Financial Statements

Consolidated income statement

For the year ended 30 June 2017

	Notes	2017 Underlying items[1] £m	2017 Non-underlying items (note 4) £m	2017 Total £m	2016[2] Underlying items[1] £m	2016[2] Non-underlying items (note 4) £m	2016[2] Total £m
Continuing operations							
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	14	**25.0**	**–**	**25.0**	14.2	–	14.2
Profit on disposal of joint ventures and subsidiaries	30	**5.4**	**31.0**	**36.4**	2.6	–	2.6
Profit/(loss) from operations	2,3	**145.6**	**(97.4)**	**48.2**	141.1	(148.5)	(7.4)
Finance income	5	**1.8**	**–**	**1.8**	0.8	–	0.8
Finance costs	5	**(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	9a	**(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)	19	**(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)
Basic earnings/(loss) per share							
– From continuing operations	11	**106.8p**	**(91.5)p**	**15.3p**	99.5p	(125.2)p	(25.7)p
– From discontinued operations	11	**(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	11	**106.1p**	**(90.9)p**	**15.2p**	99.5p	(125.2)p	(25.7)p
– From discontinued operations	11	**(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 4).

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	14	**(2.2)**	(0.1)
Deferred tax on share of joint venture fair value movements on cash flow hedging instruments	9c	**0.4**	–
Fair value gain on cash flow hedging instruments	27	**1.6**	18.5
Fair value movements on cash flow hedging instruments recycled to the income statement	5	**(4.2)**	(17.7)
Deferred tax on fair value movements on cash flow hedging instruments	9c	**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 the 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	8	**(29.3)**	47.6
Deferred tax credit/(charge) on actuarial (losses)/gain on defined benefit liabilities	9c	**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 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)/profit for the 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 for the 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	12	**802.8**	794.6
Property, plant and equipment	13	**90.4**	99.3
Investments in and loans to joint ventures	14	**184.4**	129.8
Deferred tax assets	15	**11.6**	7.3
Trade and other receivables	18	**38.2**	34.7
Non-current assets		**1,127.4**	1,065.7
Current assets			
Inventories	16	**593.9**	675.9
Trade and other receivables	18	**531.1**	523.0
Corporation tax receivable		**0.9**	–
Other financial assets	27	**18.9**	18.1
Cash and cash equivalents	20	**499.8**	186.7
Current assets		**1,644.6**	1,403.7
Assets held for sale as part of a disposal group	19	**–**	18.2
Total assets		**2,772.0**	2,487.6
Current liabilities			
Borrowings	20	**(50.0)**	–
Finance lease obligations	21	**(9.1)**	(13.5)
Other financial liabilities	27	**–**	(0.2)
Trade and other payables	22	**(1,433.7)**	(1,379.5)
Corporation tax payable		**–**	(6.0)
Provisions	23	**(19.0)**	(22.8)
Current liabilities		**(1,511.8)**	(1,422.0)
Liabilities held for sale as part of a disposal group	19	**–**	(13.7)
Non-current liabilities			
Borrowings	20	**(581.8)**	(303.2)
Finance lease obligations	21	**(5.2)**	(12.8)
Other financial liabilities	27	**(0.3)**	(1.1)
Trade and other payables	22	**(16.6)**	(13.2)
Retirement benefit obligations	8	**(84.6)**	(87.8)
Provisions	23	**(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	24	**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	24	**(5.7)**	(1.7)
Translation reserve	24	**4.7**	5.6
Merger reserve	24	**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

The financial statements on pages 112 to 159 were approved by the Board of Directors on 20 September 2017 and were signed on its behalf by:

Haydn Mursell
Chief Executive

Bev Dew
Finance Director

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	19	**(1.8)**	8.5
Non-underlying items		4	**75.1**	127.0
Net finance cost		5	**22.4**	27.5
Share of post-tax trading results of joint ventures		14	**(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		25	**2.7**	5.6
Amortisation of intangible assets		12	**30.1**	27.8
Other non-cash items			**(4.7)**	(4.7)
Depreciation charges		13	**19.7**	21.8
Profit on disposal of joint ventures		30b	**(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		14	**23.2**	2.8
Interest received			**1.8**	0.8
Income tax paid		9	**(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		30b	**26.0**	20.4
Purchase of property, plant and equipment		13	**(15.8)**	(14.1)
Purchase of intangible assets		12	**(44.4)**	(38.1)
Divestment in assets held for resale			**–**	29.8
Investment in joint ventures		14	**(49.3)**	(61.9)
Net cash used in investing activities			**(82.1)**	(53.3)
Cash flows from financing activities				
Issue of shares		24	**3.2**	4.5
Purchase of own shares			**(0.6)**	–
Interest paid			**(19.1)**	(19.5)
Cash inflow/(outflow) incurred from raising finance			**0.9**	(0.6)
Inflow from finance leases on property, plant and equipment		21	**1.7**	3.1
Inflow from new borrowings			**368.5**	75.8
Finance lease repayments		21	**(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		20	**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

For the year ended 30 June 2017

1 Significant accounting policies

Kier Group plc (the Company) is a public limited company domiciled in the United Kingdom (UK), incorporated in England and Wales and listed on the London Stock Exchange. The Company's registered number is 2708030. The consolidated financial statements of the Company for the year ended 30 June 2017 comprise the Company and its subsidiaries (together referred to as the Group) and the Group's interest in joint arrangements.

The consolidated financial statements were approved by the directors on 20 September 2017.

Statement of compliance

The Group's consolidated financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS) and therefore comply with Article 4 of the EU IAS Regulation and with those parts of the Companies Act 2006 that are applicable to companies reporting under IFRS. The Group has applied all accounting standards issued by the International Accounting Standards Board ('IASB') and interpretations issued by the IFRS Interpretations Committee as adopted by the European Union and effective for accounting periods beginning on 1 July 2016.

The Company has elected to prepare its parent company financial statements in accordance with the FRS101 'Reduced Disclosure Framework'. These are presented on pages 160 to 165.

Basis of preparation

The Group has considerable financial resources, long-term contracts and a diverse range of customers and suppliers across its business activities.

After making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the Group's financial statements.

The financial statements are presented in pounds sterling. They have been prepared on the historical cost basis except for derivative financial instruments which are stated at their fair value.

The following amendments to standards are effective for the financial year ended 30 June 2017 onwards:

- Amendments to IFRS 11 Joint Arrangements
- Amendments to IFRS 12 Disclosure of Interests in Other Entities
- Amendments to IAS 1 Presentation of Financial Instruments
- Amendments to IAS 16 Property, Plant and Equipment
- Amendments to IAS 38 Intangible Assets
- Annual Improvements to IFRSs 2014

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

The following new standards and amendments to standards have been issued but were not yet effective and therefore have not been applied in these financial statements:

IFRS 2 (amendments)	Share Based Payment
IFRS 4 (amendments)	Insurance Contracts
IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
IFRS 16	Leases
IFRS 17	Insurance Contracts
IAS 7 (amendments)	Statement of Cash Flows
IAS 12 (amendments)	Income Taxes
IFRIC 22	Foreign Currency Transaction and Advanced Consideration
IFRIC 23	Uncertainty over Income Tax Treatments
Annual Improvements	2014-2016 cycle

The directors are considering the impact of these new standards and interpretations in future periods.

IFRS 15 will replace IAS 18 'Revenue' and IAS 11 'Construction Contracts'. It will become effective for accounting periods beginning on or after 1 January 2018. The Group is not currently contemplating early adoption and therefore IFRS 15 will be applied for the first time to the Group accounts for the year ended 30 June 2019. The Group is working closely with its advisors to assess the potential impacts of IFRS 15 'Revenue from Contracts with Customers', including consideration of transition method.

The main impact of IFRS 16 will be to move the Group's larger, longer term operating leases, primarily on property, onto the balance sheet with a consequential increase in non-current assets and finance lease obligations. Operating lease charges included in administrative expenses will be replaced by depreciation and interest costs. No decision has yet been made on the transition method or the timing of adoption of IFRS 16.

Other than the impact of IFRS 15 and IFRS 16 as noted above, no significant net impact from the adoption of these new standards is expected. The Group has chosen not to adopt any of the above standards and interpretations earlier than required.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements.

Basis of consolidation

(a) Subsidiaries

The consolidated financial statements comprise the financial statements of the Company and subsidiaries controlled by the Company drawn up to 30 June 2017. Control exists when the Group has direct or indirect power to govern the financial and operating policies of an entity so as to obtain economic benefits from its activities. Subsidiaries are included in the consolidated financial statements from the date that control transfers to the Group until the date that control ceases.

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

If a business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurements are recognised in profit or loss.

1 Significant accounting policies continued

For acquisitions on or after 1 January 2010, the Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognised amount of any non-controlling interests in the acquiree; plus
- If the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the result is negative, a 'bargain purchase' gain is recognised immediately in the income statement.

Provisional fair values allocated at a reporting date are finalised within 12 months of the acquisition date.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in the income statement. Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred. Any contingent consideration payable is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration are recognised in the income statement unless the contingent consideration is classified as equity, in which case settlement is accounted for within reserves.

Accounting policies of subsidiaries are adjusted where necessary to ensure consistency with those used by the Group. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

(b) Joint arrangements

A joint arrangement is a contractual arrangement whereby the Group undertakes an economic activity that is subject to joint control with third parties.

The Group's interests in joint ventures are accounted for using the equity method. Under this method the Group's share of the profits less losses of joint ventures is included in the consolidated income statement and its interest in their net assets is included in investments in the consolidated balance sheet. Where the share of losses exceeds the Group's interest in the entity and there is no obligation to fund these losses the carrying amount is reduced to nil, following which no further losses are recognised. Interest in the entity is the carrying amount of the investment together with any long-term interests that, in substance, form part of the net investment in the entity.

From time to time the Group undertakes contracts jointly with other parties. These fall under the category of joint operations as defined by IFRS 11. In accordance with IFRS 11, the Group accounts for its own share of sales, profits, assets, liabilities and cash flows measured according to the terms of the agreements.

Goodwill and other intangible assets

Goodwill arising on consolidation represents the excess of the consideration over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary.

Goodwill is recognised as an asset and reviewed for impairment at least annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed. Negative goodwill is recognised in the income statement immediately. On disposal of a subsidiary or jointly controlled entity, the attributable carrying amount of goodwill is included in the determination of the profit or loss on disposal.

Other intangible assets which comprise contract rights and computer software are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to administrative expenses in the income statement on a straight-line basis over the expected useful lives of the assets, which are principally as follows:

Contract rights	Over the remaining contract life
Computer software	3–7 years

Internally generated intangible assets developed by the Group are recognised only if all of the following conditions are met:

- An asset is created that can be identified;
- It is probable that the asset created will generate future economic benefits; and
- The development cost of the asset can be measured reliably.

Other research expenditure is written off in the period in which it is incurred.

Non-underlying items[1]

Certain items are presented separately in the consolidated income statement as non-underlying items where, in the judgement of the directors, they need to be disclosed separately by virtue of their nature, size or incidence in order to obtain a clear and consistent presentation of the Group's underlying business performance.

Examples of material items which may give rise to disclosure as non-underlying items include gains or losses on the disposal of businesses, gains or losses on closure of businesses, costs of restructuring and reorganisation of existing businesses, certain material and one-off provisions, integration of newly acquired businesses, asset impairments and acquisition transaction costs and unwind of discounts.

Amortisation of acquired intangible assets is also treated as a non-underlying item so that the underlying profit of the Group can be measured on a comparable basis from period to period.

These are examples, and from time to time it may be appropriate to disclose further items as non-underlying in order to highlight the underlying performance of the Group.

Underlying operating profit is one of the key measures used by the Board to monitor the Group's performance.

1 Exceptional items.

Revenue and profit recognition

Revenue comprises the fair value of the consideration received or receivable, net of value added tax, rebates and discounts and after eliminating sales within the Group. It also includes the Group's proportion of work carried out under jointly controlled operations.

Revenue and profit are recognised as follows:

(a) Construction contracts

Revenue arises from increases in valuations on contracts and is normally determined by external valuations. It is the gross value of work carried out for the period to the balance sheet date (including retentions) but excludes claims until they are actually certified.

Profit on contracts is calculated in accordance with accounting standards and industry practice. Industry practice is to assess the estimated final outcome of each contract and recognise the profit based upon the percentage of completion of the contract at the relevant date. The assessment of the final outcome of each contract is determined by regular review of the revenues and costs to complete that contract. Consistent contract review procedures are in place in respect of contract forecasting.

The general principles for profit recognition are as follows:

- Profits on short duration contracts are taken when the contract is complete;
- Profits on other contracts are recognised on a percentage of completion basis when the contract's outcome can be estimated reliably;
- Provision is made for losses incurred or foreseen in bringing the contract to completion as soon as they become apparent;
- Claims receivable are recognised as income when received or certified for payment, except that in preparing contract forecasts to completion, a prudent and reasonable evaluation of claims receivable may be included to mitigate foreseeable losses and only to the extent that there is reasonable certainty of recovery; and
- Variations and compensation events are included in forecasts to completion when it is considered highly probable that they will be recovered.

Percentage completion is normally calculated by taking certified value to date as a percentage of estimated final value, unless the internal value is materially different to the certified value, in which case the internal value is used.

(b) Services

Revenue and profit from services rendered, which include facilities management, highways maintenance, street cleaning and recycling, is recognised as and when the service is provided.

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

Unbilled revenue is the difference between the revenue recognised and the amounts actually invoiced to customers. Where invoicing exceeds the amount of revenue recognised these amounts are included in deferred income.

(c) Private housing and land sales

Revenue from housing sales is recognised at the fair value of the consideration received or receivable on legal completion, net of incentives. Revenue from land sales and land exchanges is recognised on the unconditional exchange of contracts. Profit is recognised on a site-by-site basis by reference to the expected out-turn result from each site. The principal estimation technique used by the Group in attributing profit on sites to a particular period is the preparation of forecasts on a site-by-site basis. These focus on revenues and costs to complete and enable an assessment to be made of the final out-turn on each site. Consistent review procedures are in place in respect of site forecasting. Provision is made for any losses foreseen in completing a site as soon as they become apparent.

(d) Property development

Revenue in respect of property developments is taken on unconditional exchange of contracts on disposal of finished developments. Profit taken is subject to any amounts necessary to cover residual commitments relating to development performance. Provision is made for any losses foreseen in completing a development as soon as they become apparent.

Where developments are sold in advance of construction being completed, revenue and profit are recognised from the point of sale and as the significant outstanding acts of construction and development are completed. If a development is sold in advance of the commencement of construction, no revenue or profit is recognised at the point of sale. Revenue and profit are recognised in line with the progress on construction, based on the percentage completion of the construction and development work. If a development is sold during construction but prior to completion, revenue and profit are recognised at the time of sale in line with the percentage completion of the construction and development works at the time of sale and thereafter in line with the percentage of completion of the construction and development works.

(e) Private Finance Initiative (PFI) service concession agreements

Revenue relating to construction or upgrade services under a service concession agreement is recognised based on the stage of completion of the work performed, consistent with the Group's accounting policy on recognising revenue on construction contracts (see above). Operation or service revenue is recognised in the period in which the services were provided by the Group. When the Group provides more than one service in a service concession agreement, the consideration received is allocated by reference to the relative fair values of the services delivered.

Pre-contract costs

Costs associated with bidding for contracts are written off as incurred (pre-contract costs). When it is probable that a contract will be awarded, usually when the Group has secured preferred bidder status, costs incurred from that date to the date of financial close are carried forward in the balance sheet as other receivables.

When financial close is achieved on PFI or Public Private Partnership (PPP) contracts, costs are recovered from the special purpose vehicle and pre-contract costs within this recovery that were not previously capitalised are credited to the income statement, except to the extent that the Group retains a share in the special purpose vehicle. The amount not credited is deferred and recognised over the life of the construction contract to which the costs relate.

Property, plant and equipment and depreciation

Depreciation is based on historical or deemed cost, including expenditure that is directly attributable to the acquisition of the items, less the estimated residual value, and the estimated economic lives of the assets concerned. Freehold land is not depreciated. Other tangible assets are depreciated to residual values in equal annual instalments over the period of their estimated economic lives, which are principally as follows:

Freehold land and buildings	25–50 years
Leasehold buildings and improvements	Period of lease
Plant and equipment (including vehicles)	3–12 years

Assets held under finance leases are depreciated over the shorter of the term of the lease or the expected useful life of the asset.

1 Significant accounting policies continued

Leases

Leases in terms of which the Group assumes substantially all of the risks and rewards of ownership are classified as finance leases. On initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases, and the rental charges are charged to the income statement on a straight-line basis over the life of each lease.

Employee benefits

(a) Retirement benefit obligations

For defined contribution pension schemes operated by the Group, amounts payable are charged to the income statement as they fall due.

The Group accounts for defined benefit obligations in accordance with IAS19. Obligations are measured at discounted present value while plan assets are measured at fair value. The operating and financing costs of such plans are recognised separately in the income statement; current service costs are spread systematically over the lives of employees and financing costs are recognised in full in the period in which they arise. Re-measurements of the net defined pension liability, including actuarial gains and losses, are recognised immediately in other comprehensive income.

The net finance cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in finance costs in the income statement.

Where the calculations result in a surplus to the Group, the recognised asset is limited to the present value of any available future refunds from the plan or reductions in future contributions to the plan.

(b) Share-based payments

Share-based payments granted but not vested are valued at the fair value of the shares at the date of grant. This affects the Sharesave and Long Term Incentive Plan (LTIP) schemes. The fair value of these schemes at the date of award is calculated using the Black-Scholes model apart from the total shareholder return element of the LTIP which is based on a stochastic model.

The cost to the Group of awards to employees under the LTIP scheme is spread on a straight-line basis over the relevant performance period. The scheme awards to senior employees a number of shares which will vest after three years if particular criteria are met. The cost of the scheme is based on the fair value of the shares at the date the options are granted.

Shares purchased and held in trust in connection with the Group's share schemes are deducted from retained earnings. No gain or loss is recognised within the income statement on the market value of these shares compared with the original cost.

Finance income and costs

Interest receivable and payable on bank balances is credited or charged to the income statement as incurred using the effective interest rate method.

Borrowing costs are capitalised where the Group constructs qualifying assets. All other borrowing costs are written off to the income statement as incurred.

Borrowing costs incurred within the Group's jointly controlled entities relating to the construction of assets in PFI and PPP projects are capitalised until the relevant assets are brought into operational use.

Notional interest payable, representing the unwinding of the discount on long-term liabilities, is charged to finance costs.

Taxation

Income tax comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The deferred tax provision is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Foreign currencies

Transactions denominated in foreign currencies are recorded at the exchange rates in effect when they take place. Resulting foreign currency denominated assets and liabilities are translated at the exchange rates ruling at the balance sheet date. Exchange differences arising from foreign currency transactions are reflected in the income statement.

Items included in the financial statements of each of the Group's subsidiaries are measured using the currency of the primary economic environment in which each entity operates ('the functional currency'). The consolidated financial statements are presented in GBP, which is the Group's presentation currency.

The assets and liabilities of overseas subsidiary undertakings are translated at the rate of exchange ruling at the balance sheet date. Trading profits or losses are translated at average rates prevailing during the accounting period. Differences on exchange arising from the retranslation of net investments in overseas subsidiary undertakings at the year end rates are recognised in other comprehensive income. All other translation differences are reflected in the income statement.

Mining assets

Opencast expenditure incurred prior to the commencement of operating an opencast site is capitalised and the cost less the residual value is depreciated over the 'coaling life' of the site on a coal extraction basis.

The cost of restoration is recognised as a provision as soon as the restoration liability arises. The amount provided represents the present value of the anticipated costs. Costs are charged against the provision as incurred and the unwinding of the discount is included within finance costs. A tangible asset is created for an amount equivalent to the initial provision and depreciated on a coal extraction basis over the life of the asset.

Where there is a subsequent change to the estimated restoration costs or discount rate, the present value of the change is recognised as a change in the restoration provision with a corresponding change in the cost of the tangible asset until the asset is fully depreciated when the remaining adjustment is taken to the income statement.

Inventories

Inventories, including land held for and in the course of development, are valued at the lower of cost and net realisable value. Cost comprises direct materials and, where appropriate, labour and production overheads which have been incurred in bringing the inventories and work in progress to their present location and condition. Cost in certain circumstances also includes notional interest as explained in the accounting policy for finance income and costs. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Construction work in progress is included within inventories in the balance sheet. It is measured at cost plus profit less losses recognised to date less progress billings. If payments received from customers exceed the income recognised, the difference is included within trade and other payables in the balance sheet.

Land inventory is recognised at the time a liability is recognised; generally after exchange of unconditional contracts.

Property inventory, which represents all development land and work in progress, is included at cost less any losses foreseen in completing and disposing of the development less any amounts received or receivable as progress payments or part disposals. Where a property is being developed, cost includes cost of acquisition and development to date, including directly attributable fees, expenses and finance charges net of rental or other income attributable to the development. Where development property is not being actively developed, net rental income and finance costs are taken to the income statement.

Assets held for sale

Assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the assets are available for sale in their present condition.

Share capital

The ordinary share capital of the Company is recorded as the proceeds received, net of directly attributable incremental issue costs.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, and where it is probable that an outflow will be required to settle the obligation and the amount can be reliably estimated.

Contingent liabilities

The Group discloses a contingent liability in circumstances where it has a possible obligation depending on whether some uncertain future event occurs; or has a present obligation but payment is not probable or the amount can't be measured reliability.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument. An assessment of whether a financial asset is impaired is made at least at each reporting date. The principal financial assets and liabilities of the Group are as follows:

(a) Trade receivables and trade payables

Given the varied activities of the Group it is not practicable to identify a common operating cycle. The Group has therefore allocated receivables and payables due within 12 months of the balance sheet date to current with the remainder included in non-current.

Trade receivables do not carry interest and are stated at their initial cost reduced by appropriate allowances for estimated irrecoverable amounts.

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

(b) Cash and cash equivalents

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

(c) Bank and other borrowings

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

(d) Private Finance Initiative (PFI) assets

Under the terms of a PFI or similar project, where the risks and rewards of ownership remain largely with the purchaser of the associated services, the Group's interest in the asset is classified as a financial asset and included at its amortised cost within investment in joint ventures.

(e) Derivative financial instruments

Derivatives are initially recognised at fair value on the date that the contract is entered into and subsequently re-measured in future periods at their fair value. The method of recognising the resulting change in fair value depends on whether the derivative is designated as a hedging instrument and whether the hedging relationship is effective.

For cash flow hedges the effective part of the change in fair value of these derivatives is recognised directly in other comprehensive income. Any ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are recycled to the income statement in the periods when the hedged items will affect profit or loss. The fair value of interest rate derivatives is the estimated amount that the Group would receive or pay to terminate the derivatives at the balance sheet date.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, the hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs.

The Group enters into forward contracts in order to hedge against transactional foreign currency exposures. In cases where these derivative instruments are significant, hedge accounting is applied as described above. Where hedge accounting is not applied, changes in fair value of derivatives are recognised in the income statement. Fair values are based on observable market prices at the balance sheet date.

(f) Government grants

Government grant income is recognised at the point that there is reasonable assurance that the Group will comply with the conditions attached to it, and that the grant will be received.

1 Significant accounting policies continued

Critical accounting estimates and judgements

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

(a) Revenue and profit recognition

The estimation techniques used for revenue and profit recognition in respect of property development, private housing sales, construction contracts and services contracts require forecasts to be made of the outcome of long-term contracts which require assessments and judgements to be made on the recovery of pre-contract costs, changes in the scope of work, contract programmes, maintenance and defects liabilities and changes in costs.

(b) Valuation of land and work in progress

The key judgements and estimates in determining the net realisable value of land and work in progress are:

- An estimation of costs to complete;
- An estimation of the remaining revenues; and
- An estimation of selling costs.

These assessments include a degree of uncertainty and therefore if the key judgements and estimates change unfavourably, write downs of land and work in progress may be necessary.

(c) Defined benefit pension scheme valuations

In determining the valuation of defined benefit pension scheme assets and liabilities, a number of key assumptions have been made. The key assumptions, which are given below, are largely dependent on factors outside the control of the Group:

- Expected return on plan assets;
- Inflation rate;
- Mortality;
- Discount rate; and
- Salary and pension increases.

Details of the assumptions used are included in note 8.

(d) Provisions

Provisions are liabilities of uncertain timing or amount and therefore in making a reliable estimate of the amount and timing of liabilities judgement is applied and re-evaluated at each reporting date.

(e) Goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of cash generating units (CGUs) to which the goodwill has been allocated. The value in use calculation requires an estimate to be made of the timing and amount of future cash flows expected to arise from the CGU and the application of a suitable discount rate in order to calculate the net present value. Cash flow forecasts for the next three years are based on the Group's budgets and forecasts. Other key inputs in assessing each CGU are revenue growth, operating margin and discount rate. The assumptions are set out in note 12 together with an assessment of the impact of reasonably possible sensitivities.

(f) Non-underlying items

Non-underlying items are items of financial performance which the Group believes should be separately identified on the face of the income statement to assist in understanding the underlying financial performance achieved by the Group. Determining whether an item is part of underlying or non-underlying items requires judgement.

A total non-underlying cost of £88.3m after tax was charged to the income statement for the year ended 30 June 2017. The items that comprise this are set out in note 4 together with an explanation of their nature.

(g) Taxation

The Group is subject to tax in a number of jurisdictions and judgement is required in determining the overall provision for income taxes. The Group provides for future liabilities in respect of uncertain tax positions where additional tax may become payable in future periods and such provisions are based on management's assessment of exposures.

Deferred tax liabilities are generally provided for in full and deferred tax assets are recognised to the extent that it is judged probable that future taxable profit will arise against which the temporary differences will be utilised.

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.

Segmental 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 which have different core customers and offer different services. The segments are discussed in the Chief Executive's strategic review on pages 14 to 19 and the divisional reviews on pages 42 to 51.

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies on pages 117 to 122. The Group evaluates segmental information on the basis of profit or loss from operations before non-underlying items, interest and income tax expense. The segmental results that are reported to the Chief Executive include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

2 Segmental reporting

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)**
Geographical split of Revenue						
United Kingdom	182.0	375.7	1,855.5	1,565.5	–	**3,978.7**
Americas	–	–	8.7	–	–	**8.7**
Middle East	–	–	131.0	–	–	**131.0**
Far East & Australia	–	–	24.2	122.6	–	**146.8**
Total (continuing operations)	**182.0**	**375.7**	**2,019.4**	**1,688.1**	–	**4,265.2**

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.

2 Segmental reporting continued

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 relating to contract rights	(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)**
Geographical split of Revenue						
United Kingdom	168.9	352.9	1,649.8	1,547.8	–	**3,719.4**
Americas	–	–	21.0	–	–	**21.0**
Middle East	–	–	168.2	–	–	**168.2**
Far East & Australia	–	–	61.8	108.3	–	**170.1**
Total (continuing operations)	**168.9**	**352.9**	**1,900.8**	**1,656.1**	**–**	**4,078.7**

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.

3 Profit for the year

Profit/(loss) from operations is stated after charging/(crediting):

	2017 £m	2016 £m
Auditors' remuneration:		
Fees payable for the audit of the parent company and consolidated financial statements	**0.2**	0.2
Fees payable to the Company's auditor for other services:		
Audit of the Company's subsidiaries, pursuant to legislation	**1.1**	1.2
Other services	**0.1**	0.2
Depreciation of property, plant and equipment:		
Owned	**13.7**	15.5
Finance leases	**6.0**	6.3
Loss on sale of property, plant and equipment	**1.1**	3.6
Hire of plant and machinery	**98.9**	110.2
Operating lease rentals:		
Land and buildings	**11.4**	11.0
Plant and machinery	**36.2**	28.5
Research and Development Expenditure Credit receivable	**(4.0)**	(4.2)

The Auditors' remuneration relate to amounts paid to PricewaterhouseCoopers LLP.

A summary of other services provided by PricewaterhouseCoopers LLP during the year is provided on page 78.

4 Non-underlying items[1]

Profit/(loss) before taxation is stated after charging:

	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 – sale of assets and other 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	**(100.3)**	(151.3)
Associated tax credit	**12.0**	32.1
Charged against profit/(loss) for the year	**(88.3)**	(119.2)

1 Exceptional items.

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

4 Non-underlying items[1] continued

Portfolio simplification – closure of businesses

The ongoing programme of portfolio simplification, including the wind down and closure of the Hong Kong and Caribbean businesses and related final accounts contract settlements, resulted in costs of £86.7m. The single remaining contract in the Caribbean is nearing completion. The final contract in Hong Kong is complete with the final account in the final stages of negotiation. The prior year's charge included a £10.6m impairment of the UK Mining business which the Group is in the process of winding down and, consequently, the results are presented as continuing but non-underlying. As a result of the charge in the prior year, the result of the mining operations in 2017 was nil.

Portfolio simplification – sale of assets and other M&A activity

The disposal of Mouchel Consulting in October 2016 generated a profit on sale of £40.0m and net cash proceeds of £58.9m. Biogen Holdings Limited was sold in April 2017 generating a loss of £7.6m and net cash proceeds of £9.7m, following an impairment charge of £5.0m in the prior year. The integration of Mouchel is complete and consequently there are no further costs of acquisition or integration in the current year (2016: £49.9m). Other minor M&A activity took place during the year, including the sale of mining operations in Saudi Arabia, resulting in a total charge of £3.8m and £1.6m of transaction costs relating to the McNicholas acquisition, which took place post year end (2016: gain on sale of Kier FPS Limited: £1.7m).

Other non-underlying costs

The Group continues to work through the legacy contract issues in the Environmental Services business against a backdrop of recyclate pricing pressure. As a result of exiting one contract four years early and the current year impact of reduced recyclate income, a further charge of £11.1m has been taken. The prior year charge of £35.6m similarly comprised of both contract costs and recyclate price impact.

A provision of £8.0m has been made for a potential increase in Health & Safety Executive fines arising from revised sentencing guidelines. The establishment of the Cross Keys Homes joint venture in March 2017 resulted in initial costs of £2.2m. Closure of acquired Mouchel Pension schemes to future accrual has resulted in a one-off pension curtailment gain of £6.0m.

Further details on amortisation of intangible contract rights and financing costs are given in note 12 and note 5.

1 Exceptional items.

5 Finance income and costs – continuing operations

	2017			2016		
	Underlying £m	**Non-underlying[2] £m**	**Total £m**	Underlying £m	Non-underlying[2,3] £m	Total £m
Finance income						
Interest receivable on bank deposits	**1.0**	**–**	**1.0**	0.5	–	0.5
Interest receivable on loans to joint ventures	**0.8**	**–**	**0.8**	0.3	–	0.3
	1.8	**–**	**1.8**	0.8	–	0.8
Finance costs						
Interest payable and fees on bank overdrafts and loans	**(2.1)**	**–**	**(2.1)**	(0.6)	–	(0.6)
Interest payable on borrowings	**(16.0)**	**(0.4)**	**(16.4)**	(17.7)	(0.4)	(18.1)
Interest payable to joint ventures	**–**	**–**	**–**	(0.2)	–	(0.2)
Interest payable on finance leases	**(0.6)**	**–**	**(0.6)**	(1.4)	–	(1.4)
Discount unwind	**(0.6)**	**(2.5)**	**(3.1)**	–	(2.4)	(2.4)
Net interest on net defined benefit obligation	**(2.0)**	**–**	**(2.0)**	(5.6)	–	(5.6)
Foreign exchange losses on foreign denominated borrowings	**(4.2)**	**–**	**(4.2)**	(17.7)	–	(17.7)
Fair value gain on cash flow hedges recycled from Other Comprehensive Income	**4.2**	**–**	**4.2**	17.7	–	17.7
	(21.3)	**(2.9)**	**(24.2)**	(25.5)	(2.8)	(28.3)
Net finance costs	**(19.5)**	**(2.9)**	**(22.4)**	(24.7)	(2.8)	(27.5)

2 Unwind of discount in respect of deferred consideration and fair value adjustments made on acquisition and interest on UK Mining loan.
3 Restated to reclassify the UK Mining operations as continuing and Mouchel Consulting and Biogen as discontinued.

6 Information relating to employees

	Note	2017 No.	2016[1] No.
Monthly average number of people employed during the year including Executive Directors was:			
United Kingdom		**15,673**	16,407
Rest of world		**2,267**	2,040
		17,940	18,447

	Note	£m	£m
Group staff costs are as follows:			
United Kingdom		**782.9**	790.3
Rest of world		**68.9**	56.8
		851.8	847.1
Comprising:			
Wages and salaries		**732.3**	712.1
Social security costs		**76.1**	77.3
Defined benefit pension scheme costs (2017 includes curtailment gain of £6.0m)	8	**(1.2)**	8.9
Contributions to defined contribution pension schemes	8	**41.9**	43.2
Share-based payments charge	25	**2.7**	5.6
		851.8	847.1

1 Prior year numbers have been restated to reflect Mouchel Consulting as discontinued for comparability.

7 Information relating to directors

Information relating to directors' emoluments, pension entitlements, share options and LTIP interests appears in the directors' remuneration report on pages 82 to 101 (inclusive).

8 Retirement benefit obligations

The Group operates a number of pension schemes for eligible employees as described below.

Kier Group scheme

This is the principal scheme and includes a defined benefit section and a defined contribution section. The assets of the scheme are held in trust separate from the assets of the Group. The trustees are responsible for investing the assets and delegate day-to-day decisions to independent professional investment managers.

The defined benefit section of the scheme was closed to new entrants on 1 January 2002; existing members continued to accrue benefits for service until the scheme was closed to future accrual on 28 February 2015.

The contributions paid during the year were £16.9m (2016: £15.5m) which included contributions of £15.5m (2016: £15.5m) to fund the past service deficit.

Going forward, contributions will include an allowance for funding the past service deficit identified at the 2016 valuation date. The Group expects to make contributions of £12.8m for funding the past service deficit and ongoing scheme administration costs in the year to 30 June 2018.

The Pension Protection Fund levy is payable in addition to the above contributions.

The scheme as at 30 June 2017 has 2,838 deferred members and 2,803 retirees.

Other defined benefit schemes

Acquired with the May Gurney Group

The May Gurney defined benefit scheme was acquired with May Gurney in the year to 30 June 2014. This defined benefit scheme has closed to future accrual and the deficit contributions payable in the period to 30 June 2017 amounted to £2.1m (2016: £1.9m). The assets of the scheme are held in trust separate from the assets of the Group. The trustees are responsible for decisions and holding the assets, and delegate day-to-day decisions to independent professional investment managers.

An actuarial valuation of the May Gurney scheme was undertaken by the trustees' independent actuaries as at 31 March 2014 using the projected unit method. The market value of the scheme's assets at that date was £62.0m which represented approximately 83% of the benefits that had accrued to members at that date, after allowing for future increases in pensionable salaries. Deficit contributions for the financial year to 30 June 2018 of £2.4m have been agreed with the trustees.

The scheme as at 30 June 2017 has 365 deferred members and 274 retirees.

Acquired with the Mouchel Group

The Group acquired a number of defined benefit pension schemes with the Mouchel Group. The assets of the scheme are held in trust separate from the assets of the Group. The trustees are responsible for decisions and holding the assets, and delegate day-to-day decisions to independent professional investment managers.

8 Retirement benefit obligations continued

These schemes were closed to new entrants in 2001. Other than the 'public sector comparable' parts, the Mouchel schemes were closed to future accrual in 2010. The remaining parts of most of the Mouchel schemes were closed to future accrual in the current year, resulting in a total curtailment gain of £6.0m. A single 'public sector comparable' scheme remains open to future accrual. There is a deficit recovery plan in place for the Mouchel schemes, requiring deficit contributions of £8.6m in the year to 30 June 2018.

The contributions paid during the year were £12.3m (2016: £9.7m) which included contributions of £10.7m (2016: £8.0m) to fund the past service deficit.

In total, the schemes as at 30 June 2017 have 18 active members, 1,994 deferred members and 1,444 retirees.

The Mouchel schemes were formally valued by the trustees' independent actuaries as at 31 March 2016.

Other defined contribution schemes

Contributions are also made to a number of other defined contribution arrangements. The Group paid contributions of £41.9m (2016: £43.2m) during the year to these arrangements.

The Group also makes contributions to local government defined benefit pension schemes in respect of certain employees who have transferred to the Group under TUPE transfer arrangements. The Group is unable to identify its share of the underlying assets and liabilities in the schemes on a consistent and reasonable basis and consequently the pension costs for these schemes are treated as if they were defined contribution schemes.

IAS19 'Employee Benefits' disclosures

The Group recognises any actuarial gains or losses through the statement of comprehensive income as required under IAS19.

The principal assumptions used by the independent qualified actuaries were:

Kier Group scheme

	2017 %	2016 %
Rate of increase to pensions in payment liable for Limited Price Indexation	**2.3**	2.8
Discount rate	**2.7**	2.8
Inflation rate (Retail Price Index (RPI))	**3.2**	2.8
Inflation rate (Consumer Price Index (CPI))	**2.1**	1.7

The mortality assumptions are that life expectancy from age 60 is currently 27.3 years for a man and 29.4 years for a woman but is expected to increase to 28.7 years for future male and 31.0 years for future female pensioners who will reach the age of 60 in 2037.

	Value	
	2017 £m	2016 £m
Equities, property and other return-seeking assets	**711.0**	684.0
Government bonds, cash, swaps and collateral	**397.4**	381.4
Total market value of assets	**1,108.4**	1,065.4
Present value of liabilities	**(1,139.5)**	(1,088.9)
Deficit	**(31.1)**	(23.5)
Related deferred tax asset	**5.3**	4.2
Net pension liability	**(25.8)**	(19.3)

May Gurney defined benefit schemes

	2017 %	2016 %
Rate of increase to pensions in payment liable for Limited Price Indexation	**2.3**	2.8
Discount rate	**2.7**	2.8
Inflation rate (RPI)	**3.2**	2.8
Inflation rate (CPI)	**2.1**	1.7

The mortality assumptions are that life expectancy from age 60 is currently 26.5 years for a man and 28.8 years for a woman but is expected to increase to 28.1 years for future male and 30.5 years for future female pensioners who will reach the age of 60 in 2037.

	Value	
	2017 £m	2016 £m
Equities, property and other return-seeking assets	**53.4**	28.7
Government bonds, cash, swaps and collateral	**23.5**	43.7
Total market value of assets	**76.9**	72.4
Present value of liabilities	**(82.8)**	(78.4)
Deficit	**(5.9)**	(6.0)
Related deferred tax asset	**1.0**	1.1
Net pension liability	**(4.9)**	(4.9)

Mouchel defined benefit schemes

	2017 %	2016 %
Rate of general increases in pensionable salaries	**3.2**	2.8
Rate of increase to pensions in payment liable for Limited Price Indexation	**2.2**	1.9
Discount rate	**2.7**	2.8
Inflation rate (RPI)	**3.2**	2.8
Inflation rate (CPI)	**2.1**	1.7

The mortality assumptions are that life expectancy from age 60 is currently 27.0 years for a man and 29.1 years for a woman but is expected to increase to 28.8 years for future male and 31.1 years for future female pensioners who will reach the age of 60 in 2037.

	Value	
	2017 £m	2016 £m
Land	**17.3**	16.2
Equities, property and other return-seeking assets	**390.3**	364.3
Government bonds, cash, swaps and collateral	**43.9**	42.3
Total market value of assets	**451.5**	422.8
Present value of liabilities	**(499.1)**	(481.1)
Deficit	**(47.6)**	(58.3)
Related deferred tax asset	**8.1**	10.5
Net pension liability	**(39.5)**	(47.8)

8 Retirement benefit obligations continued

Amounts recognised in the financial statements in respect of these defined benefit schemes are as follows:

	2017				2016			
	Kier Group £m	**May Gurney £m**	**Mouchel £m**	**Total £m**	Kier Group £m	May Gurney £m	Mouchel £m	Total £m
(Charged)/credited to operating profit in the income statement								
Current service cost	**–**	**–**	**(0.5)**	**(0.5)**	–	–	(0.9)	(0.9)
Administration expenses	**(1.0)**	**(0.4)**	**(0.9)**	**(2.3)**	(0.9)	(0.3)	(1.2)	(2.4)
Past service cost (including curtailment gain)	**–**	**–**	**6.0**	**6.0**	–	–	–	–
Net interest on net defined benefit obligation	**(0.5)**	**(0.1)**	**(1.4)**	**(2.0)**	(2.7)	(0.1)	(2.8)	(5.6)
Pension (expense)/income recognised in the income statement	**(1.5)**	**(0.5)**	**3.2**	**1.2**	(3.6)	(0.4)	(4.9)	(8.9)
Re-measurement in other comprehensive income								
Actual return in excess of that recognised in net interest	**46.7**	**4.3**	**20.9**	**71.9**	145.1	4.5	60.6	210.2
Actuarial losses due to changes in financial assumptions	**(85.6)**	**(5.8)**	**(34.5)**	**(125.9)**	(105.3)	(8.5)	(48.8)	(162.6)
Actuarial gains due to changes in demographic assumptions	**15.9**	**–**	**8.7**	**24.6**	–	–	–	–
Actuarial gains due to liability experience	**–**	**–**	**0.1**	**0.1**	–	–	–	–
Total amount recognised in full	**(23.0)**	**(1.5)**	**(4.8)**	**(29.3)**	39.8	(4.0)	11.8	47.6
Changes in the fair value of scheme assets								
Fair value at 1 July	**1,065.4**	**72.4**	**422.8**	**1,560.6**	919.4	66.4	356.3	1,342.1
Interest income on scheme assets	**29.3**	**2.0**	**11.8**	**43.1**	35.2	2.6	13.8	51.6
Re-measurement gains on scheme assets	**46.7**	**4.3**	**20.9**	**71.9**	145.1	4.5	60.6	210.2
Contributions by the employer	**16.9**	**2.1**	**12.3**	**31.3**	15.5	1.9	9.7	27.1
Contributions by scheme participants	**–**	**–**	**–**	**–**	–	–	0.3	0.3
Net benefits paid out	**(48.9)**	**(3.5)**	**(15.4)**	**(67.8)**	(48.9)	(2.7)	(16.7)	(68.3)
Administration expenses	**(1.0)**	**(0.4)**	**(0.9)**	**(2.3)**	(0.9)	(0.3)	(1.2)	(2.4)
Fair value at 30 June	**1,108.4**	**76.9**	**451.5**	**1,636.8**	1,065.4	72.4	422.8	1,560.6
Changes in the present value of the defined benefit obligation								
Fair value at 1 July	**(1,088.9)**	**(78.4)**	**(481.1)**	**(1,648.4)**	(994.6)	(69.9)	(431.2)	(1,495.7)
Current service cost	**–**	**–**	**(0.5)**	**(0.5)**	–	–	(0.9)	(0.9)
Interest expense on scheme liabilities	**(29.8)**	**(2.1)**	**(13.2)**	**(45.1)**	(37.9)	(2.7)	(16.5)	(57.1)
Past service cost	**–**	**–**	**6.0**	**6.0**	–	–	–	–
Actuarial losses due to changes in financial assumptions	**(85.6)**	**(5.8)**	**(34.5)**	**(125.9)**	(105.3)	(8.5)	(48.8)	(162.6)
Actuarial gains due to changes in demographic assumptions	**15.9**	**–**	**8.7**	**24.6**	–	–	–	–
Actuarial gains due to liability experience	**–**	**–**	**0.1**	**0.1**	–	–	–	–
Contributions by scheme participants	**–**	**–**	**–**	**–**	–	–	(0.2)	(0.2)
Net benefits paid out	**48.9**	**3.5**	**15.4**	**67.8**	48.9	2.7	16.5	68.1
Fair value at 30 June	**(1,139.5)**	**(82.8)**	**(499.1)**	**(1,721.4)**	(1,088.9)	(78.4)	(481.1)	(1,648.4)
Amounts included in the balance sheet								
Fair value of scheme assets	**1,108.4**	**76.9**	**451.5**	**1,636.8**	1,065.4	72.4	422.8	1,560.6
Net present value of the defined benefit obligation	**(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)

History of experience gains and losses for defined benefit schemes in aggregate:

	2017 £m	2016 £m	2015 £m	2014 £m	2013 £m
Fair value of scheme assets	**1,636.8**	1,560.6	1,342.1	911.7	966.6
Net present value of the defined benefit obligation	**(1,721.4)**	(1,648.4)	(1,495.7)	(971.5)	(1,016.3)
Net deficit	**(84.6)**	(87.8)	(153.6)	(59.8)	(49.7)
Related deferred tax asset	**14.4**	15.8	30.7	11.9	11.4
Net pension liability	**(70.2)**	(72.0)	(122.9)	(47.9)	(38.3)
Difference between expected and actual return on scheme assets	**71.9**	210.2	66.3	44.0	45.7
Experience gains on scheme liabilities	**0.1**	–	4.9	8.7	0.7

Risk exposure

As IAS 19 actual assumptions are driven by market conditions, there is a risk that significant changes in financial market conditions could lead to volatility in the defined benefit obligation disclosed in the balance sheet from year to year. In addition, the asset position may also be volatile as it will be influenced by changes in market conditions. However, the risk of significant changes to the overall balance sheet position has been mitigated to an extent due to the asset hedging strategies in place for the schemes.

Pension sensitivity

The following tables show the change in deficit arising from a change in the significant actuarial assumptions used to determine the retirement benefits obligations:

Kier Group scheme:

	2017		2016	
	+0.25%/+1 year £m	**-0.25%/-1 year £m**	+0.25%/+1 year £m	-0.25%/-1 year £m
Discount rate (+/-0.25%)	**45.4**	**(48.2)**	43.7	(46.4)
Inflation rate (+/-0.25%)	**(43.2)**	**41.5**	(41.6)	40.7
Increase in life expectancy (+/-1 year)	**(36.1)**	**36.3**	(32.9)	32.9

May Gurney defined benefit schemes:

	2017		2016	
	+0.25%/+1 year £m	**-0.25%/-1 year £m**	+0.25%/+1 year £m	-0.25%/-1 year £m
Discount rate (+/-0.25%)	**3.5**	**(3.7)**	3.3	(3.5)
Inflation rate (+/-0.25%)	**(3.3)**	**3.2**	(3.2)	3.0
Increase in life expectancy (+/-1 year)	**(2.3)**	**2.3**	(2.1)	2.1

Mouchel defined benefit schemes:

	2017		2016	
	+0.25%/+1 year £m	**-0.25%/-1 year £m**	+0.25%/+1 year £m	-0.25%/+1 year £m
Discount rate (+/-0.25%)	**21.3**	**(22.5)**	20.8	(22.2)
Inflation rate (+/-0.25%)	**(22.4)**	**21.2**	(22.1)	20.8
Increase in life expectancy (+/-1 year)	**(14.2)**	**14.2**	(13.1)	13.1

The sensitivity analyses above have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period and may not be representative of the actual change, which is based on a change in a key assumption while holding all other assumptions constant. When calculating the sensitivity to the assumption, the same method used to calculate the liability recognised in the balance sheet has been applied. The methods and types of assumptions used in preparing the sensitivity analyses did not change compared with the previous period.

9 Taxation

(a) Recognised in the income statement

	2017			2016[2]		
	Underlying items[1] £m	Non-underlying items (note 4) £m	Total £m	Underlying items[1] £m	Non-underlying items (note 4) £m	Total £m
Current tax expense/(credit)						
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/(credit)						
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 payment 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 4).
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 separately 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 non-underlying items and amortisation of contract rights of £21.9m (2016: £20.9m) shown in the table above equates to an effective tax rate of 17.4% (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.

(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.

10 Dividends

Amounts recognised as distributions to owners of the parent 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.

11 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 Basic £m	2017 Diluted £m	2016[1] Basic £m	2016[1] Diluted £m
Earnings/(loss)				
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 non-controlling interests), being net loss 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

Earnings/(loss) per share				
Continuing operations	**pence**	**pence**	pence	pence
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 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
Total earnings/(loss) per share				
Statutory	**11.1**	**11.0**	(18.5)	(18.5)
Underlying	**102.6**	**101.9**	106.7	106.7

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.

12 Intangible assets

	Goodwill £m	Intangible contract rights £m	Computer software[1] £m	Total £m
Cost				
At 1 July 2015	522.8	287.1	34.6	**844.5**
Additions	–	0.6	37.5	**38.1**
Disposals	–	(0.8)	(4.7)	**(5.5)**
At 30 June 2016	522.8	286.9	67.4	**877.1**
Additions	–	–	44.4	**44.4**
Disposals	(5.4)	(3.5)	(14.7)	**(23.6)**
Transfer from tangible fixed assets	–	–	15.1	**15.1**
At 30 June 2017	**517.4**	**283.4**	**112.2**	**913.0**
Accumulated amortisation				
At 1 July 2015	–	(47.4)	(7.1)	**(54.5)**
Charge for the year	–	(21.5)	(6.3)	**(27.8)**
Disposals	–	–	1.6	**1.6**
Impairment	–	(1.8)	–	**(1.8)**
At 30 June 2016	–	(70.7)	(11.8)	**(82.5)**
Charge for the year	–	(22.3)	(7.8)	**(30.1)**
Disposals	–	0.3	14.5	**14.8**
Transfer from tangible fixed asset	–	–	(12.4)	**(12.4)**
At 30 June 2017	**–**	**(92.7)**	**(17.5)**	**(110.2)**
Net book value				
At 30 June 2017	**517.4**	**190.7**	**94.7**	**802.8**
At 30 June 2016	522.8	216.2	55.6	794.6

1 £67.0m largely relating to the Group's ERP implementation is under construction and not being amortised (2016: £42.0m).

Goodwill largely relates to the Services cash generating unit ('CGU'). This has been built up by the acquisition of MRBL Limited (Mouchel Group) (£309.3m), May Gurney Integrated Services PLC (£194.7m), Kier Partnership Homes Limited (£5.2m), Pure Recycling Limited (£4.8m), Beco Limited (£2.6m) and Southdale (£0.8m). These balances have been subject to an annual impairment review based upon the projected profits of each CGU.

The cost of contract rights relates to:

- The acquisition of the businesses and assets of the construction and business services operations of Sheffield City Council (£21.3m), Stoke-on-Trent City Council (£1.9m) and North Tyneside Council (£7.2m). These contracts are in partnership with the respective councils that have retained a participatory ownership interest and the rights for a minority share in the profits. These profit shares are reflected in the income statement as minority interests. The amounts for the year to 30 June 2017 are: Stoke-on-Trent City Council £0.5m (2016: £0.5m), North Tyneside Council £0.2m (2016: £0.2m), Unity Partnership £0.4m (2016: £nil);
- The acquisition of Pure Recycling Limited (£2.0m) and Stewart Milne (£1.0m);
- The acquisition of a commercial refuse collections business from Wealdon District Council (£3.6m);
- The acquisition of May Gurney Integrated Services plc (£106.7m); and
- The acquisition of MRBL Limited (Mouchel Group) (£138.6m).

Contract rights on May Gurney and Mouchel are amortised on a straight-line basis over the expected total contract duration. All other contract rights are amortised on a straight-line basis over the remaining contract life.

12 Intangible assets continued

Carrying amounts of goodwill and intangible contract rights by CGU

	2017			2016		
	Goodwill £m	**Intangible contract rights £m**	**Total £m**	Goodwill £m	Intangible contract rights £m	Total £m
Property	**0.1**	**0.5**	**0.6**	0.1	0.6	0.7
Residential	**6.0**	**–**	**6.0**	6.0	–	6.0
Construction	**12.5**	**5.3**	**17.8**	12.5	5.7	18.2
Services	**498.8**	**184.9**	**683.7**	504.2	209.9	714.1
	517.4	**190.7**	**708.1**	522.8	216.2	739.0

For impairment testing purposes, the goodwill has been allocated to the above four CGUs. The recoverable amount of the goodwill and intangibles has been determined based on value in use calculations, which use cash flow projections based on the Group's forecasts approved by management, covering a three-year period.

The resulting cash flows are discounted to present value, with the discount rate used in the value in use calculations based on the Group's weighted average cost of capital, adjusted as necessary to reflect the risk associated with the assets being tested.

The key assumptions in the value in use calculations are the forecast revenues and gross margins during the forecast period and the discount rates applied to future cash flows. Cash flows for periods beyond those forecast have a terminal growth rate assumption applied.

Significant headroom exists in all CGUs and management considers that any reasonably possible change in the key assumptions would not lead to an impairment being recognised.

Services CGU

A revenue growth rate of 1.9% and a fixed operating margin of 5.0% have been applied to the Services CGU cash flows into perpetuity. These assumptions are in line with current trading and current forecasts of UK GDP growth rate. The pre-tax discount rate used is 9.2% (2016: 9.3%).

Based on the value in use calculation, these assumptions derived a recoverable amount for the Services CGU that is £510.0m above the carrying value of CGU assets.

The Services CGU impairment review is sensitive to changes in the key assumptions: discount rate, revenue growth rate and the operating margin, although management do not consider that any reasonable possible change in any single assumption would give rise to an impairment of the carrying value of goodwill and intangibles. The assumptions would have to change as follows for any single assumption change to bring headroom down to £nil:

- Discount rate – increase from 9.2% to 14.0%;
- Growth rate – reduce from positive 1.9% to negative 6.1%; and
- Underlying operating margin – reduce from 5.0% to 2.2%.

13 Property, plant and equipment

		Land and buildings £m	Plant and equipment £m	Mining £m	Total £m
Cost					
At 1 July 2015		71.2	130.1	–	**201.3**
Additions		7.1	7.0	–	**14.1**
Disposals		(11.0)	(21.0)	–	**(32.0)**
Currency realignment		(0.2)	1.3	–	**1.1**
At 30 June 2016		67.1	117.4	–	**184.5**
Additions		0.4	10.6	4.8	**15.8**
Disposals		(6.5)	(27.9)	–	**(34.4)**
Currency realignment		–	0.1	–	**0.1**
Transfer to intangible fixed assets		–	(15.1)	–	**(15.1)**
Transfer from assets held for sale		5.0	–	–	**5.0**
At 30 June 2017		66.0	85.1	4.8	**155.9**
Accumulated depreciation					
At 1 July 2015		(13.5)	(66.9)	–	**(80.4)**
Charge for the year	– continuing operation	(1.8)	(19.0)	–	**(20.8)**
	– discontinued operation	–	(1.0)	–	**(1.0)**
Disposals		0.3	17.6	–	**17.9**
Currency realignment		–	(0.9)	–	**(0.9)**
At 30 June 2016		(15.0)	(70.2)	–	**(85.2)**
Charge for the year	– continuing operations	(3.0)	(16.6)	–	**(19.6)**
	– discontinued operations	–	(0.1)	–	**(0.1)**
Disposals		1.3	25.8	–	**27.1**
Currency realignment		–	(0.1)	–	**(0.1)**
Transfer to intangible fixed assets		–	12.4	–	**12.4**
At 30 June 2017		(16.7)	(48.8)	–	**(65.5)**
Net book value					
At 30 June 2017		**49.3**	**36.3**	**4.8**	**90.4**
At 30 June 2016		52.1	47.2	–	99.3

The net book value of plant and equipment includes an amount of £13.5m (2016: £18.6m) in respect of assets held under finance leases (see note 21).

As part of the ongoing ERP implementation, the Group has conducted a detailed review of its property, plant and equipment and as a consequence has written off £13.4m of fully depreciated historic assets that are no longer in use and reclassified £15.1m of licences to intangible assets.

14 Investments in and loans to joint ventures

(a) Movements in year

	2017 £m	2016 £m
Investment in joint ventures		
At 1 July	**129.8**	79.4
Additions	**94.6**	62.9
Loan repayments	**(1.3)**	(1.0)
Disposals	**(37.2)**	(17.8)
Impairment	**–**	(5.0)
Share of:		
Operating profit[1]	**26.4**	14.6
Finance costs	**(2.0)**	–
Taxation	**(0.9)**	(0.4)
Post-tax results of joint ventures	**23.5**	14.2
Dividends received	**(23.2)**	(2.8)
Items recognised directly in other comprehensive income:		
Fair value movements in cash flow hedging instruments	**(2.2)**	(0.1)
Deferred tax on fair value movements in cash flow hedging instruments	**0.4**	–
At 30 June	**184.4**	129.8

(b) Analysis of investment in and loans to joint ventures

	2017 £m	2016 £m
Non-current assets		
Property, plant and equipment	**118.2**	101.5
Other non-current assets	**9.6**	18.9
Non-current assets	**127.8**	120.4
Current assets		
Cash and trade receivables	**245.2**	202.2
Current assets	**245.2**	202.2
Total assets	**373.0**	322.6
Current liabilities		
Trade and other payables – current	**(22.2)**	(27.5)
Borrowings – current	**(9.2)**	(1.2)
Current liabilities	**(31.4)**	(28.7)
Non-current liabilities		
Borrowings	**(208.4)**	(226.1)
Financial instruments	**(2.4)**	(0.6)
Deferred tax liabilities	**(0.6)**	(0.1)
Non-current liabilities	**(211.4)**	(226.8)
Total liabilities	**(242.8)**	(255.5)
Net external assets	**130.2**	67.1
Loans provided to joint ventures	**54.2**	62.7
Total investments in and loans to joint ventures	**184.4**	129.8

[1] Including the £1.5m (2016: £nil) share of operating losses from the Biogen joint venture, which is included in discontinued operations (see note 19).

The Group has provided guarantees to support borrowing facilities of joint ventures as follows:

	2017			2016		
	Borrowing facility £m	**Guarantees £m**	**Drawn at 30 June £m**	Borrowing facility £m	Guarantees £m	Drawn at 30 June £m
Kier Sydenham LP	**44.1**	**7.5**	**44.1**	45.0	7.5	45.0
Biogen (UK) Limited	**–**	**–**	**–**	11.0	11.0	11.0
Kier Reading LLP	**–**	**–**	**–**	18.3	8.0	17.2
Kier Hammersmith Limited	**24.1**	**24.1**	**22.7**	24.1	24.1	12.8
Kier Trade City LLP	**5.1**	**2.2**	**4.6**	23.8	11.1	11.7
Fore UK 1B LP	**–**	**–**	**–**	19.3	19.3	19.3
Tri-link 140 LLP	**5.5**	**5.5**	**4.7**	5.5	5.5	5.5
Kier Foley Street LLP	**–**	**–**	**–**	54.3	5.0	38.9
50 Bothwell Street LLP	**16.5**	**16.5**	**16.5**	–	–	–
Black Rock Devco LLP	**4.6**	**2.0**	**3.3**	–	–	–
KCK Peterborough Devco LLP	**6.7**	**2.0**	**3.0**	–	–	–
	106.6	**59.8**	**98.9**	201.3	91.5	161.4

Other than as disclosed above the liabilities of the joint ventures are without recourse to the Group. Details of the Group's interests in joint ventures are given in note 31.

15 Deferred tax

The following are the major deferred tax assets and liabilities recognised by the Group and movements thereon during the current and prior reporting year:

	Intangible assets £m	**Property, plant and equipment £m**	**Short-term temporary differences £m**	**Retirement benefit obligations £m**	**Tax losses £m**	**Total £m**
At 1 July 2015	(47.1)	17.1	3.2	30.7	5.1	**9.0**
Credited/(charged) to income statement	8.7	8.3	(0.1)	(5.8)	(0.9)	**10.2**
Transfers	–	–	(2.6)	–	–	**(2.6)**
Charged directly to comprehensive income	–	–	(0.2)	(9.1)	–	**(9.3)**
At 30 June 2016	(38.4)	25.4	0.3	15.8	4.2	**7.3**
Credited/(charged) to income statement	5.9	(1.4)	(3.2)	(3.5)	(2.4)	**(4.6)**
Transfers	–	1.5	4.5	–	–	**6.0**
Credited directly to comprehensive income	–	–	0.8	2.1	–	**2.9**
At 30 June 2017	**(32.5)**	**25.5**	**2.4**	**14.4**	**1.8**	**11.6**

Deferred tax assets and liabilities are attributed to temporary differences relating to the following:

	Assets		Liabilities		Total	
	2017 £m	2016 £m	**2017 £m**	2016 £m	**2017 £m**	2016 £m
Property, plant and equipment	**25.5**	25.7	**–**	(0.3)	**25.5**	25.4
Intangible assets	**–**	–	**(32.5)**	(38.4)	**(32.5)**	(38.4)
Inventories	**–**	0.5	**–**	–	**–**	0.5
Payables	**0.5**	2.6	**–**	(4.6)	**0.5**	(2.0)
Retirement benefit obligations	**14.4**	15.8	**–**	–	**14.4**	15.8
Share-based payments	**1.3**	1.8	**–**	–	**1.3**	1.8
Other short-term timing differences	**0.6**	–	**–**	–	**0.6**	–
Tax losses	**1.8**	4.2	**–**	–	**1.8**	4.2
Total	**44.1**	50.6	**(32.5)**	(43.3)	**11.6**	7.3
Set-off tax	**(32.5)**	(43.3)	**32.5**	43.3	**–**	–
Net tax assets	**11.6**	7.3	**–**	**–**	**11.6**	7.3

16 Inventories

	2017 £m	2016 £m
Raw materials and consumables	**18.0**	15.4
Construction contracts in progress (note 17)	**141.4**	184.8
Land and work in progress held for development	**202.1**	276.9
Other work in progress	**232.4**	198.8
	593.9	675.9

17 Construction contracts

Contracts in progress at the balance sheet date comprise contract costs incurred plus recognised profits less losses of £9,669.7m (2016: £10,926.8m), less progress billings received and receivable of £9,938.7m (2016: £11,088.3m).

The net balance is analysed into assets and liabilities as follows:

	2017 £m	2016 £m
Inventories – construction contracts in progress	**141.4**	184.8
Trade and other payables – gross amounts due to customers (note 22)	**(410.4)**	(346.3)
	(269.0)	(161.5)

18 Trade and other receivables

	2017 £m	2016 £m
Current:		
Trade receivables	**220.1**	213.4
Construction contract retentions	**79.4**	81.2
Amounts receivable from joint ventures	**2.9**	7.8
Other receivables	**78.2**	78.5
Prepayments and accrued income	**132.8**	135.4
Other taxation and social security	**17.7**	6.7
	531.1	523.0
Non-current:		
Construction contract retentions	**32.1**	25.5
Other receivables	**6.1**	9.2
	38.2	34.7

19 Non-current assets held for sale and discontinued operations

As at 30 June 2016, Kier Minerals Limited (KML) was expected to be sold during the year ended 30 June 2017 and consequently its results were classified as discontinued operations and the assets and liabilities were classified as held for sale. As a sale on acceptable terms could not be agreed, the results of KML have been reclassified as continuing in the current and prior periods and its assets and liabilities have been transferred out of assets held for sale.

During the year ended 30 June 2017, following their sale, the results of the Mouchel Consulting business and Biogen Holdings Limited have been classified as discontinued. Comparative information has been restated accordingly.

(a) Assets of disposal group classified as held for sale

	2017 £m	2016 £m
Property, plant and equipment	–	5.0
Inventory	–	3.6
Other current assets	–	9.6
Total	–	18.2

(b) Liabilities of disposal group classified as held for sale

	2017 £m	2016 £m
Trade and other payables	–	(5.0)
Provisions	–	(8.7)
Total	–	(13.7)
Net assets held for sale	–	4.5

(c) Result of discontinued operations

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.

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 profit	**(0.3)**	8.5
Finance costs	–	–
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

19 Non-current assets held for sale and discontinued operations continued

Biogen Holdings Limited (joint venture)

On 1 April 2017 the Group disposed of its investment in Biogen Holdings Limited.

The results are as follows:

Result of discontinued operations	**2017 £m**	2016 £m
Loss for the period from discontinued operations	**(1.5)**	–

Cash flows from discontinued operations	**Year to 30 June 2017 £m**	Year to 30 June 2016 £m
Operating cash flows	**(1.5)**	–
Investing cash flows	**–**	–
Financing cash flows	**–**	–
Total cash flows	**(1.5)**	–

20 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)

Cash and cash equivalents are subject to Group-wide cash pooling arrangements. On a gross basis, cash and cash equivalents were £1,574.3m (2016: £1,263.2m) and overdrafts were £1,074.5m (2016: £1,076.5m).

Cash and cash equivalents include £50.6m (2016: £85.9m) being the Group's share of cash and cash equivalents held by joint operations and £94.0m (2016: £52.1m) of bank balances that are not part of the Group-wide cash pooling arrangement, including £25.9m (2016: £10.6m) held for future payment to designated suppliers.

Information on borrowings is detailed in note 27.

21 Finance lease obligations

	2017			2016		
	Future minimum lease payments £m	**Interest £m**	**Present value of minimum lease payments £m**	Future minimum lease payments £m	Interest £m	Present value of minimum lease payments £m
At 1 July	**27.7**	**(1.4)**	**26.3**	42.6	(2.0)	40.6
New obligations	**1.8**	**(0.1)**	**1.7**	3.6	(0.5)	3.1
Repayments	**(14.3)**	**0.6**	**(13.7)**	(18.5)	1.1	(17.4)
At 30 June	**15.2**	**(0.9)**	**14.3**	27.7	(1.4)	26.3

Finance lease liabilities are payable as follows:

	2017			2016		
	Future minimum lease payments £m	**Interest £m**	**Present value of minimum lease payments £m**	Future minimum lease payments £m	Interest £m	Present value of minimum lease payments £m
Less than one year	**9.6**	**(0.5)**	**9.1**	14.4	(0.9)	13.5
Between two and five years	**5.3**	**(0.3)**	**5.0**	13.3	(0.5)	12.8
Over five years	**0.3**	**(0.1)**	**0.2**	–	–	–
At 30 June	**15.2**	**(0.9)**	**14.3**	27.7	(1.4)	26.3

22 Trade and other payables

	2017 £m	2016 £m
Current:		
Trade payables	**518.3**	430.8
Sub-contract retentions	**61.5**	54.5
Construction contract balances (note 17)	**410.4**	346.3
Other taxation and social security	**62.7**	61.6
Other payables	**100.0**	102.1
Accruals and deferred income	**262.7**	354.4
Payments received on account	**18.1**	29.8
	1,433.7	1,379.5
Non-current:		
Trade payables	**2.2**	1.1
Sub-contract retentions	**14.4**	12.1
	16.6	13.2

23 Provisions

	2017					2016		
	Insurance claims £m	**Restoration of mining sites £m**	**HSE regulatory £m**	**Other provisions £m**	**Total £m**	Insurance claims £m	Other provisions £m	Total £m
At 1 July	**25.6**	**–**	**–**	**54.9**	**80.5**	22.3	41.5	63.8
Charged to income statement	**18.6**	**–**	**8.0**	**23.5**	**50.1**	13.5	14.4	27.9
Divested	**(2.5)**	**–**	**–**	**(4.9)**	**(7.4)**	–	–	–
Transfers	**–**	**8.7**	**–**	**–**	**8.7**	0.8	1.5	2.3
Utilised	**(20.8)**	**(3.2)**	**(2.9)**	**(28.8)**	**(55.7)**	(11.0)	(5.3)	(16.3)
Unwinding of discount	**–**	**–**	**–**	**3.1**	**3.1**	–	2.8	2.8
At 30 June	**20.9**	**5.5**	**5.1**	**47.8**	**79.3**	25.6	54.9	80.5

Insurance provisions are in respect of legal and other disputes in various Group companies.

Mining provisions of £8.7m, representing the cost of restoration of opencast mining activities, have been transferred from the disposal group (see note 19) following the Group's decision in the year not to exit from its UK Mining operations.

HSE regulatory provisions are in respect of potential fines arising from changes to safety, health and environmental legislation and regulation (see note 4 to the financial statements).

Other provisions primarily represent contractual obligations on cessation of certain contracts and fair value provisions.

It is anticipated that the amounts provided will be utilised as follows:

	2017 £m	2016 £m
Due within one year	**19.0**	22.8
Due after one year	**60.3**	57.7
	79.3	80.5

Due to the nature of the provision for insurance claims, the timing of any potential future outflows in respect of these liabilities is uncertain.

Future outflows in respect of other provisions are expected to occur over the next 10 years.

24 Share capital and reserves

Share capital

The share capital of the Company comprises:

	2017 Number	2017 £m	2016 Number	2016 £m
Issued and fully paid ordinary shares of 1 pence each	**97,443,035**	**1.0**	96,067,463	1.0

During the year 1,008,009 shares were issued as a scrip dividend alternative at a premium of £13.6m and 367,563 shares under the Sharesave Scheme at a premium of £3.2m.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Cash flow hedge reserve

This reserve comprises the effective portion of the cumulative net change in the fair value of the cash flow hedging instruments related to hedged transactions that have not yet occurred, net of any related deferred tax.

Translation reserve

This reserve comprises the cumulative difference on exchange arising from the retranslation of net investments in overseas subsidiary undertakings. In accordance with the transitional provisions of IFRS 1, this reserve was set to nil at 1 July 2004.

Merger reserve

The merger reserve arose on the shares issued at a premium to acquire May Gurney on 8 July 2013.

25 Share-based payments

Options and awards over the Company's ordinary shares at 30 June 2017 were as follows:

Date of grant	Sharesave Scheme 31 Oct 2014	Sharesave Scheme 31 Oct 2015	Sharesave Scheme 31 Oct 2016	LTIP 2015 award 22 Oct 2014	LTIP 2016 award 22 Oct 2015	LTIP 2017 award 21 Oct 2016	**Total**
Awards outstanding at 30 June 2017							
– directors	1,550	3,137	779	131,678	210,163	227,191	**574,498**
– employees	527,341	901,853	648,631	704,938	959,407	1,095,244	**4,837,414**
	528,891	**904,990**	**649,410**	**836,616**	**1,169,570**	**1,322,435**	**5,411,912**
Exercise price (pence)	1,159	1,147	1,155	nil	nil	nil	

Sharesave Scheme

699,380 options were granted in the year (2016: 1,338,394) under the Sharesave Scheme, which are all equity settled. The weighted average market price of Kier Group plc shares at the date of exercise of Sharesave Scheme options was 1,166 pence (2016: 1,124 pence).

Long Term Incentive Plan

Awards made under the scheme are normally able to vest following the third anniversary of the date of the grant. Vesting may be in full or in part (with the balance of the award lapsing) and is subject to the Group achieving specific performance targets. Awards under the LTIP are all equity settled. The market price of Kier Group plc shares at the date of exercise of LTIP options was 1,360 pence (2016: no LTIP options exercised).

The awards which are taken as shares are intended to be satisfied from the following shares held by the Kier Group 1999 Employee Benefit Trust and May Gurney Group Trustees Ltd Employee Share Ownership Plan Trust rather than from the issue of new shares. These shares are accounted for as a deduction from retained earnings.

	2017 Number of shares	2017 Value £m	2016 Number of shares	2016 Value £m
At 1 July	**526,169**	**5.9**	681,503	7.4
Acquired during the year	**87,116**	**1.2**	–	–
Issued in satisfaction of awards and other schemes	**(204,709)**	**(2.6)**	(129,262)	(1.2)
Issued in satisfaction of deferred bonus schemes	**(40,509)**	**(0.5)**	(26,072)	(0.3)
At 30 June	**368,067**	**4.0**	526,169	5.9

The market value of these shares at 30 June 2017 was £4.5m (2016: £5.5m). The dividends on these shares have been waived.

A description of these schemes and the terms and conditions of each scheme are included in the directors' remuneration report on pages 82 to 101.

Value of share schemes

The fair value per option granted has been calculated using the following assumptions. These calculations are based on the Black-Scholes model for all options apart from the total shareholder return (TSR) element of the LTIP which is based on a stochastic model.

Sharesave Scheme

Date of grant	31 October 2014	31 October 2015	31 October 2016
Share price at grant (pence)	1,490	1,377	1,329
Exercise price (pence)	1,159	1,147	1,155
Option life (years)	3.0	3.0	3.0
Expected volatility	27.1%	22.9%	25.5%
Dividend yield	4.8%	4.7%	4.7%
Risk-free interest rate	1.1%	0.9%	0.3%
Value per option (pence)	160.1	222.6	205.8

Long Term Incentive Plan

Date of grant	22 October 2014 (EPS element)	22 October 2014 (TSR element)	22 October 2015 (EPS element)	22 October 2015 (TSR element)	21 October 2016 (EPS & Net Debt:EBITDA element)	21 October 2016 (TSR element)
Share price at grant (pence)	1,519	1,519	1,388	1,388	1,360	1,360
Exercise price	nil	nil	nil	nil	nil	nil
Option life (years)	3.0	3.0	3.0	3.0	3.0	3.0
Expected volatility	n/a	24.6%	n/a	23.3%	n/a	26.5%
Dividend yield	4.7%	4.7%	4.8%	4.8%	4.7%	4.7%
Risk-free interest rate	n/a	1.0%	n/a	0.7%	n/a	0.2%
Value per option (pence)	1,053.0	604.8	1,203.7	801.0	1,182.3	609.1

The value per option represents the fair value of the option less the consideration payable.

The fair value of the TSR element incorporates an assessment of the number of shares that will be awarded, as the performance conditions are market conditions under IFRS 2 'Share-based Payment'.

The performance conditions of the EPS and the net debt to earnings before interest, tax, depreciation and amortisation ratio (Net Debt:EBITDA) elements are non-market conditions under IFRS 2. The fair value therefore does not include an assessment of the number of shares that will be awarded. Instead the amount charged for this element is based on the fair value factored by a 'true-up' for the number of awards that are expected to vest.

The expected volatility is based on historical volatility over the last three years. The risk-free rate of return is the yield on zero-coupon UK Government bonds of a term consistent with the assumed option life.

An amount of £2.7m relating to share-based payments has been recognised in the income statement as employee costs (2016: £5.6m). Included in other payables is an amount of £0.7m (2016: £0.8m) relating to provisions for employer's national insurance.

A reconciliation of option movements is shown below:

	2017		2016	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Outstanding at 1 July	**4,735,719**	**476.8p**	3,897,744	405.8p
Forfeited	**(983,842)**	**472.5p**	(1,190,953)	569.5p
Exercised	**(417,176)**	**478.3p**	(666,626)	795.4p
Granted	**2,077,211**	**388.9p**	2,695,554	278.3p
Outstanding at 30 June	**5,411,912**	**443.7p**	4,735,719	476.8p
Exercisable at 30 June	**–**	**–**	176,361	839.0p

The options outstanding at 30 June 2017 have a weighted average remaining contractual life of 1.80 years (2016: 1.84 years).

26 Guarantees and contingent liabilities

There are contingent liabilities in respect of performance bonds, guarantees and claims under contracting and other arrangements, including joint operations and joint ventures, entered into in the normal course of business.

During the year, the directors have reviewed the aggregate potential liability which may arise from certain safety, health and environmental incidents which took place before the implementation of relevant sentencing guidelines in February 2016. Following this review, a provision has been made for the directors' current estimate of the financial impact on the Group. For further details, please see note 4 to the financial statements.

27 Financial instruments

Capital risk management

The Group's capital management objectives are: to ensure the Group's ability to continue as a going concern; and to optimise the capital structure in order to minimise the cost of capital; whilst maintaining a strong balance sheet to support business development and tender qualification. The four operating divisions of the Group have complementary capital characteristics, with the Construction division, and to a lesser extent the Services division, generating a net cash surplus, whilst the Property and Residential divisions require net capital to fund developments. The Group's capital management strategy is to use a blend of capital types with different risk, return and maturity profiles to support the operating divisions and deliver the Group's capital management objectives. The Group's overall capital risk management strategy remains unchanged from 2016.

The capital structure of the Group comprises: equity, consisting of share capital, share premium, retained earnings and other reserves as disclosed in the consolidated statement of changes in equity; and cash, cash equivalents and borrowings as disclosed in note 20 and described further below. The Group forecasts and monitors short, medium and longer-term capital needs on a regular basis and adjusts its capital structure as required through the payment of dividends to shareholders, the issue of new share capital and the increase or repayment of borrowings. All investment decisions are made with regard to the Group's weighted average cost of capital and typically a pre-tax annualised return of at least 15.0% is required to ensure such investments are value enhancing for shareholders.

Financial risk management

Financial risk management is an integral part of the way the Group is managed. In the course of its business, the Group is exposed primarily to credit risk, market risk and liquidity risk. The overall aim of the Group's financial risk management policies is to minimise any potential adverse effects on financial performance and net assets.

The Group's treasury team manages the principal financial risks within policies and operating limits approved by the Board. The treasury function is not a profit centre and does not enter into speculative transactions. Derivative financial instruments are used to hedge exposure to fluctuations in interest and exchange rates and some commodity prices.

Credit risk

Credit risk arises on financial instruments such as trade receivables, short-term bank deposits and interest rate and currency hedges.

Policies and procedures exist to ensure that customers have an appropriate credit history. The Group's most significant clients are public or regulated industry entities which generally have high credit ratings or are of a high credit quality due to the nature of the client.

Short-term bank deposits and hedging transactions are executed only with highly credit-rated authorised counterparties based on ratings issued by the major ratings agencies. Counterparty exposure positions are monitored regularly so that credit exposures to any one counterparty are within acceptable limits. At the balance sheet date there were no significant concentrations of credit risk.

Trade and other receivables included in the balance sheet are stated net of bad debt provisions which have been estimated by management following a review of individual receivable accounts. There is no Group-wide rate of provision and provision made for debts that are overdue is based on prior default experience and known factors at the balance sheet date. Receivables are written off against the bad debt provision when management considers that the debt is no longer recoverable.

An analysis of the provision held against trade receivables is set out below:

	2017 £m	2016 £m
Provision as at 1 July	**20.0**	14.3
(Credited)/charged to the income statement	**(0.8)**	5.7
Divested in the year	**(11.0)**	–
Provision as at 30 June	**8.2**	20.0

There were £82.9m (2016: £88.4m) of trade receivables that were overdue at the balance sheet date that have not been provided against, of which £48.5m (2016: £43.2m) had been received by the end of August 2017. There are no indications as at 30 June 2017 that the debtors will not meet their payment obligations in respect of the amount of trade receivables recognised in the balance sheet that are overdue and un-provided. The proportion of trade receivables at 30 June 2017 that were overdue for payment was 37.8% (2016: 41.7%). Credit terms vary across the Group; the average age of trade receivables was as follows:

Construction	16 days (2016: 19 days)
Services	14 days (2016: 12 days)

Overall, the Group considers that it is not exposed to significant credit risk.

Market risk

Interest rate risk

The Group has borrowing facilities to finance short-term working capital requirements and term loans to finance medium-term capital requirements, which carry interest at floating rates, at a margin over LIBOR. The Group's borrowings, excluding the effect of derivatives, can be analysed as follows:

	2017 £m	2016 £m
Fixed rate	**288.0**	276.2
Variable rate	**346.5**	30.0
Cost of raising finance	**(2.7)**	(3.0)
	631.8	303.2

In addition, a number of the Group's joint ventures have entered into interest rate swaps where there is significant interest rate risk.

Foreign currency risk

The Group operates primarily within the UK such that its exposure to currency risk is not considered to be significant. Where significant foreign currency exposures are identified, these are hedged using forward foreign exchange contracts or swaps.

Liquidity risk

The Group's policy on liquidity risk is to ensure that sufficient borrowing facilities are available to fund operations without the need to carry significant net debt over the medium term. The Group's principal borrowing facilities are provided by a syndicate of relationship banks and established investors, and in the case of a number of our Loan Notes, in the form of unsecured committed borrowing facilities. The amount of committed borrowing facilities available to the Group is reviewed regularly and is designed to exceed forecast peak gross debt levels.

On the 6 July 2017 the Group renegotiated the Revolving Credit Facility, extending the renewal date and total facility level. See note 32 for further details.

Derivative financial instruments

During 2013 the Group entered into three cross-currency swaps to hedge the currency risk on a US dollar denominated loan, nominal value US$28.0m. During 2014 the Group entered into four cross-currency swaps to hedge the currency risk on a US dollar denominated loan, nominal value US$116.0m. During 2016 the Group entered into two cross-currency swaps to hedge the currency risk on a Euro denominated loan, nominal value €20.0m, and three interest rate swaps to hedge the interest rate risk on a GBP denominated loan, nominal value £58.5m. During 2017 the Group reduced the value on the HSBC interest rate swap from £15.0m to £10.0m and entered into an additional swap of £12.0m bringing the total value to £65.5m. These swaps continue to meet the criteria for hedge accounting.

The following table indicates the periods in which the cash flows associated with cash flow hedges are expected to occur, how those cash flows will impact the income statement and the fair value of the related hedging instruments:

		Expected cash flows				
Continuing operations	**Fair value £m**	**Total £m**	**0–1 years £m**	**1–2 years £m**	**2–5 years £m**	**More than 5 years £m**
Cross-currency swaps: asset						
Gross settled inflows		163.1	5.4	5.4	46.1	106.2
Gross settled outflows		(135.6)	(4.6)	(4.6)	(38.9)	(87.5)
	18.9	**27.5**	**0.8**	**0.8**	**7.2**	**18.7**
Interest rate swaps: liability						
Net settled	**(0.3)**	(1.5)	(0.4)	(0.4)	(0.7)	–

In addition to the above, a number of the Group's PFI and property joint ventures have entered into interest rate derivatives as a means of hedging interest rate risk. Interest-bearing debts and associated interest rate derivatives within these joint ventures have a typical term of between 20 and 25 years and are without recourse to the Group. At 30 June 2017 the aggregate amount outstanding on these interest-bearing debts against which interest rate derivatives are held is £82.9m (2016: £121.9m). The Group's share of the total net fair value liability of these interest rate derivatives at 30 June 2017 amounted to £6.3m (2016: £8.0m) which, together with the related deferred tax asset of £1.1m (2016: £1.4m), have met the criteria for hedge accounting.

27 Financial instruments continued

These derivatives are classified as level 2. The prices of derivative transactions have been derived from proprietary models used by the joint ventures' bank counterparties using mid-market mark to market valuations for trades between the joint ventures and those counterparties at the close of business on 30 June 2017.

Financial assets

Loans and receivables at amortised cost, cash and cash equivalents:	**2017 £m**	2016 £m
Cash and cash equivalents	**499.8**	186.7
Trade and other receivables (including £38.2m due after more than one year) – excluding prepayments	**436.5**	422.3
Loans to joint ventures	**54.2**	62.7
	990.5	671.7

Financial liabilities – analysis of maturity dates

At 30 June 2017 the Group had the following financial liabilities at amortised cost together with the maturity profile of their contractual cash flows:

	Continuing operations			
30 June 2017	**Trade and other payables[1] £m**	**Borrowings £m**	**Finance lease obligations £m**	**Total £m**
Carrying value	**1,369.5**	**631.8**	**14.3**	**2,015.6**
Contractual cash flows				
Less than one year	**1,352.9**	**67.6**	**9.6**	**1,430.1**
One to two years	**16.6**	**17.5**	**4.2**	**38.3**
Two to three years	**–**	**336.3**	**0.6**	**336.9**
Three to four years	**–**	**63.4**	**0.3**	**63.7**
Four to five years	**–**	**28.4**	**0.2**	**28.6**
Over five years	**–**	**141.3**	**0.3**	**141.6**
	1,369.5	**654.5**	**15.2**	**2,039.2**
30 June 2016				
Carrying value	1,301.3	303.2	26.3	1,630.8
Contractual cash flows				
Less than one year	1,288.1	40.8	14.4	1,343.3
One to two years	13.2	10.3	10.0	33.5
Two to three years	–	10.3	3.0	13.3
Three to four years	–	34.8	0.3	35.1
Four to five years	–	67.7	–	67.7
Over five years	–	194.9	–	194.9
	1,301.3	358.8	27.7	1,687.8

1 Trade and other payables exclude other taxes and social security and payments on account.

There is no material difference between the carrying value and fair value of the Group's financial assets and liabilities, other than for derivative financial instruments.

The Group's derivatives are classified as level 2. The prices of derivative transactions have been derived from proprietary models used by the company's bank counterparties using mid-market mark to market valuations for trades between the company and those counterparties at the close of business on 30 June 2017.

Borrowings and borrowing facilities

As at 30 June 2017 the Group had the following unsecured committed facilities after the effect of derivatives:

- Revolving credit facility of £400.0m, at a margin over LIBOR, due for renewal in June 2020, £296.5m drawn at 30 June 2017 (2016: £nil);
- One term loan at a margin over LIBOR, £50.0m repayable September 2017, fully drawn at 30 June 2017, £50.0m (2016: £30.0m);
- Four loan notes, principal amounts of £45.0m, US$28.0m, £47.0m and US$116.0m, with fixed coupons of between 4.1% and 4.9%, repayable in four repayments, December 2019, December 2022, November 2021 and November 2024, fully drawn at 30 June 2017, totalling £182.7m at hedged rates (2016: £182.7m);
- Two loan notes, principal amounts of €10.0m and €10.0m, with fixed coupons of between 1.5% and 2.1%, repayable in May 2021 and May 2023, fully drawn at 30 June 2017 totalling £15.7m at hedged rates (2016: £15.7m); and
- Two loan notes, principal amount of £53.5m and £12.0m at a margin over LIBOR with maturity date May 2021 and May 2019, fully drawn at 30 June 2017, totalling £65.5m (one loan note fully drawn at 30 June 2016: £58.5m).

In addition the Group has an unsecured overdraft facility of £45.0m (2016: £45.0m), at a margin over LIBOR, repayable on demand, £nil drawn at 30 June 2017 (2016: £nil) and a bank loan of £2.2m (2016: £1.6m).

The committed facilities are subject to certain covenants linked to the Group's financing structure, specifically regarding the ratios of debt to EBITDA, interest cover, and consolidated net worth. The Group has complied with these covenants throughout the period.

Included within borrowings are capitalised loan fees of £2.7m (2016: £3.0m).

Two fuel price forward contracts were held at 30 June 2017 with current liability of £0.2m (2016: £nil).

As noted above on 6 July 2017 the Group renegotiated the Revolving Credit Facility, extending the renewal date and total facility level. See note 32 for further details.

28 Financial and capital commitments

	2017 £m	2016 £m
Commitments for capital expenditure	**4.8**	7.9
Commitments for equity and subordinate debt in joint ventures	**4.7**	9.8
	9.5	17.7

The total of future minimum lease payments under non-cancellable operating lease rentals are payable as follows:

	2017		2016	
	Property £m	**Plant and machinery £m**	Property £m	Plant and machinery £m
Within one year	**9.7**	**30.0**	8.8	10.1
Between one and five years	**36.2**	**52.7**	21.7	70.1
Over five years	**114.4**	**–**	22.9	2.0
	160.3	**82.7**	53.4	82.2

The Group leases properties and vehicles for operational purposes. Property leases vary considerably in length up to a maximum period beyond 30 June 2017 of 25 years. Vehicle leases typically run for a period of four years. No leases include contingent rentals.

29 Related parties

Identity of related parties

The Group has a related party relationship with its joint ventures, key management personnel and pension schemes in which its employees participate.

Transactions with key management personnel

The Group's key management personnel are the executive and non-executive directors as identified in the directors' remuneration report on pages 82 to 101 (inclusive).

In addition to their salaries, the Group also provides non-cash benefits to directors and contributes to their pension arrangements as disclosed on page 94. Key management personnel also participate in the Group's share option programme (see note 25).

Key management personnel compensation comprised:

	2017 £m	2016 £m
Emoluments as analysed in the directors' remuneration report	**4.5**	4.9
Employer's national insurance contributions	**0.7**	0.7
Total short-term employment benefits	**5.2**	5.6
Share-based payment charge	**0.4**	0.8
	5.6	6.4

Transactions with pension schemes

Details of transactions between the Group and pension schemes in which its employees participate are detailed in note 8.

Transactions with joint ventures

	2017 £m	2016 £m
Construction services and materials	**0.1**	–
Management services	**3.2**	3.0
Interest on loans to joint ventures	**0.8**	0.3
	4.1	3.3

Amounts due from/(to) joint ventures are analysed below:

	2017 £m	2016 £m
Saudi Comedat Company Limited	**–**	(0.4)
Staffordshire Property Partnership	**0.1**	–
Kier Trade City Holdco 1 LLP	**10.7**	10.3
Kier Reading Holdco 1 LLP	**15.0**	15.0
Kier Sovereign LLP	**0.3**	3.0
Tri-link 140 Holdings LLP	**1.4**	1.4
Kier Foley Street LLP	**20.9**	20.9
Blue3 (London) (Holdings) Limited	**–**	2.1
Kier (Newcastle) Investment Limited	**–**	4.8
Lysander Student Properties Investments Limited	**–**	3.3
Blue3 (Staffs) Holding Limited	**–**	2.3
Winsford Devco LLP	**1.1**	–
50 Bothwell Street Holdco 1 LLP	**4.7**	–
	54.2	62.7

30 Acquisitions and 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**

(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 Blue3 (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 Blue3 (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

31 Subsidiaries and other undertakings

A full list of subsidiaries, associated undertakings, and joint arrangements as at 30 June 2017 is detailed below. Unless stated otherwise, all undertakings are wholly owned and held indirectly by Kier Group plc.

Subsidiaries

Company name	Registered office[1]	Share class(es) held	% held by Group
2020 Liverpool Limited	1	Ordinary	100%
2020 Oldham Limited (in liquidation)	1	Ordinary	100%
2020 Sefton Limited (in liquidation)	1	Ordinary	100%
2020 St Helens Limited (in liquidation)	1	Ordinary	100%
2020 Wirral Limited (in liquidation)	1	Ordinary	100%
A C Chesters & Son Limited	1	Ordinary	100%
Absolute Forbury Limited	1	Ordinary	100%
Absolute Property Limited	1	Ordinary	100%
Absolute Swindon Limited	1	Ordinary	100%
AK Student Living Limited	1	Ordinary A Ordinary B	100% 100%
Allison Homes Eastern Limited	1	Ordinary	100%
Atkins Odlin Consulting Engineers Limited (in liquidation)	1	Ordinary	100%
Ayton Asphalte Company Limited	1	Ordinary A Ordinary B	100% 100%
Balaam Wood Management Company Limited	1	Ordinary	100%
Bellwinch Homes (Western) Limited	1	Ordinary	100%
Bellwinch Homes Limited	1	Ordinary	100%
Bellwinch Limited	1	Ordinary	100%
Brazier Construction Limited	1	Ordinary	100%
Building & Construction Company Limited	1	Ordinary	100%
Caribbean Construction Company Limited	5	Ordinary	100%
Caxton Integrated Services Holdings Limited	1	Ordinary	100%
ClearBOX Limited	1	Ordinary	75%
Connect 21 Community Limited	6	Ordinary	100%
Constantine Place (Longstanton) Management Company Limited	1	Ordinary	100%
Coombe Project Management Limited (in liquidation)	1	Ordinary	100%
Dudley Coles Limited	1	Ordinary	100%
ECT Engineering Limited	1	Ordinary	100%
Elsea Park Bourne Management Company Limited	4	Ordinary	100%
Engage Lambeth Limited	1	Ordinary C	100% 52%[3]
Engineered Products Limited	1	Ordinary	100%
FDT (Holdings) Ltd	1	Ordinary	100%
FDT Associates Ltd	1	Ordinary A	100%
FDT Contracts Ltd (in liquidation)	1	Ordinary	100%
Full Circle Educational Services Ltd (in liquidation)	1	Ordinary	100%
Gas 300 Limited	1	Ordinary	100%
Genica Limited	1	Ordinary	100%
HBS Facilities Management Limited	1	Ordinary	100%
Heart of Wales Property Services Limited	7	Ordinary	50%
Heatherwood (Thetford) Management Company Limited	1	Ordinary	100%
Hedra Group Limited (in liquidation)	1	Ordinary	100%
Hedra Scotland Limited (in liquidation)	8	Ordinary	100%
Henry Jones Construction Limited	1	Ordinary	100%
Henry Jones Limited	1	Ordinary	100%
Hugh Bourn Developments (Wragby) Limited (in liquidation)	1	Ordinary	100%
I E I Limited	1	Ordinary	100%
Instal Consultants MP Limited (in liquidation)	1	Ordinary	100%
J L Kier & Company (London) Limited	1	Ordinary	100%
J L Kier & Company Limited	1	Ordinary	100%
Javelin Construction Company Limited	1	Ordinary	100%
Kier (Catterick) Limited	1	Ordinary A Ordinary B	100% 100%
Kier (Kent) PSP Limited	1	Ordinary A Ordinary B	100% 100%
Kier (NR) Limited	1	Ordinary	100%
Kier Asset Partnership Services Limited	1	Ordinary	100%
Kier Benefits Limited	1	Ordinary	100%
Kier Build Limited	1	Ordinary	100%
Kier Building Limited	1	Ordinary	100%
Kier Business Services Limited	1	Ordinary	100%

[1] See list of registered office details on page 158.

For explanatory notes please see page 158.

Company name	Registered office[1]	Share class(es) held	% held by Group
Kier Caribbean And Industrial Limited	1	Ordinary	100%
Kier CB Limited	1	Ordinary	100%
Kier Commercial Investments Limited	1	Ordinary	100%
Kier Commercial UKSC Limited	1	Ordinary	100%
Kier Construction Limited	9	Ordinary	100%
Kier Construction LLC[4]	10	Ordinary	49%
Kier Construction SA	11	Ordinary	100%
Kier Developments Limited	1	Ordinary A Ordinary B Ordinary C	100% 100% 100%
Kier Dormant Holdings Limited	1	Ordinary	100%
Kier Dubai LLC[4]	12	Ordinary	49%
Kier Energy Solutions Limited	1	Ordinary A Ordinary	100% 100%
Kier Engineering Services Limited (in liquidation)	1	Ordinary	100%
Kier Ewan Limited	1	Ordinary	100%
Kier Facilities Services Limited	1	Ordinary	100%
Kier Finance & Treasury Holdings Limited	1	Ordinary	100%
Kier Finance Limited	1	Ordinary	100%
Kier Fleet Services Limited	1	Ordinary	100%
Kier Gas 301 Limited	1	Ordinary	100%
Kier Gas 302 Limited	1	Ordinary A Ordinary B	100% 100%
Kier Group AESOP Trustees Limited[2] (in liquidation)	1	Ordinary	100%
Kier Group Trustees Limited[2]	1	Ordinary	100%
Kier Harlow Limited[7]	1	Ordinary A	100% 80.1%[3]
Kier Highways Limited	1	Ordinary A Ordinary B	100% 100%
Kier Holdings Limited	1	Ordinary Irredeemable Preference Shares	100% 100%
Kier Homes Caledonia Limited	1	Ordinary	100%
Kier Homes Northern Limited	1	Ordinary	100%
Kier Infrastructure and Overseas Limited	1	Ordinary	100%
Kier Infrastructure Pty Ltd	13	Ordinary	100%
Kier Insurance Limited	14	Ordinary	100%
Kier Insurance Management Services Limited	1	Ordinary	100%
Kier Integrated Services (Building) Limited (in liquidation)	1	Ordinary	100%
Kier Integrated Services (Estates) Limited	1	Ordinary	100%
Kier Integrated Services (Holdings) Limited	1	Ordinary Deferred	100% 100%
Kier Integrated Services (Regional) Limited (in liquidation)	1	Ordinary	100%
Kier Integrated Services (Technical Services) Limited (in liquidation)	1	Ordinary	100%
Kier Integrated Services (Trustees) Limited	1	Ordinary	100%
Kier Integrated Services Group Limited	1	Ordinary	100%
Kier Integrated Services Limited	1	Ordinary	100%
Kier International (Investments) Limited	1	Ordinary	100%
Kier International Limited	1	Ordinary	100%
Kier International Limited	15	Ordinary	100%
Kier Islington Limited	1	Ordinary Islington	100% 100%
Kier Jamaica Development Limited	1	Ordinary	100%
Kier Land Limited	1	Ordinary	100%
Kier Limited[2]	1	Ordinary	100%
Kier Living Limited[2]	1	Ordinary	100%
Kier London Limited	1	Ordinary	100%
Kier Management Consulting Limited	1	Ordinary Ordinary A Ordinary B	100% 100% 100%
Kier Midlands Limited	1	Ordinary	100%
Kier Minerals Limited	1	Ordinary	100%
Kier Mining Investments Limited	1	Ordinary	100%
Kier Mortimer Limited	1	Ordinary	100%
Kier National Limited	1	Ordinary	100%
Kier North East Limited	1	Ordinary	100%
Kier North Tyneside Limited[7]	1	Ordinary B	100% 80%[3]
Kier Overseas (Fifteen) Limited	1	Ordinary	100%
Kier Overseas (Four) Limited	1	Ordinary	100%

1 See list of registered office details on page 158.

For explanatory notes please see page 158.

31 Subsidiaries and other undertakings continued

Subsidiaries continued

Company name	Registered office[1]	Share class(es) held	% held by Group
Kier Overseas (Fourteen) Limited	1	Ordinary	100%
Kier Overseas (Nine) Limited	1	Ordinary	100%
Kier Overseas (Nineteen) Limited	1	Ordinary	100%
Kier Overseas (Seventeen) Limited	1	Ordinary	100%
Kier Overseas (Six) Limited	1	Ordinary	100%
Kier Overseas (Twelve) Limited	1	Ordinary	100%
Kier Overseas (Twenty-Four) Limited	1	Ordinary	100%
Kier Overseas (Twenty-Three) Limited	1	Ordinary	100%
Kier Overseas (Two) Limited	1	Ordinary	100%
Kier Parkman Ewan Associates Limited	1	Ordinary A	100%
Kier Parkman Ewan Services Limited (in liquidation)	1	Ordinary	100%
Kier Parkman GB Limited	1	Ordinary	100%
Kier Parkman LDA Limited (in liquidation)	1	Ordinary	100%
Kier Parkman Metro Limited (in liquidation)	1	Ordinary	100%
Kier Parkman Property Management Limited (in liquidation)	1	Ordinary	100%
Kier Parkman ServiGroup Limited	1	Ordinary	100%
Kier Parkman ServiRail Construction Projects Limited (in liquidation)	1	Ordinary	100%
Kier Parkman ServiServices Limited (in liquidation)	1	Ordinary	100%
Kier Parkman ServiWays Limited (in liquidation)	1	Ordinary	100%
Kier Parkman Two (NI) Limited	16	Ordinary	100%
Kier Partnership Homes Limited	1	Ordinary	100%
Kier Plant Limited	1	Ordinary	100%
Kier Professional Services Limited	1	Ordinary	100%
Kier Project Investment Limited	1	Ordinary	100%
Kier Property Developments Limited	1	Ordinary	100%
Kier Property Limited	1	Ordinary	100%
Kier Property Management Company Limited	1	Ordinary	100%
Kier Rail Limited	1	Ordinary	100%
Kier Rail No.2 Limited	1	Ordinary	100%
Kier Recycling CIC	1	Ordinary	100%
Kier Scotland Limited	17	Ordinary	100%
Kier Services Limited	1	Ordinary	100%
Kier Sheffield LLP[7]	1	–	80.1%
Kier South East Limited	1	Ordinary	100%
Kier Southern Limited	1	Ordinary	100%
Kier Stoke Limited[7]	1	Ordinary A	100%
			80.1%[3]
Kier Sydenham Limited	1	Ordinary	100%
Kier Thurrock Limited	1	Ordinary	100%
Kier Traffic Support Limited	1	Ordinary	100%
Kier Trustee Limited (in liquidation)	1	Ordinary	100%
Kier UKSC LLP	1	–	100%
Kier Ventures Limited	1	Ordinary	100%
Kier Ventures UKSC Limited	1	Ordinary	100%
Kier Whitehall Place Limited	1	Ordinary	100%
Kier York Street LLP	1	–	100%
KM Docklands Hotel Limited (in liquidation)	1	Ordinary	100%
Lambeth Learning Partnership (PSP) Limited	1	Ordinary	65%
Land Aspects Limited (in liquidation)	1	Ordinary	100%
Lazenby & Wilson Limited	1	Ordinary	100%
Liferange Limited	1	Ordinary	100%
Marriott Limited	1	Ordinary	100%
MGWSP Essex Limited (in liquidation)	1	Ordinary	100%
Michco 210 Limited (in liquidation)	1	Ordinary	100%
MKB Resourcing Limited (in liquidation)	1	Ordinary	100%
Morrell-Ixworth Limited	1	Ordinary	100%
		Deferred	100%
Moss Construction Northern Limited	1	Ordinary	100%
Moss Construction Southern Limited	1	Ordinary	100%
Mouchel International (Jersey) Limited	18	Ordinary	100%
MPHBS Limited	1	Ordinary	100%
MRBL Limited	1	Ordinary A	100%
		Ordinary B	100%
		Deferred B	100%
New Learning Limited (in liquidation)	1	Ordinary	100%

1 See list of registered office details on page 158.

For explanatory notes please see page 158.

Company name	Registered office[1]	Share class(es) held	% held by Group
Newbury King & Co Limited	1	Ordinary	100%
Norfolk Community Recycling Services Limited (in liquidation)	1	Ordinary A	100%
		Ordinary B	100%
Parkman Consultants Limited	1	Ordinary	100%
Parkman Consulting Engineers (in liquidation)	1	Ordinary	100%
Parkman Group Professional Services Limited (in liquidation)	1	Ordinary	100%
Parkman Holdings Limited	1	Ordinary	100%
Parkman Kenya Limited	19	Ordinary	100%
Parkman Nigeria Limited	20	Ordinary	100%
Parkman Scotland Limited (in liquidation)	8	Ordinary	100%
Parkman South East Limited (in liquidation)	1	Ordinary A Ordinary X	100% 100%
PCE Holdings Limited (in liquidation)	1	Ordinary Ordinary C	100% 100%
PFI Street Lighting Limited (in liquidation)	1	Ordinary	100%
Pure Buildings Limited	1	Ordinary	100%
Pure Recycling Warwick Limited	1	Ordinary A	100%
		Ordinary B	100%
Riley Builders Limited	1	Ordinary	100%
Robert Marriott Group Limited	1	Ordinary	100%
Saudi Kier Construction Limited	23	Ordinary	100%
Sea Place Management Limited	1	Ordinary	100%
Senturion (BidCo) Limited	1	Ordinary	100%
Senturion (MidCo) Limited	1	Ordinary	100%
Senturion Group Limited	1	Ordinary	100%
Senturion Trustees Limited (in liquidation)	1	Ordinary	100%
Social Power (Harlow) Holdings Limited	1	Ordinary	100%
Social Power (Harlow) Limited	1	Ordinary	100%
St Walstan's Management Company Limited	1	Ordinary	100%
T Cartledge Limited	1	Ordinary	100%
T H Construction Limited	1	Ordinary	100%
T J Brent Limited	1	Ordinary B Ordinary C Ordinary	100% 100% 100%
Tempsford Cedars Limited	1	Ordinary	100%
Tempsford Holdings Limited[2] (in liquidation)	1	Ordinary	100%
Tempsford Insurance Company Limited[2]	14	Ordinary	100%
Tempsford Oaks Limited[2] (in liquidation)	1	Ordinary	100%
Tor[2] Limited	1	PSP Shares	100% 80.01%[3]
The Impact Partnership (Rochdale Borough) Limited	1	Ordinary	80.1%
The Unity Partnership Limited	1	Ordinary	66.7%
Traffic Support EBT Limited (in liquidation)	1	Ordinary	100%
Tudor Homes (East Anglia) Limited (in liquidation)	1	Ordinary	100%
Turriff Contractors Limited	17	Ordinary	100%
Turriff Group Limited	17	Ordinary Ordinary A Ordinary B	100% 100% 100%
Turriff Smart Services Limited	17	Ordinary	100%
Twigden Homes Limited	1	Ordinary	100%
Twigden Homes Southern Limited	1	Ordinary	100%
Underground Moling Services Limited	17	Ordinary	100%
Usherlink Limited	1	Ordinary	100%
W. & C. French (Construction) Limited	1	Ordinary	100%
Wallis Builders Limited	1	Ordinary	100%
Wallis Limited	1	Ordinary	100%
Wallis Western Limited	1	Ordinary	100%
William Moss Civil Engineering Limited	1	Ordinary	100%
William Moss Group Limited (The)	1	Ordinary	100%

1 See list of registered office details on page 158.

For explanatory notes please see page 158.

31 Subsidiaries and other undertakings continued

Joint ventures

Company name	Registered office[1]	Interest held		Registered office[1]	Interest held
Property					
3 Sovereign Square Holdings 1 LLP	1	50%	Kier Warth Limited	1	50%
3 Sovereign Square Holdings 2 LLP	1	50%	Kingswood Devco Holdings 1 LLP	1	50%
3 Sovereign Square LLP	1	50%	Kingswood Devco Holdings 2 LLP	1	50%
50 Bothwell Street Holdco 1 LLP	2	50%	Kingswood Devco LLP	1	50%
50 Bothwell Street Holdco 2 LLP	2	50%	Lysander Student Properties Investments Limited	1	75%
50 Bothwell Street LLP	2	50%	Lysander Student Properties Limited	1	75%
Alliance Community Partnership Limited	3	10%	Lysander Student Properties Operations Limited	1	75%
Black Rock Devco LLP	1	50%	Magnetic Limited	1	75%
Black Rock Holdco 1 LLP	1	50%	Notaro Kier LLP	1	50%
Black Rock Holdco 2 LLP	1	50%	Penda Limited	1	50%
Dragon Lane Holdings 1 LLP	1	50%	Premier Inn Kier Limited	1	50%
Dragon Lane Holdings 2 LLP	1	50%	Sandy Lane (Oxford) Management Limited	22	22.5%
Dragon Lane LLP	1	50%	Solum Regeneration (Bishops) LLP	1	50%
Driffield Devco LLP	1	50%	Solum Regeneration (Epsom) Limited Partnership	1	49.95%
Driffield Holdco 1 LLP	1	50%	Solum Regeneration (Guildford) LLP	1	50%
Driffield Holdco 2 LLP	1	50%	Solum Regeneration (Haywards) LLP	1	50%
Easingwold Devco LLP	1	50%	Solum Regeneration (Kingswood) LLP	1	50%
Easingwold Holdco 1 LLP	1	50%	Solum Regeneration (Maidstone) LLP	1	50%
Easingwold Holdco 2 LLP	1	50%	Solum Regeneration (Redhill) LLP	1	50%
Fore UK I B LP	2	29%	Solum Regeneration (Surbiton) LLP	1	50%
KCK Peterborough Devco LLP	1	90%	Solum Regeneration (Tanner) LLP	1	50%
KCK Peterborough Holdco 1 LLP	1	90%	Solum Regeneration (Tonbridge) LLP	1	50%
KCK Peterborough Holdco 2 LLP	1	90%	Solum Regeneration (Twickenham) LLP	1	50%
Kent LEP 1 Limited	1	80%	Solum Regeneration (Walthamstow) LLP	1	50%
Kier (Newcastle) Investment Ltd	1	75%	Solum Regeneration Epsom (GP Subsidiary) Limited	1	50%
Kier (Newcastle) Operation Limited	1	75%	Solum Regeneration Epsom (GP) Limited	1	49.5%
Kier (Southampton) Development Limited	1	75%	Solum Regeneration Epsom (Residential) LLP	1	50%
Kier (Southampton) Investment Limited	1	75%	Stokesley Devco LLP	1	50%
Kier (Southampton) Operations Limited	1	75%	Stokesley Holdco 1 LLP	1	50%
Kier Cross Keys Dev LLP	1	90%	Stokesley Holdco 2 LLP	1	50%
Kier Cross Keys Holdco 1 LLP	1	90%	Strawberry Percy Holdings 1 LLP	1	50%
Kier Cross Keys Holdco 2 LLP	1	90%	Strawberry Percy Holdings 2 LLP	1	50%
Kier Foley Street Holdco 1 LLP	1	90%	Strawberry Percy LLP	1	50%
Kier Foley Street Holdco 2 LLP	1	90%	Transcend Property Limited	25	50%
Kier Foley Street LLP	1	90%	Tri-Link 140 Holdings 1 LLP	1	50%
Kier Hammersmith Holdco Limited	1	50%	Tri-Link 140 Holdings 2 LLP	1	50%
Kier Hammersmith Limited	1	50%	Tri-Link 140 LLP	1	50%
Kier Reading Holdco 1 LLP	1	90%	Watford Health Campus Partnership LLP	1	50%
Kier Reading Holdco 2 LLP	1	90%	Winsford Devco LLP	1	50%
Kier Reading LLP	1	90%	Winsford Holdings 1 LLP	1	50%
Kier Sovereign LLP	1	50%	Winsford Holdings 2 LLP	1	50%
Kier Sydenham GP Holdco Limited	1	50%			
Kier Sydenham GP Limited	1	50%	**Long-term concession holdings under the Private Finance Initiative:**		
Kier Sydenham LP	1	50%	Blue3 (Staffs) (Holdings) Limited[5]	1	80%
Kier Sydenham Nominee Limited	1	50%	Blue3 (Staffs) Limited[5]	1	80%
Kier Trade City Holdco 1 LLP	1	90%	Evolution (Woking) Holdings Limited	1	50%
Kier Trade City Holdco 2 LLP	1	90%	Evolution (Woking) Limited	1	50%
Kier Trade City LLP	1	90%			

Services			**Construction**		
2020 Knowsley Limited	1	80.1%	Kier Graham Defence Limited	1	50%
Hackney Schools for the Future Limited	1	40%	Rathenraw Limited (in liquidation)	21	50%
Mouchel Babcock Education Investments Limited	1	50%			
Mouchel Babcock Education Services Limited	1	50%			
Team Van Oord Limited	24	25%			
VinciMouchel Limited[6]	26	50%			

1 See list of registered office details on page 158.

For explanatory notes please see page 158.

Joint operations

Joint operation name	Description	Trading address
UK		
Crossrail Contracts 300/410/435	a joint arrangement between Kier Infrastructure and Overseas Limited, BAM Nuttall Limited and Ferrovial Agroman (UK) Limited	Farringdon Road, London ECIM 3HN
Deephams	a joint arrangement between Kier Infrastructure and Overseas Limited, J Murphy & Sons Limited, and Aecom Limited	Deephams Sewage Treatment Wales, Pickett's Lock Lane, Edmonton, N9 0BA
Hercules	a joint arrangement between Kier Construction Limited, Kier Living Limited and Balfour Beatty	Hercules Site Offices, The Wessex Building, MOD Lynham, Calne Road, Lyneham, Chippenham, SN15 4PZ
Hinkley Point C	a joint arrangement between Kier Infrastructure and Overseas Limited and BAM Nuttall Limited	Hinkley Point C Construction Site, Wick Moor Drove, Bridgwater, Somerset, TA5 1UD
KCD	a joint arrangement between Kier Integrated Services Limited and Clancy Docwra Limited	Thames Water Offices, Clear Water Court, Vastern Rd, Reading, RG1 8DB
KMI Plus	a joint arrangement between Kier Infrastructure and Overseas Limited, J Murphy & Sons Limited, Inteserve Project Services Limited and Mouchel Limited	Central Framework Office, Brunswick House, Hindley Green Business Park, Leigh Road, Hindley Green, Wigan, Greater Manchester, WN2 4TN
KMI Water	a joint arrangement between Kier Infrastructure and Overseas Limited, J Murphy & Sons Limited and Interserve Project Services Limited	Central Framework Office, Brunswick House, Hindley Green Business Park, Leigh Road, Hindley Green, Wigan, Greater Manchester, WN2 4TN
Mersey Gateway	a joint arrangement between Kier Infrastructure and Overseas Limited, Samsung C&T ECUK Limited and FCC Construccion S.A.	Forward Point, Tan House Lane, Widnes, WA8 0SL
Smart Motorways	a joint arrangement between Kier Infrastructure and Overseas Limited and Carillion Construction Limited	M6 J16-19 Project Office, Holmes Chapel Road, Sandbach CW11 1SE
Kier WSP	a joint arrangement between Kier Integrated Services Limited and WSP UK Limited	Northamptonshire Highways, Highways Depot, Harborough Rd, Brixworth Northants NN6 9BX
International		
	The following joint operations, in which the Group participation is between 30% and 65%, operate overseas in the territory indicated:	
DM Roads Services Pty Ltd	a joint arrangement between Mouchel International (Jersey) Limited and Downer EDI Works Pty Ltd	New South Wales, Australia, ACN 166 600 166
DPDP-6003 Residential Project (Bluewaters)	a joint arrangement between Kier Infrastructure and Overseas Limited and Al Shafar General Contracting Co LLC	Bluewaters Island, Dubai
MTRC Contract 824	a joint arrangement between Kier Infrastructure and Overseas Limited and Kaden Construction Limited	Area 3.6, Tai Kong Po Tsuen, Kam Tin, Yuen Long, N.T., Hong Kong
MTRC Contract 901	a joint arrangement between Kier Infrastructure and Overseas Limited, Laing O'Rourke Hong Kong Limited and Kaden Construction Limited	Admiralty Station, Hong Kong Island
Saadiyat Rotana Hotel and Resort Complex	a joint arrangement between Kier Infrastructure and Overseas Limited and Ali and Sons Contracting Co LLC	Sadiyat Island, Abu Dubai
Kier ACC	a joint arrangement between Kier Dubai LLC and Arabian Construction Co.SAL	AL Qudra Road, Dubai

[1] See list of registered office details on page 158.

31 Subsidiaries and other undertakings continued

Registered office addresses

Number	Address
1	Tempsford Hall, Sandy, Bedfordshire, SG19 2BD, UK
2	18, Saville Row, London, W1S 3PW, UK
3	Suite 1a, Willow House, Strathclyde Business Park, Bellshill, Lanarkshire, ML4 3PB, UK
4	82, The Maltings, Roydon Road, Stanstead Abbotts, Hertfordshire, SG12 8HG, UK
5	Harbour Head, Harbour View, Kingston 17, Jamaica
6	Bates NVH, 44 Essex Street, Strand, London, WC2R 3JF, UK
7	Unit 39, Vastre Depot/Offices, (Old Severn Trent Building), Vastre Industrial Estate, Newtown, Powys, SY16 1DZ, UK
8	Lanark Court, Ellismuir Way, Tannochside Park, Uddingston, Glasgow, G71 5PW, UK
9	c/o Grant Thornton, Cnr Bank Street and West Independence Sq Street, Basseterre, Saint Kitts and Nevis
10	Unit 896, PO Box: 61967 Level 08, Aya Business Center, Al Gaith Tower, Hamdan Street, Abu Dhabi, United Arab Emirates
11	151 Angle Avenue, Jean Paul II et Impasse Duverger, Turgeau, Port-au-Prince, Republic of Haiti
12	Unit 1501, P.O. Box 2, Thuraya Tower, Plot No C-008-001, TECOM, Dubai, United Arab Emirates
13	181 Adelaide Terrace, East Pert, WA, WA 6004, Australia
14	Mason Trinity, Trinity Square, St Peter Port, GY1 4AT, Guernsey
15	6th Floor, Wincome Centre 39 Des Voeux Road, Central, Hong Kong
16	Shorefield House, Kinnegar Drive, Holywood, Co Down, BT18 9JQ, UK
17	Campsie House, Buchanan Business Park, Cumbernauld Road, Stepps, Glasgow, G33 6HZ, UK
18	Sanne Group, 13 Castle Street, St Helier, JE4 5UT, Jersey
19	5th Floor, Agip House, P.O. Box 41425, Nairobi, Kenya
20	9, N/Azikiwe St., Lagos, Nigeria
21	c/o Pinsent Masons LLP,1 Lanyon Place, Belfast, BT1 3LP, UK
22	95, Ditchling Road, Brighton, BN1 4ST, UK
23	P.O Box 677, 4th Floor, ATCO Building, King Khaled Road, Dammam-31421, KSA, United Arab Emirates
24	Bankside House, Henfield Road, Small Dole, Henfield, West Sussex, BN5 9XQ, UK
25	1, Kingsway, London, WC2B 6AN, UK
26	Astral House, Imperial Way, Watford, Hertfordshire, WD24 4WW, UK

Explanatory notes:

[1] The share capital of all entities is wholly owned and held indirectly by Kier Group plc unless indicated otherwise.

[2] Shares held directly by Kier Group plc.

[3] Total interest in entity held by the Group as there are other share class(es) held by a third party.

[4] In some jurisdictions in which the Group operates, share classes are not defined and in these instances, for the purposes of disclosure, these holdings have been classified as ordinary shares.

[5] The interest of the Group was sold on 13 July 2017.

[6] The interest of the Group was sold on 28 July 2017.

[7] The Group has entered into partnership arrangements with Harlow Council, North Tyneside Council, Sheffield City Council and Stoke-on-Trent City Council whereby the councils have a participating ownership interest and receive a minority share of the profits of Kier Harlow Limited, Kier North Tyneside Limited, Kier Sheffield LLP and Kier Stoke Limited respectively.

[8] Joint operations are contracted agreements to co-operate on a specific project which is an extension of the Group's existing business. Joint ventures are ongoing businesses carrying on their own trade.

[9] Interests in the above joint ventures are held by subsidiary undertakings.

[10] The joint ventures where the Group has an interest in excess of 50% are still considered joint ventures as the Group has joint control.

32 Events after the end of the reporting period

Acquisition of McNicholas

On 12 July 2017, the Group acquired the entire share capital of McNicholas Construction (Holdings) Limited ('McNicholas'), a leading infrastructure services provider. The acquisition of McNicholas builds on the Group's strategy to accelerate growth and hold leading positions in its chosen markets. The Board believes the acquisition is a highly complementary addition to the Group's utility services business and enhances the Group's presence in the power, rail and telecoms markets, with its long-standing client relationships.

The maximum consideration payable for the acquisition is £27.4m, comprising £13.4m in cash paid at completion and £14.0m of deferred contingent consideration. The £14.0m of deferred contingent consideration comprises:

- £9.5m in cash payable on achieving certain EBITDA (earnings before interest, tax, depreciation and amortisation) targets; and
- £4.5m payable on achieving debt-recovery targets.

The fair value of the total consideration expected to be paid is £21.9m.

The fair value of net liabilities acquired totalled £33.0m. Due to the proximity of the acquisition to the Group's reporting date, the fair values of assets and liabilities acquired are provisional to allow for further adjustments in the measurement period.

The difference between the fair value of consideration and net liabilities acquired of £54.9m will be attributed to goodwill and intangible fixed assets including contract rights. None of the goodwill recognised is expected to be deductible for tax purposes.

The majority of the £1.8m of acquisition costs were incurred in the year and were expensed to the income statement as a non-underlying item.

As McNicholas was acquired after the end of the current reporting period, the business made no contribution to the Group revenue or underlying profit before taxation in the year.

Renegotiation of financing facilities

On 6 July 2017 the Group extended the tenor, to April 2022, of its core multi-bank Revolving Credit Facility. In addition to a lower borrowing rate, the banking group has been extended and the total available facilities have been increased to £670.0m from £400.0m.

Financial Statements

Company balance sheet

At 30 June 2017

	Notes	2017 £m	2016 £m
Fixed assets			
Investment in subsidiaries	5	**173.6**	170.9
Amounts due from subsidiary undertakings		**660.4**	712.2
		834.0	883.1
Current assets			
Debtors	6	**1.6**	1.7
Other financial assets	8	**18.9**	18.1
Cash and cash equivalents		**463.3**	118.4
		483.8	138.2
Current liabilities			
Creditors – amounts falling due within one year	7	**(54.5)**	(11.5)
Other financial liabilities	8	**(0.3)**	(1.1)
		(54.8)	(12.6)
Net current assets		**429.0**	125.6
Total assets less current liabilities		**1,263.0**	1,008.7
Non-current liabilities			
Creditors – amounts falling due after more than one year	7	**(579.6)**	(301.6)
Net assets		**683.4**	707.1
Shareholders' funds			
Share capital	9	**1.0**	1.0
Share premium		**434.8**	418.0
Merger reserve		**134.8**	134.8
Capital redemption reserve		**2.7**	2.7
Cash flow hedge reserve		**(2.8)**	(0.6)
Profit and loss account		**112.9**	151.2
Total shareholders' funds		**683.4**	707.1

The financial statements on pages 160 to 165 were approved by the Board of Directors on 20 September 2017 and were signed on its behalf by:

Haydn Mursell
Chief Executive

Bev Dew
Finance Director

Company statement of changes in equity

For the year ended 30 June 2017

	Share capital £m	Share premium £m	Merger reserve £m	Capital redemption reserve £m	Profit and loss account £m	Cash flow hedge reserve £m	Total equity £m
At 1 July 2015	1.0	408.5	134.8	2.7	179.9	(1.2)	**725.7**
Profit for the year	–	–	–	–	20.0	–	**20.0**
Other comprehensive income	–	–	–	–	–	0.6	**0.6**
Dividends paid	–	–	–	–	(54.7)	–	**(54.7)**
Issue of own shares	–	9.5	–	–	–	–	**9.5**
Share-based payments	–	–	–	–	5.6	–	**5.6**
Purchase of own shares	–	–	–	–	0.4	–	**0.4**
At 30 June 2016	1.0	418.0	134.8	2.7	151.2	(0.6)	**707.1**
Profit for the year	–	–	–	–	22.6	–	**22.6**
Other comprehensive loss	–	–	–	–	–	(2.2)	**(2.2)**
Dividends paid	–	–	–	–	(63.0)	–	**(63.0)**
Issue of own shares	–	16.8	–	–	–	–	**16.8**
Share-based payments	–	–	–	–	2.7	–	**2.7**
Purchase of own shares	–	–	–	–	(0.6)	–	**(0.6)**
At 30 June 2017	**1.0**	**434.8**	**134.8**	**2.7**	**112.9**	**(2.8)**	**683.4**

Included in the profit and loss account is the balance on the share scheme reserve which comprises the investment in own shares of £1.7m (2016: £3.4m) and a credit balance on the share scheme reserve of £8.4m (2016: £10.2m).

Details of the shares held by the Kier Group 1999 Employee Benefit Trust and of the share based payment scheme are included in note 25 to the consolidated financial statements.

Notes to the Company financial statements

For the year ended 30 June 2017

1 Accounting policies

The principal accounting policies are summarised below. They have been applied consistently throughout the year and the preceding year.

Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ('FRS101') and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

Kier Group plc is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 167.

The Company's financial statements are included in the Kier Group plc consolidated financial statements for the year ended 30 June 2017. As permitted by Section 408 of the Companies Act 2006, the Company has not presented its own profit and loss account.

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS101.

- The requirement of paragraphs 45(b) and 46 to 52 of IFRS 'Share Based Payment'
- The requirements of IFRS 7 'Financial Instruments: Disclosures'
- The requirements of paragraphs 91 to 99 of IFRS13 'Fair Value Measurement'
- The requirement in paragraph 38 of IAS1 'Presentation of Financial Statements' to present comparative information in respect of paragraph 79(a)(iv) of IAS1
- The requirement of paragraphs 10(d), 10a(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D and 111 of IAS1 'Presentation of Financial Statements'
- The requirements of paragraphs 134 to 136 of IAS1 'Presentation of Financial Statements'
- The requirements of IAS7 'Statement of Cash Flows'
- The requirements of paragraphs 30 and 31 of IAS8 'Accounting Policies, Changes in Accounting Estimates and Errors'
- The requirement of paragraphs 17 and 18A of IAS24 'Related Party Disclosures'
- The requirements in IAS24 'Related party disclosures' to disclose related party transaction entered into between two or more members of a group
- The requirements of paragraphs 134(d) to 134(f) and 135(c) to 135(e) of IAS36 'Impairment of Assets'

These financial statements are separate financial statements. The Company is exempt from the preparation of consolidated financial statements because it is included in the Annual Report and Financial Statements of the Group.

Where required, equivalent disclosures are given in the Annual Report and Financial Statements of the Group as shown in note 1 to 9.

Going concern

The directors have made enquiries and have a reasonable expectation that the Company has adequate resources to continue in existence for the foreseeable future. For this reason, they adopt the going concern basis in preparing the financial statements.

Fixed asset investments

Investments in subsidiary undertakings are included in the balance sheet at cost less any provision for impairment.

Taxation

Income tax comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The deferred tax provision is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Financial instruments

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. The principal financial assets and liabilities of the Company are as follows:

(a) Cash and cash equivalents

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

(b) Bank and other borrowings

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

(c) Derivative financial instruments

Derivatives are initially recognised at fair value on the date that the contract is entered into and subsequently re-measured in future periods at their fair value. The method of recognising the resulting change in fair value depends on whether the derivative is designated as a hedging instrument and whether the hedging relationship is effective.

For cash flow hedges the effective part of the change in fair value of these derivatives is recognised directly in other comprehensive income. Any ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are recycled to the income statement in the periods when the hedged items will affect profit or loss. The fair value of interest rate derivatives is the estimated amount that the Company would receive or pay to terminate the derivatives at the balance sheet date.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, the hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs.

The Company enters into forward contracts in order to hedge against transactional foreign currency exposures. In cases where these derivative instruments are significant, hedge accounting is applied as described above. Where hedge accounting is not applied, changes in fair value of derivatives are recognised in the income statement. Fair values are based on quoted market prices at the balance sheet date.

Share-based payments

Share-based payments granted but not vested are valued at the fair value of the shares at the date of grant. This affects the Sharesave and Long Term Incentive Plan ('LTIP') schemes. The fair value of these schemes at the date of award is calculated using the Black-Scholes model apart from the total shareholder return element of the LTIP which is based on a stochastic model.

The cost to the Company of awards to employees under the LTIP scheme is spread on a straight-line basis over the relevant performance period. The scheme awards to senior employees a number of shares which will vest after three years if particular criteria are met. The cost of the scheme is based on the fair value of the shares at the date the options are granted.

Shares purchased and held in trust in connection with the Company's share schemes are deducted from retained earnings. No gain or loss is recognised within the income statement on the market value of these shares compared with the original cost.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company accounting policies which are described above, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates are based on historical experience and the factors that are considered to be relevant. Actual results may differ from those estimates.

The estimates are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised.

There are no critical judgements, apart from those involving estimates, that the directors have made in the process of applying the Company's accounting policies and that have a significant effect on the amounts recognised in the financial statements.

They key assumptions and a key source of estimation uncertainty at the balance sheet date that has a significant risk of carrying a material adjustment to the carrying amount within the next financial year is:

Impairment of investment in subsidiaries

Determining whether the Company's investments in subsidiaries have been impaired requires estimations of the investments' value in use. The value in use calculations require the entity to estimate the future cash flows expected to arise from investments. The carrying amount of the investment in subsidiaries at the balance sheet date was £173.6m (2016: £170.9m). No impairment losses have been recognised.

2 Profit for the year

As permitted by section 408 of the Companies Act 2006, the Company has elected not to present its own profit and loss account for the year. The profit for the year was £22.6m (2016: £20.0m).

The auditors' remuneration for audit services to the Company was £0.1m (2016: £0.1m).

3 Information relating to directors and employees

Information relating to directors' emoluments, pension entitlements, share options and LTIP interests appears in the directors' remuneration report on pages 82 to 101. The Company has no employees other than the directors.

4 Dividends

Details of the dividends paid by the Company are included in note 10 to the consolidated financial statements.

5 Fixed assets – investments

	2017 £m	2016 £m
Cost and net asset value	**173.6**	170.9

Details of the Company's subsidiaries at 30 June 2017 are provided in note 31 to the consolidated financial statements.

6 Debtors

	2017 £m	2016 £m
Other debtors	**0.3**	0.2
Deferred tax	**1.3**	1.5
	1.6	1.7

7 Creditors

	2017 £m	2016 £m
Amounts falling due within one year:		
Borrowings	**50.0**	–
Corporation tax	**1.5**	8.9
Other creditors	**3.0**	2.6
	54.5	11.5
Amounts falling due after more than one year:		
Borrowings	**579.6**	301.6

Further details on borrowings are included in note 27 to the consolidated financial statements.

8 Derivative financial instruments

During 2013 the Company entered into three cross-currency swaps to hedge the currency risk on a US dollar denominated loan, nominal value US$28.0m. During 2014 the Company entered into four cross-currency swaps to hedge the currency risk on a US dollar denominated loan, nominal value US$116.0m. During 2016 the Company entered into two cross-currency swaps to hedge the currency risk on a Euro denominated loan, nominal value €20.0m, and three interest rate swaps to hedge the interest rate risk on a GBP denominated loan, nominal value £58.5m. During 2017 the company reduced the value on the HSBC interest rate swap from £15.0m to £10.0m and entered into an additional swap of £12.0m bringing the total value to £65.5m. These swaps continue to meet the criteria for hedge accounting and as a result have been recognised directly in equity.

The following table indicates the periods in which the cash flows associated with cash flow hedges are expected to occur, how those cash flows will impact the income statement and the fair value of the related hedging instruments:

					Expected cash flows	
	Fair value £m	**Total £m**	**0–1 years £m**	**1–2 years £m**	**2–5 years £m**	**More than 5 years £m**
Cross-currency swaps: asset						
Gross settled inflows		163.1	5.4	5.4	46.1	106.2
Gross settled outflows		(135.6)	(4.6)	(4.6)	(38.9)	(87.5)
	18.9	**27.5**	**0.8**	**0.8**	**7.2**	**18.7**
Interest rate swaps: liability						
Net settled	**(0.3)**	(0.3)	(0.3)	(0.1)	0.1	–

9 Share capital

Details of the share capital of the Company are included in note 24 to the consolidated financial statements.

Financial Record

(unaudited)

Continuing operations

Year ended 30 June	**2017 £m**	2016[2] £m	2015[2] £m	2014[2] £m	2013[2] £m
Revenue: Group and share of joint ventures	**4,265.2**	4,078.7	3,322.5	2,934.0	1,954.9
Less share of joint ventures	**(153.5)**	(90.9)	(67.9)	(27.1)	(36.4)
Group revenue	**4,111.7**	3,987.8	3,254.6	2,906.9	1,918.5
Profit					
Group operating profit[1]	**115.2**	124.3	81.7	79.6	41.9
Share of post-tax results of joint ventures	**25.0**	14.2	9.1	2.0	0.7
Profit on disposal of joint ventures	**5.4**	2.6	14.8	6.1	9.8
Underlying operating profit[1]	**145.6**	141.1	105.6	87.7	52.4
Underlying net finance costs[1]	**(19.5)**	(24.7)	(15.8)	(13.6)	(6.7)
Underlying profit before tax[1]	**126.1**	116.4	89.8	74.1	45.7
Amortisation of intangible assets relating to contract rights	**(22.3)**	(21.5)	(11.2)	(10.8)	(3.4)
Non-underlying finance costs	**(2.9)**	(2.8)	(3.6)	(5.3)	(1.3)
Other non-underlying items	**(75.1)**	(127.0)	(55.1)	(42.8)	(15.3)
Profit/(loss) before tax	**25.8**	(34.9)	19.9	15.2	25.7
Underlying basic earnings per share[1]	**106.8p**	99.5p	101.6p	88.1p	91.1p
Dividend per share	**67.5p**	64.5p	55.2p	57.6p	54.3p
At 30 June					
Shareholders' funds (£m)	**511.4**	576.1	585.4	309.7	158.3
Net assets per share	**524.8p**	600.0p	615.2p	447.8p	317.5p

1 Stated before non-underlying items (see note 4 to the consolidated financial statements).

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