Final Results

Released : 21/09/2017 07:00

RNS Number : 3627R
Kier Group PLC
21 September 2017

For release on 21 September 2017 at 0700 hours

Kier Group plc, a leading property, residential, construction and services group, announces its year end results for the year ended 30 June 2017

Leading positions in markets with solid long-term fundamentals and a growing order book[1] of approximately £9.5bn.

Underlying	Year ended 30 June 2017	Year ended 30 June 2016[4]	Change %
Revenue[2,3]	£4.27bn	£4.08bn	+5
Profits from operations[3]	£146m	£141m	+3
Operating margin[3]	3.4%	3.5%	
Profit before tax[3]	£126m	£116m	+8
Underlying earnings per share[3]	106.8p	99.5p	+7
Proposed full year dividend per share	67.5p	64.5p	+5
Net debt[6]	£110m	£99m	

Statutory	Year ended 30 June 2017	Year ended 30 June 2016[4]	Change %
Group revenue	£4.1bn	£4.0bn	+3
Profit/(loss) from operations	£48m	£(7)m	
Profit/(loss) before tax	£26m	£(35)m	
Basic earnings per share	15.3p	(25.7)p	

Financial information in this table relates to continuing operations

1 *Including £0.6bn from McNicholas acquired post year-end.*
2 *Group and share of joint ventures.*
3 *Stated before non-underlying items - see note 3.*
4 *Restated to present the results of Mouchel Consulting and Biogen as discontinued, following their sales in the year, and to restate the results of UK Mining into continuing operations.*
5 *Cash conversion is calculated by dividing operating cash flows by underlying operating profit.*
6 *Stated net of the effect of hedging instruments.*
7 *Equates to average net debt.*

Results in line with expectations

- Revenue[2] of £4.27bn, up 5%
- Underlying profit[3] from operations of £146m, up 3% after £7m interest and tax cost from joint ventures
- Net debt[6] of £110m, at the lower end of market forecasts and maintaining <1x ratio to EBITDA
- Strong underlying operating cash conversion[5] of 113%
- Underlying earnings per share[3] of 106.8p, up 7%

Dividend

- Proposed full-year dividend per share increased by 5% to 67.5p (2016: 64.5p) reflecting the Board's confidence in the Group's prospects

Two-year portfolio simplification programme substantially complete

- Impact on FY17 results, including non-underlying items:
  - A non-underlying charge of £75m including the closure of the Caribbean and Hong Kong operations and the sale of Mouchel Consulting
  - Net cash generated of c.£67m, the significant majority of which has been, or will be, invested in the Property and Residential divisions

Strong contribution from all divisions with robust margins

- Property
  - Consistent performance delivering strong returns; 23% ROCE on increasing average capital[7] of £113m and a development pipeline of more than £1.4bn, providing 10-year visibility
- Residential
  - Investment of £21m to grow the mixed tenure portfolio; c2,200 units completed in the year; secured place on HCA four-year £8bn DPP3 framework
- Construction
  - A record £3bn contract awards in the year, 2.0% margin delivered and 90% of target revenue secured for FY18; contract awards include the £1.5bn HS2 joint venture awards, confirmed post year-end.
- Services
  - Strong operating margin performance of 5.2%; significantly increased activity with Highways England in the second half; order book of £4.7bn

and with additional potential extensions of more than £2.5bn; 90% of target revenue secured for FY18. Post year-end acquisition of McNicholas, creating top three player in the UK utilities sector

Outlook

- Construction and Services order books[1] total approximately £9.5bn and provide good long-term visibility of future workload
- Confident of achieving double-digit profit growth in FY18 and our Vision 2020 strategic targets.

Commenting on the results, Haydn Mursell, chief executive, said: "*Our underlying performance for the year was good. Having simplified our portfolio, the Group is more focused and able to pursue its growth ambitions in our three core markets; building, infrastructure and housing, which now represent 90% of the Group's revenue and profit. We continue to invest in the business to improve our operational efficiency, providing a robust platform on which to take advantage of the strong long-term fundamentals in these core markets.*

Our Construction and Services order books[1] of £9.5bn, together with our c.£2bn property development and residential pipelines, provide good long-term visibility of our future work. This visibility, coupled with our healthy balance sheet, provides us with confidence of achieving our Vision 2020 strategic targets."

- ENDS -

There will be a presentation of the year end results to analysts and investors at 0900 hours British Summer Time on 21 September 2017 at the London Stock Exchange, 10 Paternoster Square, London, EC4M 7LS and a live webcast: http://www.investis-live.com/kier/599c41cfe217e30a00220c94/gewa which will also be recorded and made available later in the day on Kier's website.

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CHIEF EXECUTIVE'S OVERVIEW

I am pleased to announce a good set of results which highlight the strength of our underlying business and our growing positions in our key markets; building, infrastructure and housing, now representing 90% of the Group's revenue and profit.

During the year, we continued to simplify the Group, creating a balanced portfolio of businesses. We invested in new systems and ways of working which make the Group more operationally efficient. Through our Invest, Build and Maintain approach, we have the flexibility to provide some or all of our capabilities in our key markets.

Our core businesses continued to trade well, especially the building, highways and property businesses. We saw revenue increase in all divisions whilst maintaining robust margins and a strong working capital performance which delivered a significantly improved year end net debt position from December 2016 of £110m (2016: £99m), with operating cash conversion of 113%. We are reporting net debt at the lower end of market expectations, reflecting the success of our strict cash management disciplines.

We are progressing well with the roll-out of our £70m investment in a new Oracle ERP system with 70% of the Group now operating on the new platform. This system provides high quality and timely information, together with improved back office systems and efficiencies.

Portfolio simplification
The Group has substantially concluded its two-year portfolio simplification programme and it is anticipated that no further material costs will be incurred in connection with this. A non-underlying charge of £75m, including the profit on disposal of Mouchel Consulting, has been incurred in FY17 with £67m net cash generated as a result of these activities, the significant majority of which has been, or will be, invested in the Property and Residential divisions and, as previously outlined, there will be a £15m cash outflow in FY18.

The portfolio simplification programme focused on streamlining and simplifying the Group's operations, allowing investment in the core businesses for the future. We expect the practical completion of the Caribbean project in the next few weeks. We have received our completion certificates in relation to the Hong Kong contract and a final account process has been agreed.

Operational review
All of our divisions performed well during the year.

Our Property business continues to generate a ROCE well in excess of 15%, utilising the free cash flow of the Group. It has an improved development pipeline of over £1.4bn, providing significant opportunities for continued strong performance.

The Residential business continues to benefit from the supply and demand imbalance, mainly in the affordable market sector, and had a good second half performance. The ROCE continues to improve, supported by the Cross Keys Homes joint venture and our focus on growing the mixed tenure housing activities.

In Construction, the building business delivered a strong overall performance, with significant contributions from local, regional and national frameworks and a growing share in the education and health sectors. The division continues to maintain a good underlying operating margin of 2% and 90% of its target revenue is secured for FY18.

In Services, we continue to experience organic growth and a stable underlying operating margin of 5.2% (2016: 5.2%). We now have market leading positions both in the highways and utilities sectors. We have good long-term visibility of our workload, with potential extensions adding a further £2.5bn, and more than 90% of target revenue is secured for FY18.

Overall, our performance in 2017 provided further validation of the three market positions we have chosen to pursue. Our building, infrastructure and housing operations are core to the future direction of the Group and directly support our proposition of Invest, Build and Maintain. Our portfolio of businesses offers a breadth of capabilities that position us well to address challenges that may arise. To date these sectors have remained relatively unaffected by Brexit. We continue to focus on risk management employing our strict set of procedures underpinned by our strong regional presence and position on frameworks.

Since the fire at Grenfell Tower in June, we have been reviewing the use of similar types of cladding on projects undertaken by our building business and on clients' estates where we provide either maintenance or facilities management services, although the building of high-rise residential tower blocks is not a core activity for Kier. In addition, our Housing Maintenance business has been assisting its clients to assess their compliance with building and fire safety regulations and supported a number of clients in undertaking improvement works which have been identified to ensure the safety of their estates.

Our markets
Our business continues to benefit from the solid long-term fundamentals which underpin the markets in which we operate. UK population growth will drive the requirement for more affordable housing, schools, hospitals and public services. Government policy continues to support the investment and upgrading of the country's infrastructure to support the UK's GDP and international competitiveness.

Kier can provide both capital works and maintenance services, from major UK infrastructure projects like Crossrail and HS2, to essential every-day services such as housing or road maintenance.

The devolution of funding and decision-making, both locally and regionally, is now starting to gather pace with the establishment of mayoral authorities. Increased collaboration between authorities and our regional network ensures we can deliver to these new agendas.

With our breadth of capabilities, we are able to work with our clients to drive efficiency, review the delivery of their services and maximise asset values to help them sustainably deliver for their customers and constituents.

Our collaborative approach in working with clients enables us to provide specialist and relevant expertise from all businesses in the Group. In our three market verticals, we can offer investment, construction and maintenance skills allowing our clients the flexibility to procure some or all of our services depending on their needs. We are experiencing increased revenue of over £1bn from clients who work with two or more parts of the Group, a trend we aim to increase.

Following the acquisition of McNicholas, we are now a leading player in the utilities sector, strengthening our position in this growing market. McNicholas is an established UK engineering services provider in the UK's multi-utilities sector providing telecommunications, gas, power, water, renewable energy and rail services. It has a good client base, including Virgin Media, Network Rail and UK Power Networks, and has a complementary culture to Kier.

People and safety
I would like to thank all of our teams for their contribution during the year. We work hard to maintain an open and inclusive culture where everyone can make a difference.

Safety continues to be a priority and we made good progress in the year by reducing the Group accident incidence rate (AIR) by 38% to 130, well below the average industry benchmark. Since 2014, we have improved the AIR by an average of 24% per annum and our performance in 2017 is the culmination of recent efforts to further enhance our safety record across the Group. In 2017, our Visible Leadership programme, designed to ensure our directors and leaders "get their boots on" and engage with the operational front line teams, delivered over 6,000 visible leadership tours. We have also expanded our programme of wellbeing, safety training and behavioural change initiatives across the Group.

A focus on safety has always been important in Kier. As announced on 28 June, in light of the increased fines for health and safety incidents following the introduction in 2016 of new sentencing guidelines requirements, this year's results include a £8m provision to cover additional costs which represent the impact of the sentencing guidelines. On 27 June 2017, BFK (BAM Nuttall Limited, Ferrovial Agroman (UK) Limited and Kier Infrastructure & Overseas Limited) incurred a fine of c.£1m in relation to three safety incidents on the Crossrail project in 2014 and 2015. We continue to assess the impact of the HSE's investigations into other incidents which occurred before February 2016.

Board changes
Phil White CBE stood down from the Board on 31 August, following which Philip Cox CBE took up the role of Chairman. I would like to reiterate my thanks to Phil White for his significant contribution to Kier in over ten years on the Board.

Outlook
Our underlying performance for the year was good. Having simplified our portfolio, the Group is more focused and able to pursue its growth ambitions in our three core markets; building, infrastructure and housing, which now represent 90% of the Group's revenue and profit. We continue to invest in the business to improve our operational efficiency, providing a robust platform on which to take advantage of the strong long-term fundamentals in these core markets.
Our Construction and Services order books[1] of £9.5bn, together with our c.£2bn property development and residential pipelines, provide good long-term visibility of our future work. This visibility, coupled with our healthy balance sheet, provides us with confidence of achieving our Vision 2020 strategic targets.

Divisional Review
Property
The division undertakes property development and financing and operates across the UK.

	Year ended 30 June 2017 £m	Year ended 30 June 2016[3] £m	*Change* %
Revenue[1]	182	169	*+8*
Operating profit[2]	25.8	21.4	*+21*
Average capital[4]	113	94	*+20*
Return on Average Capital Employed (ROCE)	23%	23%	

	Year ended 30 June 2017 £m	Year ended[3] 30 June 2016 £m
Statutory operating profit	18.1	16.0

Financial information in this table relates to continuing operations
1 Group and share of joint ventures.
2 Stated before non-underlying items - see notes 2 and 3 of the financial statements.
3 Restated to exclude the results of Biogen following its disposal in the year.
4 Equates to average net debt.

- **Consistent performance delivering good returns;**
- **23% ROCE on increasing average capital of £113m; and**
- **Development pipeline of more than £1.4bn providing 10-year visibility**

Property revenue was £182m (2016: £169m), generating an underlying operating profit of £25.8m (2016: £21.4m), reflecting the usual second half timing of transactions. This good result was achieved with average capital invested of £113m, peaking at £145m, through continued support of co-investors and funders and utilising the Group's cash flow.

The division, with over 80% of its activity taking place outside London and a focus on modest value schemes, achieved a ROCE of 23%, well ahead of our 15% target. It continues to have a healthy development pipeline of opportunities in excess of £1.4bn, providing 10 years of development scheme visibility.

Immediately after the Brexit vote, £60m was invested in new developments, taking advantage of market opportunities during the first quarter. This investment underpinned an average capital employed in the 2017 financial year of £113m. Twenty development schemes were sold during the year. The division also continues to offer its specialist skills as part of a wider Group offer to many Group clients who are seeking to maximise the return from their property assets through estate rationalisation.

The Property division has a diversified national portfolio of multi-sector, high-quality projects. In the industrial sector, following the launch in 2017 of the

Logistics City brand, the first successful disposals were achieved with the Logistics City Thurrock scheme which was sold in May 2017 following pre-lets. Logistics City Frimley was forward funded and sold in June 2017. Occupier interest has remained robust and lettings were progressed within our Trade City portfolio, with Thurrock 55% let or under offer, Oxford over 46% let or under offer and Winsford 100% let or under offer, with future opportunities in Basingstoke, Reading and Andover secured. Construction of the 72,000 sq ft Trade City Watford was completed and lettings are progressing well, with 47% either secured or under offer to date.

In the office development sector, the 100,000 sq ft office in Sovereign Square, Leeds, built by the Construction division, was completed in October 2016, having been pre-let and forward sold. Speculative investment in the London market is very limited, with the development of the 60,000 sq ft office in Hammersmith, in joint venture with Investec, completed in March 2017. In London, 58 Victoria Embankment, the 46,500 sq ft office development in which Kier held a 16% equity stake, was completed in October 2016 having been presold to a charity. During the year, the 42,000 sq ft office in Foley Street, London was forward funded and sold, with construction being undertaken by the Construction division.

Following the Brexit referendum, the business took advantage of market opportunities and strengthened its future pipeline with the acquisition of six office schemes in Basingstoke, Glasgow, Leeds, Newcastle and two developments in Manchester. All of these schemes are in key city centre locations and either have existing tenants or present good regional opportunities in this market sector. One of the office developments in central Manchester was forward sold in November 2016 once further tenants had been secured. In September 2017, the office development in Newcastle was 50% sold after securing further income and increasing value.

In the retail and mixed-use sector, which remains buoyant, phase 2 of the leisure scheme in Walsall was fully let before construction commenced in January 2017 and a 45,000 sq ft pre-let retail scheme in Wakefield was forward sold with construction commencing in May 2016 and completing in August 2017. Further opportunities have been secured in Hemel Hempstead, Thornton-Cleveleys and Durham for retail schemes.

The £400m Watford Health Campus project continued to make good progress with the completion of infrastructure works in October 2016 and the completion of the first commercial scheme, a 72,000 sq ft Trade City with strong occupier demand. Planning was secured on 95 units of the first residential scheme, with construction due to commence later in 2017.

Construction commenced in Southampton on the 413-bed student accommodation scheme, with construction due to complete in August 2018. In September 2016, financial close was reached to design, build, finance and maintain the £25m Ayr Academy in South Ayrshire and the £41m William McIlvanney Campus in Kilmarnock.

The Group's investment portfolio holds seven schemes; two at preferred bidder stage, two in construction and three in operation. The committed equity investment stands at £26.8m (2016: £29.5m), of which £22.4m (2016: £14.7m) has been invested to date. The directors' valuation of the investment portfolio is £32m (2016: £41m).

In April, we sold our joint venture interest in Biogen, the renewable energy business. This resulted in a loss on sale of £7.6m and a cash inflow of £10m.

Property outlook
As local authorities continue to face fiscal challenges, the division is seeing increased local authority client interest in the division's property investment and development capabilities. The Property division is a top three trader developer in the UK, and will undertake further regional expansion this year into Birmingham and the West Midlands. This market position, supported by ongoing investor interest, continues to drive good rental yields and the regional property market remains robust. With a development pipeline of £1.4bn, providing 10 years of scheme visibility, coupled with the Group's strong cash flow, it is anticipated that Group capital investment will peak at £175m for the year ahead and reach an average of £200m in 2020 and that ROCE will exceed 15%.

Residential
Kier Residential, branded Kier Living, comprises mixed tenure affordable house building and private house building.

	Year ended 30 June 2017 £m	Year ended 30 June 2016 £m	*Change %*
Revenue[1]			
Mixed tenure	202	187	*+8*
Private (Kier owned land)	174	166	*+5*
Total	**376**	**353**	***+6***
Operating profit[2]			
Mixed tenure	**6.7**	6.0	*+12*
Private (Kier owned land)	**16.1**	14.3	*+13*
Total	**22.8**	**20.3**	***+12***
Average capital[3]			
Mixed tenure	**39**	39	-
Private (Kier owned land)	**160**	192	*-17*
Total	**199**	**231**	***-14***
Return on Average Capital Employed (ROCE)	**11%**	**9%**	***+2***
Land bank - speculative (units)	**2,794**	**3,279**	***-15***

	Year ended 30 June 2017 £m	Year ended 30 June 2016 £m
Statutory operating profit	**20.6**	**19.5**

1 *Group and share of joint ventures*
2 *Stated before non-underlying items - see notes 2 and 3 of the financial statements.*
3 *Equates to average net debt.*

- **Revenue up 6% to £376m and operating profit up 12% to £22.8m;**
- **Cross Keys Homes joint venture supporting 11% ROCE;**
- **Completed 2,200 units, up 3% in year with two thirds of units mixed tenure;**
- **On track to deliver over 2,300 units in FY18; and**
- **Secured place on all five regional panels of the HCA four-year £8bn DPP3 framework.**

The Residential division's activities are increasingly focused on mixed tenure development with two thirds of its activity working with local authorities, housing associations and other clients. All of the division's activity is outside London. The regional profile of the business provides a stable environment for private and mixed tenure affordable house building with demand exceeding supply.

Following the sale of land to the Cross Keys Homes joint venture on 23 March 2017, revenues were up 6% to £376m (2016: £353m) and on a like-for-like basis revenues were up by 5%, a strong performance. The total number of unit completions increased to 2,200, up 3%, generating an increase in operating margin to 6.1% (2016: 5.8%). Underlying operating profit of £22.8m (2016: £20.3m), up 12%, was achieved as our mixed tenure activity matures as capital is recycled to service growth and as the private housing business builds on new land which replaces the older, more expensive land. Following completion of the Cross Keys Homes joint venture on 23 March 2017, the business received a capital sum of £64m which improved the division's ROCE to 11% (2016: 9%). The rebalancing of the legacy Kier land bank continues.

Mixed tenure
With continuing budgetary challenges in local authorities, yet increased demand for housing, the business is seeing high levels of interest in funding solutions and joint ventures. Revenue in the mixed tenure business increased 8% to £202m with an average invested capital of £39m. The mixed tenure business achieved approximately 1,450 completions (2016: 1,400) in the year.

The business continues to look at opportunities nationally and has successfully worked with local authorities and registered providers to optimise the value of its land assets. It has extended its geographical reach into new areas such as south Wales and increased its focus on the south west. The launch of joint ventures such as New Communities Partnership and Northern Ventures in 2016 has generated significant interest and discussion with local authority partners as they seek new ways to extract value from their land assets. Northern Ventures activity is increasing with three new schemes in Stokesley, Easingwold and Driffield, delivering around 700 units with Together Housing Association.

At the end of July 2017, Kier Living successfully secured a place on all five of the regional panels of the Homes & Communities Agency's (HCA) new £8bn Delivery Partner Panel 3 (DPP3) which provides public sector organisations with a quick and efficient way to build new homes. The new DPP3 framework will run for four years and has doubled in value as the HCA takes responsibility for an increasing number of mixed-use and multi-tenure schemes and welcomes more client bodies as users of its framework. Kier Living is one of a small number of house builders that has been successful on all five of the regional panels.

Private
The private housing market remains robust with the sale of new homes continuing to outperform the second hand market. Consumer demand and confidence remain good, supported by Help to Buy which continues to underpin new home sales and accounts for approximately half of all Kier private sales. Average sales prices were £240k and the business is currently approximately 60% forward sold for FY18.

On 23 March, the Cross Keys Homes joint venture was announced. This joint venture is successfully buying schemes, accelerating our strategy to recycle the capital invested in the Kier private land bank to drive the future growth of the Group and improve overall ROCE. There were 748 private sale completions (2016:750) in the year. The business continues to rationalise its land bank and reinvest in mixed tenure opportunities or return capital to the Group. The land bank mix continues to improve with approximately 40% of completions on land bought before 2008 and the remainder on newer land. The land bank has reduced to 2,794 speculative units (2016: 3,279) and sales were completed at a rate of 0.7 units per trading site per week.

Residential outlook
With a continued imbalance in the UK supply and demand of housing, good availability of mortgages and low interest rates, the division is well positioned to pursue growth, particularly through the demand for mixed tenure housing. We continue to execute our strategy to grow the mixed tenure business whilst maintaining the scale of the private business at 700 - 800 units per annum. Through the use of joint ventures, the division continues to offer clients capital efficient solutions which are of increasing interest. The division is also focused on extending its presence into the M3/M4 corridor, enabling it to work more closely with the housing maintenance business, providing combined services to private and affordable housing providers.

We will continue to grow our mixed tenure business and work towards our Vision 2020 goal of 15% ROCE.

Construction
The Construction division comprises UK building, UK infrastructure and international construction.

	Year ended 30 June 2017 £m	Year ended 30 June 2016[3] £m	*Change %*
Revenue[1]	**2,019**	**1,901**	**+6**
Operating profit[2]	**39.8**	**38.9**	**+2**
Operating margin[2]	**2.0%**	**2.0%**	

	30 June 2017	30 June 2016[3]
Order book (secure and probable)	**£4.2bn**	**£3.2bn**

	Year ended 30 June 2017 £m	Year end 30 June 2016[3] £m
Statutory operating loss	**(10.1)**	**(3.2)**

Financial information in this table relates to continuing operations.
1 *Group and share of joint ventures.*
2 *Stated before non-underlying items - see notes 2 and 3.*
3 *Restated to present the results of Mouchel Consulting as discontinued, following its sale in the year, and to restate the results of UK Mining as continuing operations.*

- **Revenue of more than £2bn;**
- **Operating margin of 2.0%;**
- **Contract awards in the year of more than £3bn, a record level; and**
- **Order book of £4.2bn.**

The Construction division delivered a strong result with a record £3bn of new contracts awarded in the year. Revenue was up 6% to £2,019m (2016: £1,901m) with an underlying operating profit increase of 2% to £39.8m (2016: £38.9m). Underlying operating margins were maintained around 2.0% (2016: 2.0%) and the working capital performance was good. The current order book of £4.2bn for secured and probable work represents more than 90% of forecast revenue for the 2018 financial year, on increasing volumes.

UK building
The building market was buoyant during the year, assisted by the re-emergence of a number of major public sector projects. Our success on frameworks and our selective approach to new work, focusing on risk management and client relationships, has seen the business deliver another strong and consistent performance. The division benefited from continued demand particularly in the biotech, science and student accommodation markets. Wales and the south-east and, specifically the Cambridge market, have been particularly encouraging.

In the private health sector, we secured one of four positions on the £500m Private Investment Construction (PIC) healthcare framework and were appointed preferred bidder for £75m of new private hospital developments.

With greater budgetary challenges, there is an increasing trend for public sector clients to procure capital building works through frameworks. Positions on the following frameworks were secured in the second half:
- A position on the £6bn LHC Schools and Community Buildings frameworks;
- A place on the £1bn+ Notting Hill Housing framework; and
- A place on all five lots of the £700m Cambridge County Council framework;

In addition Kier is shortlisted for inclusion on the following:

- £8bn Education and Skills Funding Agency Construction framework; and
- The national and regional integrated healthcare supply chain NHS Building for Wales National and Regional frameworks.

Kier has maintained and grown its presence in the health and education sectors. In the health sector, our position on the Department of Health ProCure21+ and ProCure22 frameworks has resulted in the award of £109m of work in the year.

In the education sector, over £200m worth of projects have been awarded or are at preferred bidder status. Kier has a turnover of over £600m in the education sector and expects further growth in the tertiary education sector.

During the year, over 147 projects, with a combined value of £142m, were secured through the Scape National Minor Works framework where Kier is the sole provider for projects up to £4m throughout the UK. Kier is also one of six framework partners currently bidding for the first phase of the construction of three prisons worth c£400m.

Major contract awards in the year also included the £57m University of Sheffield award and the £53m Hoxton Hotel in London.

Infrastructure

Kier continued to work on civil engineering projects across a broad range of sectors including highways, rail, ports and coastal, aviation, energy, water and utilities and nuclear, delivering a steady revenue performance. The division is seeing a particular increase in transport opportunities with the HS2 joint venture awards worth a combined £1.5bn, which will deliver revenue from 2018, and three new Smart Motorway projects covering design and survey work on the M20 and M23 and an additional project on the M6 as part of the Collaborative Delivery framework for Highways England. Other new awards in the year included a £38.5m contract on the A13.

Work is ongoing at Hinkley Point C and the Farringdon Crossrail project this financial year, and the Mersey Gateway project, despite some challenges, is expected to achieve the initial completion milestone with the toll road crossing opening shortly.

Given the higher risk profile of some infrastructure contracts, the business is focused on improving margins by winning high-quality work with repeat key clients, whilst continuing to focus on risk management, contract terms and conditions and cash performance.

International

In our international construction business, focus is on the continued delivery and development of the business in the Middle East. Despite the sustained low oil price, UK Export Finance (UKEF) continues to attract clients and we are experiencing a steady number of schemes coming to market. During the year, three new contracts totalling around £400m were secured using UKEF including two staff accommodation projects and the new, multi-purpose, 20,000-seat Dubai Arena.

The process to settle the final accounts on the two MTR contracts in Hong Kong has been agreed and we expect the practical completion of the Caribbean project in the next few weeks. The closure of the Caribbean and Hong Kong businesses has resulted in non-underlying charges of £86m.

In addition the sale of Mouchel Consulting in October 2016 generated a profit on sale of £40m in the 2017 financial year.

Construction outlook

The Construction division continues to perform well. With its established framework positions and selective approach, it is able to take advantage of a broad range of public and private sector opportunities. Our strength in the education and health markets positions us for growth in these markets, particularly the tertiary education market.

The division's short-term future performance is underpinned by the UK building business while the infrastructure business provides good medium-term prospects. Significant framework success provides access to a £14bn addressable market. The Middle East business provides some diversity to the cycle of the UK economy.

The division has a well-balanced workload, split equally between private and public sector clients. The performance of the three businesses, particularly UK building, has pushed the revenue of the overall division above £2bn this year, and, more importantly, has delivered a good 2% operating margin, keeping the division on track for its Vision 2020 target. With an order book of £4.2bn, the division has more than 90% of forecast revenue secured for FY18.

Services

The Services division comprises infrastructure services (highways and utilities), property services (housing, facilities management and related services) and environmental services.

	Year ended 30 June 2017 £m	Year ended 30 June 2016 £m	Change %
Revenue[1]	1,688	1,656	+2
Operating profit[2]	87.0	86.1	+1
Operating margin[2]	5.2%	5.2%	

	30 June 2017	30 June 2016
Order book (secure and probable)	£4.7bn	£5.3bn

	Year ended 30 June 2017 £m	Year end 30 June 2016 £m
Statutory operating profit	54.5	5.6

1 *Group and share of joint ventures.*
2 *Stated before non-underlying items - see notes 2 and 3.*

- **Revenue growth of 2% to £1.7bn;**
- **Strong operating margin of 5.2% delivering the largest divisional profit contribution of £87m;**
- **Significantly increased activity with Highways England in the second-half;**
- **Order book of £4.7bn with additional potential extensions of more than £2.5bn; and**
- **Post year-end acquisition of McNicholas creating a leading player in the utilities sector.**

Services revenue was up 2% to £1.7bn (2016: £1.7bn), reflecting the increased expenditure by Highways England in the second half. Underlying operating profit was £87.0m (2016: £86.1m), up 1%. An underlying operating margin of 5.2% reflects the stable and consistent performance of the business.

The order book at 30 June 2017 of £4.7bn (2016: £5.3bn) reflects the run-off of long-term contracts, albeit the bidding pipeline remains good, particularly in highways. More than 90% of targeted revenue for 2018 is secured; moreover, the order book does not include potential contract extensions, which, if included, would add more than £2.5bn and provide visibility of workload beyond 2020.

Approximately 60% of the division's capabilities relate to the provision of infrastructure services in the highways and utilities sectors. Together with the Group's capabilities in construction, Kier is one of the UK's leading infrastructure businesses with annual revenue of approximately £1.5bn.

Infrastructure services - Highways maintenance
The Group maintained its position as the UK's leading provider of strategic maintenance and management. Revenues increased significantly in the second half, reflecting Highways England's phasing of works. Moving forward, Highways England is focused on reducing the historic peaks and troughs of spending, providing greater predictability across the year. We expect the current level of spending to continue with funding for Road Investment Strategy (RIS1) remaining positive. During the year, the following Highways England contracts were mobilised:

- A 15-year £140m repair and maintenance contract for Area 13 covering Cumbria;
- A two-year £50m maintenance services contract for Areas 6 and 8 covering East Anglia and the East of England; and
- A five-year £40m design service contract for Areas 1 and 2 covering the south-west.

The local authority market remains active, albeit with budget pressures, which is resulting in new opportunities and clients looking at new ways to deliver services. The devolution of funding and decision-making, both locally and regionally, is now starting to gather pace with the establishment of Regional Transport Bodies, mayoral authorities and increased collaboration between authorities. New local authority awards mobilised in the period were;

- a one-year £40m extension to the Lincolnshire local authority contract;
- a two-year £27m extension to the Harrow Highways contract; and;
- a five-year £270m extension to the Suffolk Highways contract.

In the local authority market, we have visibility of the order book beyond 2020 and there is a steady pipeline of projects that provide good opportunity for growth.

In Australia, continued population growth is resulting in increased demand for road projects including Smart Motorway projects. Beyond the Group's highways joint venture in Australia, the highways design centre in Sydney continues to be awarded highways design contracts by third parties, reflecting its increased profile in this market.

Infrastructure services - Utilities
The utilities business focuses on four sectors: water, power, gas and telecoms. In the water sector, new contracts totalling £43m were awarded in the year, including a two-year Severn Trent Water AMS extension.

The business continues to invest in alliances, enabling our teams to work more closely with our clients on improving customer delivery.

Clients in the water sector are already preparing for the AMP7 bidding cycle which takes place in 2020. Yorkshire Water, Severn Trent Water and Welsh Water are all coming to market early and preliminary discussions are ongoing with these clients. It is anticipated that the OfWat regulatory framework for AMP7 will be more challenging than AMP6, with more stretching targets and a focus on resilience, customer service, affordability and innovation.

In the power market, new contracts totalling £53m were awarded by SGN. With the completion of the National Grid Gas Distribution separation and the growing demand for power and gas, other opportunities will arise in this market.

On 12 July 2017 we acquired McNicholas, a leading player in the multi-utilities market, making Kier a top three player in the utilities sector. McNicholas is an established UK engineering services provider in the telecommunications, gas, power, water, renewable energy and rail sectors and has a client base which includes Virgin Media, Network Rail and UK Power Networks. The acquisition builds on Kier's strategy to accelerate growth and hold leading positions in its chosen markets.

Infrastructure services outlook
We expect that Highways England maintenance activity levels will continue as part of the strategic highways funding commitment to 2020 through the current RIS. We continue to work with Highways England as they look at their future operating model and look forward to participating in the Routes to Market and £8bn framework procurement initiatives which will provide significant future opportunity for the Group.

The utilities market presents significant opportunity. With UK population growth expected to increase, the demand for services is increasing across a broad range of markets including water, energy and telecoms. The acquisition of McNicholas extends the Group's presence in this marketplace, increasing our capabilities as well as giving increased sector and geographic presence.

Property services - Housing maintenance
The sector continues to undergo significant change with social landlords challenged by budget reductions and the recently introduced Universal Credit arrangements resulting in housing associations reviewing the management of their portfolios. With the anticipated merger of housing associations, Kier is one of a select few service providers with the capacity to deliver large contracts and the end-to-end solution clients are seeking.

During the year and since year end, a number of contracts have been awarded including the five-year £100m Powys joint award with the Workplace Services business, and a range of planned maintenance contracts with Sheffield City Council.

Property services - Workplace Services
Workplace Services has established itself as a provider of end-to-end workplace solutions, spanning hard facilities management, soft facilities management, design and asset management and wider business services. The business has continued to grow in both the public and private sectors, particularly in the arts and heritage sectors.

New awards in the period totalling c£40m included:

- A two-year contract with the Royal Berkshire Fire and Rescue Service providing hard FM;
- Estates transformation design work with MOPAC;
- A three-year hard FM contract with NHS Business Services Authority; and
- A one-year total FM contract with Sensor City Liverpool, part of the John Moores University complex.

Successful mobilisations took place on the Powys joint award involving Housing Maintenance. In addition, following the award of the Capital City College Group contract earlier this year, an extension is under discussion for a further five City and City and Islington college sites with other additional opportunities ongoing with the London Borough of Camden and Careers Wales.

Kier has also successfully secured places on a number of frameworks including the two-year £2.8bn Crown Commercial Services Project Management and Full Design Team Services frameworks, available to the whole of the public sector, for the provision of multi-disciplinary professional consultancy services.

Property Services outlook
With cost being a major driver for clients, our Property Services teams are working closely with them to transform their data collection and interpretation of that data to deliver appropriate solutions. Investment in our front-of-house systems has enabled our teams to interact seamlessly with our clients' systems and we continue to look at smarter ways of working together. The introduction of Universal Credit will give the Housing

Maintenance business greater opportunities as landlords seek new ways of managing their portfolios.

Following the Grenfell Tower disaster, there has been a shift in spending priorities by social landlords with the reallocation of funds into fire risk assessment and prevention. Our property services businesses are involved in ongoing compliance and health and safety to support a number of local authorities as they undertake assessments of their property portfolios.

Environmental Services
The operational performance of the Environmental Services business remains challenging. In the year, a £11.1m exceptional charge was taken for the East Sussex waste contract which was terminated and for the early termination of another waste contract in 2019 for which terms have been agreed, further reducing the Group's exposure to recyclate pricing.

Services outlook
The Services division, which accounts for approximately 50% of the Group's profits, is performing well. It is focused on providing essential, day-to-day routine services to clients and communities. Against a backdrop of financial pressures for our clients, there are opportunities to discuss future procurement models, as well as look at opportunities arising from the new mayoral authorities, which will result in greater regional budgetary control and increased collaboration between authorities. Having secured more than £1bn of new work in the year, the Services division now has an order book of £5.3bn[1] which provides good long-term visibility of our workload, with potential extensions adding a further £2.5bn, and more than 90% of its target revenue is secured for FY18.

3 *Including £0.6bn from McNicholas acquired post year-end.*

FINANCIAL REVIEW
Summary of underlying results
The Group has performed well in the year ended 30 June 2017, in line with management expectations. Group revenue for the year increased 5% to £4.27bn (2016: £4.08bn). The Group's underlying operating profit for the year was £146m (2016: £141m), an increase of 3%.

The Group continued to make greater use of capital efficient joint ventures where interest and tax are incorporated within operating profit. The interest and tax related to joint ventures in this respect amounted to £7.2m, an increase of £4.8m in the financial year.

Central costs increased 16% to £29.8m (2016: £25.6m). The establishment of the Group finance shared service centre and the Oracle ERP rollout contributed to the increase. This has, however, been partially mitigated by the delivery of synergy savings generated within the operating businesses as a result of the successful integration of Mouchel.

Net financing costs
Underlying net financing costs totalled £19.5m (2016: £24.7m). The decrease was driven by greater use of joint venture schemes, lower cash interest costs and lower pension costs.

Profit before tax
Underlying profit before tax at £126.1m (2016: £116.4m) benefited from the lower financing costs noted above and represents an increase of 8%.

Reported profit before tax of £25.8m (2016: loss before tax £34.9m) includes non-underlying items, predominantly relating to the disposal of Mouchel Consulting and the portfolio simplification programme.

Taxation
The underlying tax charge for the year of £21.9m (2016: £20.9m) represents an effective corporation tax rate of 17.4% (2016: 18.0%), assisted by the continuing use of joint venture structures in the Property and Residential divisions.

Discontinued operations
During the year ended 30 June 2017, following their disposal, the results of Mouchel Consulting and Biogen Holdings Limited have been classified as discontinued operations in the current and prior years, as described in note 8. As a sale on acceptable terms could not be agreed, the results of the UK Mining business have been classified as continuing in the current and prior years.

Earnings per share
The underlying basic earnings per share from continuing operations of 106.8p (2016: 99.5p), has increased by 7%. The average number of shares in issue was 96.5m (2016: 95.2m) with the increase driven by the uptake of the scrip dividend during the year.

Cash flow
Operating cash inflows before the movement in working capital and after income from joint ventures totalled £164m (2016: £181m) and represent cash conversion of 113% of operating profit. Working capital before investment in Property and Residential was stable with a modest inflow of £4m (2016: £55m inflow). As anticipated in the second half of the year, the normal seasonal working capital inflows accrued and the Group retained the strong gains achieved last year as it continues to benefit from ongoing investment in IT systems and processes.

Retirement benefit obligations
Kier operates a number of defined benefit pension schemes. At the year end the reported deficit, which is the difference between the aggregate value of the schemes' assets and the present value of their future liabilities, was £70.2m (June 2016: £72.0m) after accounting for deferred tax.

The Group concluded its triennial valuation of the Kier Group and Mouchel Group pension schemes with the trustees in August 2017. Deficit contributions under the new plan will be reduced to £21m per annum in 2018, 2019 and 2020. This has been achieved by deferring recovery plan contributions of £23m over the three year period with the deferred payment (including interest) being made in the 2021 financial year.

While the total deficit contributions will be maintained, the net present value of the commitment will be lower due to the phasing of payments.

Non-underlying items
Since the acquisition of Mouchel in June 2015, the Group has undertaken a programme of portfolio simplification allowing it to focus on, and grow, its market leading positions in regional building, infrastructure services and housing.

The financial impact of the portfolio simplification programme, together with certain other non-underlying items, on the Group's 2017 results is a non-underlying charge of £75.1m. These activities generated net cash proceeds of c.£67m, the significant majority of which have been, or will be, invested in the Property and Residential divisions:

- the sale of Mouchel Consulting in October 2016;
- the closure of the Caribbean business, following the agreement of the final account with a client on a challenging project. The majority of the cash outflow was incurred in our 31 December 2016 net debt position. Completion of the project is scheduled to occur within the next few weeks;
- the closure of the Hong Kong business and the agreement of the process to settle the final accounts;
- the sale of Kier's joint venture interest in Biogen, the renewable energy business, in April 2017;
- the establishment of the Cross Keys Homes joint venture in March 2017, which released cash for re-investment in new opportunities across the Group and enables our private house building business to deliver a significantly improved return on capital;

- a provision relating to a potential increase in fines for historic health and safety incidents following the introduction of new sentencing guidelines; and
- the effects of reduced recyclate income and the curtailment of the East Sussex environmental contract four years earlier than its stated termination date.

	P&L £million				Cash £million			
	FY16	FY17	FY18	3 year total	FY16	FY17	FY18	3 year total
Closure of businesses								
Caribbean	(23)	(60)		(83)	(18)	(43)	(17)	(78)
Hong Kong		(26)		(26)		(11)	14	3
Sale of non-core operations								
Mouchel Consulting		40		40		59		59
Biogen	(5)	(8)		(13)		10		10
Other								
Cross Keys		(2)		(2)		64	1	65
HSE		(8)		(8)		(2)	(6)	(8)
Environmental	(36)	(11)		(47)	(9)	(7)	(7)	(23)
Other*	2	-		2	15	(3)		12
Total	**(62)**	**(75)**	**-**	**(137)**	**(12)**	**67**	**(15)**	**40**

* principally relates to a pension curtailment gain and other M&A gains, losses and costs.

In addition to the above, the Group has also incurred non cash costs of £22.3m of amortisation of intangible contract rights and £2.9m of financing costs.

Net debt
The Group's capital structure comprises of a number of sources of funding, mainly long term in nature, and operates under two key disciplines. Firstly, that year end net debt (including finance leases) will be less than underlying earnings before interest, taxation, depreciation and amortisation (EBITDA). Secondly, that peak net debt will be less than the Group's combined investment in property and residential assets.

The Group operated well within both disciplines in the year with year-end net debt representing 0.7 x EBITDA and our peak net debt position during the year significantly exceeded by assets within our property and residential businesses.

Year-end net debt of £110m (2016: £99m) was better than anticipated with stronger revenue generation in the final quarter and the post year-end completion of the McNicholas acquisition.

Average net debt of £320m (2016: £280m) was £40m higher than prior year, as anticipated, with robust cash conversion of 113% allowing an increased investment in property and residential assets of £76m particularly in the first quarter of the year.

Order book
The order book of £8.9bn increased by 5%, adjusting for the sale of Mouchel Consulting. Growth was driven by strong pipeline conversion in both Construction and Services, particularly in regional building and highways maintenance, providing visibility of 90% of revenues for the coming year. The acquisition of McNicholas on 12 July 2017 increased the Group order book to £9.5bn.

Dividend
The Board is recommending a full year dividend for the year ended 30 June 2017 of 67.5p (2015: 64.5p), up 5%, reflecting the Board's confidence in the Group's prospects and the intention to increase dividend cover towards 2x by 2020. Subject to shareholder approve, the final dividend will be paid on 1 December 2017 to shareholders on the register at the close of business on 29 September 2017. As an alternative to the cash dividend, shareholders will be offered the option to participate in a Dividend Reinvestment Plan (DRIP). The deadline for shareholders to submit their instructions to participate in the DRIP in respect of the final dividend is 5.30 p.m. (London time) on Monday, 6 November 2017.

Principal risks and uncertainties
The principal risks and uncertainties are set out on pages 27 - 31 of the Group's Annual Report and Accounts for the year ended 30 June 2016.

- E N D S-

Cautionary statement

Consolidated income statement

For the year ended 30 June 2017

Continuing operations	Notes	2017 Underlying Items[1] £m	2017 Non-underlying items (note 3) £m	2017 Total £m	2016[2] Underlying Items[1] £m	2016[2] Non-underlying items (note 3) £m	2016[2] Total £m
Revenue[3]							
Group and share of joint ventures	2	**4,265.2**	**17.1**	**4,282.3**	4,078.7	3.6	4,082.3
Less share of joint ventures	2	**(153.5)**	**-**	**(153.5)**	(90.9)	-	(90.9)
Group revenue		**4,111.7**	**17.1**	**4,128.8**	3,987.8	3.6	3,991.4
Cost of sales		**(3,728.3)**	**(111.8)**	**(3,840.1)**	(3,605.7)	(29.4)	(3,635.1)
Gross profit		**383.4**	**(94.7)**	**288.7**	382.1	(25.8)	356.3
Administrative expenses		**(268.2)**	**(33.7)**	**(301.9)**	(257.8)	(122.7)	(380.5)
Share of post-tax results of joint ventures		**25.0**	**-**	**25.0**	14.2	-	14.2
Profit on disposal of joint ventures and subsidiaries		**5.4**	**31.0**	**36.4**	2.6	-	2.6
Profit/(loss) from operations	2	**145.6**	**(97.4)**	**48.2**	141.1	(148.5)	(7.4)
Finance income		**1.8**	**-**	**1.8**	0.8	-	0.8
Finance costs		**(21.3)**	**(2.9)**	**(24.2)**	(25.5)	(2.8)	(28.3)
Profit/(loss) before tax	2	**126.1**	**(100.3)**	**25.8**	116.4	(151.3)	(34.9)
Taxation	4a	**(21.9)**	**12.0**	**(9.9)**	(20.9)	32.1	11.2
Profit/(loss) for the year from continuing operations		**104.2**	**(88.3)**	**15.9**	95.5	(119.2)	(23.7)
Discontinued operations							
(Loss)/profit for the year from discontinued operations (attributable to equity holders of the parent company)	8a	**(4.1)**	**-**	**(4.1)**	6.9	-	6.9
Profit/(loss) for the year		**100.1**	**(88.3)**	**11.8**	102.4	(119.2)	(16.8)
Attributable to:							
Owners of the parent		**99.0**	**(88.3)**	**10.7**	101.6	(119.2)	(17.6)
Non-controlling interests		**1.1**	**-**	**1.1**	0.8	-	0.8
		100.1	**(88.3)**	**11.8**	102.4	(119.2)	(16.8)
Earnings per share							
Basic earnings/(loss) per share							
From continuing operations	6	**106.8p**	**(91.5)p**	**15.3p**	99.5p	(125.2)p	(25.7)p
From discontinued operations	6	**(4.2)p**	**-**	**(4.2)p**	7.2p	-	7.2p
Total		**102.6p**	**(91.5)p**	**11.1p**	106.7p	(125.2)p	(18.5)p
Diluted earnings/(loss) per share							
From continuing operations	6	**106.1p**	**(90.9)p**	**15.2p**	99.5p	(125.2)p	(25.7)p
From discontinued operations	6	**(4.2)p**	**-**	**(4.2)p**	7.2p	-	7.2p
Total		**101.9p**	**(90.9)p**	**11.0p**	106.7p	(125.2)p	(18.5)p

1 Stated before non-underlying items (see note 3).

2 Restated to reclassify the UK Mining operations as continuing and Mouchel Consulting and Biogen as discontinued.

3 Non-underlying revenue relates exclusively to UK Mining operations.

Consolidated statement of comprehensive income

For the year ended 30 June 2017

	Notes	2017 £m	2016[1] £m
Profit/(loss) for the year		**11.8**	(16.8)
Items that may be reclassified subsequently to the income statement			
Share of joint venture fair value movements on cash flow hedging instruments		**(2.2)**	(0.1)
Deferred tax on share of joint venture fair value movements on cash flow hedging instruments	4c	**0.4**	-
Fair value gain on cash flow hedging instruments		**1.6**	18.5
Fair value movements on cash flow hedging instruments recycled to the income statement		**(4.2)**	(17.7)
Deferred tax on fair value movements on cash flow hedging instruments	4c	**0.4**	(0.2)
Foreign exchange gains on long term funding of foreign operations		**1.7**	9.6
Foreign exchange translation differences		**1.1**	(1.1)
Foreign exchange movements recycled to income statement[2]		**(3.7)**	-
Total items that may be reclassified subsequently to the income statement		**(4.9)**	9.0
Items that will not be reclassified to the income statement			
Re-measurement of defined benefit liabilities		**(29.3)**	47.6
Deferred tax credit/(charge)on actuarial gains/(losses) on defined benefit liabilities	4c	**2.1**	(9.1)
Total items that will not be reclassified to the income statement		**(27.2)**	38.5
Other comprehensive (loss)/income for the year		**(32.1)**	47.5
Total comprehensive (loss)/income for the year		**(20.3)**	30.7
Attributable to:			
Equity holders of the parent		**(21.4)**	29.9
Non-controlling interests - continuing operations		**1.1**	0.8
		(20.3)	30.7
Total comprehensive (loss)/income attributable to equity shareholders arises from:			
Continuing operations		**(17.3)**	23.0
Discontinued operations		**(4.1)**	6.9
		(21.4)	29.9

1 Restated to reclassify the UK Mining operations as continuing and Mouchel Consulting and Biogen as discontinued.

2 Amounts previously booked in the translation reserve, arising from retranslation of the results and balance sheet of the Group's Hong Kong operations, have been recycled to the income statement following the closure of those operations.

Consolidated statement of changes in equity

For the year ended 30 June 2017

	Share capital £m	Share premium £m	Capital redemption reserve £m	Retained earnings £m	Cash flow hedge reserve £m	Translation reserve £m	Merger reserve £m	Equity Attributable to owners of the parent £m	Non-controlling interests £m	Total equity £m
At 1 July 2015	**1.0**	**408.5**	**2.7**	**41.7**	**(2.2)**	**(2.9)**	**134.8**	**583.6**	**1.8**	**585.4**
Loss for year	-	-	-	(17.6)	-	-	-	**(17.6)**	0.8	**(16.8)**
Other comprehensive income	-	-	-	38.5	0.5	8.5	-	**47.5**	-	**47.5**
Dividends paid	-	-	-	(54.7)	-	-	-	**(54.7)**	(0.4)	**(55.1)**
Issue of own shares	-	9.5	-	-	-	-	-	**9.5**	-	**9.5**
Share-based payments	-	-	-	5.6	-	-	-	**5.6**	-	**5.6**
At 30 June 2016	**1.0**	**418.0**	**2.7**	**13.5**	**(1.7)**	**5.6**	**134.8**	**573.9**	**2.2**	**576.1**
Profit/(loss) for year	-	-	-	10.7	-	-	-	**10.7**	1.1	**11.8**
Other comprehensive loss	-	-	-	(27.2)	(4.0)	(0.9)	-	**(32.1)**	-	**(32.1)**
Dividends paid	-	-	-	(63.0)	-	-	-	**(63.0)**	(0.3)	**(63.3)**
Issue of own shares	-	16.8	-	-	-	-	-	**16.8**	-	**16.8**
Purchase of own shares	-	-	-	(0.6)	-	-	-	**(0.6)**	-	**(0.6)**
Share-based payments	-	-	-	2.7	-	-	-	**2.7**	-	**2.7**
At 30 June 2017	**1.0**	**434.8**	**2.7**	**(63.9)**	**(5.7)**	**4.7**	**134.8**	**508.4**	**3.0**	**511.4**

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

Consolidated balance sheet

At 30 June 2017

	Notes	2017 £m	2016 £m
Non-current assets			
Intangible assets		**802.8**	794.6
Property, plant and equipment		**90.4**	99.3
Investment in and loans to joint ventures		**184.4**	129.8
Deferred tax assets		**11.6**	7.3
Trade and other receivables		**38.2**	34.7
Non-current assets		**1,127.4**	1,065.7
Current assets			
Inventories		**593.9**	675.9
Trade and other receivables		**531.1**	523.0
Corporation tax receivable		**0.9**	-
Other financial assets		**18.9**	18.1
Cash and cash equivalents	9	**499.8**	186.7
Current assets		**1,644.6**	1,403.7
Assets held for sale as part of a disposal group		**-**	18.2
Total assets		**2,772.0**	2,487.6
Current liabilities			
Borrowings	9	**(50.0)**	-
Finance lease obligations		**(9.1)**	(13.5)
Other financial liabilities		**-**	(0.2)
Trade and other payables		**(1,433.7)**	(1,379.5)
Corporation tax payable		**-**	(6.0)
Provisions		**(19.0)**	(22.8)
Current liabilities		**(1,511.8)**	(1,422.0)
Liabilities held for sale as part of a disposal group		**-**	(13.7)
Non-current liabilities			
Borrowings	9	**(581.8)**	(303.2)
Finance lease obligations		**(5.2)**	(12.8)
Other financial liabilities		**(0.3)**	(1.1)
Trade and other payables		**(16.6)**	(13.2)
Retirement benefit obligations	7	**(84.6)**	(87.8)
Provisions		**(60.3)**	(57.7)
Non-current liabilities		**(748.8)**	(475.8)
Total liabilities		**(2,260.6)**	(1,911.5)
Net assets	2	**511.4**	576.1
Equity			
Share capital		**1.0**	1.0
Share premium		**434.8**	418.0
Capital redemption reserve		**2.7**	2.7
Retained earnings		**(63.9)**	13.5
Cash flow hedge reserve		**(5.7)**	(1.7)
Translation reserve		**4.7**	5.6
Merger reserve		**134.8**	134.8
Equity attributable to owners of the parent		**508.4**	573.9
Non-controlling interests		**3.0**	2.2
Total equity		**511.4**	576.1

Consolidated cash flow statement

For the year ended 30 June 2017

	Notes	2017 £m	2016[1] £m
Cash flows from operating activities			
Profit/(loss) before tax - continuing operations		**25.8**	(34.9)
- discontinued operations		**(1.8)**	8.5
Non-underlying items	3	**75.1**	127.0

Net finance cost		**22.4**	27.5
Share of post-tax trading results of joint ventures		**(23.5)**	(14.2)
Normal cash contributions to pension fund in excess of pension charge		**2.7**	1.2
Equity settled share-based payments charge		**2.7**	5.6
Amortisation of intangible assets		**30.1**	27.8
Other non-cash items		**(4.7)**	(4.7)
Depreciation charges		**19.7**	21.8
Profit on disposal of joint ventures		**(5.4)**	(2.6)
(Profit)/loss on disposal of property, plant and equipment and intangible assets		**(1.0)**	7.2
Operating cash flows before movements in working capital		**142.1**	170.2
Deficit contributions to pension fund		**(31.3)**	(25.1)
(Increase)/decrease in inventories		**(51.2)**	57.8
(Increase)/decrease in receivables		**(47.2)**	8.7
Increase in payables		**72.6**	39.7
Decrease in provisions		**(22.9)**	(3.7)
Cash inflow from operating activities before non-underlying items		**62.1**	247.6
Cash inflow/(outflow) from non-underlying items		**66.6**	(83.0)
Cash inflow from operating activities		**128.7**	164.6
Dividends received from joint ventures		**23.2**	2.8
Interest received		**1.8**	0.8
Income taxes paid	4b	**(3.8)**	(1.8)
Net cash inflow from operating activities		**149.9**	166.4
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**1.4**	10.6
Proceeds from sale of joint ventures	8b	**26.0**	20.4
Purchases of property, plant and equipment		**(15.8)**	(14.1)
Purchase of intangible assets		**(44.4)**	(38.1)
Divestment in assets held for resale		**-**	29.8
Investment in joint ventures		**(49.3)**	(61.9)
Net cash used in investing activities		**(82.1)**	(53.3)
Cash flows from financing activities			
Issue of shares		**3.2**	4.5
Purchase of own shares		**(0.6)**	-
Interest paid		**(19.1)**	(19.5)
Cash inflow/(outflow) incurred raising finance		**0.9**	(0.6)
Inflow from finance leases on property, plant and equipment		**1.7**	3.1
Inflow from new borrowings		**368.5**	75.8
Finance lease repayments		**(13.7)**	(17.4)
Repayment of borrowings		**(45.0)**	(184.5)
Dividends paid to equity holders of the parent		**(49.4)**	(49.7)
Dividends paid to minority interests		**(0.3)**	(0.4)
Net cash from/(used in) financing activities		**246.2**	(188.7)
Increase/(decrease) in cash, cash equivalents and overdraft		**314.0**	(75.6)
Effect of change in foreign exchange rates		**(0.9)**	8.3
Opening cash, cash equivalents and overdraft		**186.7**	254.0
Closing cash, cash equivalents and overdraft	9	**499.8**	186.7

[1] Restated to reclassify the UK Mining operations as continuing and Mouchel Consulting and Biogen as discontinued

Notes to the consolidated financial statements

1 Accounting policies

There have been no significant changes to the accounting policies in these financial statements. They have been prepared in accordance with International Financial Reporting Standards as adopted by the EU.

2 Segmental reporting

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

Segment information is based on the information provided to the Chief Executive, together with the Board, who is the chief operating decision maker. The segments are strategic business units with separate management and have different core customers and offer different services. The segments are discussed in the Chief Executive's review.

Year to 30 June 2017 **Continuing operations**	Property £m	Residential £m	Construction £m	Services £m	Corporate £m	Group £m
Revenue[1]						
Group and share of joint ventures	182.0	375.7	2,019.4	1,688.1	-	**4,265.2**
Less share of joint ventures	(117.3)	(27.6)	-	(8.6)	-	**(153.5)**
Group revenue	**64.7**	**348.1**	**2,019.4**	**1,679.5**	**-**	**4,111.7**
Profit						
Group operating profit/(loss)	-	18.8	39.8	86.4	(29.8)	**115.2**
Share of post-tax results of joint ventures	20.4	4.0	-	0.6	-	**25.0**
Profit on disposal of joint ventures	5.4	-	-	-	-	**5.4**
Underlying operating profit/(loss)	**25.8**	**22.8**	**39.8**	**87.0**	**(29.8)**	**145.6**
Underlying net finance (costs)/income[2]	(5.0)	(8.9)	5.5	(4.3)	(6.8)	**(19.5)**
Underlying profit/(loss) before tax	**20.8**	**13.9**	**45.3**	**82.7**	**(36.6)**	**126.1**
Non-underlying items						
Amortisation of intangible assets relating to contract rights	(0.1)	-	(0.4)	(21.8)	-	**(22.3)**
Non-underlying finance costs	-	-	(0.4)	(2.5)	-	**(2.9)**
Other non-underlying items	(7.6)	(2.2)	(49.5)	(10.7)	(5.1)	**(75.1)**
Profit/(loss) before tax from continuing operations	**13.1**	**11.7**	**(5.0)**	**47.7**	**(41.7)**	**25.8**
Balance sheet						
Total assets excluding cash	197.3	295.2	625.7	441.3	712.7	**2,272.2**
Liabilities excluding borrowings	(53.9)	(131.2)	(656.1)	(582.9)	(226.6)	**(1,650.7)**
Net operating assets/(liabilities)[3]	**143.4**	**164.0**	**(30.4)**	**(141.6)**	**486.1**	**621.5**
Cash, net of borrowings, net of hedge effects	(75.1)	(134.5)	280.0	116.8	(297.3)	**(110.1)**
Net assets/(liabilities)	**68.3**	**29.5**	**249.6**	**(24.8)**	**188.8**	**511.4**
Other information						
Inter-segmental revenue [4]	-	3.1	6.6	77.9	13.3	**100.9**
Capital expenditure	0.5	0.2	5.4	4.3	5.4	**15.8**
Depreciation of property, plant and equipment	(0.1)	(0.1)	(2.6)	(11.1)	(5.7)	**(19.6)**
Amortisation of computer software	**-**	**-**	(0.8)	(0.4)	(6.6)	**(7.8)**

[1] Revenue is stated after the exclusion of inter-segmental revenue.

[2] Interest was (charged)/credited to the divisions at a notional rate of 4.0% (2016: 4.0%).

[3] Net operating assets/(liabilities) represent assets excluding cash, borrowings and interest bearing inter-company loans.

[4] Inter-segmental pricing is determined on an arm's length basis.

Notes to the consolidated financial statements continued

2 Segmental reporting

Year to 30 June 2016 **Continuing operations**	Property[1] £m	Residential £m	Construction[2] £m	Services £m	Corporate £m	Group £m
Revenue[3]						
Group and share of joint ventures	168.9	352.9	1,900.8	1,656.1	-	**4,078.7**
Less share of joint ventures	(70.8)	-	(10.3)	(9.8)	-	**(90.9)**
Group revenue	**98.1**	**352.9**	**1,890.5**	**1,646.3**	**-**	**3,987.8**
Profit						
Group operating profit/(loss)	6.8	20.3	37.2	85.6	(25.6)	**124.3**
Share of post-tax results of joint ventures	12.0	-	1.7	0.5	-	**14.2**
Profit on disposal of joint ventures	2.6	-	-	-	-	**2.6**
Underlying operating profit/(loss)	**21.4**	**20.3**	**38.9**	**86.1**	**(25.6)**	**141.1**
Underlying net finance (costs)/income[4]	(5.4)	(10.2)	1.8	(10.0)	(0.9)	**(24.7)**
Underlying profit/(loss) before tax	**16.0**	**10.1**	**40.7**	**76.1**	**(26.5)**	**116.4**
Non-underlying items						
Amortisation of intangible assets	(0.1)	-	(0.4)	(21.0)	-	**(21.5)**
Non-underlying finance costs	-	-	(0.4)	(2.4)	-	**(2.8)**
Other non-underlying items	(5.3)	(0.8)	(41.7)	(59.5)	(19.7)	**(127.0)**
Profit/(loss) before tax from continuing operations	**10.6**	**9.3**	**(1.8)**	**(6.8)**	**(46.2)**	**(34.9)**
Balance sheet						
Total assets excluding cash	177.0	314.6	627.0	539.9	624.2	**2,282.7**
Liabilities excluding borrowings	(41.7)	(111.8)	(690.5)	(631.7)	(136.6)	**(1,612.3)**
Net operating assets/ (liabilities) excluding assets held for sale [5]	**135.3**	**202.8**	**(63.5)**	**(91.8)**	**487.6**	**670.4**
Cash, net of borrowings, net of hedge effects	(77.2)	(177.2)	277.1	26.7	(148.2)	**(98.8)**
Net assets/(liabilities) excluding assets held for sale	**58.1**	**25.6**	**213.6**	**(65.1)**	**339.4**	**571.6**
Assets held for sale	-	-	4.5	-	-	**4.5**
Net assets/(liabilities)	**58.1**	**25.6**	**218.1**	**(65.1)**	**339.4**	**576.1**

Other information						
Inter-segmental revenue [6]	-	8.4	1.8	115.7	17.0	142.9
Capital expenditure	4.9	0.2	2.5	2.3	4.2	14.1
Depreciation of property, plant and equipment	-	(0.3)	(1.9)	(13.7)	(4.9)	(20.8)
Amortisation of computer software	-	-	(0.5)	-	(5.8)	(6.3)

[1] Restated to reclassify Biogen as discontinued.

[2] Restated to reclassify the UK Mining operations as continuing and Mouchel Consulting as discontinued.

[3] Revenue is stated after the exclusion of inter-segmental revenue.

[4] Interest was (charged)/credited to the divisions at a notional rate of 4.0%.

[5] Net operating assets/(liabilities) represent assets excluding cash, borrowings and interest bearing inter-company loans.

[6] Inter-segmental pricing is determined on an arm's length basis.

Notes to the consolidated financial statements continued

3 Non-underlying items[1]

	2017 £m	2016[2] £m
Portfolio simplification - closure of businesses		
Closure of Hong Kong operations and related contracts	**(26.3)**	-
Closure of Caribbean operations and related contract final accounts	**(60.4)**	(23.1)
Impairment of UK Mining business	**-**	(10.6)
Portfolio simplification - M&A activity		
Gain relating to the disposal of Mouchel Consulting	**40.0**	-
Loss on disposal of Biogen (2016: Impairment of investment)	**(7.6)**	(5.0)
Transaction and integration costs following the acquisition of the Mouchel Group	**-**	(49.9)
Other M&A gains, losses and costs (2016: gain on disposal)	**(5.5)**	1.7
Other non-underlying costs		
Provision relating to Environmental Services contracts, recyclate costs, and curtailment of contracts	**(11.1)**	(35.6)
Provision for Health, Safety and Environmental (HSE) incidents arising from revised sentencing guidelines	**(8.0)**	-
Establishment of Cross Keys Homes joint venture	**(2.2)**	-
Pension curtailment gain	**6.0**	-
Construction Workers Compensation Scheme and related costs	**-**	(4.5)
Total other non-underlying items	**(75.1)**	(127.0)
Amortisation of intangible contract rights	**(22.3)**	(21.5)
Financing costs	**(2.9)**	(2.8)
Total non-underlying items from continuing operations	**(100.3)**	(151.3)
Associated tax credit	**12.0**	32.1
Charged against profit for the year from continuing operations	**(88.3)**	(119.2)

[1] Exceptional items.

[2] Restated to reclassify the UK Mining operations as continuing and Mouchel Consulting and Biogen as discontinued.

Notes to the consolidated financial statements continued

4 Taxation

a) Recognised in the income statement

	2017			2016[2]		
	Underlying items[1] £m	Non-underlying items (note 3) £m	Total £m	Underlying items[1] £m	Non-underlying items (note 3) £m	Total £m
Current tax expense						
UK corporation tax	**14.1**	**(10.9)**	**3.2**	20.7	(25.2)	(4.5)
Adjustments in respect of prior years	**2.1**	**-**	**2.1**	3.5	-	3.5
Total current tax	**16.2**	**(10.9)**	**5.3**	24.2	(25.2)	(1.0)
Deferred tax expense						
Origination and reversal of temporary differences	**8.3**	**(1.1)**	**7.2**	1.6	(3.8)	(2.2)
Adjustments in respect of prior years	**0.2**	**-**	**0.2**	(4.9)	(3.1)	(8.0)
Rate change effect on deferred tax	**(2.8)**	**-**	**(2.8)**	-	-	-
Total deferred tax	**5.7**	**(1.1)**	**4.6**	(3.3)	(6.9)	(10.2)
Total tax charge/(credit) in the income statement	**21.9**	**(12.0)**	**9.9**	20.9	(32.1)	(11.2)
Reconciliation of effective tax rate						
Profit/(loss) before tax	**126.1**	**(100.3)**	**25.8**	116.4	(151.3)	(34.9)
Add: tax on joint ventures included above	**0.9**	**-**	**0.9**	0.4	-	0.4
Adjusted profit/(loss) before tax	**127.0**	**(100.3)**	**26.7**	116.8	(151.3)	(34.5)
Income tax at UK corporation tax rate of 19.75% (2016: 20.0%)	**25.1**	**(19.8)**	**5.3**	23.4	(30.3)	(6.9)
Non-deductible expenses and unusable tax losses	**1.8**	**16.5**	**18.3**	0.8	1.4	2.2
Effect of change in UK corporation tax rate	**(2.7)**	**-**	**(2.7)**	-	-	-
Share Based Payments deduction	**(0.5)**	**-**	**(0.5)**	-	-	-
Capital gains not taxed	**-**	**(8.7)**	**(8.7)**	(0.5)	-	(0.5)
Utilisation of tax losses	**(3.2)**	**-**	**(3.2)**	(1.0)	-	(1.0)
Adjustments in respect of prior years	**2.3**	**-**	**2.3**	(1.4)	(3.2)	(4.6)
Total tax (including joint ventures)	**22.8**	**(12.0)**	**10.8**	21.3	(32.1)	(10.8)
Tax on joint ventures	**(0.9)**	**-**	**(0.9)**	(0.4)	-	(0.4)
Group tax charge/(credit)	**21.9**	**(12.0)**	**9.9**	20.9	(32.1)	(11.2)

[1] Stated before non-underlying items, see note 3.

[2] Restated to reclassify the UK Mining operations as continuing and Mouchel Consulting and Biogen as discontinued.

Non-underlying items includes significant one off costs related to restructuring, disposals, acquisitions and business closures. Amortisation disclosed as non-underlying relates to the amortisation of contract right costs held as intangibles on the balance sheet.

Kier Group and its subsidiaries are based predominantly in the UK and are subject to UK corporation tax. The Group does not have an aggressive tax policy and since 1 July 2012 Kier has not entered into any tax avoidance schemes which were or should have been notified under the Disclosure of Tax Avoidance Scheme (DOTAS) rules.

The tax charge before exceptional items and amortisation of contract rights of £21.9m (2016: £20.9m) shown in the table above equates to an effective tax rate of 17.3% (2016: 18.0%) on adjusted profit before tax of £127.0m (2016: £116.8m). This effective rate is lower than the standard rate of corporation tax of 19.75% (2016: 20.00%) due to a number of items shown in the table above. The non-deductible expenses included in underlying mainly relate to depreciation on non-qualifying assets.

In accordance with UK tax legislation, capital gains arising on disposal of certain investments, including some of the joint ventures disposed of during the year, are not subject to tax.

Tax relief on expenses not recognised in the income statement includes the impact of the tax deduction received in respect of the cost of shares exercised under the Group's employee Save As You Earn Scheme and Long Term Incentive Plan.

The net charge adjustment of £2.3m (2016: credit of £1.4m) in respect of prior years' results arise from differences between the estimates of taxation included in the previous year's financial statements and the actual tax liabilities calculated in the tax returns submitted to and agreed by HMRC.

Notes to the consolidated financial statements continued

4 Taxation

b) Recognised in the cash flow statement
The cash flow statement shows payments of £3.8m during the year (2016: £1.8m).

c) Recognised in the statement of comprehensive income

	2017 £m	2016 £m
Deferred tax (credit)/expense (including effect of change in tax rate)		
Share of fair value movements on joint venture cash flow hedging instruments	**(0.4)**	-
Fair value movements on cash flow hedging instruments	**(0.4)**	0.2
Actuarial (losses)/gains on defined benefit pension schemes	**(2.1)**	9.1
Total tax (credit)/charge in the statement of comprehensive income	**(2.9)**	9.3

d) Factors that may affect future tax charges

The deferred tax balance as at the year end has been recognised at 17.0% which is the enacted corporation tax rate that will be effective from 1 April 2020.

e) Tax losses
At the balance sheet date the Group had unused tax losses of £161.6m (2016: £172.5m) available for offset against future profits. A deferred tax asset has been recognised in respect of £10.6m (2016: £23.3m) of income tax losses.

No deferred tax asset has been recognised in respect of the remaining losses due to the unpredictability of future profit streams against which these losses could be offset. Under present tax legislation, these losses may be carried forward indefinitely.

5 Dividends

Amounts recognised as distributions to equity holders in the year:	**2017 £m**	2016 £m
Final dividend for the year ended 30 June 2016 of 43.0 pence (2015: 36.0 pence)	**41.2**	34.2
Interim dividend for the year ended 30 June 2017 of 22.5 pence (2016: 21.5 pence)	**21.8**	20.5
	63.0	54.7

The proposed final dividend of 45.0 pence (2016: 43.0 pence) bringing the total dividend for the year to 67.5 pence (2016: 64.5 pence) had not been approved at the balance sheet date and so has not been included as a liability in these financial statements. The dividend totalling circa £43.7m will be paid on 1 December 2017 to shareholders on the register at the close of business on 29 September 2017. A DRIP 'dividend reinvestment plan' alternative will be offered.

Notes to the consolidated financial statements continued

6 Earnings per share

A reconciliation of profit and earnings/(loss) per share, as reported in the income statement, to underlying profit and earnings per share is set out below. The adjustments are made to illustrate the impact of non-underlying items.

	2017		2016[1]	
	Basic £m	**Diluted £m**	Basic £m	Diluted £m
Continuing operations				
Earnings/(loss) (after tax and minority interests), being net profits/(losses) attributable to equity holders of the parent	**14.8**	**14.8**	(24.5)	(24.5)
Impact of non-underlying items net of tax:				
Amortisation of intangible assets - net of tax credit of £4.4m (2016: £3.9m)	**17.9**	**17.9**	17.6	17.6
Acquisition discount unwind[2] - net of tax credit of £0.5m (2016: £0.4m)	**2.0**	**2.0**	2.0	2.0
Other non-underlying items - net of tax credit of £7.1m (2016: £27.8m)	**68.4**	**68.4**	99.6	99.6
Earnings from continuing operations	**103.1**	**103.1**	94.7	94.7
Discontinued operations				
(Loss)/earnings (after tax and minority interests), being net (loss)/profit attributable to equity holders of the parent	**(4.1)**	**(4.1)**	6.9	6.9
(Loss)/earnings from discontinued operations	**(4.1)**	**(4.1)**	6.9	6.9
	million	million	million	million
Weighted average number of shares used for earnings per share	**96.5**	**97.1**	95.2	95.2
	pence	pence	pence	pence
Earnings/(loss) per share				
Continuing operations				
Earnings/(loss) (after tax and minority interests), being net profits/(losses) attributable to equity holders of the parent	**15.3**	**15.2**	(25.7)	(25.7)
Impact of non-underlying items net of tax:				
Amortisation of intangible assets	**18.5**	**18.4**	18.4	18.4
Acquisition discount unwind	**2.1**	**2.1**	2.1	2.1
Other non-underlying items	**70.9**	**70.4**	104.7	104.7
Earnings from continuing operations	**106.8**	**106.1**	99.5	99.5
Discontinued operations				
Loss/(earnings) (after tax and minority interests), being net profits/(losses) attributable to equity holders of the parent	**(4.2)**	**(4.2)**	7.2	7.2
Loss/(earnings) from discontinued operations	**(4.2)**	**(4.2)**	7.2	7.2

[1] Restated to reclassify the UK Mining operations as continuing and Mouchel Consulting and Biogen operations as discontinued

[2] Unwind of discount in respect of deferred consideration and fair value adjustments made on acquisition and interest on UK Mining loan

7 Retirement benefit obligations

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

	2017 Kier Group Pension Scheme £m	2017 May Gurney Pension Schemes £m	2017 Mouchel Pension Schemes £m	2017 Total £m	2016 Kier Group Pension Scheme £m	2016 May Gurney Pension Schemes £m	2016 Mouchel Pension Schemes £m	2016 Total £m
Opening (deficit)/surplus	**(23.5)**	**(6.0)**	**(58.3)**	**(87.8)**	(75.2)	(3.5)	(74.9)	(153.6)
(Charge)/credit to income statement	**(1.5)**	**(0.5)**	**3.2**	**1.2**	(3.6)	(0.4)	(4.9)	(8.9)
Employer contributions	**16.9**	**2.1**	**12.3**	**31.3**	15.5	1.9	9.7	27.1
Actuarial (losses)/gains	**(23.0)**	**(1.5)**	**(4.8)**	**(29.3)**	39.8	(4.0)	11.8	47.6
Closing deficit	**(31.1)**	**(5.9)**	**(47.6)**	**(84.6)**	(23.5)	(6.0)	(58.3)	(87.8)
Comprising:								
Total market value of assets	**1,108.4**	**76.9**	**451.5**	**1,636.8**	1,065.4	72.4	422.8	1,560.6
Present value of liabilities	**(1,139.5)**	**(82.8)**	**(499.1)**	**(1,721.4)**	(1,088.9)	(78.4)	(481.1)	(1,648.4)
Net deficit	**(31.1)**	**(5.9)**	**(47.6)**	**(84.6)**	(23.5)	(6.0)	(58.3)	(87.8)
Related deferred tax asset	**5.3**	**1.0**	**8.1**	**14.4**	4.2	1.1	10.5	15.8
Net pension liability	**(25.8)**	**(4.9)**	**(39.5)**	**(70.2)**	(19.3)	(4.9)	(47.8)	(72.0)

Notes to the consolidated financial statements continued

8 Disposals

a) Disposal of Mouchel Consulting (Subsidiary)

On 12 October 2016, the Group disposed of its investment in Mouchel Limited, which, together with its subsidiaries, comprised the Mouchel Consulting business.

	2017 £m
Net sale proceeds	77.9
Costs of disposal	(24.0)
Other costs	(7.9)
Net assets disposed of	(6.0)
Profit on disposal	**40.0**

As Mouchel Consulting constitutes a separate major line of business for the Group, its results have been classified as discontinued. The results are as follows:

Result of discontinued operations	**2017 £m**	2016 £m
Revenue	**29.7**	124.4
Operating costs	**(30.0)**	(115.9)
Operating (loss)/profit	**(0.3)**	8.5
Finance costs	**-**	-
(Loss)/profit before tax	**(0.3)**	8.5
Tax	**(2.3)**	(1.6)
(Loss)/profit for the period from discontinued operations	**(2.6)**	6.9

Cash flows from discontinued operations	**2017 £m**	2016 £m
Operating cash flows	**(2.6)**	6.9
Investing cash flows	**-**	-
Financing cash flows	**-**	-
Total cash flows	**(2.6)**	6.9

b) Disposal of Investments in Joint Ventures

Property joint ventures

The property division typically uses joint ventures to structure transactions, and the Group considers disposals of such vehicles to be underlying trading which are in the underlying course of business.

During the year the Group, through its subsidiary Kier Project Investment Limited, disposed of its interests in Blue 3 (London) (Holdings) Limited, for a total consideration of £3.8m. The profit on disposal recognised in the year was £1.3m.

During the year the Group, through its subsidiary Kier Project Investment Limited, disposed of its interests in Blue 3 (Staffs) (Holdings) Limited, for a total consideration of £5.0m. The profit on disposal recognised in the year was £2.3m. In addition there is an element of deferred consideration totalling £1.4m not yet recognised which is likely to be recognised in the future.

On 2 September 2016 the Group acquired 100% of the share capital and loan notes of Lysander Student Properties Investments Limited (LSPIL). LSPIL had previously been held as a joint venture of which the Group had a 50% holding. The additional 50% of the share capital and loan notes were acquired from the joint venture partner for £3.6m. This transaction has been treated as a deemed disposal of a joint venture and subsequent acquisition of a subsidiary. A gain of £0.7m arose on the deemed disposal of the joint venture. Subsequent to the acquisition on 23 December 2016, the Group disposed of 25% of the share capital and loan notes of LSPIL, resulting in a 75% holding. This transaction has been treated as a deemed disposal of a subsidiary and subsequent acquisition of a joint venture due to the voting rights gained by the purchaser. A gain of £1.1m arose on the deemed disposal of a subsidiary.

Other joint venture disposals

On 13 July 2016, the Group disposed of its investment in Saudi Comedat Company Limited for £4.6m. Disposal costs of £0.6m had been incurred in the year. The net loss on disposal was £1.4m.

During the year the Group, through its subsidiary Kier Project Investment Limited, disposed of its interest in Biogen Holdings Limited for a total consideration of £9.7m. The loss on disposal recognised in the year was £7.6m.

The total disposal proceeds of all investments in joint ventures during the year can be reconciled to the total profit on disposal as follows:

	2017 £m	**2016 £m**
Sale proceeds	35.7	20.4
Book value of net assets	(37.2)	(15.5)
Sale costs	(2.1)	(2.3)
(Loss)/profit on disposal	(3.6)	2.6

Notes to the consolidated financial statements continued

9 Cash, cash equivalents and borrowings

	2017 £m	2016 £m
Cash and cash equivalents - bank balances and cash in hand	**499.8**	186.7
Borrowings due within one year	**(50.0)**	-
Borrowings due after one year	**(581.8)**	(303.2)
Impact of cross-currency hedging	**21.9**	17.7
Net borrowings	**(110.1)**	(98.8)

10 Statutory accounts

The information set out above does not constitute statutory accounts for the years ended 30 June 2017 or 2016 but is derived from those accounts.

Statutory accounts for 2016 have been delivered to the Registrar of Companies and those for 2017 will be delivered following the Company's annual general meeting and will be made available on the Company's website, www.kier.co.uk. The accounts have been prepared on a going concern basis which the directors consider appropriate. The auditors have reported on the 2017 and 2016 accounts, their reports were unqualified and did not contain statements under section 498 (1) or (2) of the Companies Act 2006.