Group's operations are entirely within the UK. Our audit approach was designed to obtain coverage over 97% of the Group's revenue. We are satisfied that we obtained appropriate audit coverage over the Group's income statement, balance sheet and cash flows through our audit work on the UK and overseas operations.

The impact of climate risk on our audit

As part of our audit we made enquiries with management to understand the extent of the potential impact of climate change risk on the Group's financial statements. Management concluded that there was no material impact on the financial statements. Our evaluation of this conclusion included challenging key judgements and estimates in areas where we considered that there was greatest potential for climate change impact. We particularly considered how climate change risks (and opportunities) could impact the assumptions made in areas such as goodwill impairment, recoverability of contract assets (see key audit matters above) and the valuation of investment property. We also considered the consistency of the disclosures in relation to climate change in the other information within the Annual report with that of the financial statements and our knowledge from our audit.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements – group	Financial statements – company
Overall materiality	£13.7m (2023: £11.8m).	£13.0m (2023: £11.2m).
How we determined it	0.35% of Group revenue	1% of total assets limited by the application of component materiality
Rationale for benchmark applied	We considered different benchmarks based on a number of profit measures and revenue, taking into account the fluctuating performance of the business over the last few years and the overall scale of the business. This gave us a range within which to determine materiality. Based on our professional judgement, we concluded that an amount of £13.7m was appropriate representing 0.35% of the Group's revenue	The Company primarily holds intercompany receivables, investments in subsidiaries and debt. Accordingly we considered that total assets is the primary measure for shareholders when assessing the financial statements of the ultimate holding Company of the Group.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was £0.8m and £13.0m. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2023: 75%) of overall materiality, amounting to £10.2m (2023: £8.9m) for the Group financial statements and £9.7m (2023: £8.4m) for the Company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Risk Management and Audit Committee that we would report to them misstatements identified during our audit above £0.6m (Group audit) (2023: £0.6m) and £0.6m (Company audit) (2023: £0.6m) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the Group's and the Company's ability to continue to adopt the going concern basis of accounting included:

- Reviewing the Directors' going concern paper to ensure it was based upon the latest Board approved forecasts and that the cash flow assumptions were consistent with our understanding of the outlook for the Group's businesses and the wider market;
- Testing, on a sample basis, significant contracts in the Group's pipeline to obtain evidence in support of the revenue forecasts in the going concern model;
- Performing sensitivity analysis over management's forecasts, including with respect to the current interest rate environment in order to determine whether under severe but plausible scenarios the Group's peak debt could exceed its lending limits and/or Group could breach covenant limits. This included consideration as to whether management has mitigating actions available to it, within its control to prevent such a situation occurring;
- Comparing the prior year forecasts against actual performance to assess the Directors' ability to forecast accurately;
- Inspecting new financing agreements entered into during the year; and
- Reviewing the Directors' covenant calculations, covering the period from 30 June 2024 to 31 December 2025, ensuring that the covenant thresholds and definitions were consistent with financing agreements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Company's ability to continue as a going concern.

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 30 June 2024 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the Group's and Company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the Group and Company was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Group and Company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Risk Management and Audit Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK pensions and employment legislation, data protection legislation, the Health and Safety Executive legislation and equivalent local laws, Fire Safety Act 2021, anti-bribery and corruption legislation, environmental legislation, construction laws and regulations applicable to overseas operations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as Companies Act 2006, Listing Rules and tax legislation.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries and management bias in accounting estimates, in particular long-term contracting accounting estimates.

The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included:

- Discussions with management, Internal Audit and internal legal counsel, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Assessment of matters reported to the Board, including those raised through the Group's whistleblowing helpline;
- Review of external press releases;
- Challenging assumptions and judgements made by management in the estimates involved in accounting for long term contracts and where applicable, inspecting correspondence with external advisors; and
- Identifying and testing journal entries in particular any journal entries posted with unusual account combinations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's directors as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the Company financial statements and the part of the Directors' Remuneration report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Risk Management and Audit Committee, we were appointed by the members on 24 September 2014 to audit the financial statements for the year ended 30 June 2015 and subsequent financial periods. The period of total uninterrupted engagement is 10 years, covering the years ended 30 June 2015 to 30 June 2024.

Other matter

The Company is required by the Financial Conduct Authority Disclosure Guidance and Transparency Rules to include these financial statements in an annual financial report prepared under the structured digital format required by DTR 4.1.15R–4.1.18R and filed on the National Storage Mechanism of the Financial Conduct Authority. This auditors' report provides no assurance over whether the structured digital format annual financial report has been prepared in accordance with those requirements.

Darryl Phillips
(Senior Statutory Auditor)

for and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants
and Statutory Auditors
London

11 September 2024

Consolidated income statement

For the year ended 30 June 2024

	Note	2024 £m	2023 £m
Continuing operations			
Group revenue including share of joint ventures[1]	3	3,969.4	3,405.4
Less share of joint ventures	3	(64.3)	(24.7)
Group revenue		3,905.1	3,380.7
Cost of sales		(3,570.1)	(3,074.4)
Gross profit		335.0	306.3
Administrative expenses		(240.0)	(240.0)
Share of post-tax results of joint ventures	16	1.6	1.1
Other income	6	6.5	14.1
Operating profit	3,4	103.1	81.5
Finance income	7	9.2	9.4
Finance costs	7	(44.2)	(39.0)
Profit before tax	3	68.1	51.9
Taxation	10	(16.8)	(10.9)
Profit for the year from continuing operations	3	51.3	41.0
Discontinued operations			
Loss for the year from discontinued operations (attributable to equity holders of the Company)	3,5	(8.3)	–
Profit for the year		43.0	41.0
Attributable to:			
Owners of the Company		42.7	41.1
Non-controlling interests		0.3	(0.1)
		43.0	41.0

	Note	2024 £m	2023 £m
Earnings/(losses) per share			
Basic:			
– Continuing operations	12	11.8p	9.5p
– Discontinued operations	12	(1.9)p	–
Total		9.9p	9.5p
Diluted:			
– Continuing operations	12	11.3p	9.3p
– Discontinued operations	12	(1.8)p	–
Total		9.5p	9.3p
Supplementary information – continuing operations			
Adjusted[2] operating profit	5	150.2	131.5
Adjusted[2] profit before tax	5	118.1	104.8
Adjusted[2] basic earnings per share	12	20.6p	19.2p

1. Group revenue including share of joint ventures is an alternative performance measure.
2. References to 'adjusted' exclude adjusting items, see note 5. These are alternative performance measures.

Consolidated statement of comprehensive income

For the year ended 30 June 2024

	Note	2024 £m	2023 £m
Profit for the year		**43.0**	41.0
Other comprehensive (loss)/income			
Items that may be reclassified subsequently to the income statement			
Fair value movements on cash flow hedging instruments		**(2.6)**	2.1
Fair value movements on cash flow hedging instruments recycled to the income statement	7	**–**	1.2
Deferred tax on fair value movements on cash flow hedging instruments		**0.9**	(0.8)
Foreign exchange translation differences		**(0.1)**	0.3
Foreign exchange movements recycled to the income statement		**(9.2)**	–
Items that will not be reclassified to the income statement			
Re-measurement of retirement benefit assets and obligations	9	**(36.5)**	(107.8)
Tax on re-measurement of retirement benefit assets and obligations		**9.1**	26.5
Other comprehensive loss for the year		**(38.4)**	(78.5)
Total comprehensive income/(loss) for the year		**4.6**	(37.5)

	Note	2024 £m	2023 £m
Attributable to:			
Equity holders of the Company		**4.3**	(37.4)
Non-controlling interests		**0.3**	(0.1)
		4.6	(37.5)
Total comprehensive income/(loss) for the year attributable to equity holders of the Company arises from:			
Continuing operations		**12.6**	(37.4)
Discontinued operations		**(8.3)**	–
		4.3	(37.4)

Consolidated balance sheet

As at 30 June 2024

	Note	2024 £m	2023[1,2] £m
Non-current assets			
Intangible assets	13	**638.2**	645.0
Property, plant and equipment	14	**27.7**	29.8
Right-of-use assets	22	**95.0**	105.4
Investment properties	15	**104.9**	98.4
Investments in and loans to joint ventures	16	**91.7**	78.6
Deferred tax assets	17	**133.1**	128.8
Contract assets	18	**53.6**	43.7
Trade and other receivables	19	**28.5**	24.8
Retirement benefit assets	9	**105.0**	129.3
Other financial assets	27	**–**	9.7
Non-current assets		**1,277.7**	1,293.5
Current assets			
Inventories	20	**74.0**	72.9
Contract assets	18	**304.5**	358.2
Trade and other receivables	19	**237.3**	189.2
Corporation tax receivable		**–**	13.4
Other financial assets	27	**7.1**	1.0
Cash and cash equivalents	21	**1,563.1**	1,389.5
Current assets		**2,186.0**	2,024.2
Total assets		**3,463.7**	3,317.7
Current liabilities			
Bank overdrafts	21	**(1,101.4)**	(1,012.6)
Borrowings	21	**(58.8)**	–
Lease liabilities	22	**(42.2)**	(36.2)
Trade and other payables	23	**(1,109.8)**	(1,075.0)
Contract liabilities	18	**(128.4)**	(90.5)
Provisions	24	**(55.3)**	(38.2)
Current liabilities		**(2,495.9)**	(2,252.5)

	Note	2024 £m	2023[1,2] £m
Non-current liabilities			
Borrowings	21	**(242.0)**	(319.1)
Lease liabilities	22	**(130.9)**	(146.4)
Trade and other payables	23	**(28.4)**	(36.9)
Retirement benefit obligations	9	**(24.5)**	(24.8)
Provisions	24	**(21.9)**	(25.0)
Non-current liabilities		**(447.7)**	(552.2)
Total liabilities		**(2,943.6)**	(2,804.7)
Net assets	3	**520.1**	513.0
Equity			
Share capital		**4.5**	4.5
Share premium		**3.2**	684.3
Retained earnings/(accumulated losses)		**162.1**	(539.5)
Merger reserve		**350.6**	350.6
Other reserves		**(0.2)**	13.5
Equity attributable to owners of the Company		**520.2**	513.4
Non-controlling interests		**(0.1)**	(0.4)
Total equity		**520.1**	513.0

1. £1,012.6m has been re-presented in the comparative information from cash and cash equivalents to bank overdrafts, as a result of a change in accounting policy (see note 1).
2. £6.3m has been re-presented in the comparative information from capitalised mobilisation costs to trade and other receivables in non-current assets. £2.7m capital redemption reserve, £1.6m cash flow hedge reserve and £9.2m translation reserve have been re-presented in the comparative information to other reserves within equity.

The financial statements of Kier Group plc, company registration number 2708030, on pages 148–214 were approved by the Board of Directors on 11 September 2024 and were signed on its behalf by:

Andrew Davies
Chief Executive

Simon Kesterton
Chief Financial Officer

Consolidated statement of changes in equity

For the year ended 30 June 2024

	Note	Share capital[1] £m	Share premium[2] £m	(Accumulated losses)/ retained earnings £m	Merger reserve[3] £m	Other reserves[4] £m	Equity attributable to owners of the Company £m	Non-controlling interests £m	Total equity £m
At 1 July 2022		4.5	684.3	(494.9)	350.6	10.7	555.2	(0.6)	554.6
Profit/(loss) for the year		–	–	41.1	–	–	41.1	(0.1)	41.0
Other comprehensive (loss)/income		–	–	(81.3)	–	2.8	(78.5)	–	(78.5)
Total comprehensive (loss)/income for the year		–	–	(40.2)	–	2.8	(37.4)	(0.1)	(37.5)
Issue of own shares		–	–	–	–	–	–	0.3	0.3
Changes in ownership of subsidiary		–	–	(0.9)	–	–	(0.9)	–	(0.9)
Share-based payments	25	–	–	8.4	–	–	8.4	–	8.4
Purchase of own shares	25	–	–	(11.9)	–	–	(11.9)	–	(11.9)
At 30 June 2023		4.5	684.3	(539.5)	350.6	13.5	513.4	(0.4)	513.0
Profit for the year		**–**	**–**	**42.7**	**–**	**–**	**42.7**	**0.3**	**43.0**
Other comprehensive loss		**–**	**–**	**(27.4)**	**–**	**(11.0)**	**(38.4)**	**–**	**(38.4)**
Total comprehensive income/(loss) for the year		**–**	**–**	**15.3**	**–**	**(11.0)**	**4.3**	**0.3**	**4.6**
Dividends paid	**11**	**–**	**–**	**(7.3)**	**–**	**–**	**(7.3)**	**–**	**(7.3)**
Issue of own shares		**–**	**3.3**	**–**	**–**	**–**	**3.3**	**–**	**3.3**
Capital reduction		**–**	**(684.4)**	**687.1**	**–**	**(2.7)**	**–**	**–**	**–**
Share-based payments	**25**	**–**	**–**	**9.3**	**–**	**–**	**9.3**	**–**	**9.3**
Deferred tax on share-based payments		**–**	**–**	**0.9**	**–**	**–**	**0.9**	**–**	**0.9**
Purchase of own shares	**25**	**–**	**–**	**(3.7)**	**–**	**–**	**(3.7)**	**–**	**(3.7)**
At 30 June 2024		**4.5**	**3.2**	**162.1**	**350.6**	**(0.2)**	**520.2**	**(0.1)**	**520.1**

1. The share capital includes 452,133,752 of authorised, issued and fully paid ordinary shares of 1p each (2023: 446,314,435). The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. During the year, 5,819,317 shares were issued under the Sharesave Scheme (2023: 72,753).
2. On 22 December 2023, the Company completed a capital reduction exercise, resulting in £684.4m of share premium being cancelled and transferred to retained earnings.
3. £134.8m of the merger reserve arose on the shares issued at a premium to acquire May Gurney on 8 July 2013. In addition, a further £215.8m relates to the issue of share capital on 18 June 2021.
4. Other reserves includes capital redemption reserve, cash flow hedge reserve and translation reserve. On 22 December 2023, the Company completed a capital reduction exercise, resulting in £2.7m of capital redemption being cancelled and transferred to retained earnings.

Consolidated statement of cash flows

For the year ended 30 June 2024

	Note	2024 £m	2023 £m
Cash flows from operating activities			
Profit/(loss) before tax			
– continuing operations		**68.1**	51.9
– discontinued operations	5	**(9.1)**	–
Net finance cost	7	**35.0**	29.6
Share of post-tax trading results of joint ventures	16	**(1.6)**	(1.1)
Pension cost charge	9	**1.8**	0.1
Equity-settled share-based payments charge	25	**9.3**	8.4
Amortisation of intangible assets and mobilisation costs	13,19	**33.8**	33.9
Change in fair value of investment properties	15	**(6.5)**	(11.4)
Research and development expenditure credit	10	**(28.3)**	(22.8)
Depreciation of property, plant and equipment	14	**8.3**	6.1
Depreciation of right-of-use assets	22	**39.0**	43.7
Recycling of foreign exchange movements to the income statement		**(9.2)**	–
Profit on disposal of property, plant and equipment and intangible assets	4	**(1.3)**	(1.8)
Operating cash inflows before movements in working capital and deficit contributions to pension funds		**139.3**	136.6
Deficit contributions to pension funds	9	**(8.6)**	(9.9)
Increase in inventories	21	**(1.1)**	(18.8)
(Increase)/decrease in receivables	21	**(20.3)**	12.2
Decrease/(increase) in contract assets	18	**43.8**	(4.4)
Increase in payables	21	**23.7**	26.1
Increase in contract liabilities	18	**37.9**	23.2
Increase in provisions	21	**8.1**	15.2
Cash inflow from operating activities		**222.8**	180.2
Dividends received from joint ventures	16	**6.7**	1.8
Interest received	7	**3.5**	1.6
Income tax paid	10	**(2.9)**	(0.1)
Net cash inflow from operating activities		**230.1**	183.5

	Note	2024 £m	2023 £m
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**1.8**	2.6
Purchase of property, plant and equipment	14	**(7.1)**	(3.9)
Purchase of intangible assets	13	**(9.5)**	(2.7)
Purchase of capitalised mobilisation costs		**(1.9)**	(1.8)
Acquisition of assets	29	**(9.4)**	–
Investment in joint ventures	16	**(23.8)**	(35.7)
Acquisition of joint venture debt	16	–	(0.9)
Loan repayment and return of equity from joint ventures	16	**5.6**	17.1
Net cash used in investing activities		**(44.3)**	(25.3)
Cash flows from financing activities			
Issue of shares		**3.3**	0.3
Purchase of own shares	25	**(3.7)**	(11.9)
Interest paid		**(32.7)**	(39.5)
Principal elements of lease payments	22	**(40.6)**	(45.6)
Drawdown of borrowings	21	**247.5**	56.8
Repayment of borrowings	21	**(267.4)**	(43.2)
Settlement of derivative financial instruments		**–**	4.7
Changes in ownership interests of subsidiaries		**–**	(0.9)
Dividends paid	11	**(7.3)**	–
Net cash used in financing activities		**(100.9)**	(79.3)
Increase in cash, cash equivalents and bank overdrafts		**84.9**	78.9
Effect of change in foreign exchange rates		**(0.1)**	0.3
Opening cash, cash equivalents and bank overdrafts		**376.9**	297.7
Closing cash, cash equivalents and bank overdrafts	21	**461.7**	376.9

Notes to the consolidated financial statements

For the year ended 30 June 2024

1 Significant accounting policies

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

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

The consolidated financial statements were approved by the Directors on 11 September 2024.

Statement of compliance

The Group's consolidated financial statements have been prepared in accordance with UK-adopted International Accounting Standards effective for accounting periods beginning on or after 1 July 2023 and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

The Company has elected to prepare its parent company financial statements in accordance with the FRS 101 'Reduced Disclosure Framework'. These are presented on pages 209–214.

Basis of preparation

The financial statements are presented in pounds sterling. They have been prepared on the historical cost basis except for investment properties, defined benefit pension plans and derivative financial instruments which are stated at their fair value, and the IFRS 2 share-based payments charge which is based on the fair value of the options granted.

The following new standard and amendments to standards are effective for the financial year ended 30 June 2024 onwards:

- IFRS 17 'Insurance contracts'
- Narrow-scope amendments to IAS 1, Practice statement 2 and IAS 8
- Amendments to IAS 12 'Income Taxes' – Deferred tax related to assets and liabilities arising from a single transaction
- Amendments to IAS 12 'Income Taxes' – International tax reform (pillar two model rules)

IFRS 17 replaced IFRS 4, which permitted a wide variety of practices in accounting for insurance contracts. IFRS 17 fundamentally changes the accounting by entities that issue insurance contracts. The new standard has been applied for the first time by the Group in the accounting year ended 30 June 2024. Whilst the Group does have its own captive insurance company, Tempsford Insurance Company Limited, this company does not issue insurance contracts to parties outside of the Group and therefore this arrangement has no impact on the Group's consolidated financial statements. The widely drawn definition of an insurance contract means that a number of relatively common contracts entered into by non-insurers may be considered to be insurance contracts, even if they are not typically thought of in those terms. Some contracts that provide a service for a fixed fee can meet the definition of an insurance contract, where the level of service provided depends on uncertain future events (for example, reactive repair and maintenance services). However, the Group has reviewed the application of IFRS 17 to its fixed fee service contracts and determined that there is no material effect on the Group's financial statements from adopting IFRS 17.

None of the above amendments to standards has had a material effect on the Group's financial statements for the current year nor is expected to do so for future periods.

The following new standards and amendments to standards have been issued but were not yet effective and therefore have not been applied in these financial statements:

- IFRS 18 'Presentation and Disclosure in Financial Statements'
- IFRS 19 'Subsidiaries without Public Accountability: Disclosures' (not yet UK endorsed)
- Amendments to IAS 1 'Presentation of Financial Statements' on classification of non-liabilities with covenants
- Amendments to IFRS 16 'Leases' in relation to the lease liability in a sale and leaseback
- Amendments to IAS 7 & IFRS 7 regarding supplier finance arrangements
- Amendments to IAS 21 (not yet UK endorsed) regarding lack of foreign currency exchangeability
- Amendments to IFRS 9 and IFRS 7 (not yet UK endorsed) regarding the classification and measurement of financial instruments

IFRS 18 sets out new requirements for the presentation and disclosure of information in the financial statements and, subject to UK endorsement, will be effective for the first time in Kier's financial statements for the year ending 30 June 2028. The new standard will have an impact on how information is reported, with a focus on the presentation of the income statement, and could also change the extent of information disclosed in the notes to the financial statements. IFRS 18 will not impact the recognition or measurement of items in the financial statements and therefore won't have an impact on Kier's overall results; however it might change what Kier reports as its 'operating profit'.

1 Significant accounting policies continued

IFRS 19 is only relevant to eligible subsidiary financial statements and as such will have no impact on Kier's Group financial statements or the individual financial statements of Kier Group plc.

No significant net impact from the adoption of the above amendments to standards is expected. The Group has chosen not to adopt any of the above standards or amendments earlier than required.

Going concern

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

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

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

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

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

The Directors also considered the macroeconomic and political risks affecting the UK economy. The Directors noted that the Group's forecasts are underpinned by a significant proportion of revenue that is either secured or considered probable, often as part of long-term framework agreements, and that the Group operates primarily in sectors such as road, rail, water, energy, prisons, health and education, which are considered likely to remain largely unaffected by macroeconomic factors. Although inflationary pressures remain a risk, both in the supply chain and the labour market, this is partly mitigated by c.60% of contracts being target cost or cost plus.

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

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

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

Climate-related matters

As reported in the TCFD report (on pages 58 to 64) and the principal risks on page 75, the Group assessed the risks and implemented policies in relation to climate-related matters. In preparing these financial statements, the Directors have considered the impact of these climate-related matters on the various estimates and assumptions used in the accounts, particularly in the following areas: going concern and viability assessments; cash flow forecasts used for impairment assessments of non-financial assets, including goodwill; the useful economic lives of property, plant and equipment; and judgements in relation to long-term contracts.

There has been no material impact on the financial statements for the current year in respect of financial adjustments resulting from climate-related matters.

Change in accounting policy

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

Following completion of this review, which included correspondence with the FRC, the Directors have concluded that separate presentation of subsidiary company bank overdrafts and cash balances within the Consolidated Balance Sheet would be preferable. The Group has therefore chosen to change its accounting policy in respect of offsetting of bank overdrafts and has presented cash held in subsidiary company bank accounts separately from overdrawn amounts in the Consolidated Balance Sheet with the prior year comparative balances re-presented accordingly.

1 Significant accounting policies continued

The Consolidated Balance Sheet at 30 June 2023 has been restated as follows:

	As previously reported 2023 £m	Impact of restatement 2023 £m	Restated 2023 £m
Current assets			
Cash and cash equivalents	376.9	1,012.6	1,389.5
Current liabilities			
Bank overdrafts	–	(1,012.6)	(1,012.6)

The restatement did not result in any change to reported profit, earnings per share, net assets or cash flows reported for the year ended 30 June 2023.

The impact on the opening Consolidated Balance Sheet as at 1 July 2022 is as follows:

	As previously reported 2022 £m	Impact of restatement 2022 £m	Restated 2022 £m
Current assets			
Cash and cash equivalents	297.7	1,248.7	1,546.4
Current liabilities			
Bank overdrafts	–	(1,248.7)	(1,248.7)

Basis of consolidation

(a) Subsidiaries

The consolidated financial statements comprise the financial statements of the Company and subsidiaries controlled by the Company drawn up to 30 June 2024. Control exists when the Group has direct or indirect power to govern the financial and operating policies of an entity so as to obtain economic benefits from its activities. Subsidiaries are included in the consolidated financial statements from the date that control transfers to the Group until the date that control ceases.

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

If a business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such remeasurements are recognised in profit or loss.

The Group measures goodwill at the acquisition date as:
- The fair value of the consideration transferred; plus
- The recognised amount of any non-controlling interests in the acquiree; plus
- If the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the result is negative, a 'bargain purchase' gain is recognised immediately in the income statement.

Provisional fair values allocated at a reporting date are finalised within 12 months of the acquisition date.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in the income statement. Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred. Any contingent consideration payable is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration are recognised in the income statement unless the contingent consideration is classified as equity, in which case settlement is accounted for within reserves.

Accounting policies of subsidiaries are adjusted where necessary to ensure consistency with those used by the Group. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

(b) Joint arrangements

A joint arrangement is a contractual arrangement whereby the Group undertakes an economic activity that is subject to joint control with third parties.

The Group's interests in joint ventures are accounted for using the equity method. Under this method the Group's share of the profits less losses of joint ventures is included in the consolidated income statement and its interest in their net assets is included in investments in the consolidated balance sheet. Where the share of losses exceeds the Group's interest in the entity and there is no obligation to fund these losses the carrying amount is reduced to nil, following which no further losses are recognised. Interest in the entity is the carrying amount of the investment together with any long-term interests that, in substance, form part of the net investment in the entity.

1 Significant accounting policies continued

From time to time the Group undertakes contracts jointly with other parties. These fall under the category of joint operations as defined by IFRS 11. In accordance with IFRS 11, the Group accounts for its own share of sales, profits, assets, liabilities and cash flows measured according to the terms of the agreements.

Foreign currencies

Transactions denominated in foreign currencies are recorded at the exchange rates in effect when they take place. Resulting monetary foreign currency denominated assets and liabilities are translated at the exchange rates ruling at the balance sheet date. Exchange differences arising from foreign currency transactions are reflected in the income statement.

Items included in the financial statements of each of the Group's subsidiaries are measured using the currency of the primary economic environment in which each entity operates (the functional currency). The consolidated financial statements are presented in GBP, which is the Group's presentation currency.

The assets and liabilities of overseas subsidiary undertakings are translated at the rate of exchange ruling at the balance sheet date. Trading profits or losses are translated at average rates prevailing during the accounting period. Differences on exchange arising from the retranslation of net investments in overseas subsidiary undertakings at the year-end rates are recognised in other comprehensive income. All other translation differences are reflected in the income statement.

Revenue and profit recognition

Revenue comprises the fair value of the consideration received or receivable, net of value added tax, rebates and discounts and after eliminating sales within the Group. It also includes the Group's proportion of work carried out under jointly controlled operations.

The general principles for revenue and profit recognition across the Group are as follows:

- Provision is made for any unavoidable future net losses arising from contract obligations, as soon as they become apparent. These are accounted for under IAS 37 and are shown as onerous contract provisions in note 24;
- Additional consideration for contract modifications (variations) is only included in revenue (or the forecast contract out-turn) if the scope of the modification has been approved by the customer. If the scope of the modification has been approved but the parties have not yet determined the corresponding change in the contract price, an estimate of the change to the transaction price is made and included in calculating revenue to the extent that it is highly probable that a significant reversal of the amount in cumulative revenue recognised will not occur;
- Contract modifications are treated as separate contracts if the scope of the contract increases because of the addition of promised goods or services that are distinct, and the price of the contract increases by an amount of consideration that reflects the Group's stand-alone selling prices of the additional promised goods or services and any appropriate adjustments to that price to reflect the circumstances of the particular contract;
- Variable consideration amounts (gain-share amounts, KPI bonuses, milestone bonuses, compensation event claims, etc.) are included in revenue (or forecasts to completion) only to the extent that it is highly probable that a significant reversal of the amount in cumulative revenue recognised will not occur;
- Refund liabilities (liquidated damages, pain-share amounts, KPI penalties, etc.) are accounted for as a reduction in revenue (or in forecasting contract out-turns) as soon as it is expected that the Group will be required to refund some or all of the consideration it has received from the customer;
- Where revenue that has been recognised is subsequently determined not to be recoverable due to the inability of a customer to meet its payment obligations, these amounts are charged to administrative expenses as a credit loss;
- Claims against third parties (such as insurance recoveries and claims for cost reimbursements) outside of normal supplier price adjustments are recognised only when the realisation of income is virtually certain. The associated income is accounted for as reduction in costs rather than revenue; and
- Contract mobilisation is not considered to be a separate performance obligation in most situations, as the customer receives little or no benefit from mobilisation activities. Any consideration received from the customer in relation to the mobilisation phase of a contract is deferred and recognised as additional revenue relating to the performance obligations in the contract that benefit the customer.

If the timing of payments agreed with the customer provides the Group or the customer with a significant benefit of financing the transfer of goods or services, the amount of consideration is adjusted for the effects of the time value of money. The Group does not make an adjustment for the time value of money in the following circumstances:

- When the Group expects, at contract inception, that the period between the entity transferring a good or service and the customer paying for it will be one year or less; or
- Where the timing of the payments is for commercial rather than financing reasons, e.g. construction contract retentions, where the payment terms are to provide the customer with protection from Kier failing to adequately complete some or all of its obligations under the contract.

1 Significant accounting policies continued

Revenue and profit recognition policies applied to specific businesses are as follows:

(a) Construction contracts

Revenue is recognised on construction services over time as the benefit is transferred to the customer. The Group uses an input method to measure progress. The percentage of completion is measured using cost incurred to date as a proportion of the estimated full costs of completing the contract and is applied to the total expected contract revenue to determine the revenue to be recognised to date.

The assessment of the final outcome of each contract is determined by regular review of the revenues and costs to complete that contract. Consistent contract review procedures are in place in respect of contract forecasting.

(b) Services

Revenue and profit from services rendered, which include facilities management, transportation network maintenance, utilities maintenance, street cleaning and recycling, is recognised over time as the service is performed. Progress on capital works and infrastructure renewal projects in the Transportation and Natural Resources, Nuclear & Networks businesses is measured using costs incurred as a percentage of the estimated full costs of completing the performance obligation.

Where the contract includes bundled services, and those services are distinct, the transaction price is allocated to each performance obligation identified in the contract based on the relative stand-alone selling prices of each of the performance obligations. Revenue is then recognised independently when each of the performance obligations is satisfied.

If, as part of an overall service provision, the Group arranges for certain goods or services to be provided to a customer by another party, without taking control over those goods or services, the Group is considered to be acting as an agent in the provision of those goods or services. It these circumstances, amounts received from the customer are netted off the associated cost of the goods or services, with only the Group's fee or commission element recognised as revenue.

Any variable consideration (e.g. performance bonus) attributable to a single performance obligation is allocated entirely to that performance obligation. Where variable consideration is attributable to the entire contract and is not specific to part of the contract, the consideration is allocated based on the stand-alone selling prices of each of the performance obligations within the contract.

Service contracts are reviewed monthly to assess their future operational performance and profitability.

(c) Property development

Revenue in respect of property developments is recorded on unconditional exchange of contracts on disposal of finished developments. Profit taken is subject to any amounts necessary to cover residual commitments relating to development performance.

Where developments are sold in advance of construction being completed, revenue and profit are recognised at the point of sale, reflecting the transfer of control to the customer in its current stage of completion. Thereafter, revenue for construction services provided to the customer to complete the property is recognised over time in line with the percentage of completion, consistent with the Group's accounting policy for recognition of revenue on construction contracts (see above).

Where consideration is paid in advance of the development's construction phase at a price less than market value, revenue is recognised on a discounted basis to reflect a financing component of the transaction. This revenue and forward funded interest unwinds as the construction takes place.

(d) Private Finance Initiative ('PFI') service concession agreements

Revenue relating to construction or upgrade services under a service concession agreement is recognised based on the stage of completion of the work performed, consistent with the Group's accounting policy on recognising revenue on construction contracts (see above).

Operation or service revenue is recognised in the period in which the services were provided by the Group. When the Group provides more than one service in a service concession agreement, the consideration received is allocated by reference to the relative stand-alone selling prices of the services delivered.

Pre-contract and contract mobilisation costs

Pre-contract costs to obtain a contract that would have been incurred irrespective of whether the contract was obtained are recognised as an expense when incurred, unless those costs are explicitly chargeable to the customer irrespective of whether the contract is obtained.

Mobilisation costs incurred in respect of a specific contract that has been won or an anticipated contract that is expected to be won (e.g. when the Group has secured preferred bidder status) are carried forward in the balance sheet as capitalised mobilisation costs if: the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and the costs are expected to be recovered (i.e. the contract is expected to be sufficiently profitable to cover the mobilisation costs).

The vast majority of contracts incurring significant mobilisation costs are contracts that exceed 12 months in duration. The Group's policy is therefore to show its capitalised mobilisation costs as a non-current asset, amortised over the expected contract duration.

1 Significant accounting policies continued

Warranties and rectification costs

The Group does not offer extended insurance-type warranties at an additional cost to the customer (which would represent separate performance obligations). Standard industry assurance-type warranties are provided and are accounted for as rectification cost provisions based on the estimated costs of making good any latent defects.

Alternative performance measures

IAS 1 permits an entity to present additional information for specific items to enable users to better assess the entity's financial performance. The Directors have considered the requirements of applicable accounting standards, along with additional guidance around alternative performance measures ('APMs') and believe it is appropriate to inform users regarding various items and disclose those items which are deemed one-off, material or non-recurring in size or nature, in alignment with the Group's internal management reporting.

As such, the Group is disclosing as supplementary information an 'Adjusted profit' APM which is reconciled to statutory profit in the notes to the financial statements and is consistent with IFRS 8 segmental reporting.

Separate presentation of these items is intended to enhance understanding of the financial performance of the Group in the particular year under review and the extent to which results are influenced by material unusual and/or non-recurring items. The Directors review segmental results under an adjusted items basis to analyse the performance of operating segments.

The Directors exercise judgement in determining the classification of certain items as adjusting using quantitative and qualitative factors. In assessing whether an item is an adjusting item, the Directors give consideration, both individually and collectively, as to an item's size, the specific circumstances which have led to the item arising and if the item is likely to recur, or whether the matter forms part of a group of similar items.

Amortisation of acquired intangible assets and certain financing costs are also included as adjusting items on the basis of being ongoing non-cash items generated from acquisition-related activity.

A full reconciliation from statutory numbers to adjusted profit measures has been presented in note 5.

The Group presents revenue including share of joint ventures as an alternative performance measure. The Directors believe this is a useful measure as it provides visibility over the scale of the Group's operations, particularly within its Property business where a significant proportion of developments are set up in joint ventures.

The Group also presents cash outflow from adjusting items, free cash flow and net cash/debt as alternative performance measures. The Directors consider that these provide useful information about the Group's liquidity and debt profile.

A glossary of alternative performance measures is included on page 216.

Finance income and costs

Interest receivable and payable on bank balances is credited or charged to the income statement as incurred using the effective interest rate method. In the cash flow statement, interest received is presented within operating cash flows and interest paid is presented within cash flows from financing activities.

Borrowing costs are capitalised where the Group constructs qualifying assets. All other borrowing costs are written off to the income statement as incurred.

Borrowing costs incurred within the Group's jointly controlled entities relating to the construction of assets in PFI and PPP projects are capitalised until the relevant assets are brought into operational use.

Notional interest payable, representing the unwinding of the discount on long-term liabilities, is charged to finance costs.

Taxation

Income tax comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The deferred tax provision is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised or where offsetting temporary differences are not available.

1 Significant accounting policies continued

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and liabilities are offset where the entities have a legally enforceable right to offset and intend to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group participates in the UK Government's Research and Development Expenditure Credit ('RDEC') tax incentive scheme. Credits receivable under the RDEC scheme are recognised within operating profit and are treated as taxable income. Amounts receivable in respect of RDEC claims are included on the balance sheet within other receivables.

Goodwill and other intangible assets

Goodwill arising on consolidation represents the excess of the consideration over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary.

Goodwill is recognised as an asset and reviewed for impairment at least annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed. Negative goodwill is recognised in the income statement immediately. On disposal of a subsidiary or jointly controlled entity, the attributable carrying amount of goodwill is included in the determination of the profit or loss on disposal.

Other intangible assets which comprise contract rights and computer software are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to administrative expenses in the income statement on a straight-line basis over the expected useful lives of the assets, which are principally as follows:

Contract rights	Over the remaining contract life
Computer software	3–10 years

Internally generated intangible assets developed by the Group are recognised only if all of the following conditions are met:
– An asset is created that can be identified;
– It is probable that the asset created will generate future economic benefits; and
– The development cost of the asset can be measured reliably.

Other research expenditure is written off in the period in which it is incurred.

Software as a service

Costs incurred relating to software as a service ('SaaS') that provide future benefit to the Group are included within prepayments and written off over the period to which they relate. All other costs in respect of SaaS are expensed to the income statement as incurred.

Property, plant and equipment and depreciation

The cost of an acquired asset comprises the purchase price, any directly attributable costs and the estimated costs of dismantling and removing the item at the end of its life. Depreciation is based on historical or deemed cost, including expenditure that is directly attributable to the acquisition of the items, less the estimated residual value, and the estimated economic lives of the assets concerned. Freehold land is not depreciated. Other tangible assets are depreciated to residual values in equal annual instalments over the period of their estimated economic lives, which are principally as follows:

Land and buildings	25–50 years or period of lease
Plant and equipment	3–12 years

Leases

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:
– Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
– Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
– Amounts expected to be payable by the Group under residual value guarantees;
– The exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
– Payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Most Group companies do not have any recent independent third-party financing to use as a starting point for the incremental borrowing rate. Therefore, the Group uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk, lease term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

1 Significant accounting policies continued

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:
– The amount of the initial measurement of lease liability;
– Any lease payments made at or before the commencement date less any lease incentives received;
– Any initial direct costs; and
– Any restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

The Group has elected to use the following recognition exemptions, as permitted by the standard:
– Leases of low-value items – The Group has defined low-value items as assets that have a value when new of less than c.£5,000. Low-value items comprise IT equipment and small items of plant.
– Short-term leases – Leases with a lease term of less than 12 months at inception.

For leases in the above categories, a lease liability or right-of-use asset is not recognised. Instead, the Group recognises the related lease payments as an expense on a straight-line basis over the lease term.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Leased properties that meet the definition of investment properties are presented within 'investment properties' rather than 'right-of-use assets' on the balance sheet.

The Group enters into lease agreements as a lessor with respect to its investment properties. Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases. Finance lease income is calculated with reference to the gross carrying amount of the lease receivables, except for credit-impaired financial assets for which interest income is calculated with reference to their amortised cost (i.e. after a deduction of the loss allowance).

When a contract includes both lease and non-lease components, the Group applies IFRS 15 to allocate the consideration under the contract to each component.

Investment properties

Investment properties are held for the purpose of earning rentals and/or for capital appreciation and are not occupied by the Group. Investment properties are measured using the fair value model. Gains and losses arising from a change in the fair value of investment properties are recognised in the income statement in the period in which they arise.

Rental income and costs in respect of investment properties are included within administrative expenses and are disclosed in note 15(b). Where the investment property has come about through vacating corporate offices following the restructure of the Group's property portfolio, amounts in the income statement are treated as adjusting items.

Inventories

Inventories, including land held for and in the course of development, are valued at the lower of cost and net realisable value. Cost comprises direct materials and, where appropriate, labour and production overheads which have been incurred in bringing the inventories and work in progress to their present location and condition. Cost in certain circumstances also includes notional interest as explained in the accounting policy for finance income and costs. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Inventories are valued on a first in, first out ('FIFO') basis.

Land inventory is recognised at the time a commitment to purchase the land is made, generally at exchange of unconditional contracts.

1 Significant accounting policies continued

Property inventory, which represents all development land and work in progress, is included at cost less any losses foreseen in completing and disposing of the development less any amounts received or receivable as progress payments or part disposals. Where a property is being developed, cost includes cost of acquisition and development to date, including directly attributable fees, expenses and finance charges net of rental or other income attributable to the development. Where development property is not being actively developed, net rental income and finance costs are taken to the income statement.

Contract assets and liabilities

When the Group transfers goods or services to a customer before the customer pays consideration or before payment is due, the amount of revenue associated with the transfer of goods or services is accrued and presented as a contract asset in the balance sheet (excluding any amounts presented as a receivable). A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer.

Contract assets are reduced by appropriate allowances for expected credit losses calculated using the simplified approach (as with trade receivables).

If a customer pays consideration, or the Group has a right to an amount of consideration that is unconditional (i.e. a receivable), before the Group transfers a good or service to the customer, the amount is presented as a contract liability on the balance sheet. A contract liability represents the Group's obligation to transfer goods or services to a customer for which the entity has received consideration (or an amount of consideration is due) from the customer.

Given the varied activities of the Group, it is not practicable to identify a common operating cycle. The Group has therefore allocated contract assets and liabilities due within 12 months of the balance sheet date to current with the remainder included in non-current.

Assets held for sale

Assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable, and the assets are available for sale in their present condition.

Share capital

The ordinary share capital of the Company is recorded as the proceeds received, net of directly attributable incremental issue costs.

Merger reserve

Where equity raises are effected through a structure which is eligible for merger relief under section 612 of the Companies Act 2006, the Group transfers the excess of the net proceeds over the nominal value of the share capital issued to the merger reserve.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, and where it is probable that an outflow will be required to settle the obligation and the amount can be reliably estimated.

Contingent liabilities

The Group discloses a contingent liability in circumstances where it has a possible obligation depending on whether some uncertain future event occurs, or has a present obligation but payment is not probable, or the amount cannot be measured reliably.

Government grants

Government grants are recognised in profit or loss on a systematic basis over the periods in which the entity recognises expenses for the related costs for which the grants are intended to compensate. A grant is only recognised when there is reasonable assurance that the Group will comply with the conditions attached to it, and that the grant will be received.

Employee benefits

(a) Retirement benefit obligations

For defined contribution pension schemes operated by the Group, amounts payable are charged to the income statement as they fall due.

The Group accounts for defined benefit obligations in accordance with IAS 19. Obligations are measured at discounted present value while plan assets are measured at fair value. The operating and financing costs of such plans are recognised separately in the income statement; current service costs are spread systematically over the lives of employees and financing costs are recognised in full in the period in which they arise. Remeasurements of the net defined pension surplus or liability, including actuarial gains and losses, are recognised immediately in other comprehensive income.

The net finance income or cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This income or cost is included in finance income or finance costs in the income statement.

Where the calculations result in a surplus to the Group, the recognised asset is limited to the present value of any available future refunds from the plan or reductions in future contributions to the plan that the Group has the unconditional right to realise.

1 Significant accounting policies continued

(b) Share-based payments

Share-based payments granted but not vested in relation to the Sharesave and Long-Term Incentive Plan ('LTIP') schemes are valued at the fair value of the awards at the date of grant. The fair values of options under these schemes are calculated using the Black-Scholes model apart from the total shareholder return element of the LTIP which is based on a Stochastic model. Awards that are subject to a post-vesting holding period are valued using the Finnerty model. The cost of each scheme is based on the fair value of the options spread on a straight-line basis over the relevant vesting period.

Shares purchased and held in trust in connection with the Group's share schemes are deducted from retained earnings. No gain or loss is recognised within the income statement on the market value of these shares compared with the original cost.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument. An assessment of whether a financial asset is impaired is made at least at each reporting date. The principal financial assets and liabilities of the Group are as follows:

(a) Trade receivables and trade payables

Given the varied activities of the Group it is not practicable to identify a common operating cycle. The Group has therefore allocated receivables and payables due within 12 months of the balance sheet date to current with the remainder included in non-current.

A trade receivable is recognised when the Group has a right to consideration that is unconditional (subject only to the passage of time before payment is due). Trade receivables do not carry interest and are stated at their initial cost reduced by appropriate allowances for expected credit losses.

The Group applies the simplified approach to measurement of expected credit losses in respect of trade receivables, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Trade payables on normal terms are not interest-bearing and are stated at their nominal value. Trade payables on extended terms, particularly in respect of land purchases, are discounted and recorded at their present value.

(b) Cash and cash equivalents

Cash and cash equivalents in the cash flow statement comprise cash at bank and in hand, including bank deposits with original maturities of three months or less.

(c) Bank overdrafts and other borrowings

Bank overdrafts, interest-bearing bank and other borrowings are recorded at the fair value of the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the income statement using the effective interest method and are added to the carrying value of the instrument to the extent that they are not settled in the period in which they arise.

(d) Derivative financial instruments

Derivatives are initially recognised at fair value on the date that the contract is entered into and subsequently remeasured in future periods at their fair value. The method of recognising the resulting change in fair value depends on whether the derivative is designated as a hedging instrument and whether the hedging relationship is effective.

For cash flow hedges, the effective portion of changes in the fair value of these derivatives is recognised in the cash flow hedge reserve within equity. Any ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are recycled to the income statement in the periods when the hedged items will affect profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, the hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

The Group enters into forward contracts in order to hedge against transactional foreign currency and interest rate exposures. In cases where these derivative instruments are significant, hedge accounting is applied as described above. Where hedge accounting is not applied, changes in fair value of derivatives are recognised in the income statement. The fair values of derivative instruments have been derived from proprietary models used by the bank counterparties using mid-market mark to market valuations for trades at the close of business on the balance sheet date.

Critical accounting judgements and estimates

The following are the critical judgements and estimates that the Directors have made in the process of applying the Group's accounting policies and that have a significant effect on the amounts recognised in the financial statements:

1 Significant accounting policies continued

(a) Revenue and profit recognition (judgement and estimate)

The estimation techniques used for revenue and profit recognition in respect of property development, construction contracts and services contracts require forecasts to be made of the outcome of long-term contracts which require assessments and judgements to be made on the recovery of pre-contract costs, changes in the scope of work, programme of works, maintenance and defect obligations and changes in costs. The estimates and judgements in respect of construction contracts are considered to be critical.

There are a small number of contracts that the Group considers require significant accounting estimates and, as at 30 June 2024, the Group has included estimated recoveries from customers and other third parties with a combined value of £67.9m (2023: £74.0m). These recoveries are recognised in line with the Group's stated accounting policies. However, estimation uncertainty exists and there are a number of factors which will affect the final outcome once these contracts are finalised. The Group estimates that the final outcome on these contracts could collectively range from an upside of £28.5m (2023: £82.8m) to a downside, including the risk of counterclaims being levied against the Group, of £20.6m (2023: £47.0m).

Over 400 construction contracts (2023: over 400) were income generating during the year within the Group's Construction and Infrastructure Services operating divisions. Of these, three (2023: three) individually had a material impact on operating profit.

The key judgements and estimates relating to determining the revenue and profit of material contracts are:
– costs to complete;
– achieving the planned build programme; and
– recoverability of claims and variations in accordance with IFRS 15.

Each contract is treated on its merit and is subject to a regular review of the revenue and costs to complete that contract, determined by a combination of management judgement and external professional assistance, backed up by accounting position papers for the contracts that have a material impact on the income statement.

The level of estimation uncertainty in the Group's Construction business is reduced by the effect of its substantial portfolio and significant experience of the division's management team. The level of estimation is further reduced by the combination of the modest scale and short contract durations of the majority of the Group's projects. Nevertheless, the profit recognition in the Construction business is a critical estimate, due to the inherent uncertainties in any construction project over revenues and costs.

The level of estimation and uncertainty varies across each project within Regional Build and Strategic Projects. Regional Build operates around 300 sites (2023: 300) each year with an average project size of £19.3m (2023: £15.8m) and with average revenue in the year of £5.9m (2023: £4.4m). These projects typically operate under framework contracts where costs are known with a greater degree of certainty. Natural Resources, Nuclear & Networks ('NRNN') manages around 30 sites with projects ranging from a relatively small number of higher value major Infrastructure civil engineering projects to a larger number of more modest minor signalling upgrades and replacements.

The major infrastructure civil engineering projects typically include two stage Design and Build, Construct only and Target Cost contracts. The nature and length of these contracts means there can be a greater level of estimation and uncertainty. The blended portfolio risk of the overall construction businesses is mitigated by the relative sizes of the Regional Build, Strategic Projects and NRNN businesses.

Construction revenue for the year was £1.9bn (2023: £1.7bn) with an associated adjusted operating profit margin of 3.6% (2023: 4.2%).

The historic profit margins in the construction businesses typically range from 3.2% to 4.2%. A potential downside risk in margin would be 0.4% (2023: 1.0%). Given the short-term average duration of the construction portfolio, the impact of such a decrease in margin across projects in delivery at the year-end would be a decrease in operating profit of £7.7m (2023: £16.5m).

In addition, the Group has a number of ongoing contracts where lifecycle funds are established to meet contractual obligations. At the 30 June 2024 the carrying value of these non-current contract assets was £53.6m (2023: £43.7m). The key sensitivity in the calculation is the percentage of the funds build-up required for future maintenance. A reasonably likely change would be an increase or decrease of 10% in the percentage of funds build-up required. Such a change would result in a profit impact of approximately £3.7m in any one year.

(b) Defined benefit pension scheme valuations (estimate)

In determining the valuation of defined benefit pension scheme assets and liabilities, a number of key assumptions have been made. The key assumptions, which are given below, are largely dependent on factors outside the control of the Group:
– expected return on plan assets;
– inflation rate;
– mortality;
– discount rate; and
– salary and pension increases.

Details of the assumptions used and sensitivity to changes in these assumptions are included in note 9.

1 Significant accounting policies continued

(c) Goodwill (estimate)

Determining whether goodwill is impaired requires an estimation of the value in use of cash generating units ('CGUs') to which the goodwill has been allocated. The value in use calculation requires an estimate to be made of the timing and amount of future cash flows expected to arise from the CGU and the application of a suitable discount rate in order to calculate the net present value. Cash flow forecasts for the next three years are based on the Group's budgets and forecasts. Other key inputs in assessing each CGU are revenue growth, operating margin, discount rate and terminal growth rate. The assumptions are set out in note 13 together with an assessment of the impact of reasonably possible sensitivities.

In undertaking the assessment, the potential net impact of climate change on the forecasts has been considered. At present, it has been concluded that it will not be significant.

(d) Adjusting items (judgement)

Adjusting items are items of financial performance which the Group believes should be separately presented to assist in understanding the financial performance achieved by the Group in accordance with the accounting policy set out on page 158. Determining whether an item is classified as an adjusting item requires judgement.

Total adjusting items of £50.0m were charged to the income statement in respect of continuing operations for the year ended 30 June 2024 (2023: £52.9m). The items that comprise this are set out in note 5 together with an explanation of their nature and consideration points as to why the Directors have treated these as adjusting items.

(e) Taxation (judgement and estimate)

The Group is predominantly UK-based and all entities are subject to UK tax regulations.

Deferred tax liabilities are generally provided for in full and deferred tax assets are recognised to the extent that it is judged probable that future taxable profit will arise against which the temporary differences will be utilised. In particular, the Group has exercised judgement in recognising a deferred tax asset of £106.8m (2023: £106.2m) in respect of tax losses.

The key judgements in assessing the recoverability of the deferred tax asset relate to the taxable profit forecasts. These forecasts are based on the same Board-approved information used to support the going concern and goodwill impairment assessments. The critical judgements related to these forecasts are the same as those described in the goodwill section of this note. In assessing the recoverability, the Group has considered various sensitivities regarding future profitability, those of which are also disclosed within the goodwill section of this note.

The basis for recognising this tax asset is set out in note 17 together with the period in which it is expected to be utilised.

RDEC income is recorded based on management's view of qualifying spend in the year of £139.3m. Management are experienced in RDEC claims and are assisted by external advisers. However, if qualifying spend was to reduce by £10m, this would result in a decrease in RDEC income of £2m.

(f) Land and property valuations (estimate)

The recoverability of property development work in progress is an area which requires significant judgement due to the ongoing volatility in property valuations. An assessment of the net realisable value of inventory is carried out at each balance sheet date and is dependent upon the Group's estimate of forecast selling prices and build/development costs (by reference to current prices), which may require significant judgement. Where applicable, third-party valuations are used to support the position as at the balance sheet date. In valuing work in progress at the lower of cost and net realisable value the Group has already recognised any expected downside, and any upside is contingent on the Group's continued development of the projects as it is not in the business of selling partly developed sites. At 30 June 2024, the value of land and work in progress held for development, included within inventory on the balance sheet, was £61.2m (2023: £59.6m).

The Group continues to rationalise its property portfolio and exited its leased corporate offices in Foley Street, London and Fountain Street, Manchester during prior years. The properties are now being sublet for the remaining period of the lease and the associated right-of-use asset is classified as an investment property. Given the length of the underlying leases and the uncertainty in the property market, in calculating the fair value of the right-of-use asset judgement has been exercised. These areas of judgement are detailed in note 15.

(g) Fire and cladding (judgement and estimate)

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

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

Where an obligation has been established and a reliable estimate of the costs to rectify is available, a provision has been made (see note 24). No provision has been made where an obligation has not been established.

1 Significant accounting policies continued

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

2 Revenue

Revenue is entirely derived from contracts with customers. Information on the nature and timing of satisfaction of performance obligations, including significant payment terms, is provided below. For the related revenue accounting policies, see note 1.

Infrastructure Services

The Group derives revenue from capital infrastructure projects as well as the maintenance of infrastructure assets across various sectors including highways, rail, water, gas and domestic fibre installation.

Capital projects can range from the construction of power station infrastructure, roads, railways, bridges and tunnels, over a period of several years (e.g. Hinkley Point C, Sellafield SRP and HS2), to small schemes completed in a matter of days. Revenue is recognised over time as the construction services are rendered to the customer. Each capital project is typically treated as a single performance obligation.

The Group also provides maintenance services for the UK road, rail and utilities infrastructure through both routine, preventative maintenance as well as reactive repairs. These services are generally delivered under framework contracts of between five to eight years; however, individual performance obligations under the framework are normally determined on an annual, monthly or ad hoc basis. Revenue is recognised over time as the maintenance services are rendered to the customer.

Where multiple services are supplied under a single contract they are treated as separate performance obligations and revenue is recognised separately as each performance obligation is satisfied.

Infrastructure services are normally invoiced monthly in arrears under normal commercial credit terms. Under some contracts, amounts are held back as a retention for periods that can exceed 12 months. However, as the purpose of the retentions is to ensure that the performance obligations on the contract are carried out to a satisfactory standard, the Group does not deem there to be a significant financing component in the timing of the cash flows on these amounts.

Construction

The Group undertakes over 300 building projects each year, providing construction services in the private, education and health sectors and on public sector frameworks. Projects range from minor extensions costing less than £0.5m to the construction of major strategic assets costing hundreds of millions of pounds. The construction of a building, including any associated design work, is normally accounted for as a single performance obligation as the services provided are normally highly interrelated. Whilst the bulk of consideration associated with construction contracts is usually fixed, variable consideration elements can exist (milestone bonuses, gain share, event claims, etc.). Revenue is recognised over time as the performance obligation is satisfied in accordance with the accounting policies in note 1.

Invoices are typically raised monthly, based on valuations of the work completed, and have normal commercial payment terms. It is common in the construction industry for an amount to be held back as a retention for periods that can exceed 12 months. However, as the purpose of the retentions is to ensure that the performance obligations on the contract are carried out to a satisfactory standard, the Group does not deem there to be a significant financing component in the timing of the cash flows on these amounts.

The Group also provides maintenance services to local authorities and private landlords with large housing portfolios. Revenue for maintenance services is recognised over time as the services are rendered. Services are either invoiced monthly or shortly after completion of individual performance obligations. Normal commercial payment terms apply.

Facilities management and maintenance services revenue is recognised over time as the services are rendered. Invoices for services rendered are typically raised monthly. Normal commercial payment terms apply, with the exception of the PFI lifecycle contracts, as noted below.

The Group has a number of long-term PFI lifecycle contracts to maintain properties over periods of 25–30 years. A fund is established at the start of the contract and amounts are drawn down by the Group as maintenance work is performed. The Group is also entitled to share in any surplus left in the fund at the end of the contract. Revenue is recognised over time to reflect the rendering of the service including an assessment of the appropriate proportion of the likely surplus in the fund, subject to being highly probable not to reverse. As the surplus amount will not be paid until the end of the contracts, the contract asset associated with the surplus recognised to date is shown as a non-current asset in the balance sheet. Due to the length of time between performance of the services and payment of the surplus, the Group considers there to be a significant financing component within this element of the transaction price and has therefore adjusted for the time value of money in measuring the revenue recognised in respect of end-of-contract surpluses.

2 Revenue continued

Property

The Group undertakes property development on its own sites as well as a service for customers. Revenue in respect of the sale of property developments owned by the Group is recognised at a point in time (unconditional exchange of contracts). In most cases payment is received on legal completion. Revenue for property development services in respect of customer owned sites is recognised over time and normally invoiced monthly based on valuations under normal commercial payment terms.

Transaction price allocated to remaining performance obligations

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date.

At 30 June 2024

	2025 £m	2026 £m	2027 onwards £m
Infrastructure Services	**1,643.3**	**796.7**	**1,506.5**
Construction	**1,177.6**	**391.9**	**90.4**
Total transaction price allocated to remaining performance obligations	**2,820.9**	**1,188.6**	**1,596.9**

At 30 June 2023

	2024 £m	2025 £m	2026 onwards £m
Infrastructure Services	958.3	872.1	1,930.0
Construction	1,196.0	322.8	6.8
Total transaction price allocated to remaining performance obligations	2,154.3	1,194.9	1,936.8

No revenue was linked to future related performance obligations in the Property segment (2023: £nil).

The Group applies the practical expedient in paragraph 121 of IFRS 15 and does not disclose information about remaining performance obligations that have original expected durations of one year or less and excludes any estimate of revenue from framework contracts for which a firm commitment or order has not been received at the reporting date.

3 Segmental reporting

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

Segment information is based on the information provided to the Chief Executive, together with the Board, who is the Chief Operating Decision Maker. The segments are strategic business units with separate management and have different core customers and offer different services. The segments are discussed in the Operational Review on pages 22–29. The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies (note 1). The Group evaluates segmental information on the basis of adjusted operating profit (see note 5), interest and tax expense. The segmental results that are reported to the Chief Executive include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

3 Segmental reporting continued

	2024					2023				
	Infrastructure Services £m	Construction £m	Property £m	Corporate £m	Group £m	Infrastructure Services £m	Construction £m	Property £m	Corporate £m	Group £m
Revenue[1]										
Group revenue including share of joint ventures	1,988.3	1,907.8	71.0	2.3	3,969.4	1,712.3	1,652.5	37.6	3.0	3,405.4
Less share of joint ventures	–	(2.4)	(61.9)	–	(64.3)	–	(2.4)	(22.3)	–	(24.7)
Group revenue	1,988.3	1,905.4	9.1	2.3	3,905.1	1,712.3	1,650.1	15.3	3.0	3,380.7
Timing of revenue[1]										
Products and services transferred at a point in time	5.9	0.6	57.8	–	64.3	3.9	0.8	21.5	–	26.2
Products and services transferred over time	1,982.4	1,907.2	13.2	2.3	3,905.1	1,708.4	1,651.7	16.1	3.0	3,379.2
Group revenue including share of joint ventures	1,988.3	1,907.8	71.0	2.3	3,969.4	1,712.3	1,652.5	37.6	3.0	3,405.4
Profit/(loss) for the year										
Adjusted operating profit/(loss)[2]	112.3	69.2	6.2	(37.5)	150.2	79.8	69.5	12.8	(30.6)	131.5
Adjusting items[2]	(23.6)	(9.6)	(4.3)	(9.6)	(47.1)	(22.6)	(23.1)	1.5	(5.8)	(50.0)
Operating profit/(loss)	88.7	59.6	1.9	(47.1)	103.1	57.2	46.4	14.3	(36.4)	81.5
Net finance income/(costs)[3]	4.4	1.4	(3.7)	(37.1)	(35.0)	1.4	(4.3)	(0.6)	(26.1)	(29.6)
Profit/(loss) before tax	93.1	61.0	(1.8)	(84.2)	68.1	58.6	42.1	13.7	(62.5)	51.9
Taxation					(16.8)					(10.9)
Profit for the year from continuing operations					51.3					41.0
Loss for the year from discontinued operations					(8.3)					–
Profit for the year					43.0					41.0
Balance sheet										
Operating assets[4]	908.3	424.4	217.9	342.9	1,893.5	973.7	413.1	188.5	342.3	1,917.6
Operating liabilities[4]	(499.8)	(814.2)	(14.8)	(212.6)	(1,541.4)	(511.7)	(732.7)	(18.5)	(210.2)	(1,473.1)
Net operating assets/(liabilities)[4]	408.5	(389.8)	203.1	130.3	352.1	462.0	(319.6)	170.0	132.1	444.5
Cash, cash equivalents, bank overdrafts and borrowings	540.4	700.4	(171.3)	(908.6)	160.9	456.6	594.5	(134.1)	(859.2)	57.8
Net financial assets	–	–	–	7.1	7.1	–	–	–	10.7	10.7
Net assets/(liabilities)	948.9	310.6	31.8	(771.2)	520.1	918.6	274.9	35.9	(716.4)	513.0
Other information										
Inter-segmental revenue	4.9	0.1	–	39.8	44.8	31.5	0.1	–	40.5	72.1
Capital expenditure on property, plant, equipment and intangible assets	2.4	4.4	–	9.8	16.6	0.7	0.1	–	5.8	6.6
Depreciation of property, plant and equipment	(0.7)	(0.4)	(0.2)	(7.0)	(8.3)	(0.9)	(0.4)	(0.2)	(4.6)	(6.1)
Amortisation of computer software	(1.1)	(0.2)	–	(6.1)	(7.4)	(1.4)	(0.8)	–	(5.4)	(7.6)

1. Revenue is stated after the exclusion of inter-segmental revenue. 100% of the Group's revenue is derived from UK-based customers. 15% of the Group's revenue was received from High Speed Two (HS2) Limited (2023: 15%). Group revenue including joint ventures is an alternative performance measure, see page 216.
2. See notes 1 and 5 for adjusting items.
3. Interest was (charged)/credited to the divisions at a notional rate of 4.0% (2023: 4.0%).
4. Net operating assets/(liabilities) represent assets excluding cash, cash equivalents, bank overdrafts, borrowings, financial assets and liabilities, and interest-bearing inter-company loans.

4 Operating profit

Operating profit is stated after charging/(crediting):

	Note	2024 £m	2023 £m
Amortisation of intangible assets	13	**30.6**	26.8
Depreciation of property, plant and equipment	14	**8.3**	6.1
Profit on sale of property, plant and equipment and right-of-use assets		**(1.3)**	(1.8)
Depreciation of right-of-use assets	22	**39.0**	43.7
Fair value adjustment to investment properties	15	**(6.5)**	(11.4)

Services provided by the Group's auditors

	Note	2024 £m	2023 £m
Fees payable for the audit of the parent company and consolidated financial statements[1]		**2.7**	2.3
Fees payable to the Company's auditors for other services:			
Audit of the Company's subsidiaries, pursuant to legislation		**0.5**	1.2
Audit-related assurance services[2]		**0.4**	0.2

1. The auditors' remuneration relates to amounts paid to PricewaterhouseCoopers LLP ('PwC'). Included in the 2024 audit fees are £0.3m for prior year work (2023: £0.2m).
2. A summary of other services provided by PwC during the year is provided on page 103. In 2024, the fees relating to other assurance services include the verification of the re-finance documentation of £250,000, and £178,000 for the review of the interim statements (2023: £191,000). Also included are £2,000 (2023: £2,000) for a subscription service providing factual updates and changes to applicable law, regulation or accounting and auditing standards.

5 Adjusting items

(a) Reconciliation to adjusted profit

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

Adjusting items include:

Cost of sales:

– Fire and cladding compliance costs of £15.0m – these consist of costs incurred in rectifying legacy issues to comply with the latest Government guidance. The net charge of £15.0m includes a credit of £11.8m in respect of insurance proceeds.

5 Adjusting items continued

Administrative expenses:

- Amortisation of acquired intangible assets of £23.2m – comprises amortised contract rights arising from prior year acquisitions, along with the amortisation of contract rights relating to the Buckingham acquisition.
- Recycle of foreign exchange gain of £(5.9)m – the retranslation of the overseas subsidiary balance sheets has been recycled to the income statement following the down-sizing of the international business and has been treated as an adjusting item.
- Refinancing fees of £4.5m – these costs consist of professional advisor fees that were incurred as part of the refinancing exercise but that were not directly attributable to the issue of the debt instruments and so could not be capitalised.
- Property-related items of £(1.1)m – these costs primarily consist of income and costs incurred in respect of corporate properties vacated in prior years as part of the review of Group premises.
- Other adjusting items of £3.1m – other costs consist of charges in respect of the down-sizing of the International business and costs incurred on the acquisition of Buckingham Group's rail division.

Share of post-tax results of joint ventures and other income:

- Property-related items of £8.3m – these costs primarily consist of the loss on disposal of a property previously treated as adjusting items, and a fair value adjustment of £2.3m in relation to the Group's former head office.

Net finance charges:

- Net financing costs of £2.9m – these relate to IFRS 16 interest charges on leased investment properties previously used as offices.

(b) Discontinued operations

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

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

(c) Cash outflow from adjusting items

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

6 Other income

	Note	2024 £m	2023 £m
Insurance proceeds		–	2.7
Fair value gain on investment properties	15	6.5	11.4
Other income		**6.5**	**14.1**

7 Finance income and costs

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

8 Information relating to Directors and employees

	2024 No.	2023 No.
Monthly average number of people employed during the year including Executive Directors by segment was:		
Infrastructure Services	**5,764**	5,714
Construction	**3,842**	3,631
Property	**70**	75
Corporate	**542**	544
	10,218	9,964

19 employees are located outside of the UK (2023: 55).

	Note	2024 £m	2023 £m
Group staff costs by segment are as follows:			
Infrastructure Services		**384.7**	346.1
Construction		**288.0**	246.2
Property		**11.5**	13.7
Corporate		**51.1**	42.0
		735.3	648.0
Comprising:			
Wages and salaries		**632.4**	562.4
Social security costs		**65.8**	59.0
Defined benefit pension scheme net credit to the income statement	9	**(3.9)**	(7.7)
Contributions to defined contribution pension schemes		**31.7**	25.9
Share-based payments charge	25	**9.3**	8.4
		735.3	648.0

The amounts disclosed above are in relation to the entirety of the Group's Directors and employees.

Information relating to Directors' emoluments, pension entitlements, share options and LTIP interests appears in the Directors' Remuneration report on pages 109–134.

9 Retirement benefit obligations

The Group operates a number of pension schemes for eligible employees. The Kier Group scheme is the principal scheme and includes a defined benefit section and a defined contribution section. The defined benefit section of the scheme was closed to new entrants on 1 January 2002; existing members continued to accrue benefits for service until the scheme was closed to future accrual on 28 February 2015. A total of six other defined benefit schemes were acquired with the past acquisition of the May Gurney, Mouchel and McNicholas groups. These schemes are all closed to new entrants and to future accrual, with the exception of one small scheme which remains open to future accrual for 5 (2023: 5) active members. This scheme is a multi-employer scheme; however, Kier's share is separately identifiable and therefore the movements in the period are determined by reference to the change in valuation of this separate subsection.

The assets of all of the defined benefit schemes are held in trust separate from the assets of the Group. The Trustees are responsible for investing the assets and delegate day-to-day decisions to independent professional investment managers. The schemes are established under UK trust law and have a corporate trustee that is required to run the schemes in accordance with the schemes' Trust Deed and Rules and to comply with all relevant legislation. Responsibility for the governance of the schemes lies with the Trustees.

The pension obligations of the Group are valued separately for accounting and funding purposes. The accounting valuations under IAS 19 require 'best estimate' assumptions to be used whereas the funding valuations use more prudent assumptions. A further difference arises from the differing dates of the valuations. The accounting pension surplus or deficit is calculated at the balance sheet date (30 June) each year, whereas the actuarial valuations are carried out on a triennial basis at 31 March, or in the case of one scheme, 31 December. The differing bases and timings of the valuations can result in materially different pension surplus or deficit amounts.

Contributions to defined benefit schemes

The aggregate contributions payable in the year ended 30 June 2024 in respect of the Group's defined benefit pension schemes amounted to £8.6m (2023: £9.9m), which included past service deficit contributions of £8.5m (2023: £9.8m) and current service employer contributions of £0.1m (2023: £0.1m).

9 Retirement benefit obligations continued

The Group agreed revised deficit recovery plans with the Trustees of the Kier Group scheme, May Gurney scheme and Mouchel schemes on 25 May 2023, and agreed the latest schedule of contributions for the McNicholas scheme on 27 February 2024. Based on these contribution plans, the Group expects to make the following contributions in future years:

	2025 £m	2026 £m	2027 £m	2028 £m	2029 & beyond £m
Deficit contributions	**6.9**	**5.2**	**3.5**	**0.9**	**–**

In addition to the above contributions, the Group has agreed with the Trustees of most of the schemes (including the Kier Group scheme) that additional deficit contributions will be payable in certain circumstances, including in the event of the Group meeting certain financial targets.

The Group has also agreed with the Trustees of a number of the schemes to meet each of the scheme's expenses including their Pension Protection Fund levies. As the Kier Group scheme and one of the Mouchel schemes were in surplus at the last funding valuation date, the Trustees agreed that Kier would stop paying the expenses for these schemes with effect from 1 July 2023. If either of these schemes subsequently move into deficit, on the basis determined by the schemes' actuary at a 31 March measurement date, Kier will recommence payment of the scheme's expenses from 1 July the following year. During the year the Group incurred fees totalling £0.6m (2023: £2.9m) in respect of the running and administration of the defined benefit schemes, with a further £1.7m (2023: nil) paid directly by the schemes.

The deficit recovery plans agreed with the Trustees of each of the defined benefit schemes constitute minimum funding requirements for the purposes of IFRIC 14. These minimum funding requirements do not give rise to any additional liabilities on the Group's balance sheet, as the Group has determined that it has a right to benefit from any surplus created by overpaid contributions, through either a reduction in future contributions or refunds of the surpluses on winding up of the schemes.

Contributions to defined contribution schemes

Contributions are also made to a number of defined contribution arrangements. The Group paid contributions to these arrangements of £31.7m (2023: £25.9m) during the year.

The Group makes contributions to local government defined benefit pension schemes in respect of certain employees who have transferred to the Group under TUPE transfer arrangements. The Group is unable to identify its share of the underlying assets and liabilities in the schemes on a consistent and reasonable basis and consequently the pension costs for these schemes are treated as if they were defined contribution schemes.

IAS 19 'Employee Benefits' disclosures

The Group recognises any actuarial gains or losses through the statement of comprehensive income as required under IAS 19.

The weighted average duration of the schemes' liabilities is approximately 12 years (2023: 13 years).

The IAS 19 accounting valuations at 30 June 2024 of some of the Group's defined benefit schemes, indicated that the assets of each scheme exceeded their respective scheme liabilities. The Group has recognised these surpluses as retirement benefit assets on its balance sheet under IAS 19 and IFRIC 14, as the Group has determined that it has a right to benefit from any surpluses, through either reduced contributions or a refund of the surpluses on winding up of the schemes.

The principal assumptions used by the independent qualified actuaries are shown in the following table. This set of assumptions was used to value all of the defined benefit schemes, and has been based on the weighted average duration of the schemes' liabilities with the exception of CPI assumptions, which have been based on the expected durations of each individual scheme.

	2024 No.	2023 No.
Discount rate	**5.15**	5.30
Inflation rate (Retail Price Index ('RPI'))	**3.20**	3.20
Inflation rate (Consumer Price Index ('CPI'))	**2.40–2.85**	2.30–2.75
Rate of general increases in pensionable salaries	**3.20**	3.20
Rate of increase in pensions payments liable for Limited Price Indexation		
– RPI subject to minimum of 0% and a maximum 5%	**2.95**	2.90
– RPI subject to minimum of 0% and a maximum 2.5%	**1.90**	1.85

The mortality assumptions used were as follows:

	2024 Male years	2024 Female years	2023 Male years	2023 Female years
Life expectancy for a male/female currently aged 60				
– Kier Group scheme	**25.9**	**28.0**	26.7	28.7
– Acquired schemes	**24.6–26.3**	**27.4–28.2**	25.4–27.0	28.1–29.2
Life expectancy for a male/female member aged 60, in 20 years' time				
– Kier Group scheme	**27.2**	**29.2**	27.9	29.8
– Acquired schemes	**26.2–27.4**	**28.8–29.5**	26.9–28.2	29.5–30.7

9 Retirement benefit obligations continued

The amounts recognised in the income statement and statement of other comprehensive income and the movements in the net retirement benefit surplus/(deficit) in respect of the defined benefit schemes are as follows:

	2024			2023		
	Kier Group £m	Acquired schemes £m	Total £m	Kier Group £m	Acquired schemes £m	Total £m
Opening net surplus/(deficit)	**117.5**	**(13.0)**	**104.5**	**170.2**	**24.5**	**194.7**
Current service cost	–	(0.1)	(0.1)	–	(0.1)	(0.1)
Administration expenses	(1.4)	(0.3)	(1.7)	–	–	–
Net interest on net defined benefit surplus	6.2	(0.5)	5.7	6.6	1.2	7.8
Total income/(expense) recognised in the income statement	**4.8**	**(0.9)**	**3.9**	**6.6**	**1.1**	**7.7**
Actual return less than that recognised in net interest	(28.0)	(13.1)	(41.1)	(193.4)	(122.0)	(315.4)
Actuarial (losses)/gains due to changes in financial assumptions	(14.9)	(10.2)	(25.1)	135.7	94.8	230.5
Actuarial gains due to changes in demographic assumptions	17.2	8.9	26.1	17.8	10.7	28.5
Actuarial gains/(losses) due to liability experience	0.3	3.3	3.6	(19.8)	(31.6)	(51.4)
Total amount recognised in other comprehensive income	**(25.4)**	**(11.1)**	**(36.5)**	**(59.7)**	**(48.1)**	**(107.8)**
Contributions by the employer	–	8.6	8.6	0.4	9.5	9.9
Closing net surplus/(deficit)	**96.9**	**(16.4)**	**80.5**	**117.5**	**(13.0)**	**104.5**

9 Retirement benefit obligations continued

	2024 Kier Group £m	2024 Acquired schemes £m	2024 Total £m	2023 Kier Group £m	2023 Acquired schemes £m	2023 Total £m
Changes in the fair value of scheme assets						
Fair value at 1 July	850.9	396.8	1,247.7	1,048.0	509.0	1,557.0
Interest income on scheme assets	44.0	20.7	64.7	40.0	19.7	59.7
Remeasurement losses on scheme assets	(28.0)	(13.1)	(41.1)	(193.4)	(122.0)	(315.4)
Contributions by the employer	–	8.6	8.6	0.4	9.5	9.9
Net benefits paid out	(40.3)	(19.3)	(59.6)	(44.1)	(19.4)	(63.5)
Administration expenses	(1.4)	(0.3)	(1.7)	–	–	–
Fair value at 30 June	825.2	393.4	1,218.6	850.9	396.8	1,247.7
Changes in the present value of the defined benefit obligation						
Fair value at 1 July	(733.4)	(409.8)	(1,143.2)	(877.8)	(484.5)	(1,362.3)
Current service cost	–	(0.1)	(0.1)	–	(0.1)	(0.1)
Interest expense on scheme liabilities	(37.8)	(21.2)	(59.0)	(33.4)	(18.5)	(51.9)
Actuarial (losses)/gains due to changes in financial assumptions	(14.9)	(10.2)	(25.1)	135.7	94.8	230.5
Actuarial gains due to changes in demographic assumptions	17.2	8.9	26.1	17.8	10.7	28.5
Actuarial gains/(losses) due to liability experience	0.3	3.3	3.6	(19.8)	(31.6)	(51.4)
Net benefits paid out	40.3	19.3	59.6	44.1	19.4	63.5
Fair value at 30 June	(728.3)	(409.8)	(1,138.1)	(733.4)	(409.8)	(1,143.2)
Amounts included in the balance sheet						
Fair value of scheme assets	825.2	393.4	1,218.6	850.9	396.8	1,247.7
Net present value of the defined benefit obligation	(728.3)	(409.8)	(1,138.1)	(733.4)	(409.8)	(1,143.2)
Net surplus/(deficit)	96.9	(16.4)	80.5	117.5	(13.0)	104.5
Related deferred tax (liability)/asset	(24.0)	4.0	(20.0)	(29.4)	3.3	(26.1)
Net pension asset/(liability)	72.9	(12.4)	60.5	88.1	(9.7)	78.4

9 Retirement benefit obligations continued

The net surplus/(deficit) above is split between retirement benefit assets and obligations in the statement of financial position based on whether the individual pension schemes have a net surplus or deficit, as follows:

	2024			2023		
	Kier Group £m	Acquired schemes £m	Total £m	Kier Group £m	Acquired schemes £m	Total £m
Retirement benefit assets	**96.9**	**8.1**	**105.0**	117.5	11.8	129.3
Retirement benefit obligation	**–**	**(24.5)**	**(24.5)**	–	(24.8)	(24.8)
Net surplus/(deficit)	**96.9**	**(16.4)**	**80.5**	117.5	(13.0)	104.5

The assets, liabilities and net pension liabilities for the defined benefit arrangements are shown below. The assets are invested with professional investment managers and are measured based on quoted market valuations at the balance sheet date, with the exception of property assets and annuity policies, which are based on unquoted valuations.

	2024			2023		
	Kier Group £m	Acquired schemes £m	Total £m	Kier Group £m	Acquired schemes £m	Total £m
Equities	**210.0**	**127.7**	**337.7**	100.4	53.1	153.5
Corporate bonds	**91.0**	**10.0**	**101.0**	93.3	62.8	156.1
Government bonds	**186.5**	**60.5**	**247.0**	–	–	–
Fixed income aggregate funds	**84.5**	**48.8**	**133.3**	–	–	–
Cash	**41.0**	**17.6**	**58.6**	40.8	49.7	90.5
Property	**14.2**	**6.2**	**20.4**	15.6	1.1	16.7
Absolute return	**–**	**0.1**	**0.1**	62.9	27.9	90.8
Annuity policies	**–**	**0.5**	**0.5**	–	0.5	0.5
Multi-asset	**–**	**14.1**	**14.1**	95.0	44.8	139.8
Index-linked bonds	**196.9**	**108.8**	**305.7**	–	–	–
Liability-driven investments	**–**	**–**	**–**	442.9	156.9	599.8
Derivatives	**1.1**	**(0.9)**	**0.2**	–	–	–
Total market value of assets	**825.2**	**393.4**	**1,218.6**	850.9	396.8	1,247.7

9 Retirement benefit obligations continued

History of experience gains and losses for defined benefit schemes in aggregate:

	2024 £m	2023 £m	2022 £m	2021 £m	2020 £m
Fair value of scheme assets	**1,218.6**	1,247.7	1,557.0	1,909.9	1,937.9
Net present value of the defined benefit obligation	**(1,138.1)**	(1,143.2)	(1,362.3)	(1,863.7)	(1,899.1)
Net surplus	**80.5**	104.5	194.7	46.2	38.8
Related deferred tax liability	**(20.0)**	(26.1)	(49.3)	(12.6)	(7.4)
Net pension asset	**60.5**	78.4	145.4	33.6	31.4
Difference between expected and actual return on scheme assets	**(41.1)**	(315.4)	(339.9)	(26.6)	177.6
Experience gains/(losses) on scheme liabilities	**3.6**	(51.4)	(10.4)	19.2	40.2

Risk exposure

As IAS 19 actuarial assumptions are driven by market conditions, there is a risk that significant changes in financial market conditions could lead to volatility in the defined benefit obligation disclosed in the balance sheet from year to year. In addition, the asset position may also be volatile as it will be influenced by changes in market conditions. However, the risk of significant changes to the overall balance sheet position has been mitigated to an extent due to the risk management strategy used by the schemes as described below.

Most of the Group's defined benefit schemes share a common single corporate trustee and have aligned their investment strategy and risk management process, providing a consistent framework across the schemes to achieve their long-term objective. These schemes appointed Schroders Investment Management Limited as their outsourced chief investment officer ('OCIO') during the year. The scheme assets are managed by the OCIO using a combination of external and internal funds. All of the assets in these schemes consist of four high-level strategic building blocks, i.e. growth, structured equity, cash flow driven investments and liability hedging.

The growth asset portfolio is designed for long-term stable returns. It is an actively managed diversified portfolio consisting of equity, return seeking credit, alternatives, property, cash and sovereign bonds. The schemes access further equity exposure with built in explicit down protection through their structured equity allocation.

The liability hedging portfolio (consisting of cash, physical gilts, gilt repurchase agreements as well as interest and inflation swaps) is designed to hedge each scheme's sensitivity to changes in interest rate and inflation and targets a high hedge ratio. The Kier Group Pension Scheme is hedging 100% of funded low dependency liabilities, with other schemes hedging 100% of funded technical provisions liabilities. The schemes hedge the majority of the currency exposure within their investment strategy.

Pension scheme contingent liabilities

In June 2023, in the case of Virgin Media vs NTL Pension Trustees II Limited, the High Court judged that amendments made to the Virgin Media scheme were invalid because they were not accompanied by the correct actuarial confirmation. On 25 July 2024, the Court of Appeal upheld the June 2023 High Court decision. The Court's decision could have wider ranging implications, affecting other schemes that were contracted-out on a salary-related basis, and made amendments between April 1997 and April 2016. There is still further uncertainty with the potential for overriding government legislation to be introduced.

The Group had been waiting for the Court of Appeal's decision before investigating any possible implications for the Group's pension schemes. Given the timing of the decision, the Group has not had adequate time to begin detailed investigations before the signing of these financial statements. Therefore, the Group considers the amount of any potential impact on the schemes' defined benefit obligation cannot yet be measured with sufficient reliability and consequently no allowance for this has been made in calculating the defined benefit obligations at the reporting date.

Pension sensitivity

The following table shows the change in the net surplus or deficit arising from a change in the significant actuarial assumptions used to determine the Group's retirement benefit obligations:

	2024		2023	
Kier Group scheme:	**+0.25%/+1 year £m**	**-0.25%/-1 year £m**	+0.25%/+1 year £m	-0.25%/-1 year £m
Discount rate (+/-0.25%)	**32.5**	**(34.0)**	33.3	(35.2)
Inflation rate (+/-0.25%)	**(19.2)**	**18.0**	(18.6)	18.6
Mortality (+/-1 year)	**33.2**	**(33.3)**	32.3	(32.3)

The sensitivity analyses above have been determined based on reasonably possible changes in the respective assumptions occurring at the end of the reporting period, derived from an isolated change in a key assumption while holding all other assumptions constant, and may not be representative of the actual change. When calculating the sensitivity to the assumption, the same method used to calculate the liability recognised in the balance sheet has been applied. The inflation sensitivities shown above include the impact of both RPI and CPI inflation, and of other inflation related assumptions (such as pension increases in payment). The methods and types of assumptions used in preparing the sensitivity analyses did not change compared with the previous year.

10 Taxation

Taxation in respect of continuing operations is analysed below.

(a) Recognised in the income statement

	2024 £m	2023 £m
Current tax		
UK corporation tax	12.5	8.4
Adjustments in respect of prior years	(0.3)	(1.1)
Total current tax charge	12.2	7.3
Deferred tax		
Origination and reversal of temporary differences	8.0	3.2
Adjustments in respect of prior years	(3.4)	2.4
Rate change effect on deferred tax	–	(2.0)
Total deferred tax	4.6	3.6
Total tax charge in the income statement	16.8	10.9
Reconciliation of effective tax rate		
Profit before tax	68.1	51.9
Losses/(income) from joint venture companies	1.6	(3.6)
Profit before tax excluding income from joint ventures	69.7	48.3
Income tax at UK corporation tax rate of 25% (2023: 20.5%)	17.4	9.9
Non-deductible expenses	3.4	3.1
Income not taxable	(3.1)	(1.2)
Impact of Group relief and consortium relief	1.7	(0.1)
Effect of change in UK corporation tax rate	–	(2.0)
Share-based payment	0.8	1.5
Deferred tax not recognised/(utilisation and recognition of tax losses)	0.3	(1.6)
Adjustments in respect of prior years	(3.7)	1.3
Total tax	16.8	10.9

Kier Group and its subsidiaries are based predominantly in the UK and are subject to UK corporation tax. The Group does not have an aggressive tax policy and since 1 July 2012 Kier has not entered into any tax avoidance schemes which were or should have been notified under the Disclosure of Tax Avoidance Scheme ('DOTAS') rules.

The Group tax charge excluding joint ventures of £16.8m (2023: £10.9m) shown in the table equates to an effective tax rate of 24.1% (2023: 22.6%) on profit before tax excluding joint ventures of £69.7m (2023: £48.3m). This effective rate is different from the standard rate of corporation tax of 25% (2023: 20.5%) due to items shown in the table. The non-deductible expenses mainly relate to depreciation on non-qualifying assets, disallowed provisions, entertaining and legal and professional fees not eligible for tax relief. Income not taxable relates mainly to the reversal of impairments, insurance receipts and foreign exchange gains. Deferred tax not recognised/(utilisation and recognition of tax losses) relates to deferred tax on losses not previously recognised less deferred tax on losses not expected to be recoverable.

In accordance with UK tax legislation, capital gains arising on disposal of certain investments, including some of the joint ventures disposed of during the year, are not subject to tax.

Tax relief on expenses not recognised in the income statement includes the impact of the tax deduction received in respect of the cost of shares exercised under the Group's employee Save As You Earn scheme and Long-Term Incentive Plan.

The Group provides for future liabilities in respect of uncertain tax positions where additional tax may become payable in future periods and such provisions are based on management's assessment of exposure. At the balance sheet date, a deferred tax liability of £1.7m (2023: £2.0m) has been recognised in respect of uncertain tax positions.

The net credit of £3.7m (2023: £1.3m charge) in respect of prior years' results arise from differences between the estimates of taxation included in the previous years' financial statements and the actual tax liabilities calculated in the tax returns submitted to HMRC.

The Group is monitoring tax reforms driven by the OECD's BEPS initiative, including the Pillar Two rules which seek to implement a global 15% minimum tax rate. The United Kingdom substantively enacted Pillar Two rules in Finance (No.2) Act 2023 on 20 June 2023 and similar legislation has been enacted in other territories in which the group operates. Based on prior year financial data, the Group has assessed the potential tax impact of Pillar Two. There is no impact on the Group's results for the year ended 30 June 2024 as the rules were not yet effective. In future periods, the impact is not expected to be material to the Group, initially due to the availability of temporary safe harbours. The Group has applied the temporary exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as detailed in amendments to IAS 12 issued by the IASB in May 2023.

10 Taxation continued

(b) Recognised in the cash flow statement

The cash flow statement shows cash of £7.8m, in respect of RDEC credits and foreign tax, was received during the year (2023: £14.0m) (see note 21), and made tax payments on account of £2.9m (2023: £0.1m).

(c) Recognised in the statement of comprehensive income

	2024 £m	2023 £m
Deferred tax credit (including effect of change in tax rate)		
Fair value movements on cash flow hedging instruments	**(0.9)**	0.8
Actuarial losses on defined benefit pension schemes	**(7.1)**	(24.5)
Total deferred tax credit	**(8.0)**	(23.7)
Corporation tax credit in respect of pension contributions paid	**(2.0)**	(2.0)
Total tax credit in the statement of comprehensive income	**(10.0)**	(25.7)

(d) Factors that may affect future tax charges

The deferred tax balance as at the year-end has mainly been recognised at 25.0% (2023: 25.0%), which is the enacted corporation tax rate effective from 1 April 2023.

Further disclosures in respect of the recoverability of the deferred tax asset have been included in note 17.

(e) Tax losses

At the balance sheet date, the Group has unused tax losses of £591.5m (2023: £612.7m) available for offset against future profits. A deferred tax asset has been recognised on £427.0m (2023: £425.0m) of these losses.

No deferred tax asset has been recognised in respect of the remaining losses as it is unlikely that there will be future taxable profit on which these tax losses could be utilised against. Under present tax legislation, these losses may be carried forward indefinitely.

(f) RDEC

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

11 Dividends

The following dividends were recognised in the year:

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

The following dividends were declared in the year:

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

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

The parent company of the Group, Kier Group plc, is a non-trading holding company which derives its distributable reserves in part from dividends received from its subsidiaries. In determining the level of dividend payable in any year, in addition to the stated policy, the Board considers a number of other factors, including the following:

- the level of distributable reserves in the parent company, Kier Group plc;
- the level of distributable reserves in Kier Group plc's subsidiaries that are available to be distributed to Kier Group plc;
- the availability of cash resources;
- the Group's borrowing covenants;
- future cash commitments and investment plans to support the long-term growth of the Group; and
- potential strategic opportunities under consideration.

The Board reviews the level of distributable reserves in the parent company at least twice a year ahead of announcing proposed interim and final dividends. Distributable reserves can be significantly impacted by movements in pension liabilities. The reserves of Kier Group plc are not directly affected by these movements as the pension surpluses and liabilities are on the balance sheets of a certain number of the Company's subsidiaries. However, movements in the pension liabilities do have an effect on the level of distributable reserves in Kier Group plc's subsidiaries that are available to be paid up to the parent. Actuarial gains only increase the distributable reserves to the extent that they represent reversals of previous actuarial losses; otherwise they are treated as unrealised and are not distributable.

12 Earnings per share

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

The weighted average number of shares is lower than the number of shares in issue by 18.6m (2023: 15.1m) primarily due to shares that are held by the Group's employee benefit trusts (see note 25), which are excluded from the calculation, and the weighting applied to the new shares issued in the year in respect of the Sharesave scheme, which were predominantly in the fourth quarter of FY24.

Options granted to employees under the Sharesave and LTIP schemes are considered to be potential ordinary shares. They have been included in the determination of diluted earnings per share if the required performance obligations would have been met based on the Group's performance up to the reporting date, and to the extent to which they are dilutive. The options have not been included in the determination of basic earnings per share. Details relating to the share option schemes are set out in note 25.

13 Intangible assets

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

Goodwill largely relates to the group of cash generating units ('CGUs') in the Infrastructure Services segment and has been built up through acquisitions, primarily MRBL Limited (Mouchel Group) (£299.2m), May Gurney Integrated Services PLC (£194.7m), McNicholas Construction (Holdings) Limited (£42.8m) and the acquisition arising in the year of the rail assets of the Buckingham Group (£6.8m). These balances have been subject to an annual impairment review based upon the projected cash flows of each CGU.

The intangible contract rights were recognised on the acquisition of:

- May Gurney Integrated Services plc – Cost £106.8m (2023: £106.8m). Net book value £22.5m (2023: £30.1m).
- MRBL Limited (Mouchel Group) – Cost £127.1m (2023: £127.1m). Net book value £21.9m (2023: £33.5m).
- Rail assets of the Buckingham Group – Cost £7.5m (2023: £nil). Net book value £3.6m (2023: £nil).
- Certain business and assets of Babcock Civil Infrastructure Limited – Cost £1.6m (2023: £1.6m). Net book value £1.1m (2023: £1.2m).

Contract rights on May Gurney and Mouchel are amortised on a straight-line basis over the expected total contract duration. All other contract rights are amortised on a straight-line basis over the remaining contract life.

Carrying amounts of goodwill and intangible contract rights by CGU

For impairment testing purposes, goodwill has been allocated to the Infrastructure Services and Construction segments, being the lowest level at which management monitors goodwill. There is no goodwill attributed to the Property segment. The recoverable amount of the goodwill and intangibles has been determined based on value in use calculations, which use cash flow projections based on the Group's forecasts approved by management, covering a three-year period. The forecasts are consistent with those used for the Group's going concern assessment and viability statement.

The resulting cash flows are discounted to present value, with the discount rate used in the value in use calculations based on an industry average cost of capital.

The cost of equity is calculated using observable market data from the Group's competitors. This data is used to calculate an average unlevered beta value after excluding any outliers. The average beta is then applied to the UK's equity risk premium and a risk-free rate added.

The cost of debt is calculated by taking the expected renewal costs of the Group's debt and adjusting for the tax rate.

The cost of equity and cost of debt are then combined using our competitors' average debt/equity split. The post-tax discount rate is then used to calculate the pre-tax discount rates. The pre-tax discount rates, which have been applied to the cash flows for each CGU, are 12.4% (2023: 13.1%).

	2024			2023		
	Goodwill £m	**Intangible contract rights £m**	**Total £m**	Goodwill £m	Intangible contract rights £m	Total £m
Infrastructure Services	**523.1**	**48.0**	**571.1**	516.3	63.6	579.9
Construction	**20.4**	**1.1**	**21.5**	20.4	1.2	21.6
	543.5	**49.1**	**592.6**	536.7	64.8	601.5

13 Intangible assets continued

Goodwill allocated to the Construction segment is not significant in comparison to the Group's total goodwill and is not sensitive to changes in assumptions.

Infrastructure Services

Forecast revenue growth rates and operating profit margins are based on historical experience, adjusted for the impact of expected changes to contract portfolio and profitability. Based on the value in use calculation, these assumptions detailed below derived a recoverable amount for the Infrastructure Services segment that is £303.5m (2023: £166.3m) above the carrying value of the assets.

The Infrastructure Services segment impairment review is sensitive to changes in the following key assumptions: discount rate and operating margins. Management considers that a reasonably possible change in any single assumption could give rise to an impairment of the carrying value of goodwill and intangibles.

	2024		2023	
	%	Rate at which headroom would be eliminated %	%	Rate at which headroom would be eliminated %
Pre-tax discount rate	**12.4**	**18.1**	13.1	16.0
Operating margin – forecast period	**5.5–5.9**	**4.0–4.5**	5.5–5.7	4.7–4.9
Operating margin – perpetuity	**5.5**	**3.6**	5.5	4.3

The Infrastructure Services segment achieved a 5.6% operating margin in the year (2023: 4.7%) which is in line with the value in use forecast.

A terminal growth rate of 1.7% (2023: 2.0%) has been applied into perpetuity.

In terms of the possible impacts of climate change, the two key assumptions that could be sensitive to this are the growth rate and discount rates noted above. If climate change has a negative impact on revenues and/or the operating costs of the Group, there could be a potential impact on the discounted cash flow growth rates used within the valuation model. Lower future growth rates would reduce the level of the discounted cash flow valuation and hence the amount of headroom available to the Group above an impairment trigger. At present, the material short- to medium-term risks presented by possible climate change impacts are considered to be factored into the growth and discount rates where they are known and can be quantified. Using the current assumptions, no reasonably foreseeable change in the assumptions used within the value in use calculations would cause an impairment. Therefore, at present, changes in the long-term assumptions due to the impact of climate change would also not be expected to trigger an impairment.

14 Property, plant and equipment

	Land and buildings £m	Plant and equipment £m	Mining asset £m	Total £m
Cost				
At 1 July 2022	24.9	54.0	4.8	83.7
Additions	–	3.9	–	3.9
Disposals	(1.0)	(14.0)	(4.8)	(19.8)
Transfers	–	0.7	–	0.7
At 30 June 2023	23.9	44.6	–	68.5
Additions	**0.1**	**7.0**	**–**	**7.1**
Disposals	**(0.5)**	**(12.2)**	**–**	**(12.7)**
At 30 June 2024	**23.5**	**39.4**	**–**	**62.9**
Accumulated depreciation and impairment				
At 1 July 2022	(7.6)	(38.6)	(4.8)	(51.0)
Charge for the year	(0.2)	(5.9)	–	(6.1)
Disposals	0.4	13.5	4.8	18.7
Transfers	–	(0.3)	–	(0.3)
At 30 June 2023	(7.4)	(31.3)	–	(38.7)
Charge for the year	**(1.7)**	**(6.6)**	**–**	**(8.3)**
Disposals	**0.1**	**11.7**	**–**	**11.8**
At 30 June 2024	**(9.0)**	**(26.2)**	**–**	**(35.2)**
Net book value				
At 30 June 2024	**14.5**	**13.2**	**–**	**27.7**
At 30 June 2023	16.5	13.3	–	29.8

15 Investment properties

(a) Reconciliation of carrying amount

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

Investment properties comprise office buildings and commercial land/properties that were formerly utilised by the Group but have been vacated, along with a student accommodation property held by the Group (previously held within a joint venture). They are leased out (or intended to be leased out) to third parties under operating leases and/or are held for capital appreciation. The investment properties include properties held as right-of-use assets, as well as a property owned by the Group. The investment properties are carried at fair value. Changes in fair values are presented in the profit or loss within other income.

(b) Amounts recognised in the income statement

	2024 £m	2023 £m
Rental income from operating leases	**6.0**	5.1
Direct operating expenses for property that generated rental income	**(3.9)**	(2.7)
Fair value gain	**6.5**	11.4
Total net income recognised in the income statement	**8.6**	13.8

(c) Leasing arrangements

The investment properties are leased to tenants under operating leases with rentals payable either monthly or quarterly. Lease payments for some contracts include provisions for RPI increases. One contract entitles the Group to an element of variable lease rentals (in addition to the base rent payments) based on a share of the tenant's revenue in carrying out their business of providing serviced offices and hot desking space at the premises. Some of the leases include a tenant option to renew the lease for a further period. Expectations about the future residual values are reflected in the fair value of the properties.

Minimum lease payments receivable on leases of investment properties are as follows:

	2024 £m	2023 £m
Less than one year	**2.3**	3.0
One to two years	**2.1**	2.3
Two to three years	**1.3**	2.1
Three to four years	**1.1**	1.3
Four to five years	**–**	1.1
Total	**6.8**	9.8

(d) Measurement of fair values

The fair value of the owned investment properties was determined as at 30 June 2024 by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The fair values of the right-of-use investment properties have been determined by the Group without the use of an independent valuer. The fair value measurements for all of the investment properties have been categorised as Level 3 fair values (as defined in note 27), based on the inputs to the valuation techniques used.

15 Investment properties continued

Investment property	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Owned assets	Market approach: The fair values have been determined by adopting an investment approach and assuming continued use as offices/student accommodation/future use as a wind farm.	External valuations are performed every two years. The last valuations were carried out as at 30 June 2024, using the following inputs: **Offices** Expected market rental growth of 0% (2023: 0%); Void periods of 12 months to 36 months (2023: 24 months to 36 months); and Rent-free periods of 12 months on a 5-year lease (2023: 12 months on a 5-year lease). **Student accommodation** Expected market rental growth of 11% (2023: 10%); Occupancy rate average of 98% (2023: 98%); and Expected market yields of 5.5% (2023: 5.8%-6.0%). **Wind farm** Expected electricity price of £62 MWh (2023: £55 MWh); and Expected market yields of 7% (2023: 7%). In years where no valuation is performed, the fair value is reviewed taking into consideration any changes in market conditions and any offers received on the property and adjustments made accordingly.	The estimated fair value would increase/(decrease) if: Expected market rental growth were higher/(lower); The occupancy rate was higher/(lower); Void periods were shorter/(longer); Rent-free periods were shorter/(longer); Expected market yields were lower/(higher); or Expected electricity price was higher/(lower).
Right-of-use assets	Income approach using discounted cash flows: The valuation model considers the present value of net cash flows to be generated from the property, taking into account the expected rental growth rate, void periods, occupancy rate, lease incentive costs such as rent-free periods and other costs not paid by tenants. The expected net cash flows are discounted using risk-adjusted discount rates.	Expected market rental growth of 1% to 2% (2023: 1% to 2%); Occupancy rate average of 92% to 99% (2023: average of 92% to 99%); Rent-free/void periods of 6–9 months at the end of each tenancy (2023: 6–9 months); and Risk-adjusted discount rate of 4.2% (2023: 4.2%).	The estimated fair value would increase/(decrease) if: Expected market rental growth were higher/(lower); The occupancy rate was higher/(lower); Rent-free/void periods were shorter/(longer); or The risk-adjusted discount rate was lower/(higher).

16 Investments in and loans to joint ventures

(a) Movements in year

	2024 £m	2023 £m
Investments in joint ventures		
At 1 July	78.6	82.3
Additions	23.8	35.7
Acquisition of joint venture debt	–	0.9
Disposals	–	(22.5)
Loan repayments and return of equity	(5.6)	(17.1)
Share of:		
Operating (loss)/profit	(0.7)	1.3
Finance costs	(0.5)	(0.1)
Tax income/(expense)	2.8	(0.1)
Post-tax results of joint ventures – continuing operations	1.6	1.1
Dividends received	(6.7)	(1.8)
At 30 June	**91.7**	**78.6**

(b) Interests in joint ventures

Set out below are the joint ventures of the Group as at 30 June 2024 which, in the opinion of the Directors, are material to the Group. See note 31 for the full list of joint ventures. All of the entities are private entities and therefore do not have a quoted fair value. The country of incorporation or registration is also their principal place of business. All are measured under the equity method.

Name of entity	% of ownership interest/voting rights 2024	% of ownership interest/voting rights 2023	Carrying amount 2024 £m	Carrying amount 2023 £m
Kier Cornwall Street	90%/50%	90%/50%	32.1	23.2
Solum Regeneration	50%/50%	50%/50%	25.0	21.1
Kier Trade City	90%/50%	90%/50%	9.1	6.5
Kier PGIM Logistics	25.5%/25.5%	25.5%/25.5%	7.1	6.7
Immaterial joint ventures			18.4	21.1
			91.7	78.6

All material joint ventures are incorporated in England and Wales and are in the Group's Property division.

(c) Borrowing facilities and guarantees to joint ventures

The Group has provided guarantees to support borrowing facilities of joint ventures as follows:

	2024			2023		
	Borrowing facility £m	Guarantees £m	Drawn at 30 June £m	Borrowing facility £m	Guarantees £m	Drawn at 30 June £m
Kier Trade City	12.0	2.7	9.0	17.8	3.5	8.4

Other than as disclosed above the liabilities of the joint ventures are without recourse to the Group. Details of the Group's interests in joint ventures are given in note 31.

16 Investments in and loans to joint ventures continued

(d) Summarised financial information for joint ventures

The tables below provide summarised financial information for those joint ventures that are material to the Group. The information disclosed reflects the amounts presented in the financial statements of the relevant joint ventures and not the Group's share of those amounts. They have been amended to reflect adjustments made by the entity when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

	Kier Cornwall Street		Solum Regeneration		Kier Trade City		Kier PGIM Logistics	
Summarised balance sheet	**2024 £m**	2023 £m	**2024 £m**	2023 £m	**2024 £m**	2023 £m	**2024 £m**	2023 £m
Current assets								
Cash and cash equivalents	**0.2**	–	**1.0**	1.2	**0.7**	0.4	**0.3**	0.6
Other current assets	**56.1**	37.2	**53.1**	44.8	**19.4**	16.4	**35.0**	43.6
Current assets	**56.3**	37.2	**54.1**	46.0	**20.1**	16.8	**35.3**	44.2
Non-current assets	**–**	–	**–**	–	**–**	–	**5.4**	2.5
Current liabilities								
Other current liabilities	**(2.0)**	(1.2)	**(4.0)**	(3.9)	**(1.0)**	(1.2)	**(0.7)**	(0.4)
Total current liabilities	**(2.0)**	(1.2)	**(4.0)**	(3.9)	**(1.0)**	(1.2)	**(0.7)**	(0.4)
Non-current liabilities								
Financial liabilities (excluding trade payables)	**(21.7)**	(12.3)	**–**	–	**(9.0)**	(8.4)	**(13.7)**	(20.1)
Total non-current liabilities	**(21.7)**	(12.3)	**–**	–	**(9.0)**	(8.4)	**(13.7)**	(20.1)
Net assets	**32.6**	23.7	**50.1**	42.1	**10.1**	7.2	**26.3**	26.2
Reconciliation to carrying amounts:								
Net assets at 1 July	**23.7**	8.0	**42.1**	42.6	**7.2**	7.5	**26.2**	29.0
Capital introduced	**7.5**	19.4	**11.1**	7.8	**4.4**	–	**8.8**	4.7
Profit/(loss) for the year	**1.4**	(3.7)	**(2.1)**	(0.4)	**1.2**	(0.3)	**(8.7)**	(7.5)
Loan repayments and return of equity	**–**	–	**(1.0)**	(7.9)	**(2.7)**	–	**–**	–
Net assets at 30 June	**32.6**	23.7	**50.1**	42.1	**10.1**	7.2	**26.3**	26.2
Group's share (%)	**90%**	90%	**50%**	50%	**90%**	90%	**25.5%**	25.5%
Group's share	**29.4**	21.3	**25.0**	21.1	**9.1**	6.5	**6.7**	6.7
Capital introduced on behalf of joint venture partner	**2.7**	1.9	**–**	–	**–**	–	**–**	–
Cumulative unrecognised share of losses	**–**	–	**–**	–	**–**	–	**0.4**	–
Investment in joint venture	**32.1**	23.2	**25.0**	21.1	**9.1**	6.5	**7.1**	6.7

16 Investments in and loans to joint ventures continued

	Kier Cornwall Street		Solum Regeneration		Kier Trade City		Kier PGIM Logistics	
Summarised income statement	**2024 £m**	2023 £m	**2024 £m**	2023 £m	**2024 £m**	2023 £m	**2024 £m**	2023 £m
Revenue	**–**	–	**–**	24.3	**10.5**	0.5	**–**	0.3
Finance costs	**(0.5)**	(0.1)	**–**	–	**–**	–	**–**	–
Taxation	**–**	–	**–**	–	**–**	–	**2.9**	2.5
Profit/(loss) for the year from continuing operations	**1.4**	(3.7)	**(2.1)**	(0.4)	**1.2**	(0.3)	**(8.7)**	(7.5)
Profit/(loss) for the year	**1.4**	(3.7)	**(2.1)**	(0.4)	**1.2**	(0.3)	**(8.7)**	(7.5)
Total comprehensive income/(expense)	**1.4**	(3.7)	**(2.1)**	(0.4)	**1.2**	(0.3)	**(8.7)**	(7.5)

(e) Individually immaterial joint ventures

In addition to the interests in joint ventures disclosed above, the Group also has interests in a number of individually immaterial joint ventures that are accounted for using the equity method.

	2024 £m	2023 £m
Aggregate carrying amount of individually immaterial joint ventures	**18.4**	21.1
Dividends received from individually immaterial joint ventures	**13.5**	1.8
Aggregate amounts of the Group's share of:		
Profit from continuing operations	**2.2**	4.8
Total comprehensive expense	**2.2**	4.8

17 Deferred tax

The following are the major deferred tax assets and liabilities recognised by the Group and movements thereon:

	Intangible assets £m	Property, plant and equipment £m	Short-term temporary differences[1] £m	Retirement benefit obligations £m	Tax losses £m	Total £m
At 1 July 2022	(19.8)	34.8	37.5	(49.3)	105.6	108.8
Credited/(charged) to income statement – continuing	3.9	(10.6)	3.8	(1.3)	0.6	(3.6)
Acquisitions and disposals	–	(0.1)	–	–	–	(0.1)
(Charged)/credited directly to comprehensive income	–	–	(0.8)	24.5	–	23.7
At 30 June 2023	(15.9)	24.1	40.5	(26.1)	106.2	128.8
Credited/(charged) to income statement – continuing	**4.8**	**(8.1)**	**(0.9)**	**(1.0)**	**0.6**	**(4.6)**
Credited directly to comprehensive income	**–**	**–**	**0.9**	**7.1**	**–**	**8.0**
Credited directly to equity	**–**	**–**	**0.9**	**–**	**–**	**0.9**
At 30 June 2024	**(11.1)**	**16.0**	**41.4**	**(20.0)**	**106.8**	**133.1**

1. Included in short-term temporary differences are deferred tax assets of £13.1m (2023: £15.8m) in respect of RDEC Step 2 amounts carried forward and £25.5m (2023: £23.3m) in respect of the restricted interest amount caught under the UK Corporate Interest Restrictions ('CIR') tax rules.

Deferred tax assets and liabilities are attributed to temporary differences relating to the following:

	Assets		Liabilities		Total	
	2024 £m	2023 £m	**2024 £m**	2023 £m	**2024 £m**	2023 £m
Property, plant and equipment	**16.0**	24.1	**–**	–	**16.0**	24.1
Intangible assets	**–**	–	**(11.1)**	(15.9)	**(11.1)**	(15.9)
Retirement benefit obligations	**–**	–	**(20.0)**	(26.1)	**(20.0)**	(26.1)
Other short-term timing differences	**41.4**	40.5	**–**	–	**41.4**	40.5
Tax losses	**106.8**	106.2	**–**	–	**106.8**	106.2
Total	**164.2**	170.8	**(31.1)**	(42.0)	**133.1**	128.8
Set-off tax	**(31.1)**	(42.0)	**31.1**	42.0	**–**	–
Net deferred tax assets	**133.1**	128.8	**–**	–	**133.1**	128.8

When considering the recoverability of net deferred tax assets, the taxable profit forecasts are based on the same Board-approved information used to support the going concern and goodwill impairment assessments. More information on these forecasts and the methodology applied are included in notes 1 and 13.

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

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

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

Based on these forecasts, the Group is expected to utilise its deferred tax asset over a period of approximately 8 years (2023: 10 years).

18 Contract assets and liabilities

(a) Current contract assets

	2024 £m	2023 £m
At 1 July	**358.2**	366.3
Transferred to receivables	**(329.4)**	(342.6)
Revenue adjustments recognised in the period for performance obligations satisfied in previous periods due to changes in the transaction price arising from changes in estimates of variable revenue	**(3.3)**	(0.5)
Balance remaining in relation to contract assets at the start of the year	**25.5**	23.2
Increase related to services provided in the year	**279.0**	335.0
At 30 June	**304.5**	358.2

(b) Non-current contract assets

	2024 £m	2023 £m
At 1 July	**43.7**	31.2
Increase related to services provided in the year	**9.9**	12.5
At 30 June	**53.6**	43.7

Non-current contract assets relate to Kier's share of the funding surpluses receivable at the end of long-term PFI maintenance contracts.

(c) Current contract liabilities

	2024 £m	2023 £m
At 1 July	**(90.5)**	(67.3)
Revenue recognised in the year that was included in contract liabilities at the beginning of the year	**80.8**	60.0
Contract liabilities repaid	**2.4**	4.4
Balance remaining in relation to contract liabilities at the start of the year	**(7.3)**	(2.9)
Increase due to cash received or invoices raised in the year for performance obligations not recognised in revenue	**(121.1)**	(87.6)
At 30 June	**(128.4)**	(90.5)

19 Trade and other receivables

	2024 £m	2023 £m
Current:		
Trade receivables	**70.7**	50.5
Construction contract retentions	**59.8**	52.4
Amounts receivable from joint ventures	**5.1**	2.1
Other receivables	**65.1**	26.0
Prepayments	**29.4**	53.5
Accrued income	**7.2**	4.7
	237.3	189.2
Non-current:		
Construction contract retentions	**20.6**	18.5
Capitalised mobilisation costs	**5.0**	6.3
Other	**2.9**	–
	28.5	24.8

Construction contract retentions are amounts withheld by the customer until they are satisfied with the quality of the work undertaken.

£3.2m of capitalised mobilisation costs were amortised during the year (2023: £7.1m).

20 Inventories

	2024 £m	2023 £m
Raw materials and consumables	**12.8**	13.3
Land and work in progress held for development	**61.2**	59.6
	74.0	72.9

As at 30 June 2024, there were £5.5m provisions held against inventory relating to land and work in progress for development (2023: £nil).

21 Net cash

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

1. Net cash' is an alternative performance measure, see page 216.

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

Cash, cash equivalents and bank overdrafts are subject to Group-wide cash pooling arrangements, where the banks have right of set off to the credit and debit balances. The table above has been re-presented to show both the gross and net positions, as a result of a change in accounting policy (see note 1).

Cash and cash equivalents include £90.9m (2023: £76.9m) being the Group's share of cash and cash equivalents held by joint operations and £90.7m (2023: £92.3m) of bank balances that are not part of the Group-wide cash pooling arrangement. Information on borrowings is detailed in note 27.

(a) Reconciliation of working capital between the consolidated balance sheet and consolidated cash flow statement

	2024		2023	
	Inventories £m	Trade and other receivables £m	Inventories £m	Trade and other receivables £m
1 July balance sheet	72.9	214.0	56.8	231.5
30 June balance sheet	74.0	265.8	72.9	214.0
Movement per balance sheet	1.1	51.8	16.1	(17.5)
RDEC	–	(27.3)	–	–
Rents receivable on sub-lease	–	(2.9)	–	–
Movements in capitalised mobilisation costs	–	1.3	–	5.3
Arising on acquisition	–	(2.6)	–	–
Transfers	–	–	2.7	–
Movement per cash flow statement	1.1	20.3	18.8	(12.2)

	2024		2023	
	Trade and other payables £m	Provisions £m	Trade and other payables £m	Provisions £m
1 July balance sheet	(1,111.9)	(63.2)	(1,099.8)	(48.0)
30 June balance sheet	(1,138.2)	(77.2)	(1,111.9)	(63.2)
Movement per balance sheet	(26.3)	(14.0)	(12.1)	(15.2)
Net RDEC receipts	(7.8)	–	(14.0)	–
Bond interest accrued	8.4	–	–	–
Arising on acquisition	1.6	5.9	–	–
Discount unwind	0.4	–	–	–
Movement per cash flow statement	(23.7)	(8.1)	(26.1)	(15.2)

(b) Reconciliation of movements in net cash

	Cash, cash equivalents and bank overdrafts £m	Borrowings due within one year £m	Borrowings due after one year £m	Impact of cross-currency hedging £m	Total £m
Net cash/(borrowings) as at 1 July 2022	297.7	(40.5)	(266.5)	12.2	2.9
Cash flows	78.9	40.5	(54.1)	–	65.3
Foreign exchange movements	0.3	–	1.5	(5.9)	(4.1)
Net cash/(borrowings) as at 30 June 2023	376.9	–	(319.1)	6.3	64.1
Cash flows	84.9	–	19.9	–	104.8
Amortisation of capitalised loan fees	–	–	(1.2)	–	(1.2)
Foreign exchange movements	(0.1)	–	(0.4)	–	(0.5)
Transfers	–	(58.8)	58.8	–	–
Net cash/(borrowings) as at 30 June 2024	461.7	(58.8)	(242.0)	6.3	167.2

21 Net cash continued
(c) Reconciliation of movements in liabilities arising from financing activities

	Borrowings £m	Hedging derivatives £m	Lease liabilities £m
(Liabilities)/assets as at 1 July 2022	(307.0)	12.2	(157.6)
Changes from financing cash flows:			
Drawdown of borrowings	(56.8)	–	–
Repayment of borrowings/principal elements of lease payments	43.2	–	45.6
Settlement of derivative financial instruments	–	(4.7)	–
Non-cash movements:			
Net lease additions	–	–	(70.6)
Foreign exchange movements	1.5	–	–
Changes in fair value of derivatives	–	3.2	–
(Liabilities)/assets as at 30 June 2023	(319.1)	10.7	(182.6)
Changes from financing cash flows:			
Drawdown of borrowings	**(247.5)**	**–**	**–**
Repayment of borrowings/principal elements of lease payments	**267.4**	**–**	**40.6**
Non-cash movements:			
Net lease additions	**–**	**–**	**(31.1)**
Amortisation of capitalised loan fees	**(1.2)**	**–**	**–**
Foreign exchange movements	**(0.4)**	**–**	**–**
Changes in fair values of derivatives	**–**	**(3.6)**	**–**
(Liabilities)/assets as at 30 June 2024	**(300.8)**	**7.1**	**(173.1)**

22 Leases
(a) Group as a lessee
The Group has lease contracts for various properties, and items of plant, machinery, vehicles and other equipment used in its operations and for administration of the Group's business. Leases of properties have remaining durations of up to 41 years. Leases of plant and machinery and other equipment generally have lease terms of between one and three years, while motor vehicles generally have lease terms of between three and six years.

Lease contracts are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes. A number of property leases contain extension or termination options. In these circumstances, the Group makes a judgement about the period for which it is reasonably certain to lease the property.

The Group's accounting policies for leases are set out in note 1. The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases and leases of low-value assets. The expense included in the income statements relating to these leases was £115.5m (2023: £115.6m). The assets leased under short-term leases are predominantly small items of plant and equipment and therefore are also of low value. The utilisation of these assets varies depending on the nature and levels of the Group's activities.

22 Leases continued

(b) Right-of-use assets

Set out below are the carrying amounts of right-of-use assets recognised in respect of the Group's leases and the movements during the year:

	Land and buildings £m	Motor vehicles £m	Plant and equipment £m	Total £m
At 1 July 2022	47.3	19.3	14.0	80.6
Additions	5.4	11.8	80.4	97.6
Depreciation	(8.1)	(9.5)	(26.1)	(43.7)
Transferred to owned assets	–	–	(0.4)	(0.4)
Disposals	(1.9)	(2.1)	(24.7)	(28.7)
At 30 June 2023	42.7	19.5	43.2	105.4
Additions	**5.0**	**14.1**	**27.7**	**46.8**
Depreciation	**(7.5)**	**(8.9)**	**(22.6)**	**(39.0)**
Disposals	**(4.7)**	**(0.2)**	**(13.3)**	**(18.2)**
At 30 June 2024	**35.5**	**24.5**	**35.0**	**95.0**

(c) Lease liabilities

	2024 £m	2023 £m
Current	**42.2**	36.2
Non-current	**130.9**	146.4
	173.1	182.6

The maturity profile of the contractual cash flows associated with the lease liabilities is presented in note 27. The interest expense in respect of lease liabilities is included within finance costs in the income statement and is disclosed in note 7.

(d) Amounts recognised in the statement of cash flows

	2024 £m	2023 £m
Principal elements of lease payments[1]	**40.6**	45.6
Interest paid[1]	**9.5**	9.5
Payments for short-term leases and leases of low-value assets[2]	**115.5**	115.6
Total cash outflow for leases	**165.6**	170.7

1. Included within cash flows from financing activities within the statement of cash flows.
2. Included within operating cash flows within the statement of cash flows.

23 Trade and other payables

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

24 Provisions

	Insurance claims £m	Onerous contracts £m	Warranty, rectification and other contractual obligations £m	Other £m	Total £m
At 1 July 2022	18.4	9.0	15.4	5.2	48.0
Charged to income statement	5.1	6.2	12.4	2.5	26.2
Utilised	–	(5.5)	(4.6)	(6.2)	(16.3)
Unwinding of discount	–	0.2	–	–	0.2
Transfer from creditors	3.9	(0.8)	2.1	–	5.2
Currency realignment	–	–	–	(0.1)	(0.1)
At 30 June 2023	27.4	9.1	25.3	1.4	63.2
(Credited)/charged to income statement	**(0.1)**	**0.7**	**34.9**	**0.3**	**35.8**
Arising on acquisition	**–**	**–**	**5.9**	**–**	**5.9**
Utilised	**(4.8)**	**(7.1)**	**(21.1)**	**(0.4)**	**(33.4)**
Unwinding of discount	**–**	**0.2**	**–**	**–**	**0.2**
Transfer from creditors	**0.2**	**–**	**5.3**	**–**	**5.5**
At 30 June 2024	**22.7**	**2.9**	**50.3**	**1.3**	**77.2**
Expected utilisation					
Within one year	**4.0**	**0.3**	**49.7**	**1.3**	**55.3**
After one year	**18.7**	**2.6**	**0.6**	**–**	**21.9**
At 30 June 2024	**22.7**	**2.9**	**50.3**	**1.3**	**77.2**
Within one year	6.8	6.5	24.3	0.6	38.2
After one year	20.6	2.6	1.0	0.8	25.0
At 30 June 2023	27.4	9.1	25.3	1.4	63.2

Insurance provisions are held in the Group's insurance captive in respect of legal and other disputes in various Group companies. Due to the nature of the provision for insurance claims, the timing of any potential outflows can be uncertain. Where there is uncertainty, they are classified as due after one year.

Onerous contracts provisions are for loss-making contracts that the Group is legally obligated to complete.

Warranty and rectification provisions are for potential claims against work completed by the Group. This includes provisions in respect of fire compliance and cladding.

Other provisions include potential fines arising from safety, health and environmental legislation and regulation, and costs in respect of redundancy and site closure.

25 Share-based payments

The Group operates a number of share-based payment schemes for eligible employees as described below.

Sharesave Scheme

The number of options over the Company's ordinary shares outstanding at 30 June 2024 were as follows:

	Sharesave Scheme 15 February 2021	Sharesave Scheme 29 October 2021	Sharesave Scheme 2 November 2022	Sharesave Scheme 31 October 2023	Total
Number of options					
Directors	**–**	**11,250**	**9,818**	**6,182**	**27,250**
Employees[1]	**714,390**	**4,821,705**	**7,650,460**	**6,513,511**	**19,700,066**
	714,390	**4,832,955**	**7,660,278**	**6,519,693**	**19,727,316**
Exercise price (pence)[1]	**56.5**	**96.0**	**55.0**	**90.0**	

1. Where the options were granted before the share issue that completed on 18 June 2021, the numbers of options and the exercise prices have been adjusted to take account of the dilution resulting from the new shares.

Options to acquire shares in the capital of Kier Group plc have been granted to eligible employees who enter into a Sharesave ('SAYE') contract. The number of options granted to each participating employee are the number of shares which have an aggregate option price not exceeding the projected proceeds of the employee's Sharesave contract. Participation in the Kier Sharesave Scheme is offered to all employees of the Group who have been employed for a continuous period determined by the Board. Under the Sharesave contract, participating employees save a regular sum each month for three years up to a maximum of £500 per month.

6,841,037 options were granted in the year (2023: 8,730,264) under the Sharesave Scheme, which will all be equity settled.

5,819,317 Sharesave Scheme options were exercised during the year (2023: 72,753). The weighted average market price of Kier Group plc shares at the date of exercise of Sharesave Scheme options during the year was 129.5p (2023: 66.9p).

25 Share-based payments continued

Long-Term Incentive Plan

The number of awards over the Company's ordinary shares outstanding at 30 June 2024 were as follows:

	LTIP award FY22	LTIP award FY23	LTIP award FY24	Total
Number of awards				
Directors	**2,313,430**	**3,601,875**	**2,348,681**	**8,263,986**
Employees	**4,601,607**	**8,838,289**	**6,779,387**	**20,219,283**
	6,915,037	**12,440,164**	**9,128,068**	**28,483,269**
Exercise price (pence)	**nil**	**nil**	**nil**	

The Group has established a Long-Term Incentive Plan ('LTIP') under which Directors and senior employees can receive awards of shares. Awards made under the scheme are normally able to vest following the third anniversary of the date of the grant. Vesting may be in full or in part (with the balance of the award lapsing) and is subject to the Group achieving specific performance targets. Participants are entitled to receive dividend equivalents on these awards. Awards under the LTIP are all equity settled. The awards made to Directors are subject to a two-year post-vesting holding period and malus and clawback provisions.

9,322,979 new options were granted under the LTIP scheme in the year (2023: 15,492,751) and 8,695,601 shares vested during the year (2023: 8,432,381). The weighted average market price of Kier Group plc shares at the date of exercise of LTIP options during the year was 105.0p (2023: 62.3p).

Further description of the above share schemes and the terms and conditions of each scheme are included in the Directors' Remuneration report on pages 109–134.

Shares held in trusts

The LTIP awards, which are taken as shares, are intended to be satisfied from shares held by the Kier Group 1999 Employee Benefit Trust and May Gurney Group Trustees Ltd Employee Share Ownership Trust or the issue of new shares. The shares held by the trusts are accounted for as a deduction from equity within retained earnings. The movements in the number and historical cost value of shares held by the trusts are as follows:

	2024		2023	
	Number of shares	Historic cost value £m	Number of shares	Historic cost value £m
At 1 July	**16,952,961**	**11.2**	7,555,030	7.7
Acquired during the year	**3,990,154**	**4.2**	18,607,232	12.4
Issued in satisfaction of share scheme awards	**(8,695,601)**	**(6.1)**	(8,432,381)	(8.0)
Issued in satisfaction of deferred bonus schemes	**(443,233)**	**(0.3)**	(776,920)	(0.9)
At 30 June	**11,804,281**	**9.0**	16,952,961	11.2

The market value of these shares at 30 June 2024 was £15.6m (2023: £12.7m).

The shares acquired by the trusts in the year at a cost of £4.2m (2023: £12.4m), net of cash received by the trusts in respect of the deferred bonus schemes of £0.5m (2023: £0.5m) is reflected in the statement of changes in equity as a net purchase of own shares of £3.7m (2023: £11.9m).

25 Share-based payments continued

Fair value of share-based payments

The fair values per option granted have been calculated using the Black-Scholes model for all options, apart from the total shareholder return ('TSR') element of the LTIP, which is based on a Stochastic model. For awards made to the Directors which are subject to a two-year holding period post-vesting, the Finnerty model is used. The following assumptions were used in calculating the fair values of share options granted in the year:

	2024				2023		
Scheme	Sharesave	LTIP	LTIP (Directors)	LTIP	Sharesave	LTIP	LTIP (Directors)
Date of grant	31 October 2023	17 November 2023	17 November 2023	8 March 2024	2 November 2022	21 October 2022	21 October 2022
Share price at grant (pence)	100.8	107.8	107.8	142.6	58.2	60.0	60.0
Exercise price (pence)	90.0	nil	nil	nil	55.0	nil	nil
Expected term (years)	3.3	3.0	3.0	2.7	3.3	3.0	3.0
Holding period (years)	n/a	n/a	2.0	n/a	n/a	n/a	2.0
Expected volatility	43.7%	37.9%	32.9%	37.9%	62.1%	53.7%	44.5%
Dividend yield	0.0%	n/a	n/a	n/a	0.0%	n/a	n/a
Risk-free interest rate	4.50%	4.23%	3.97%	4.23%	3.13%	3.83%	4.14%
Value per option (pence):							
– Sharesave	40.7	–	–	–	27.6	–	–
– LTIP Market condition (25%)	–	88.8	83.0	117.5	–	41.2	38.1
– LTIP Non-market condition (75%)	–	107.8	100.8	142.6	–	60.0	55.6

The value per option represents the fair value of the option less any consideration payable. The fair value of the proportion of the awards subject to performance conditions that are market conditions under IFRS 2 'Share-based Payments' (the TSR – total shareholder return element) incorporates an assessment of the number of shares that will vest.

The performance conditions linked to adjusted earnings per share, free cash flow and carbon emissions reduction, are non-market conditions under IFRS 2. Therefore, the fair values of these elements do not include an assessment of the number of shares that will vest. Instead, the amount charged is based on the fair values factored by a 'true-up' for the number of awards that are expected to vest.

The expected volatility is based on historical volatility over the period of time commensurate with the expected award term immediately prior to the date of grant. The risk-free rate of return is the yield on UK Government securities over a term consistent with the expected term.

A charge of £9.3m relating to share-based payments has been recognised in the income statement as employee costs (2023: £8.4m). Included in other payables is an amount of £1.7m (2023: £1.0m) relating to the accrual of employer's national insurance in respect of share-based payments expected to vest in the future.

25 Share-based payments continued

Summary of movements in the number of options

A reconciliation of option movements is shown below:

	2024		2023	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at 1 July	**57,184,804**	**23.9p**	57,273,676	26.3p
Granted	**16,164,016**	**38.1p**	24,223,015	19.8p
Lapsed or forfeited	**(10,623,317)**	**13.1p**	(15,806,753)	39.0p
Exercised	**(14,514,918)**	**22.8p**	(8,505,134)	0.5p
Outstanding at 30 June	**48,210,585**	**31.4p**	57,184,804	23.9p
Exercisable at 30 June	**158,477**	**72.3p**	105,434	66.8p

The options outstanding at 30 June 2024 have a weighted average remaining contractual life of 1.43 years (2023: 1.42 years).

26 Guarantees and contingent liabilities

The Company has given guarantees and entered into counter-indemnities in respect of bonds relating to certain of the Group's own contracts. The Company has also given guarantees in respect of certain contractual obligations of its subsidiaries and joint ventures, which were entered into in the normal course of business, as well as certain of the Group's other obligations (for example, in respect of the Group's finance facilities and its pension schemes). Financial guarantees over the obligations of the Company's subsidiaries and joint ventures are initially measured at fair value, based on the premium received from the joint venture or the differential in the interest rate of the borrowing including and excluding the guarantee. Subsequent to initial recognition, financial guarantee contracts are measured at the higher of the initial fair value measurement (adjusted for any income amounts recognised) and the amount determined in accordance with the expected credit loss model. Details of financial guarantees provided to support joint ventures are disclosed in note 16(c).

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

Fire and cladding review

As disclosed in note 1 of the financial statements, the Group has undertaken a review of all of its current and legacy constructed buildings where it has used cladding solutions and continues to assess the action required in line with the latest Government guidance, as it applies to multi-storey and multi-occupied residential buildings. The buildings, including the cladding works, were signed off by approved inspectors as compliant with the relevant Building Regulations at the time of completion.

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

Where an obligation has been established and a reliable estimate of the costs to rectify is available, a provision has been made (see note 24). No provision has been made where an obligation has not been established.

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

27 Financial instruments

	2024			2023		
	Financial assets at amortised cost £m	Financial liabilities at amortised cost £m	Derivatives £m	Financial assets at amortised cost £m	Financial liabilities at amortised cost £m	Derivatives £m
Financial assets						
Trade and other receivables (less prepayments)	231.5	–	–	154.2	–	–
Cash and cash equivalents	1,563.1	–	–	1,389.5	–	–
Equity loans provided to joint ventures	89.4	–	–	101.8	–	–
Other financial assets	–	–	7.1	–	–	10.7
Total	1,884.0	–	7.1	1,645.5	–	10.7
Financial liabilities						
Bank overdrafts	–	(1,101.4)	–	–	(1,012.6)	–
Borrowings	–	(300.8)	–	–	(319.1)	–
Lease liabilities	–	(173.1)	–	–	(182.6)	–
Trade and other payables[1]	–	(984.9)	–	–	(971.8)	–
Total	–	(2,560.2)	–	–	(2,486.1)	–
Net	1,884.0	(2,560.2)	7.1	1,645.5	(2,486.1)	10.7

1. Trade and other payables exclude other taxes and social security and deferred income.

Capital risk management

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to optimise the capital structure in order to minimise the cost of capital whilst maintaining a strong balance sheet to support business development and tender qualification. The Group's capital management strategy is to use a blend of capital types with different risk, return and maturity profiles to support the operating divisions and deliver the Group's capital management objectives.

The capital structure of the Group comprises: equity, consisting of share capital, share premium, retained earnings and other reserves as disclosed in the consolidated statement of changes in equity; and cash, cash equivalents and borrowings as disclosed in note 21 and described further below. The Group forecasts and monitors short-, medium- and longer-term capital needs on a regular basis and adjusts its capital structure as required through the payment of dividends to shareholders, the issue of new share capital and the increase or repayment of borrowings. All investment decisions typically require a pre-tax annualised return of at least 15.0% to ensure such investments are value enhancing for shareholders.

Financial risk management

Financial risk management is an integral part of the way the Group is managed. In the course of its business, the Group is exposed primarily to credit risk, market risk and liquidity risk. The overall aim of the Group's financial risk management policies is to minimise any potential adverse effects on financial performance and net assets.

The Group's treasury team manages the principal financial risks within policies and operating limits approved by the Board. The treasury function is not a profit centre and does not enter into speculative transactions. Derivative financial instruments are used to hedge exposure to fluctuations in interest and exchange rates.

Where all relevant criteria are met, hedge accounting is applied to remove the accounting mismatch between the hedging instrument and the hedged item. This will effectively result in recognising interest expense at a fixed interest rate for the hedged floating rate borrowings and elimination of exchange rate movements in the income statement relating to the hedged foreign currency denominated borrowings.

27 Financial instruments continued

Credit risk

Credit risk arises on financial instruments such as trade receivables, short-term bank deposits and interest rate and currency hedges. Policies and procedures exist to ensure that customers have an appropriate credit history. The Group's most significant clients are public or regulated industry entities which generally have high credit ratings or are of a high credit quality due to the nature of the client.

Short-term bank deposits and hedging transactions are executed only with strong credit-rated authorised counterparties based on ratings issued by the major ratings agencies. Counterparty exposure positions are monitored regularly so that credit exposures to any one counterparty are within acceptable limits. At the balance sheet date there were no significant concentrations of credit risk.

Trade and other receivables and contract assets included in the balance sheet are stated net of expected credit loss ('ECL') provisions which have been calculated using a provision matrix grouping trade receivables and contract assets on the basis of their shared credit risk characteristics.

An analysis of the provision held against trade receivables is set out below:

	2024 £m	2023 £m
Provision as at 1 July	**1.6**	2.1
Credited to the income statement	**(0.9)**	(1.4)
Charged to the income statement	**1.2**	1.5
Utilised in the year	**(1.4)**	(0.6)
Provision as at 30 June	**0.5**	1.6

There were £17.2m (2023: £12.4m) of trade receivables that were overdue at the balance sheet date that have not been provided against, of which £11.2m (2023: £3.7m) had been received by the end of August 2024. There are no indications as at 30 June 2024 that the debtors will not meet their payment obligations in respect of the amount of trade receivables recognised in the balance sheet that are overdue and unprovided. The proportion of trade receivables at 30 June 2024 that were overdue for payment was 24% (2023: 25%). Credit terms vary across the Group; the average age of trade receivables was as follows:

Infrastructure Services	3 days (2023: 5 days)
Construction	12 days (2023: 9 days)
Property	217 days (2023: 186 days)

Overall, the Group considers that it is not exposed to significant credit risk.

Equity loans to joint ventures of £89.4m (2023: £76.3m) are considered under the general ECL model and have been compared to future cash flows and net assets of the joint venture to ensure that they are still expected to be fully recoverable.

Market risk

Interest rate risk

The Group has borrowing facilities to finance short-term working capital and term loans to finance medium-term capital requirements. Instruments are subject to fixed and floating, based on a margin over SONIA, interest. The Group's borrowings, allowing for the effect of derivatives, can be analysed as follows:

	2024 £m	2023 £m
Fixed rate	**293.7**	80.8
Variable rate	**15.1**	239.6
Cost of raising finance	**(8.0)**	(1.3)
	300.8	319.1

The Group has entered into a fixed interest rate swap in order to mitigate the Group's exposure to movements in interest rates. One of the Group's joint ventures has also entered into interest rate swaps in order to mitigate its own interest rate risk.

Interest rate risk arises on the Group's borrowings where they are not at fixed interest rates and are not hedged. A 50 basis point increase/decrease in the interest rate against the balances outstanding at 30 June 2024 would lead to a £nil increase (2023: £2.1m) or £nil decrease (2023: £2.1m) in the Group's net finance cost.

27 Financial instruments continued

Foreign currency risk

The Group operates primarily within the UK such that its exposure through its trading operations to currency risk is not considered to be significant. Where material foreign currency exposures are identified, these are hedged using forward foreign exchange contracts or swaps.

Changes in foreign exchange rates affect the carrying amount of the liability relating to foreign currency denominated debt on the Group's balance sheet. The utilisation of derivatives ensures that the movement recognised in the profit and loss is offset by movements on the derivative which are recycled from other comprehensive income. As at 30 June 2024 the Group had the equivalent £25.2m (2023: £25.2m) of debt denominated in US dollars at fixed currency rates using derivatives. A 5% increase/decrease in the US dollar to sterling exchange rate would lead to a £2.7m decrease (2023: £2.7m) or £2.9m increase (2023: £2.9m) in the carrying amount of the liability on the Group's balance sheet, with the movement recognised in other comprehensive income.

As at 30 June 2024 the Group had unhedged debt outstanding of US$0.8m (2023: US$35.9m). A 5% increase/decrease in the US dollar to sterling exchange rate would lead to a decrease of £nil/increase of £nil (2023: decrease of £1.4m/increase of £1.3m) in the carrying amount of the liability.

Liquidity risk

The Group's policy on liquidity risk is to ensure that sufficient borrowing facilities are available to fund operations over the medium term. The Group's principal committed borrowing facilities, being: a high yield bond, a floating rate revolving credit facility and a number of loan notes, are all unsecured. The amount of committed borrowing facilities available to the Group is reviewed regularly and is designed to exceed forecast peak gross debt levels.

Details of guarantees provided by the Group to support the borrowing facilities of its joint ventures are given in note 16(c). The Group provides no other financial guarantees other than those provided to its joint ventures.

Derivative financial instruments

As at 30 June 2024, the Group had the following cross-currency and interest rate swaps:
– One cross-currency swap taken out in 2014 to hedge the currency risk on a US dollar-denominated loan, nominal value US$40.0m.
– One floating to fixed interest rate swap taken out in 2024 to hedge the interest rate risk on part of the Group's revolving credit facility, nominal value £50.0m.

The Group has assessed the effectiveness of these swaps and concluded that they are highly effective. No amount in relation to hedge ineffectiveness has been charged or credited to the income statement in relation to any cross-currency or interest rate swap.

The following table indicates the periods in which the cash flows associated with cash flow hedges are expected to occur and the fair value of the related hedging instruments:

		Expected cash outflow
Continuing operations	Fair value £m	0–1 years £m
Cross-currency swaps: asset		
Gross settled inflows	–	32.4
Gross settled outflows	–	(25.7)
	6.5	6.7
Interest rate swaps: asset		
Net settled	0.6	0.8

In addition to the above, one of the Group's property joint ventures has entered into an interest rate derivative as a means of hedging interest rate risk. The interest-bearing debt and associated interest rate derivative with this joint venture expires in May 2026 and is without recourse to the Group. At 30 June 2024, the aggregate amount outstanding on this interest-bearing debt against which an interest rate derivative is held is £21.7m (2023: £12.3m). The Group's share of the total net fair value asset of this interest rate derivative at 30 June 2024 amounted to £0.1m (2023: £0.3m), which has met the criteria for hedge accounting.

27 Financial instruments continued

Financial liabilities – analysis of maturity dates

At 30 June 2024, the Group had the following financial liabilities at amortised cost together with the maturity profile of their contractual cash flows:

30 June 2024	Trade and other payables[1] £m	Bank overdrafts £m	Borrowings £m	Lease liabilities £m	Total £m
Carrying value	984.9	1,101.4	300.8	173.1	2,560.2
Contractual undiscounted cash flows					
Less than one year	956.6	1,101.4	76.4	50.1	2,184.5
One to two years	23.2	–	22.5	30.4	76.1
Two to three years	3.2	–	22.5	20.6	46.3
Three to four years	2.3	–	22.5	14.2	39.0
Four to five years	–	–	272.5	12.0	284.5
Over five years	–	–	–	88.9	88.9
	985.3	1,101.4	416.4	216.2	2,719.3

30 June 2023	Trade and other payables[1] £m	Bank overdrafts £m	Borrowings £m	Lease liabilities £m	Total £m
Carrying value	971.8	1,012.6	319.1	182.6	2,486.1
Contractual undiscounted cash flows					
Less than one year	935.0	1,012.6	23.2	44.2	2,015.0
One to two years	31.4	–	325.2	35.7	392.3
Two to three years	6.1	–	–	24.5	30.6
Three to four years	2.1	–	–	16.0	18.1
Four to five years	–	–	–	11.6	11.6
Over five years	–	–	–	97.9	97.9
	974.6	1,012.6	348.4	229.9	2,565.5

1. Trade and other payables exclude other taxes and social security and deferred income.

There is no material difference between the carrying value and fair value of the Group's financial assets and liabilities.

Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). The Group uses cross-currency and interest rate swaps for hedging. These derivatives are classified as level 2. The prices of derivative transactions have been derived from proprietary models used by the bank counterparties using mid-market mark to market valuations for trades at the close of business on 30 June 2024.

Level 3 – Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table presents the Group's financial assets and liabilities that are measured at fair value at 30 June 2024:

	Level 2 £m
Assets	
Derivatives used for hedging – Cross-currency swaps	6.5
Derivatives used for hedging – interest rate swap	0.6
	7.1

There were no transfers between levels 1 and 2 during the year ended 30 June 2024.

The following table presents the Group's financial assets and liabilities that are measured at fair value at 30 June 2023:

	Level 2 £m
Assets	
Derivatives used for hedging – Cross-currency swaps	6.5
Derivatives used for hedging – interest rate swap	4.2
	10.7

There were no transfers between levels 1 and 2 during the year ended 30 June 2023.

27 Financial instruments continued

Borrowings and borrowing facilities

As at 30 June 2024, the Group had the following unsecured committed facilities after the effect of derivatives:

– High yield bond of £250.0m, at fixed rate of 9.0%, maturing in February 2029, fully drawn at 30 June 2024 (2023: £nil);
– Revolving credit facility of £260.9m (2023: £495.0m), reducing to £150.0m in January 2025, at a margin over SONIA, due for renewal on 31 March 2027, which was undrawn at 30 June 2024 (2023: £229.9m);
– Two loan notes, principal amounts of £11.5m, US$40.8m, with fixed coupons of between 5.2% and 5.4% repayable on 31 January 2025, fully drawn at 30 June 2024, totalling £37.3m (2023: £74.4m), net of swap of £6.3m (2023: £6.3m); and
– Non-recourse project finance of £15.1m (2023: £nil) for property development activity within the Property business.

In addition, the Group has unsecured overdraft facilities of £18.0m (2023: £18.0m), at a margin over base rate, repayable on demand, undrawn at 30 June 2024 and 2023.

Included within borrowings are capitalised loan fees of £8.0m (2023: £1.3m).

The Group repaid and reduced total available facilities by £21.2m (2023: £83.8m) in the year ended 30 June 2024.

28 Financial and capital commitments

	2024 £m	2023 £m
Commitments for capital expenditure	–	7.8
	–	7.8

Capital commitments recognised during the year ended 30 June 2023 related to capital contributions to a joint venture.

29 Acquisitions

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

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

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

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

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

Consideration consisted of £9.4m cash.

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

30 Related parties

Identity of related parties

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

Transactions with key management personnel

The Group's key management personnel are the Executive and Non-Executive Directors as identified in the Directors' Remuneration report on pages 109–134.

In addition to their salaries, the Group also provides non-cash benefits to Directors and contributes to their pension arrangements as disclosed on page 117. Key management personnel also participate in the Group's share option programme (see note 25).

Key management personnel compensation comprises:

	2024 £m	2023 £m
Total fixed pay as analysed in the Directors' Remuneration report	**2.1**	2.0
Bonus as analysed in the Directors' Remuneration report	**1.6**	1.5
Employer's national insurance contributions	**0.7**	0.6
Share-based payment charge[1]	**1.6**	1.8
Total key management personnel compensation	**6.0**	5.9

1. Share-based payment charge is calculated under IFRS 2 'Share-based Payments' as described in note 25.

Transactions with pension schemes

Details of transactions between the Group and pension schemes in which its employees participate are detailed in note 9.

Transactions with joint ventures

	2024 £m	2023 £m
Construction services and materials	**2.4**	0.9
Staff and associated costs	**2.6**	2.5
Management services	**0.9**	1.3
Interest on loans to joint ventures	**–**	0.4
Plant hire	**0.2**	0.2
	6.1	5.3

Balances due from joint ventures

	2024 £m	2023 £m
Equity accounted investment	**89.4**	76.3
Loans	**2.3**	2.3
Investment in and loans to joint ventures	**91.7**	78.6
Trading balances	**0.2**	0.1
Total balances due from joint ventures	**91.9**	78.7

Those joint ventures which the Directors consider to be material to the Group are disclosed in note 16.

31 Subsidiaries and other undertakings

A full list of subsidiaries, branches, associated undertakings, and joint arrangements as at 30 June 2024 is detailed below. Unless stated otherwise, all undertakings are wholly owned and held indirectly by Kier Group plc.

Subsidiaries

Company name	Registered office[1]	Share class(es) held	% held by Group
2020 Liverpool Limited (in liquidation)	13	Ordinary	100%
A C Chesters & Son Limited	1	Ordinary	100%
AK Student Living Limited	1	A Ordinary	100%
		B Ordinary	100%
Arena Central Developments LLP	1	–	100%
Arena Central Management Limited	1	A Ordinary	100%
			25%[3]
Caribbean Construction Company Limited	2	Ordinary	100%
Caxton Integrated Services Holdings Limited	1	Ordinary	100%
ClearBOX Limited	1	Ordinary	100%
Dudley Coles Limited	1	Ordinary	100%
FDT (Holdings) Ltd	1	Ordinary	100%
FDT Associates Ltd	1	Ordinary A	100%
Heart of Wales Property Services Limited	3	Ordinary	50%
J L Kier & Company (London) Limited	1	Ordinary	100%
J L Kier & Company Limited	1	Ordinary	100%
Kier (Catterick) Limited	1	A Ordinary	100%
		B Ordinary	100%
Kier (Kent) PSP Limited	1	A Ordinary	100%
		B Ordinary	100%
Kier (Malaysia) SDN. BHD. (in liquidation)	4	Ordinary	100%
Kier (Newcastle) Investment Ltd	1	Ordinary	100%
Kier (Newcastle) Operation Limited	1	Ordinary	100%
Kier (NR) Limited	1	Ordinary	100%
Kier Asset Partnership Services Limited	1	Ordinary	100%
Kier Benefits Limited	1	Ordinary	100%
Kier Build Limited	1	Ordinary	100%
Kier Business Services Limited	1	Ordinary	100%
Kier Caribbean and Industrial Limited	1	Ordinary	100%
Kier CB Limited	1	Ordinary	100%
Kier Commercial Investments Limited	1	Ordinary	100%
Kier Commercial UKSC Limited	1	Ordinary	100%
Kier Construction Limited	1	Ordinary	100%
Kier Construction Limited	5	Ordinary	100%
Kier Construction LLC[9]	6	Ordinary	49%
Kier Construction SA	7	Ordinary	100%
Kier Developments Limited	1	A Ordinary	100%
		B Ordinary	100%
		C Ordinary	100%
Kier Dubai LLC[9]	8	Ordinary	49%
Kier Education Investments Limited	1	B Ordinary	100%
		M Ordinary	100%
Kier Education Services Limited	1	B Ordinary	100%
		M Ordinary	100%
Kier Energy Solutions Limited	1	Ordinary	100%
		A Ordinary	100%
Kier Ewan Limited	1	Ordinary	100%
Kier Facilities Services Limited	1	Ordinary	100%
Kier Finance & Treasury Holdings Limited	1	Ordinary	100%
Kier Finance Limited	1	Ordinary	100%
Kier Fleet Services Limited	1	Ordinary	100%
Kier Green Investments Limited	1	Ordinary	100%
Kier Group Trustees Limited[2]	1	Ordinary	100%
Kier Harlow Limited	1	Ordinary	100%

31 Subsidiaries and other undertakings continued

Company name	Registered office[1]	Share class(es) held	% held by Group
Kier Holdco 2 Limited	1	Ordinary	100%
Kier Holdings Limited	1	Ordinary	100%
		Irredeemable preference	100%
Kier Infrastructure and Overseas Limited	1	Ordinary	100%
Kier Infrastructure and Overseas Limited – Hong Kong Branch			
Kier Infrastructure and Overseas Limited – Jamaica Branch			
Kier Infrastructure and Overseas Limited – Trinidad Branch			
Kier Infrastructure Pty Ltd	9	Ordinary	100%
Kier Insurance Management Services Limited	1	Ordinary	100%
Kier Integrated Services (Estates) Limited	1	Ordinary	100%
Kier Integrated Services (Holdings) Limited	1	Ordinary	100%
		Deferred	100%
Kier Integrated Services (Trustees) Limited	1	Ordinary	100%
Kier Integrated Services Group Limited	1	Ordinary	100%
Kier Integrated Services Limited	1	Ordinary	100%
Kier International (Investments) Limited	1	Ordinary	100%
Kier International Limited	1	Ordinary	100%
Kier International Limited – India Branch (in liquidation)			
Kier International Limited – Jamaica Branch			
Kier International Limited	10	Ordinary	100%
Kier Islington Limited (in liquidation)	13	Ordinary	100%
		Islington	100%
Kier Jamaica Development Limited (dissolved 2 July 2024)	1	Ordinary	100%
Kier Limited[2]	1	Ordinary	100%

Company name	Registered office[1]	Share class(es) held	% held by Group
Kier Management Consulting Limited	1	Ordinary	100%
		A Ordinary	100%
		B Ordinary	100%
Kier MBS Limited	1	Ordinary	100%
Kier Midlands Limited	1	Ordinary	100%
Kier Minerals Limited	1	Ordinary	100%
Kier Mining Investments Limited	1	Ordinary	100%
Kier National Limited	1	Ordinary	100%
Kier North Tyneside Limited[5]	1	B Ordinary	100%
			80%[3]
Kier Overseas (Four) Limited (in liquidation)	13	Ordinary	100%
Kier Overseas (Nine) Limited	1	Ordinary	100%
Kier Overseas (Seventeen) Limited	1	Ordinary	100%
Kier Overseas (Twenty-Three) Limited	1	Ordinary	100%
Kier Parkman Ewan Associates Limited	1	Ordinary A	100%
Kier Plant Limited	1	Ordinary	100%
Kier Professional Services Limited	1	Ordinary	100%
Kier Project Investment Limited	1	Ordinary	100%
Kier Property Developments Limited	1	Ordinary	100%
Kier Property Limited	1	Ordinary	100%
Kier Property Management Company Limited	1	Ordinary	100%
Kier Rail Limited	1	Ordinary	100%
Kier Recycling CIC	1	Ordinary	100%
Kier Services Limited	1	Ordinary	100%
Kier Sheffield LLP	1	–	80.1%
Kier South East Limited	1	Ordinary	100%
Kier South Wokingham LLP	1	–	100%
Kier Southern Limited	1	Ordinary	100%
Kier Stoke Limited	1	A Ordinary	100%

31 Subsidiaries and other undertakings continued

Company name	Registered office[1]	Share class(es) held	% held by Group
Kier Sydenham Limited	1	Ordinary	100%
Kier Traffic Support Limited	1	Ordinary	100%
Kier Transportation Limited	1	Ordinary	100%
Kier UKSC LLP	1	–	100%
Kier Ventures Limited	1	Ordinary	100%
Kier Ventures UKSC Limited	1	Ordinary	100%
Kier York Street LLP	1	–	100%
Liferange Limited	1	Ordinary	100%
Magnetic Limited	1	Ordinary	100%
McNicholas Construction (Holdings) Limited	1	Ordinary	100%
McNicholas Construction Services Limited	1	Ordinary	100%
MPHBS Limited (in liquidation)	13	Ordinary	100%
MRBL Limited	1	Ordinary A	100%
		Ordinary B	100%
		Deferred B	100%
Parkman Consultants Limited	1	Ordinary	100%
Pure Buildings Limited (dissolved 2 July 2024)	1	Ordinary	100%
Pure Recycling Warwick Limited	1	Ordinary A	100%
		Ordinary B	100%
T Cartledge Limited	1	Ordinary	100%
T H Construction Limited	1	Ordinary	100%
T J Brent Limited	1	Ordinary	100%
		Ordinary B	100%
		Ordinary C	100%
Tempsford Insurance Company Limited[2]	11	Ordinary	100%
The Impact Partnership (Rochdale Borough) Limited	1	Ordinary	80.1%
Tor2 Limited	1	PSP Shares	100%
			80.01%[3]
TradeDirect Logistics Limited	1	Ordinary	100%
Turriff Contractors Limited	12	Ordinary	100%
Turriff Group Limited	12	Ordinary	100%
		Ordinary A	100%
		Ordinary B	100%
Usherlink Limited	1	Ordinary	100%
W. & C. French (Construction) Limited	1	Ordinary	100%
Wallis Limited	1	Ordinary	100%
Wallis Western Limited	1	Ordinary	100%
William Moss Construction Limited (in liquidation)	13	Ordinary	100%
William Moss Group Limited (The)	1	Ordinary	100%

1. See list of registered office details and explanatory notes on page 208.

31 Subsidiaries and other undertakings continued

Listed below are subsidiaries controlled and consolidated by the Group, which under Section 479A of the Companies Act 2006 (the 'Act') are exempt from the requirements of the Act relating to the audit of accounts.

Company name	Company registration number	Year-end
Arena Central Developments LLP	OC305452	30 June 2024
Caxton Integrated Services Holdings Limited	01531034	30 June 2024
ClearBOX Limited	08658406	30 June 2024
Kier (Catterick) Limited	07372563	30 June 2024
Kier (Newcastle) Investment Ltd	09978111	30 June 2024
Kier (Newcastle) Operation Limited	10609470	30 June 2024
Kier (NR) Limited	06648175	30 June 2024
Kier Asset Partnership Services Limited	06928701	30 June 2024
Kier Build Limited	01551959	30 June 2024
Kier Business Services Limited	03679828	30 June 2024
Kier Caribbean and Industrial Limited	01406098	30 June 2024
Kier Commercial Investments Limited	04002798	30 June 2024
Kier Developments Limited	04407754	30 June 2024
Kier Education Investments Limited	06458919	30 June 2024
Kier Education Services Limited	05457729	30 June 2024
Kier Energy Solutions Limited	05488866	30 June 2024
Kier Finance and Treasury Holdings Limited	05887555	30 June 2024
Kier Finance Limited	05887689	30 June 2024
Kier Fleet Services Limited	02127113	30 June 2024
Kier Green Investments Limited	08922437	30 June 2024
Kier Harlow Limited	05961079	30 June 2024
Kier Holdco 2 Limited	11632431	30 June 2024
Kier Holdings Limited	05887559	30 June 2024
Kier Insurance Management Services Limited	07406107	30 June 2024
Kier Integrated Services (Estates) Limited	00216679	30 June 2024
Kier Integrated Services (Holdings) Limited	04321657	30 June 2024
Kier Integrated Services (Trustees) Limited	03510967	30 June 2024
Kier Integrated Services Group Limited	02372311	30 June 2024
Kier International (Investments) Limited	01463191	30 June 2024
Kier International Limited	00810557	30 June 2024
Kier Management Consulting Limited	02491619	30 June 2024
Kier MBS Limited	11632543	30 June 2024
Kier Minerals Limited	02099531	30 June 2024
Kier Mining Investments Limited	01531037	30 June 2024
Kier National Limited	02100338	30 June 2024
Kier Overseas (Nine) Limited	01531039	30 June 2024
Kier Overseas (Seventeen) Limited	01462100	30 June 2024
Kier Overseas (Twenty-Three) Limited	02127112	30 June 2024
Kier Plant Limited	04233359	30 June 2024
Kier Professional Services Limited	08881783	30 June 2024
Kier Property Limited	04459403	30 June 2024
Kier Recycling CIC	03153490	30 June 2024
Kier South East Limited	01611216	30 June 2024
Kier Southern Limited	01611137	30 June 2024
Kier Stoke Limited	06391459	30 June 2024
Kier Sydenham Limited	08486944	30 June 2024
Kier Traffic Support Limited	03998110	30 June 2024
Magnetic Limited	07775665	30 June 2024
MRBL Limited	08177998	30 June 2024
Parkman Consultants Limited	01165456	30 June 2024
Pure Recycling Warwick Limited	06436462	30 June 2024
T Cartledge Limited	01451435	30 June 2024
T H Construction Limited	01532971	30 June 2024
TradeDirect Logistics Limited	11400572	30 June 2024
Wallis Western Limited	01961061	30 June 2024

31 Subsidiaries and other undertakings continued
Joint ventures

Company name	Registered office[1]	Interest held
Property		
3 Sovereign Square Holdings 1 LLP	1	50%
3 Sovereign Square Holdings 2 LLP	1	50%
3 Sovereign Square LLP	1	50%
Dragon Lane Holdings 1 LLP	1	50%
Dragon Lane Holdings 2 LLP	1	50%
Dragon Lane LLP	1	50%
Kent LEP 1 Limited	1	80%
Kier (Southampton) Development Limited	1	75%
Kier (Southampton) Investment Limited	1	75%
Kier (Southampton) Operations Limited	1	75%
Kier Cornwall Street Holdings 1 LLP	1	90%
Kier Cornwall Street Holdings 2 LLP	1	90%
Kier Cornwall Street LLP	1	90%
Kier Countryside Holdings 1 LLP	14	50%
Kier Countryside Holdings 2 LLP	14	50%
Kier Foley Street Holdco 1 LLP	1	90%
Kier Foley Street Holdco 2 LLP	1	90%
Kier Foley Street LLP	1	90%
Kier HGP Devco 2 LLP	1	50%
Kier HGP Holdings 2 Limited	1	50%
Kier HGP Holdings LLP	1	50%
Kier HGP Tunbridge Wells LLP	1	50%
Kier Maidenhead Holdings 1 LLP	1	90%
Kier Maidenhead Holdings 2 LLP	1	90%
Kier Maidenhead LLP	1	90%
Kier PGIM Logistics (Bognor) Ltd	1	25.5%
Kier PGIM Logistics (Bracknell) Ltd	1	25.5%

Company name	Registered office[1]	Interest held
Kier PGIM Logistics (Knowsley) Ltd	1	25.5%
Kier PGIM Logistics (Milton Keynes) Ltd	1	25.5%
Kier PGIM Logistics (St. Albans) Ltd	1	25.5%
Kier PGIM Logistics Holdco Ltd	1	25.5%
Kier PGIM Logistics Propco 5 Ltd	1	25.5%
Kier PGIM Logistics Propco 7 Ltd	1	25.5%
Kier PGIM Logistics Propco 8 Ltd	1	25.5%
Kier Reading Holdco 1 LLP	1	90%
Kier Reading Holdco 2 LLP	1	90%
Kier Reading LLP	1	90%
Kier Richmond Holdings Limited	1	90%
Kier Richmond Limited	1	90%
Kier Sydenham GP Holdco Limited	1	50%
Kier Sydenham GP Limited	1	50%
Kier Sydenham LP	1	50%
Kier Sydenham Nominee Limited	1	50%
Kier Trade City Holdco 1 LLP	1	90%
Kier Trade City Holdco 2 LLP	1	90%
Kier Trade City LLP	1	90%
Kier Warth Limited	1	50%
Lysander Student Properties Investments Limited	1	75%
Lysander Student Properties Limited	1	75%
Lysander Student Properties Operations Limited	1	75%
MVDC Kier Holdco 1 LLP	1	50%
MVDC Kier Holdco 2 LLP	1	50%
Penda Limited	1	50%
Premier Inn Kier Limited	1	50%
Saffron Walden LLP	14	50%

31 Subsidiaries and other undertakings continued

Company name	Registered office[1]	Interest held
Saltbox Business Park (Management) Limited	1	16.75%
Solum Regeneration (Bishops) LLP	1	50%
Solum Regeneration (Epsom) Limited Partnership	1	50%
Solum Regeneration (Guildford) LLP	1	50%
Solum Regeneration (Haywards) LLP	1	50%
Solum Regeneration (Kingswood) LLP	1	50%
Solum Regeneration (Maidstone) LLP	1	50%
Solum Regeneration (Redhill) LLP	1	50%
Solum Regeneration (Surbiton) LLP	1	50%
Solum Regeneration (Twickenham) LLP	1	50%
Solum Regeneration (Walthamstow) LLP	1	50%
Solum Regeneration Epsom (GP Subsidiary) Limited	1	50%
Solum Regeneration Epsom (GP) Limited	1	50%
Solum Regeneration Epsom (Residential) LLP	1	50%
Solum Regeneration Holding 1 LLP	1	50%
Solum Regeneration Holding 2 LLP	1	50%
Transcend Property Limited (dissolved 16 July 2024)	15	50%
Tri-Link 140 Holdings 1 LLP	1	50%
Tri-Link 140 Holdings 2 LLP	1	50%
Tri-Link 140 LLP	1	50%
Watford Health Campus Limited	1	50%
Watford Health Campus Partnership LLP	1	50%
Watford Riverwell (Central Zone) LLP	1	50%
Watford Riverwell (Family Housing) LLP	1	50%
Watford Riverwell Management Company Limited	1	50%
Watford Woodlands LLP	1	50%
Winsford Devco LLP	1	50%
Winsford Holdings 1 LLP	1	50%
Winsford Holdings 2 LLP	1	50%

Company name	Registered office[1]	Interest held
Construction		
Kier Graham Defence Limited	1	50%
Services		
2020 Knowsley Limited (in liquidation)	13	80.1%
Hackney Schools for the Future Limited	1	80%
Hackney Schools for the Future 2 Limited	1	8%
Team Van Oord Limited	16	25%

1. See list of registered office details and explanatory notes on page 208.

31 Subsidiaries and other undertakings continued

Joint operation name	Description	Trading address
Crossrail Contracts 300/410/435	a joint arrangement between Kier Infrastructure and Overseas Limited, BAM Nuttall Limited and Ferrovial Agroman (UK) Limited	BAM Ferrovial Kier JV C435, The London School of Beauty, 18–19 Long Lane, London, EC1A 9LP
Deephams	a joint arrangement between Kier Infrastructure and Overseas Limited, J Murphy & Sons Limited, and Aecom Limited	Deephams Sewage Treatment Wales, Pickett's Lock Lane, Edmonton, N9 0BA
Devonport	a joint arrangement between Kier Infrastructure and Overseas Limited and BAM Nuttall Limited	St. James House, Knoll Road, Camberley, Surrey, GU15 3XW
EKFB	a joint arrangement between Kier Infrastructure and Overseas Limited, Eiffage Génie Civil, Ferrovial Agroman (UK) Limited and BAM Nuttall Limited	5th Floor, Exchange House, Midsummer Boulevard, Milton Keynes, MK9 2EA
Hercules	a joint arrangement between Kier Construction Limited and Balfour Beatty	Hercules Site Offices, The Wessex Building, MOD Lyneham, Calne Road, Lyneham, Chippenham, SN15 4PZ
Hinkley Framework	a joint arrangement between Kier Infrastructure and Overseas Limited and BAM Nuttall Limited	J23 P&R HPC Postal Consolidation Centre, Huntsworth Business Centre, North Petherton, Somerset, TA6 6TS
Kier BAM JV	a joint arrangement between Kier Integrated Services Limited and BAM Civil Limited (company number 17543, registered office Kill, County Kildaire)	2nd Floor, Optimum House, Clippers Quay, Salford, M50 3XP
KCD	a joint arrangement between Kier Integrated Services Limited and Clancy Docwra Limited	Thames Water Offices, Clear Water Court, Vastern Rd, Reading, RG1 8DB
Luton People Mover	a joint arrangement between Kier Infrastructure and Overseas Limited and VolkerFitzpatrick Limited	Hertford Road, Hoddesdon, EN11 9BX
Mersey Gateway	a joint arrangement between Kier Infrastructure and Overseas Limited, Samsung C&T ECUK Limited and FCC Construccion S.A.	Forward Point, Tan House Lane, Widnes, WA8 0SL
RAF Lakenheath	a joint arrangement between Kier Construction Limited and VolkerFitzpatrick Limited	Hertford Road, Hoddesdon, EN11 9BX
Tarmac Kier JV	a joint arrangement between Kier Transportation Limited and Tarmac Trading Limited	2nd Floor, Optimum House, Clippers Quay Salford, M50 3XP
Kier Graham Defence (Clyde)	a joint arrangement between Kier Construction Limited and John Graham Construction Limited	Campsie House, Buchanan Business Park, Cumbernauld Road, Stepps, Glasgow, G33 6HZ
Kier McAvoy	a joint arrangement between Kier Construction Limited and McAvoy	Ferguson Road, Knockmore Hill Industrial Estate, Lisburn, BT28 2FW
MTRC Contract 824	a joint arrangement between Kier Infrastructure and Overseas Limited and BuildKing Construction Limited	Tower B, 6/F, Manulife Financial Centre, 223 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong
MTRC Contract 901	a joint arrangement between Kier Infrastructure and Overseas Limited, Laing O'Rourke Hong Kong Limited and BuildKing Construction Limited	Room 905, 9/F, King's Road, North Point, Hong Kong
Saadiyat Rotana Hotel and Resort Complex	a joint arrangement between Kier Construction LLC and Ali and Sons Contracting Co LLC	P.O. Box 2153, Abu Dhabi
Kier ACC	a joint arrangement between Kier Dubai LLC and Arabian Construction Co.SAL	P.O. Box 24461, Dubai

31 Subsidiaries and other undertakings continued
Registered office addresses

Number	Address
1	2nd Floor, Optimum House, Clippers Quay, Salford, M50 3XP, UK
2	Harbour Head, Harbour View, Kingston 17, Jamaica
3	Unit 31, Ddole Road Industrial Estate, Llandrindod Wells, Powys, LD1 6DF, UK
4	9–5 & 7–5, Jalan 8/146, Bandar Tasik Selatan, Kuala Lumpur, 57000, Malaysia
5	c/o Grant Thornton, Cnr Bank Street and West Independence Sq Street, Basseterre, Saint Kitts and Nevis
6	Unit 869, Al Gaith Tower, Hamdan Street, PO Box 61967, Abu Dhabi, United Arab Emirates
7	151 Angle Avenue, Jean Paul II et Impasse Duverger, Turgeau, Port-au-Prince, Haiti
8	905, 9th Floor, Thuraya Tower, Tecom, P.O. Box 24461, Dubai, United Arab Emirates
9	Pinsent Masons, Level 46, 101 Collins Street, Melbourne, VIC 3000, Australia
10	6th Floor, Emperor Commercial Centre, 39 Des Voeux Road Central, Hong Kong
11	PO Box 33, Dorey Court, Admiral Park, St Peter Port, GY1 4AT, Guernsey
12	Campsie House, Buchanan Business Park, Cumbernauld Road, Stepps, Glasgow, G33 6HZ, UK
13	1 More London Place, London, SE1 2AF, UK
14	Countryside House, The Drive, Brentwood, Essex, CM13 3AT, UK
15	1 Kingsway, London, WC2B 6AN, UK
16	Bankside House, Henfield Road, Small Dole, Henfield, West Sussex, BN5 9XQ, UK

Explanatory notes
1. The share capital of all entities is wholly owned and held indirectly by Kier Group plc unless indicated otherwise.
2. Shares held directly by Kier Group plc.
3. Total interest in entity held by the Group as there are other share class(es) held by a third party.
4. In some jurisdictions in which the Group operates, share classes are not defined and in these instances, for the purposes of disclosure, these holdings have been classified as ordinary shares.
5. The Group has entered into a partnership arrangement with North Tyneside Council whereby the Council has a participating ownership interest and receives a minority share of the profits of Kier North Tyneside Limited.
6. Joint operations are contracted agreements to co-operate on a specific project which is an extension of the Group's existing business. Joint ventures are ongoing businesses carrying on their own trade.
7. Interests in the above joint ventures are held by subsidiary undertakings.
8. The joint ventures where the Group has an interest in excess of 50% are still considered joint ventures as the Group has joint control.
9. Accounted for as a subsidiary as control is achieved through an agreement between shareholders.
10. Where companies are shown as being in liquidation, in all cases this is either a members' voluntary liquidation or a strike-off application.

Company balance sheet

As at 30 June 2024

	Note	2024 £m	2023 £m
Non-current assets			
Investments	5	**455.5**	446.2
Deferred tax assets		**3.3**	3.1
Amounts due from subsidiary undertakings	6	**1,585.6**	1,525.4
Other financial assets	8	**–**	9.7
Non-current assets		**2,044.4**	1,984.4
Current assets			
Other financial assets	8	**7.1**	1.0
Current assets		**7.1**	1.0
Total assets		**2,051.5**	1,985.4
Current liabilities			
Bank overdraft		**(521.2)**	(444.3)
Creditors: amounts falling due within one year	7	**(53.5)**	(2.5)
Corporation tax payable		**(15.4)**	(15.2)
Provisions for liabilities		**(0.2)**	(2.2)
Current liabilities		**(590.3)**	(464.2)
Non-current liabilities			
Creditors: amounts falling due after more than one year	7	**(242.0)**	(309.4)
Amounts due to subsidiary undertakings	7	**(51.0)**	(56.0)
Non-current liabilities		**(293.0)**	(365.4)
Total liabilities		**(883.3)**	(829.6)
Net assets		**1,168.2**	1,155.8
Shareholders' funds			
Called up share capital		**4.5**	4.5
Share premium account		**3.2**	684.3
Merger reserve		**350.6**	350.6
Capital redemption reserve		**–**	2.7
Profit and loss account		**809.9**	111.1
Cash flow hedge reserve		**–**	2.6
Total equity		**1,168.2**	1,155.8

The profit for the year was £13.4m (2023: £34.9m).

The financial statements of Kier Group plc, company registration number 2708030, on pages 209–214 were approved by the Board of Directors on 11 September 2024 and were signed on its behalf by:

Andrew Davies
Chief Executive

Simon Kesterton
Chief Financial Officer

Company statement of changes in equity

For the year ended 30 June 2024

	Called up share capital £m	Share premium account £m	Merger reserve £m	Capital redemption reserve £m	Profit and loss account £m	Cash flow hedge reserve £m	Total equity £m
At 1 July 2022	4.5	684.3	350.6	2.7	79.7	0.1	1,121.9
Profit for the year	–	–	–	–	34.9	–	34.9
Other comprehensive income	–	–	–	–	–	2.5	2.5
Total comprehensive income for the year	–	–	–	–	34.9	2.5	37.4
Purchase of own shares	–	–	–	–	(11.9)	–	(11.9)
Share-based payments	–	–	–	–	8.4	–	8.4
At 30 June 2023	4.5	684.3	350.6	2.7	111.1	2.6	1,155.8
Profit for the year	**–**	**–**	**–**	**–**	**13.4**	**–**	**13.4**
Other comprehensive expense	**–**	**–**	**–**	**–**	**–**	**(2.6)**	**(2.6)**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**13.4**	**(2.6)**	**10.8**
Dividends paid	**–**	**–**	**–**	**–**	**(7.3)**	**–**	**(7.3)**
Issue of own shares	**–**	**3.3**	**–**	**–**	**–**	**–**	**3.3**
Capital reduction	**–**	**(684.4)**	**–**	**(2.7)**	**687.1**	**–**	**–**
Share-based payments	**–**	**–**	**–**	**–**	**9.3**	**–**	**9.3**
Purchase of own shares	**–**	**–**	**–**	**–**	**(3.7)**	**–**	**(3.7)**
At 30 June 2024	**4.5**	**3.2**	**350.6**	**–**	**809.9**	**–**	**1,168.2**

Included in the profit and loss account is the balance on the share scheme reserve which comprises the investment in own shares of £9.0m (2023: £11.2m) and a credit balance on the share scheme reserve of £14.5m (2023: £12.8m).

Details of the shares held by the Kier Group 1999 Employee Benefit Trust and of the share-based payment scheme are included in note 25 to the consolidated financial statements.

Notes to the Company financial statements

For the year ended 30 June 2024

1 Accounting policies

The principal accounting policies are summarised below. Other than where new accounting policies have been adopted (as noted below), they have been applied consistently throughout the year and the preceding year.

Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ('FRS 101') and the Companies Act 2006. The financial statements have been prepared under the historical cost convention, except for derivative financial instruments which are stated at their fair value.

Kier Group plc is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is 2nd Floor, Optimum House, Clippers Quay, Salford, England, M50 3XP.

The Company's financial statements are included in the Kier Group plc consolidated financial statements for the year ended 30 June 2024. As permitted by Section 408 of the Companies Act 2006, the Company has not presented its own profit and loss account.

None of the standards, interpretations or amendments effective for the first time from 1 July 2023 have had a material effect on the Company's financial statements.

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 101:

- The requirement of paragraphs 45(b) and 46–52 of IFRS 2 'Share-Based Payments'
- The requirements of IFRS 7 'Financial Instruments: Disclosures'
- The requirements of paragraphs 91–99 of IFRS 13 'Fair Value Measurement'
- The requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of paragraph 79(a)(iv) of IAS 1
- The requirement of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134–136 of IAS 1 'Presentation of Financial Statements'
- The requirements of IAS 7 'Statement of Cash Flows'
- The requirements of paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'
- The requirements of paragraphs 88C and 88D of IAS 12 'Income Taxes'
- The requirement of paragraphs 17 and 18A of IAS 24 'Related Party Disclosures'
- The requirements in IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group
- The requirements of paragraphs 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 'Impairment of Assets'.

These financial statements are separate financial statements.

Where required, equivalent disclosures are given in the Annual Report and Accounts of the Group as shown in notes 1–8.

Going concern

The Directors have made enquiries and have a reasonable expectation that the Company has adequate resources to continue in existence for the foreseeable future. For this reason, they adopt the going concern basis in preparing the financial statements. See also page 154.

Fixed asset investments

Investments in subsidiary undertakings are included in the balance sheet at cost less any provision for impairment.

Taxation

Income tax comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The deferred tax provision is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of a past event, and where it is probable that an outflow will be required to settle the obligation and the amount can be reliably estimated.

1 Accounting policies continued

Financial instruments

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. The principal financial assets and liabilities of the Company are as follows:

(a) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, including bank deposits with original maturities of three months or less, net of bank overdrafts where legal right of set-off exists. Bank overdrafts are included within financial liabilities in current liabilities in the balance sheet.

(b) Bank and other borrowings

Interest-bearing bank and other borrowings are recorded at the fair value of the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the income statement using the effective interest method and are added to the carrying value of the instrument to the extent that they are not settled in the period in which they arise.

(c) Amounts due from subsidiary undertakings

Amounts due from subsidiaries are initially recorded at their fair value. Subsequent to initial recognition, the loans are measured at amortised cost. In accordance with IFRS 9, the Company has undertaken an exercise of calculating the expected credit losses on the amounts due from subsidiaries. The Directors regard the relevant subsidiaries as having a relatively low probability of default on the loans and do not consider that there has been a significant increase in credit risk since the loan was first recognised. By virtue of their participation in Group bank pooling arrangements, the subsidiaries had access to sufficient facilities to enable them to repay the loans, if demanded, at the reporting date. Only immaterial amounts of expected credit losses were calculated and, therefore, the Company has chosen not to adjust the value of the loans for any expected credit loss provisions.

(d) Derivative financial instruments

Derivatives are initially recognised at fair value on the date that the contract is entered into and subsequently remeasured in future periods at their fair value. The method of recognising the resulting change in fair value depends on whether the derivative is designated as a hedging instrument and whether the hedging relationship is effective.

For cash flow hedges, the effective portion of changes in the fair value of these derivatives is recognised in the cash flow hedge reserve within equity. Any ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are recycled to the income statement in the periods when the hedged items will affect profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, the hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

The Company enters into forward contracts in order to hedge against transactional foreign currency exposures. In cases where these derivative instruments are significant, hedge accounting is applied as described above. Where hedge accounting is not applied, changes in fair value of derivatives are recognised in the income statement. The fair values of derivative instruments have been derived from proprietary models used by the bank counterparties using mid-market mark to market valuations for trades at the close of business on the balance sheet date.

Share-based payments

Share-based payments granted but not vested in relation to the Sharesave and Long-Term Incentive Plan ('LTIP') schemes are valued at the fair value of the shares at the date of grant. The fair value of these schemes at the date of award is calculated using the Black-Scholes model, apart from the total shareholder return element of the LTIP which is based on a Stochastic model. Awards that are subject to a post-vesting holding period are valued using the Finnerty model. The cost of each scheme is based on the fair value of the options spread on a straight-line basis over the relevant performance period. As the Company provides these benefits to employees of its subsidiary companies, the cost is recognised in each subsidiary's income statement, with a corresponding credit in equity representing the capital contribution. The Company, as the parent providing the equity instruments to satisfy the share-based payments, recognises these capital contributions to its subsidiaries as an increase in its investment in subsidiaries.

Shares purchased and held in trust in connection with the Company's share schemes are deducted from retained earnings. No gain or loss is recognised within the income statement on the market value of these shares compared with the original cost.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company accounting policies which are described above, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates are based on historical experience and the factors that are considered to be relevant. Actual results may differ from those estimates.

The estimates are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised.

There are no critical judgements, apart from those involving estimates, that the Directors have made in the process of applying the Company's accounting policies and that have a significant effect on the amounts recognised in the financial statements.

1 Accounting policies continued

Valuation of investments

The Company tests annually whether its investments have suffered any impairment. The recoverable amounts of subsidiaries are determined based on value in use calculations or fair value less cost to sell, if held for sale. These calculations require the use of estimates.

Considerable headroom exists when comparing the book value of the investments with their recoverable amounts. Therefore, the Directors have determined that the investment value is not particularly sensitive to changes in the assumptions used in the value in use calculations. Any reasonable adjustment to any of the assumptions would not result in an impairment of the investments.

2 Profit for the year

As permitted by section 408 of the Companies Act 2006, the Company has elected not to present its own profit and loss account for the year. The profit for the year was £13.4m (2023: £34.9m).

The auditors' remuneration for audit services to the Company was £0.1m (2023: £0.1m).

3 Information relating to Directors and employees

Information relating to Directors' emoluments, pension entitlements, share options and LTIP interests appears in the Directors' Remuneration report on pages 109–134. The Company has no employees other than the Directors.

4 Dividends

£7.3m dividends have been paid by the Company (2023: £nil). See note 11 to the consolidated financial statements.

5 Investments

	2024 £m	2023 £m
At 1 July	**446.2**	437.8
Capital contributions	**9.3**	8.4
At 30 June	**455.5**	446.2

Details of the Company's subsidiaries at 30 June 2024 are provided in note 31 to the consolidated financial statements.

Capital contributions of £9.3m were made during the year ended 30 June 2024 in relation to share-based payments on behalf of subsidiaries (2023: £8.4m).

Certain subsidiaries of the Group have opted to take advantage of a statutory exemption from having an audit in respect of their individual statutory accounts. Strict criteria must be met for this exemption to be taken and it must be agreed to by the directors of those subsidiary companies. Listed in note 31 are subsidiaries controlled and consolidated by the Group where the Directors have taken advantage of the exemption from having an audit of the companies' individual financial statements in accordance with Section 479A of the Companies Act 2006.

In order to facilitate the adoption of this exemption, Kier Group plc, the ultimate parent company of the subsidiaries concerned, undertakes to provide a guarantee under Section 479C of the Companies Act 2006 in respect of those subsidiaries.

6 Amounts due from subsidiary undertakings

	2024 £m	2023 £m
Amounts falling due after more than one year:		
Amounts due from subsidiary undertakings[1]	**1,585.6**	1,525.4

1. Loans due from subsidiary undertakings incur interest at 4.0%, loans are contractually repayable on demand or in a period of up to 4 years but no amounts are expected to be repaid within 12 months.

7 Creditors

	2024 £m	2023 £m
Amounts falling due within one year:		
Borrowings	**43.8**	–
Other creditors	**9.7**	2.5
	53.5	2.5
Amounts falling due after more than one year:		
Borrowings	**242.0**	309.4
Amounts due to subsidiary undertakings[1]	**51.0**	56.0
	293.0	365.4

1. Loans due to subsidiary undertakings incur interest at 4.0% and are repayable after one year.

Further details on borrowings are included in note 21 to the consolidated financial statements.

8 Other financial assets

The Company has the following cross-currency and interest rate swaps:

- One cross-currency swap taken out in 2014 to hedge the currency risk on a US dollar-denominated loan, nominal value US$40.0m.
- One floating to fixed interest rate swap taken out in 2024 to hedge the interest rate risk on part of the Group's revolving credit facility, nominal value £50.0m.

The Company has assessed the effectiveness of these swaps and concluded that they are highly effective. No amount in relation to hedge ineffectiveness has been charged or credited to the income statement in relation to any cross-currency or interest rate swap.

The following table indicates the periods in which the cash flows associated with cash flow hedges are expected to occur and the fair value of the related hedging instruments:

	Fair value £m	0–1 year £m
Cross-currency swaps: asset		
Gross settled inflows	–	32.4
Gross settled outflows	–	(25.7)
	6.5	6.7
Interest rate swaps: assets		
Net settled inflows	0.6	0.8

Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). The Company uses cross-currency and interest rate swaps for hedging. These derivatives are classified as level 2. The prices of derivative transactions have been derived from proprietary models used by the bank counterparties using mid-market mark to market valuations for trades at the close of business on 30 June 2024.
Level 3 – Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table presents the Company's financial assets and liabilities that are measured at fair value at 30 June 2024:

	Level 2 £m
Assets	
Derivatives used for hedging – Cross-currency swaps	**6.5**
Derivatives used for hedging – Interest rate swaps	**0.6**
	7.1

The following table presents the Company's financial assets and liabilities that are measured at fair value at 30 June 2023:

	Level 2 £m
Assets	
Derivatives used for hedging – Cross-currency swaps	6.5
Derivatives used for hedging – Interest rate swaps	4.2
	10.7

There were no transfers between levels 1 and 2 during the year.

Financial record
(unaudited)

Continuing operations

Year ended 30 June	2024 £m	2023 £m	2022 £m	2021 £m	2020 £m
Group revenue including share of joint ventures	**3,969.4**	3,405.4	3,256.5	3,328.5	3,475.6
Less share of joint ventures	**(64.3)**	(24.7)	(112.6)	(67.5)	(53.1)
Group revenue	**3,905.1**	3,380.7	3,143.9	3,261.0	3,422.5
Profit					
Group operating profit[1]	**142.1**	116.3	93.6	96.4	41.0
Share of post-tax results of joint ventures	**1.6**	1.1	26.9	3.9	(0.2)
Other income	**6.5**	14.1	–	–	0.6
Adjusted operating profit	**150.2**	131.5	120.5	100.3	41.4
Net finance costs before adjusting items	**(32.1)**	(26.7)	(26.4)	(34.9)	(24.5)
Adjusted profit before tax	**118.1**	104.8	94.1	65.4	16.9
Amortisation of acquired intangible assets relating to contract rights	**(23.2)**	(19.2)	(19.7)	(21.0)	(23.7)
Adjusting finance costs	**(2.9)**	(2.9)	(2.8)	(3.2)	(5.2)
Other adjusting items	**(23.9)**	(30.8)	(55.7)	(35.6)	(213.3)
Profit/(loss) before tax	**68.1**	51.9	15.9	5.6	(225.3)
Basic earnings per share before adjusting items	**20.6p**	19.2p	16.8p	25.0p	12.2p
Dividend per share	**5.15p**	–	–	–	–
At 30 June					
Shareholders' funds (£m)	**520.1**	513.0	554.6	435.0	240.8

1. Stated before adjusting items. See note 5 for reference to adjusting items.

Glossary of alternative performance measures

The Group presents various alternative performance measures ('APMs') as the performance of the Group is reported and measured on this basis internally. This includes key performance indicators ('KPIs').

APM	Purpose	Reference
Total Group revenue	Revenue from the Group from continuing operations including joint ventures	KPIs Consolidated income statement
Adjusted operating profit	Operating profit for the year from continuing operations before adjusting items	KPIs Note 5
Adjusted profit before tax	Profit before tax for the year from continuing operations before adjusting items	Note 5
Adjusted earnings per share	Earnings per share for the year generated from continuing operations before adjusting items	KPIs Note 12
Cash outflow from adjusting items	Cash flow from operating activities for the year before adjusting items	Note 5
Net cash	The Group's net cash at the year-end date	KPIs Note 21
Average net debt	The Group's net cash/(debt) as an average of the month end positions up to the previous year-end date	KPIs Note 21
Free cash flow	An alternative cash flow measure to evaluate what is available for distribution	KPIs Financial review
Operating free cash flow	Free cash flow before the payment of interest and tax	Operational review Financial review
Operating free cash flow conversion	Cash conversion calculated as a percentage of operating free cash flow over adjusted operating profit	Operational review Financial review
Adjusted operating margin	Operating margin calculated as a percentage of adjusted operating profit over total Group revenue	Operational review
Order book	Secured and probable future contract revenue not currently recognised in the financial statements	KPIs

www.kier.co.uk

Our corporate website has key information covering our capabilities, markets, corporate responsibility and investor relations.

Join the conversation

Engage with us and keep up with the latest news and developments via social media.

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Amadeus Silk is an FSC® certified paper from well-managed forests and other controlled sources. The paper is Carbon Balanced with the World Land Trust, an international conservation charity, who offset carbon emissions through the purchase and preservation of high conservation value land.

Through protecting standing forests, under threat of clearance, carbon is locked in that would otherwise be released. These protected forests are then able to continue absorbing carbon from the atmosphere, referred to as REDD (Reduced Emissions from Deforestation and forest Degradation). This is now recognised as one of the most cost-effective and swiftest ways to arrest the rise in atmospheric CO_2 and global warming effects. Additional to the carbon benefits is the flora and fauna this land preserves, including a number of species identified at risk of extinction on the IUCN Red List of Threatened Species.

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