Registration number: 01157281

Kier Infrastructure and Overseas Limited

Annual Report and Financial Statements

for the Year Ended 30 June 2023

Kier Infrastructure and Overseas Limited

Contents

Kier Infrastructure and Overseas Limited

Company Information

Directors	M R Pengelly
	G Incutti
	B C Mendonca
	P R Jackson
	A W Bradshaw
Company secretary	J Tham
Registered office	2nd Floor Optimum House Clippers Quay Salford M50 3XP
Independent Auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 1 Embankment Place London WC2N 6RH

The directors present their strategic report for Kier Infrastructure and Overseas Limited (the "Company") for the year ended 30 June 2023.

Fair review of the business

The Company is a member of the Kier Group plc ("Kier") group of companies (the "Kier Group" and the "Group").

The principal activity of the Company is the construction of UK infrastructure.

Turnover for the year was £656.6m (2022 - £473.4m), an increase of 39%, primarily due to the planned increased earthworks excavation activity on the HS2 EKFB joint operation, increased volumes on Sellafield, Devonport, Sofia, Mogden Sewage and Treatment Works and the revenue associated with a full year of construction at Oxford Railway Station. 2023 also saw the successful completion of the A13 project.

The Company made a profit before tax of £40.9m (2022 - £28.5m).

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

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

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

The marketplace is seeing a shift towards major projects with demand at unprecedented levels. Success in the major projects market requires relevant experience alongside a suite of skills and capabilities through the project life cycle, for which the Company is strongly positioned.

Infrastructure undertakes research and development activities when providing services to its clients. The total amount of the direct expenditure incurred by the business when undertaking such activities is not readily identifiable, as the investment is typically included in the relevant project.

The Company's key financial and other performance indicators during the year were as follows:

	Unit	2023	2022
Operating profit	£m	41.0	28.0
Cash and cash equivalents	£m	177.6	166.4
Safety - Accident Incident Rate	AIR	39	81
Customer experience (totally or mostly satisfied)	%	92	91

Outlook

The outlook for the Company is positive. This is reflected in the significantly improved financial performance of the Company over the last year and is testament to the hard work and commitment of our people who have enhanced our resilience and strengthened our financial position.

Going forward, the Infrastructure business is well positioned to continue benefiting from UK Government infrastructure spending commitments.

The Company is very focussed on health and safety in the workplace and uses the accident incident rate (AIR) to measure safety. The Company remains significantly below the Health and Safety Executive benchmark for the UK of 272.

Corporate responsibility

Please see the Environmental, Social and Governance ('ESG') report 'Building for a sustainable world' in the Kier Group plc 2023 Annual Report (pages 42 to 61 inclusive), which is available at www.kier.co.uk, for details of the Group's corporate responsibility activities. As a member of the Group, the Company has participated in these activities.

Stakeholders

The Directors consider that during the year, they have acted to promote the long-term success of the Company, that has generated value for shareholders and contributed to the wider society while considering the interests of a range of stakeholders as set out in section 172(1) (a) to (f) of the Companies Act 2006.

Employees, customers, shareholders, supply chain partners, banks, lenders, sureties and insurers, pension trustees, joint venture partners and the UK government are all key stakeholders for the Group. As part of the decision-making process, Kier looks at how it will potentially impact its stakeholders. Engagement with stakeholders is seen as key to the delivery of Kier's purpose and strategy and therefore its long-term sustainable success. Read more on our engagement with key stakeholders in the Kier Group plc 2023 Annual Report on pages 70 to 73.

Principal risks and uncertainties

The Board is responsible for the Company's system of risk management and internal controls and for ensuring that significant risks are identified and appropriately managed. The Board has delegated the review of the effectiveness of the Company's risk management processes to the Kier Group Risk Management and Audit Committee ("RMAC"), including the systems established to identify, assess, manage and monitor risk. The risks faced by the Company are reviewed by the RMAC on a quarterly basis.

The nature of the industries and the business environment in which the Company operates are inherently risky. Although it is recognised that it is not possible to eliminate all such risks and uncertainties, the Company has well-established risk management and internal control systems to manage them.

On behalf of the Board, the RMAC identifies the risks that it considers most likely, without effective mitigation, to have an impact on the Company and its strategic priorities. If emerging risks are identified in between these annual reviews, these are incorporated immediately into the risk management process. The Company's principal risks are set out below, together with a summary of the actions taken to mitigate each risk.

Health and safety

Principal risk: failure to maintain a safe working environment and prevent a major incident.

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

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; and
• An unhealthy employee population with heightened risk of stress, resulting in greater levels of absence and less operational resilience.

Mitigating actions:
• Continued focus on the five SHE basics;
• Implementing the responsible business approach which includes the launch of the Kier Group's new Health, Safety & Wellbeing strategy, alongside the consistent delivery of the Kier Group's 'Building for a Sustainable World' framework;
• Embed the four strategic pillars and associated objectives of the Kier Group's Health, Safety & Wellbeing strategy (behaviour, operational safety, health and wellbeing and engineering safety); and
• Setting a tone from the top, through activities such as senior management visible leadership tours.

Legislation and regulation
Principal risk: failure to comply with and manage effectively current legislation and regulation and any changes to them.

The sectors in which the Company operates are subject to increasing scrutiny from stakeholders, oversight from regulators and requirements including those introduced by new legislation or regulation.

Potential impact:
• Penalties for failing to adhere to legislation or regulation;
• Increased operating costs of compliance; and
• The loss of business and resultant reputational damage.

Mitigating actions:
• Appropriate policies that are regularly reviewed and relevant training to support policy implementation;
• Regular engagement with Government and Government agencies with respect to the Company's performance;
• Monitoring of, and planning for, the impact of new legislation and regulations; and
• Collaborative engagement with external stakeholders.

Funding
Principal risk: failure to maintain adequate financial liquidity and/or comply with financial covenants.

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

Potential impact:
• The loss of confidence by other stakeholders (for example, investors, clients, subcontractors and employees);
• Conducting existing business becomes increasingly challenging; and
• 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 covenant compliance is maintained;
• Continued collaborative engagement with customers, suppliers, HMRC, pension scheme trustees, banks, lenders and sureties; and
• Through financial planning the Company ensures that appropriate levels of headroom under committed facilities and their financial covenants are in place to accommodate reasonable downside.

Maintaining an order book within selected markets
Principal risk: a general market or sector downturn materially and adversely affects the Company's ability to secure work - UK Government spending, certainty and timing, including competitiveness of current market.

The Company's 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.

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

Mitigating actions:
- To continue to secure long-term frameworks within each of our business divisions;
- Tailoring the Company's offer to meet customer needs; and
- Maintaining an efficient cost base.

Contract management
Principal risk: failure to manage contracts effectively throughout the project lifecycle.

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

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

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

People
Principal risk: failure to attract and retain key employees.

The Company's employees are critical to its performance. The Company needs to identify, retain and motivate people with the right skills, experience and behaviours and to identify tomorrow's leaders.

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

Mitigating actions:
- People strategy aligned to the medium term business plan;
- Diversity and Inclusion roadmap;
- Health, safety and wellbeing strategy;
- New leadership development offer;
- Listening to feedback from employees, including the use of engagement surveys; and
- Create an effective, inclusive work environment, through our Performance Excellence culture.

Supply chain
Principal risk: failure to maintain effective working relationships with the supply chain, supply chain insolvencies, capacity, pricing and inflation volatility.

The Company relies upon its partners for the delivery of its projects. Maintaining a close working relationship is a priority for the Company.

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; and
• Poor relationships lead to lack of confidence in the Company and adverse publicity.

Mitigating actions:
• Continuing updating the Kier subcontract to reflect the principles of the Construction Playbook;
• Placement of a Procurement Director directly into each business to deliver their 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; and
• Continued support of security software and investigate right to work module for further risk reduction across the business.

Strategy
Principal risk: Failure to deliver the Company's strategy.

The Company fails to deliver its strategy in terms of medium-term strategic objectives.

Potential impact:
• An adverse impact on the Company's net debt and liquidity;
• Failure to secure positions on national and regional frameworks; and
• Failure to meet stakeholders' expectations may lead to a decline in confidence in the Company.

Mitigating actions:
• Delivery of the balance sheet strategy;
• Delivery of our Performance Excellence culture;
• Continued focus on cash management; and
• Effective communication with stakeholders.

IT security, resilience, cyber and data protection
Principal risk: The Company is exposed to cyber, IT security or data protection breaches.

Failure to keep up to date with modern attack landscape as well as protecting infrastructure from current conventional cyber/loss of data risks could cause outages, heavy reputational damage or financial fines.

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; and
• Reputational/brand damage.

Mitigating actions:
• Mandatory training and awareness for all staff;
• Vulnerabilities, access and incident management;
• ISO 27001 and cyber essentials accreditation;
• Information security cyber business continuity plan, system alerts, patching/updates and monitoring;
• Data loss prevention tools;
• Partner/suppliers follow Kier Group minimum standards re cyber, security and data; and
• Investment in IT infrastructure.

Climate change
Principal risk: Failure to identify and effectively manage climate change risks and opportunities.

The Company's operations are subject to physical and financial climate change risks, while climate resilience measures offer opportunities to innovate and expand/enhance capabilities.

Potential impact:
• Failure to meet client and investor expectations or regulatory requirements; and
• Loss of opportunity to contribute to UK climate action policy and direction;
• Reputational damage;
• Failure to prepare/plan for physical and financial impacts of more extreme and frequent weather conditions affecting operations and supply chain.

Mitigating actions:
• Implementing the Kier Group's new sustainability framework, 'Building for a Sustainable World', particularly:
- Net Zero Carbon pathway and Science Based Targets
- Zero Avoidable Waste strategy
- Sustainable Procurement strategy
• Sustainability Leadership Forum ('SLF'); chaired by Kier's CEO and supported by business stream SLFs that are led by a managing director or commercial director;
• Developing the climate risk and opportunities register and net zero management system to align with The Task Force on Climate-related Financial Disclosures ('TCFD') reporting and managing the financial risk of climate change; and
• Embracing modern methods of construction and product innovation to deliver low-carbon solutions for climate resilience.

Macroeconomic
Principal risk: Changes in macroeconomic conditions negatively impact on the Company, its workforce and its clients.

Examples may include political instability, rises in interest rates, energy prices and inflation/cost of living.

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

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

Emerging risks

The Company has identified the following as principal, emerging risks and opportunities:

• Global Recession - stagflation, energy prices, cost of living and interest rates are all contributing factors to what could pose a global recession risk.

• Climate change - opportunities arising through ESG and remedial works in relation to energy efficiency (for example electric charging points), modern methods of construction and other opportunities regarding construction.

Approved by the Board on 08/12/23 and signed on its behalf by:

Paul Jackson

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P R Jackson

Director

Kier Infrastructure and Overseas Limited

Directors' Report for the Year Ended 30 June 2023

The directors of Kier Infrastructure and Overseas Limited (the "Company") present their report and the audited financial statements for the year ended 30 June 2023.

The outlook of the Company has been disclosed within the Strategic Report on page 3.

Dividends
No dividend was paid in the year and the directors do not recommend a final dividend in respect of the year. (2022: £nil)

Directors of the company
The directors who held office during the year and up to the date of signing these financial statements were as follows:

P T Bimson (resigned 1 July 2023)

N R Quelch (resigned 1 July 2023)

M R Pengelly

M S E Mulla (resigned 25 August 2023)

G Incutti

L Oxley (resigned 1 July 2023)

B C Mendonca

P R Jackson (appointed 1 July 2023)

A W Bradshaw (appointed 1 July 2023)

Financial instruments

Objectives and policies

The Board is responsible for the Company's system of risk management and internal controls and for ensuring that significant risks are identified and appropriately managed. The Board has delegated the review of the effectiveness of the Company's risk management processes to the Kier Group Risk Management and Audit Committee ("RMAC"), including the systems established to identify, assess, manage and monitor risk. The risks faced by the Company are reviewed by the RMAC on a quarterly basis.

The nature of the industries and the business environment in which the Company operates are inherently risky. Although it is recognised that it is not possible to eliminate all such risks and uncertainties, the Company has well-established risk management and internal control systems to manage them.

On behalf of the Board, the RMAC identifies the risks that it considers most likely, without effective mitigation, to have an impact on the Company and its strategic priorities. If emerging risks are identified in between these annual reviews, these are incorporated immediately into the risk management process.

Price risk, credit risk, liquidity risk and cash flow risk

The Company relies on Kier Group borrowing and bonding facilities. Without these, revenue and profit would reduce. Cash flow is forecast regularly to provide up-to-date and accurate information on the Company's current cash position and its future requirements. The Kier Group has strong, long-term relationships with the providers of its bonding lines and has an in-house team which monitors headroom and advises on bond terms and conditions.

Credit risk is managed centrally by Kier Group. Trade and other receivables and contract assets included in the balance sheet are stated net of any expected credit loss (ECL) provision.

The Company considers that it is not exposed to significant credit or price risk.

Employee engagement

For information on the Group's activities with regards to employee engagement, which include the employees of the Company, please see the Employee wellbeing and engagement section on pages 57 to 58 of the ESG Report 'Building for a sustainable world' in the 2023 Annual Report of Kier Group plc (available at www.kier.co.uk).

Employment of disabled persons

Kier believes that everyone deserves to have their voice heard and that the different experiences people bring make Kier a better business. For information on the Group's progress with regards to Equality & Diversity, please see the Equality & Diversity section on pages 54 and 55 of the 2023 Annual Report of Kier Group plc (available at www.kier.co.uk).

Engagement with suppliers, customers and others

Information on the Group's engagement with suppliers, customers and others during the financial year can be found on pages 70 to 73 and 90 of the 2023 Annual Report of Kier Group plc (available at www.kier.co.uk).

Going concern

The directors' have reviewed budgets and future forecasts and have satisfied themselves that the Company has sufficient financial and liquid resources to continue to operate for a period of at least 12 months from the date these financial statements are signed. Future forecasts indicate that the Company can generate positive cash flows, as such the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

In addition Kier Group plc, the ultimate parent undertaking, has confirmed that it will provide continuous financial support to meet the company's day to day working capital requirements for a period of at least 12 months from the date of approval of these financial statements. As a result the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements of Kier Infrastructure and Overseas Limited.

Subsidiaries and branches

A list of the Company's subsidiaries and the branches through which the Company operates are listed in note 15 to the financial statements.

Directors' liability insurance

The articles of association of the Company entitle the directors of the Company, to the extent permitted by the Companies Act 2006 and other applicable legislation, to be indemnified out of the assets of the Company in the event that they suffer any expenses in connection with certain proceedings relating to the execution of their duties as directors of the Company.

In addition, Kier maintains insurance for the directors and officers of companies within the Kier Group to cover certain losses or liabilities to which they may be exposed due to their office.

Reappointment of independent auditors

Under section 487(2) of the Companies Act 2006, PricewaterhouseCoopers LLP will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the financial statements with the registrar, whichever is earlier.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the 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 Company and of the profit or loss of the 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 United Kingdom Accounting Standards, comprising FRS 101 have been followed, 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 Company will continue in business.

The directors are responsible for safeguarding the assets of the 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 Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Disclosure of information to the auditors

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 information of which the 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 Company's auditors are aware of that information.

Approved by the Board on ....08/12/23.................... and signed on its behalf by:

Paul Jackson

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P R Jackson
Director

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Independent Auditors' Report to the Members of Kier Infrastructure and Overseas Limited

Report on the audit of the financial statements

Opinion

In our opinion, Kier Infrastructure and Overseas Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2023 and of its profit for the year then ended;
- 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
- 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 Financial Statements for the Year Ended 30 June 2023 (the "Annual Report"), which comprise: the Statement of Financial Position as at 30 June 2023; the Income Statement, the Statement of Comprehensive Income and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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 company 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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 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 company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Independent Auditors' Report to the Members of Kier Infrastructure and Overseas Limited (continued)

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 2023 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

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 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 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.

Independent Auditors' Report to the Members of Kier Infrastructure and Overseas Limited (continued)

Responsibilities for the financial statements and the audit (continued)

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to, data protection legislation, the Health and Safety Executive legislation, anti-bribery and corruption legislation, and environmental legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and taxation 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 the manipulation of financial statement line items through manual journal postings and management bias in long-term contracting accounting estimates. Audit procedures performed by the engagement team 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 on the Group's whistleblowing helpline and the results of management's investigation of such matters;
- Challenging assumptions and judgements made by management in the estimates involved in accounting for long-term contracts;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations, unusual words and unusual users;
- Review of board minutes and details of legal expenses incurred in the year; and
- Reviewing the financial statement disclosures and agreeing to underlying supporting documentation.

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.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Independent Auditors' Report to the Members of Kier Infrastructure and Overseas Limited (continued)

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 financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

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Andrew Paynter (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

Date:.....08/12/2023........................

Kier Infrastructure and Overseas Limited

Income Statement for the Year Ended 30 June 2023

	Note	2023 £ 000	2022 £ 000
Revenue	4	656,634	473,420
Cost of sales		(604,269)	(430,338)
Gross profit		52,365	43,082
Administrative expenses		(19,172)	(20,450)
Other operating income	5	9,651	6,769
Other operating expenses		(1,828)	(1,405)
Operating profit	7	41,016	27,996
Finance income	8	3,284	2,448
Finance costs	9	(3,379)	(1,912)
Net finance (cost)/income		(95)	536
Profit before taxation		40,921	28,532
Income tax expense	13	(2,357)	(5,486)
Profit for the financial year		38,564	23,046
Supplementary information			
Adjusted[1] operating profit	23	42,244	27,996
Adjusted[1] profit before tax	23	42,149	28,532

The above results were derived from continuing operations.

[1] Reference to 'adjusted' excludes adjusting items, see notes 2 and 23.

Kier Infrastructure and Overseas Limited

Statement of Comprehensive Income for the Year Ended 30 June 2023

	2023 £ 000	2022 £ 000
Profit for the financial year	38,564	23,046
Total comprehensive income for the year	38,564	23,046

The notes on pages 21 to 44 form an integral part of these financial statements.

Kier Infrastructure and Overseas Limited

(Registration number: 01157281)
Statement of Financial Position as at 30 June 2023

	Note	2023 £ 000	2022 £ 000
Non-current assets			
Right of use assets	14	43,328	15,097
Investments	15	-	-
Deferred tax assets	13	20,836	12,654
		64,164	27,751
Current assets			
Trade and other receivables	16	23,886	16,249
Contract assets	4	57,372	46,942
Income tax asset		-	1,331
Short term deposits	17	8,750	-
Cash and cash equivalents	18	177,579	166,372
		267,587	230,894
Total assets		331,751	258,645
Current liabilities			
Lease liabilities	19	(25,317)	(13,214)
Trade and other payables	20	(166,079)	(141,478)
Income tax liability		(5,002)	-
Contract liabilities	4	(24,539)	(15,487)
		(220,937)	(170,179)
Non-current liabilities			
Trade and other payables	20	(2,578)	(2,402)
Lease liabilities	19	(19,189)	(2,213)
Loans and borrowings	24	-	(34,596)
		(21,767)	(39,211)
Total liabilities		(242,704)	(209,390)
Net assets		89,047	49,255
Equity			
Called up share capital	25	70,000	70,000
Retained earnings/(Accumulated losses)		19,047	(20,745)
		89,047	49,255
Total equity		89,047	49,255

The financial statements on pages 17 to 44 were approved by the Board of Directors on 08/12/23 and signed on its behalf by:

Paul Jackson
....
P R Jackson
Director

The notes on pages 21 to 44 form an integral part of these financial statements.

Kier Infrastructure and Overseas Limited

Statement of Changes in Equity for the Year Ended 30 June 2023

	Called up share capital £ 000	Accumulated losses £ 000	Total equity £ 000
At 1 July 2021	70,000	(44,998)	25,002
Profit for the financial year	-	23,046	23,046
Total comprehensive income for the year	-	23,046	23,046
Share based payment transactions	-	1,207	1,207
At 30 June 2022	70,000	(20,745)	49,255

	Called up share capital £ 000	(Accumulated losses)/Retained earnings £ 000	Total equity £ 000
At 1 July 2022	70,000	(20,745)	49,255
Profit for the year	-	38,564	38,564
Total comprehensive income for the year	-	38,564	38,564
Share based payment transactions	-	1,228	1,228
At 30 June 2023	70,000	19,047	89,047

1 General information

The Company is a private company limited by share capital incorporated and domiciled in the United Kingdom.

The address of its registered office is:
2nd Floor
Optimum House
Clippers Quay
Salford
M50 3XP

2 Accounting policies

Summary of significant accounting policies and key accounting estimates
The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation
These financial statements were prepared in accordance with the Companies Act 2006 as applicable to companies using FRS 101.

The financial statements have been prepared on the historical cost basis.

The presentation currency used is GB Pound Sterling and figures are quoted to the nearest £1,000.

Summary of disclosure exemptions
In these financial statements, the company has taken advantage of the disclosure exemptions available under FRS 101 in relation to share-based payment, business combinations, non-current assets held for sale, financial instruments, fair value measurements, capital management, revenue from contracts with customers, presentation of comparative period reconciliations for share capital, tangible fixed assets, intangible assets and investment property, presentation of a cash-flow statement, the effects of new standards not yet effective, impairment of assets and disclosures in respect of the compensation of key management personnel and of transactions with a management entity that provides key management personnel services to the company and related party transactions entered into between two or more members of a group.

Going concern
The directors' have reviewed budgets and future forecasts and have satisfied themselves that the Company has sufficient financial and liquid resources to continue to operate for a period of at least 12 months from the date these financial statements are signed. Future forecasts indicate that the Company can generate positive cash flows, as such the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

In addition Kier Group plc, the ultimate parent undertaking, has confirmed that it will provide continuous financial support to meet the company's day to day working capital requirements for a period of at least 12 months from the date of approval of these financial statements. As a result the directors' continue to adopt the going concern basis of accounting in preparing the annual financial statements of Kier Infrastructure and Overseas Limited.

2 Accounting policies (continued)

Exemption from preparing group financial statements

The financial statements contain information about Kier Infrastructure and Overseas Limited as an individual company and do not contain consolidated financial information as the parent of a group.

The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, Kier Group plc, a company incorporated in England and Wales.

Changes in accounting policy

The following amendments to standards are effective for the financial year ended 30 June 2023 onwards:
• Narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16 (published May 2020).

None of the above amendments to standards have had a material effect on the financial statements.

Adjusting items

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 Company is disclosing as supplementary information an 'Adjusted Profit' APM which is reconciled to statutory profit in the notes to the financial statements.

Separate presentation of these items is intended to enhance understanding of the financial performance of the Company in the particular year under review and the extent to which results are influenced by material unusual and/or non-recurring items.

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.

A full reconciliation from statutory numbers to adjusted profit measures has been presented in note 23 on page 42.

Finance income and costs policy

Interest receivable and payable on bank balances is credited or charged to the income statement as incurred using the effective interest rate method. Interest receivable is presented within operating cash flows in the cash flow statement.

Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

2 Accounting policies (continued)

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Depreciation
Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Property, plant and equipment	between 10% to 33% per annum straight line

Contract assets and liabilities
When the Company 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 Company's right to consideration in exchange for goods or services that the Company has transferred to a customer.

If a customer pays consideration, or the Company has a right to an amount of consideration that is unconditional (i.e. a receivable), before the Company 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 Company'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.

Provisions
Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

2 Accounting policies (continued)

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 Company under residual value guarantees;
- The exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Company 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 Company, 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 Kier Group companies do not have any recent independent third-party financing to use as a starting point for the incremental borrowing rate. Therefore, the Company uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk, lease term, country, currency and security.

The Company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- Any restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

The Company has elected to use the following recognition exemptions, as permitted by the standard:

- Leases of low-value items - The Company 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 Company 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 Company 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.

2 Accounting policies (continued)

Share capital
Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Share based payments
Kier Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the entity. The fair value of the employee services received is measured by reference to the estimated fair value at the grant date of equity instruments granted and is recognised as an expense over the vesting period. The estimated fair value of the option granted is calculated using the Black Scholes option pricing model. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised. Any charges arising will be from Kier Group.

Joint operations
Interests in joint operations are accounted for by recognising the Company's share of assets and liabilities, profits and losses, measured according to the terms of the arrangement.

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. 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 Company are as follows:

(a) Trade receivables and trade payables
The Company has 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 Company 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.

Trade payables on normal terms are not interest bearing and are stated at their nominal value. Trade payables on extended terms, particularly in respect of land purchases, are discounted and recorded at their present value.

Amounts owing under supply chain finance arrangements are included within trade payables rather than bank debt. The purpose of supply chain finance is purely to grant subcontractors and suppliers access to credit and improve their cashflows. There have been no changes to the underlying terms of the supply chain finance arrangements.

The designation in trade payables is due to the assignment of invoice rather than a novation, the Company acting as an agent with fees related to supply chain finance being borne by the supplier and the final payment date to the bank being set by the Company with interest accrued for any late payments.

(b) Cash and cash equivalents
Cash and cash equivalents in the cash flow statement comprise cash at bank and in hand, including bank deposits with original maturities of three months or less, net of bank overdrafts where legal right of set off exists. Bank overdrafts are included within financial liabilities in current liabilities in the balance sheet.

2 Accounting policies (continued)

(c) Bank and other borrowings
Interest-bearing bank and other borrowings are recorded at the fair value of the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the income statement using the effective interest method and are added to the carrying value of the instrument to the extent that they are not settled in the period in which they arise.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(d) Short term deposits
Short term deposits consist of cash that is held in a deposit account for a period of between three months and one year. It is not accessible to the company before the maturity date without the company paying penalties.

Revenue and profit recognition
Revenue comprises the fair value of the consideration received or receivable, net of value added tax, rebates and discounts. It also includes the Company's proportion of work carried out under jointly controlled operations.

Where revenue that has been recognised is subsequently determined not to be recoverable due to a dispute with the customer, these amounts are accounted for as a reduction in revenue. Where non-recovery is as a result of inability of a customer to meet its obligations, these amounts are charged to administrative expenses as a credit loss.

The general principles for revenue and profit recognition across the Company are as follows:

• Provision is made for any unavoidable future net losses arising from contract obligations, as soon as they become apparent;

• 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 any increase in price is highly probable not to reverse;

• 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 Company's stand-alone selling prices of the additional promised goods or services and any appropriate adjustments to that price to reflect the particular 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 Company 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 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

2 Accounting policies (continued)

• 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 Company 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 Company does not make an adjustment for the time value of money in the following circumstances:

• When the Company 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.

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 Company 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.

3 Critical accounting judgements and key sources of estimation uncertainty

To be able to prepare financial statements according to generally accepted accounting principles, management must make estimates and assumptions that affect the asset and liability items and revenue and expense amounts recorded in the financial statements. These estimates are based on historical experience and various other assumptions that management and the Board of directors believe are reasonable under the circumstances. The results of this form the basis for making judgements about the carrying value of assets and liabilities that are not readily available from other sources.

Areas requiring estimates that may significantly impact on the Company's earnings and financial position are as follows:

Revenue and profit recognition
The estimation techniques used for revenue and profit recognition in respect of construction 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, contract programmes, maintenance and defects liabilities and changes in costs.

The key estimates in determining the net realisable value of contract assets are estimates of costs to complete the contract, as well as estimations of the remaining revenues. These assessments include a degree of uncertainty and therefore if the key estimates change unfavourably, write downs of contract assets may be necessary.

There are a small number of contracts that the Infrastructure business considers require significant accounting estimates and, as at 30 June 2023, the business has included estimated recoveries from customers with a combined value of £42.2m (2022: £35.8m). 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 and the business estimates the values on these contracts could collectively range from a margin upside of £5.6m (2022: £1.5m) to a downside of £0.3m (2022: £nil).

Recoverable value of recognised receivables
The recoverability of trade and other receivables is regularly reviewed in the light of available economic information specific to each receivable and provisions are recognised for balances considered to be irrecoverable.

4 Revenue

The analysis of the Company's revenue for the year from continuing operations is as follows:

	2023 £ 000	2022 £ 000
Dividends received	-	3,000
Construction contracts	656,634	470,420
	656,634	473,420

The analysis of the Company's revenue for the year by market is as follows:

	2023 £ 000	2022 £ 000
UK	656,634	473,420

During the year no interim dividend was received from a subsidiary company Kier Professional Services Limited, (2022: £3m).

Current asset and liabilities

	2023 £ 000	2022 £ 000
Contract assets	57,372	46,942
Contract liabilities	(24,539)	(15,487)
Net unbilled contract assets	32,833	31,455

Contract assets arise where goods or services are transferred to the customer before the customer pays consideration, or before payment is due. When we have an unconditional right to consideration for the goods or services supplied and performance obligations delivered the amounts due are recognised as trade receivables. Contract liabilities (deposits from customers) relate to consideration received when we still have an obligation to deliver goods or services for that consideration.

5 Other income

The analysis of the Company's other operating income for the year is as follows:

	2023 £ 000	2022 £ 000
Research and development expenditure credit receivable	9,651	6,769

6 Other operating expenses

The analysis of the Company's other operating expenses for the year is as follows:

	2023 £ 000	2022 £ 000
Group pension scheme recharges	(1,828)	(1,405)

7 Operating profit

Arrived at after charging

	2023 £ 000	2022 £ 000
Depreciation on right of use assets	21,381	6,281

8 Finance income

	2023 £ 000	2022 £ 000
Interest income on bank deposits	3,284	2,448

9 Finance costs

	2023 £ 000	2022 £ 000
Interest on bank overdrafts and borrowings	2	1,333
Interest on obligations under finance leases and hire purchase contracts	3,377	579
	3,379	1,912

10 Staff costs

The staff costs were recharged from a group company to Kier Infrastructure and Overseas Limited.

The aggregate payroll costs (including directors' remuneration) recharged were as follows:

	2023 £ 000	2022 £ 000
Wages and salaries	76,856	57,626
Social security costs	8,318	5,973
Other pension costs	2,976	1,667
Share-based payment expenses	1,228	1,207
	89,378	66,473

The average monthly number of persons recharged to the Company (including directors) during the year, analysed by category was as follows:

	2023 No.	2022 No.
Construction activities	984	754

11 Directors' remuneration

The directors' remuneration recharged to the Company for the year was as follows:

	2023 £ 000	2022 £ 000
Emoluments	1,561	1,742
Pension contributions	85	83
	1,646	1,825

The emoluments amount includes social security costs of £201k (2022: £173k)

Five out of nine directors (2022: five) did not receive any remuneration for their services from the Company in the year (2022: £nil), having been paid by other group undertakings. It is deemed impractical to allocate their remuneration between group undertakings for the purpose of disclosure. In addition, there were no payments to key management personnel in either the current or preceding year.

During the year the number of directors who were receiving benefits and share incentives was as follows:

	2023 No.	2022 No.
Exercised share options	3	4

11 Directors' remuneration (continued)

In respect of the highest paid director:

	2023 £ 000	2022 £ 000
Remuneration	645	634
Pension contributions	61	61
	706	695

The emoluments amount includes social security costs of £95k (2022: £83k).

The highest paid director also received shares during both the current and preceding years under Kier Group's long term incentive share schemes.

12 Auditors' remuneration

The auditors' remuneration for the Company for the year was settled on its behalf by Kier Limited (a member of the Kier Group) and was not recharged to the Company.

13 Income tax charge

Tax charged in the income statement

	2023 £ 000	2022 £ 000
Current taxation		
UK corporation tax	10,186	5,951
UK corporation tax adjustment to prior periods	353	738
	10,539	6,689
Deferred taxation		
Arising from origination and reversal of temporary differences	(6,460)	(527)
Arising from changes in tax rates and laws	(1,126)	20
Adjustment in respect of previous periods	(596)	(696)
Total deferred taxation	(8,182)	(1,203)
Tax charge in the income statement	2,357	5,486

13 Income tax charge (continued)

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2022 - higher than the standard rate of corporation tax in the UK) of 20.5% (2022 - 19%).

The differences are reconciled below:

	2023 £ 000	2022 £ 000
Profit before tax	40,921	28,532
Corporation tax at standard rate	8,386	5,421
(Decrease)/increase in current tax from adjustment for prior periods	(243)	42
(Decrease)/increase from effect of different UK tax rates on some earnings	(1,126)	20
Increase from effect of expenses not deductible in determining taxable profit (tax loss)	520	3
Recognition of deferred tax asset on losses previously not recognised	(5,180)	-
Total tax charge	2,357	5,486

The deferred tax balance as at the year end has been recognised at 25% which is the enacted corporation tax rate that will be effective from 1 April 2023.

13 Income tax charge (continued)

Deferred tax
Deferred tax assets and liabilities

2023	**Asset £ 000**	**Liability £ 000**	**Net deferred tax £ 000**
Accelerated tax depreciation	311	-	311
Tax losses carry-forward	13,927	-	13,927
Other items	6,598	-	6,598
	20,836	-	20,836

2022	**Asset £ 000**	**Liability £ 000**	**Net deferred tax £ 000**
Accelerated tax depreciation	379	-	379
Tax losses carry-forward	7,608	-	7,608
Other items	4,667	-	4,667
	12,654	-	12,654

Deferred tax movement during the year:

	At 1 July 2022 £ 000	**Recognised in income £ 000**	**At 30 June 2023 £ 000**
Accelerated tax depreciation	379	(68)	311
Tax losses carry-forwards	7,608	6,319	13,927
Other items	4,667	1,931	6,598
	12,654	8,182	20,836

Deferred tax movement during the prior year:

	At 1 July 2021 £ 000	**Recognised in income £ 000**	**At 30 June 2022 £ 000**
Accelerated tax depreciation	462	(83)	379
Tax losses carry-forwards	7,608	-	7,608
Other items	3,381	1,286	4,667
	11,451	1,203	12,654

The directors consider that there is sufficient certainty of future profits within the Kier Group to enable the recovery of certain deferred tax assets and therefore these deferred tax assets have been recognised in the financial statements.

At the balance sheet date, the company has unused tax losses of £55.7m (2022: £55.7m) available for offset against future profits. Deferred Tax has now been recognised in full on these losses (2022: £30.4m). Under present tax legislation, these losses may be carried forward indefinitely.

14 Right of use assets

	Land and buildings £ 000	Motor vehicles £ 000	Plant and equipment £ 000	Total £ 000
Carrying amount				
At 1 July 2021	1,867	823	5,660	8,350
Additions	1,154	1,025	13,449	15,628
Disposals	-	(66)	(2,534)	(2,600)
Depreciation charge for the year	(534)	(575)	(5,172)	(6,281)
At 30 June 2022	2,487	1,207	11,403	15,097
Additions	2,770	1,392	68,084	72,246
Disposals	(138)	(295)	(22,201)	(22,634)
Depreciation charge for the year	(1,137)	(611)	(19,633)	(21,381)
At 30 June 2023	3,982	1,693	37,653	43,328

15 Investments

The net book value of investments is nil in the current and preceding year and no provisions were recognised in the current and preceding year.

Details of the subsidiaries as at 30 June 2023 are as follows:

Name of subsidiary	Principal activity	Registered office[1]	Proportion of ownership interest and voting rights held 2023	2022
Kier Caribbean and Industrial Limited	Dormant	1	100%	100%
Kier Construction Limited	Construction	6	100%	100%
Kier Construction LLC*	Construction **	4	49%	49%
Kier Construction SA	Construction	3	100%	100%
Kier Dubai LLC	Construction **	5	49%	49%
Kier International (Investments) Limited	Construction	1	100%	100%
Kier International Limited*	Construction	1	100%	100%
Kier Jamaica Development Limited	Dormant	1	100%	100%
Kier Mining Investments Limited	Dormant	1	100%	100%
Kier Overseas (Four) Limited	Dormant	1	100%	100%
Kier Overseas (Nine) Limited	Construction	1	100%	100%
Kier Overseas (Seventeen) Limited	Construction	1	100%	100%
Kier Overseas (Twenty Three) Limited	Construction	1	100%	100%
Kier Professional Services Limited*	Provision of services	1	100%	100%
Saudi Kier Construction Limited (10% is held indirectly)*	Construction	2	100%	100%

15 Investments (continued)

Name of subsidiary	Principal activity	Registered office[1]	Proportion of ownership interest and voting rights held 2023	2022
TH Construction Limited	Construction	1	100%	100%
Kier (Malaysia) SDN. BHD.	In liquidation	7	100%	100%

* indicates direct investment of the Company
** these entities are accounted for as subsidiaries as control is achieved through an agreement between shareholders

Branches
Kier Infrastructure and Overseas Limited - Hong Kong Branch
Kier Infrastructure and Overseas Limited - Jamaica Branch
Kier Infrastructure and Overseas Limited - Trinidad Branch
Kier International Limited - India Branch
Kier International Limited - Jamaica Branch

[1] See list of registered office details below

Number	Registered office address
1	2nd Floor, Optimum House, Clippers Quay, Salford, M50 3XP
2	Office No. 5, 3rd Floor, Building No. 8122 Street 4A, 5323 Prince Muhammad Ibn Soud, Dist. P.C. 32241 Dammam, Kingdom of Saudi Arabia
3	151 Angle Avenue, Jean Paul II et Impasse Duverger, Turgeau, Port-au-Prince, Haiti
4	Unit 869, Al Gaith Tower, Hamdan Street, P.O. Box 61967, Abu Dhabi, United Arab Emirates
5	905, 9th Floor, Thuraya Tower, Tecom, P.O. Box 24461, Dubai, United Arab Emirates
6	c/o Grant Thornton, Cnr Bank Street and West Independence Sq Street, Basseterre, Saint Kitts and Nevis
7	9-5 & 7-5, Jalan 8/146, Bandar Tasik Selatan, Kuala Lumpur, 57000, Malaysia

15 Investments (continued)

Joint operations
The Company has the following joint operations.

Crossrail Contracts 300/410/435

The Company has a material joint operation, Crossrail Contracts 300/410/435, in which it holds a 33% share in the ownership (2022: 33%). The activities undertaken by this operation are in the rail sector. A joint arrangement between Kier Infrastructure and Overseas Limited, BAM Nuttall Limited and Ferrovial Agroman (UK) Limited.

Deephams

The Company has a material joint operation, Deephams, in which it holds a 33% share in the ownership (2022: 33%). The activities undertaken by this operation are in the utilities and waterways sector. A joint arrangement between Kier Infrastructure and Overseas Limited, J Murphy & Sons Limited, and Aecom Limited.

Hinkley Framework

The Company has a material joint operation, Hinkley Framework, in which it holds a 50% share in the ownership (2022: 50%). The activities undertaken by this operation are in the energy sector. A joint arrangement between Kier Infrastructure and Overseas Limited and BAM Nuttall Limited.

Mersey Gateway

The Company has a material joint operation, Mersey Gateway, in which it holds a 33% share in the ownership (2022: 33%). The activities undertaken by this operation are in the highways and bridges sector. A joint arrangement between Kier Infrastructure and Overseas Limited, Samsung C&T ECUK Limited and FCC Construction S.A,.

HS2

The Company has a material joint operation, HS2, in which it holds a 35% share in the ownership (2022: 35%). The activities undertaken by this operation are in the rail sector. A joint arrangement between Kier Infrastructure and Overseas Limited, Eiffage Genie Civil UK, BAM Nuttall Limited and Ferrovial Agroman (UK) Limited,

Luton People Mover

The Company has a material joint operation, Luton People Mover, in which it holds a 50% share in the ownership (2022: 50%). The activities undertaken by this operation are in the rail sector. A joint arrangement between Kier Infrastructure and Overseas Limited and VolkerFitzpatrick Ltd.

Devonport

The Company has a material joint operation, Devonport, in which it holds a 50% share in the ownership (2022: 50%). The activities undertaken by this operation are in the defence sector. A joint arrangement between Kier Infrastructure and Overseas Limited and BAM Nuttall Limited.

16 Trade and other receivables

Current	2023 £ 000	2022 £ 000
Trade receivables	3,998	6,749
Receivables from related parties	1,051	1,952
Construction and contract retentions	2,061	2,489
Prepayments and accrued income	12,010	-
Other receivables	4,766	5,059
	23,886	16,249

Amounts due from related parties are interest free and repayable on demand.

Amounts due from joint operations at 30 June 2023 are £1.36m (2022: £0.1m)

17 Short term deposits

During the year the HS2 EKFB joint operation put £25m (2022: £Nil), of cash on deposit, which had a maturity date of more than 3 months. The Company's share of this cash on deposit was £8.75m.

18 Cash and cash equivalents

	2023 £ 000	2022 £ 000
Cash at bank	177,579	166,372

Cash at bank includes £65.7m (2022 - £52.1m) being the Company's share of cash held by joint operations.

19 Leases

Leases included in liabilities

	2023 £ 000	2022 £ 000
Current	25,317	13,214
Non-current	19,189	2,213
	44,506	15,427

Lease liabilities maturity analysis

Future minimum lease payments as at 30 June 2023 are as follows:

	2023 £ 000	2022 £ 000
Less than one year	19,040	6,889
One to two years	16,771	6,256
Two to three years	9,363	2,047
Three to four years	3,502	553
Four to five years	99	287
Over five years	144	243
Total gross payments	48,919	16,275
Impact of finance expenses	(4,413)	(848)
Carrying amount of liability	44,506	15,427

Total cash outflows related to leases

	2023 £ 000	2022 £ 000
Total cash outflow	23,429	6,775

20 Trade and other payables

Current	2023 £ 000	2022 £ 000
Trade payables	35,524	28,666
Accrued expenses and deferred income	95,384	85,301
Amounts due to related parties	12,428	8,531
Sub-contract retentions	634	988
Other payables	22,109	17,992
Total current trade and other payables	166,079	141,478

Non-current	2023 £ 000	2022 £ 000
Trade and other payables	2,578	2,402

Amounts due to related parties are interest free and repayable on demand.

21 Share-based payments

The Kier Group Savings Related Share Option Scheme ("Sharesave")

Share based payment costs are recharged to Kier Infrastructure and Overseas Limited by a group company.

Scheme description

Kier Group plc, the ultimate holding company of the Company, operates a Long Term Incentive Plan ("LTIP") and a Save as You Earn Scheme (SAYE). Under the LTIP scheme awards of contingent rights to receive shares in Kier Group plc are made to eligible employees. The price used for the purpose of calculating these awards is the closing market price of a share on the day before the awards are made.

Awards made under the LTIP 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 Kier Group plc achieving performance targets.

Save as You Earn Scheme (SAYE) is an easy way for employees to save over three years and then choose to receive all savings back as cash or use the money to buy Kier shares at a discounted price which is fixed and discounted at the start. A fixed amount is chosen by the employee to pay each week/month for three years. If the Kier share price at the end of the three years is higher than price offered at the beginning the employee can buy the shares at the discounted price and then hold them or sell immediately. If on the other hand the share price is below the price offered at the beginning the employee can take their full savings back in cash.

22 Related party transactions

The Company is applying FRS 101 and is therefore taking advantage of the exemption from the requirements within IAS 24 to disclose related party transactions entered into between two or more members of a group, where any subsidiary which is party to the transaction is wholly owned by such a member.

23 Adjusting items

	Operating profit/(loss)		Profit/(loss) before tax	
	2023 £ 000	2022 £ 000	2023 £ 000	2022 £ 000
Reported profit	41,016	27,996	40,921	28,532
Restructuring and related charges	270	-	270	-
Net legal and other compliance	958	-	958	-
Adjusted profit	42,244	27,996	42,149	28,532

Restructuring and related charges
The Company has incurred restructuring charges relating to costs of organisation change.

Net legal and other compliance
In following the Health and Safety Executive ('HSE') decision in January 2023 to fine the Company for historical safety issues, the Company provided to cover these costs.

24 Loans and borrowings

	2023 £ 000	2022 £ 000
Non-current loans and borrowings		
Loans due to related parties	-	34,596

On 30 May 2019 the Company took out a loan with Kier Limited. The intercompany loan is interest bearing at a rate of 4% per annum, which is capitalised on the principle balance at the end of each financial year. On the 4 August 2022 the loan was repaid in full.

25 Called up share capital

	2023 No.	2023 £ 000	2022 No.	2022 £ 000
Authorised, allotted, called up and fully paid 70,000,000 ordinary shares of £1 each	70,000,000	70,000	70,000,000	70,000

26 Pension and other schemes

Pension costs are recharged to Kier Infrastructure and Overseas Limited by a group company.

The Company is a member of the Kier Group Pension Scheme (the "scheme") a section of which provides benefits based on final pensionable pay. As the company is unable to identify its share of the Scheme assets and liabilities on a consistent and reasonable basis, the scheme will be accounted for by the Company as if the scheme was a defined contribution scheme. Full disclosure of the deficit in the Scheme (defined benefit section) is provided in the financial statements of the ultimate parent company, Kier Group plc.

The Company accounts for pension contributions as if all its pension schemes were defined contribution schemes.

During previous years, via its parent company, Kier Limited, the company made exceptional pension contributions to the Scheme defined benefit section. These contributions were in respect of the Company's deemed share of the special cash contributions. As it is not practical to establish the proportion of the special contributions that specifically relate to retired, deferred and current Scheme members, who are, or were, employees of the Company or its subsidiary undertakings, the Company's deemed share of the Kier Group's total special contributions has been determined based on current payroll costs.

Other than providing improved funding of the Scheme to the inherent benefit of employee members of the defined benefit scheme, these special cash contributions had no impact on the trading or net assets of the Company, because capital contributions were made by Kier Limited into the Company, exactly off-setting the pension contributions. The capital contributions, where applicable, were credited directly to the profit and loss account reserves. There is no tax applicable to either the special pension contributions made or the capital contribution received.

27 Parent and ultimate parent undertaking

The Company's immediate parent is Kier National Limited.

The ultimate parent is Kier Group plc.

The most senior parent entity producing publicly available financial statements is Kier Group plc. These financial statements are available upon request from Companies House and www.kier.co.uk.

The ultimate controlling party is Kier Group plc.

Relationship between entity and parents

The parent of the largest group in which these financial statements are consolidated is Kier Group plc, incorporated in England and Wales.

The address of Kier Group plc is:
2nd Floor
Optimum House
Clippers Quay
Salford
M50 3XP

Further information on Kier Group plc can be obtained from www.kier.co.uk.

The parent of the smallest group in which these financial statements are consolidated is Kier Group plc, incorporated in England and Wales.

The address of Kier Group plc is:
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