KIER News Release

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Kier Group plc - Preliminary results for the year ended 30 June 2015

Kier Group plc, a leading property, residential, construction and services group, announces its results for the year ended 30 June 2015

Focusing on sustainable delivery

	Year ended June 2015	Year ended June 2014[4]	Change %	Like-for-like change[3] %
Revenue[1]	**£3.4bn**	£2.9bn	***+14***	***+12***
Group revenue	**£3.3bn**	£2.9bn	***+13***	***+11***
Operating profit – Underlying[2]	**£103.7m**	£87.3m	***+19***	***+16***
- Reported	**£60.9m**	£34.3m	***+78***	***+79***
Profit before tax – Underlying[2]	**£85.9m**	£73.7m	***+17***	
- Reported	**£39.5m**	£15.4m	***+156***	
Earnings per share				
- Underlying[2]	**96.0p**	87.5p[5]	***+10***	
- Basic	**40.2p**	16.2p[5]	***+148***	
Proposed full year dividend	**£47.3m**	£39.4m	***+20***	
Proposed full year dividend per share	**55.2p[5]**	57.6p[5]	***-4%***	

Financial information in this table relates to continuing operations, 2015 includes three weeks' contribution from Mouchel

[1]Group and share of joint ventures.
[2]Stated before non-underlying items, see note 3.
[3]Excludes the impact of the Mouchel acquisition.
[4]Continuing operations. Prior year comparatives restated to reflect the reclassification of the UK mining activities to discontinued operations.
[5]Restated for the bonus element of the rights issue associated with the Mouchel transaction.
[6]Restated to reflect the creation of the Residential division, comprising elements previously included within the Property and Construction divisions.

Financial highlights – a good contribution from all divisions

- Revenue[1,4] of £3.4bn, up 14%, reflecting strong organic growth in all divisions;
- Divisional performance:
  - Property – underlying operating profit[2] up 42%[6] delivering ROCE in excess of 15%;
  - Residential – 2,130 new units delivered this year, a 35%[6] increase on 2014;
  - Construction – revenue growth[4] of 15%[6], resilient margin of 2.2% and 95% secured for 2016; and
  - Services – revenue growth of 13%, stable margin[2] of 4.7% and 90% secured for 2016.
- Non-underlying charges of £31.6m on continuing operations (2014: £42.2m) relate to restructuring, transaction and integration costs in preparation for and following the acquisition of Mouchel, the closure of the Kier Group pension scheme, the sale of Fleet & Passenger Services ('F&PS') and in simplifying the portfolio, £22.9m on discontinued operations relating to the disposal of the UK mining business;
  Mouchel synergies for 2016 on track to deliver £4m;
- Net debt position of £141m ahead of expectations (June 2014: £123m), reflects some improvement in working capital, continued investment in future growth and the Mouchel rights issue;
- Underlying earnings per share[2,4] of 96.0p (2014: 87.5p[5]) up 10%; and
- Proposed full year dividend increased by 20% to £47.3m (2014: £39.4m).

Operational highlights – increased provision of integrated offering

- £265m acquisition of MBRL Limited ('Mouchel') has increased Construction and Services order book as at 30 June 2015 to £9.3bn (2014: £6.2bn);
  - Integration progressing well and proposed synergies on track

Continued ….

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- Divisional highlights:
    - Property – Good support from co-investors; a development pipeline of more than £1bn; ten-year Strategic Property Partnership with Staffordshire County Council and the Police and Crime Commissioner (PCC) contract award to provide strategic estate management;
    - Residential – Strong growth with enhanced mixed tenure capability and a pipeline of more than £450m;
    - Construction – Significant UK regional building contribution, sizeable pipeline for Middle East and infrastructure businesses; and
    - Services – Expanded highways sector capability and successful mobilisation of the AMP6 contracts.

- Contracts awarded after 30 June 2015:
    - One of Highways England's largest Smart Motorway Programme contracts worth up to £475m, in joint venture; and
    - Scape National Minor Works Framework as sole provider to deliver up to £1.5bn of construction work.

Commenting on the results, Kier Group plc chief executive, Haydn Mursell said:

"I am pleased to announce we have delivered solid growth and increased profitability. Economic confidence is returning to our core markets and, furthermore, the acquisition of Mouchel represents a major step in accelerating the Group's five-year strategy."

"All our divisions have performed well. In Property, the market remains strong and we have ample support from funders and other investors. Following its expansion, our Residential division is well-placed to help address the national shortage of affordable housing. In Construction, the regional building business has an established position on public and private sector frameworks and our infrastructure business is benefiting from continued greater investment by the UK Government in infrastructure in the medium term and internationally, the Middle East pipeline is strengthening. Our Services division will benefit from the £700m AMP6 contracts secured during the year and the Mouchel acquisition has made Kier the sector leader in the UK highways management and maintenance sector. We are committed to offering a full, integrated approach to our clients by maximising the breadth and combination of capabilities available in the Group, assisting them to address the budget challenges they face."

"We continue to simplify the portfolio and restructure our businesses and invest in our future growth. We continue to improve the quality of our earnings to reflect the changing demands of our markets. With a £9.3bn order book, a strong balance sheet and continued progress on our Vision 2020 goals this year, we look forward to the future with confidence."

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A presentation of the preliminary results will be held for analysts and investors at 9.00am on 17 September 2015 at the London Stock Exchange. The presentation will be recorded and a video will be available later in the day on Kier's website.

For further information, please contact:

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Chairman's statement – focusing on sustainable delivery

I am pleased to report 2015 was another year of solid growth, building on the trend of previous years.

Group revenue[1] for the year ended 30 June 2015 increased by 13% to £3.3bn (2014: £2.9bn) and underlying operating profit[1,2] increased by 19% to £103.7m (2014: £87.3m). Overall, underlying operating margins[1,2] were robust at 2.2% in the Construction division (2014[3]: 2.0%) and 4.7% in the Services division (2014: 4.8%), in line with expectations. The Property division made a significant contribution with operating profit[2] of £22.7m (2014[3]: £16.0m), based on its successful investment strategy, and the Residential division also performed well, with underlying operating profit[2] of £11.2m (2014[3]: £7.7m), having achieved a record-number of completions in the year.

Underlying profit before tax[1,2] for the year of £85.9m (2014: £73.7m) and underlying earnings per share[1,2] of 96.0p (2014[4]: 87.5p) were both in line with expectations. As forecast, a non-underlying charge of £31.6m on continuing operations (2014: £42.2m) was incurred during the year predominantly relating to the closure of the Kier Group pension scheme, the sale of F&PS and the transaction and integration costs relating to the acquisition of Mouchel. The cash effect of these was considerably lower at £18.8m. The Group's net debt as at 30 June 2015 was £141m (June 2014: £123m) which was in line with management's expectations. During the year, £47.8m was invested in new development schemes, housing land and affordable housing work in progress, and there was further improvement in working capital in Construction and Services. The net proceeds from the rights issue associated with the Mouchel transaction totalled £332m, with £16.4m of associated costs.

As a result of the acquisition of Mouchel, the proposed final dividend in respect of the year ending 30 June 2015 has been adjusted to take into account the increased number of shares in issue following the completion of the rights issue. To reflect the Board's continued confidence in the Group, a total dividend for the year of £47.3m, a 20% increase (55.2p[4] per share, is proposed. Subject to shareholder approval, the final dividend of 36.0p per share will be paid on 27 November 2015 to shareholders on the register at the close of business on 25 September 2015. A scrip dividend alternative will also be available.

The Board

In January 2015, Bev Dew joined the board as finance director. In March 2015, Nigel Brook (Executive Director – Construction and Infrastructure Services), Nigel Turner (Executive Director – Developments and Property Services) and Claudio Veritiero (Group Strategy and Corporate Development Director), joined the Board. As a consequence of this reorganisation, Steve Bowcott, Chief Operating Officer, left the Board and the business at the end of April 2015. These appointments are a strong addition to the board, ensuring the Group has the range of skills, experience and expertise at board level to deliver its five year strategy, Vision 2020.

On 31 July 2015, it was announced that Justin Atkinson will join the Board as a non-executive director with effect from 1 October 2015. With over 20 years' experience at Keller Group, of which 15 years were as Chief Finance Officer and then Chief Executive, Justin has a deep knowledge of the construction sector and operating internationally. I would like to welcome Justin to the Board.

Outlook

I am pleased to announce we have delivered solid growth and increased profitability. Economic confidence is returning to our core markets and, furthermore, the acquisition of Mouchel represents a major step in accelerating the Group's five-year strategy.

[1]Continuing operations, prior year comparatives restated to reflect the reclassification of the UK mining activities to discontinued operations.

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

[3]Restated to reflect the creation of the Residential division, comprising elements previously included within the Property and Construction divisions.

[4]Restated for the bonus element of the rights issue associated with the Mouchel transaction.

All our divisions have performed well. In Property, the market remains strong and we have ample support from funders and other investors. Following its expansion, our Residential division is well-placed to help address the national shortage of affordable housing. In Construction, the regional building business has an established position on public and private sector frameworks and our infrastructure business is benefiting from continued greater investment by the UK Government in infrastructure in the medium term and internationally, the Middle East pipeline is strengthening. Our Services division will benefit from the £700m AMP6 contracts secured during the year and the Mouchel acquisition has made Kier the sector leader in the UK highways management and maintenance sector. We are committed to offering a full, integrated approach to our clients by maximising the breadth and combination of capabilities available in the Group, assisting them to address the budget challenges they face.

We continue to simplify the portfolio and restructure our businesses and invest in our future growth. We continue to improve the quality of our earnings to reflect the changing demands of our markets. With a £9.3bn order book, a strong balance sheet and continued progress on our Vision 2020 goals this year, we look forward to the future with confidence.

Phil White, Chairman

Chief executive's review - focusing on sustainable delivery

I am pleased to report that Kier experienced solid growth this year as we continue to progress towards Vision 2020. We increased the Group's profitability and scale of operations both organically and through acquisitions and improved the quality of our earnings. Once the uncertainty surrounding the outcome of the UK General Election dissipated, investor and client confidence improved, as did our revenue and pipeline of opportunities. The quality and visibility of these opportunities also improved particularly in our Construction division, where the risk profile of new work is lower than it has been in recent years.

Following the launch of Vision 2020, ***our strategy for sustainable profitable growth***, we remain focused on six priorities:

- Operate a safe and sustainable business;
- Achieve top quartile performance and efficiency;
- Accelerate growth to be in the top three in our chosen markets;
- Provide sector-leading customer experience, both for our clients and for their customers;
- Attract and retain highly motivated, high-performing teams; and
- Ensure the business is supported by investment in technology and back-office systems.

Our safety record continues to be good, with a 14% year-on-year reduction in UK accident levels. We have also rolled-out a comprehensive wellbeing programme for our people. We encourage everyone to think about safety, to recognise that it is 'in our hands' and that we are all responsible for delivery and continuous improvement.

In June 2015, Kier completed the acquisition of Mouchel, the international infrastructure services and business services group, accelerating the Group's Vision 2020 goal to be in the top three in its chosen markets. The transaction brings together Mouchel's leading position in strategic highways services and Kier's presence in the local authority roads market, making Kier the sector-leader in the growing UK highways maintenance and management market. We are now well-positioned to benefit from the Government's new Road Investment Strategy which sets out a long-term investment plan for £17bn of total expenditure on the maintenance, renewal and enhancement of the UK strategic road network between 2015-2020, with annual expenditure increasing from £2.9bn to £4.1bn over the same period. The Mouchel transaction also accelerates our strategy for growth across the infrastructure market. Across our infrastructure, construction and maintenance activities, the Group now has revenue of more than £1.5bn in the UK, together with further significant growth opportunities. Moreover, the Mouchel acquisition brings skills in the local authority market which are complementary to Kier's existing offering in this market. The local authority and strategic highways businesses are working together, sharing knowledge and resources across Highways England, Transport for London and local authority highways projects.

The integration of Mouchel's operations is progressing well with the successful retention of its key management. The acquisition increases the Group's order book to £9.3bn as at 30 June 2015. I am pleased to report that the actions to deliver the cost savings for 2016 are well underway. It is anticipated that the enlarged business will achieve cost savings of £4m in the financial year ending 30 June 2016 and £10m in the financial year ending 30 June 2017 and thereafter.

Kier's integrated offering covers the breadth of the Group's capabilities, including financing, building and maintaining, and is designed to assist clients in addressing their budget challenges. In light of continuing fiscal tightening, particularly in the public and regulated sectors, clients are focusing on value creation from under-utilised assets and the whole life cost of their existing assets. Strategic partnerships with clients including Northamptonshire County Council and Staffordshire County Council and the Police and Crime Commissioner for Staffordshire were signed this year and illustrate how clients value the Group's broader capabilities. I believe there is considerable scope to extend this approach.

Our new stand-alone Residential division, created in July 2014, seeks to address the continuing shortage in the UK housing stock as production remains below the Government's target of 240,000 units per annum. Recent changes to the 'Right-to-Buy' policy and funding for registered providers are expected to lead to greater public and private collaboration on housing schemes which the Group is well-equipped to address. We believe that the affordable housing market will experience the greatest growth. The public sector already owns land suitable for housing and our aim is to assist it in deriving value through housing development.

Our UK construction business achieved double digit growth in revenue and profit in the year due to its established positions on frameworks such as the recently awarded £1.5bn Scape National Minor Works Framework. Our infrastructure business operates in markets receiving Government focus and investment and Kier has an involvement in the National Infrastructure Pipeline strategy, particularly in the transport and power sectors.

The Mouchel acquisition expanded our operations internationally, with new consultancy, design and contract supervision capabilities in the Middle East, and we gained entry into the Australian highways market through the DownerMouchel joint venture. Whilst the Dubai market continues to be strong, operating in Hong Kong remains a challenge with rail programme delays. We continue to work with the MTR Corporation to address this.

Following the increase in the Group's size over the past two years, we are focused on improving the quality of our earnings and adjusting our portfolio of businesses to reflect the changing demands of the market. We maintain a disciplined approach to capital allocation and returns on capital hurdle rates. As a consequence, in early July 2015, the Fleet & Passenger Services business was sold, generating proceeds of £17.9m. In addition, the UK coal mining business in Greenburn, Scotland, has been prepared for sale in light of the downturn in the price of coal. Discussions with a third party are progressing well. We will continue to manage and resolve under-performing legacy contracts and review the Group's operations to maximise the potential of the newly enlarged Group.

We have put in place a robust platform to support the future growth of the Group. We have continued to strengthen our regional building presence, expanded service capabilities and extended our presence in key infrastructure market sectors, such as highways and utilities. We are focused on maximising the strength of the Group in the year ahead, developing further our established client relationships and using our financial and operational expertise to deliver more services to customers. We look forward to the future with confidence.

Operational Review
Property

The division provides property development and structured finance.

	Year ended June 2015 £m	Year ended June 2014[3] £m	*Change %*
Revenue[1]			
Developments	79	86	*-8*
Structured finance	47	16	*+194*
Total	**126**	**102**	***+24***
Underlying operating profit/(loss)[2]			
Developments	23.0	11.2	*+105*
Structured finance	(0.3)	4.8	*-106*
Total	**22.7**	**16.0**	***+42***
Average capital[4]	**June 2015**	**June 2014**	
Developments	(84)	(70)	*+20*
Structured finance	1	9	*-89*
Total	**(83)**	**(61)**	***+36***

[1]Group and share of joint ventures.
[2]Stated before non-underlying items, see notes 2 and 3. Reported Property operating profit was £22.6m (2014[3]: £13.6m).
[3]Restated to reflect the creation of the Residential division, comprising elements previously included within the Property and Construction divisions.
[4]Equates to average net debt.

Revenue[1] was £126m (2014[3]: £102m), up 24%, generating an underlying operating profit[2] of £22.7m (2014[3]: £16.0m). This significant result was achieved with average capital invested[4] of £84m in the Developments business, through a focus on capital efficiency with co-investors and using the cash flow from Kier's other operations. A profit of £1.3m was generated from the sale of a PFI investment in the year. The division achieved a 27% ROCE, exceeding its 15% ROCE target following the significant profit contribution arising from the Solum Regeneration joint venture renegotiation with Network Rail. However, it is anticipated that ROCE will return to normalised levels in the current financial year. The division's performance continues to be healthy with a development pipeline of opportunities in excess of £1bn.

With a greater focus on Kier's integrated offering and working with joint venture partners, the specialist skills of the Property division are increasingly in demand by public sector clients who are seeking to maximise the return from their property assets. For example, a Strategic Property Partnership with Staffordshire County Council and the Police and Crime Commissioner (PCC) for Staffordshire was signed in June 2015. The partnership has created a joint venture company between Kier, the County Council and the PCC called Penda, for a ten-year period with the potential for a five-year extension. The partnership will review property and land schemes including development, disposal, acquisition, construction, asset management and facilities management for a value up to £400m and involve a range of capabilities from across the Group.

Developments
The Development business concentrates predominantly on non–speculative opportunities, with a focus on pre-let and forward sold developments and joint venture arrangements thereby reducing the associated risk and demands on Group cash. During the period, 1.2m sq ft of pre-lets and lettings were secured across a range of sectors, including industrial, retail and leisure, and for a range of prestigious clients including Total E&P, Centrica and CGG. Within the Trade City joint venture with Investec, the first two schemes at Sydenham and Frimley were sold for a combined cash consideration of £20m. In June 2015, construction commenced on two new schemes in Oxford and Bracknell.

In December 2014, the division disposed of its 50% share in the Trade City schemes at Hayes (60,000 sq ft) and Uxbridge (120,000 sq ft) for £14m. In June 2015, the business expanded its industrial offering with the launch of the Logistics City brand focusing on industrial space units up to 150,000 sq ft, complementing the Trade City brand which focuses on owner-occupier needs with units averaging c10,000 sq ft. New Logistics City schemes are underway in Normanton, Yorkshire, where completion is expected in November 2015, with additional sites secured at Thurrock, Frimley and Andover.

Following Kier's selection by Total E & P to build its new 240,000 sq ft headquarters in Aberdeen, further success in the office sector has been achieved having been selected to develop a new 50,000 sq ft office for CGG, the geoscience company, in Crawley, with construction due to commence in Spring 2016. Further office developments are underway in Hammersmith (60,000 sq ft), in joint venture with Investec, 58 Victoria Embankment in London (46,500 sq ft), in which Kier holds a 16% equity stake and is also the development manager and funding partner, and at Sovereign Square in Leeds (94,000 sq ft), of which 60% is pre let.

The retail, mixed-use and regeneration sectors remain healthy. The £30m retail and leisure development at Catterick is on programme, having achieved practical completion in August 2015 and a sale is expected by December 2015. The 68,000 sq ft leisure scheme in Walsall, comprising a cinema and food and beverage outlet which has been fully pre-let, has been forward funded and Kier's investment sold with construction due to complete in November 2015. Two new retail schemes have been secured in Wakefield (47,000 sq ft) and in Durham (63,000 sq ft), with significant occupier interest in both schemes and construction is set to commence in the coming year.

In the hotel sector, a 67 bedroom Travelodge and retail unit at Doncaster Lakes was sold for a cash consideration of £4m. Construction continued on the forward-sold 222-bed hotel for Motel One in Highbridge, Newcastle, with completion on target for late 2015. In April 2015, a new joint venture with Premier Inn Limited, part of the Whitbread Group, was formed to identify hotel development opportunities across the UK.

In October 2014, the 20 acre Reading Gateway site was acquired in partnership with Investec. A planning application for 150 new homes and a hotel and light industrial and trade counter space is expected to be submitted in October 2015.

In December 2014, the £240m Watford Health Campus project reached a significant milestone, with the planning award of the hybrid masterplan and the commencement of highway infrastructure works. The scheme will deliver 375,000 sq ft of mixed-use development to the area as well as 680 new homes.

Reinforcing Kier's relationship with Network Rail, the Solum Regeneration joint venture was extended for an additional ten years to 2028, focusing on schemes up to £150m with its joint venture partner. Solum has in excess of £500m of mixed-use and regeneration schemes in its portfolio and a significant number of regeneration schemes are underway including in Guildford, Haywards Heath, Redhill, Twickenham and Walthamstow.

Structured Finance
The current portfolio of structured property finance projects includes eight schemes, two at preferred bidder stage and the remainder in construction or operation. The committed equity investment stands at £21m (2014: £19m), of which £13m (2014: £11m) has been invested to date. The directors' valuation at a discount rate of 7.5% for PFI investments and 10% for direct let student accommodation investments is £36m (2014: £34m).

The student accommodation joint venture with Amber Infrastructure, set up last year, recently completed 264 rooms in Glasgow ready for the 2015/16 academic year and more student accommodation opportunities are in the pipeline. In the education sector, good progress is being made on the design, build, finance and maintain (DBFM) of the £25m Ayr Academy scheme in South Ayrshire and the Kilmarnock Academy DBFM scheme where Kier is the preferred bidder, and both of which are being delivered via South West Hub.

Property outlook
The property market remains strong with increased demand for high-quality office space, both in the regions and London and we are seeing rising demand for industrial space. Our co-investors partners continue to provide support, which is helping to improve our return on capital, and the focus will remain on predominately non-speculative and pre-let opportunities and the continued recycling of mature assets. The division will continue to generate opportunities for our Construction and Services divisions and assist our clients to create value from under-utilised assets.

Residential

Kier Residential, branded Kier Living, includes private house building and affordable mixed tenure housing partnerships.

	Year ended June 2015 £m	Year ended June 2014[2] £m	*Change %*
Revenue			
Private (Kier owned land)	142	128	*+11*
Mixed tenure	115	105	*+10*
Total	**257**	**233**	***+10***
Underlying operating profit[1]			
Private (Kier owned land)	6.4	3.9	*+64*
Mixed tenure	4.8	3.8	*+26*
Total	**11.2**	**7.7**	***+45***
Average capital[3]	**June 2015**	**June 2014**	
Private (Kier owned land)	(220)	(213)	*+3*
Mixed tenure	(43)	(20)	*+115*
Total	**(263)**	**(233)**	***+13***
Land bank units	**3,485**	**3,953**	***-12***

[1]Stated before non-underlying items, see notes 2 and 3. Reported Residential operating profit was £11.2m (2014[2]: £7.6m).
[2]Restated to reflect the creation of the Residential division, comprising elements previously included within the Property and Construction divisions.
[3]Equates to average net debt.

In its first full year operating as a new division, the Residential business performed well. The Group's activities are focused on both private house sales and working with local authorities, housing associations and other clients on building mixed tenure affordable housing. Revenues increased to £257m (2014[2]: £233m) with the total number of unit completions[2] increasing by 35%[2] to 2,130 units generating an increase in underlying operating margin to 4.4%.

The strong second-half performance was assisted by the affordable funding programme, as predicted. Underlying operating profit[1] of £11.2m (2014[2]: £7.7m), up 45%, was achieved with a 13% increase in average capital invested, reflecting the ongoing recovery in the sector and the rebalancing of the land bank away from legacy Kier land and into mixed tenure developments.

Mixed tenure
The mixed tenure business achieved more than 1,400 completions in the year, a significant increase on 2014, reflecting the unfulfilled housing demand. In April 2015, the division extended its operations in the north of England through the acquisition of a number of assets and contracts from a regional affordable housing business, Southdale. This business provides the division with a national UK mixed tenure capability.

There was a significant increase in available plots in the Midlands and major development sites were set up in Chesterfield, where a large Homes and Communities Agency master planned mixed tenure site is underway and Kettering, a site developed in conjunction with Buccleuch Trust.

The mixed tenure return on capital is now more than 10% and improving with capital employed increasing to over £40m. The recent budget changes and the extension of Right to Buy are expected, in the short term, to lead housing associations and councils to reassess their development plans. However, these changes are expected to result in greater public and private collaboration, as housing associations and councils seek scale which should be of potential benefit to the Group over the medium term as larger schemes then come to market. The mixed tenure business is well positioned and is more than 70% secured for 2016.

Private
This year saw a significant uplift in private sale completions on Kier owned land, with 706 completions (2014[2]: 601), up 17% on last year. The land bank mix is improving with approximately 60% of developments on land bought before 2008 and the remainder on newer land which is delivering a 20% return on capital. During the year, the land bank reduced to 3,485 plots (2014[2]: 3,953). Sales were completed at a rate of 0.7 units per trading site per week supported by the Help to Buy scheme, which accounted for approximately 40% of sales. Average selling prices increased to £190k and the business is currently more than 40% secured for 2016.

In March 2015, Kier was awarded a 5* rating in the annual Home Builders Federation customer satisfaction survey, achieving the top score amongst house builders in the UK.

Residential outlook
The UK demand for all forms of housing continues and the changes to the planning process recently announced, aim to accelerate and simplify the decision-making process. The division is well secured for 2016 and we will continue to focus on recycling the land bank to service growth in the mixed tenure business. Mixed tenure is a key part of our housing activities, which, when combined with our experience of housing maintenance, positions Kier well both to assist registered providers to develop their portfolios for both private and affordable housing purposes and to deliver the maintenance requirements thereafter.

Construction

The Construction division comprises the UK building, civil engineering and international businesses which undertake a wide range of building and infrastructure projects.

	Year ended June 2015 £m	**Year ended June 2014[3,4] £m**	***Change %***
Revenue[1]	**1,721**	1,498	*+15*
Underlying operating profit[2]	**37.7**	30.2	*+25*
Underlying operating margin[2]	**2.2%**	2.0%	

	June 2015	**June 2014**	**Change %**
Order book (secure and probable)	**£3.3bn**	£2.5bn	+32

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. Reported Construction operating profit from continuing operations was £36.8m (2014[3,4]: £22.0m).
[3]Continuing operations, prior year restated to reflect the reclassification of the UK mining activities to discontinued operations.
[4]Restated to reflect the creation of the Residential division, comprising elements previously included within the Property and Construction divisions.

The Construction division has experienced significant year-on-year organic growth whilst maintaining its selective approach to new work. Revenue[1,3] was up 15% to £1,721m (2014[4]: £1,498m), reflecting significant market and contract growth over the period, particularly within the core regional building business. This resulted in an underlying operating profit[2,3] increase of 25% to £37.7m (2014[4]: £30.2m). Underlying operating margins[2,3] were resilient at 2.2% (2014[4]: 2.0%) and the working capital position has improved.

The order book of secured and probable work, at £3.3bn, is equivalent to 95% of forecast revenue for the 2016 financial year, on increasing volumes.

UK regional building

The regional building business has performed well, with an increasing number of opportunities in the private sector, as well as an expanded profile in Scotland and Wales.

During the year, Kier has secured places on all of its major construction frameworks bids generating £15bn of opportunity. Kier's experience resulted in a number of new contracts being awarded on the health and education frameworks. On 28 August 2015, we announced that Kier has been appointed the sole contractor to deliver up to £1.5bn of construction work, by leading built environment specialist, Scape Group. The Scape National Minor Works Framework covers the UK and runs for a duration of four years, delivering schemes valued between £50,000 and £4m, ranging from refurbishment and redevelopment to new construction projects. Kier was previously on the framework and during the last year delivered 215 projects with a value of £130m, of which 20% were completed by the Services division.

In addition, the Group retained its place on the North West Construction Hub medium-value framework for projects worth between £2m and £9m and all three lots under the £4bn Southern Construction Framework, one of the largest construction frameworks in the UK.

The Group was awarded over £260m worth of contracts under the national framework with the Education Funding Agency and is currently the preferred bidder on a total of 10 schemes, with a combined value of £72m.

As announced in June 2015, the division was awarded more than £200m of contracts under the ProCure 21+ health framework. These included being named preferred bidder for a £160m contract to design and build a new critical treatment hospital for Hampshire Hospitals NHS Foundation Trust. The new 45,000 sq m campus within the borough of Basingstoke and Deane will include a new cancer treatment centre and critical pathology laboratories, with work planned to start on site in April 2016. In addition, a £25m contract was awarded to upgrade three hospitals in Boston, Grantham and Lincoln for United Lincolnshire Hospitals NHS Trust and a £22m contract was awarded to reconfigure and refurbish Dewsbury and District Hospital for the Mid Yorkshire Hospitals. Kier has been appointed by two NHS Trusts as Principal Supply Chain Partner through the ProCure 21+ frameworks to deliver a £40m programme of reconfiguration works at Hereford County Hospital and by Nottinghamshire Healthcare NHS Foundation Trust to deliver the Trust's future estates strategy.

The division has developed its profile in the biotech sector, with new projects including a £70m 14,000 m2 laboratory for the University of Cambridge on the Cambridge Biomedical Campus and the recent completion of the £23m Hinxton facility for the Wellcome Trust Sanger Institute.

In London, the Group has expanded its presence at the Argent development at King's Cross in London by being appointed preferred bidder on new offices and retail space as part of the overall scheme. In April 2015, Kier was selected as preferred bidder to deliver the £170m first phase of The Ram Quarter, a major flagship regeneration scheme in Wandsworth, London. Ram Quarter will be delivered in three phases, with a total value of around £600m. Kier will deliver 411,000 sq ft of new build residential and retail space for phase one. Enabling works have commenced with completion scheduled for early 2017. This award recognises Kier's extensive experience in major mixed-use and regeneration projects in the London market.

The division continues to undertake work alongside the Property division, for example, on the Total E&P project to build its new 240,000 sq ft headquarters in Aberdeen and the Ayr Academy as part of the South West Hub.

Infrastructure

The infrastructure business maintained a solid performance, with revenues approaching £350m from a range of sectors.

In transport, good progress continues to be made on the £450m Mersey Gateway scheme, having achieved the first milestone ahead of programme. Kier's presence in capital programmes in the UK highways sector continues to grow. Following Kier's success on the Highways Agency £1.15bn five-year collaborative delivery framework, announced in November 2014, Kier secured one of Highways England's largest Smart Motorway Programme contracts worth up to £475m, in joint venture, in July 2015. The initial £129.5m contract covers works on the M6, with future works on the M6, M20 and M23. In the year, Kier was also awarded, and commenced, the £33m upgrade to the A30, working for Cornwall Council.
In the rail sector, we have formed a new joint venture with Carillion and Eiffage for HS2 and, at Crossrail, the western running tunnels project is on programme to complete this year, with all Kier's other tunnelling works now complete across the project. Good progress continues to be made on Kier's Crossrail work at Farringdon station which is set to complete in 2018.

In the energy sector, works have been completed at the Wakefield energy-from-waste plant and are nearing completion at the Plymouth energy-from-waste project. The nuclear sector remains active, with new projects at Sellafield, Devonport and Aldermaston, and existing projects at Urenco. At Hinkley, preparation is underway for the next phase of works, which will commence when the final investment decision is announced.

In the water market, the Deephams waste water treatment works project for Thames Water is progressing well.

As announced on 30 June 2015, the UK mining operations in Greenburn, Ayrshire have been prepared for sale and treated as discontinued as at 30 June 2015. Discussions with a potential buyer are progressing well. Following the conclusion of the Group's forward sales contract at the Greenburn mine and the fall in the coal price during the year, the Group has undertaken an impairment review of its UK mining operations. This has resulted in a non-underlying impairment charge to realisable value in the current financial year of £22.9m, with a cash effect of £8m.

International

The international business has secured over £375m of new work in the year. This included major project awards in the Middle East, including a £100m+ prestigious residential development in Dubai, two further contract awards at Dubai Parks & Resorts and a £32m primary infrastructure project for SABIC in Saudi Arabia. Despite lower oil prices, prospects in our key markets of Dubai and Saudi Arabia remain encouraging and our ability to arrange export credit facilities for our clients, supported by UK Export Finance, remains a key differentiator. The business is extending its geographical reach in the region and has a strong order book.

In Hong Kong, work is progressing on our two major rail contracts for MTRC, however, the market remains challenging with project delays being experienced across the entire rail programme and we continue to work with MTRC to resolve these matters.

In the Caribbean, work has been secured in the education and hospitality sectors in Jamaica, although ongoing economic restrictions are reducing expenditure in the public sector. The £23m Marriott Hotel in Haiti was completed during the year.

Construction outlook
The Construction division continues to benefit from the UK economic recovery and the higher quality, lower risk of new work, having secured more than £2.5bn in the last year. Its operations are strengthened by an established position on frameworks, a selective approach to new work and an increasing profile in the UK infrastructure market where there is increased Government investment. The order book of £3.3bn is 95% secure for 2016 and margins and cash generation are expected to improve. We will continue to apply our comprehensive pre-construction review and risk management process and will endeavour to create a blend of projects utilising our building and infrastructure capabilities in the UK and internationally.

Services

The Services division comprises local authority highways maintenance, utilities, housing maintenance, facilities management, environmental and the recently acquired activities of strategic highways (EM Highways), DownerMouchel, Mouchel Consulting and Mouchel's local authority business processing operations, recently renamed Kier Business Services.

	Year ended 30 June 2015 £m	Year ended 30 June 2014 £m	Change %
Revenue[1]	**1,247**	1,104	*+13%*
Underlying operating profit[2]	**58.0**	53.3	*+9%*
Underlying operating margin[2]	**4.7%**	4.8%	

	June 2015	June 2014	Change
Order book (secure and probable)	**£6.0bn**	£3.7bn	*+62*

[1]Group and share of joint ventures, including three weeks' contribution from Mouchel.
[2]Includes three weeks of Mouchel trading in 2015, stated before non-underlying items, see notes 2 and 3. Reported Services operating profit was £39.3m (2014:£32.6m)

Services revenue[1] was up 13% to £1.2bn (2014: £1.1bn), reflecting the awards of a £200m four-year extension of the highways services contract with Northamptonshire County Council and more than £700m of awards as part of the AMP6 water cycle. Following the acquisition of Mouchel in early June, a three-week contribution from Mouchel's businesses has been included.

Underlying operating profit[2] was £58.0m (2014: £53.3m), up 9%. Underlying operating margins[2] remained in line with management's expectations at 4.7%, reflecting the high volume of bidding costs incurred on the successful AMP tenders in the first half of the financial year and the impact of a significant reduction in market prices for recyclate within the environmental business, which impacted underlying operating profit by £4m.

As announced at the completion of the Mouchel acquisition, it is anticipated that the transaction will deliver pre-tax cost savings of approximately £4m in the financial year ending 30 June 2016 and £10m in the financial year ending 30 June 2017 and thereafter.

The order book at 30 June 2015 of £6.0bn (30 June 2014: £3.7bn) provides good visibility of future work, having secured over £0.8bn of new contracts during the year. More than 90% of targeted revenue for 2016 was secured at 30 June 2015. The order book does not include contract extensions, which, if included, would add a further £3.3bn to the £6.0bn total.

Highways Maintenance
The highways business continued to perform well, benefiting from the Government's continued focus on infrastructure. Following the acquisition of Mouchel, Kier is now the sector leader in a growing UK highways maintenance and management market covering both the local authority and strategic highways sectors of the UK highways market, where Government spend has and will continue to increase.

Overseas, the DownerMouchel joint venture continues to perform well and additional contracts in the Australian highways market and new opportunities in New Zealand are being evaluated.

In the UK, total annual spend on the highways is £13bn, of which approximately £7bn relates to maintenance providing an opportunity for the Group to extend its presence in this market. This spend is further underpinned by Highways England's £17bn five-year investment in the strategic road network. The local authority highways market is using funds made available by the new £575m Challenge Fund, set up by central Government, to help repair and maintain local infrastructure from 2016 and improve overall asset management.

In Kier's local authority highway business, a £200m four-year extension of the Northamptonshire County Council highways services contract, in joint venture, was confirmed. In addition, the extension of the Lincolnshire and East Sussex contracts were extended with an estimated value of £37m and £15m, respectively. Discussions are ongoing with Surrey County Council to develop a more strategic approach to their maintenance requirements, as well as a one-year extension with a value of approximately £50m.

Utilities
The utilities business had a good year, marking the transition between AMP5 and AMP6 water cycles. On the back of £700m of new contract awards for Anglian Water, Bournemouth, Bristol, Canal River Trust and Thames Water during the AMP6 bidding cycle and extensions with Scotia Gas Network (SGN) and South West Water, Kier is now one of the top three participants in the UK regulated water sector.

During the period, the business undertook four mobilisations in the water sector; one for Thames Water and three for Anglian Water, which have been completed successfully. As part of these, work has focused on cultural transformation of the alliances, more efficient processes and an improved customer experience.

In the energy sector, there have been significant opportunities, particularly in the gas sector and there are increased opportunities in the environmental protection market. With the growth in the utilities sector, availability of skills remains under pressure and Kier has created its own utilities skills academy to respond to this demand.

The gas and telecoms sectors of the utilities market remain particularly attractive with opportunities under discussion with OpenReach and SGN.

Mouchel Consulting
Mouchel Consulting operates within the highways design, management and technology sector with operations both in the UK and the Middle East. Since 30 June 2015, Mouchel Consulting has secured one of the five major regional traffic modelling contracts with Highways England and, supporting the Government's northern powerhouse devolution agenda, has been awarded a £1.4m project to assess the feasibility of a new TransPennine link between Sheffield and Manchester. Building on its track record in the Middle East highways sector, a four-year £17m supervision contract has been secured for a highways maintenance contract in Abu Dhabi.

Housing Maintenance
The business experienced a good first half of the year however trading was more subdued in the second half as is typical around an election. Following the award of the four-year £140m repairs and maintenance

contract with Genesis Housing Association in September 2014, this was successfully mobilised. Other contract awards in the year included the £26m four-year roofing contract for Sheffield City Council and the five-year £6m planned maintenance contract for Richmondshire District Council in North Yorkshire. In addition, the business is supporting the £25m Procure 21+ regional minor works contract being undertaken through Kier Construction. New opportunities are under discussion with Metropolitan Housing and following a change in strategic approach from the client, the £9m Circle repairs contract was exited enabling the Group to focus on the planned works and gas compliance contracts for that client.

This business continues to develop new opportunities in the East and West Midlands, the North West and East Anglia. Opportunities are also arising from targeting frameworks and places have been secured on 24 frameworks covering works for 150 clients, including the Greater London Authority RE:NEW framework. With the recent Government affordable housing and rent announcements, it is anticipated that the market for registered providers will change, with likely consolidation providing access to larger stock portfolios and the need for increased outsourced support.

Facilities Management
To better define its offer in a competitive market, the facilities management (FM) business focuses on providing a broad FM and asset management proposition to clients. This breadth of delivery is in line with market trends and has resulted in contracts being signed with Staffordshire County Council and the Police and Crime Commissioner for Staffordshire.

There have been a number of new awards in the year, including a five-year £22.5m contract with the Royal Opera House and the provision of a four-year £4.8m contract for engineering services to University College London, built by Kier Construction. In the year, the business also joined two national public sector frameworks: the hard FM framework for Crown Commercial Services and the soft FM services framework for national Procurement Services Wales.

The market for FM services both in the public and private sector looks encouraging and, with clients appearing to prefer integrated self-delivered solutions, Kier is well placed to make further progress.

Kier Business Services (KBS)
The newly-acquired operations of Mouchel provide a range of business process outsourcing and property management services to the local authority market, as well as to the police, health and education sectors. Kier has a prominent position with local authorities across its operations and further opportunities exist to extend its services to clients via Kier Business Services. KBS remains focused on the provision of bundled services to assist local authorities to address their budgetary challenges. Key clients of KBS are exploring the breadth of services now available through Kier and discussions on further outsourcing with current customers are ongoing.

Other
During August 2015, the Bristol City Council contract in our environmental business was mutually terminated within the overall fair value provisions arising at the time of the May Gurney acquisition. Elsewhere, the performance of the environmental business remains challenging but stable.

The sale of Fleet & Passenger Services was completed on 1 July 2015 for £17.9m. Proceeds from the sale were used to improve Kier's cash position and, where appropriate, to fund growth opportunities in line with Kier's strategy.

Services outlook
Following the acquisition of Mouchel, the Group's highways capability has been extended and accelerated. Our enhanced capabilities within the highways market, together with our Group infrastructure capabilities, positions us well for future investment in the transport sector. The increased focus of our utilities business on regulated sectors such as telecoms and power provides new opportunities for further

growth in the business. In the local authority market, budgetary challenges continue to create a need for a new approach to managing assets and how services are delivered leading to the outsourcing of more complex, asset focussed contracts. Our strong relationships with local authorities provide a robust foundation on which to grow and utilise the breadth of skills we have across the Group. The division has a £6.0bn order book with potential extensions adding a further £3.3bn and is 90% secured for 2016.

- E N D S-

Cautionary statement

This announcement does not constitute an offer of securities by the Company. Nothing in this announcement is intended to be, or intended to be construed as, a profit forecast or a guide as to the performance, financial or otherwise, of the Company or the Group whether in the current or any future financial year. This announcement may include statements that are, or may be deemed to be, ''forward-looking statements''. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms ''believes'', ''estimates'', ''anticipates'', ''expects'', ''intends'', ''plans'', ''target'', ''aim'', ''may'', ''will'', ''would'', ''could'' or ''should'' or, in each case, their negative or other variations or comparable terminology. They may appear in a number of places throughout this announcement and include statements regarding the intentions, beliefs or current expectations of the directors, the Company or the Group concerning, amongst other things, the operating results, financial condition, prospects, growth, strategies and dividend policy of the Group or the industry in which it operates. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future and may be beyond the Company's ability to control or predict. Forward-looking statements are not guarantees of future performance. The Group's actual operating results, financial condition, dividend policy or the development of the industry in which it operates may differ materially from the impression created by the forward-looking statements contained in this announcement. In addition, even if the operating results, financial condition and dividend policy of the Group, or the development of the industry in which it operates, are consistent with the forward-looking statements contained in this announcement, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that could cause these differences include, but are not limited to, general economic and business conditions, industry trends, competition, changes in government and other regulation, changes in political and economic stability and changes in business strategy or development plans and other risks. You are advised to read the section headed ''Risk Factors'' in the combined circular and prospectus published by the Company on 28 April 2015 for a further discussion of the factors that could affect the Group's future performance and the industry in which it operates. Other than in accordance with its legal or regulatory obligations, the Company does not accept any obligation to update or revise publicly any forward-looking statement, whether as a result of new information, future events or otherwise.

Consolidated income statement

For the year ended 30 June 2015

Continuing operations	Notes	2015 Underlying Items[1] £m	2015 Non-underlying items (note 3) £m	2015 Total £m	2014[2] Underlying Items[1] £m	2014[2] Non-underlying items (note 3) £m	2014[2] Total £m
Revenue							
Group and share of joint ventures	2	**3,351.2**	**-**	**3,351.2**	2,937.8	-	2,937.8
Less share of joint ventures	2	**(75.3)**	**-**	**(75.3)**	(30.9)	-	(30.9)
Group revenue		**3,275.9**	**-**	**3,275.9**	2,906.9	-	2,906.9
Cost of sales		**(2,993.0)**	**-**	**(2,993.0)**	(2,653.0)	(3.5)	(2,656.5)
Gross profit/(loss)		**282.9**	**-**	**282.9**	253.9	(3.5)	250.4
Administrative expenses		**(201.9)**	**(42.8)**	**(244.7)**	(174.3)	(49.5)	(223.8)
Share of post-tax results of joint ventures		**7.9**	**-**	**7.9**	1.6	-	1.6
Profit on disposal of joint ventures		**14.8**	**-**	**14.8**	6.1	-	6.1
Profit/(loss) from operations	2	**103.7**	**(42.8)**	**60.9**	87.3	(53.0)	34.3
Finance income		**1.7**	**-**	**1.7**	2.2	-	2.2
Finance costs		**(19.5)**	**(3.6)**	**(23.1)**	(15.8)	(5.3)	(21.1)
Profit/(loss) before tax	2	**85.9**	**(46.4)**	**39.5**	73.7	(58.3)	15.4
Taxation	4a	**(16.9)**	**6.9**	**(10.0)**	(13.5)	9.8	(3.7)
Profit/(loss) for the year from continuing operations		**69.0**	**(39.5)**	**29.5**	60.2	(48.5)	11.7
Discontinued operations							
Loss for the year from discontinued operations (attributable to equity holders of the company)		**(2.2)**	**(21.8)**	**(24.0)**	(1.0)	-	(1.0)
Profit/(loss) for the year		**66.8**	**(61.3)**	**5.5**	59.2	(48.5)	10.7
Attributable to:							
Owners of the parent		**65.7**	**(61.3)**	**4.4**	58.5	(48.5)	10.0
Non-controlling interests		**1.1**	**-**	**1.1**	0.7	-	0.7
		66.8	**(61.3)**	**5.5**	59.2	(48.5)	10.7
Earnings per share							
Basic earnings per share							
From continuing operations	6	**96.0p**	**(55.8)p**	**40.2p**	87.5p[3]	(71.3)p[3]	16.2p[3]
From discontinued operations	6	**(3.1)p**	**(30.8)p**	**(33.9)p**	(1.5)p[3]	-	(1.5)p[3]
Diluted earnings per share							
From continuing operations	6	**95.6p**	**(55.6)p**	**40.0p**	86.9p[3]	(70.8)p[3]	16.1p[3]
From discontinued operations	6	**(3.1)p**	**(30.8)p**	**(33.9)p**	(1.5)p[3]	-	(1.5)p[3]

[1] Stated before non-underlying items, see note 3.
[2] Restated to reflect the reclassification of UK mining operations to discontinued operations.
[3] Restated to reflect impact of bonus element of rights issue associated with the Mouchel transaction.

Consolidated statement of comprehensive income

For the year ended 30 June 2015

	Notes	**2015 £m**	2014 £m
Profit for the year		**5.5**	10.7
Items that may be reclassified subsequently to the income statement			
Share of joint venture fair value movements on cash flow hedging instruments		**0.7**	15.1
Deferred tax on share of joint venture fair value movements on cash flow hedging instruments	4c	**(0.2)**	(3.6)
Fair value movements on cash flow hedging instruments		**0.2**	(1.7)
Deferred tax on fair value movements on cash flow hedging instruments		**-**	0.3
Foreign exchange losses on long term funding of foreign operations		**0.9**	-
Foreign exchange translation differences		**(0.2)**	(4.0)
Total items that may be reclassified subsequently to the income statement		**1.4**	6.1
Items that will not be reclassified to the income statement			
Re-measurement of defined benefit liabilities		**(34.0)**	(18.7)
Deferred tax on actuarial losses on defined benefit liabilities	4c	**6.8**	(4.9)
Deferred tax on provisions		**-**	(1.9)
Total items that will not be reclassified to the income statement		**(27.2)**	(25.5)
Other comprehensive loss for the year		**(25.8)**	(19.4)
Total comprehensive loss for the year		**(20.3)**	(8.7)
Attributable to:			
Equity holders of parents		**(21.4)**	(9.4)
Non-controlling interests – continuing operations		**1.1**	0.7
		(20.3)	(8.7)

	2015 £m	2014 £m
Total comprehensive income attributable to equity shareholders arises from:		
Continuing operations	**2.6**	(8.4)
Discontinued operations	**(24.0)**	(1.0)
	(21.4)	(9.4)

Consolidated statement of changes in equity

For the year ended 30 June 2015

	Share capital £m	Share premium £m	Capital redemption reserve £m	Retained earnings £m	Cash flow hedge reserve £m	Translation reserve £m	Merger reserve £m	Attributable to owners of the parent £m	Non-controlling interests £m	Total equity £m
At 30 June 2013	**0.4**	**63.3**	**2.7**	**102.0**	**(13.0)**	**0.4**	-	**155.8**	**2.5**	**158.3**
Profit for the year	-	-	-	10.0	-	-	-	**10.0**	0.7	**10.7**
Other comprehensive (loss)/income	-	-	-	(25.5)	10.1	(4.0)	-	**(19.4)**	-	**(19.4)**
Dividends paid	-	-	-	(37.3)	-	-	-	**(37.3)**	(0.2)	**(37.5)**
Issue of own shares	0.2	10.4	-	-	-	-	183.6	**194.2**	-	**194.2**
Purchase of own shares	-	-	-	(1.1)	-	-	-	**(1.1)**	-	**(1.1)**
Share-based payments	-	-	-	4.0	-	-	-	**4.0**	-	**4.0**
Tax on share-based payments	-	-	-	0.5	-	-	-	**0.5**	-	**0.5**
Transfers	-	-	-	(1.2)	-	-	1.2	**-**	-	**-**
At 30 June 2014	**0.6**	**73.7**	**2.7**	**51.4**	**(2.9)**	**(3.6)**	**184.8**	**306.7**	**3.0**	**309.7**
Profit for year	-	-	-	4.4	-	-	-	**4.4**	1.1	**5.5**
Other comprehensive (loss)/income	-	-	-	(27.2)	0.7	0.7	-	**(25.8)**	-	**(25.8)**
Dividends paid	-	-	-	(40.2)	-	-	-	**(40.2)**	(2.3)	**(42.5)**
Issue of own shares	0.4	334.8	-	-	-	-	-	**335.2**	-	**335.2**
Share-based payments	-	-	-	3.4	-	-	-	**3.4**	-	**3.4**
Tax on share-based payments	-	-	-	(0.1)	-	-	-	**(0.1)**	-	**(0.1)**
Transfers	-	-	-	50.0	-	-	(50.0)	**-**	-	**-**
At 30 June 2015	**1.0**	**408.5**	**2.7**	**41.7**	**(2.2)**	**(2.9)**	**134.8**	**583.6**	**1.8**	**585.4**

Consolidated balance sheet

At 30 June 2015

	Notes	2015 £m	2014[1] £m
Non-current assets			
Intangible assets		**776.7**	323.8
Property, plant and equipment		**121.2**	192.4
Investment in and loans to joint ventures		**79.4**	40.9
Deferred tax assets		**11.3**	1.8
Trade and other receivables		**31.4**	23.5
Non-current assets		**1,020.0**	582.4
Current assets			
Inventories		**737.8**	470.4
Trade and other receivables		**535.3**	586.4
Corporation tax receivable		**-**	7.5
Cash and cash equivalents	9	**254.0**	112.4
Current assets		**1,527.1**	1,176.7
Assets held for sale as part of a disposal group		**193.9**	72.8
Total assets		**2,741.0**	1,831.9
Current liabilities			
Overdraft	9	**-**	(39.8)
Finance lease obligations		**(14.9)**	(27.6)
Other financial liabilities		**-**	(0.1)
Trade and other payables		**(1,314.3)**	(982.7)
Corporation tax payable		**(12.7)**	-
Provisions		**(13.1)**	(27.9)
Current liabilities		**(1,355.0)**	(1,078.1)
Non-current liabilities			
Borrowings	9	**(394.8)**	(195.4)
Finance lease obligations		**(25.7)**	(59.4)
Other financial liabilities		**(1.5)**	(2.0)
Trade and other payables		**(11.4)**	(9.3)
Retirement benefit obligations	7	**(153.6)**	(59.8)
Provisions		**(45.6)**	(55.8)
Non-current liabilities		**(632.6)**	(381.7)
Liabilities held for sale as part of a disposal group		**(168.0)**	(62.4)
Total liabilities		**(2,155.6)**	(1,522.2)
Net assets	2	**585.4**	309.7
Equity			
Share capital		**1.0**	0.6
Share premium		**408.5**	73.7
Capital redemption reserve		**2.7**	2.7
Retained earnings		**41.7**	51.4
Cash flow hedge reserve		**(2.2)**	(2.9)
Translation reserve		**(2.9)**	(3.6)
Merger reserve		**134.8**	184.8
Equity attributable to owners of the parent		**583.6**	306.7
Non-controlling interests		**1.8**	3.0
Total equity		**585.4**	309.7

[1] Represented to disclose assets held for sale separately as assets held for sale as part of a disposal group and liabilities held for sale as part of a disposal group.

Consolidated cash flow statement

For the year ended 30 June 2015

	Notes	2015 £m	2014 £m
Cash flows from operating activities			
Profit before tax including discontinued operations		**13.7**	14.8
Non-underlying items		**54.5**	42.2
Net finance cost		**21.4**	20.2
Share of post-tax trading results of joint ventures		**(7.9)**	(1.6)
Normal cash contributions to pension fund (less than)/in excess of pension charge		**(0.1)**	1.3
Equity settled share-based payments charge		**3.4**	4.0
Negative goodwill recognised, amortisation and impairment of intangible assets		**13.6**	10.8
Other non-cash items		**(4.6)**	-
Depreciation charges		**28.9**	41.5
Profit on disposal of joint ventures		**(14.8)**	(6.1)
Loss/(profit) on disposal of property, plant and equipment		**2.1**	(4.5)
Operating cash flows before movements in working capital		**110.2**	122.6
Special contributions to pension fund		**(18.7)**	(8.0)
Increase in inventories		**(205.5)**	(7.0)
Decrease/(increase) in receivables		**88.0**	(156.3)
Increase in payables		**192.8**	96.3
Decrease in provisions		**(28.3)**	(31.7)
Cash inflow from operating activities before non-underlying items		**138.5**	15.9
Cash outflow from non-underlying items		**(18.8)**	(35.6)
Cash inflow/(outflow) from operating activities		**119.7**	(19.7)
Dividends received from joint ventures		**3.5**	0.3
Interest received		**1.7**	2.2
Income taxes (paid)/received	4b	**(3.5)**	11.3
Net cash inflow/(outflow) from operating activities		**121.4**	(5.9)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**2.0**	6.0
Proceeds from sale of joint ventures	8d	**13.9**	17.3
Purchases of property, plant and equipment		**(19.8)**	(48.2)
Purchase of intangible assets		**(22.6)**	(6.2)
Net investment in assets held for resale		**(12.6)**	(4.0)
Acquisition of subsidiaries	8a	**(262.6)**	(65.6)
Investment in joint ventures		**(35.6)**	(11.7)
Cash/(overdraft) acquired	8b	**32.2**	(16.8)
Net cash used in investing activities before non-underlying disposal proceeds		**(305.1)**	(129.2)
Non-underlying proceeds on disposal of plant business net of disposal costs		**-**	4.2
Net cash used in investing activities		**(305.1)**	(125.0)
Cash flows from financing activities			
Issue of shares		**334.1**	2.2
Purchase of own shares		**-**	(1.1)
Interest paid		**(15.6)**	(14.2)
Cash outflow incurred raising finance		**(2.6)**	-
Inflow from finance leases on property, plant and equipment		**16.9**	40.3
Inflow from new borrowings		**199.9**	102.9
Finance lease repayments		**(32.2)**	(29.6)
Repayment of borrowings		**(94.0)**	(20.0)
Dividends paid to equity holders of the parent		**(39.1)**	(29.1)
Dividends paid to minority interests		**(2.3)**	(0.2)
Net cash generated by financing activities		**365.1**	51.2
Increase/(decrease) in cash, cash equivalents and overdraft		**181.4**	(79.7)
Opening cash, cash equivalents and overdraft		**72.6**	152.3
Closing cash, cash equivalents and overdraft	9	**254.0**	72.6

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 2015 **Continuing operations**	Property £m	Residential £m	Construction £m	Services £m	Corporate £m	Group £m
Revenue[1]						
Group and share of joint ventures	126.2	257.2	1,720.8	1,247.0	-	**3,351.2**
Less share of joint ventures	(66.8)	-	(8.1)	(0.4)	-	**(75.3)**
Group revenue	**59.4**	**257.2**	**1,712.7**	**1,246.6**	**-**	**3,275.9**
Profit						
Group operating profit/(loss)	2.1	11.2	35.9	57.7	(25.9)	**81.0**
Share of post–tax results of joint ventures	5.8	-	1.8	0.3	-	**7.9**
Profit on disposal of joint ventures	14.8	-	-	-	-	**14.8**
Underlying operating profit/(loss)	**22.7**	**11.2**	**37.7**	**58.0**	**(25.9)**	**103.7**
Underlying net finance (costs)/income[2]	(2.5)	(11.0)	6.2	(4.6)	(5.9)	**(17.8)**
Underlying profit/(loss) before tax	**20.2**	**0.2**	**43.9**	**53.4**	**(31.8)**	**85.9**
Non-underlying items:						
Amortisation of intangible assets relating to contract rights	(0.1)	-	(0.4)	(10.7)	-	**(11.2)**
Non-underlying finance costs	-	-	-	(3.6)	-	**(3.6)**
Other non-underlying items	-	-	(0.5)	(8.0)	(23.1)	**(31.6)**
Profit/(loss) before tax from continuing operations	**20.1**	**0.2**	**43.0**	**31.1**	**(54.9)**	**39.5**
Balance sheet						
Total assets excluding cash	128.2	320.5	524.1	691.3	629.0	**2,293.1**
Liabilities excluding borrowings	(24.7)	(59.6)	(719.0)	(602.8)	(186.7)	**(1,592.8)**
Net operating assets/ (liabilities) excluding assets held for sale [3]	**103.5**	**260.9**	**(194.9)**	**88.5**	**442.3**	**700.3**
Cash, net of borrowings	(73.9)	(243.9)	288.8	(42.9)	(68.9)	**(140.8)**
Net assets excluding assets held for sale	**29.6**	**17.0**	**93.9**	**45.6**	**373.4**	**559.5**
Assets/(liabilities) held for sale	20.3	-	(7.4)	13.1	(0.1)	**25.9**
Net assets	**49.9**	**17.0**	**86.5**	**58.7**	**373.3**	**585.4**
Other information						
Inter–segmental revenue [4]	1.9	-	12.2	130.7	14.0	**158.8**
Capital expenditure	0.1	0.3	2.2	5.9	11.3	**19.8**
Depreciation of property, plant and equipment	-	(0.1)	(6.0)	(16.7)	(6.1)	**(28.9)**
Amortisation of computer software	-	-	-	(2.3)	(2.5)	**(4.8)**

[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%.
[3] Net operating assets/(liabilities) represent assets excluding cash, borrowings and interest bearing intercompany loans.
[4] Inter-segmental pricing is determined on an arm's length basis.

Notes to the consolidated financial statements continued

2 Segmental reporting continued

Year to 30 June 2014 Continuing operations	Property[5] £m	Residential[5] £m	Construction[5,6] £m	Services £m	Corporate £m	Group[6] £m
Revenue[1]						
Group and share of joint ventures	102.2	233.2	1,498.3	1,104.1	-	**2,937.8**
Less share of joint ventures	(24.4)	-	(6.5)	-	-	**(30.9)**
Group revenue	**77.8**	**233.2**	**1,491.8**	**1,104.1**	**-**	**2,906.9**
Profit						
Group operating profit/(loss)	9.4	7.7	29.1	53.3	(19.9)	**79.6**
Share of post–tax results of joint ventures	0.5	-	1.1	-	-	**1.6**
Profit on disposal of joint ventures	6.1	-	-	-	-	**6.1**
Underlying operating profit/(loss)	**16.0**	**7.7**	**30.2**	**53.3**	**(19.9)**	**87.3**
Underlying net finance (costs)/income[2]	(2.3)	(11.1)	6.9	(4.5)	(2.6)	**(13.6)**
Underlying profit/(loss) before tax	**13.7**	**(3.4)**	**37.1**	**48.8**	**(22.5)**	**73.7**
Non-underlying items:						
Amortisation of intangible assets relating to contract rights	(0.1)	-	(0.4)	(10.3)	-	**(10.8)**
Non-underlying finance costs	(0.3)	-	-	(5.0)	-	**(5.3)**
Other non-underlying items	(2.3)	(0.1)	(7.8)	(10.4)	(21.6)	**(42.2)**
Profit/(loss) before tax from continuing operations	**11.0**	**(3.5)**	**28.9**	**23.1**	**(44.1)**	**15.4**
Balance sheet						
Total assets excluding cash	137.2	299.1	540.0	432.0	238.4	**1,646.7**
Liabilities excluding borrowings	(17.3)	(44.0)	(638.9)	(382.0)	(142.4)	**(1,224.6)**
Net operating assets/(liabilities) excluding assets held for sale[3]	**119.9**	**255.1**	**(98.9)**	**50.0**	**96.0**	**422.1**
Cash, net of borrowings	(65.7)	(238.5)	273.9	13.2	(105.7)	**(122.8)**
Net assets/(liabilities) excluding assets held for sale	**54.2**	**16.6**	**175.0**	**63.2**	**(9.7)**	**299.3**
Assets held for sale	10.4	-	-	-	-	10.4
Net assets/(liabilities)	**64.6**	**16.6**	**175.0**	**63.2**	**(9.7)**	**309.7**
Other information						
Inter–segmental revenue[4]	1.5	-	10.3	130.0	8.4	**150.2**
Capital expenditure	1.0	-	3.2	35.2	8.8	**48.2**
Depreciation of property, plant and equipment	(0.1)	(0.1)	(8.5)	(29.2)	(3.6)	**(41.5)**
Amortisation of computer software	-	-	-	-	(1.1)	**(1.1)**

[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%.
[3] Net operating assets/(liabilities) represent assets excluding cash, borrowings and interest bearing intercompany loans.
[4] Inter-segmental pricing is determined on an arm's length basis.
[5] Restated to reflect the creation of the Residential division, comprising elements previously included within the Property and Construction divisions.
[6] Restated to reflect the classification of the UK mining operations as discontinued operations.

Notes to the consolidated financial statements continued

3 Non-underlying items[1]

	2015 £m	2014 £m
Continuing operations		
Amortisation of intangible contract rights	**(11.2)**	(10.8)
Acquisition discount unwind	**(3.6)**	(5.3)
Other non-underlying items:		
Costs relating to acquisition of the Mouchel Group	**(13.5)**	-
Costs in relation to the preparation for and restructuring following the acquisition of the Mouchel Group	**(8.4)**	-
Costs associated with cessation of the Kier Group final salary pension scheme	**(6.3)**	-
Costs relating to the disposal of Fleet and Passenger Services	**(3.4)**	-
Costs relating to acquisition of May Gurney	**-**	(8.1)
Restructuring and transformation costs following the acquisition of May Gurney	**-**	(29.6)
Construction workers compensation scheme costs	**-**	(4.5)
Total other non-underlying items	**(31.6)**	(42.2)
Total non-underlying items from continuing operations	**(46.4)**	(58.3)
Associated tax credit	**6.9**	9.8
Charged against profit for the year from continuing operations	**(39.5)**	(48.5)
Discontinued operations		
Impairment of the UK Mining business to fair value less costs to sell	**(22.9)**	-
Associated tax credit	**1.1**	-
Non-underlying items from discontinued operations	**(21.8)**	-
Charged against profit for the year	**(61.3)**	(48.5)

[1] Exceptional items.

Notes to the consolidated financial statements continued

4 Taxation

a) Recognised in the income statement

	2015			2014[2]		
Continuing operations	**Underlying items[1] £m**	**Non-underlying items (note 3) £m**	**Total £m**	Underlying items[1] £m	Non-underlying (note 3) £m	Total £m
Current tax expense						
UK corporation tax	**5.1**	**(2.9)**	**2.2**	6.9	(8.2)	(1.3)
Adjustments for prior years	**10.0**	**-**	**10.0**	0.8	-	0.8
Total current tax	**15.1**	**(2.9)**	**12.2**	7.7	(8.2)	(0.5)
Deferred tax expense						
Origination and reversal of temporary differences	**12.6**	**(4.0)**	**8.6**	10.6	(1.6)	9.0
Adjustments in respect of prior years	**(10.4)**	**-**	**(10.4)**	0.6	-	0.6
Rate change effect on deferred tax	**(0.4)**	**-**	**(0.4)**	(5.4)	-	(5.4)
Total deferred tax	**1.8**	**(4.0)**	**(2.2)**	5.8	(1.6)	4.2
Total tax charge/(credit) in the income statement	**16.9**	**(6.9)**	**10.0**	13.5	(9.8)	3.7
Reconciliation of effective tax rate						
Profit before tax	**85.9**	**(46.4)**	**39.5**	73.7	(58.3)	15.4
Add: tax on joint ventures included above	**0.3**	**-**	**0.3**	0.1	-	0.1
Adjusted profit before tax	**86.2**	**(46.4)**	**39.8**	73.8	(58.3)	15.5
Income tax at UK corporation tax rate of 20.75% (2014: 22.5%)	**17.9**	**(9.6)**	**8.3**	16.6	(13.1)	3.5
Non–deductible expenses	**0.1**	**2.7**	**2.8**	2.5	3.3	5.8
Effect of change in UK corporation tax rate	**(0.4)**	**-**	**(0.4)**	(5.5)	-	(5.5)
Capital gains not taxed	**(0.3)**	**-**	**(0.3)**	(1.4)	-	(1.4)
Tax relief on expenses not recognised in the income statement	**-**	**-**	**-**	(0.2)	-	(0.2)
Effect of tax rates in foreign jurisdictions	**0.3**	**-**	**0.3**	0.2	-	0.2
Adjustments in respect of prior years	**(0.4)**	**-**	**(0.4)**	1.4	-	1.4
Total tax (including joint ventures)	**17.2**	**(6.9)**	**10.3**	13.6	(9.8)	3.8
Tax on joint ventures	**(0.3)**	**-**	**(0.3)**	(0.1)	-	(0.1)
Group tax charge/(credit)	**16.9**	**(6.9)**	**10.0**	13.5	(9.8)	3.7

[1] Stated before non-underlying items, see note 3.
[2] Restated to reclassify the Group's UK mining operations as discontinued.

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 1st 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 rules.

The tax charge before non-underlying items shown in the table above equates to an effective tax rate of 20% (2014: 18%) on adjusted profit before tax of £86.2m (2014: £73.8m). This effective rate is lower than the standard rate of corporation tax of 20.75% (2014: 22.5%) due to a number of items shown in the table above. The non-deductible expenses mainly relate to acquisition costs on Mouchel and permanent differences on provisions.

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 credit adjustment of £0.4m 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.

b) Recognised in the cash flow statement
The cash flow statement shows payments of £3.5m during the year. (2014: £11.3m repayment).

Notes to the consolidated financial statements continued

4 Taxation continued

c) Recognised in the statement of comprehensive income

	2015 £m	2014 £m
Deferred tax expense (including effect of change in tax rate)		
Share of fair value movements on joint venture cash flow hedging instruments	**0.2**	3.6
Fair value movements on cash flow hedging instruments	**-**	(0.3)
Actuarial losses on defined benefit pension schemes	**(6.8)**	4.9
Provisions	**-**	1.9
Total tax charge in the statement of comprehensive income	**(6.6)**	10.1

d) Factors that may affect future tax charges

Changes to the UK corporation tax rates were announced in the Chancellor's Budget on 8 July 2015. These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 18% from 1 April 2020.

As the changes had not been substantively enacted at the balance sheet date their effects are not included in these financial statements. The overall effect of these changes, if they had applied to the deferred tax balance at the balance sheet date, would be to reduce the deferred tax asset by an additional £1.1m with £4.6m being credited to the income statement and £5.7m being charged directly to the statement of comprehensive income.

The deferred tax balance as at the year end has been recognised at 20%.

e) Tax losses

At the balance sheet date the Group has unused tax losses of £177.3m (2014:£14.8m) available for offset against future profits. A deferred tax asset has been recognised in respect of £43.2m (2014:£14.7m) of income 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 owners of the parent in the year:	2015 £m	2014 £m
Final dividend for the year ended 30 June 2014 of 39.6 pence[1] (2013: 37.2 pence[1])	**27.0**	25.0
Interim dividend for the year ended 30 June 2015 of 19.2 pence[1] (2014: 18.0 pence[1])	**13.2**	12.3
	40.2	37.3

The proposed final dividend of 36.0 pence (2014: 39.6 pence[1]) bringing the total dividend for the year to 55.2 pence[1] (2014: 57.6 pence[1]) 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 £34.1m will be paid on 27 November 2015 to shareholders on the register at the close of business on 25 September 2015. A scrip dividend alternative will be offered.

[1] As restated for the bonus element of the rights issue associated with the Mouchel transaction..

Notes to the consolidated financial statements continued

6 Earnings per share

A reconciliation of profit and earnings 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.

	2015		2014[2]	
	Basic £m	**Diluted £m**	Basic £m	Diluted £m
Earnings				
Continuing operations				
Earnings (after tax and minority interests), being net profits attributable to equity holders of the parent	**28.4**	**28.4**	11.0	11.0
Impact of non-underlying items net of tax:				
Amortisation of intangible assets - net of tax credit of £2.3m (2014: £2.2m)	**8.9**	**8.9**	8.6	8.6
Acquisition discount unwind[1] - net of tax credit of £0.7m (2014: £1.2m)	**2.9**	**2.9**	4.1	4.1
Other non-underlying items - net of tax credit of £3.9m (2014: £6.4m)	**27.7**	**27.7**	35.8	35.8
Earnings from continuing operations	**67.9**	**67.9**	59.5	59.5
Discontinued operations				
Earnings (after tax and minority interests), being net loss attributable to equity holders of the parent	**(24.0)**	**(24.0)**	(1.0)	(1.0)
Other non-underlying items - net of tax credit of £1.1m (2014: nil)	**21.8**	**21.8**	-	-
Earnings from discontinued operations	**(2.2)**	**(2.2)**	(1.0)	(1.0)
	million	**million**	million[3]	million[3]
Weighted average number of shares used for earnings per share	**70.7**	**71.0**	68.0	68.5
	pence	**pence**	pence[3]	pence[3]
Earnings per share				
Earnings (after tax and minority interests), being net profits attributable to equity holders of the parent	**40.2**	**40.0**	16.2	16.1
Impact of non-underlying items net of tax:				
Amortisation of intangible assets	**12.6**	**12.5**	12.6	12.6
Acquisition discount unwind	**4.0**	**4.1**	6.1	5.9
Other non-underlying items	**39.2**	**39.0**	52.6	52.3
Earnings from continuing operations	**96.0**	**95.6**	87.5	86.9
Discontinued operations				
Earnings (after tax and minority interests), being net profits attributable to equity holders of the parent	**(33.9)**	**(33.9)**	(1.5)	(1.5)
Other non-underlying items	**30.8**	**30.8**	-	-
Earnings from discontinued operations	**(3.1)**	**(3.1)**	(1.5)	(1.5)

[1] Unwind of discount in respect of deferred consideration and fair value adjustments made on acquisition.
[2] Represented to show UK mining operations as discontinued
[3] On the 2 June 2015, to fund the Mouchel acquisition, the business raised £340.2m, from a 5 for 7 rights issue, issuing 39,646,692 new shares at 858 pence per share, at a bonus of 25.1% giving rise to a bonus issue of approximately 1 for every four shares. EPS has been restated to reflect the bonus element embedded in the rights issue.

Notes to the consolidated financial statements continued

7 Retirement benefit obligations

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

	2015 Kier Group Pension Scheme £m	2015 Mouchel Pension Schemes £m	2015 May Gurney Pension Schemes £m	2015 Total £m	2014 Kier Group Pension Scheme £m	2014 May Gurney Pension Schemes £m	2014 Kier Sheffield LLP £m	2014 Total £m
Opening (deficit)/surplus	**(63.1)**	**-**	**3.3**	**(59.8)**	(48.7)	-	(1.0)	(49.7)
Acquired (deficit)/ surplus	**-**	**(68.6)**	**-**	**(68.6)**	-	3.7	-	3.7
(Charge)/credit to income statement	**(13.8)**	**(0.3)**	**(0.1)**	**(14.2)**	(12.1)	0.1	(2.0)	(14.0)
Employer contributions	**24.7**	**0.7**	**0.3**	**25.7**	16.4	0.3	2.1	18.8
Transferred to assets held for resale	**-**	**-**	**(2.6)**	**(2.6)**	-	-	-	-
Actuarial (losses)/gains	**(23.0)**	**(6.7)**	**(4.4)**	**(34.1)**	(18.7)	(0.8)	0.9	(18.6)
Closing (deficit)/surplus	**(75.2)**	**(74.9)**	**(3.5)**	**(153.6)**	(63.1)	3.3	-	(59.8)
Comprising:								
Fair value of assets	**919.4**	**356.3**	**66.4**	**1,342.1**	837.1	74.6	-	911.7
Net present value of defined benefit obligation	**(994.6)**	**(431.2)**	**(69.9)**	**(1,495.7)**	(900.2)	(71.3)	-	(971.5)
Net (deficit)/surplus	**(75.2)**	**(74.9)**	**(3.5)**	**(153.6)**	(63.1)	3.3	-	(59.8)
Related deferred tax asset/(liability)	**15.0**	**15.0**	**0.7**	**30.7**	12.6	(0.7)	-	11.9
Net pension (liability)/asset	**(60.2)**	**(59.9)**	**(2.8)**	**(122.9)**	(50.5)	2.6	-	(47.9)

The Group has made the following special cash contributions to the Kier Group Pension Scheme in the period (2014: Nil):

- In July 2014, £1.8m cash; and
- In September 2014, £1.5m cash.

These amounts have been included as contributions received by the scheme.

8 Acquisitions and disposals

a) Summary of consideration paid and payable in respect of acquisitions

	Beco Limited £m	Kier Developments Limited £m	May Gurney £m	North Tyneside Council £m	Mouchel £m	Southdale £m	Total £m
Balance payable at 30 June 2013	0.1	25.7	-	1.9	-	-	**27.7**
Acquisition of May Gurney	-	-	38.5	-	-	-	**38.5**
Paid during the year to 30 June 2014	(0.1)	(26.0)	(38.5)	(1.0)	-	-	**(65.6)**
Unwinding of discount	-	0.3	-	0.1	-	-	**0.4**
Balance payable at 30 June 2014	**-**	**-**	**-**	**1.0**	**-**	**-**	**1.0**
Acquisition of Mouchel	-	-	-	-	260.6	1.0	**261.6**
Paid during the year to 30 June 2015	-	-	-	(1.0)	(260.6)	(1.0)	**(262.6)**
Balance payable at 30 June 2015	**-**	**-**	**-**	**-**	**-**	**-**	**-**

b) Acquisition of Mouchel

The Group purchased the entire share capital of MRBL Limited (Mouchel) on 8 June 2015 for a total consideration of £260.6m. Mouchel is an international infrastructure and business services group. It provides advisory, design, project delivery and managed services to the highways and transportation, local government, property, emergency services, health, education and utilities markets in the United Kingdom, the Middle East and Australia. It is the leading provider of repair and maintenance services to the UK strategic road network. The acquisition represented an excellent opportunity to accelerate Kier's strategy for growth in the infrastructure sector. The Kier Board believes the acquisition is highly complementary and positions Kier as a sector leader in the growing UK highways maintenance and management market.

The fair value of the intangible assets acquired represents the fair value of customer contracts at the date of acquisition. Due to the proximity of the acquisition to Kier Group plc's reporting date, the fair values of assets and liabilities acquired are provisional to allow for further adjustments in the measurement period.

The goodwill arising on acquisition is attributable to the knowledge and expertise of the assembled workforce and the operating synergies that arise from the Group's strengthened market position. None of the goodwill recognised is expected to be deductible for tax purposes.

£13.5m of acquisition costs were incurred in the year and expensed to the income statement as a non-underlying item.

Notes to the consolidated financial statements continued

8 Acquisitions and disposals continued

	Provisional Fair value to the Group £m
Intangible assets	145.2
Property, plant and equipment	7.4
Investment in joint ventures	0.4
Deferred tax assets	(2.3)
Inventories	76.7
Trade and other receivables	49.3
Cash and cash equivalents	32.2
Trade and other payables	(156.4)
Borrowings	(94.0)
Corporation tax payable	(11.5)
Retirement benefit obligations	(68.6)
Provisions	(19.1)
	(40.7)
Goodwill	301.3
Total assets acquired	**260.6**
Satisfied by:	
Cash consideration	**260.6**

The pro-forma consolidated results of the Group, as if the acquisition of Mouchel had been made at the beginning of the year, would include revenue from continuing operations of £4,033.9m (compared to the Group revenue of £3,275.9m) and underlying profit before taxation of £100.4m (compared to the reported underlying profit before taxation of £85.9m). In preparing the pro-forma results, revenue and costs have been included as if the businesses were acquired on 1 July 2014 and the intercompany transactions have been eliminated. This information is not necessarily indicative of the results of the combined Group that would have occurred had the purchase actually been made at the beginning of the year, or indicative of the future results of the combined Group.

The Mouchel business contributed to the Group, revenue of £56.1m and underlying profit before taxation of £2.6m for the period 9 June 2015 to 30 June 2015.

c) Deemed disposal of investment in JV and subsequent acquisition as a subsidiary of Lingfield (Catterick) Limited

On 19 June 2015 the Group, through its subsidiary Kier Property Developments Limited acquired 100% of the share capital of Lingfield (Catterick) Limited (LCL). LCL had previously been held as a joint venture of which the Group had a 50% holding. The remaining 50% of the share capital of LCL was acquired from the joint venture partner for £4.5m, and the entity renamed Kier (Catterick) Limited (KCL). This transaction has been treated as a deemed disposal of a joint venture (see below) and subsequent acquisition of a subsidiary. A gain of £3.8m arose on the deemed disposal of the joint venture.

The gain on deemed disposal of the joint venture is calculated as follows:

	£m
Deemed consideration	4.5
Cost of investment	(0.7)
Gain on deemed disposal	**3.8**

Notes to the consolidated financial statements continued

8 Acquisitions and disposals continued

Provisional fair values of assets and liabilities at acquisition:

	Provisional carrying value at acquisition £m
Non-current assets	16.7
Current assets	0.3
Cash at bank	0.5
Current liabilities	(3.3)
Borrowings	(14.2)
	-
Goodwill	9.0
Total assets acquired	**9.0**
Satisfied by:	
Cash consideration	4.5
Deemed consideration	4.5
Total consideration	**9.0**

Subsequent to the acquisition on 19 June 2015 but before 30 June, the Group decided to dispose of KCL within 12 months of the balance sheet date and negotiations are ongoing with interested parties. As a result at the balance sheet date KCL is held as an asset for sale.

(d) Acquisition of trade and assets of Southdale Limited

On 29 April 2015 the Group, through its subsidiary Kier Living Limited, acquired certain assets and the business of the housing and construction operations of Southdale Limited. The consideration of £1.0m representing the fair value of the net assets acquired was paid wholly in cash in April 2015.

Provisional fair values of assets and liabilities at acquisition:

	Provisional carrying value at acquisition £m
Inventories	1.1
Trade and other receivables	0.6
Trade and other payables	(1.5)
	0.2
Goodwill	0.8
Total assets acquired	**1.0**
Satisfied by:	
Cash consideration	**1.0**

e) Disposal of investments in joint ventures

During the year the Group, through its subsidiary Kier NR Limited, disposed of its interests in Solum Regeneration Limited Partnership and Solum Regeneration (GP) Limited for a cash consideration of £10.0m. Existing projects will continue to be taken forward under the existing guaranteed funding arrangement and future projects will continue to be considered for development in partnership with Network Rail.

The Group, through its subsidiaries Kier Developments Limited and Kier Project Investment Limited, also sold its investments in the following joint ventures: Lingfield (Catterick) Limited (see note (c)), Information Resources (Oldham) Holdings Limited and Information Resources (Oldham) Limited.

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.

The disposal proceeds can be reconciled to the profit on disposal as follows:

Notes to the consolidated financial statements continued

8 Acquisitions and disposals continued

	2015 £m	2014 £m
Sales proceeds and deemed consideration	**18.7**	17.3
Book value of net assets and loans of joint ventures	**(2.4)**	(9.4)
Intangible assets	**(1.2)**	(1.8)
Sale costs	**(0.3)**	-
Profit on disposal	**14.8**	6.1

9 Cash, cash equivalents and borrowings

	2015 £m	2014 £m
Cash and cash equivalents – bank balances and cash in hand	**254.0**	112.4
Borrowings due within one year	**-**	(39.8)
Borrowings due after one year	**(394.8)**	(195.4)
Net borrowings	**(140.8)**	(122.8)

10 Statutory accounts

The information set out above does not constitute statutory accounts for the years ended 30 June 2015 or 2014 but is derived from those accounts.

Statutory accounts for 2014 have been delivered to the Registrar of Companies and those for 2015 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 2015 and 2014 accounts, their reports were unqualified and did not contain statements under section 498 (1) or (2) of the Companies Act 2006.