KIER News Release

For release on 22 September 2016 at 0700 hours

Kier Group plc, a leading property, residential, construction and services group, announces its preliminary results for the year ended 30 June 2016

Breadth of portfolio and order book of £8.7bn provide visibility and resilience

Underlying			
	Year ended 30 June 2016	**Year ended 30 June 2015**	**Change %**
Revenue[1]	**£4.2bn**	**£3.4bn**	***+26***
Profits from operations[2]	**£150m**	**£104m**	***+44***
Operating margin[2]	**3.6%**	**3.1%**	***+50 bps***
Profit before tax[2]	**£125m**	**£86m**	***+45***
Earnings per share[2]	**106.7p**	**96.0p**	***+11***
Proposed full year dividend	**£61m**	**£47m**	***+29***
Proposed full year dividend per share	**64.5p**	**55.2p**	***+17***
Net debt	**£99m**	**£141m**	***-30***
Statutory			
	Year ended June 2016	**Year ended June 2015**	**Change %**
Group revenue	**£4.1bn**	**£3.3bn**	***+26***
Profit from operations	**£12m**	**£61m**	***-81***
(Loss)/profit before tax	**£(15)m**	**£39m**	

Financial information in this table relates to continuing operations
1 Group and share of joint ventures
2 Stated before non-underlying items – see note 3

- **Results in line with expectations**
  - Revenue[1] of £4.2bn up 26%; like-for-like revenue up 8%
  - Underlying profit[2] from operations of £150m, up 44%; including a full year's contribution from Mouchel, an increased share of post-tax results of joint ventures in the Property division and margin recovery supported by cost efficiencies
  - Underlying earnings per share[2] of 106.7p up 11%.

- **Integration of Mouchel completed and portfolio simplification well advanced**
  - Reported statutory profit from operations of £12m (2015: £61m) including £116m non-underlying costs primarily relating to the portfolio simplification including;
    - £50m relating to the Mouchel integration and restructuring
    - £35m relating to the impact of commodity prices on two waste collection contracts
    - £23m provision for winding down of the Caribbean operations
  - The Mouchel Consulting review - well progressed with the total impact of the Mouchel Consulting review and portfolio simplification expected to be cash positive in FY17.

- **Significantly improved net debt position**
  - Net debt at £99m (2015: £141m) after £31m investment in the Property and Residential divisions and IT systems
  - Strong operating cash conversion of 121%, and
  - Net debt to EBITDA ratio of <1, a year ahead of Vision 2020 target.

- **Reduction in net pension scheme (post tax) deficit to £72m (2015: £123m)**

- **Dividend**
  - Proposed full year dividend per share increased 17% to 64.5p (2015: 55.2p); dividend increased to £61m (2015: £47m), reflecting the Board's confidence in the Group.

- **Outlook**
  - Group performing well in growing market sectors with solid long-term fundamentals
  - Order book of £8.7bn providing long-term visibility
  - 50% of Group profit from operations arising from Services division
  - Confident of achieving our strategic goal of double-digit profit growth on average each year to 2020.

Continued ......

Commenting on the results, Haydn Mursell, chief executive, said:

"I am pleased to report a good set of results reflecting the evolution of the Group during the year following the completion of the integration of Mouchel.

This year, we have successfully focused on our commercial and capital disciplines and are pleased to report a significant improvement in our net debt, further strengthening our balance sheet and the delivery of a key Vision 2020 target: net debt: EBITDA of less than 1x, a year ahead of our expectations.

The Group continues to perform well in growing market sectors including infrastructure, housing and regional building, providing a breadth of capabilities to our clients. For the first time, 50% of Group profit now comes from our Services division where essential day-to-day services are provided to clients and we have long-term visibility of our future pipeline of work.

We remain focused on growing the business through improving operational efficiencies and investing in new technology to support our operations. We believe that our range of complementary businesses underpins the resilience of our operating model and the strength of our order book. Having completed the integration of Mouchel, we are well progressed with the simplification of our portfolio of businesses and are focused on capitalising on the growth opportunities available to the Group. We remain confident of achieving our goal of double-digit profit growth on average each year to 2020."

- ENDS –

There will be a presentation of the preliminary results to analysts at 0900 hours British Summer Time on 22 September 2016 at the offices of Numis, The London Stock Exchange Building, London, EC4M 7LT and a live webcast : http://www.investis-live.com/kier/57b1908b5f165d0900134102/gdsh which will also be recorded and available later in the day on Kier's website.

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CHIEF EXECUTIVE'S OVERVIEW

I am pleased to announce a good set of results, reflecting a year of consolidation and evolution. We have made good progress on our five-year strategy, Vision 2020. These results reflect two key features of the year; the robust underlying trading of the Group and a drive to improve the efficiency and focus of our operations. The actions taken, including the integration of Mouchel and the portfolio simplification, will streamline and simplify the Group's operations allowing us to invest in our core businesses in the future.

Operational review

During the year we continued to expand in key market sectors and put in place systems, processes and structures for future growth. The increased efficiency of the Group was achieved through a streamlining of our portfolio of businesses and a 4% reduction in overall Group headcount which saw the amalgamation of a number of management teams as well as the successful integration of Mouchel.

During the year, the integration of Mouchel was a key area of focus and this has now been completed. The Mouchel businesses are performing well with the combined strategic highways and local authority highways maintenance businesses delivering efficiencies, ahead of expectations at the time of acquisition. In addition, the integration of the Mouchel business services operations and Kier facilities management (FM), creating Kier Workplace Services, provides enhanced opportunities with local authority clients through the provision of a broader FM offer. The acquired businesses will deliver a return on capital in excess of our target of 15% in FY17.

Market position

The markets in which we operate are supported by solid long-term fundamentals. UK household population growth will require more housing, schools, hospitals and public services and there is a need for investment in the UK's infrastructure (roads, power, rail), all of which are key drivers of UK GDP, productivity and the UK's international competitiveness. A low interest environment should encourage Government spending in these areas and austerity is set to continue which will promote more efficient and innovative solutions from service providers such as Kier.

Over 80% of the Group's turnover is now delivered from the following market positions. We are:

- one of the leading infrastructure players in the UK with revenue of £1.5bn;
- a leading provider of affordable and social housing and related maintenance services with a pipeline of >£600m; and
- the UK's leading regional builder with revenue of £1.5bn.

The business is resilient and ready to respond to an increase in Government spending for both 'shovel ready' projects which tend to lead to spend in maintenance activities and for the larger capital works that will underpin the UK economy over the medium term.

Portfolio simplification

Following the integration of two sizeable acquisitions over the last two years, on 4 July 2016 we announced a simplification of the Group's portfolio. This is underway and will allow an increased focus on those core businesses which will underpin the Group's future growth. We announced an evaluation of strategic options for Mouchel Consulting, including a possible sale, and this process has commenced. In addition, in light of the challenging trading conditions in the Caribbean, activities in the region are being wound down and, despite the stable operations of our Environmental Services business and Biogen, a provision has been taken reflecting the decline in commodity prices. Exceptional charges primarily from the above portfolio simplification of £66m have been reported in FY16 while any exceptional gain on the sale of Mouchel Consulting will be reported in FY17. In cash terms, the total effect of the above items is expected to be cash positive in FY17.

The Kier offer

The Group continues to benefit from promoting its integrated offer where two or more parts of the Group are providing services to a client. Recent examples of cross-selling include Highways England where the Group provides both capital works and maintenance services, and Kent County Council where construction and property services are provided. Our Construction and Property divisions continue to work jointly on a number of projects, including office developments such as Sovereign Square in Leeds, student accommodation and hotel opportunities. The Group is investing £25m in both front and back office systems to improve its platform for delivery as well as its service provision to clients, particularly within the highways, FM and housing maintenance businesses.

EU Referendum vote

To date, there has been no material impact on our operations following the EU Referendum vote. In the Property division, we are predominantly a UK regional player and focus on non-speculative development.

In Residential, we are a 100% regional player focusing on modest value private homes. Our mixed tenure business is addressing the supply-demand imbalance in the UK affordable housing market and we have a strong pipeline of more than £600m, providing visibility of workload over the next four years. The launch of the New Communities Partnership, in conjunction with Cheyne Capital and The Housing Growth Partnership, a joint venture between Lloyds Bank & the Homes and Communities Agency, has already seen strong interest, providing further opportunities for this business. Our regional building business operates on a number of frameworks delivering multiple, modest value schemes in key sectors such as education and health. In Infrastructure, projects such as Crossrail and Mersey Gateway provide longer-term visibility. The Services division, which accounts for 50% of the Group's profit, provides essential, every-day, routine services to our clients and communities. Many of the budgets for these services are ring-fenced which provides further resilience to the Group.

We will continue to provide a network of local, regional and national services and maintain our disciplined risk managed approach to new work. Our current financial position is strengthening as net debt improves, which combined with our Construction and Services order book of £8.7bn, allows continued investment in the future growth of the Group.

Our people
The safety of our people is of paramount importance and we have made excellent progress in the year by reducing the Group accident incidence rate by 34%. As the Group continues to evolve, I would like to thank all of our teams for their contribution and support during the year.

Board changes
During the year, Justin Atkinson and Adam Walker joined the Board as non-executive directors and Richard Bailey stood down as the senior independent director. Justin has subsequently been appointed to the role of the senior independent director and Adam as Chair of the Risk Management and Audit Committee. On 1 July 2016, Constance Baroudel joined the Board as a non-executive director.

Amanda Mellor has decided not to stand for re-election at the 2016 Annual General Meeting (AGM) and will, therefore, be leaving the Board with effect from the conclusion of the meeting. Amanda has made a significant contribution to the Board and its committees, latterly as the Chair of the Remuneration Committee, since her appointment in 2011. We would like to thank Amanda for her hard work during her time on the Board. Constance will assume the role of the Chair of the Remuneration Committee with effect from the conclusion of the AGM.

Outlook
The Group continues to perform well in growing market sectors including infrastructure, housing and regional building, providing a breadth of capabilities to our clients. For the first time, 50% of Group profit now comes from our Services division where essential day-to-day services are provided to clients and we have long-term visibility of our future pipeline of work.

We remain focused on growing the business through improving operational efficiencies and investing in new technology to support our operations. We believe that our range of complementary businesses underpins the resilience of our operating model and the strength of our order book. Having completed the integration of Mouchel, we are well progressed with the simplification of our portfolio of businesses and are focused on capitalising on the growth opportunities available to the Group. We remain confident of achieving our goal of double-digit profit growth on average each year to 2020.

Divisional Review
Property
The division provides property development and structured finance.

	Year ended 30 June 2016 £m	Year ended 30 June 2015 £m	*Change %*
Revenue[1]	**176**	**126**	***+40***
Underlying operating profit[2]	**21.4**	**22.7**	***-6***
Average capital[3]	**(94)**	**(83)**	***+13***
Return on Average Capital[3]**Employed (ROCE)**	**23%**	**27%**	***-4***

	Year ended 30 June 2016 £m	Year ended 30 June 2015 £m
Statutory operating profit	**16.0**	**22.6**

[1]Group and share of joint ventures.
[2]Stated before non-underlying items – see notes 2 and 3.
[3]Equates to average net debt.

- **Consistent performance delivering strong returns**
- **23% ROCE on increasing average capital of £94m**
- **Development pipeline of more than £1bn**

Revenue was £176m (2015: £126m), up 40% generating an underlying operating profit of £21.4m (2015: £22.7m) and reflecting the usual second half timing of transactions and a return to a more normalised level as it continued its successful investment strategy. This result was achieved with average capital invested of £94m with a peak at £129m in the developments business, through continued support of co-investors and funders and utilising the Group's cash flow. The division, with over 80% of its activity taking place outside of London, achieved ROCE of 23%, well ahead of our 15% target and continues to have a healthy development pipeline of opportunities in excess of £1bn.

The Property division has a diversified national portfolio of multi-sector, high-quality projects which continues to receive investment support from co-investors and funders. It also continues to offer its specialist skills as part of the Group's integrated offer to public sector clients who are seeking to maximise the return from their property assets. By way of example, the Penda Property Strategic Partnership with Staffordshire County Council and the Police and Crime Commissioner for Staffordshire, signed in June 2015, has commenced the provision of a total facilities management solution to over 30 occupied police properties, including the county headquarters.

The development business concentrates predominantly on non-speculative opportunities, where elements of the schemes are pre-let and forward sold or developed in joint venture, thereby reducing the associated risk and demands on the Group's capital.

In the industrial sector, the Trade City Bracknell scheme was sold in June 2016 and future opportunities in Oxford and Thurrock progressed with strong pre-let interest. Our presence in the sector has been expanded with the launch of the Logistics City brand with units up to 150,000 sq ft with sites at Normanton, Thurrock, Frimley, Basingstoke and Winsford.

In the office development sector, the 100,000 sq ft office in Sovereign Square, Leeds, built by the Construction division, was forward sold to Leeds City Council with completion due in October this year. Speculative investment in the London market is very limited with the development of the 60,000 sq ft office in Hammersmith in joint venture with Investec ongoing. 58 Victoria Embankment, the 46,500 sq ft office development in which Kier held a 16% equity stake, was sold during the year.

In the retail and mixed use sector, the £30m retail and leisure development at Catterick was sold in May 2016 for £30.5m, the construction of a forward funded 68,000 sq ft leisure scheme in Walsall was completed in December 2015 with strong pre-let interest on phase 2, a 45,000 sq ft pre-let retail scheme in Wakefield was forward sold with construction commencing in May 2016 and two further opportunities have been secured in Kingswood in Hull and Durham for retail schemes.

In the hotel sector, construction was completed in December 2015 on the forward-sold 222-bed hotel for Motel One in Highbridge.

Following the award of the masterplan in December 2013, the £240m Watford Health Campus project continued the construction of the infrastructure works with completion due in October 2016. The scheme will deliver 375,000 sq ft of mixed use development to the area, in addition to 680 new homes.

In August 2015, a 264-room student accommodation scheme in Glasgow was completed ready for the 2015/16 academic year with lettings ahead of forecast in the first year and the scheme 100% let for the second year. Further opportunities for student accommodation projects were secured in Newcastle and Southampton. In September 2015 in the education sector, financial close was reached to design, build, finance and maintain the £25m Ayr Academy in South Ayrshire being delivered via Hub South West.

Solum Regeneration, our joint venture with Network Rail, has in excess of £500m of mixed use schemes in its portfolio with regeneration schemes underway including Guildford, Haywards Heath, Redhill, Twickenham and Walthamstow.

The Group's investment portfolio holds eight schemes, two at preferred bidder stage, three in construction and three in operation. The committed equity investment stands at £29.5m (2015: £22.1m) of which £14.7m (2015: £13.1m) has been invested to date. The directors' valuation is £41m (2015: £36m).

Property outlook
The market outside of London remains strong and the division will maintain its strategy to focus on predominantly regional, non-speculative and pre-let opportunities. While there has been some investor and occupier caution following the EU Referendum vote, this has not had a noticeable impact on the performance of the division to date, which has a development pipeline in excess of £1bn. The Group's strong cash flow this year allows for additional investment into schemes during 2017 and the current market may present some buying opportunities. These investments, which will see a Group capital investment peak at £175m in the year ahead, will follow our strict capital and return disciplines. However, a select few with good rental yields may be held for longer periods, prior to any development activity.

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

	Year ended 30 June 2016 £m	Year ended 30 June 2015 £m	*Change %*
Revenue			
Mixed tenure	**187**	115	*+63*
Private (Kier owned land)	**166**	142	*+17*
Total	**353**	**257**	***+37***
Underlying operating profit[1]			
Mixed tenure	**6.0**	4.8	*+25*
Private (Kier owned land)	**14.3**	6.4	*+123*
Total	**20.3**	**11.2**	***+81***
Average capital[2]			
Mixed tenure	**(39)**	(43)	*-9*
Private (Kier owned land)	**(192)**	(220)	*-13*
Total	**(231)**	**(263)**	***-12***
Return on Average Capital Employed (ROCE)	**9%**	**4%**	***+5***
Land bank – speculative (units)	**3,279**	**3,413**	***-4***

	Year ended 30 June 2016 £m	Year ended 30 June 2015 £m
Statutory operating profit	**19.5**	**11.2**

1 *Stated before non-underlying items – see notes 2 and 3.*
2 *Equates to average net debt.*

- **Revenue up 37% to £353m**
- **Healthy mixed tenure pipeline of >£600m, >70% secured for FY17**
- **Launch of the New Communities Partnership (NCP) joint venture**
- **Completions increased to 2,139 units including c750 units from private sale completions**

The Residential division's activities are focused on both private house sales and working with local authorities, registered providers and other clients to build mixed tenure affordable housing. This blended approach to house building provides resilience to market fluctuations and all of the division's activity is outside of London. The regional profile of the business provides a stable environment for mixed tenure affordable house building with demand continuing to exceed supply.

Revenues increased to £353m (2015: £257m) with the total number of unit completions increasing to 2,139 units, generating an increase in underlying operating margin to 5.8%. Underlying operating profit of £20.3m (2015: £11.2m), up 81%, was achieved as our focus increased on mixed tenure housing. The rebalancing of the legacy Kier land bank continues. The cash performance of the business was excellent.

Since the EU Referendum vote, sales and visitor levels have remained consistent with historical seasonal trends and the sales rate per active site pre and post the vote has remained consistent. Notwithstanding, new investment in land is being tightly managed and monitored to align to the pace of sales.

Mixed tenure
Turnover in the mixed tenure business of £187m was up 63% on the previous year with a marginal reduction in average invested capital to £39m. This reflected the low working capital requirements of the mixed tenure model and the shift in the year to a higher contracting output which is also reflected in the reduced operating margin.

The mixed tenure business achieved approximately 1,400 completions (2015: 1,424) in the year and the business has a pipeline of more than £600m and is more than 70% secured for FY17.

In May, the NCP joint venture, in conjunction with Cheyne Capital and The Housing Growth Partnership, a joint venture between Lloyds Bank and the Homes and Communities Agency, was launched. The NCP joint venture will invest £1bn and build up to 10,000 new homes throughout the UK. Interest from local authorities in the NCP has been high with over 35 sites currently being evaluated with 11 local authorities across the country.

Following the successful integration of the Southdale business, the business now has coverage across the north of England and the Midlands. During the year, the business secured places on all available significant frameworks covering the north of England including Torus, Innovation Chain North West, Thirteen Housing Group, Cutting Edge, Scape, Yorbuild and Places for People.

The rent cuts announced in the Comprehensive Spending Review in Autumn 2015 saw a number of clients delay affordable housing development schemes as organisations reshaped their development plans to adapt to new income forecasts. To align to this new landscape, the division has refocused its capability to deliver new, innovative mixed tenure joint ventures. The first of these, Northern Ventures, in collaboration with Together Housing and Thirteen Housing Group, aims to deliver 500 units per annum in schemes across the north of England.

Private
The year saw an uplift in private sale completions on Kier owned land with c750 completions (2015: 706). The land bank mix continues to improve with approximately 50% of completions on land bought before 2008 and the remainder on newer land. The business continues to rationalise its land bank and reinvest in mixed tenure opportunities to return capital to the Group. The land bank has reduced to 3,279 speculative units (2015: 3,413) and sales were completed at a rate of 0.6 units per trading site per week. Help to Buy has underpinned new home sales and accounted for approximately half of private sales. Average sales prices were at £230k and the business is currently more than 50% forward sold for FY2017.

Residential outlook
The division continues to address the UK shortage of housing with particular focus on mixed tenure housing. The stimulus for housing provided by Government initiatives such as Help to Buy, coupled with the availability of mortgages and the recent reduction in interest rates, should see the business continue to grow and improve its ROCE year-on-year. With a mixed tenure pipeline of more than £600m, we have good revenue visibility in the business for the next four years and, when combined with our experience of housing maintenance, we are well positioned to assist our clients to develop their portfolios for both private and affordable housing purposes and to deliver the maintenance requirements thereafter. In the mixed tenure business, the significant imbalance between supply and demand for affordable housing in the UK requires a long-term solution. We are working with local authorities, registered providers and central government to address the issue through a variety of financing options.

Construction

The Construction division comprises the UK regional building, UK infrastructure and international businesses.

	Year ended 30 June 2016 £m	Year ended 30 June 2015[3] £m	*Change %*
Revenue[1]	**2,025**	**1,732**	***+17***
Underlying operating profit[2]	**47.4**	**38.4**	***+23***
Underlying operating margin[2]	**2.3%**	**2.2%**	

	30 June 2016	30 June 2015[3]
Order book (secure and probable)	**£ 3.4bn**	**£3.5bn**

	Year ended 30 June 2016 £m	Year end 30 June 2015[3] £m
Statutory operating profit	**15.9**	**37.5**

Financial information in this table relates to continuing operations.
1 Group and share of joint ventures.
2 Stated before non-underlying items – see notes 2 and 3.
3 Restated to reflect the reallocation of Mouchel Consulting from the Services division to the Construction division.

- **Record revenue of £2bn**
- **Increased underlying operating margin of 2.3%**
- **Order book solid at £3.4bn**
- **Contracts awarded post year end;**
  - **one of six on the four-year £4bn Department of Health ProCure22 framework**
  - **one of five framework partners for works worth up to £750m at Gatwick Airport over the next five years**
  - **award of three lots on the five-year £500m University of Cambridge framework and**
  - **award of £48m ARM Peterhouse Technology Park Expansion Project in Cambridge with works already commenced.**

The Construction division experienced a record year of growth, with revenue up 17% to £2,025m (2015: £1,732m). The division benefited from the incorporation of Mouchel Consulting as well as strong growth in the regional building business delivering a 10% increase in like-for-like volumes. This resulted in an underlying operating profit increase of 23% to £47.4m (2015: £38.4m). Underlying operating margins increased to 2.3% (2015: 2.2%) and the working capital position has improved. The current order book of £3.4bn for secured and probable work, excluding framework wins, includes more than 90% of forecast revenue for the 2017 financial year, on increasing volumes.

UK regional building

During the year, the split of work across the business was broadly 50/50 private and public sector, reflecting a balanced portfolio and consistent with prior years. Buoyant sectors included education, student accommodation, aviation, transport, defence and bio-tech, the latter particularly within the Cambridge region.

Collaborative working on strategic frameworks continues to underpin the day-to-day activity of the business. Frameworks provide a steady stream of opportunities and long-term relationships with clients with an addressable spend of over £20bn over the next five years.

In September 2015, Kier won the four-year Scape Minor Works framework for the second time, giving Kier businesses, including our regional building, housing maintenance and facilities management activities, the unique opportunity to deliver up to £1.5bn of public sector projects throughout the UK, each valued at up to £4m over a four-year period. At the end of the financial year, nine months into the framework, Scape Minor Works awards totalled £60m, with a pipeline of a further £160m of projects in pre-construction. Through this framework, the Group is working for a broad range of public sector clients.

Education awards continue to be secured under the Education Funding Agency framework and in the year, we achieved selected panel member status on a further five schemes worth £156m.

In August 2016, Kier was named as one of the six principal supply chain partners on the four-year £4bn Department of Health ProCure22 framework, the new framework replacing ProCure21+, building further on the Group's leading position in the health sector.
New framework successes during the year included the South-West Wales Regional Contractors framework, valued at £850m which is used by 27 local authorities and public bodies in Wales. Kier was

successful on all four Lots tendered, covering contracts from £3.5m to over £15m. In addition, a position on the YORbuild2 Construction framework was awarded in February 2016, with a value of £2bn. This framework can be accessed by local authorities, public sector bodies and third sector organisations across the Yorkshire and Humber region, Sheffield Local Enterprise Partnership (LEP) area, North East England and Lincolnshire. After the year end, Kier was selected as one of five framework partners appointed to deliver construction works worth up to £750m at Gatwick Airport on each of the Lots tendered covering low and medium complexity building works and medium complexity civil works over the next five years. In addition, Kier has been selected for the £500m University of Cambridge framework and secured a place on the £240m Essex Construction framework for projects over £2m.

We have continued to build on our existing expertise in the education, health, commercial and defence sectors and we have also penetrated a number of new sectors covering aviation, logistics and distribution, bio-tech and science.

The Construction division has continued to work with the Property division on delivering developments including 58 Victoria Embankment, London, Sovereign Street, Leeds, a student accommodation development in Glasgow and Motel One in Newcastle.

Infrastructure
The infrastructure business operates across a number of sectors and across a broad range of project values from frameworks to larger-scale projects, such as Crossrail. Key sectors for the business are transportation, water and the nuclear and energy sectors.

In the transportation sector, Crossrail, the Mersey Gateway project and the Smart Motorways programme continue to make good progress. Kier's presence in capital programmes in the UK highways sector continues to grow, complementing Kier's highways maintenance operations. Key successes in the period include the award of a new £600m highways framework in the East of England, with Kier being one of six contractors appointed to the major works Lot. In the rail sector, CEK, a joint venture partnership with Carillion and Eiffage established in June 2015, has pre-qualified for the maximum four of seven HS2 phase 2 civil engineering packages, each worth about £1bn. This further expands Kier's involvement in HS2, with CEK already having tendered for all three enabling works packages, each worth more than £200m.

In the nuclear sector, we are working at Aldermaston and Urenco and continuing our long track record of working in Sellafield. We welcome the UK Government approval on Hinkley Point C where we are currently working and look forward to Kier deploying its proven capabilities further in the energy and nuclear sectors.

Mouchel Consulting
Following the announcement of the portfolio simplification, an evaluation of the strategic options for Mouchel Consulting, which continues to trade well, is underway.

International
The international business has secured over £100m of new work in the Middle East, mainly in Dubai. The low oil price is having an impact on the pipeline of opportunities in the region, albeit our ability to provide clients with access to export credit facilities supported by UK Export Finance (UKEF) is proving to be a key differentiator and has enabled high quality work to be secured. An example of this is the £51m staff accommodation project awarded by Nshmi, a local developer, after year end which is being funded with the support of UKEF. An £11m infrastructure contract was awarded by the same client at its Town Square development in the emirate. Two further contracts were also secured for Meraas, an existing key customer; a £15m infrastructure project at Al Khawaneej in Dubai and the island-wide infrastructure works on Bluewaters island, worth £28m. The region continues to provide attractive opportunities for the Group in the build-up to Expo 2020. The two contracts in Hong Kong are nearing completion with discussions ongoing with the client and, as part of the portfolio simplification, operations in the Caribbean are winding down, including the completion of a contract and the settlement of final accounts.

Construction outlook
The Construction division continues to perform strongly having secured more than £2bn of new contract awards in the last year and delivering an increased margin. With an order book of £3.4bn, more than 90% of forecast revenue for 2017 is secured. Margins and cash generation are expected to improve further as we maintain our prudent risk management process. The division's regional spread of projects and standing on key frameworks ensures that it is well positioned to take advantage of public and private sector opportunities that arise across the UK. In the short term, the regional building business will underpin the division's growth; however, given the political momentum and recognition that the UK's economic growth will be strengthened by improved transport systems, power generation and utilities networks, the scale of the UK infrastructure pipeline provides good visibility over the medium term.

Services

The Services division comprises strategic and local authority highways maintenance, utilities, housing maintenance and facilities management and business processing, the latter recently being renamed Kier Workplace Services, and environmental services.

	Year ended 30 June 2016 £m	Year ended 30 June 2015[3] £m	Change %
Revenue[1]	1,656	1,236	*+34*
Underlying operating profit[2]	86.1	57.3	*+50*
Underlying operating margin[2]	5.2%	4.6%	

	30 June 2016	30 June 2015[3]
Order book (secure and probable)	£5.3bn	£5.8bn

	Year ended 30 June 2016 £m	Year end[3] 30 June 2015 £m
Statutory operating profit	5.6	38.6

1 Group and share of joint ventures.
2 Stated before non-underlying items – see notes 2 and 3.
3 Restated to reflect the reallocation of Mouchel Consulting from the Services division to the Construction division.

- **Significant revenue growth to £1.7bn**
- **Strong and increased underlying operating margin performance of 5.2%, including the benefit of Mouchel synergies**
- **Expanded highways capability following the integration of Mouchel**
- **Long-term order book of c£5.3bn with additional potential extensions of more than £2.7bn; and**
- **Post-year end award: award of three-year £50m National Grid Infrastructure Protection Works framework security contract and £40m Affinity Water trunk mains utility contract.**

Services revenue[1] was up 34% to £1.7bn (2015: £1.2bn), reflecting a robust organic performance by the business and a full year's contribution from the Mouchel businesses. Underlying operating profit[2] was £86.1m (2015[3]: £57.3m), up 50%. Underlying operating margins improved to 5.2%, reflecting the organic performance of the division and the newly acquired businesses.

The integration of Mouchel has delivered the anticipated cost savings of £4m in FY16. Furthermore, additional savings of £5m are anticipated in FY17, increasing the forecast annual cost synergies from the Mouchel acquisition to a total of £15m in FY17. To achieve the higher level of savings, integration costs have increased by £36m to £50m, with these additional costs having been incurred during FY16. This has included a 4% reduction in overall Group headcount with in excess of 850 roles being removed, mainly through the amalgamation of business units and the consolidation of managerial and support roles. The Mouchel acquisition remains on track to deliver a return on capital in excess of our target of 15% in FY17.

The order book at 30 June 2016 of £5.3bn (2015[3]: £5.8bn) has reduced by £0.5bn, as expected, reflecting the unwinding of the longer-term contracts typical of the utilities and highways sectors which results in a reduction in the order book each year of c.£600m. More than 90% of targeted revenue for 2017 is secured; moreover, the order book does not include potential contract extensions, which, if included, would add more than £2.7bn.

Infrastructure Services - Highways maintenance

Following the acquisition of Mouchel, the integration of the highways management teams has been completed, creating one team that oversees the combined highways maintenance activity for the Group. The highways businesses performed well in the year. In Strategic Highways, the five-year Road Investment Strategy funding remains unchanged. The formal tender process for Highways England Areas 1 and 13 and a number of other Areas, where Kier is not currently the maintenance provider, is underway and these provide further opportunity for the Group specifically where Highways England has lifted the cap on the number of Areas that can be awarded to one company from four to five. In March a £50m design services contract was awarded by Highways England for Area 7 covering the East Midlands.

Demonstrating a leading commitment to collaborative working, Kier Highways has pioneered an alliance approach with the British Standards Institution for its supply chain partners. In May 2016, the Area 3 team and its suppliers were the first to become certified to BS 11000 Collaborative Business Relationships as part of a new alliance approach. It is anticipated that this innovative model will be adopted by other contractors. In the local authorities market where the Group has five contracts plus its operations in London, budget challenges continue for our clients and we are working with clients on new approaches to service provision. This has been well received by clients, including Surrey County Council, which earlier this year extended the Group's relationship with the provision of a four-year £160m extension to the existing Surrey Highways contract. The current local authority highways bidding pipeline has a value of over £2bn despite the recent quieter bidding cycle.

In Australia, where we operate seven contracts as part of the DownerMouchel joint venture, expenditure on infrastructure capital spend continues. Bid opportunities have been developed in Western Australia and New South Wales and opportunities in the New Zealand market continue to be evaluated.

Infrastructure Services – Utilities
Following the completion of the AMP6 bidding process and the successful mobilisation of the Thames Water and Anglian Water contracts, work is focusing on the cultural transformation of the alliances to deliver more efficiently. During the year, a £105m five-year extension was awarded on the Scottish Water contract for the provision of repair and maintenance services for the waste water network across Scotland. In addition, two extensions for existing contracts with South West Water and Bournemouth Water are in advanced discussion. After the year end, two new contracts were won; a three-year £50m National Grid Infrastructure Protection Works framework security contract, in joint venture with Siemens, and a £40m trunk mains utility contract for Affinity Water, a new client win.

Property Services - Housing maintenance
The business continues to be impacted by the social rent reduction announced in last year's Budget. This has impacted on our clients' finances and their long-term planning and, consequently, resulted in a reduced level of new awards.

Our strong partnership with Genesis continues and discussions are ongoing about extending the scope of services to include compliance works. With the anticipated merger of registered providers and the increasing need for social housing, we are starting to see new opportunities for the provision of end-to-end services which our Residential and Services divisions can provide with a combined new build and maintenance offering.

Changes of approach and greater efficiencies with our clients are necessary to address reducing client budgets. In addition to our breadth of services, we have developed and are implementing an improved front-end IT system to better and more efficiently interact with our clients' own systems and enable us to drive operational efficiencies and flexibility.

Property Services – Kier Workplace Services
The new division, incorporating facilities management, property management and business processing, was launched on 1 July 2016. The business provides end-to-end workplace solutions for both public and private sector clients, designed to address a growing market seeking the full range of hard and soft facilities management, asset management and wider business services.

During the year, facilities management contracts were awarded by a number of organisations in the heritage and arts sector, in local government and other areas of the public sector such as health and blue light. Key contract awards totalling c£100m include a £32m contract to deliver repairs and estate management to Southwark Council, a mechanical and electrical services contract to the Royal Shakespeare Company, an £12m contract to provide mechanical and electrical services to the six Imperial War Museums (IWM) as well as a £30m repeat award by Wiltshire County Council.

Other
The operational performance of the Environmental Services business remains on track, albeit the decline in the commodity prices has resulted, as announced on 4 July, in a provision of £35m on losses incurred by the Environmental Services business which will be taken in FY16, providing for all future cash outflows on two environmental contracts of eight and ten years' remaining duration. Additionally, in light of recyclate pricing, the carrying value of our investment in Biogen, our renewable energy joint venture in which the Group holds a 50% share, has been reviewed, resulting in an impairment cost to Kier of £5m in FY16.

Services outlook
The Services division, which accounts for 50% of the Group's profit, provides essential, day-to-day, routine services to clients and communities. Many of these budgets are ring-fenced which provides resilience to the Group. The integration of the Mouchel business has been completed and the Services division is benefiting from the complementary capabilities now within the Group, something that our clients are increasingly interested in. The Services order book of £5.3bn provides good long-term visibility of our workload with potential extensions adding a further £2.7bn, and is more than 90% secured for 2017.

FINANCIAL REVIEW

Results

The Group reports a robust underlying performance with record turnover, underlying operating profit and underlying EPS. Group revenue[1] for the year ended 30 June 2016 increased by 26% to £4.2bn (2015: £3.4bn) and underlying operating profit[2] increased by 44% to £150m (2015: £104m). These results include a full twelve months contribution from the Mouchel acquisition, with the Services division contributing 50% of underlying operating profit for the first time. The underlying operating margins[2] improved to 2.3% in the Construction division (2015: 2.2%) and 5.2% in the Services division (2015: 4.6%) with the latter benefiting from the acquisition of Mouchel. The Property division generated an underlying operating profit[2] of £21.4m (2015: £22.7m) reflecting a return to more normalised levels as it continued its successful investment strategy. The Residential division performed strongly, with underlying operating profit[2] up 81% to £20.3m (2015: £11.2m), and an increase in margin reflecting the ongoing improvement in the quality of the owned land bank and an increased contribution from the mixed tenure business.

Net underlying finance costs of £24.7m (2015: £17.8m) reflect the additional working capital requirements and banking facilities associated with the Mouchel acquisition in June 2015. In addition, a full year's interest charge has been incurred on the US Private Placement debt facilities taken out in November 2014 whilst interest charges on finance leases of £1.4m (2015: £2.6m) reduced following the disposal of the Fleet and Passenger Services business in July 2015. Financing charges associated with the Group's pension schemes have increased to £5.6m (2015: £2.2m) following the incorporation of the Mouchel Group's pension scheme into the Group's balance sheet.

The tax charge[2] for the period of £22.5m (2015: £16.9m) represents an effective corporation tax rate of 18.0% (2015: 19.7%), assisted by the increasing use of capital efficient joint venture structures in the Property division.

Underlying earnings per share[2] of 106.7p represents an 11% increase on the prior year (2015: 96.0p).

Dividend

In line with the Group's progressive dividend policy, the Board is recommending a full year dividend for the year ended 30 June 2016 of 64.5p per share (2015: 55.2p), amounting to approximately £61m (2015: £47m). An interim dividend of 21.5p per share (2015: 19.2p) amounting to approximately £20m (2015: £13m), was paid on 20 May 2016. Full year dividend cover is 1.7 times (2015: 1.7 times) underlying earnings per share. Subject to shareholder approval, the final dividend will be paid on 2 December 2016 to shareholders on the register at the close of business on 30 September 2016. A scrip dividend alternative will also be available.

Non-underlying items

The Group has recognised a net pre-tax charge of £116m on continuing operations in respect of the following non-underlying items in the year. These are set out in note 3 and include:

- Integration and restructuring charges following the acquisition of Mouchel. In the 2016 financial year the Group has restructured both the acquired Mouchel business and the legacy Kier operations, primarily within the Services division. This has included a 4% reduction in overall Group headcount with in excess of 850 roles being removed, mainly through the amalgamation of business units and the consolidation of managerial and support roles. Total costs incurred were £50m including £35m of severance costs.
- Impact of commodity prices on waste collection contracts. The Group operates two waste contracts with recyclate income clauses and has recognised an impairment charge of £35.6m for the remainder of the contract life. Recyclate income is highly correlated to oil prices which have fallen 40% since the second half of 2014. The Group has recognised provisions which assume ongoing income equivalent average oil price of $60 per barrel for the remainder of the contract life.
- Closure of the Caribbean operations. Following a strategic review of overseas operations in 2016, the Group's Caribbean operations are winding down. A £23.1m provision has been taken in respect of this closure and associated final account positions.
- Other costs totalling £8m include £4.5m relating to the final costs for the Construction Workers Compensation Scheme and a non-cash impairment of £5m in respect of the Group's investment in its Biogen joint venture which are partially outset by a small gain relating to sale of Fleet & Passenger Services.

As a result of the non-underlying costs noted above and non-cash charges associated with the amortisation of acquired intangible contract rights and discount unwind of £23.9m (2015: £14.8m), the Group reported a loss on a statutory basis of £15.4m (2015: profit of £39.5m) before taxation.

The Group announced a strategic review of the Mouchel Consulting business in July 2016. This review may encompass the sale of the business. The business contributed operating profit of £8m in the current financial year.

The cash outflow of the above items in FY17 is expected to be in the range of £25m.

Cash performance
The Group's net debt as at 30 June 2016 was £99m (2015: £141m) which was ahead of expectations particularly in light of capital investment of £31m in the Property and Residential divisions and on new front and back office systems including ERP. Strong working capital management has driven a material and sustainable improvement in cash flows during the year. This performance equates to a net debt to EBITDA ratio of less than 1x, achieved a year ahead of our Vision 2020 goal of a net debt to EBITDA ratio of 1x by 30 June 2017.

The Group recently concluded the raising of £81m (€100m) of additional finance via the Schuldschein market. The placement has an average maturity of approximately five years and a blended interest rate of approximately 3% including fees. This fundraising further diversifies the Group's sources of funding and provides it with long-term, fixed-rate debt, therefore reducing the Group's exposure to increases in interest rates over the longer-term.

Pensions
The Group's balance sheet includes the combined deficits of the Kier, May Gurney and Mouchel consolidated pension schemes. The three pension schemes have reported a reduced aggregate net deficit of £72m (2015: £123m) after accounting for the benefit of deferred tax. A strong performance from the scheme pension asset portfolios resulted in a gain of £218m driven by the pension scheme's corporate and government bond investments more than off-setting the increase in liabilities as a result of a reduction in discount rates. All of the Group's pension schemes are closed to future accrual.

1 Group and share of joint ventures
2 Stated before non-underlying items – see note 3

- E N D S-

Cautionary statement

This announcement does not constitute an offer of securities by the Company. Nothing in this announcement is intended to be, or intended to be construed as, a profit forecast or a guide as to the performance, financial or otherwise, of the Company or the Group whether in the current or any future financial year. This announcement may include statements that are, or may be deemed to be, ''forward-looking statements''. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms ''believes'', ''estimates'', ''anticipates'', ''expects'', ''intends'', ''plans'', ''target'', ''aim'', ''may'', ''will'', ''would'', ''could'' or ''should'' or, in each case, their negative or other variations or comparable terminology. They may appear in a number of places throughout this announcement and include statements regarding the intentions, beliefs or current expectations of the directors, the Company or the Group concerning, amongst other things, the operating results, financial condition, prospects, growth, strategies and dividend policy of the Group or the industry in which it operates. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future and may be beyond the Company's ability to control or predict. Forward-looking statements are not guarantees of future performance. The Group's actual operating results, financial condition, dividend policy or the development of the industry in which it operates may differ materially from the impression created by the forward-looking statements contained in this announcement. In addition, even if the operating results, financial condition and dividend policy of the Group, or the development of the industry in which it operates, are consistent with the forward-looking statements contained in this announcement, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that could cause these differences include, but are not limited to, general economic and business conditions, industry trends, competition, changes in government and other regulation, changes in political and economic stability and changes in business strategy or development plans and other risks. You are advised to read the section headed ''Principal risks and uncertainties'' in the Company's Annual Report and Accounts for the year ended 30 June 2016 for a further discussion of the factors that could affect the Group's future performance and the industry in which it operates. Other than in accordance with its legal or regulatory obligations, the Company does not accept any obligation to update or revise publicly any forward-looking statement, whether as a result of new information, future events or otherwise.

Consolidated income statement

For the year ended 30 June 2016

		2016			2015		
Continuing operations	Notes	**Underlying Items[1] £m**	**Non-underlying items (note 3) £m**	**Total £m**	Underlying Items[1] £m	Non-underlying items (note 3) £m	Total £m
Revenue							
Group and share of joint ventures	2	**4,210.6**	**-**	**4,210.6**	3,351.2	-	3,351.2
Less share of joint ventures	2	**(98.3)**	**-**	**(98.3)**	(75.3)	-	(75.3)
Group revenue		**4,112.3**	**-**	**4,112.3**	3,275.9	-	3,275.9
Cost of sales		**(3,702.0)**	**-**	**(3,702.0)**	(2,993.0)	-	(2,993.0)
Gross profit		**410.3**	**-**	**410.3**	282.9	-	282.9
Administrative expenses		**(277.5)**	**(137.9)**	**(415.4)**	(201.9)	(42.8)	(244.7)
Share of post-tax results of joint ventures		**14.2**	**-**	**14.2**	7.9	-	7.9
Profit on disposal of joint ventures		**2.6**	**-**	**2.6**	14.8	-	14.8
Profit/(loss) from operations	2	**149.6**	**(137.9)**	**11.7**	103.7	(42.8)	60.9
Finance income		**0.8**	**-**	**0.8**	1.7	-	1.7
Finance costs		**(25.5)**	**(2.4)**	**(27.9)**	(19.5)	(3.6)	(23.1)
Profit/(loss) before tax	2	**124.9**	**(140.3)**	**(15.4)**	85.9	(46.4)	39.5
Taxation	4a	**(22.5)**	**26.1**	**3.6**	(16.9)	6.9	(10.0)
Profit/(loss) for the year from continuing operations		**102.4**	**(114.2)**	**(11.8)**	69.0	(39.5)	29.5
Discontinued operations							
Loss for the year from discontinued operations (attributable to equity holders of the parent company)		**-**	**(5.0)**	**(5.0)**	(2.2)	(21.8)	(24.0)
Profit/(loss) for the year		**102.4**	**(119.2)**	**(16.8)**	66.8	(61.3)	5.5
Attributable to:							
Owners of the parent		**101.6**	**(119.2)**	**(17.6)**	65.7	(61.3)	4.4
Non-controlling interests		**0.8**	**-**	**0.8**	1.1	-	1.1
		102.4	**(119.2)**	**(16.8)**	66.8	(61.3)	5.5
Earnings per share							
Basic earnings/(loss) per share							
From continuing operations	6	**106.7p**	**(119.9)p**	**(13.2)p**	96.0p	(55.8)p	40.2p
From discontinued operations	6	**-**	**(5.3)p**	**(5.3)p**	(3.1)p	(30.8)p	(33.9)p
Total	6	**106.7p**	**(125.2)p**	**(18.5)p**	92.9p	(86.6)p	6.3p
Diluted earnings/(loss) per share							
From continuing operations	6	**106.7p**	**(119.9)p**	**(13.2)p**	95.6p	(55.6)p	40.0p
From discontinued operations	6	**-**	**(5.3)p**	**(5.3)p**	(3.1)p	(30.8)p	(33.9)p
Total	6	**106.7p**	**(125.2)p**	**(18.5)p**	92.5p	(86.4)p	6.1p

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

Consolidated statement of comprehensive income

For the year ended 30 June 2016

	Notes	2016 £m	2015 £m
(Loss)/profit for the year		**(16.8)**	**5.5**
Items that may be reclassified subsequently to the income statement			
Share of joint venture fair value movements on cash flow hedging instruments		**(0.1)**	0.7
Deferred tax on share of joint venture fair value movements on cash flow hedging instruments	4c	**-**	(0.2)
Fair value movements on cash flow hedging instruments		**18.5**	0.2
Fair value movements on cash flow hedging instruments recycled to the Income Statement		**(17.7)**	
Deferred tax on fair value movements on cash flow hedging instruments		**(0.2)**	-
Foreign exchange gains on long term funding of foreign operations		**9.6**	0.9
Foreign exchange translation differences		**(1.1)**	(0.2)
Total items that may be reclassified subsequently to the income statement		**9.0**	1.4
Items that will not be reclassified to the income statement			
Re-measurement of defined benefit liabilities		**47.6**	(34.0)
Deferred tax on actuarial gains/losses on defined benefit liabilities	4c	**(9.1)**	6.8
Total items that will not be reclassified to the income statement		**38.5**	(27.2)
Other comprehensive income/(loss) for the year		**47.5**	(25.8)
Total comprehensive income/(loss) for the year		**30.7**	(20.3)
Attributable to:			
Equity holders of parent		**29.9**	(21.4)
Non-controlling interests – continuing operations		**0.8**	1.1
		30.7	(20.3)

Total comprehensive income/(loss) attributable to equity shareholders arises from:		
Continuing operations	**34.9**	2.6
Discontinued operations	**(5.0)**	(24.0)
	29.9	(21.4)

Consolidated statement of changes in equity

For the year ended 30 June 2016

	Share capital £m	Share premium £m	Capital redemption reserve £m	Retained earnings £m	Cash flow hedge reserve £m	Translation reserve £m	Merger reserve £m	Attributable to owners of the parent £m	Non-controlling interests £m	Total equity £m
At 1 July 2014	**0.6**	**73.7**	**2.7**	**51.4**	**(2.9)**	**(3.6)**	**184.8**	**306.7**	**3.0**	**309.7**
Profit for year	-	-	-	4.4	-	-	-	**4.4**	1.1	**5.5**
Other comprehensive (loss)/income	-	-	-	(27.2)	0.7	0.7	-	**(25.8)**	-	**(25.8)**
Dividends paid	-	-	-	(40.2)	-	-	-	**(40.2)**	(2.3)	**(42.5)**
Issue of own shares	0.4	334.8	-	-	-	-	-	**335.2**	-	**335.2**
Share-based payments	-	-	-	3.4	-	-	-	**3.4**	-	**3.4**
Tax on share-based payments	-	-	-	(0.1)	-	-	-	**(0.1)**	-	**(0.1)**
Transfers	-	-	-	50.0	-	-	(50.0)	**-**	-	**-**
At 30 June 2015	**1.0**	**408.5**	**2.7**	**41.7**	**(2.2)**	**(2.9)**	**134.8**	**583.6**	**1.8**	**585.4**
Loss for year	-	-	-	(17.6)	-	-	-	**(17.6)**	0.8	**(16.8)**
Other comprehensive income	-	-	-	38.5	0.5	8.5	-	**47.5**	-	**47.5**
Dividends paid	-	-	-	(54.7)	-	-	-	**(54.7)**	(0.4)	**(55.1)**
Issue of own shares	-	9.5	-	-	-	-	-	**9.5**	-	**9.5**
Share-based payments	-	-	-	5.6	-	-	-	**5.6**	-	**5.6**
At 30 June 2016	**1.0**	**418.0**	**2.7**	**13.5**	**(1.7)**	**5.6**	**134.8**	**573.9**	**2.2**	**576.1**

Consolidated balance sheet

At 30 June 2016

	Notes	2016 £m	2015[1] £m
Non-current assets			
Intangible assets		**794.6**	790.0
Property, plant and equipment		**99.3**	120.9
Investment in and loans to joint ventures		**129.8**	79.4
Deferred tax assets		**7.3**	9.0
Trade and other receivables		**34.7**	31.4
Non-current assets		**1,065.7**	1,030.7
Current assets			
Inventories		**675.9**	733.7
Trade and other receivables		**523.0**	535.0
Other financial assets		**18.1**	-
Cash and cash equivalents	9	**186.7**	254.0
Current assets		**1,403.7**	1,522.7
Assets held for sale as part of a disposal group		**18.2**	193.9
Total assets		**2,487.6**	2,747.3
Current liabilities			
Finance lease obligations		**(13.5)**	(14.9)
Other financial liabilities		**(0.2)**	-
Trade and other payables		**(1,379.5)**	(1,315.5)
Corporation tax payable		**(6.0)**	(12.7)
Provisions		**(22.8)**	(18.2)
Current liabilities		**(1,422.0)**	(1,361.3)
Liabilities held for sale as part of a disposal group		**(13.7)**	(168.0)
Non-current liabilities			
Borrowings	9	**(303.2)**	(394.8)
Finance lease obligations		**(12.8)**	(25.7)
Other financial liabilities		**(1.1)**	(1.5)
Trade and other payables		**(13.2)**	(11.4)
Retirement benefit obligations	7	**(87.8)**	(153.6)
Provisions		**(57.7)**	(45.6)
Non-current liabilities		**(475.8)**	(632.6)
Total liabilities		**(1,911.5)**	(2,161.9)
Net assets	2	**576.1**	585.4
Equity			
Share capital		**1.0**	1.0
Share premium		**418.0**	408.5
Capital redemption reserve		**2.7**	2.7
Retained earnings		**13.5**	41.7
Cash flow hedge reserve		**(1.7)**	(2.2)
Translation reserve		**5.6**	(2.9)
Merger reserve		**134.8**	134.8
Equity attributable to owners of the parent		**573.9**	583.6
Non-controlling interests		**2.2**	1.8
Total equity		**576.1**	585.4

[1] Restated for impact of revision to the acquisition accounting of the Mouchel Group, see note 8.

Consolidated cash flow statement

For the year ended 30 June 2016

	Notes	2016 £m	2015 £m
Cash flows from operating activities			
(Loss)/profit before tax – continuing operations		**(15.4)**	39.5
– discontinuing operations		**(11.0)**	(25.8)
Non-underlying items		**127.4**	54.5
Net finance cost		**27.1**	21.4
Share of post-tax trading results of joint ventures		**(14.2)**	(7.9)
Normal cash contributions to pension fund in excess of/(less than) pension charge		**1.2**	(0.1)
Equity settled share-based payments charge		**5.6**	3.4
Amortisation and impairment of intangible assets		**27.8**	13.6
Other non-cash items		**(4.7)**	(4.6)
Depreciation charges		**21.8**	28.9
Profit on disposal of joint ventures		**(2.6)**	(14.8)
Loss on disposal of property, plant and equipment and intangible assets		**7.2**	2.1
Operating cash flows before movements in working capital		**170.2**	110.2
Deficit contributions to pension fund		**(25.1)**	(18.7)
Decrease/(increase) in inventories		**57.8**	(205.5)
Decrease in receivables		**8.7**	88.0
Increase in payables		**39.7**	192.8
Decrease in provisions		**(3.7)**	(28.3)
Cash inflow from operating activities before non-underlying items		**247.6**	138.5
Cash outflow from non-underlying items		**(83.0)**	(18.8)
Cash inflow from operating activities		**164.6**	119.7
Dividends received from joint ventures		**2.8**	3.5
Interest received		**0.8**	1.7
Income taxes paid	4b	**(1.8)**	(3.5)
Net cash inflow from operating activities		**166.4**	121.4
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**10.6**	2.0
Proceeds from sale of joint ventures	8c	**20.4**	13.9
Purchases of property, plant and equipment		**(14.1)**	(19.8)
Purchase of intangible assets		**(38.1)**	(22.6)
Divestment/(investment) in assets held for resale		**29.8**	(12.6)
Acquisition of subsidiaries	8a	**-**	(262.6)
Investment in joint ventures		**(61.9)**	(35.6)
Cash acquired	8a	**-**	32.2
Net cash used in investing activities		**(53.3)**	(305.1)
Cash flows from financing activities			
Issue of shares		**4.5**	334.1
Interest paid		**(19.5)**	(15.6)
Cash outflow incurred raising finance		**(0.6)**	(2.6)
Inflow from finance leases on property, plant and equipment		**3.1**	16.9
Inflow from new borrowings		**75.8**	199.9
Finance lease repayments		**(17.4)**	(32.2)
Repayment of borrowings		**(184.5)**	(94.0)
Dividends paid to equity holders of the parent		**(49.7)**	(39.1)
Dividends paid to non-controlling interests		**(0.4)**	(2.3)
Net cash (used in)/from financing activities		**(188.7)**	365.1
(Decrease)/increase in cash, cash equivalents and overdraft		**(75.6)**	181.4
Effect of change in foreign exchange rates		**8.3**	-
Opening cash, cash equivalents and overdraft		**254.0**	72.6
Closing cash, cash equivalents and overdraft	9	**186.7**	254.0

Notes to the consolidated financial statements

1 Accounting policies

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

2 Segmental reporting

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

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

Year to 30 June 2016 **Continuing operations**	Property £m	Residential £m	Construction £m	Services £m	Corporate £m	Group £m
Revenue[1]						
Group and share of joint ventures	176.3	352.9	2,025.3	1,656.1	-	**4,210.6**
Less share of joint ventures	(78.2)	-	(10.3)	(9.8)	-	**(98.3)**
Group revenue	**98.1**	**352.9**	**2,015.0**	**1,646.3**	**-**	**4,112.3**
Profit						
Group operating profit/(loss)	6.8	20.3	45.7	85.6	(25.6)	**132.8**
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**	**47.4**	**86.1**	**(25.6)**	**149.6**
Underlying net finance (costs)/income[2]	(5.4)	(10.2)	1.8	(10.0)	(0.9)	**(24.7)**
Underlying profit/(loss) before tax	**16.0**	**10.1**	**49.2**	**76.1**	**(26.5)**	**124.9**
Non-underlying items:						
Amortisation of intangible assets relating to contract rights	(0.1)	-	(0.4)	(21.0)	-	**(21.5)**
Non-underlying finance costs	-	-	-	(2.4)	-	**(2.4)**
Other non-underlying items	(5.3)	(0.8)	(31.1)	(59.5)	(19.7)	**(116.4)**
Profit/(loss) before tax from continuing operations	**10.6**	**9.3**	**17.7**	**(6.8)**	**(46.2)**	**(15.4)**
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[3]	**135.3**	**202.8**	**(63.5)**	**(91.8)**	**487.6**	**670.4**
Cash, net of borrowings	(77.2)	(177.2)	277.1	26.7	(148.2)	**(98.8)**
Net assets 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[4]	-	8.4	49.1	115.7	17.0	**190.2**
Capital expenditure	4.9	0.2	2.5	2.3	4.2	**14.1**
Depreciation of property, plant and equipment	-	(0.3)	(3.0)	(13.6)	(4.9)	**(21.8)**
Amortisation of computer software	-	-	(0.5)	**-**	(5.8)	**(6.3)**
Geographic split of Revenue						
United Kingdom	176.3	352.9	1,774.3	1,547.8	-	**3,851.3**
Americas	-	-	21.0	-	-	**21.0**
Middle East	-	-	168.2	-	-	**168.2**
Far East	-	-	61.8	108.3	-	**170.1**

1 Revenue is stated after the exclusion of inter–segmental revenue.
2 Interest was (charged)/credited to the divisions at a notional rate of 4.0% (2015: 4.0%)
3 Net operating assets/(liabilities) represent assets excluding cash, borrowings and interest bearing intercompany loans.
4 Inter-segmental pricing is determined on an arm's length basis.

2 Segmental reporting continued

Year to 30 June 2015 Continuing operations	Property £m	Residential £m	Construction[6] £m	Services[6] £m	Corporate £m	Group £m
Revenue[1]						
Group and share of joint ventures	126.2	257.2	1,732.2	1,235.6	-	**3,351.2**
Less share of joint ventures	(66.8)	-	(7.8)	(0.7)	-	**(75.3)**
Group revenue	**59.4**	**257.2**	**1,724.4**	**1,234.9**	**-**	**3,275.9**
Profit						
Group operating profit/(loss)	2.1	11.2	36.6	57.0	(25.9)	**81.0**
Share of post–tax results of joint ventures	5.8	-	1.8	0.3	-	**7.9**
Profit on disposal of joint ventures	14.8	-	-	-	-	**14.8**
Underlying operating profit/(loss)	**22.7**	**11.2**	**38.4**	**57.3**	**(25.9)**	**103.7**
Underlying net finance (costs)/income[2]	(2.5)	(11.0)	8.2	(6.6)	(5.9)	**(17.8)**
Underlying profit/(loss) before tax	**20.2**	**0.2**	**46.6**	**50.7**	**(31.8)**	**85.9**
Non-underlying items:						
Amortisation of intangible assets relating to contract rights	(0.1)	-	(0.4)	(10.7)	-	**(11.2)**
Non-underlying finance costs	-	-	-	(3.6)	-	**(3.6)**
Other non-underlying items	-	-	(0.5)	(8.0)	(23.1)	**(31.6)**
Profit/(loss) before tax from continuing operations	**20.1**	**0.2**	**45.7**	**28.4**	**(54.9)**	**39.5**
Balance sheet[3]						
Total assets excluding cash	128.2	320.5	674.7	547.0	629.0	**2,299.4**
Liabilities excluding borrowings	(24.7)	(59.6)	(741.1)	(587.0)	(186.7)	**(1,599.1)**
Net operating assets/ (liabilities) excluding assets held for sale [4]	**103.5**	**260.9**	**(66.4)**	**(40.0)**	**442.3**	**700.3**
Cash, net of borrowings	(73.9)	(243.9)	289.8	(43.9)	(68.9)	**(140.8)**
Net assets excluding assets held for sale	**29.6**	**17.0**	**223.4**	**(83.9)**	**373.4**	**559.5**
Assets/(liabilities) held for sale	20.3	-	(7.4)	13.1	(0.1)	**25.9**
Net assets/(liabilities)	**49.9**	**17.0**	**216.0**	**(70.8)**	**373.3**	**585.4**
Other information						
Inter–segmental revenue [5]	1.9	-	19.3	123.6	14.0	**158.8**
Capital expenditure	0.1	0.3	2.2	5.9	11.3	**19.8**
Depreciation of property, plant and equipment	-	(0.1)	(7.7)	(15.0)	(6.1)	**(28.9)**
Amortisation of computer software	-	-	0.3	(2.6)	(2.5)	**(4.8)**
Geographic split of Revenue						
United Kingdom	126.2	257.2	1,592.4	1,212.2	-	**3,188.0**
Americas	-	-	30.5	-	-	**30.5**
Middle East	-	-	70.2	-	-	**70.2**
Far East	-	-	39.1	23.4	-	**62.5**

[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% (2015: 4.0%).
[3] Restated for the impact of revision to the acquisition accounting for the Mouchel Group, see note 8a
[4] Net operating assets/(liabilities) represent assets excluding cash, borrowings and interest bearing intercompany loans.
[5] Inter-segmental pricing is determined on an arm's length basis.
[6] Restated to reflect the reallocation of Mouchel Consulting from the Services division to the Construction division.

Notes to the consolidated financial statements continued

3 Non-underlying items[1]

	2016 £m	2015 £m
Continuing operations		
Amortisation of intangible contract rights	**(21.5)**	(11.2)
Acquisition discount unwind	**(2.4)**	(3.6)
Other non-underlying items:		
Transaction, integration and restructuring costs following the acquisition of the Mouchel Group	**(49.9)**	(21.9)
Provision relating to Environmental Services recyclate costs	**(35.6)**	-
Provision relating to Biogen investment	**(5.0)**	-
Provision for closure of Caribbean operations and related contract final accounts	**(23.1)**	-
Construction Workers Compensation Scheme and related costs	**(4.5)**	-
Gains/(costs) relating to the disposal of Fleet & Passenger Services	**1.7**	(3.4)
Costs associated with cessation of the Kier Group final salary pension scheme	**-**	(6.3)
Total other non-underlying items	**(116.4)**	(31.6)
Total non-underlying items from continuing operations	**(140.3)**	(46.4)
Associated tax credit	**26.1**	6.9
Charged against profit for the year from continuing operations	**(114.2)**	(39.5)
Discontinued operations		
Assessment of UK Mining provisions	**(11.0)**	(22.9)
Associated tax credit	**6.0**	1.1
Non-underlying items from discontinued operations	**(5.0)**	(21.8)
Charged against profit for the year	**(119.2)**	(61.3)

[1] Exceptional items.

Notes to the consolidated financial statements continued

4 Taxation

a) Recognised in the income statement

	2016			2015		
Continuing operations	**Underlying items[1] £m**	**Non-underlying items (note 3) £m**	**Total £m**	Underlying items[1] £m	Non-underlying (note 3) £m	Total £m
Current tax expense						
UK corporation tax	**22.3**	**(21.8)**	**0.5**	5.1	(2.9)	2.2
Adjustments in respect of prior years	**3.5**	**-**	**3.5**	10.0	-	10.0
Total current tax	**25.8**	**(21.8)**	**4.0**	15.1	(2.9)	12.2
Deferred tax expense						
Origination and reversal of temporary differences	**1.6**	**(4.3)**	**(2.7)**	12.6	(4.0)	8.6
Adjustments in respect of prior years	**(4.9)**	**-**	**(4.9)**	(10.4)	-	(10.4)
Rate change effect on deferred tax	**-**	**-**	**-**	(0.4)	-	(0.4)
Total deferred tax	**(3.3)**	**(4.3)**	**(7.6)**	1.8	(4.0)	(2.2)
Total tax charge/(credit) in the income statement	**22.5**	**(26.1)**	**(3.6)**	16.9	(6.9)	10.0
Reconciliation of effective tax rate						
Profit/(loss) before tax	**124.9**	**(140.3)**	**(15.4)**	85.9	(46.4)	39.5
Add: tax on joint ventures included above	**0.4**	**-**	**0.4**	0.3	-	0.3
Adjusted profit/(loss) before tax	**125.3**	**(140.3)**	**(15.0)**	86.2	(46.4)	39.8
Income tax at UK corporation tax rate of 20.0% (2015: 20.75%)	**25.1**	**(28.1)**	**(3.0)**	17.9	(9.6)	8.3
Non–deductible expenses	**0.6**	**2.3**	**2.9**	0.1	2.7	2.8
Effect of change in UK corporation tax rate	**-**	**-**	**-**	(0.4)	-	(0.4)
Profit on disposal of Fleet & Passenger Services	**-**	**(0.3)**	**(0.3)**	-	-	-
Capital gains not taxed	**(0.5)**	**-**	**(0.5)**	(0.3)	-	(0.3)
Utilisation of tax losses	**(1.0)**	**-**	**(1.0)**	-	-	-
Effect of tax rates in foreign jurisdictions	**0.1**	**-**	**0.1**	0.3	-	0.3
Adjustments in respect of prior years	**(1.4)**	**-**	**(1.4)**	(0.4)	-	(0.4)
Total tax (including joint ventures)	**22.9**	**(26.1)**	**(3.2)**	17.2	(6.9)	10.3
Tax on joint ventures	**(0.4)**	**-**	**(0.4)**	(0.3)	-	(0.3)
Group tax charge/(credit)	**22.5**	**(26.1)**	**(3.6)**	16.9	(6.9)	10.0

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

The Company 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 rules.

The tax charge before non-underlying items shown in the table above equates to an effective tax rate of 18% (2015: 20%) on adjusted profit before tax of £125.3m (2015: £86.2m). This effective rate is lower than the standard rate of corporation tax of 20% (2015: 20.75%) due to a number of items shown in the table above. The non-deductible expenses mainly relate to acquisition costs on Mouchel and permanent differences on provisions.

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

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

The net credit adjustment of £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 £1.8m during the year (2015: £3.5m).

Notes to the consolidated financial statements continued

4 Taxation continued

c) Recognised in the statement of comprehensive income

	2016 £m	2015 £m
Deferred tax expense (including effect of change in tax rate)		
Share of fair value movements on joint venture cash flow hedging instruments	**-**	0.2
Fair value movements on cash flow hedging instruments	**0.2**	-
Actuarial gains/(losses) on defined benefit pension schemes	**9.1**	(6.8)
Total tax charge/(credit) in the statement of comprehensive income	**9.3**	(6.6)

d) Factors that may affect future tax charges

Changes to the UK corporation tax rates were announced in the Chancellor's Budget on 16 March 2016. The change announced is to reduce the main rate to 17% from 1 April 2020.

Changes to reduce the UK corporation tax rate to 19% from 1 April 2017 and to 18% from 1 April 2020 had already been substantially enacted on 26 October 2015.

As the change to 17% had not been substantively enacted at the balance sheet date the effect is not included in these financial statements. The overall effect of that change, if it had applied to the deferred tax balance at the balance sheet date, would be to reduce the deferred tax asset by an additional £0.2m with £0.7m being credited to the income statement and £0.9m being charged directly to the statement of comprehensive income.

The deferred tax balance as at the year end has been recognised at 18%.

e) Tax losses

At the balance sheet date the Group has unused tax losses of £172.5m (2015: £177.3m) available for offset against future profits. A deferred tax asset has been recognised in respect of £23.3m (2015: £43.2m) of income tax losses.

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

5 Dividends

Amounts recognised as distributions to owners of the parent in the year:	2016 £m	2015 £m
Final dividend for the year ended 30 June 2015 of 36.0 pence (2014: 39.6 pence)	**34.2**	27.0
Interim dividend for the year ended 30 June 2016 of 21.5 pence (2015: 19.2 pence)	**20.5**	13.2
	54.7	40.2

The proposed final dividend of 43.0 pence (2015: 36.0 pence) bringing the total dividend for the year to 64.5 pence (2015: 55.2 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 £40.7m will be paid on 2 December 2016 to shareholders on the register at the close of business on 30 September 2016. A scrip dividend alternative will be offered.

Notes to the consolidated financial statements continued

6 Earnings per share

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

	2016		2015	
	Basic £m	**Diluted £m**	Basic £m	Diluted £m
Earnings				
Continuing operations				
Earnings (after tax and minority interests), being net profits attributable to equity holders of the parent	**(12.6)**	**(12.6)**	28.4	28.4
Impact of non-underlying items net of tax:				
Amortisation of intangible assets - net of tax credit of £3.9m (2015: £2.3m)	**17.6**	**17.6**	8.9	8.9
Acquisition discount unwind - net of tax credit of £0.4m (2015: £0.7m)	**2.0**	**2.0**	2.9	2.9
Other non-underlying items - net of tax credit of £21.8m (2015: £3.9m)	**94.6**	**94.6**	27.7	27.7
Earnings from continuing operations	**101.6**	**101.6**	67.9	67.9
Discontinued operations				
Earnings (after tax and minority interests), being net loss attributable to equity holders of the parent	**(5.0)**	**(5.0)**	(24.0)	(24.0)
Other non-underlying items - net of tax credit of £6.0m (2015: £1.1m)	**5.0**	**5.0**	21.8	21.8
Earnings from discontinued operations	**-**	**-**	(2.2)	(2.2)
	million	million	million	million
Weighted average number of shares used for earnings per share	**95.2**	**95.2**	70.7	71.0
	pence	pence	pence	pence
Earnings per share				
Earnings (after tax and minority interests), being net profits attributable to equity holders of the parent	**(13.2)**	**(13.2)**	40.2	40.0
Impact of non-underlying items net of tax:				
Amortisation of intangible assets	**18.5**	**18.5**	12.6	12.5
Acquisition discount unwind	**2.1**	**2.1**	4.0	4.1
Other non-underlying items	**99.3**	**99.3**	39.2	39.0
Earnings from continuing operations	**106.7**	**106.7**	96.0	95.6
Discontinued operations				
Earnings (after tax and minority interests), being net profits attributable to equity holders of the parent	**(5.3)**	**(5.3)**	(33.9)	(33.9)
Other non-underlying items	**5.3**	**5.3**	30.8	30.8
Earnings from discontinued operations	**-**	**-**	(3.1)	(3.1)
Total earnings/(loss) per share				
Statutory	**(18.5)**	**(18.5)**	6.3	6.1
Underlying	**106.7**	**106.7**	92.9	92.5

Notes to the consolidated financial statements continued

7 Retirement benefit obligations

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

	2016				2015			
	Kier Group Pension Scheme £m	**Mouchel Pension Schemes £m**	**May Gurney Pension Schemes £m**	**Total £m**	Kier Group Pension Scheme £m	Mouchel Pension Schemes £m	May Gurney Pension Schemes £m	Total £m
Opening (deficit)/surplus	**(75.2)**	**(74.9)**	**(3.5)**	**(153.6)**	(63.1)	-	3.3	(59.8)
Acquired deficit	**-**	**-**	**-**	**-**	-	(68.6)	-	(68.6)
Charge to income statement	**(3.6)**	**(4.9)**	**(0.4)**	**(8.9)**	(13.8)	(0.3)	(0.1)	(14.2)
Employer contributions	**15.5**	**9.7**	**1.9**	**27.1**	24.7	0.7	0.3	25.7
Transferred to assets held for resale	**-**	**-**	**-**	**-**	-	-	(2.6)	(2.6)
Actuarial (losses)/gains	**39.8**	**11.8**	**(4.0)**	**47.6**	(23.0)	(6.7)	(4.4)	(34.1)
Closing deficit	**(23.5)**	**(58.3)**	**(6.0)**	**(87.8)**	(75.2)	(74.9)	(3.5)	(153.6)
Comprising:								
Fair value of assets	**1,065.4**	**422.8**	**72.4**	**1,560.6**	919.4	356.3	66.4	1,342.1
Net present value of defined benefit obligation	**(1,088.9)**	**(481.1)**	**(78.4)**	**(1,648.4)**	(994.6)	(431.2)	(69.9)	(1,495.7)
Net deficit	**(23.5)**	**(58.3)**	**(6.0)**	**(87.8)**	(75.2)	(74.9)	(3.5)	(153.6)
Related deferred tax asset	**4.2**	**10.5**	**1.1**	**15.8**	15.0	15.0	0.7	30.7
Net pension liability	**(19.3)**	**(47.8)**	**(4.9)**	**(72.0)**	(60.2)	(59.9)	(2.8)	(122.9)

Notes to the consolidated financial statements continued

8 Acquisitions and disposals

a) Revision to acquisition accounting on Mouchel Group

On the 8 June 2015 the Group purchased the entire share capital of MRBL Limited ("Mouchel") for a total consideration of £260.6m. Mouchel is an international infrastructure and business services group and the acquisition positions Kier as a sector leader in the growing UK highways maintenance and management market.

Due to the proximity of the acquisition of Mouchel to the 2015 year end, a provisional assessment was made of the fair value of the net liabilities acquired of £40.7 million. These provisional assessments were finalised in 2016, leading to the recognition of additional goodwill of £13.3m.

The reconciliation of the provisional goodwill recognised to the revised goodwill recognised is shown below.

	Provisional fair value to the Group	Amendments	Revised fair value to the Group
	£m	£m	£m
Intangible assets	145.2	-	145.2
Property, plant and equipment	7.4	(0.3)	7.1
Investment in joint ventures	0.4	-	0.4
Deferred tax assets	(2.3)	(2.3)	(4.6)
Inventories	76.7	(4.1)	72.6
Trade and other receivables	49.3	(0.3)	49.0
Cash and cash equivalents	32.2	-	32.2
Trade and other payables	(156.4)	(1.2)	(157.6)
Borrowings	(94.0)	-	(94.0)
Corporation tax payable	(11.5)	-	(11.5)
Retirement benefit obligations	(68.6)	-	(68.6)
Provisions	(19.1)	(5.1)	(24.2)
	(40.7)	**(13.3)**	**(54.0)**
Goodwill	301.3	13.3	314.6
Total assets acquired	**260.6**	**-**	**260.6**
Satisfied by:			
Cash consideration	**260.6**		**260.6**

The movements in the fair value of net assets and goodwill acquired were primarily due to the continued assessment of contract positions changing as a result of additional information becoming available regarding the position at the acquisition date of 8 June 2015. There was no change to consideration or total assets acquired.

As the adjustments to the provisional amounts recognised in 2015 are within the measurement period, prior year comparatives have been restated by the amounts included in the table above.

b) Disposal of subsidiary

On 1 July 2015, the group disposed of its investment in Kier Fleet & Passenger Services Limited ("FPS"), as referred to in note 3. Disposal costs of £3.4m had been incurred in the year to 30 June 2015, and a gain of £1.7m has been recognised in the year to 30 June 2016. The net loss on disposal is therefore £1.7m.

c) Disposal of investments in joint ventures

During the year the Group, through its subsidiary Kier Property Investment Limited, disposed of its interests in Justice Support Services (Norfolk and Suffolk) Holdings Limited (a subsidiary), Salford Village Limited (a joint venture) and part of its interest in Kier (Newcastle) Investments Limited for a total consideration of £20.4m. The profit on disposal recognised in the year was £2.6m.

Notes to the consolidated financial statements continued

9 Cash, cash equivalents and borrowings

	2016 £m	2015 £m
Cash and cash equivalents – bank balances and cash in hand	**186.7**	254.0
Borrowings due within one year	**-**	-
Borrowings due after one year	**(303.2)**	(394.8)
Impact of cross currency hedging	**17.7**	-
Net borrowings	**(98.8)**	(140.8)

10 Statutory accounts

The information set out above does not constitute statutory accounts for the years ended 30 June 2016 or 2015 but is derived from those accounts.

Statutory accounts for 2015 have been delivered to the Registrar of Companies and those for 2016 will be delivered following the Company's annual general meeting and will be made available on the Company's website, www.kier.co.uk. The accounts have been prepared on a going concern basis which the directors consider appropriate. The auditors have reported on the 2016 and 2015 accounts, their reports were unqualified and did not contain statements under section 498 (1) or (2) of the Companies Act 2006.