Independent auditor's report to the members of Kier Group plc

Report on the financial statements

Our opinion

In our opinion:

- Kier Group plc's Group financial statements and parent company financial statements ('the financial statements') give a true and fair view of the state of the Group's and of the parent company's affairs as at 30 June 2015 and of the Group's profit and cash flows for the year then ended;
- The Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union;
- The parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

What we have audited

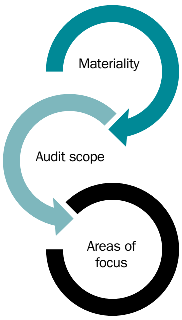
Kier Group plc's financial statements comprise:

- The Consolidated balance sheet as at 30 June 2015;
- The Company balance sheet as at 30 June 2015;
- The Consolidated income statement and Consolidated statement of comprehensive income for the year then ended;
- The Consolidated cash flow statement for the year then ended;
- The Consolidated statement of changes in equity for the year then ended; and
- The notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our audit approach

Overview



- Overall Group materiality: £4.3m which represents 5% of consolidated profit before tax excluding non-underlying items.

- We conducted audit work across all four of the Group's divisions, and paid particular attention to the accounting for the acquisition on 8 June 2015 of Mouchel. The divisions where we performed our audit work accounted for 95% of Group revenues.

- Acquisition accounting for Mouchel.
- Valuation of land and properties.
- Accounting for long-term contracts – including profit recognition, work in progress and provisioning.
- Accounting for adjustments to underlying profit.
- Assessment of carrying value of goodwill.

The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)').

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as 'areas of focus' in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Area of focus	How our audit addressed the area of focus
Acquisition accounting for Mouchel Refer to page 80 (Risk Management and Audit Committee Report), page 123 (significant accounting policies) and page 158 (notes). The Group acquired Mouchel on 8 June 2015 for £260.6m consideration, funded through a rights issue. Accounting for the acquisition required a fair value exercise to assess the assets and liabilities acquired, including valuing any separately identifiable intangible assets, both of which can be a particularly subjective process. **Fair value adjustments** Management recorded £15.1m of fair value adjustment provisions following its analysis of net assets acquired. These reflect its best estimate of certain exposures in Mouchel identified during the due diligence process that were not previously recognised in the balance sheet. **Valuation of identifiable intangibles** Management identified £141.0m of intangible assets in respect of Mouchel's customer contracts, based on the work performed by an external expert. The value of these is calculated by discounting the income stream from Mouchel's contractual customers. The determination of the discount rate applied to the contractual customer income was particularly judgemental, as it requires the calculation of a risk adjusted weighted average cost of capital.	**Fair value adjustments** We assessed the completeness and quantum of adjustments made by management against our own expectations, formed from review of the due diligence reports prepared during the acquisition. We determined that management's analysis appropriately reflects the fair value exercise based on our understanding of Mouchel's particular circumstances and our knowledge and experience of the industry. **Valuation of identifiable intangible assets** We reviewed the work performed on the purchase price allocation by management's external expert. In doing so we evaluated the professional competence and objectivity of that expert and challenged the following: • In relation to the customer contracts, we obtained third-party documentation for significant contracts and checked that these were either existing agreements or sufficiently firm future orders. • We challenged senior operational, commercial and financial management on the contract assumptions and judgements, such as profitability, claims and cash flow timings, used to determine the carrying amount of the fair value adjustments. • We sensitised the discount rate and other key inputs and assumptions to ascertain the extent of change that would be required for the fair value to be materially misstated. Based on the work done we have determined that the relevant intangible assets had been identified and valued appropriately.
Valuation of land and properties Refer to page 80 (Risk Management and Audit Committee Report), page 126 (significant accounting policies) and page 146 (notes). Inventory is stated at the lower of cost and net realisable value (ie the forecast selling price less the remaining costs to build and sell). An assessment of the net realisable value of inventory is carried out at each balance sheet date and is dependent upon management's estimate of forecast selling prices and build costs (by reference to current prices), which may require significant judgement. The Group holds inventory of £284m within the Residential division, which comprises the Group's land held for residential development (£117m) and residential work in progress (£167m) where building work has commenced. We focused our work on those sites where there is no immediate intention of development as there is a risk that they are valued above their recoverable amount. Therefore a change in the Group's forecast estimate of sales price and build cost could have a material impact on the carrying value of inventories in the Group's financial statements.	We reviewed the property-specific development appraisals supporting the carrying values and challenged the key assumptions underlying these appraisals as follows: • We reviewed management's expected build cost per square foot by comparing to the build costs for similar units on other sites and where there were differences, validating explanations against third-party confirmations including quantity surveyor cost estimates, correspondence with suppliers or comparable properties on other sites; • We challenged management on their intention to develop these sites; and • We challenged management's forecast sales prices to supporting third-party evidence from management's external sales agents and by comparing the forecast sales price of a sample of sales prices achieved and the list prices of comparable assets as published by estate agents. We did not encounter any issues through our audit procedures that indicated the land or properties tested were impaired.

Independent auditor's report to the members of Kier Group plc continued

Area of focus	How our audit addressed the area of focus
Accounting for long-term contracts – including profit recognition, work in progress and provisioning Refer to page 81 (Risk Management and Audit Committee Report) and page 124 (significant accounting policies). The Group has significant long-term contracts in both the Construction and Services divisions. The recognition of profit on construction and long-term services contracts in accordance with IAS11 is based on the stage of completion of contract activity. This is assessed by reference to the proportion of contract costs incurred for the work performed at the balance sheet date relative to the estimated total costs of the contract at completion. Profit on contracts is a significant risk for our audit because of the judgement involved in preparing suitable estimates of the forecast costs and revenue on contracts. An error in the contract forecast could result in a material variance in the amount of profit or loss recognised to date and therefore also in the current period. These judgements include the expected recovery of costs arising from the following: variations to the contract requested by the customer, compensation events, and claims made against the contractor for delays or other additional costs for which the customer is liable. The inclusion of these amounts in the contract forecast where they are not recoverable could result in a material error in the level of profit or loss recognised by the Group.	We focused our work on those contracts with the greatest estimation uncertainty over the final contract values and therefore profit outcome. These in particular included the forecast positions on major infrastructure projects such as Crossrail in the UK and MTR in Hong Kong. We challenged the judgements applied in management's forecasts, in particular the key assumptions, which included the expected recovery of variations, claims and compensation events included in the forecast, and the historical financial performance and forecast out-turn against budget of other contracts of a similar nature and size and industry knowledge. We inspected correspondence and meeting minutes with customers concerning variations, claims and compensation events, and obtained third-party assessments of these from legal or technical experts contracted by the Group, if applicable, to assess whether this information was consistent with the estimates made. We inspected selected signed contracts for key clauses to identify relevant contractual mechanisms such as the sharing of cost overruns or efficiencies with the customer, contractual damages and success fees and assess whether these key clauses have been appropriately reflected in the amounts included in the forecasts. We inspected correspondence with insurers relating to recognised insurance claims as well as assessments of these undertaken by the insurers and Group's legal experts where applicable to assess whether this information supported the position taken on the contract. We did not identify any issues where the judgements made were materially inappropriate.
Accounting for adjustments to underlying profit Refer to page 81 (Risk Management and Audit Committee Report), page 124 (significant accounting policies) and page 131 (notes). In order to give a better understanding of the underlying performance of the business, management has presented a view of the underlying results of the Group, with separate disclosure of 'non-underlying items' consisting of the following: • £8.4m of restructuring charges relating to a significant internal reorganisation and post-acquisition integration costs; • £13.5m of acquisition costs relating to Mouchel; • £6.3m in respect of the closure of the Kier Group Pension Scheme; • £3.4m relating to the disposal of Fleet & Passenger Services; • £14.8m of intangible amortisation and discount unwind on acquired businesses; and • £22.9m in respect of the write-down of the UK mining business held for sale, presented in discontinued operations. The determination of which items are classified as 'non-underlying' is subject to judgement and therefore users of the accounts could be misled if amounts are not classified appropriately or presented consistently. We also considered the risk of one-off gains during the year not being properly identified and therefore presented inappropriately within underlying profit.	We considered the appropriateness of the adjustments made to statutory profit before tax to derive underlying performance. In order to do this we considered: • The Group's accounting policy on exceptional and non-underlying items; • The application of IFRS, in particular IAS1; and • Recent pronouncements by the Financial Reporting Council on this matter, particularly the Practice Note issued in December 2013. We challenged management on the appropriateness of the classification of each item, being mindful that classification should be balanced between gains and losses, the basis for the classification clearly disclosed and applied consistently from one year to the next. Our work highlighted certain items that management had classified as non-underlying which we considered to be more judgemental than others. These included the restructuring charges of £8.4m. Having assessed the nature of the individual components of the restructuring charges, we were satisfied with their presentation as non-underlying. We assessed the nature of certain material non-recurring gains during the year impacting underlying profit before tax and challenged management as to whether these should be identified within non-underlying items. The key judgement in this area surrounds the recognition of profit on disposal of certain property development transactions and joint ventures. We have accepted management's viewpoint that these are normal property transactions consistent with underlying activity of a property development business. Having considered the nature and quantum of these items, overall we were satisfied that the presentation of non-underlying and exceptional items in the financial statements for the year ended 30 June 2015 is materially appropriate.

Area of focus	How our audit addressed the area of focus
Assessment of carrying value of goodwill Refer to page 81 (Risk Management and Audit Committee Report), page 124 (significant accounting policies) and page 141 (notes). As detailed in note 12 of the financial statements, the Group's key cash-generating units ('CGUs') are Construction, Services, Residential and Property. The majority of the Group's goodwill is in relation to the acquisition of Mouchel (£301.3m) in June 2015 and May Gurney (£194.7m) in August 2013. The majority (97%) of goodwill recognised from the acquisition of May Gurney is allocated to the Services CGU with the remainder (3%) allocated to the Construction CGU. We considered the carrying value of goodwill recognised in respect of Mouchel as part of our work on the acquisition, although due to the timing of the transaction, this was not considered a risk of impairment. Management tests goodwill for impairment annually, with reference to value in use which is measured by the present value of the cash flow forecasts expected to be derived by the respective CGUs. The services industry continues to experience challenging margins due to increased costs and more competitive pricing in the market. Therefore there is a risk that sufficient cash flows will not be generated within the Services CGU to support the carrying amount of goodwill. Due to its size, we did not consider the Construction, Property or Residential CGUs to be areas of significant focus.	As part of our audit procedures, we corroborated the justification of the CGUs defined by management, particularly Services, by reviewing the financial information that management uses to measure the performance of that business. We also tested the principles and integrity of the Group's discounted cash flow model that supports the value in use of the CGUs in order to satisfy ourselves that the methodology applied in the annual impairment assessments was in line with the requirements of IAS36, and that the assumptions underpinning the model were appropriate. More specifically, we challenged: • We agreed key inputs such as contract margin and profitability to underlying agreements, our knowledge of the Group and industry and historical outcomes. • We assessed the other key assumptions management applied in these models (discount rate, growth rate and inflation), remaining sceptical of explanations and obtaining supporting evidence for key assertions, including comparing to available external data where available. • We also reviewed management's sensitivity analysis and considered further realistic sensitivity to all key assumptions and underlying cash flows. We did not identify any issues with management's key assumptions based on our review of supporting evidence, management's and our own sensitivity analyses performed. There was significant headroom calculated by management over the carrying amount of the Services CGU, and therefore we were satisfied that the goodwill is not impaired. We also tested whether the disclosures were in line with applicable accounting standards and no issues were identified.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group is structured across four divisions, being Property, Residential, Construction and Services (including Mouchel). The Group financial statements are a consolidation of reporting units that make up the four divisions, together with its central services function.

Due to the timing of the acquisition, Mouchel did not significantly impact the Group's underlying profit before tax. We therefore focused our audit procedures on the balance sheet, which was largely addressed through our work on the accounting for the acquisition.

As the majority of the Group's revenues, trading profits and operating assets are in companies incorporated in the UK, we are satisfied that we obtain appropriate audit coverage over the Group's Income statement, Balance sheet and Cash flow statement through our statutory audit work on the UK companies, which is performed at the same time as the audit of the Group. The divisions where we performed our audit work accounted for 95% of the Group's revenues.

In addition, we performed specified audit procedures in the Construction International businesses in Hong Kong, Dubai and Jamaica where our work was focused on particular material contracts where we determined there to be heightened risk of material misstatement.

Independent auditor's report to the members of Kier Group plc continued

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall Group materiality	£4.3m
How we determined it	5% of consolidated profit before tax excluding non-underlying items, as defined by management in Note 1 to the financial statements.
Rationale for benchmark applied	Based on our professional judgement, we determined materiality by applying a benchmark of 5% of consolidated profit before tax excluding non-underlying items. We believe that underlying profit before tax is the most appropriate measure as it eliminates any disproportionate effect of exceptional charges and provides a consistent year-on-year basis for our work.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.2m as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

Under the Listing Rules we are required to review the directors' statement, set out on page 59, in relation to going concern. We have nothing to report having performed our review.

As noted in the directors' statement, the directors have concluded that it is appropriate to prepare the financial statements using the going concern basis of accounting. The going concern basis presumes that the Group and parent company have adequate resources to remain in operation, and that the directors intend them to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the directors' use of the going concern basis is appropriate.

However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's and parent company's ability to continue as a going concern.

Other required reporting

Consistency of other information

Companies Act 2006 opinions

In our opinion:

- The information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The information given in the Corporate Governance Statement as set out on page 63 with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements.

ISAs (UK & Ireland) reporting

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion: • Information in the annual report is: — materially inconsistent with the information in the audited financial statements; or — apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group and parent company acquired in the course of performing our audit; or — otherwise misleading.	We have no exceptions to report arising from this responsibility.
• The statement given by the directors on page 72, in accordance with provision C.1.1 of the UK Corporate Governance Code ('the Code'), that they consider the annual report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's and parent company's performance, business model and strategy is materially inconsistent with our knowledge of the Group and parent company acquired in the course of performing our audit.	We have no exceptions to report arising from this responsibility.
• The section of the annual report on page 76, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.	We have no exceptions to report arising from this responsibility.

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- We have not received all the information and explanations we require for our audit; or
- Adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- The parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Directors' remuneration report – Companies Act 2006 opinion

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Other Companies Act 2006 reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from these responsibilities.

Corporate governance statement

Under the Companies Act 2006 we are required to report to you if, in our opinion, a corporate governance statement has not been prepared by the parent company. We have no exceptions to report arising from this responsibility.

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the parent company's compliance with the 10 provisions of the UK Corporate Governance Code. We have nothing to report having performed our review.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 111, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

What an audit of financial statements involves

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- Whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed;
- The reasonableness of significant accounting estimates made by the directors; and
- The overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Jonathan Hook (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

1 Embankment Place
London
WC2N 6RH

16 September 2015

Consolidated income statement
For the year ended 30 June 2015

	Notes	2015 Underlying items[1] £m	2015 Non-underlying items (note 4) £m	2015 Total £m	2014[2] Underlying items[1] £m	2014[2] Non-underlying items (note 4) £m	2014[2] Total £m
Continuing operations							
Revenue							
Group and share of joint ventures	2	**3,351.2**	**–**	**3,351.2**	2,937.8	–	2,937.8
Less share of joint ventures	2	**(75.3)**	**–**	**(75.3)**	(30.9)	–	(30.9)
Group revenue		**3,275.9**	**–**	**3,275.9**	2,906.9	–	2,906.9
Cost of sales		**(2,993.0)**	**–**	**(2,993.0)**	(2,653.0)	(3.5)	(2,656.5)
Gross profit/(loss)		**282.9**	**–**	**282.9**	253.9	(3.5)	250.4
Administrative expenses		**(201.9)**	**(42.8)**	**(244.7)**	(174.3)	(49.5)	(223.8)
Share of post-tax results of joint ventures	14	**7.9**	**–**	**7.9**	1.6	–	1.6
Profit on disposal of joint ventures	30e	**14.8**	**–**	**14.8**	6.1	–	6.1
Profit/(loss) from operations	2	**103.7**	**(42.8)**	**60.9**	87.3	(53.0)	34.3
Finance income	5	**1.7**	**–**	**1.7**	2.2	–	2.2
Finance costs	5	**(19.5)**	**(3.6)**	**(23.1)**	(15.8)	(5.3)	(21.1)
Profit/(loss) before tax	2	**85.9**	**(46.4)**	**39.5**	73.7	(58.3)	15.4
Taxation	9a	**(16.9)**	**6.9**	**(10.0)**	(13.5)	9.8	(3.7)
Profit/(loss) for the year from continuing operations		**69.0**	**(39.5)**	**29.5**	60.2	(48.5)	11.7
Discontinued operations							
Loss for the year from discontinued operations (attributable to equity holders of the parent company)	19	**(2.2)**	**(21.8)**	**(24.0)**	(1.0)	–	(1.0)
Profit/(loss) for the year		**66.8**	**(61.3)**	**5.5**	59.2	(48.5)	10.7
Attributable to:							
Owners of the parent		**65.7**	**(61.3)**	**4.4**	58.5	(48.5)	10.0
Non-controlling interests		**1.1**	**–**	**1.1**	0.7	–	0.7
		66.8	**(61.3)**	**5.5**	59.2	(48.5)	10.7
Basic earnings per share							
– From continuing operations	11	**96.0p**	**(55.8)p**	**40.2p**	87.5p[3]	(71.3)p[3]	16.2p[3]
– From discontinued operations	11	**(3.1)p**	**(30.8)p**	**(33.9)p**	(1.5)p[3]	–	(1.5)p[3]
Diluted earnings per share							
– From continuing operations	11	**95.6p**	**(55.6)p**	**40.0p**	86.9p[3]	(70.8)p[3]	16.1p[3]
– From discontinued operations	11	**(3.1)p**	**(30.8)p**	**(33.9)p**	(1.5)p[3]	–	(1.5)p[3]

1 Stated before non-underlying items (see note 4).
2 Represented to classify the Group's UK mining activities as discontinued (see note 19).
3 Restated to reflect the impact of the bonus element of the rights issue associated with the Mouchel transaction (see note 24).

Consolidated statement of comprehensive income
For the year ended 30 June 2015

	Notes	2015 £m	2014 £m
Profit for the year		**5.5**	10.7
Items that may be reclassified subsequently to the income statement			
Share of joint venture fair value movements on cash flow hedging instruments	14	**0.7**	15.1
Deferred tax on share of joint venture fair value movements on cash flow hedging instruments	9c	**(0.2)**	(3.6)
Fair value movements on cash flow hedging instruments		**0.2**	(1.7)
Deferred tax on fair value movements on cash flow hedging instruments	9c	**–**	0.3
Foreign exchange losses on long-term funding of foreign operations		**0.9**	–
Foreign exchange translation differences		**(0.2)**	(4.0)
Total items that may be reclassified subsequently to the income statement		**1.4**	6.1
Items that will not be reclassified to the income statement			
Re-measurement of defined benefit liabilities	8	**(34.0)**	(18.7)
Deferred tax on actuarial losses on defined benefit liabilities	9c	**6.8**	(4.9)
Deferred tax on provisions	9c	**–**	(1.9)
Total items that will not be reclassified to the income statement		**(27.2)**	(25.5)
Other comprehensive loss for the year		**(25.8)**	(19.4)
Total comprehensive loss for the year		**(20.3)**	(8.7)
Attributable to:			
Equity holders of parent		**(21.4)**	(9.4)
Non-controlling interests – continuing operations		**1.1**	0.7
		(20.3)	(8.7)

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

Consolidated statement of changes in equity
For the year ended 30 June 2015

	Share capital £m	Share premium £m	Capital redemption reserve £m	Retained earnings £m	Cash flow hedge reserve £m	Translation reserve £m	Merger reserve £m	Attributable to owners of the parent £m	Non-controlling interests £m	Total equity £m
At 30 June 2013	0.4	63.3	2.7	102.0	(13.0)	0.4	–	**155.8**	2.5	**158.3**
Profit for the year	–	–	–	10.0	–	–	–	**10.0**	0.7	**10.7**
Other comprehensive (loss)/income	–	–	–	(25.5)	10.1	(4.0)	–	**(19.4)**	–	**(19.4)**
Dividends paid	–	–	–	(37.3)	–	–	–	**(37.3)**	(0.2)	**(37.5)**
Issue of own shares	0.2	10.4	–	–	–	–	183.6	**194.2**	–	**194.2**
Purchase of own shares	–	–	–	(1.1)	–	–	–	**(1.1)**	–	**(1.1)**
Share-based payments	–	–	–	4.0	–	–	–	**4.0**	–	**4.0**
Tax on share-based payments	–	–	–	0.5	–	–	–	**0.5**	–	**0.5**
Transfers	–	–	–	(1.2)	–	–	1.2	**–**	–	**–**
At 30 June 2014	0.6	73.7	2.7	51.4	(2.9)	(3.6)	184.8	**306.7**	3.0	**309.7**
Profit for the 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[1]	–	–	–	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**

[1] See note 9 to the Company only accounts on page 163.

Consolidated balance sheet
At 30 June 2015

	Notes	2015 £m	2014[1] £m
Non-current assets			
Intangible assets	12	**776.7**	323.8
Property, plant and equipment	13	**121.2**	192.4
Investments in and loans to joint ventures	14	**79.4**	40.9
Deferred tax assets	15	**11.3**	1.8
Trade and other receivables	18	**31.4**	23.5
Non-current assets		**1,020.0**	582.4
Current assets			
Inventories	16	**737.8**	470.4
Trade and other receivables	18	**535.3**	586.4
Corporation tax receivable		**–**	7.5
Cash and cash equivalents	20	**254.0**	112.4
Current assets		**1,527.1**	1,176.7
Assets held for sale as part of a disposal group	19	**193.9**	72.8
Total assets		**2,741.0**	1,831.9
Current liabilities			
Overdraft	20	**–**	(39.8)
Finance lease obligations	21	**(14.9)**	(27.6)
Other financial liabilities	27	**–**	(0.1)
Trade and other payables	22	**(1,314.3)**	(982.7)
Corporation tax payable		**(12.7)**	–
Provisions	23	**(13.1)**	(27.9)
Current liabilities		**(1,355.0)**	(1,078.1)
Non-current liabilities			
Borrowings	20	**(394.8)**	(195.4)
Finance lease obligations	21	**(25.7)**	(59.4)
Other financial liabilities	27	**(1.5)**	(2.0)
Trade and other payables	22	**(11.4)**	(9.3)
Retirement benefit obligations	8	**(153.6)**	(59.8)
Provisions	23	**(45.6)**	(55.8)
Non-current liabilities		**(632.6)**	(381.7)
Liabilities held for sale as part of a disposal group	19	**(168.0)**	(62.4)
Total liabilities		**(2,155.6)**	(1,522.2)
Net assets	2	**585.4**	309.7
Equity			
Share capital	24	**1.0**	0.6
Share premium		**408.5**	73.7
Capital redemption reserve		**2.7**	2.7
Retained earnings		**41.7**	51.4
Cash flow hedge reserve	24	**(2.2)**	(2.9)
Translation reserve	24	**(2.9)**	(3.6)
Merger reserve	24	**134.8**	184.8
Equity attributable to owners of the parent		**583.6**	306.7
Non-controlling interests		**1.8**	3.0
Total equity		**585.4**	309.7

[1] Represented to disclose assets held for sale separately as assets held for sale as part of a disposal group and liabilities held for sale as part of a disposal group (see note 19).

The financial statements on pages 118 to 160 were approved by the Board of directors on 16 September 2015 and were signed on its behalf by:

Haydn Mursell
Director

Bev Dew
Director

Consolidated cash flow statement
For the year ended 30 June 2015

	Notes	2015 £m	2014 £m
Cash flows from operating activities			
Profit before tax including discontinued operations		**13.7**	14.8
Non-underlying items	4	**54.5**	42.2
Net finance cost	5	**21.4**	20.2
Share of post-tax trading results of joint ventures	14	**(7.9)**	(1.6)
Normal cash contributions to pension fund (less than)/in excess of pension charge		**(0.1)**	1.3
Equity settled share-based payments charge	25	**3.4**	4.0
Negative goodwill recognised, amortisation and impairment of intangible assets		**13.6**	10.8
Other non-cash items		**(4.6)**	–
Depreciation charges	13	**28.9**	41.5
Profit on disposal of joint ventures	30e	**(14.8)**	(6.1)
Loss/(profit) on disposal of property, plant and equipment		**2.1**	(4.5)
Operating cash flows before movements in working capital		**110.2**	122.6
Special contributions to pension fund		**(18.7)**	(8.0)
Increase in inventories		**(205.5)**	(7.0)
Decrease/(increase) in receivables		**88.0**	(156.3)
Increase in payables		**192.8**	96.3
Decrease in provisions		**(28.3)**	(31.7)
Cash inflow from operating activities before non-underlying items		**138.5**	15.9
Cash outflow from non-underlying items		**(18.8)**	(35.6)
Cash inflow/(outflow) from operating activities		**119.7**	(19.7)
Dividends received from joint ventures	14	**3.5**	0.3
Interest received		**1.7**	2.2
Income taxes (paid)/received		**(3.5)**	11.3
Net cash inflow/(outflow) from operating activities		**121.4**	(5.9)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**2.0**	6.0
Proceeds from sale of joint ventures	30e	**13.9**	17.3
Purchases of property, plant and equipment		**(19.8)**	(48.2)
Purchase of intangible assets	12	**(22.6)**	(6.2)
Net investment in assets held for resale		**(12.6)**	(4.0)
Acquisition of subsidiaries	30a	**(262.6)**	(65.6)
Investment in joint ventures		**(35.6)**	(11.7)
Cash/(overdraft) acquired	30b	**32.2**	(16.8)
Net cash used in investing activities before non-underlying disposal proceeds		**(305.1)**	(129.2)
Non-underlying proceeds on disposal of plant business net of disposal costs		**–**	4.2
Net cash used in investing activities		**(305.1)**	(125.0)
Cash flows from financing activities			
Issue of shares	24	**334.1**	2.2
Purchase of own shares		**–**	(1.1)
Interest paid		**(15.6)**	(14.2)
Cash outflow incurred raising finance		**(2.6)**	–
Inflow from finance leases on property, plant and equipment	21	**16.9**	40.3
Inflow from new borrowings		**199.9**	102.9
Finance lease repayments	21	**(32.2)**	(29.6)
Repayment of borrowings		**(94.0)**	(20.0)
Dividends paid to equity holders of the parent		**(39.1)**	(29.1)
Dividends paid to minority interests		**(2.3)**	(0.2)
Net cash generated by financing activities		**365.1**	51.2
Increase/(decrease) in cash, cash equivalents and overdraft		**181.4**	(79.7)
Opening cash, cash equivalents and overdraft		**72.6**	152.3
Closing cash, cash equivalents and overdraft	20	**254.0**	72.6

Notes to the consolidated financial statements
For the year ended 30 June 2015

1 Significant accounting policies
Kier Group plc ('the Company') is a company domiciled in the United Kingdom ('UK') and incorporated in England and Wales. The consolidated financial statements of the Company for the year ended 30 June 2015 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 16 September 2015.

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 International Financial Reporting Interpretations Committee as adopted by the European Union and effective for accounting periods beginning on 1 July 2014.

The Company has elected to prepare its parent company financial statements in accordance with UK Generally Accepted Accounting Practice ('GAAP'). These are presented on pages 161 to 163.

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 new standards and amendments to standards are effective for the financial year ended 30 June 2015 onwards:

IFRS10	Consolidated Financial Statements
IFRS11	Joint Arrangements
IFRS12	Disclosure of Interests in Other Entities
IAS27	Consolidated and Separate Financial Statements
IAS28	Investments in Associates and Joint Ventures
IAS36	Impairment of Assets (Recoverable amount disclosures for non-financial assets)

The following new standards and amendments to standards have been issued, and will take effect for periods starting after 1 January 2018 and 1 January 2017 respectively:

IFRS9	Financial Instruments
IFRS15	Revenue from Contracts with Customers

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

IFRS15 will replace IAS18 'Revenue' and IAS11 'Construction Contracts'. It will become effective for accounting periods on or after 1 January 2017 at the earliest and will therefore be applied for the first time to the Group accounts in 30 June 2018; the IASB has indicated that early adoption will be permitted. The Group has begun a systematic review of all existing major contracts to ensure that the impact and effect of the new standard is fully understood and changes to the current accounting procedures are highlighted and acted upon in advance of the effective date.

Other than the impact of IFRS15 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 2015. 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.

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 profit or loss.

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.

Notes to the consolidated financial statements
For the year ended 30 June 2015 continued

1 Significant accounting policies continued
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 jointly controlled entities 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 IFRS11. In accordance with IFRS11, 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, costs of restructuring and reorganisation of existing businesses, integration of newly acquired businesses, asset impairments and acquisition transaction costs. They also include reclassification of provisions in respect of such items.

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, street cleaning and recycling, is recognised as and when the service is provided.

Where revenue that has been recognised is found 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.

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 (Revised). 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.

1 Significant accounting policies continued

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.

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.

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. 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 fair value 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) 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 quoted 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.

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.

Notes to the consolidated financial statements
For the year ended 30 June 2015 continued

1 Significant accounting policies continued

(c) Determination of fair values of identifiable net assets on acquisitions
On the acquisition of a business, fair values are attributed to the identifiable assets and liabilities and contingent liabilities unless the fair value cannot be measured reliably, in which case the value is subsumed into goodwill.

(d) 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.

(e) 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.

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

(g) Goodwill
Determining whether goodwill is impaired requires an estimation of the value in use of 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.

(h) 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 £61.3m after tax was charged to the income statement for the year ended 30 June 2015.

(i) Held for sale and discontinued operations
When it is probable that businesses will be sold within one year and they are being actively marketed they meet the criteria to be classified as held for sale. Discontinued operations are businesses or a group of businesses which meet the criteria to be held for sale, have been sold or abandoned, and form a separate major line of business of the Group. Management judgement is applied in assessing the timing of sale to meet the classification criteria.

Details of assets held for sale and discontinued operations are set out in note 19.

(j) 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 6 to 10 and the divisional reviews on pages 38 to 53.

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies on pages 123 to 128. 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 continued

Year to 30 June 2015

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

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

2 Segmental reporting continued

Year to 30 June 2014

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

1 Revenue is stated after the exclusion of inter-segmental revenue.
2 Interest was (charged)/credited to the divisions at a notional rate of 4.0%.
3 Net operating assets/(liabilities) represent assets excluding cash, borrowings and interest-bearing inter-company loans.
4 Inter-segmental pricing is determined on an arm's length basis.
5 Restated to reflect the reclassification of the Property and Construction divisions into the Property, Residential and Construction divisions.
6 Restated to reflect the classification of the UK mining operations as discontinued.

3 Profit for the year

Operating profit is stated after charging/(crediting):

	2015 £m	2014 £m
Auditor's remuneration:		
Fees payable for the audit of the parent company and consolidated financial statements	**0.1**	0.1
Fees payable to the Company's auditor for other services:		
Audit of the Company's subsidiaries, pursuant to legislation	**1.1**	0.7
Other services	**0.5**	0.9
Depreciation of property, plant and equipment:		
Owned	**6.0**	12.9
Finance leased	**16.2**	19.4
Loss/(profit) on sale of property, plant and equipment	**2.1**	(4.5)
Hire of plant and machinery	**143.9**	55.1
Operating lease rentals:		
Land and buildings	**11.2**	4.7
Plant and machinery	**12.7**	11.6
Research and Development Expenditure Credit receivable	**(4.1)**	–

The 2014 auditor's remuneration relate to amounts paid to KPMG LLP. The 2015 auditor's remuneration relate to amounts paid to PricewaterhouseCoopers LLP.

A summary of other services provided by PricewaterhouseCoopers LLP during the year, £0.5m, are provided on page 79 (2014: £0.9m was payable to KPMG LLP mainly in respect of the Group's organisational and efficiency project).

4 Non-underlying items[1]

	2015 £m	2014 £m
Continuing operations		
Amortisation of intangible contract rights	**(11.2)**	(10.8)
Acquisition discount unwind	**(3.6)**	(5.3)
Other non-underlying items:		
Costs relating to acquisition of the Mouchel Group	**(13.5)**	–
Costs in relation to the preparation for and restructuring following the acquisition of the Mouchel Group	**(8.4)**	–
Costs associated with cessation of the Kier Group final salary pension scheme	**(6.3)**	–
Costs relating to the disposal of Fleet & Passenger Services	**(3.4)**	–
Costs relating to acquisition of May Gurney	**–**	(8.1)
Restructuring and transformation costs following the acquisition of May Gurney	**–**	(29.6)
Construction Workers Compensation Scheme costs	**–**	(4.5)
Total other non-underlying items	**(31.6)**	(42.2)
Total non-underlying items from continuing operations	**(46.4)**	(58.3)
Associated tax credit	**6.9**	9.8
Charged against profit for the year from continuing operations	**(39.5)**	(48.5)
Discontinued operations		
Impairment of the UK mining business to fair value less costs to sell (see note 19)	**(22.9)**	–
Associated tax credit	**1.1**	–
Non-underlying items from discontinued operations	**(21.8)**	–
Charged against profit for the year	**(61.3)**	(48.5)

[1] Exceptional items.

Notes to the consolidated financial statements
For the year ended 30 June 2015 continued

4 Non-underlying items[1] continued

During the year the Group incurred £13.5m on the acquisition of the Mouchel Group and in 2014 £8.1m on the acquisition of May Gurney. In preparation for and following the Mouchel acquisition the business incurred £8.4m on restructuring and transformation costs primarily related to reduction in staff numbers and integration of Mouchel into the enlarged business. In 2014 £29.6m was incurred on restructuring and transformation costs following the acquisition of May Gurney.

£3.4m was incurred preparing the Fleet & Passenger Services business for sale (see note 31) and £1.1m was incurred closing the Kier Group final salary pension scheme with a further £5.2m non-cash curtailment charge being incurred on cessation of the pension scheme.

£4.5m was provided in 2014 for the likely cost to satisfy the Group's share of both claims from, and the administration costs of, the Construction Workers Compensation Scheme.

[1] Exceptional items.

5 Finance income and cost – continuing operations

	2015			2014		
	Underlying £m	**Non-underlying[2] £m**	**Total £m**	Underlying[3] £m	Non-underlying[2] £m	Total[3] £m
Finance income						
Interest receivable on bank deposits	**0.7**	**–**	**0.7**	0.6	–	0.6
Interest receivable on loans to joint ventures	**1.0**	**–**	**1.0**	1.6	–	1.6
	1.7	**–**	**1.7**	2.2	–	2.2
Finance costs						
Interest payable and fees on bank overdrafts and loans	**(1.0)**	**–**	**(1.0)**	(3.6)	–	(3.6)
Interest payable on borrowings	**(13.7)**	**–**	**(13.7)**	(7.6)	–	(7.6)
Interest payable to joint ventures	**–**	**–**	**–**	(0.1)	–	(0.1)
Interest payable on finance leases	**(2.6)**	**–**	**(2.6)**	(2.7)	–	(2.7)
Discount unwinding	**–**	**(3.6)**	**(3.6)**	–	(5.3)	(5.3)
Net interest on net defined benefit obligation	**(2.2)**	**–**	**(2.2)**	(1.8)	–	(1.8)
	(19.5)	**(3.6)**	**(23.1)**	(15.8)	(5.3)	(21.1)
Net finance costs	**(17.8)**	**(3.6)**	**(21.4)**	(13.6)	(5.3)	(18.9)

[2] Unwind of discount in respect of deferred consideration and fair value adjustments made on acquisition.
[3] Restated to exclude discontinued operations (see note 19).

6 Information relating to employees

	Note	2015 No.	2014 No.
Monthly average number of people employed during the year including executive directors was:			
United Kingdom		**16,110**	14,318
Rest of world		**1,821**	1,017
		17,931	15,335
		£m	£m
Group staff costs are as follows:			
United Kingdom		**681.5**	576.4
Rest of world		**60.7**	37.0
		742.2	613.4
Comprising:			
Wages and salaries		**657.5**	522.2
Social security costs		**37.9**	45.9
Defined benefit pension scheme costs		**14.2**	14.0
Contributions to the defined contribution pension scheme (2015 includes curtailment charge of £5.2m)		**29.2**	27.3
Share-based payment plans	25	**3.4**	4.0
		742.2	613.4

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 84 to 106.

8 Retirement benefit obligations

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

Kier Group Pension 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 £24.7m (2014: £16.4m) which included contributions of £15.1m (2014: £8.0m) to fund the past service deficit.

Going forward, contributions will include an allowance for funding the past service deficit identified at the 2013 valuation date. The Group expects to make contributions of £16.5m for funding the past service deficit in the year to June 2016.

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

Other defined benefit schemes

Acquired with the May Gurney group

The May Gurney and TransLinc defined benefit schemes were acquired with May Gurney in the 2014 financial year. Both of these defined benefit schemes have closed to future accrual and the sum of the deficit contributions to both plans payable in the period to 30 June 2015 amounted to £0.3m (2014: £0.3m). 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.

The TransLinc defined benefit scheme is associated with Kier FPS Limited, which was sold shortly after the end of the financial year. Therefore the assets and liabilities of the TransLinc defined benefit scheme have been transferred out of the pension liability and into assets/liabilities held for sale (see note 19).

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 2015/16 financial year of £1.6m have been agreed with the trustees.

Notes to the consolidated financial statements
For the year ended 30 June 2015 continued

8 Retirement benefit obligations continued

Acquired with the Mouchel Group

The Group has acquired a number of defined benefit pension schemes with the Mouchel Group. At acquisition, the aggregate liability of the schemes was £68.6m. 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.

These schemes were closed to new entrants in 2001. The 'public sector comparable' parts of the schemes are still open to future accrual, but the remainder was closed to future accrual in 2010. There is a deficit recovery plan in place, requiring deficit contributions of £7.8m in the coming year.

In total, the schemes currently have 78 active members, 3,042 deferred members and 1,305 retirees.

The Mouchel schemes were formally valued by the trustees independent actuaries as at 31 March 2013 and will need to be valued again in 2016.

Other defined contribution schemes

Contributions are also made to a number of other defined contribution arrangements. The Group paid contributions of £29.2m (2014: £26.7m) during the year to these arrangements.

IAS19 'Employee Benefits' disclosures

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

The principal assumptions used by the independent qualified actuaries were:

Kier Group Pension Scheme

	2015 %	2014 %	2013 %
Rate of general increases in pensionable salaries	**n/a**	3.3	3.3
Rate of increase to pensions in payment liable for Limited Price Indexation	**3.3**	3.2	3.2
Discount rate	**3.9**	4.4	4.7
Inflation rate (Retail Price Index ('RPI'))	**3.4**	3.4	3.5
Inflation rate (Consumer Price Index ('CPI'))	**2.3**	2.4	2.5

The mortality assumptions are that life expectancy from age 60 is currently 27.8 years for a man and 29.7 years for a woman but is expected to increase to 28.9 years for future male and 31.0 years for future female pensioners who retire in 2035.

			Value
	2015 £m	2014 £m	2013 £m
Land	**–**	13.3	12.9
Equities, property and other return-seeking assets	**672.5**	644.9	608.1
PFI assets	**8.5**	7.3	7.1
Government bonds, cash, swaps and collateral	**238.4**	171.6	155.6
Total market value of assets	**919.4**	837.1	783.7
Present value of liabilities	**(994.6)**	(900.2)	(832.4)
Deficit	**(75.2)**	(63.1)	(48.7)
Related deferred tax asset	**15.0**	12.6	11.2
Net pension liability	**(60.2)**	(50.5)	(37.5)

May Gurney defined benefit schemes

	2015 %	2014 %
Rate of increase to pensions in payment liable for Limited Price Indexation	**3.3**	3.2
Discount rate	**3.9**	4.4
Inflation rate (RPI)	**3.4**	3.4
Inflation rate (CPI)	**2.3**	2.4

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 retire in 2035.

	Value	
	2015 £m	2014 £m
Equities, property and other return-seeking assets	**29.3**	38.0
Government bonds and cash	**37.1**	36.6
Total market value of assets	**66.4**	74.6
Present value of liabilities	**(69.9)**	(71.3)
Surplus	**(3.5)**	3.3
Related deferred tax liability	**0.7**	(0.7)
Net pension (deficit)/asset	**(2.8)**	2.6

Mouchel defined benefit schemes

	2015 %
Rate of general increases in pensionable salaries	**n/a**
Discount rate	**3.9%**
Inflation rate ('RPI')	**3.4%**
Inflation rate ('CPI')	**2.3%**

The mortality assumptions are that life expectancy from age 60 is currently 27.3 years for a man and 29.8 years for a woman but is expected to increase to 29.1 years for future male and 31.7 years for future female pensioners who retire in 2035.

	Value
	2015 £m
Land	**16.1**
Equities, property and other return-seeking assets	**277.6**
Government bonds, cash, swaps and collateral	**62.6**
Total market value of assets	**356.3**
Present value of liabilities	**(431.2)**
Deficit	**(74.9)**
Related deferred tax asset	**15.0**
Net pension liability	**(59.9)**

8 Retirement benefit obligations continued

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

	2015				2014			
	Kier Group Pension Scheme £m	May Gurney £m	Mouchel £m	Total £m	Kier Group Pension Scheme £m	May Gurney £m	Kier Sheffield LLP £m	Total £m
(Charged)/credited to operating profit in the income statement								
Current service cost	(5.8)	–	(0.1)	(5.9)	(9.3)	–	(2.5)	(11.8)
Administration expenses	(0.6)	(0.2)	(0.1)	(0.9)	(0.9)	–	–	(0.9)
Past service cost (including curtailments)	(5.2)	–	–	(5.2)	–	–	(0.9)	(0.9)
Settlement credit	–	–	–	–	–	–	1.4	1.4
Net interest on net defined benefit obligation	(2.2)	0.1	(0.1)	(2.2)	(1.9)	0.1	–	(1.8)
Pension (expense)/credit recognised in profit and loss	(13.8)	(0.1)	(0.3)	(14.2)	(12.1)	0.1	(2.0)	(14.0)
Re-measurement in other comprehensive income								
Actual return in excess of that recognised in net interest	60.4	5.9	–	66.3	36.4	2.5	5.1	44.0
Actuarial losses due to changes in financial assumptions	(87.8)	(10.8)	(6.6)	(105.2)	(44.4)	(3.4)	(7.5)	(55.3)
Actuarial losses due to changes in demographic assumptions	–	–	–	–	(7.7)	–	(8.4)	(16.1)
Actuarial gains/(losses) due to liability experience	4.4	0.5	–	4.9	(3.0)	–	11.7	8.7
Total amount recognised in full	(23.0)	(4.4)	(6.6)	(34.0)	(18.7)	(0.9)	0.9	(18.7)
Changes in the fair value of scheme assets								
Fair value at 1 July	837.1	74.6	–	911.7	783.7	–	182.9	966.6
Acquired in the year	–	–	355.8	355.8	–	71.1	–	71.1
Interest income on scheme assets	36.6	3.2	0.8	40.6	36.4	3.3	6.5	46.2
Re-measurement gains on scheme assets	60.4	5.9	–	66.3	36.4	2.5	5.1	44.0
Contributions by the employer	24.7	0.3	0.7	25.7	16.4	0.3	2.1	18.8
Contributions by scheme participants	–	–	–	–	0.1	–	0.8	0.9
Net benefits paid out	(38.8)	(3.4)	(0.9)	(43.1)	(35.0)	(2.6)	(4.3)	(41.9)
Administration expenses	(0.6)	(0.2)	(0.1)	(0.9)	(0.9)	–	–	(0.9)
Transfer to assets held for resale	–	(14.0)	–	(14.0)	–	–	(193.1)	(193.1)
Fair value at 30 June	919.4	66.4	356.3	1,342.1	837.1	74.6	–	911.7
Changes in the present value of the defined benefit obligation								
Fair value at 1 July	(900.2)	(71.3)	–	(971.5)	(832.4)	–	(183.9)	(1,016.3)
Acquired in the year	–	–	(424.4)	(424.4)	–	(67.4)	–	(67.4)
Current service cost	(5.8)	–	(0.1)	(5.9)	(9.3)	–	(2.5)	(11.8)
Interest expense on scheme liabilities	(38.8)	(3.1)	(1.0)	(42.9)	(38.3)	(3.1)	(6.5)	(47.9)
Past service cost	(5.2)	–	–	(5.2)	–	–	(0.9)	(0.9)
Settlement	–	–	–	–	–	–	1.4	1.4
Actuarial losses due to changes in financial assumptions	(87.8)	(10.8)	(6.6)	(105.2)	(44.4)	(3.4)	(7.5)	(55.3)
Actuarial losses due to changes in demographic assumptions	–	–	–	–	(7.7)	–	(8.4)	(16.1)
Actuarial (losses)/gains due to liability experience	4.4	0.5	–	4.9	(3.0)	–	11.7	8.7
Contributions by scheme participants	–	–	–	–	(0.1)	–	(0.8)	(0.9)
Net benefits paid out	38.8	3.4	0.9	43.1	35.0	2.6	4.3	41.9
Transfer to assets held for resale	–	11.4	–	11.4	–	–	193.1	193.1
Fair value at 30 June	(994.6)	(69.9)	(431.2)	(1,495.7)	(900.2)	(71.3)	–	(971.5)
Amounts included in the balance sheet								
Fair value of scheme assets	919.4	66.4	356.3	1,342.1	837.1	74.6	–	911.7
Net present value of the defined benefit obligation	(994.6)	(69.9)	(431.2)	(1,495.7)	(900.2)	(71.3)	–	(971.5)
Net (deficit)/surplus	(75.2)	(3.5)	(74.9)	(153.6)	(63.1)	3.3	–	(59.8)
Related deferred tax asset/(liability)	15.0	0.7	15.0	30.7	12.6	(0.7)	–	11.9
Net pension (liability)/asset	(60.2)	(2.8)	(59.9)	(122.9)	(50.5)	2.6	–	(47.9)

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

	2015 £m	2014 £m	2013 £m	2012 £m	2011 £m
Fair value of scheme assets	**1,342.1**	911.7	966.6	883.1	839.7
Net present value of the defined benefit obligation	**(1,495.7)**	(971.5)	(1,016.3)	(940.9)	(869.3)
Net deficit	**(153.6)**	(59.8)	(49.7)	(57.8)	(29.6)
Related deferred tax asset	**30.7**	11.9	11.4	13.9	7.7
Net pension liability	**(122.9)**	(47.9)	(38.3)	(43.9)	(21.9)
Difference between expected and actual return on scheme assets	**66.3**	44.0	45.7	(6.1)	47.0
Experience gains/(losses) on scheme liabilities	**4.9**	8.7	0.7	(42.9)	(34.4)

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

- In July 2014, £1.8m which was settled in cash; and
- In September 2014, £1.5m which was settled in cash.

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

Pension sensitivity

The following tables shows the change in surplus/(deficit) arising from a change in the significant actuarial assumptions used to determine the retirement benefits obligations.

Kier Group Pension Scheme:	2015		2014	
	+0.25%/+1 year £m	**-0.25%/-1 year £m**	+0.25%/+1 year £m	-0.25%/-1 year £m
Discount rate (+0.25%, -0.25%)	**45.7**	**(45.7)**	41.1	(41.4)
Inflation rate (+0.25%, -0.25%)	**(31.0)**	**31.0**	(20.3)	20.3
Increase in life expectancy (+/– 1 year)	**(33.2)**	**33.2**	(28.7)	28.7

Mouchel Group pension schemes:	2015	
	+0.25%/+1 year £m	**-0.25%/-1 year £m**
Discount rate (+0.25%, -0.25%)	**19.4**	**(19.4)**
Inflation rate (+0.25%, -0.25%)	**(17.0)**	**17.0**
Increase in life expectancy (+/– 1 year)	**(10.8)**	**10.8**

The sensitivity analyses above have been determined based on reasonably possible changes of the respective assumptions occuring 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.

Notes to the consolidated financial statements
For the year ended 30 June 2015 continued

9 Taxation
(a) Recognised in the income statement

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

1 Stated before non-underlying items (see note 4).
2 Restated to reclassify the Group's UK mining operations as discontinued.

Kier Group and its subsidiaries are based predominantly in the UK and are subject to UK corporation tax. The Group does not have an aggressive tax policy and since 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 and amortisation of contract rights of £16.9m (2014[2]: £13.5m) shown in the table above equates to an effective tax rate of 20% (2014[2]: 18%) on adjusted profit before tax of £86.2m (2014[2]: £73.8m). This effective rate is lower than the standard rate of corporation tax of 20.75% (2014: 22.5%) due to a number of items shown in the table above. The non-deductible expenses mainly relate to acquisition costs on Mouchel and permanent differences on provisions.

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

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

The net credit adjustment of £0.4m in respect of prior years' results arises from differences between the estimates of taxation included in the previous year's financial statements and the actual tax liabilities calculated in the tax returns submitted to and agreed by HMRC.

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

(c) Recognised in the statement of comprehensive income

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

(d) Factors that may affect future tax charges
Changes to the UK corporation tax rates were announced in the Chancellor's Budget on 8 July 2015. These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 18% from 1 April 2020.

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

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

(e) Tax losses
At the balance sheet date the Group has unused tax losses of £177.3m (2014: £14.8m) available for offset against future profits. A deferred tax asset has been recognised in respect of £43.2m (2014: £14.7m) of income 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:

	2015 £m	2014 £m
Final dividend for the year ended 30 June 2014 of 39.6 pence[1] (2013: 37.2 pence[1])	**27.0**	25.0
Interim dividend for the year ended 30 June 2015 of 19.2 pence[1] (2014: 18.0 pence[1])	**13.2**	12.3
	40.2	37.3

The proposed final dividend of 36.0 pence (2014: 39.6 pence[1]) bringing the total dividend for the year to 55.2 pence[1] (2014: 57.6 pence[1]) had not been approved at the balance sheet date and so has not been included as a liability in these financial statements. The dividend totalling circa £34.1m will be paid on 27 November 2015 to shareholders on the register at the close of business on 25 September 2015. A scrip dividend alternative will be offered.

[1] As restated for the bonus element of the rights issue associated with the Mouchel transaction (see note 24).

Notes to the consolidated financial statements
For the year ended 30 June 2015 continued

11 Earnings per share

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

	2015		2014[1]	
	Basic £m	**Diluted £m**	Basic £m	Diluted £m
Earnings				
Continuing operations				
Earnings (after tax and minority interests), being net profits attributable to equity holders of the parent	**28.4**	**28.4**	11.0	11.0
Impact of non-underlying items net of tax:				
Amortisation of intangible assets – net of tax credit of £2.3m (2014: £2.2m)	**8.9**	**8.9**	8.6	8.6
Acquisition discount unwind[2] – net of tax credit of £0.7m (2014: £1.2m)	**2.9**	**2.9**	4.1	4.1
Other non-underlying items – net of tax credit of £3.9m (2014: £6.4m)	**27.7**	**27.7**	35.8	35.8
Earnings from continuing operations	**67.9**	**67.9**	59.5	59.5
Discontinued operations				
Earnings (after tax and minority interests), being net loss attributable to equity holders of the parent	**(24.0)**	**(24.0)**	(1.0)	(1.0)
Other non-underlying items – net of tax credit of £1.1m (2014: nil)	**21.8**	**21.8**	–	–
Earnings from discontinued operations	**(2.2)**	**(2.2)**	(1.0)	(1.0)

	million	**million**	million[3]	million[3]
Weighted average number of shares used for earnings per share	**70.7**	**71.0**	68.0	68.5

Earnings per share				
Continuing operations	**pence**	**pence**	pence[3]	pence[3]
Earnings (after tax and minority interests), being net profits attributable to equity holders of the parent	**40.2**	**40.0**	16.2	16.1
Impact of non-underlying items net of tax:				
Amortisation of intangible assets	**12.6**	**12.5**	12.6	12.6
Acquisition discount unwind	**4.0**	**4.1**	6.1	5.9
Other non-underlying items	**39.2**	**39.0**	52.6	52.3
Earnings from continuing operations	**96.0**	**95.6**	87.5	86.9
Discontinued operations				
Earnings (after tax and minority interests), being net profits attributable to equity holders of the parent	**(33.9)**	**(33.9)**	(1.5)	(1.5)
Other non-underlying items	**30.8**	**30.8**	–	–
Earnings from discontinued operations	**(3.1)**	**(3.1)**	(1.5)	(1.5)

1 Represented to show UK mining operations as discontinued (see note 19).
2 Unwind of discount in respect of deferred consideration and fair value adjustments made on acquisition.
3 On 2 June 2015, to fund the Mouchel acquisition, the business raised £340.2m, from a 5 for 7 rights issue, issuing 39,646,692 new shares at 858 pence per share, at a bonus of 25.1%. EPS has been restated to reflect the bonus element embedded in the rights issue.

12 Intangible assets

	Goodwill £m	Intangible contract rights £m	Computer software[1] £m	Total £m
Cost				
At 30 June 2013	13.4	38.9	4.5	**56.8**
Additions	1.2	0.5	4.5	**6.2**
Acquired	194.7	106.7	–	**301.4**
Disposals	(0.7)	(1.6)	–	**(2.3)**
At 30 June 2014	208.6	144.5	9.0	**362.1**
Additions	–	0.9	21.7	**22.6**
Acquired	302.1	141.0	4.2	**447.3**
Disposals	(1.2)	0.7	(0.3)	**(0.8)**
At 30 June 2015	**509.5**	**287.1**	**34.6**	**831.2**
Amortisation				
At 30 June 2013	–	(25.6)	(1.2)	**(26.8)**
Charge for the year	–	(10.8)	(1.1)	**(11.9)**
Disposals	–	0.4	–	**0.4**
At 30 June 2014	–	(36.0)	(2.3)	**(38.3)**
Charge for the year	–	(11.2)	(4.8)	**(16.0)**
Disposals	–	(0.2)	–	**(0.2)**
At 30 June 2015	**–**	**(47.4)**	**(7.1)**	**(54.5)**
Net book value				
At 30 June 2015	**509.5**	**239.7**	**27.5**	**776.7**
At 30 June 2014	208.6	108.5	6.7	323.8

[1] £19.6m is under construction and not being depreciated.

Goodwill relates to the acquisition of MRBL Limited (£301.3m), 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 primarily relates to:

- The acquisition of the businesses and assets of the construction and business services operations of Sheffield City Council (£21.3m), Harlow Council (£0.8m), 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 2015 are: Sheffield City Council £nil (2014: £0.2m), Harlow Council £0.6m (2014: £0.6m), Stoke-on-Trent City Council £0.3m (2014: £0.2m) and North Tyneside Council £0.2m (2014: £0.1m);
- 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) (£141.0m).

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

	2015			2014		
	Goodwill £m	**Intangible contract rights £m**	**Total £m**	Goodwill £m	Intangible contract rights £m	Total £m
Property	**0.1**	**0.6**	**0.7**	1.3	0.6	1.9
Residential	**6.0**	**–**	**6.0**	5.1	–	5.1
Construction	**6.9**	**3.8**	**10.7**	6.9	4.3	11.2
Services	**496.5**	**235.3**	**731.8**	195.3	103.6	298.9
	509.5	**239.7**	**749.2**	208.6	108.5	317.1

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. The calculations 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 segment

A revenue growth rate of 2% and a fixed operating margin of 5% have been applied to the Services segment 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 10.0% (2014: 9.1%).

Based on the value in use calculation, these assumptions derived a recoverable amount for the Services segment that is £474m above the carrying value of segmental 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 10.0% to 14.6%;
- Growth rate – reduce from positive 2% to negative 5.5%; and
- Underlying operating margin – reduce from 5% to 2.4%.

13 Property, plant and equipment

	Land and buildings £m	Plant and equipment £m	Mining £m	Total £m
Cost				
At 30 June 2013	60.2	81.1	49.9	**191.2**
Acquired	7.3	158.8	–	**166.1**
Additions	6.7	39.5	2.0	**48.2**
Disposals	(2.4)	(42.6)	–	**(45.0)**
Currency realignment	–	(1.2)	–	**(1.2)**
At 30 June 2014	71.8	235.6	51.9	**359.3**
Acquired	0.6	6.8	–	**7.4**
Additions	1.1	18.7	–	**19.8**
Disposals	(1.6)	(12.1)	(0.2)	**(13.9)**
Currency realignment	–	0.5	–	**0.5**
Transfer to assets held for resale	(0.7)	(119.1)	(51.7)	**(171.5)**
At 30 June 2015	**71.2**	**130.4**	**–**	**201.6**
Accumulated depreciation				
At 30 June 2013	(6.0)	(49.4)	(26.6)	**(82.0)**
Acquired	(3.2)	(75.8)	–	**(79.0)**
Charge for the year – continuing operations	(2.2)	(32.3)	–	**(34.5)**
– discontinued operations	–	–	(7.0)	**(7.0)**
Disposals	1.1	35.6	–	**36.7**
Impairment	(2.0)	–	–	**(2.0)**
Currency realignment	–	0.9	–	**0.9**
At 30 June 2014	(12.3)	(121.0)	(33.6)	**(166.9)**
Charge for the year – continuing operations	(2.4)	(22.2)	–	**(24.6)**
– discontinued operations	–	–	(4.3)	**(4.3)**
Disposals	0.7	8.9	–	**9.6**
Currency realignment	–	(0.4)	–	**(0.4)**
Transfer to assets held for resale	0.5	67.8	37.9	**106.2**
At 30 June 2015	**(13.5)**	**(66.9)**	**–**	**(80.4)**
Net book value				
At 30 June 2015	**57.7**	**63.5**	**–**	**121.2**
At 30 June 2014	59.5	114.6	18.3	192.4

The net book value of plant and equipment includes an amount of £24.4m (2014: £81.2m) in respect of assets held under finance leases (see note 21).

Notes to the consolidated financial statements
For the year ended 30 June 2015 continued

14 Investments in and loans to joint ventures
(a) Movements in year

	2015 £m	2014 £m
Investment in joint ventures		
At 1 July	**40.9**	29.7
Acquired	**0.4**	–
Additions	**35.6**	11.7
Loan repayments	**–**	0.4
Disposals	**(2.4)**	(13.7)
Share of:		
Operating profit	**8.2**	1.9
Finance costs	**–**	(0.2)
Taxation	**(0.3)**	(0.1)
Post-tax results of joint ventures	**7.9**	1.6
Dividends received	**(3.5)**	(0.3)
Items recognised directly in other comprehensive income:		
Fair value movements in cash flow hedging instruments	**0.7**	15.1
Deferred tax on fair value movements in cash flow hedging instruments	**(0.2)**	(3.6)
At 30 June	**79.4**	40.9

(b) Analysis of investment and loans

	2015 £m	2014 £m
Non-current assets		
Property, plant and equipment	**75.5**	33.9
Deferred tax assets	**0.1**	0.7
Other non-current assets	**26.3**	38.0
Non-current assets	**101.9**	72.6
Current assets		
Cash and trade receivables	**91.6**	29.9
Current assets	**91.6**	29.9
Total assets	**193.5**	102.5
Current liabilities		
Trade and other payables – current	**(50.1)**	(9.3)
Income tax payable	**(0.5)**	–
Borrowings – current	**(1.0)**	(3.4)
Current liabilities	**(51.6)**	(12.7)
Non-current liabilities		
Borrowings	**(95.5)**	(56.6)
Non-current liabilities	**(95.5)**	(56.6)
Total liabilities	**(147.1)**	(69.3)
Net external assets	**46.4**	33.2
Loans provided to joint ventures	**33.0**	7.7
Total investments in and loans to joint ventures	**79.4**	40.9

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

	2015			2014		
	Borrowing facility £m	**Guarantee £m**	**Drawn at 30 June £m**	Borrowing facility £m	Guarantee £m	Drawn at 30 June £m
Solum Regeneration (Epsom) LP	**–**	**–**	**–**	15.0	7.5	5.0
Kier Sydenham LP	**45.8**	**7.5**	**45.8**	36.0	36.0	31.5
Biogen (UK) Limited	**22.0**	**17.0**	**15.0**	22.0	22.0	9.0
Kier Reading LLP	**16.0**	**8.0**	**16.0**	–	–	–
Kier Hammersmith Limited	**21.5**	**21.5**	**3.5**	–	–	–
Kier Trade City LLP	**19.0**	**2.9**	**0.6**	–	–	–
Fore UK 1B LP	**19.3**	**19.3**	**5.2**	–	–	–
	143.6	**76.2**	**86.1**	73.0	65.5	45.5

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 on page 166.

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 30 June 2013	(0.6)	2.8	7.5	11.4	2.4	**23.5**
Acquired	(21.3)	1.9	2.9	(0.8)	5.9	**(11.4)**
Credited/(charged) to income statement	1.6	–	(6.7)	6.2	(5.4)	**(4.3)**
Charged directly to comprehensive income	–	–	(1.6)	(4.9)	–	**(6.5)**
Share-based payments credited to equity	–	–	0.5	–	–	**0.5**
At 30 June 2014	(20.3)	4.7	2.6	11.9	2.9	**1.8**
Acquired	(28.2)	9.7	(1.0)	13.7	3.5	**(2.3)**
Credited/(charged) to income statement	1.4	2.7	(3.4)	(1.7)	2.2	**1.2**
Transfers	–	–	1.4	–	–	**1.4**
Research and Development Expenditure Credit	–	–	2.5	–	–	**2.5**
Credited directly to comprehensive income	–	–	–	6.8	–	**6.8**
Share-based payments charged to equity	–	–	(0.1)	–	–	**(0.1)**
At 30 June 2015	**(47.1)**	**17.1**	**2.0**	**30.7**	**8.6**	**11.3**

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

	Assets		Liabilities		Total	
	2015 £m	2014 £m	**2015 £m**	2014 £m	**2015 £m**	2014 £m
Property, plant and equipment	**20.2**	6.7	**(3.1)**	(2.0)	**17.1**	4.7
Intangible assets	**–**	–	**(47.1)**	(20.3)	**(47.1)**	(20.3)
Inventories	**2.4**	3.3	**–**	–	**2.4**	3.3
Payables	**6.5**	8.7	**(8.7)**	(11.3)	**(2.2)**	(2.6)
Financial instruments	**–**	–	**–**	–	**–**	–
Retirement benefit obligations	**30.7**	11.9	**–**	–	**30.7**	11.9
Share-based payments	**1.8**	1.9	**–**	–	**1.8**	1.9
Tax losses	**8.6**	2.9	**–**	–	**8.6**	2.9
Total	**70.2**	35.4	**(58.9)**	(33.6)	**11.3**	1.8
Set-off tax	**(58.9)**	(33.6)	**58.9**	33.6	**–**	–
Net tax assets	**11.3**	1.8	**–**	–	**11.3**	1.8

Notes to the consolidated financial statements
For the year ended 30 June 2015 continued

16 Inventories

	2015 £m	2014 £m
Raw materials and consumables	**23.6**	23.9
Construction contracts in progress (note 17)	**159.7**	92.4
Land and work in progress held for development	**343.4**	331.4
Other work in progress	**211.1**	22.7
	737.8	470.4

17 Construction contracts

Contracts in progress at the balance sheet date comprise contract costs incurred plus recognised profits less losses of £7,984.1m (2014: £6,875.8m), less progress billings received and receivable of £8,224.6m (2014: £7,120.2m).

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

	2015 £m	2014 £m
Inventories – construction contracts in progress (note 16)	**159.7**	92.4
Trade and other payables – gross amounts due to customers (note 22)	**(400.2)**	(336.8)
	(240.5)	(244.4)

18 Trade and other receivables

	2015 £m	2014 £m
Current:		
Trade receivables	**241.8**	358.4
Construction contract retentions	**56.8**	86.3
Amounts receivable from joint ventures	**20.3**	4.2
Other receivables	**91.1**	67.1
Prepayments and accrued income	**107.0**	59.1
Other taxation and social security	**18.3**	11.3
	535.3	586.4
Non-current:		
Construction contract retentions	**21.5**	12.0
Other receivables	**9.9**	11.5
	31.4	23.5

19 Non-current assets held for sale and discontinued operations

The assets and liabilities related to Kier FPS Limited ('F&PS') have been classified as held for sale, as discussions were well advanced at the year end and the transaction completed on 1 July 2015.

The assets and liabilities of Kier Minerals Ltd ('KML') have been classified as held for sale and discontinued, discussions to sell were well advanced at the year end and the Group has made a strategic decision to exit from its UK mining operations, which constitute a separate major line of business for the Group. KML is expected to be sold in the first half of FY16.

The Group's interest in two of its property ventures (Kier Catterick Limited ('KCL') and Justice Support Services (Norfolk and Suffolk) Holdings Limited ('JSS')) are also held for sale. JSS was also held for sale at the previous balance sheet date, however did not complete during FY15 due to a delay in finalising the details of sale. The Group is now at an advanced stage of a sale process and completion is likely in the first half of FY16, therefore JSS continues to be presented as held for sale and not fully consolidated.

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

	2015					2014
	F&PS £m	KML £m	KCL £m	JSS £m	Total £m	JSS £m
Property, plant and equipment	45.5	13.7	16.7	–	75.9	–
Goodwill	–	–	–	–	–	–
Other intangibles	–	–	9.0	–	9.0	–
Inventory	0.3	–	–	–	0.3	–
Other current assets	17.0	17.5	0.8	73.4	108.7	72.8
Total	62.8	31.2	26.5	73.4	193.9	72.8

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

	2015					2014
	F&PS £m	KML £m	KCL £m	JSS £m	Total £m	JSS £m
Trade and other payables	(17.6)	(0.2)	–	(6.9)	(24.7)	(5.7)
Other current liabilities (including borrowings)	(32.1)	(27.5)	(17.5)	(55.3)	(132.4)	(56.7)
Provisions	–	(10.9)	–	–	(10.9)	–
Total	(49.7)	(38.6)	(17.5)	(62.2)	(168.0)	(62.4)
Net assets held for sale	13.1	(7.4)	9.0	11.2	25.9	10.4

(c) Result of discontinued operations

Analysis of the result of the UK mining operations and the result recognised on the re-measurement of the associated assets, is as follows:

	2015 £m	2014 £m
Revenue	20.6	47.4
Operating costs	(22.5)	(46.7)
Operating (loss)/profit	(1.9)	0.7
Finance costs	(1.0)	(1.3)
Loss before tax	(2.9)	(0.6)
Tax	0.7	(0.4)
Loss after tax of discontinued operations	(2.2)	(1.0)
Loss before tax recognised on the re-measurement of net assets of discontinued activities to realisable value	(22.9)	–
Tax	1.1	–
Loss after tax recognised on the re-measurement of net assets of discontinued activities to realisable value	(21.8)	–
Loss for the year from discontinued operations	(24.0)	(1.0)

19 Non-current assets held for sale and discontinued operations continued
(d) Cash flows from discontinued operations

	2015 £m	2014 £m
Operating cash flows	**1.3**	(7.4)
Investing cash flows	**(1.2)**	(2.0)
Financing cash flows	**(0.2)**	(0.2)
Total cash flows	**(0.1)**	(9.6)

20 Cash, cash equivalents and borrowings

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

Cash and cash equivalents include £78.6m (2014: £31.9m) being the Group's share of cash and cash equivalents held by joint operations, £67.3m (2014: £80.4m) of cash that cannot be offset against other Group bank balances and £0.2m of restricted cash (2014: £0.1m).

Cash and cash equivalents are subject to Group-wide cash pooling arrangements. On a gross basis, cash and cash equivalents were £1,595.6m (2014: £665.8m) and overdraft £1,341.6m (2014: £553.4m).

Information on borrowings is detailed in note 27.

21 Finance lease obligations

	2015			2014		
	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	**92.4**	**(5.4)**	**87.0**	14.8	(1.1)	13.7
New obligations	**17.7**	**(0.8)**	**16.9**	43.1	(2.8)	40.3
Acquired obligations	**–**	**–**	**–**	66.8	(4.2)	62.6
Repayments	**(34.8)**	**2.6**	**(32.2)**	(32.3)	2.7	(29.6)
Transferred to assets held for sale	**(32.7)**	**1.6**	**(31.1)**	–	–	–
At 30 June	**42.6**	**(2.0)**	**40.6**	92.4	(5.4)	87.0

Finance lease liabilities are payable as follows:

	2015			2014		
	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	**15.9**	**(1.0)**	**14.9**	29.5	(1.9)	27.6
Between two and five years	**26.7**	**(1.0)**	**25.7**	61.7	(3.5)	58.2
Over five years	**–**	**–**	**–**	1.2	–	1.2
At 30 June	**42.6**	**(2.0)**	**40.6**	92.4	(5.4)	87.0

22 Trade and other payables

	2015 £m	2014 £m
Current:		
Trade payables	**437.9**	338.8
Sub-contract retentions	**52.9**	49.5
Construction contract balances	**400.2**	336.8
Deferred consideration on acquisitions	**–**	1.0
Other taxation and social security	**53.5**	37.2
Other payables	**77.1**	34.7
Accruals and deferred income	**253.3**	170.4
Payments received on account	**39.4**	13.0
Due to external joint ventures	**–**	1.3
	1,314.3	982.7

	2015 £m	2014 £m
Non-current:		
Trade payables	**1.5**	0.9
Sub-contract retentions	**9.5**	6.3
Accruals and deferred income	**0.4**	2.1
	11.4	9.3

23 Provisions

	2015				2014			
	Insurance claims £m	Restoration of mining sites £m	Other provisions £m	Total £m	Insurance claims £m	Restoration of mining sites £m	Other provisions £m	Total £m
At 1 July	**17.4**	**17.8**	**48.5**	**83.7**	27.2	16.8	13.4	57.4
(Charged)/credited to income statement	**5.9**	**–**	**(10.3)**	**(4.4)**	8.4	–	0.8	9.2
Acquired	**5.2**	**–**	**13.9**	**19.1**	–	–	56.5	56.5
Utilised	**(8.3)**	**(7.7)**	**(15.2)**	**(31.2)**	(10.2)	–	(28.2)	(38.4)
Unwinding of discount	**–**	**0.8**	**3.6**	**4.4**	–	1.1	4.9	6.0
Transfers	**2.1**	**(10.9)**[1]	**(4.1)**	**(12.9)**	(8.0)	(0.1)	1.1	(7.0)
At 30 June	**22.3**	**–**	**36.4**	**58.7**	17.4	17.8	48.5	83.7

[1] Transfer to Assets held for resale (see note 19).

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

Mining provisions represent the cost of restoration of opencast mining activities; this provision has been transferred to the disposal group (see note 19) as the Group is in the process of exiting from its UK mining operations.

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:

	2015 £m	2014 £m
Due within one year	**13.1**	27.9
Due after one year	**45.6**	55.8
	58.7	83.7

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 11 years.

Notes to the consolidated financial statements
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24 Share capital and reserves
Share capital

The share capital of the Company comprises:

	2015		2014	
	Number	**£m**	Number	£m
Issued and fully paid ordinary shares of 1 pence each	**95,159,247**	**1.0**	55,264,354	0.6

On 2 June 2015, to fund the Mouchel acquisition, the business raised £340.2m, from a 5 for 7 rights issue, issuing 39,646,692 new shares at 858 pence per share, at a premium to nominal value of £311.6m. Costs related to the rights issue placing (£8.1m) have been deducted from share premium. See note 30 for further details. During the year 65,358 shares were issued as a scrip dividend alternative at a premium of £1.1m and 182,843 shares under the Sharesave Scheme at a premium of £2.1m.

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, together with 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 IFRS1, 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 2015 were as follows:

				Formerly May Gurney				
	Sharesave Scheme	Sharesave Scheme	Sharesave Scheme	Sharesave Scheme	LTIP 2013 award	LTIP 2014 award	LTIP 2015 award	
Date of grant	27 Apr 2012	3 May 2013	31 October 2014	30 July 2012	13 Sept 2012	21 Oct 2013	22 Oct 2014	**Total**
Awards outstanding at 30 June 2015								
– directors	–	–	–	–	130,851	98,690	146,045	**375,586**
– employees	373,139	364,955	762,213	133,650	507,098	544,657	836,446	**3,522,158**
	373,139	**364,955**	**762,213**	**133,650**	**637,949**	**643,347**	**982,491**	**3,897,744**
Exercise price (pence)	1,050	1,050	1,450	743	nil	nil	nil	

Sharesave Scheme

762,213 options were granted in the year (2014: nil). Options under the Sharesave Scheme are all equity settled. The weighted average market price of Kier Group plc shares at the date of exercise of options was 1,377 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 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.

	2015		2014	
	Number of shares	**Value £m**	Number of shares	Value £m
At 1 July	**736,792**	**9.3**	455,686	6.1
Acquired as a consequence of the rights issue	**122,575**	**–**	–	–
May Gurney at date of acquisition	**–**	**–**	519,881	6.0
Issued in satisfaction of awards and other schemes	**(177,864)**	**(1.9)**	(238,775)	(2.8)
At 30 June	**681,503**	**7.4**	736,792	9.3

The market value of these shares at 30 June 2015 was £9.7m (2014: £13.0m). 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 84 to 106.

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

				Formerly May Gurney
Date of grant	27 April 2012	3 May 2013	31 October 2014	30 July 2012
Share price at grant (pence)	1,172	1,187	1,490	1,268
Exercise price (pence)	1,050	1,050	1,450	743
Option life (years)	3.0	3.0	3.0	2.36
Expected volatility	32.8%	27.2%	27.1%	27.8%
Dividend yield	5.6%	5.6%	4.8%	5.2%
Risk-free interest rate	0.7%	0.4%	1.1%	0.5%
Value per option (pence):				
At grant	209.7	174.6	200.4	419.7
Restated for rights issue (see note 24)	167.6	139.5	160.1	335.4

Former options under the May Gurney scheme granted to May Gurney employees were converted to options over Kier Group plc shares at the acquisition date. The option life shown above is the period from acquisition.

Long Term Incentive Plan

Date of grant	13 September 2012 (EPS element)	13 September 2012 (TSR element)	21 October 2013 (EPS element)	21 October 2013 (TSR element)	22 October 2014 (EPS element)	22 October 2014 (TSR element)
Share price at grant (pence)	1,399	1,399	1,797	1,797	1,519	1,519
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	28.1%	n/a	28.6%	n/a	24.6%
Dividend yield	4.7%	4.7%	3.8%	3.8%	4.7%	4.7%
Risk-free interest rate	n/a	0.4%	n/a	0.8%	n/a	1.0%
Value per option (pence):						
At grant	1,214.3	627.8	1,604.2	1,366.7	1,317.7	756.8
Restated for rights issue (see note 24)	970.4	501.7	1,281.9	1,092.1	1,053.0	604.8

The value per option represents the fair value of the option less the consideration payable, as adjusted for the bonus factor arising on the rights issue in the year.

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 IFRS2 'Share-based Payments'.

Notes to the consolidated financial statements
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25 Share-based payments continued

The performance conditions of the EPS element are non-market conditions under IFRS2. 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.

£3.4m relating to share-based payments has been recognised in the income statement as employee costs (2014: £4.0m). Included in other payables is an amount of £0.3m (2014: £0.5m) relating to provisions for employer's national insurance.

A reconciliation of option movements is shown below:

	2015		2014	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Outstanding at 1 July	**2,743,955**	**404.3p**	3,057,902	464.9p
Converted from May Gurney schemes	–	–	345,201	744.0p
Forfeited	**(662,477)**	**632.5p**	(636,895)	265.8p
Exercised	**(291,651)**	**591.9p**	(592,482)	674.6p
Granted	**1,326,442**	**575.9p**	570,229	–
Impact of rights issue	**781,475**	–	–	–
Outstanding at 30 June	**3,897,744**	**405.8p**	2,743,955	404.3p
Exercisable at 30 June	–	–	–	–

The options outstanding at 30 June 2015 have a weighted average remaining contractual life of 1.32 years (2014: 1.27 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.

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; to optimise the capital structure in order to minimise the cost of capital; and to maintain 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 2014.

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% 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. Treasury 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.

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 predetermined 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 a bad debt provision which has 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:

	2015 £m	2014 £m
Provision as at 1 July	**2.3**	1.3
Acquired in the year	**11.6**	1.8
Charged/(credited) to the income statement	**0.1**	(0.8)
Provision as at 30 June	**14.0**	2.3

There were £109.1m (2014: £48.8m) of trade receivables that were overdue at the balance sheet date that have not been provided against, of which £64.2m (2014: £37.8m) had been received by the end of August 2015. There are no indications as at 30 June 2015 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 unprovided. The proportion of trade receivables at 30 June 2015 that were overdue for payment was 45.1% (2014: 13.6%). Credit terms vary across the Group; the average age of trade receivables was as follows:

Construction	22 days (2014: 36 days)
Services	23 days (2014: 41 days)

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

27 Financial instruments continued

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 can be analysed as follows:

	2015 £m	2014 £m
Fixed rate	**182.7**	62.7
Variable rate	**212.1**	172.5
	394.8	235.2

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

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 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.

Derivative financial instruments

At 30 June 2015 Discontinued operations	Current liabilities £m	Non-current liabilities £m	Total liabilities £m
Fuel price forward contracts	0.4	–	**0.4**

Fuel price forward contracts have been accounted for as derivatives held at fair value through the income statement. The fair value of these contracts has been determined based on a level 2 valuation method, using valuation techniques that include inputs that are based on observable market data.

During 2013 Kier Group plc entered into three cross-currency swaps to hedge the currency risk on a US dollar denominated loan, nominal value US$28m. During 2014 Kier Group plc entered into four cross-currency swaps to hedge the currency risk on a US dollar denominated loan, nominal value US$116m. These swaps have continued 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				
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:						
Liabilities	1.5	34.6	4.1	4.1	12.1	14.3

In addition to the above, a number of the Group's PFI 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 25 and 30 years and are without recourse to the Group. At 30 June 2015 the aggregate amount outstanding on these interest-bearing debts against which interest rate derivatives are held is £123.4m. The Group's share of the total net fair value liability of these interest rate derivatives at 30 June 2015, based on quoted prices in active markets, amounted to £22.0m which, together with the related deferred tax asset of £4.4m, have met the criteria for hedge accounting and as a result have been recognised directly in equity.

Financial assets

Loans and receivables at amortised cost, cash and cash equivalents:	2015 £m	2014 £m
Cash and cash equivalents	**254.0**	112.4
Trade and other receivables (including £31.4m due after more than one year) – excluding prepayments	**459.7**	550.8
Loans to joint ventures	**33.0**	7.7
	746.7	670.9

Included in the above are £31.4m of trade and other receivables due after more than one year.

Financial liabilities – analysis of maturity dates

At 30 June 2015 the Group had the following financial liabilities together with the maturity profile of their contractual cash flows:

						Continuing operations	Discontinued operations
30 June 2015	**Trade and other payables[1] £m**	**Deferred consideration on acquisition £m**	**Borrowings £m**	**Finance lease obligations £m**	**Derivative financial instruments £m**	**Total £m**	**Derivative financial instruments £m**
Carrying value	**1,232.8**	**–**	**394.8**	**40.6**	**1.5**	**1,669.7**	**0.4**
Contractual cash flows							
Less than one year	**1,221.4**	**–**	**9.4**	**15.9**	**4.1**	**1,250.8**	**0.4**
One to two years	**11.4**	**–**	**39.2**	**17.0**	**4.1**	**71.7**	**–**
Two to three years	**–**	**–**	**8.8**	**7.0**	**4.1**	**19.9**	**–**
Three to four years	**–**	**–**	**8.8**	**2.1**	**4.1**	**15.0**	**–**
Four to five years	**–**	**–**	**218.2**	**0.6**	**4.1**	**222.9**	**–**
Over five years	**–**	**–**	**169.4**	**–**	**14.1**	**183.5**	**–**
	1,232.8	**–**	**453.8**	**42.6**	**34.6**	**1,763.8**	**0.4**
30 June 2014							
Carrying value	940.8	1.0	235.2	87.0	1.7	1,265.7	0.4
Contractual cash flows							
Less than one year	931.5	1.0	45.0	29.5	0.9	1,007.9	0.1
One to two years	9.3	–	5.2	24.3	0.9	39.7	0.1
Two to three years	–	–	84.1	21.0	0.9	106.0	0.2
Three to four years	–	–	3.5	11.4	0.9	15.8	–
Four to five years	–	–	55.1	5.0	0.9	61.0	–
Over five years	–	–	66.7	1.2	2.2	70.1	–
	940.8	1.0	259.6	92.4	6.7	1,300.5	0.4

[1] Trade and other payables excludes deferred consideration, deferred income, 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.

The Group's derivatives are classified as level 2.

Borrowings and borrowing facilities

The Group has the following unsecured committed facilities:

- Revolving credit facility of £380.0m, at a margin over LIBOR, due for renewal in June 2020, £185.0m drawn at 30 June 2015 (2014: £55.0);
- One term loan at a margin over LIBOR, £30.0m repayable January 2017, fully drawn at 30 June 2015, £30.0m (2014: £30.0m); and
- 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 2015, £182.7m (2014: £62.7m).

In addition the Group has an unsecured overdraft of £45.0m (2014: £45.0m), at a margin over LIBOR, repayable on demand, £nil drawn at 30 June 2015 (2014: £39.8m).

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 £2.8m (2014: £2.3m).

28 Financial and capital commitments

	2015 £m	2014 £m
Commitments for capital expenditure	**6.3**	7.3
Commitments for equity and subordinate debt in joint ventures	**16.3**	23.4
	22.6	30.7

Non-cancellable operating lease rentals are payable as follows:

	2015		2014	
	Property £m	Plant and machinery £m	Property £m	Plant and machinery £m
Within one year	**10.1**	**22.1**	6.3	19.7
Between one and five years	**25.2**	**32.1**	16.4	23.9
Over five years	**20.0**	**7.0**	11.1	1.6
	55.3	**61.2**	33.8	45.2

The Group leases properties and vehicles for operational purposes. Property leases vary considerably in length up to a maximum period beyond 30 June 2015 of 14 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 84 to 106.

In addition to their salaries, the Group also provides non-cash benefits to directors and contributes to their pension arrangements as disclosed on page 95. Key management personnel also participate in the Group's share option programme (see note 25).

Key management personnel compensation comprised:

	2015 £m	2014 £m
Emoluments as analysed in the directors' remuneration report	**3.3**	3.2
Termination payments	**0.2**	–
Employer's national insurance contributions	**0.5**	0.4
Total short-term employment benefits	**4.0**	3.6
Share-based payment charge	**0.3**	0.7
	4.3	4.3

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

	2015 £m	2014 £m
Staff and associated costs	**1.8**	38.1
Management services	**0.7**	0.5
Interest on loans to joint ventures	**1.0**	1.5
	3.5	40.1

Amounts due from joint ventures are analysed below:

	2015 £m	2014 £m
Saudi Comedat Company Limited	**(2.2)**	–
Staffordshire Property Partnership	**0.1**	–
Kier Trade City Holdco 1 LLP	**7.4**	–
Kier Reading Holdco 1 LLP	**14.6**	–
3 Sovereign Square Holdings 1 LLP	**1.8**	–
Salford Village Limited	**2.0**	2.0
Biogen Holdings Limited	**3.8**	(2.0)
Kier Hammersmith Holdco Limited	**6.2**	6.6
Watford Health Campus Partnership LLP	**0.1**	0.2
Tri-Link 140 Holdings 1 LLP	**(0.8)**	–
Information Resources (Oldham) Limited	**–**	0.9
	33.0	7.7

30 Acquisitions and disposals

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

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

30 Acquisitions and disposals continued

(b) Acquisition of Mouchel

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

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

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

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

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

The pro forma consolidated results of the Group, as if the acquisition of Mouchel had been made at the beginning of the year, would include revenue from continuing operations of £4,033.9m (compared with the Group revenue of £3,275.9m) and underlying profit before taxation of £99.5m (compared with the reported underlying profit before taxation of £85.9m). In preparing the pro forma results, revenue and costs have been included as if the businesses were acquired on 1 July 2014 and the inter-company transactions have been eliminated. This information is not necessarily indicative of the results of the combined Group that would have occurred had the purchase actually been made at the beginning of the year, or indicative of the future results of the combined Group.

The Mouchel business contributed to the Group revenue of £55.6m and underlying profit before taxation of £2.6m for the period 9 June 2015 to 30 June 2015.

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

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

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

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

Provisional fair values of assets and liabilities at acquisition:

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

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

Notes to the consolidated financial statements
For the year ended 30 June 2015 continued

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

Provisional fair values of assets and liabilities at acquisition:

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

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

The Group, through its subsidiaries Kier Developments Limited and Kier Project Investment Limited, also sold its investments in the following joint ventures: Lingfield (Catterick) Limited (see note (30c)), Information Resources (Oldham) Holdings Limited and Information Resources (Oldham) Limited.

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

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

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

31 Subsequent events
On 1 July 2015 the Group sold its investment in Kier FPS Limited for £17.9m, giving rise to an overall loss on disposal of £2.2m, after disposal costs of £3.4m were incurred in the current financial year and were expensed to the income statement as incurred.

Company balance sheet
At 30 June 2015
(registered company number 2708030)

	Notes	2015 £m	2014 £m
Fixed assets			
Investments in subsidiaries	5	**165.3**	384.2
Amounts due from subsidiary undertakings		**732.3**	–
		897.6	384.2
Current assets			
Debtors	6	**3.0**	3.6
Cash and cash equivalents		**248.0**	156.7
		251.0	160.3
Current liabilities			
Creditors – amounts falling due within one year	7	**(26.9)**	(29.7)
Net current assets		**224.1**	130.6
Total assets less current liabilities		**1,121.7**	514.8
Non-current liabilities			
Creditors – amounts falling due after more than one year	7	**(394.8)**	(195.4)
Net assets		**726.9**	319.4
Shareholders' funds			
Share capital	8	**1.0**	0.6
Share premium	9	**408.5**	73.7
Merger reserve	9	**134.8**	184.8
Capital redemption reserve	9	**2.7**	2.7
Profit and loss account	9	**179.9**	57.6
Total shareholders' funds	10	**726.9**	319.4

The financial statements on pages 161 to 163 were approved by the Board of directors on 16 September 2015 and were signed on its behalf by:

Haydn Mursell
Director

Bev Dew
Director

Notes to the Company financial statements
For the year ended 30 June 2015

1 Accounting policies
The following accounting policies have been applied consistently in dealing with items which are considered material.

Basis of preparation
The financial statements have been prepared under the historical cost convention, on the going concern basis and in accordance with applicable accounting standards and the Companies Act 2006.

Fixed asset investments
Investments in subsidiary undertakings are included in the balance sheet at cost less any provision for diminution in value.

Deferred taxation
In accordance with FRS19 'Deferred Tax', deferred taxation is provided fully and on a non-discounted basis at expected future corporation tax rates in respect of timing differences between profits computed for taxation and accounts purposes.

Own shares
The cost of the Company's investment in its own shares, which comprises shares held by the Kier Group 1999 Employee Benefit Trust for the purpose of funding the Company's share option plans, is shown as a reduction in shareholders' funds in the profit and loss account.

Share-based payments
The Company issues equity-settled share-based payments under the Sharesave and LTIP schemes. The fair value of these schemes at the date of grant is expressed on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest.

Financial instruments
The Company's principal financial assets and liabilities are cash at bank and borrowings. Cash at bank is carried in the balance sheet at nominal value. Borrowings are recognised initially at fair value and subsequently at amortised cost.

The consolidated financial statements include disclosures in note 27 under IFRS7 which comply with FRS29 'Financial Instruments and Disclosures'. Consequently, the Company has taken advantage of certain exemptions in FRS29 from the requirement to present separate financial instrument disclosures for the Company.

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 auditor's remuneration for audit services to the Company was £0.1m (2014: £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 84 to 106. 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

	£m
Cost at 30 June 2014	384.2
Disposals	(218.9)[1]
At 30 June 2015	**165.3**

Net book value at	
30 June 2015	**165.3**
30 June 2014	384.2

1 The Group restructured its ownership of Kier MGIS Limited selling its interest to Kier Limited for book value (see note 9).

6 Debtors

	2015 £m	2014 £m
Other debtors	**1.6**	2.6
Deferred tax	**1.4**	1.0
	3.0	3.6

7 Creditors

	2015 £m	2014 £m
Amounts falling due within one year:		
Amounts due to subsidiary undertakings	**23.2**	27.8
Corporation tax	**2.6**	0.7
Other creditors	**1.1**	1.2
	26.9	29.7
Amounts falling due after more than one year:		
Borrowings	**394.8**	195.4

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

8 Share capital

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

9 Reserves

The movement in reserves is as follows:

	Share capital £m	Share premium £m	Merger reserve £m	Capital redemption reserve £m	Profit and loss account £m	Total £m
At 30 June 2013	0.4	63.3	1.2	2.7	38.5	**106.1**
Issue of own shares	0.2	10.4	183.6	–	–	**194.2**
Movement in provision for share-based payments	–	–	–	–	3.7	**3.7**
Purchase of own shares	–	–	–	–	(1.1)	**(1.1)**
Profit for the year	–	–	–	–	53.8	**53.8**
Dividends paid	–	–	–	–	(37.3)	**(37.3)**
At 30 June 2014	0.6	73.7	184.8	2.7	57.6	**319.4**
Profit for the year	–	–	–	–	109.8	**109.8**
Dividends paid	–	–	–	–	(40.2)	**(40.2)**
Issue of own shares	0.4	334.8	–	–	–	**335.2**
Transfers	–	–	(50.0)[1]	–	50.0[1]	**-**
Share-based payments	–	–	–	–	3.4	**3.4**
Purchase of own shares	–	–	–	–	(0.7)	**(0.7)**
At 30 June 2015	**1.0**	**408.5**	**134.8**	**2.7**	**179.9**	**726.9**

[1] The Group restructured its ownership of Kier MGIS Limited to Kier Limited for a nil profit loss, for which it was paid £50.0m from free cash and entered into a long-term loan for the balance of consideration. As a consequence £50m of the merger reserve was transferred to retained earnings.

Included in the profit and loss account is the balance on the sharescheme reserve which comprises the investment in own shares of £3.7m (2014: £4.7m) and a credit balance on the sharescheme reserve of £7.4m (2014: £7.3m).

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

Principal operating subsidiaries and business units

The principal operating subsidiaries and business units included in the consolidated financial statements as at 30 June 2015 are listed below. Unless indicated otherwise, these undertakings are wholly owned and incorporated in England and Wales.

Construction

Kier Construction Limited

Building
- Central
- Eastern
- London
- Major Projects
- Northern
- Scotland
- Southern
- Western & Wales
- Strategic Frameworks and Alliances

Specialist businesses
- Engineering
- Process & Engineering

Kier Infrastructure and Overseas Limited

Services

Kier Services Limited

Housing Maintenance
- Kier Harlow Limited[2] (80%)
- Kier Islington Limited
- Kier North Tyneside Limited[2] (80%)
- Kier Sheffield LLP[2] (40%)
- Kier Stoke Limited[2] (80.1%)

Facilities Management
- Kier Facilities Services Limited

Environmental
- Pure Buildings Limited
- Pure Recycling Warwick Limited

Asset Management
- Kier Asset Partnership Services Limited

Energy Solutions
- Kier Energy Solutions Limited

Insurance Management
- Kier Insurance Management Services Limited
- Tempsford Insurance Company Limited[4] (incorporated in Guernsey)

Plant and Fleet Management
- Kier Plant Limited
- Kier Fleet Services Limited

Kier May Gurney
- Kier MGIS Limited
- Kier MG Limited
- Kier MG Estates Limited
- Kier MG Recycling CIC Limited
- Kier FPS Limited (sold July 2015)
- Tor2 Limited (80.01%)

Mouchel
- MRBL Limited
- Mouchel Limited
- EM Highways Services Limited

Property

Kier Property Limited

Kier Developments Limited
Kier Ventures Limited

Kier Project Investment Limited

Residential

Kier Living Limited

Kier Partnership Homes Limited

Corporate

Kier Limited[4]

Notes:

1 Each entity operates principally within the United Kingdom, unless indicated otherwise. Kier Infrastructure and Overseas Limited also operates in Hong Kong, the Middle East and the Carribean.

2 The Group has entered into partnership agreements with Harlow Council, North Tyneside Council, Sheffield City Council and Stoke-on-Trent City Council whereby the respective 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.

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

4 Shares held directly by Kier Group plc.

Other subsidiaries

2020 Knowsley Limited
2020 Liverpool Limited
2020 Oldham Limited
2020 Sefton Limited
2020 St Helens Limited
2020 Wirral Limited
Absolute Forbury Limited
Absolute Property Limited
Absolute Swindon Limited
A C Chesters & Son Limited
AK Student Living Limited (50%)
Allison Homes Eastern Limited
Atkins Odlin Consulting Engineers Limited
Ayton Asphalte Company Limited
Bellwinch Homes Limited
Bellwinch Homes (Western) Limited
Bellwinch Limited
Brazier Construction Limited
Building & Construction Company Limited
Caribbean Construction Company Limited
(incorporated in Jamaica)
Caxton Integrated Services Holdings Limited
Clearbox Limited
Concordia Bath Management Company Limited
Connect 21 Community Limited
Constantine Place (Longstanton) Management Company Limited
Coombe Project Management Limited
Cowley Mill Road Management Company Limited
DownerMouchel (incorporated in Australia) Services Pty Limited (50%)
Dudley Coles Limited
ECT Engineering Limited
Elsea Park Bourne Management Company Limited
Engage Lambeth Limited (52%)
Engineered Products Limited
FDT Associates Limited
FDT Contracts Limited
FDT (Holdings) Limited
Full Circle Educational Services Limited
Gas 300 Limited
Genica Limited
Greenfinch Limited (50%)
HBS Facilities Management Limited
Heatherwood (Thetford) Management Company Limited
Hedra Group Limited
Hedra Scotland Limited
(incorporated in Scotland)
Henry Jones Construction Limited
Henry Jones Limited
IEI Limited
Instal Consultants MP Limited
Javelin Construction Company Limited
J L Kier & Company Limited
J L Kier & Company (London) Limited
Justice Support Services (Norfolk and Suffolk) Holdings Limited
Justice Support Services (Norfolk and Suffolk) Limited
Kier Benefits Limited
Kier Build Limited
Kier Building Limited
Kier Business Services Limited
Kier Caribbean & Industrial Limited
Kier (Catterick) Limited
Kier CB Limited
Kier Commercial Investments Limited
Kier Commercial UKSC Limited
Kier Construction Limited (incorporated in St Kitts)

Kier Construction SA
(incorporated in Haiti)
Kier Engineering Services Limited
Kier Group AESOP Trustees Limited[4]
Kier Group Trustees Limited[4]
Kier Homes Caledonia Limited
Kier Homes Northern Limited
Kier International (Investments) Limited
Kier International Limited
Kier International SRL
(incorporated in Romania)
Kier Jamaica Development Limited
Kier (Kent) PSP Limited
Kier Land Limited
Kier Living Limited[4]
Kier London Limited
Kier MG Building Limited
Kier MG Group Limited
Kier MG (Regional) Limited
Kier MG (Technical Services) Limited
Kier MG Trustees Limited
Kier Midlands Limited
Kier Minerals Limited
Kier Mining Investments Limited
Kier Mortimer Limited
Kier National Limited
Kier North East Limited
Kier (NR) Limited
Kier Overseas (Fifteen) Limited
Kier Overseas (Four) Limited
Kier Overseas (Fourteen) Limited
Kier Overseas (Nine) Limited
Kier Overseas (Nineteen) Limited
Kier Overseas (Seventeen) Limited
Kier Overseas (Six) Limited
Kier Overseas (Twelve) Limited
Kier Overseas (Twenty-Four) Limited
Kier Overseas (Twenty-Three) Limited
Kier Overseas (Two) Limited
Kier Professional Services Limited
Kier Property Developments Limited
Kier Property Management Company Limited
Kier PSP (Kent) Limited
Kier Scotland Limited
(incorporated in Scotland)
Kier South East Limited
Kier Southern Limited
Kier Thurrock Limited
Kier UKSC LLP
Kier USA Inc
Kier Ventures UKSC Limited
Kier Whitehall Place Limited
KM Docklands Hotel Limited
Lambeth Learning Partnership (PSP) Limited (65%)
Land Aspects Limited
Lazenby & Wilson Limited
Liferange Limited
Marriott Limited
Mayflower Park Management Company Limited
May Gurney Social Club Limited
MGWSP Essex Limited
Michco 210 Limited
MKB Resourcing Limited
Morrell-Ixworth Limited
Moss Construction Northern Limited
Moss Construction Southern Limited
Mouchel Dormant Holdings Limited
Mouchel Engineering Consultants Private Limited
(incorporated in India)
Mouchel Ewan Limited
Mouchel Finance & Treasury Holdings Limited
Mouchel Finance Limited
Mouchel Gas 301 Limited
Mouchel Gas 302 Limited
Mouchel Holdings Limited
Mouchel Insurance Ltd (99.99%)
(incorporated in Guernsey)
Mouchel International (Jersey) Ltd
(incorporated in Jersey)
Mouchel International Limited
(incorporated in Ireland)
Mouchel Ireland Ltd
Mouchel Management Consulting Limited
Mouchel Middle East Limited (99%)
(incorporated in Hong Kong)
Mouchel Parkman Ewan Associates Limited
Mouchel Parkman Ewan Services Limited
Mouchel Parkman GB Limited
Mouchel Parkman LDA Limited
Mouchel Parkman Metro Limited
Mouchel Parkman (NI) Limited
Mouchel Parkman Property Management Limited
Mouchel Parkman Servigroup Limited
Mouchel Parkman ServiRail Construction Projects Limited
Mouchel Parkman Serviservices Limited
Mouchel Parkman Serviways Limited
Mouchel Pty Ltd
(incorporated in Australia)
Mouchel Rail Limited
Mouchel Rail No. 2 Limited
Mouchel Rail No. 3 Limited
Mouchel South Africa Pty Limited (49%)
(incorporated in South Africa)
Mouchel Traffic Support Limited
Mouchel Trustee Limited
MPHBS Limited
Newbury King & Co Limited
New Learning Limited
Norfolk Community Recycling Services Limited
Parkman Botswana (Pty) Limited (99%)
(incorporated in Botswana)
Parkman Consultants Limited
Parkman Consulting Engineers
Parkman Group Professional Services Limited
Parkman Holdings Limited
Parkman Kenya Limited
(incorporated in Kenya)
Parkman Nigeria Limited
(incorporated in Nigeria)
Parkman Scotland Limited
(incorporated in Scotland)
Parkman South East Limited
PCE Holdings Limited
PFI Street Lighting Limited
Prospect Healthcare (Ipswich) Holdings Limited
Prospect Healthcare (Ipswich) Limited
Ridham 2 Limited
Riley Builders Limited
Robert Marriott Group Limited
Saudi Kier Construction Limited
(incorporated in Saudi Arabia)
Saxonwood Bardney Management Company Limited
Sea Place Management Limited
Seaspray Property Management Company Limited
Senturion (BidCo) Limited
Senturion Group Limited
Senturion (MidCo) Limited
Senturion Trustees Limited
Sheff Schools Topco Limited
Social Power (Harlow) Holdings Limited
Social Power (Harlow) Limited
St Walstan's Management Company Limited
T Cartledge Limited
Tempsford Cedars Limited
Tempsford Holdings Limited[4]
Tempsford Oaks Limited[4]
T H Construction Limited
T J Brent Limited
Traffic Support EBT Limited
Tudor Homes (East Anglia) Limited
Turriff Contractors Limited
(incorporated in Scotland)
Turriff Group Limited
(incorporated in Scotland)
Turriff Smart Services Limited
(incorporated in Scotland)
Twigden Homes Limited
Twigden Homes Southern Limited
Underground Moling Services Limited
(incorporated in Scotland)
Usherlink Limited
Wallis Builders Limited
Wallis Limited
Wallis Western Limited
W & C French (Construction) Limited
William Moss Civil Engineering Limited
William Moss Group Limited
Wygate Management Company Limited

Principal joint arrangements

Joint ventures

Property

	Interest held
3 Sovereign Square Holdings 1 LLP	50%
3 Sovereign Square Holdings 2 LLP	50%
3 Sovereign Square LLP	50%
Alliance Community Partnership Limited (incorporated in Scotland)	10%
Biogen Gwyriad Limited	26%
Biogen Holdings Limited	50%
Biogen (UK) Limited	50%
Biogen Waen Limited	27.5%
Dragon Lane Holdings 1 LLP	50%
Dragon Lane Holdings 2 LLP	50%
Fore UK 1B LP	29%
Kent LEP 1 Limited	80%
Kier Foley Street Holdco 1 LLP	90%
Kier Foley Street Holdco 2 LLP	90%
Kier Foley Street LLP	90%
Kier Hammersmith Holdco Limited	50%
Kier Hammersmith Limited	50%
Kier Reading Holdco 1 LLP	90%
Kier Reading Holdco 2 LLP	90%
Kier Sydenham GP Holdco Limited	50%
Kier Sydenham Limited	50%
Kier Sydenham GP Limited	50%
Kier Sydenham LP	50%
Kier Sydenham Nominee Limited	50%
Kier Trade City Holdco 1 LLP	90%
Kier Trade City Holdco 2 LLP	90%
Kier Trade City LLP	90%
Kier Warth Limited	50%
Lysander Student Properties Investments Limited	50%
Lysander Student Properties Limited	50%
Lysander Student Properties Operations Limited	50%
Premier Inn Kier Limited	50%
Solum Regeneration (Bishops) LLP	50%
Solum Regeneration Epsom (GP Subsidiary) Limited	50%
Solum Regeneration Epsom (GP) Limited	50%
Solum Regeneration (Epsom) Limited Partnership	50%
Solum Regeneration Epsom (Residential) LLP	50%
Solum Regeneration (Guildford) LLP	50%
Solum Regeneration (Haywards) LLP	50%
Solum Regeneration (Kingswood) LLP	50%
Solum Regeneration (Maidstone) LLP	50%
Solum Regeneration (Redhill) LLP	50%
Solum Regeneration (Surbiton) LLP	50%
Solum Regeneration (Tanner) LLP	50%
Solum Regeneration (Tonbridge) LLP	50%
Solum Regeneration (Twickenham) LLP	50%
Solum Regeneration (Wembley) LLP	50%
Staffordshire Property Partnership Joint Venture Limited	50%
Transcend Property Limited	50%
Tri-Link 140 Holdings 1 LLP	50%
Tri-Link 140 Holdings 2 LLP	50%
Watford Health Campus Partnership LLP	50%
Long-term concession holdings under the Private Finance Initiative	
Blue 3 (London) (Holdings) Limited	50%
Blue 3 (London) Limited	50%
Blue 3 (Staffs) (Holdings) Limited	80%
Blue 3 (Staffs) Limited	80%
Evolution (Woking) Holdings Limited	50%
Evolution (Woking) Limited	50%
Salford Village Limited	25%

Services

	Interest held
Hackney Schools for the Future Limited	40%
Mouchel Babcock Education Investments Limited	50%
Mouchel Babcock Education Services Limited	50%
Mouchel IRE Limited incorp. in Ukraine	50%
Network Information Services Limited	50%
Pevensey Coastal Defence Limited	6%
Team Van Oord Limited	25%
The Impact Partnership (Rochdale Borough) Limited	80%
The Unity Partnership Limited	67%
Vinci Mouchel Limited	50%

Construction

		Interest held
ASK Joint Venture	incorporated in UAE	49%
Besix-Kier Dabhol Société anonyme	incorporated in Belgium	40%
Kier ASGC JV	incorporated in UAE	50%
Kier Construction LLC	incorporated in Abu Dhabi	49%
Kier Dubai LLC	incorporated in UAE	49%
Kier Graham Defence Limited		50%
Rathenraw Limited		50%
Saudi Comedat Company Limited	incorporated in Saudi Arabia	25%

Principal joint operations

UK

Crossrail Contracts 300/410/435	a joint arrangement between Kier Infrastructure and Overseas Limited, BAM Nuttall Limited and Ferrovial Agroman (UK) Limited
Crossrail Contracts 501/511	a joint arrangement between Kier Infrastructure and Overseas Limited and BAM Nuttall Limited
Deephams	a joint arrangement between Kier Infrastructure and Overseas Limited, J Murphy & Sons Limited, and Aecom Limited
Hercules	a joint arrangement between Kier Construction Limited, Kier Living Limited and Balfour Beatty
Hinkley Point C	a joint arrangement between Kier Infrastructure and Overseas Limited and BAM Nuttall Limited
KCD	a joint arrangement between Kier MG Limited and Clancy Docwra Limited
Kier WSP	a joint arrangement between Kier MG Limited and WSP UK Limited
KMI	a joint arrangement between Kier Infrastructure and Overseas Limited, J Murphy & Sons Limited and Interserve Project Services Limited
KMI Plus	a joint arrangement between Kier Infrastructure and Overseas Limited, J Murphy & Sons Limited, Interserve Project Services Limited and Mouchel Limited
Mersey Gateway	a joint arrangement between Kier Infrastructure and Overseas Limited, Samsung C&T ECUK Limited and FCC Construccion S.A.
South Hook	a joint arrangement between Kier Infrastructure and Overseas Limited and NV Besix SA

International

The following joint operations, in which the Group participation is between 30% and 65%, operate overseas in the territory indicated:

MTRC Contract 824	a joint arrangement between Kier Infrastructure and Overseas Limited, Kaden Construction Limited and Obras Subterráneas S.A.
MTRC Contract 901	a joint arrangement between Kier Infrastructure and Overseas Limited, Laing O'Rourke Hong Kong Limited and Kaden Construction Limited

Notes:

1. 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.
2. Except where otherwise stated the companies are incorporated and operate in the United Kingdom.
3. Interests in the above joint ventures are held by subsidiary undertakings.
4. The joint ventures where the Group has an interest in excess of 50% are still considered joint ventures as the Group still has joint control.

Financial record (unaudited)

Continuing operations Year ended 30 June	2015 £m	2014[3] £m	2013[3] £m	2012[3] £m	2011[3] £m
Revenue: Group and share of joint ventures	**3,351.2**	2,937.8	1,958.3	2,039.0	2,140.1
Less share of joint ventures	**(75.3)**	(30.9)	(39.8)	(38.7)	(55.8)
Group revenue	**3,275.9**	2,906.9	1,918.5	2,000.3	2,084.3
Profit					
Group operating profit[1]	**81.0**	79.6	41.9	52.8	50.2
Share of post-tax results of joint ventures	**7.9**	1.6	0.9	1.3	0.4
Profit on disposal of joint ventures	**14.8**	6.1	9.8	6.7	5.9
Underlying operating profit[1]	**103.7**	87.3	52.6	60.8	56.5
Underlying net finance costs[1]	**(17.8)**	(13.6)	(6.7)	(2.5)	(4.0)
Underlying profit before tax[1]	**85.9**	73.7	45.9	58.3	52.5
Amortisation of intangible assets relating to contract rights	**(11.2)**	(10.8)	(3.4)	(3.4)	(3.4)
Non-underlying finance costs	**(3.6)**	(5.3)	(1.3)	(2.3)	(0.4)
Other non-underlying items	**(31.6)**	(42.2)	(17.0)	(3.6)	7.0
Profit before tax	**39.5**	15.4	24.2	49.0	55.7
Underlying basic earnings per share[1,2]	**96.0p**	87.5p	78.9p	107.4p	91.4p
Dividend per share[2]	**55.2p**	57.6p	54.3p	52.7p	51.1p
At 30 June					
Shareholders' funds (£m)	**585.4**	309.7	158.3	154.2	164.2
Net assets per share[2]	**615.2p**	447.8p	317.5p	317.4p	343.8p

1 Stated before non-underlying items (see note 4 to the consolidated financial statements).
2 Restated to reflect the impact of the bonus element of the rights issue associated with the Mouchel transaction (see note 24 to the consolidated financial statements).
3 Restated to reflect the impact of discontinued operations (see note 19 to the consolidated financial statements).

Corporate information

Board of directors
P M White CBE
H J Mursell
B E J Dew
N P Brook
N A Turner
C Veritiero
R C Bailey
A K Bashforth
A J Mellor
N P Winser CBE

Secretary
H E E Raven

Headquarters and registered office
Kier Group plc
Tempsford Hall
Sandy
Bedfordshire
SG19 2BD

Registered number
England 2708030

Financial calendar
12 November 2015
Annual general meeting

27 November 2015
Payment of final dividend for year ended 30 June 2015

March 2016
Announcement of half-year results and interim dividend for year ending 30 June 2016

May 2016
Payment of interim dividend for year ending 30 June 2016

September 2016
Announcement of preliminary full-year results and final dividend for year ending 30 June 2016

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