Financial review

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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.