THIS DOCUMENT AND THE ACCOMPANYING DOCUMENTS ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION. If you are in any doubt as to what action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank, solicitor, accountant, fund manager or other appropriate independent financial adviser, who is authorised under the Financial Services and Markets Act 2000 (the "FSMA") if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser.

This document comprises: (i) a circular prepared in accordance with the Listing Rules made under section 73A of the FSMA; and (ii) a prospectus relating to Kier Group plc ("Kier" or the "Company") prepared in accordance with the Prospectus Rules. This document has been approved by the FCA in accordance with section 85 of the FSMA, will be made available to the public and has been filed with the FCA in accordance with the Prospectus Rules. This document together with the documents incorporated into it by reference (as set out in Part XIV of this document) will be made available to the public in accordance with Prospectus Rule 3.2.1 by the same being made available, free of charge, at www.kier.co.uk and at the Company's registered office at Tempsford Hall, Sandy, Bedfordshire SG19 2BD.

If you sell or have sold or have otherwise transferred all of your Shares (other than ex-rights) held in certificated form before 8.00 a.m. (London time) on 18 May 2015 (the "Ex-Rights Date"), please send this document, together with any Provisional Allotment Letter, if and when received, at once to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee except that such documents should not be sent to any jurisdiction where to do so might constitute a violation of local securities laws or regulations, including but not limited to the United States or any of the Excluded Territories. If you sell or have sold or have otherwise transferred all or some of your Existing Shares (other than ex-rights) held in uncertificated form before the Ex-Rights Date, a claim transaction will automatically be generated by Euroclear which, on settlement, will transfer the appropriate number of Nil Paid Rights to the purchaser or transferee. If you sell or have sold or otherwise transferred only part of your holding of Existing Shares (other than ex-rights) held in certificated form before the Ex-Rights Date, you should refer to the instruction regarding split applications in Part III of this document and in the Provisional Allotment Letter.

The distribution of this document, the Provisional Allotment Letter and the transfer of Nil Paid Rights, Fully Paid Rights and New Shares into jurisdictions other than the United Kingdom may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with any such restrictions may constitute a violation of the securities laws or regulations of such jurisdictions. In particular, subject to certain exceptions, this document, the enclosures and the Provisional Allotment Letter and any other such documents should not be distributed, forwarded to or transmitted in or into the United States or the Excluded Territories.

Kier Group plc

(incorporated and registered in England and Wales with registered number 02708030)

Proposed acquisition of MRBL Limited

and

5 for 7 Rights Issue of 39,646,692 New Shares at 858p per New Share

Notice of General Meeting

Joint Sponsor and Joint Bookrunner

J.P. Morgan Cazenove

Joint Sponsor and Joint Bookrunner

Numis Securities Limited

A Notice of General Meeting of the Company, to be held at 10.00 a.m. on 15 May 2015, is set out at the end of this document. Whether or not you intend to be present at the General Meeting, you are asked to complete and return the enclosed Form of Proxy in accordance with the instructions printed on it as soon as possible and, in any event, so as to be received by the Registrar, Capita Asset Services at PXS1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF, by not later than 10.00 a.m. on 13 May 2015 (or, in the case of an adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting).

The Shares are listed on the Official List maintained by the FCA and traded on the London Stock Exchange's main market for listed securities. Application will be made to the FCA and to the London Stock Exchange for the New Shares to be admitted to the premium listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities, respectively. It is expected that Admission will become effective and that dealings on the London Stock Exchange in the New Shares (nil paid) will commence at 8.00 a.m. (London time) on 18 May 2015.

Your attention is drawn to the letter of recommendation from the Chairman which is set out in Part I of this document. Your attention is also drawn to the section headed "Risk Factors" at the beginning of this document, which sets out certain risks and other factors that should be considered by Shareholders when deciding on what action to take in relation to the Rights Issue, and by others when deciding whether or not to purchase Nil Paid Rights, Fully Paid Rights or New Shares.

The Nil Paid Rights, the Fully Paid Rights, the New Shares and the Provisional Allotment Letters have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") or under any securities laws of any state or other jurisdiction of the United States and may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, within the United States except pursuant to an applicable exemption from or in a transaction not subject to the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States. There will be no public offer of the Nil Paid Rights, the Fully Paid Rights or the New Shares in the United States.

The Nil Paid Rights, the Fully Paid Rights, the New Shares and the Provisional Allotment Letters will not be registered or qualified for distribution to the public under the securities laws of any Excluded Territory and may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, within such jurisdictions. There will be no public offer in any of the Excluded Territories.

J.P. Morgan Securities plc, which is authorised in the United Kingdom by the PRA and regulated by the PRA and the FCA in the United Kingdom, and J.P. Morgan Limited and Numis Securities Limited, which are each authorised and regulated in the United Kingdom by the FCA, are each acting exclusively for the Company and no one else in connection with the Acquisition, the Rights Issue and Admission, will not regard any other person (whether or not a recipient of this document) as a client in relation to the Acquisition, the Rights Issue or Admission and will not be responsible to anyone other than the Company for providing the protections afforded to their respective clients, or for providing advice, in relation to the Acquisition, the Rights Issue, Admission or any other transaction or arrangement referred to herein.

None of the Banks accept any responsibility whatsoever for the contents of this document, including its accuracy or completeness, or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company, the Nil Paid Rights, the Fully Paid Rights, the New Shares, the Provisional Allotment Letters, the Rights Issue or the Acquisition. The Banks accordingly disclaim all and any liability, whether arising in tort, contract or otherwise, which they might otherwise have in respect of this document or any such statement.

Subject to the passing of the Transaction Resolutions, it is expected that Qualifying Non-CREST Shareholders (other than, subject to certain exceptions, those with registered addresses in the United States or the Excluded Territories) will be sent a Provisional Allotment Letter on 15 May 2015, and that Qualifying CREST Shareholders (other than, subject to certain exceptions, those with registered addresses in the United States or the Excluded Territories) will receive a credit to their appropriate stock accounts in CREST in respect of the Nil Paid Rights to which they are entitled on 18 May 2015. The Nil Paid Rights so credited are expected to be enabled for settlement by Euroclear as soon as practicable after Admission.

The Joint Bookrunners may, in accordance with applicable legal and regulatory provisions and subject to the Underwriting Agreement, engage in transactions in relation to the Nil Paid Rights, the Fully Paid Rights, the Shares and/or related instruments for their own account for the purpose of hedging their

underwriting exposure or otherwise. Except as required by applicable law or regulation, the Joint Bookrunners do not propose to make any public disclosure in relation to such transactions.

The latest time and date for acceptance and payment in full for the New Shares by holders of the Nil Paid Rights is expected to be 11.00 a.m. on 2 June 2015. The procedures for delivery of the Nil Paid Rights, acceptance and payment are set out in Part III of this document and, for Qualifying Non-CREST Shareholders (other than, subject to certain exceptions, those with registered addresses in the United States or the Excluded Territories) also in the Provisional Allotment Letter. Overseas Shareholders with registered addresses in the United States or the Excluded Territories should refer to paragraph 2.5 of Part III of this document.

The Nil Paid Rights, the Fully Paid Rights, the New Shares and the Provisional Allotment Letters have not been approved or disapproved by the U.S. Securities and Exchange Commission, any state's securities commission in the United States or any U.S. regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Nil Paid Rights, the Fully Paid Rights or the New Shares or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence.

This document does not constitute an offer of Nil Paid Rights, Fully Paid Rights or New Shares to any person with a registered address, or who is located, in the United States or the Excluded Territories or in any other jurisdiction in which such an offer or solicitation is unlawful. The Nil Paid Rights, the Fully Paid Rights, the New Shares and the Provisional Allotment Letters have not been and will not be registered or qualified for distribution to the public under the relevant laws of any state, province or territory of the United States or any Excluded Territory and, subject to certain exceptions, may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, within the United States or any Excluded Territory.

The Underwriters may arrange for the offer of New Shares in the United States not taken up in the Rights Issue only to persons reasonably believed to be "qualified institutional buyers" ("QIBs") within the meaning of Rule 144A under the Securities Act in reliance on an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Nil Paid Rights, the Fully Paid Rights and the New Shares offered outside the United States are being offered in reliance on Regulation S under the Securities Act. **Prospective investors are hereby notified that sellers of the Nil Paid Rights, the Fully Paid Rights or the New Shares may be relying on the exemption from registration provisions under Section 5 of the Securities Act, as amended, provided by Rule 144A thereunder.**

In addition, until 40 days after the commencement of the Rights Issue, an offer, sale or transfer of the Nil Paid Rights, the Fully Paid Rights or the New Shares within the United States by a dealer (whether or not participating in the Rights Issue) may violate the registration requirements of the Securities Act.

All Overseas Shareholders and any person (including, without limitation, a nominee or trustee) who has a contractual or legal obligation to forward this document or any Provisional Allotment Letter, if and when received, or other document to a jurisdiction outside the United Kingdom should read the information set out in paragraph 2.5 of Part III of this document.

NOTICE TO NEW HAMPSHIRE RESIDENTS: NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

Notice to all Investors

Any reproduction or distribution of this document, in whole or in part, and any disclosure of its contents or use of any information contained in this document for any purpose other than considering an investment in the Nil Paid Rights, the Fully Paid Rights or the New Shares is prohibited. By accepting delivery of this

document, each offeree of the Nil Paid Rights, the Fully Paid Rights and/or the New Shares agrees to the foregoing.

The distribution of this document and/or the Provisional Allotment Letters and/or the transfer of the Nil Paid Rights, the Fully Paid Rights and/or the New Shares into jurisdictions other than the United Kingdom may be restricted by law. Persons into whose possession these documents come should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. In particular, subject to certain exceptions, such documents should not be distributed, forwarded to or transmitted in or into the United States or the Excluded Territories. The Nil Paid Rights, the Fully Paid Rights, the New Shares and the Provisional Allotment Letters are not transferable, except in accordance with, and the distribution of this document is subject to, the restrictions set out in paragraph 2.5 of Part III of this document. No action has been taken by the Company or by the Underwriters that would permit an offer of the New Shares or rights thereto or possession or distribution of this document or any other offering or publicity material or the Provisional Allotment Letters, the Nil Paid Rights, or the Fully Paid Rights in any jurisdiction where action for that purpose is required, other than in the United Kingdom.

No person has been authorised to give any information or make any representations other than those contained in this document and, if given or made, such information or representations must not be relied upon as having been authorised by the Company or by the Underwriters. Neither the delivery of this document nor any subscription or sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Group since the date of this document or that the information in this document is correct as at any time subsequent to its date.

Without limitation, the contents of the Group's websites do not form part of this document.

Capitalised terms have the meanings ascribed to them in Part XV of this document.

WHERE TO FIND HELP

Part II of this document answers some of the questions most often asked by shareholders about rights issues. If you have further questions, please call the Shareholder Helpline on 0871 664 0321 (from within the United Kingdom) or on +44 20 8639 3399 (if calling from outside the United Kingdom). Calls to the 0871 664 0321 number are charged at 10p per minute (including VAT) plus network extras. Lines are open from 9.00 a.m. to 5.30 p.m. (London time) Monday to Friday. Calls to the Shareholder Helpline from outside the United Kingdom will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. Please note that, for legal reasons, the Shareholder Helpline is only able to provide information contained in this document and information relating to the Company's register of members and is unable to give advice on the merits of the Rights Issue or the Acquisition or to provide financial, tax or investment advice.

This document is dated 28 April 2015.

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SUMMARY

Summaries are made up of disclosure requirements known as "Elements". These Elements are numbered in Sections A-E (A.1-E.7). This summary contains all the Elements required to be included in a summary for this type of security and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary, together with "not applicable".

SECTION A—INTRODUCTION AND WARNINGS	
A.1	**Warning** This summary should be read as an introduction to this document. Any decision to invest in the securities should be based on consideration of this document as a whole by the investor. Where a claim relating to the information contained in this document is brought before a court, the plaintiff investor might, under the national legislation of the Member States of the European Economic Area, have to bear the costs of translating this document before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary, including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this document or it does not provide, when read together with the other parts of this document, key information in order to aid investors when considering whether to invest in the securities.
A.2	**Consent for Intermediaries** Not applicable. No consent has been given by the Company or any person responsible for drawing up this document to use this document for subsequent sale or placement of securities by financial intermediaries.

SECTION B—ISSUER	
B.1	**Legal and commercial name** Kier Group plc ("Kier", the "Company", and including its subsidiaries and undertakings and, where the context requires, its associated undertakings, the "Group").
B.2	**Domicile and legal form** The Company is incorporated in England as a public limited company, limited by shares. Its registered office is situated in England and its registered number is 02708030. The principal legislation under which the Company operates is the Companies Act 2006 (the "Companies Act").
B.3	**Current operations and principal activities** ***Description of Kier*** Kier is a leading property, residential, construction and services group, specialising in building and civil engineering, support services, commercial property development, structured property financing and private and affordable housing and is a member of the FTSE 250 index. Kier's integrated model is organised into four divisions: • Property: the Property division comprises property development and structured project finance; • Residential: Kier Living comprises all Kier's house building operations, from contracting and mixed-tenure housing to private house building;

SECTION B—ISSUER	
	• Construction: the Construction division comprises Kier's UK regional building, major projects, infrastructure and international businesses; and • Services: the Services division comprises highways maintenance, utilities, facilities management ("FM"), housing maintenance, environmental services and fleet and passenger services. In the financial year ended 30 June 2014, the Construction and Services divisions accounted for, in aggregate, approximately 91 per cent. of the Group's revenues and 81 per cent. of underlying operating profit before corporate costs. ***Acquisition of Mouchel*** On 28 April 2015, the Company announced the proposed acquisition (the "Acquisition") of the entire issued share capital of MRBL Limited ("Mouchel") from Barclays Converted Investments Limited, Globe Nominees Limited, Uberior Equity Limited, SIG 1 Holdings Limited, Sanne Fiduciary Services Limited and certain management shareholders of Mouchel (the "Mouchel Sellers") for total consideration in cash of £265 million, subject to adjustment in the event of a delay to completion of the Acquisition ("Completion") beyond 15 June 2015. Mouchel is an international infrastructure services and business services group. It provides advisory, design, project delivery and managed services to the highways and transportation, local government, property, emergency services, health, education and utilities markets in the United Kingdom, the Middle East and Australia.
B.4a	**Significant recent trends affecting the Group and the industry in which it operates** ***Economic Conditions*** Historically, construction sector growth tends to lag behind the economic cycle. The UK economy has been growing since 2013 and grew by 2.6 per cent. in 2014 (Source: ONS, February 2015). The Bank of England forecasts that the economy will grow every year through to 2018, even allowing for margins of uncertainty (Bank of England, February 2015). The Office for Budget Responsibility forecasts GDP growth of 2.5 per cent. in 2015 and 2.3 per cent. per annum from 2016 to 2018. The fall in oil prices is overall expected to have a net stimulating effect on both the global economy and the United Kingdom. UK inflation continues to be low, and recently fell to zero. It is expected to remain low for the rest of the year (Source: Capital Economics/Financial Times, 24 March 2015), with a potential stimulating effect on consumer demand. ***Political Conditions and Public Spending*** The UK General Election will take place on 7 May 2015. Based on the current government's budget statement made on 18 March 2015 and comments made by the current opposition, public spending cuts will be made regardless of who forms the next government. Kier is, however, well-positioned in that its business with the UK government is largely as a provider of infrastructure projects. The major political parties have all shown support for investment in infrastructure and housing. The Conservative and Liberal Democrat coalition government (the "Coalition Government") recently sponsored the Infrastructure Act 2015 and the subsequent creation of Highways England from 1 April 2015 with a £17 billion budget for the maintenance, renewal and enhancement of the strategic road network from 2015 to 2020. The Infrastructure Act 2015 passed with support from the Labour Party. The Coalition Government has committed approximately £73 billion of infrastructure projects between 2015/16 to 2020/21, covering roads, rail, energy and other areas. Details were set out by HM Treasury in Investing in Britain's Future (June 2013). The Labour Party is also actively supporting infrastructure expenditure and sees it as "vital to boosting growth and productivity in a way which raises living standards" (Shadow Chancellor, 3 February 2015). Labour shadow ministers have made a number of recent statements to indicate their continuing support for this.

SECTION B—ISSUER	
	Construction Trends Construction output is expected to grow by 4 to 5.5 per cent. per annum in each of 2015 and 2016. Significant expenditure is forecast in roads construction and energy infrastructure, with cumulative growth by 2018 forecast to be 52.1 per cent. and 81.8 per cent., respectively. These forecasts allow for a potential temporary hiatus in public sector construction in 2016 and 2017 as a result of a change in government (Source: Construction Products Association, Construction Industry Forecasts, Spring 2015).
B.5	**Group structure** Kier was incorporated in 1992 and is the ultimate parent company of the Group, which comprises the Company and its subsidiary undertakings and, where the context requires, its associated undertakings.
B.6	**Major shareholders** Insofar as the Company has been notified under the Disclosure and Transparency Rules, the names of each person who, directly or indirectly, has an interest in 3 per cent. or more of the Company's issued share capital, and the amount of such person's interests, as at 24 April 2015 (being the latest practicable date prior to the date of this document) are as follows:

Name	Shares Number	%
Standard Life Investments Limited	4,438,296	8.00
Schroders Plc	2,635,610	4.75

So far as the Company is aware, the Company is not directly or indirectly owned or controlled by another corporation, any foreign government or any other natural or legal person, severally or jointly. None of the major Shareholders referred to above has different voting rights from other Shareholders.

So far as the Company is aware, immediately following the Rights Issue, the interests of those persons set out above with an interest in 3 per cent. or more of the Company's issued share capital (assuming: (i) full take-up by such persons of their entitlements under the Rights Issue; and (ii) that no options under the Company's sharesave schemes are exercised between the date of this document and Admission becoming effective will be as follows:

Name	Shares No.	%
Standard Life Investments Limited	7,608,507	8.00
Schroders Plc	4,518,188	4.75

B.7	**Historical financial information of Kier** The tables below set out the Group's summary consolidated financial information for the periods indicated. The consolidated financial information for the Group for the six months ended 31 December 2014 and 2013 and for each of the three years ended 30 June 2014, 2013 and 2012 has been extracted without material adjustment from the unaudited consolidated interim financial statements of Kier for the six months ended 31 December 2014, prepared in accordance with International Financial Reporting Standard IAS 34 "Interim Financial Reporting" ("IAS 34"), and the consolidated financial statements included in the 2014, 2013 and 2012 Annual Report and Accounts, prepared in accordance with IFRS as adopted by the EU ("IFRS"), respectively. These consolidated financial statements have been incorporated by reference in this document. Financial information for the financial year ended 30 June 2013 has been restated as a result of the adoption of IAS 19 "Employee Benefits" and the resulting impact of the change in accounting for defined benefit pension schemes. For additional information, see note 31 to Kier's audited consolidated financial statements for the financial year ended 30 June 2014, incorporated by reference herein. Financial information for the financial year ended 30 June 2012 has been restated to reflect the amortisation of contract rights on a consistent basis with the treatment of contracts for the financial year ended 30 June 2013.

SECTION B—ISSUER

In each case, the consolidated income statement of Kier is presented on an underlying basis. Non-underlying items include one-off costs related to restructuring, acquisitions and business closures, amortisation of contract right costs held as intangibles on the balance sheet and the unwinding of the discount in respect of deferred consideration and fair value adjustments made on acquistion.

Kier Summary Consolidated Income Statement—underlying performance

	Six months ended 31 December (unaudited)		Financial year ended 30 June		
	2014	2013	2014	2013	2012
			(£ millions)		
Revenues					
Group and share of joint ventures	1,582.6	1,432.0	2,985.2	1,982.8	2,069.2
Less share of joint ventures	(10.1)	(17.6)	(30.9)	(39.8)	(38.7)
Group revenue	1,572.5	1,414.4	2,954.3	1,943.0	2,030.5
Cost of sales	(1,438.6)	(1,294.0)	(2,699.5)	(1,739.8)	(1,815.1)
Gross profit	133.9	120.4	254.8	203.2	215.4
Administrative expenses	(91.6)	(78.5)	(174.5)	(158.4)	(149.0)
Share of post-tax results of joint ventures	0.6	0.4	1.6	0.9	1.3
Profit on disposal of joint ventures	1.3	2.1	6.1	9.8	6.7
Profit from operations	44.2	44.4	88.0	55.5	74.4
Finance income	1.0	0.6	2.2	2.3	2.6
Finance cost	(9.3)	(8.2)	(17.1)	(10.2)	(7.0)
Profit before tax	35.9	36.8	73.1	47.6	70.0
Taxation	(7.4)	(6.6)	(13.9)	(5.1)	(9.3)
Profit for the period	28.5	30.2	59.2	42.5	60.7

Kier Summary Consolidated Balance Sheet

	As at 31 December (unaudited)	As at 30 June		
	2014	2014	2013	2012
		(£ millions)		
Balance Sheet				
Total assets excluding cash	1,721.5	1,657.1	980.5	997.3
Liabilities excluding borrowings	(1,280.1)	(1,224.6)	(882.0)	(971.9)
Net operating assets	441.4	432.5	98.5	25.4
Cash, net of borrowings	(156.0)	(122.8)	59.8	128.8
Net assets	285.4	309.7	158.3	154.2

Kier Summary Consolidated Cash Flow Statement—underlying performance

	Six months ended 31 December (unaudited)		Financial year ended 30 June		
	2014	**2013**	**2014**	**2013**	**2012**
			(£ millions)		
Cash flows					
Net cash inflow/(outflow) from operating activities	50.9	(65.4)	(5.9)	0.7	17.3
Net cash used in investing activities	(39.2)	(94.6)	(125.0)	(49.4)	(40.0)
Net cash generated by/(used in) by financing activities	54.2	76.6	51.2	41.9	(13.3)
Increase/(decrease) in cash and cash equivalents	65.9	(83.4)	(79.7)	(6.8)	(36.0)
Opening cash and cash equivalents	72.6	152.3	152.3	159.1	195.1
Closing cash and cash equivalents	138.5	68.9	72.6	152.3	159.1

Revenue

Revenue, including joint ventures, increased by 11 per cent. to £1,583 million for the six months ended 31 December 2014, from £1,432 million for the six months ended 31 December 2013. The increase primarily reflected growth in the Construction division's revenue.

Revenue, including joint ventures, increased by 51 per cent. to £2,985 million for the financial year ended 30 June 2014, from £1,983 million for the financial year ended 30 June 2013. The increase reflected growth across all divisions, particularly in Services, where the acquisition of May Gurney has had a significant impact. Excluding the impact of the May Gurney acquisition, revenue would have increased by 13 per cent.

Revenue, including joint ventures, decreased by £86 million, or 4 per cent., to £1,983 million for the financial year ended 30 June 2013, from £2,069 million for the financial year ended 30 June 2012. The decrease reflected a reduction in the Construction division's revenue. This was in turn due to poor weather in the first quarter of the 2013 calendar year, causing delays and pushing revenue into the 2014 financial year and a change in the mix of activities. UK building revenue decreased to £1 billion, as Kier maintained a focus on the quality of work it pursued. However, this reduction was partially offset by growth in UK infrastructure and overseas revenues.

Underlying Operating Profit

Underlying operating profit, including the Group's share of joint ventures' profits, remained stable at £44 million for the six months ended 31 December 2014 and 2013. The Residential and Services divisions' underlying operating profits are weighted towards the second half of the financial year.

Underlying operating profit, including the Group's share of joint ventures' profits, increased by 59 per cent. to £88.0 million for the financial year ended 30 June 2014, from £56 million for the financial year ended 30 June 2013. The increase reflected a strong underlying performance combined with a significant contribution from May Gurney. Excluding the impact of May Gurney, underlying operating profit would have increased by 3 per cent.

Underlying operating profit, including the Group's share of joint ventures' profits, decreased by 6 per cent. to £69.7 million for the financial year ended 30 June 2013, mainly as a result of the lower contribution to underlying operating profit from the Construction division.

Net Assets

Total net assets at 31 December 2014 were £285 million, compared to £310 million as at 30 June 2014, and included intangible assets of £325 million (as compared to £324 million as at 30 June 2014).

Total net assets at 30 June 2014 were £310 million, as compared to £158 million as at 30 June 2013, and included intangible assets of £324 million (as compared to £30 million as at 30 June 2013), of which £209 million (as compared to £13 million as at 30 June 2013) related to goodwill and £109 million (as compared to £13 million as at 30 June 2013) related to contract rights. The increase in goodwill and intangible assets during the 2014 financial year resulted primarily from the acquisition of May Gurney.

Total net assets at 30 June 2013 were £158 million, as compared to £154 million as at 30 June 2012, and included intangible assets of £30 million (as compared to £29 million as at 30 June 2012), of which £13 million (as compared to £11 million as at 30 June 2012) related to contract rights.

No Significant Change

There has been no significant change in the financial condition and operating results of the Group since 31 December 2014, the date to which the latest unaudited consolidated interim financial information in relation to the Group was prepared.

Historical financial information of Mouchel

The tables below set out Mouchel's summary financial information for the periods indicated. This summary financial information has been extracted from MRBL Limited's unaudited condensed interim consolidated financial information for the three months ended 31 December 2014, prepared in accordance with IAS 34, and its combined and consolidated financial information for the 14 months ended 30 September 2012 and the two years ended 30 September 2014, prepared in accordance with the basis of preparation in note 2a to the combined and consolidated financial information of Mouchel included in Part IX of this document.

In each case, the income statement of Mouchel is presented on an underlying basis. Underlying profit excludes material income and charges considered to be one-off or non-recurring in nature, such as acquisition transaction costs. Underlying profit for Mouchel also excludes the amortisation of intangible assets arising from business combinations.

Mouchel Summary Combined and Consolidated Income Statement – Underlying Performance

	Three months ended 31 December (unaudited)		Financial year ended 30 September		14 months ended 30 September
	2014	2013	2014	2013	2012
			(£ millions)		
Revenues					
Group and share of joint ventures	197.0	144.7	616.6	555.3	620.6
Less share of joint ventures	(2.7)	(3.7)	(20.2)	(60.6)	(161.6)
Group revenue	194.3	141.0	596.4	494.7	459.0
Cost of sales	(181.7)	(131.0)	(544.3)	(449.3)	(422.4)
Gross profit	12.6	10.0	52.1	45.4	36.6
Administrative expenses	(5.8)	(5.6)	(25.4)	(26.0)	(56.3)
Share of post-tax results of joint ventures	(0.1)	0.1	1.0	4.5	6.6
Profit/(loss) from operations	6.7	4.5	27.7	23.9	(13.1)
Finance income	—	—	—	0.9	1.8
Finance cost	(2.1)	(2.1)	(7.8)	(7.8)	(19.3)
Profit/(loss) before tax	4.6	2.4	19.9	17.0	(30.6)
Taxation	(0.4)	—	11.0	4.3	3.4
Profit/(loss) for the period	4.2	2.4	30.9	21.3	(27.2)

Mouchel Summary Combined and Consolidated Balance Sheet

	As at 31 December (unaudited)	As at 30 September		
	2014	2014	2013	2012
		(£ millions)		
Balance Sheet				
Total assets excluding cash	241.0	225.2	199.7	171.8
Liabilities excluding borrowings	(252.3)	(230.8)	(230.0)	(211.9)
Net operating liabilities	(11.3)	(5.6)	(30.3)	(40.1)
Cash, net of borrowings	(31.8)	(39.5)	(46.0)	(49.7)
Net liabilities	(43.1)	(45.1)	(76.3)	(89.8)

Mouchel Summary Combined and Consolidated Cash Flow Statement

	Three months ended 31 December (unaudited)		Financial year ended 30 September		14 months ended 30 September
	2014	2013	2014	2013	2012
			(£ millions)		
Cash flows					
Net cash inflow/(outflow) from operating activities	8.2	(2.5)	12.3	10.6	(47.6)
Net cash (used in)/generated by investing activities	(0.7)	(1.2)	(5.1)	(5.8)	4.6
Net cash (used in)/generated by financing activities	—	—	(5.1)	(0.4)	32.0
Increase/(decrease) in cash and cash equivalents	7.5	(3.7)	2.1	4.4	(11.0)
Opening cash and cash equivalents	36.7	34.6	34.3	29.9	40.9
Closing cash and cash equivalents	44.2	30.9	36.4	34.3	29.9

Revenue

Revenue increased by 38 per cent. to £194.3 million for the three months ended 31 December 2014, from £141.0 million for the three months ended 31 December 2013. The increase was primarily due to the growth of EM Highway Services ("EM") within the Integrated Infrastructure Services ("IIS") operating division as a result of the mobilisation of the Area 3 and Area 9 contracts in 2014.

Revenue increased by 21 per cent. to £596.4 million for the financial year ended 30 September 2014, from £494.7 million for the financial year ended 30 September 2013. The increase reflected increased Highways England spending in the EM operating group.

Revenue for the 14 months ended 30 September 2012 was £459.0 million. During this period, Mouchel experienced continued challenging market conditions, most notably as a result of significant reductions in the budgets of its local authority clients at the time and a substantial reduction in the market for its former management consulting business.

Underlying Operating Profit

Underlying operating profit increased by 49 per cent. to £6.7 million for the three months ended 31 December 2014, from £4.5 million for the three months ended 31 December 2013. The increase was primarily due to the growth in revenue noted above, as well as an increase in margins due to operational gearing, with additional revenue being spread over a relatively consistent fixed cost base.

SECTION B—ISSUER	
	Underlying operating profit increased by 16 per cent. to £27.7 million for the financial year ended 30 September 2014, from £23.9 million for the financial year ended 30 September 2013. The underlying operating margin increased to 4.5 per cent. for the financial year ended 30 September 2014 from 4.3 per cent. for the financial year ended 30 September 2013. The margin of EM decreased slightly due to the shift to Asset Support Contracts from Managing Agent Contracts. DownerMouchel's margin also decreased slightly due to higher overhead costs relating to bidding costs. These margin decreases were in part offset by lower corporate overheads as a result of savings from Mouchel's restructuring plan. Underlying operating loss for the 14 months ended 30 September 2012 was £13.1 million, reflecting the factors described above. *No Significant Change* There has been no significant change in the financial condition and operating results of Mouchel since 31 December 2014, the date to which the latest unaudited condensed interim consolidated financial information in relation to Mouchel was prepared.
B.8	**Unaudited pro forma financial information** The unaudited pro forma financial information of the Group following its proposed acquisition of Mouchel (the "Enlarged Group") set out below has been prepared to illustrate the effect of the Rights Issue and the proposed acquisition of Mouchel (the "Acquisition") on the net assets at 31 December 2014 of Kier as if each of the foregoing had occurred on 31 December 2014 and the effect on the income statement of Kier for the year ended 30 June 2014 had the Rights Issue and the proposed acquisition of Mouchel taken place on 1 July 2013. The unaudited pro forma statement of net assets and income statement are based on the consolidated financial information and compiled on the basis set out in the notes below and in accordance with the accounting policies adopted by Kier for the six months ended 31 December 2014 and for the year ended 30 June 2014 respectively. The unaudited pro forma financial information does not constitute financial statements within the meaning of section 434 of the Companies Act. The unaudited pro forma financial information, which has been produced for illustrative purposes only, by its nature addresses a hypothetical situation and, therefore, does not represent Kier's actual financial position or results. In addition to the matters noted above, the unaudited pro forma financial information does not reflect the effect of anticipated synergies and efficiencies associated with the Acquisition.

SECTION B—ISSUER

Unaudited Pro Forma Net Assets Statement at 31 December 2014

		Adjustment	Adjustments		
	Kier Group Plc at 31 December 2014	**Mouchel Group at 31 December 2014**	**Rights Issue and Refinancing**	**Acquisition accounting**	**Unaudited Pro Forma Total**
			(£ millions)		
	Note 1	**Note 2**	**Note 3**	**Note 4**	
Assets					
Non-current assets					
Non-current assets					
Intangible assets	325.0	70.0	—	308.1	705.1
Property, plant and equipment	184.3	10.6	—	—	194.3
Retirement benefit assets	—	0.8	—	—	0.8
Investment in joint venture	67.3	0.2	—	—	67.5
Deferred tax assets	5.1	33.7	—	—	38.8
Trade and other receivables	20.9	—	—	—	20.9
	602.6	116.7	—	308.1	1,027.4
Current assets					
Inventories	562.2	4.0	—	—	566.2
Trade and other receivables	541.6	119.5	—	—	661.9
Income tax receivable	4.9	—	0.4	—	5.3
Assets held for sale	10.2	—	—	—	10.2
Cash and cash equivalents	150.4	44.2	273.0	(273.0)	194.6
	1,269.3	167.7	273.4	(273.0)	1,438.2
Total assets	1,871.9	284.4	273.4	35.1	2,465.6
Liabilities					
Non-current liabilities					
Borrowings	(294.5)	(71.0)	50.0	—	(315.5)
Finance lease obligations	(44.5)	—	—	—	(44.5)
Non-current income tax liabilities	—	(7.5)	—	—	(7.5)
Other financial liabilities	(2.1)	—	—	—	(2.1)
Trade and other payables	(3.4)	(0.8)	—	—	(4.2)
Retirement benefit obligations	(81.2)	(49.8)	—	—	(131.0)
Provisions	(70.6)	(9.9)	—	—	(80.5)
Deferred tax liabilities	—	(8.5)	—	—	(8.5)
	(496.3)	(147.5)	50.0	—	(593.8)
Current liabilities					
Overdraft	(11.9)	—	—	—	(11.9)
Borrowings	—	(5.0)	5.0	—	—
Finance lease obligations	(32.4)	—	—	—	(32.4)
Other financial liabilities	(0.3)	—	—	—	(0.3)
Trade & other payables	(1,026.2)	(160.8)	—	—	(1,187.0)
Derivative financial instruments	—	(0.1)	—	—	(0.1)
Current income tax liabilities	—	(5.3)	—	—	(5.3)
Retirement benefit obligations		(4.3)	—	—	(4.3)
Provisions	(19.4)	(5.3)	—	—	(24.7)
	(1,090.2)	(180.0)	5.0	—	(1,266.0)
Total liabilities	(1,586.5)	(328.3)	55.0	—	(1,859.8)
Net assets/(liabilities)	285.4	(43.1)	328.4	35.1	605.8

Notes:

(1) The unaudited financial information has been extracted without material adjustment from the unaudited consolidated interim financial statements of the Group for the six-month period ended 31 December 2014, which are incorporated by reference into this document and are available for inspection as detailed in Part XIV of this document.

(2) The unaudited financial information has been extracted without material adjustment from unaudited condensed interim consolidated financial information of Mouchel for the three-month period ended 31 December 2014, which is included in Part IX of this document.

(3) The net proceeds of the Rights Issue of £330 million is calculated on the basis that the Company issues 39,646,692 New Shares at a price of 858p per Share, net of estimated expenses in connection with the Rights Issue of approximately £10 million, which have been taken directly into equity. £55 million of the proceeds will be used to repay Mouchel's existing bank facilities, with the remaining amount being repaid using the Group's new £380 million revolving credit facility. The remaining proceeds will be used to pay new bank loan fees of £2 million. The replacement of certain of the Group's current bank facilities with a new £380 million revolving credit facility will have no material impact on the pro forma net asset statement at 31 December 2014. Kier expects future integration costs of approximately £17 million which have not been reflected in the unaudited pro forma financial information.

The £0.4 million adjustment relates to the tax impact of the write-off of finance costs relating to the Group's existing bank facilities, as described in note 7 to the unaudited pro forma financial information.

(4) The adjustments arising as a result of the acquisition of Mouchel are set out below:

(a) The adjustment to current assets of £273 million represents the aggregate of the £265 million cash consideration payable for the Acquisition and £8 million of estimated transaction costs. The unaudited pro forma financial information does not adjust the consideration paid for transaction costs incurred by any Mouchel Group company, pursuant to the Acquisition, that may be defrayed.

(b) The adjustment to goodwill has been calculated as follows:

	£ millions
Consideration	265.0
Net liabilities acquired	43.1
Pro forma goodwill adjustment	308.1

The Acquisition has been accounted for using the acquisition method of accounting. The excess of consideration over the book value of the net liabilities acquired has been reflected as goodwill. A fair value exercise will be completed post Acquisition. Therefore, no account has been taken of any fair value adjustments that may arise on Acquisition.

No adjustments have been made to reflect the trading results of either Kier or Mouchel since 31 December 2014.

Unaudited Pro Forma Income Statement for the year ended 30 June 2014

		Adjustment	Adjustments		
	Kier Group Plc for the year ended 30 June 2014	**Mouchel Group for the year ended 30 September 2014**	**Rights Issue and refinancing**	**Acquisition accounting**	**Unaudited Pro Forma Total**
			(£ millions)		
	Note 5	**Note 6**	**Note 7**	**Note 8**	
Revenue					
Group and share of JVs	2,985.2	616.6	—	—	3,601.8
Less share of JVs	(30.9)	(20.2)	—	—	(51.1)
Group Revenue	2,954.3	596.4	—	—	3,550.7
Cost of sales	(2,703.0)	(544.3)	—	—	(3,247.3)
Gross Profit	251.3	52.1	—	—	303.4
Administrative expenses	(224.0)	(29.2)	—	(8.0)	(261.2)
Share of post-tax results of JVs	1.6	1.0	—	—	2.6
Profit on disposal of JVs	6.1	—	—	—	6.1
Profit from operations	35.0	23.9	—	(8.0)	50.9
Finance income	2.2	—	—	—	2.2
Finance cost	(22.4)	(7.8)	(2.0)	—	(32.2)
Profit before tax	14.8	16.1	(2.0)	(8.0)	20.9
Taxation	(4.1)	20.8	0.4	—	17.1
Profit for the periods[9]	10.7	36.9	(1.6)	(8.0)	38.0

Notes:

(5) The financial information has been extracted without material adjustment from the 2014 Annual Report and Accounts, certain parts of which are incorporated by reference into this document.

(6) The financial information has been extracted without material adjustment from Mouchel's consolidated financial information for the year ended 30 September 2014, which is included in Part IX of this document.

(7) The adjustments reflect the following:

(a) The £2.0 million adjustment relates to the write-off of finance costs relating to the Group's existing bank facilities which are being replaced by the new £380 million revolving credit facility. The reduction in interest costs resulting from a lower margin payable under the new facility is not expected to be material. Accordingly, no adjustment to interest costs has been made to the pro forma financial information.

(b) The tax adjustment of £0.4 million represents the expected tax impact of the write-off of finance costs relating to the Group's existing bank facilities which are being replaced by the new £380 million revolving credit facility, calculated at 19%, Kier's effective tax rate for the year ended 30 June 2014.

(8) The adjustment reflects the accounting for the Acquisition on the following basis:

(a) A non-underlying exceptional item of £8 million reflecting estimated transaction costs payable in respect of the Acquisition. The tax impact of these estimated transaction costs is not expected to be material. Accordingly, no adjustment to taxation has been made to the pro forma financial information.

With the exception of consolidating future trading results of Mouchel into the Enlarged Group, the aforementioned adjustments to the income statement are not expected to have a continuing impact on the trading of the Enlarged Group.

No adjustments have been made to reflect the trading results of Kier since 30 June 2014, or the trading results of Mouchel since 30 September 2014.

(9) Reconciliation from profit for the period to underlying operating profit

	Adjustments				
	Kier Group Plc for the year ended 30 June 2014	**Mouchel Group for the year ended 30 September 2014**	**Rights Issue and refinancing**	**Acquisition accounting**	**Unaudited Pro Forma Total**
			(£ millions)		
Profit for the period	**10.7**	**36.9**	**(1.6)**	**(8.0)**	**38.0**
Taxation	4.1	(20.8)	(0.4)	—	(17.1)
Profit before tax	**14.8**	**16.1**	**(2.0)**	**(8.0)**	**20.9**
Non underlying net finance costs	5.3	—	2.0	—	7.3
Amortisation of intangible assets relating to contract costs	10.8	—	—	—	10.8
Exceptional items	42.2	3.8	—	8.0	54.0
Underlying profit before tax	**73.1**	**19.9**	**—**	**—**	**93.0**
Underlying net finance costs	14.9	7.8	—		22.7
Underlying operating profit	**88.0**	**27.7**	**—**	**—**	**115.7**

B.9	**Profit forecast** Not applicable. There is no profit forecast or estimate included in this document.
B.10	**Qualifications in the audit report on the historical financial information** Not applicable. There are no qualifications to the accountants' reports on the historical financial information of the Company, Mouchel or EM.
B.11	**Insufficient working capital** Not applicable. The Company is of the opinion that, taking into account the net proceeds of the Rights Issue and the bank and other facilities available to the Group, the Group has sufficient working capital for its present requirements, that is, for at least 12 months from the date of publication of this document. The Company is of the opinion that, taking into account the net proceeds of the Rights Issue and the bank and other facilities available to the Enlarged Group, the working capital of the Enlarged Group is sufficient for the Enlarged Group's present requirements, that is, for at least 12 months from the date of publication of this document.

SECTION C—SECURITIES	
C.1	**Type and class of securities** The Rights Issue is being made to all Shareholders on the register of members of the Company at close of business on 13 May 2015 (the "Record Date"). Pursuant to the Rights Issue, the Company is proposing to offer 39,646,692 New Shares to Qualifying Shareholders at 858p per New Share. Each New Share is expected to be issued at a premium of 857p to its nominal value of 1p. When admitted to trading, the New Shares will be registered with ISIN number GB0004915632 and SEDOL number 0491563. The ISIN number for the Nil Paid Rights is GB00BWWC6C14 and the ISIN number for the Fully Paid Rights is GB00BWWC6G56.
C.2	**Currency** United Kingdom pounds sterling.
C.3	**Issued share capital** On 24 April 2015 (being the last practicable date prior to the publication of this document), the Company had 55,505,368 Shares of 1p each (fully paid) and the nominal share capital of the Company amounted to £555,053.68.
C.4	**Rights attaching to the Shares** The New Shares will, when issued and fully paid, rank equally in all respects with the Existing Shares, including the right to receive all dividends and other distributions made, paid or declared after the date of issue of the New Shares.
C.5	**Restrictions on transfer** There are no restrictions on the free transferability of the Shares.
C.6	**Admission** Application will be made to the FCA and to the London Stock Exchange for the New Shares to be admitted to the premium listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities, respectively. It is expected that Admission (nil paid) will become effective on 18 May 2015 and that dealings on the London Stock Exchange in New Shares (nil paid) will commence as soon as practicable after 8.00 a.m. on that date.
C.7	**Dividend policy** On 25 February 2015, the Board announced its intention to pay an interim dividend of 24p per Share (the "Interim Dividend"). The Interim Dividend will be paid on 15 May 2015 to Shareholders on the register of members on 6 March 2015. The New Shares to be issued pursuant to the Rights Issue will not carry any entitlement to the Interim Dividend. It is expected that any final dividend of the Enlarged Group for the year ending 30 June 2015 will be proposed at its next annual general meeting and paid in November or December 2015 and that any interim dividend for the year ending 30 June 2016 will be declared in February 2016 and paid in May 2016. Assuming that the Acquisition completes in June 2015, as currently anticipated, the first dividend in relation to the Enlarged Group is expected to be the final dividend for the year ending 30 June 2015. The Board intends to continue with its progressive dividend policy. The final dividend in respect of the financial year ending 30 June 2015 will be adjusted to take account of the increased number of Shares that will be in issue following completion of the Rights Issue.

SECTION D—RISKS	
D.1	**Key information on the key risks specific to the Group and the Enlarged Group** ***Risks relating to the business and industry in which Kier and Mouchel operate, and in which the Enlarged Group will operate*** • Historically, Kier and Mouchel have derived a substantial proportion of their respective revenues from contracts with the UK government, its agencies and other public sector bodies, particularly, in the case of Mouchel, Highways England, which accounted for approximately 34 per cent. of Mouchel's revenue for the financial year ended 30 September 2014 (such figure being expected to increase in the financial year ending 30 September 2015), and local authorities, with which Mouchel has business process outsourcing, property management and highways maintenance contracts. The loss, expiration, suspension, cancellation or termination of any one of these contracts for any reason could have a material adverse effect on Kier's, Mouchel's and the Enlarged Group's business, financial condition and results of operations. • Kier and Mouchel each derive the majority of their revenues from the United Kingdom and this will continue to be the case for the Enlarged Group following the Acquisition. The Enlarged Group will, therefore, continue to be exposed to the impact of global and local economic conditions affecting the United Kingdom and may be adversely affected if the United Kingdom's economy deteriorates. Kier has operations in the Middle East, the Caribbean and Hong Kong and Mouchel has operations in the Middle East and Australia. These operations are affected by political and economic developments in these geographic regions. • Kier and Mouchel operate in highly competitive markets in which contractors, service providers and suppliers compete for new work through a process of competitive tendering or bilateral negotiation. A failure by Kier, Mouchel or the Enlarged Group to compete effectively could have a material adverse effect on their business, financial condition and results of operations. • Certain of Kier's, Mouchel's and the Enlarged Group's operations are dependent on national and local government policies with regard to maintaining and improving public infrastructure and buildings and outsourcing services to the private sector. A change in a national or local governing party, such as could occur in the forthcoming general election in the United Kingdom, could also result in changes in national and local government policies or priorities and/or a reduction, delay or cancellation of investment in funding of public sector projects. • Kier and Mouchel each carry out several hundred contracts annually and the work for which they tender is often complex and long-term, with significant associated risks. If Kier, Mouchel or the Enlarged Group do not adequately price risks or are unable accurately to assess or estimate accurately the revenues or costs on a particular contract, then profits may be lower than anticipated, or a loss may be incurred on the contract. If risks are over-priced, Kier, Mouchel or the Enlarged Group may be unsuccessful in securing new contract awards, resulting in an adverse impact on future order books. Cost overruns can result in a lower profit or a loss on a contract. • Both Kier and Mouchel bid for contracts with joint venture partners and have entered into joint arrangements, including project-specific joint ventures. Joint ventures are subject to inherent risks, such as joint venture partners adopting differing approaches to the conduct of business, which may result in delayed decision-making, a failure to agree on material issues or the joint venture not performing in line with expectations. Additionally, some of Mouchel's existing joint venture agreements contain change of control provisions which could be triggered by the Acquisition, allowing Mouchel's current joint venture partners unilaterally to exit the relevant joint venture. • Kier's and Mouchel's businesses are labour intensive and any increase in labour costs, in particular in the United Kingdom, where the majority of the Enlarged Group's employees will be located, could adversely affect Kier's, Mouchel's and the Enlarged Group's business, financial condition and results of operations.

SECTION D—RISKS	
	• Kier and Mouchel operate defined benefit pension schemes, which require careful judgement in determining the assumptions for future salary and pension increases, discount rates, inflation, investment return and participants' life expectancy. A prolonged period of poor asset returns, imbalances between bond and interest rates and/or unexpected increases in participants' life expectancy could require increases in the level of additional cash contributions to defined benefit schemes, which may constrain Kier's, Mouchel's or the Enlarged Group's ability to invest in capital expenditures or adversely affect the Enlarged Group's cash flows, thereby adversely affecting future growth and profitability. ***Risks relating to the Acquisition*** • The Acquisition is subject to a number of conditions which may not be satisfied or waived. • The Enlarged Group may not realise the expected benefits of and synergies from the Acquisition or may encounter difficulties or higher costs in achieving those expected benefits and synergies. • In the event that there is an adverse event affecting the value of Mouchel or the value of the Mouchel business declines prior to Completion, the value of the Mouchel business purchased by the Group may be less than the consideration agreed to be paid by Kier and, as a result, the net assets of the Enlarged Group could be reduced. • The integration process following the completion of the Acquisition may be complex. Successful integration will require a significant amount of management time and thus may affect or restrict the ability of the management team of the Enlarged Group to run the business effectively during the period of implementation.
D.3	**Key information on the key risks specific to the Shares, the Nil Paid Rights or the Fully Paid Rights** • The market price of the Nil Paid Rights, the Fully Paid Rights and/or the Shares could be subject to significant fluctuations. • A trading market for the New Shares, the Nil Paid Rights or the Fully Paid Rights may not develop. • Shareholders who do not take up their Nil Paid Rights or otherwise acquire New Shares may not receive compensation for their Nil Paid Rights and may be subject to a dilution of ownership of their Shares upon the issue of the New Shares.

SECTION E—OFFER	
E.1	**Net proceeds and costs** The net proceeds of the Rights Issue (assuming take-up in full of all New Shares) are expected to be approximately £330 million (net of expenses). The total costs, charges and expenses payable by the Company in connection with the Rights Issue are estimated to be approximately £10 million (inclusive of VAT). No expenses will be charged by the Company to subscribers of the New Shares.
E.2a	**Reasons for the Rights Issue and use of proceeds** The proceeds of the Rights Issue will be used to fund the consideration for the Acquisition, pay the associated costs of the Rights Issue and the Acquisition, finance the integration of Mouchel and repay Mouchel's net debt. The Underwriting Agreement may not be terminated after Admission. If the Rights Issue were to proceed but Completion does not take place, Kier intends to return substantially all of the net proceeds of the Rights Issue to Shareholders as soon as reasonably practicable.

<table>
<tr><th colspan="2">SECTION E—OFFER</th></tr>
<tr><td>E.3</td><td>Terms and conditions of the Rights Issue

Pursuant to the Rights Issue, the Company is proposing to offer 39,646,692 New Shares to Qualifying Shareholders. The offer is to be made at 858p per New Share, payable in full on acceptance by no later than 11.00 a.m. on 2 June 2015. If the Rights Issue were to proceed but Completion does not take place, Kier intends to return substantially all of the net proceeds of the Rights Issue to Shareholders as soon as reasonably practicable. The Rights Issue is expected to raise approximately £330 million, net of expenses. The Issue Price represents a 34.3 per cent. discount to the theoretical ex-rights price based on the closing middle-market price of 1,625p per Share on 27 April 2015 (being the last Business Day before the announcement of the terms of the Rights Issue).

The Rights Issue will be made on the basis of:

5 New Shares at 858p per New Share for every 7 Existing Shares

held by Qualifying Shareholders at the close of business on the Record Date.

Entitlements to New Shares will be rounded down to the nearest whole number and fractional entitlements will not be allotted to Shareholders but will be aggregated and issued into the market for the benefit of the Company. Holdings of Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Rights Issue.

The Rights Issue is fully underwritten by the Underwriters pursuant to the Underwriting Agreement.

The Rights Issue will result in 39,646,692 New Shares being issued (representing approximately 71.4 per cent. of the existing issued share capital and 41.7 per cent. of the enlarged issued share capital immediately following completion of the Rights Issue).

The Rights Issue is conditional, inter alia, upon:

(i) the Underwriting Agreement having become unconditional in all respects save for the condition relating to Admission;

(ii) Admission becoming effective by not later than 8.00 a.m. on 18 May 2015 (or such later time and date as the parties to the Underwriting Agreement may agree); and

(iii) the passing, without material amendment, of the Transaction Resolutions.

The New Shares, when issued and fully paid, will rank pari passu in all respects with the existing issued Shares, including the right to receive dividends or distributions made, paid or declared after the date of issue of the New Shares. Application will be made to the FCA and to the London Stock Exchange for the New Shares to be admitted to the premium listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities, respectively. It is expected that Admission will become effective and that dealings on the London Stock Exchange in the New Shares (nil paid) will commence at 8.00 a.m. on 18 May 2015.</td></tr>
<tr><td>E.4</td><td>Material interests

Not applicable. There are no interests, including conflicting interests, which are material to the Rights Issue, other than those disclosed in B.6 above.</td></tr>
<tr><td>E.5</td><td>Selling Shareholder

Not applicable. The Rights Issue comprises an offer of New Shares to be issued by the Company.</td></tr>
<tr><td>E.6</td><td>Dilution

Qualifying Shareholders who do not take up their entitlements to New Shares will have their proportionate shareholdings in the Company diluted by approximately 41.7 per cent. as a consequence of the Rights Issue.</td></tr>
<tr><td>E.7</td><td>Expenses charged to the investor

Qualifying Shareholders will not be charged expenses by the Company in respect of the Rights Issue, except in the following circumstance. Any Qualifying Non-CREST Shareholder who is an individual whose registered address is in the United Kingdom or in any other jurisdiction in the EEA may elect to sell all of their Nil Paid Rights, or effect a Cashless Take-up, using the Special Dealing Service. Capita Assets Services will charge a commission of 0.35 per cent. of the gross proceeds of sale of the Nil Paid Rights which are the subject of the sale, subject to a minimum of £20 per holding.</td></tr>
</table>

RISK FACTORS

The Rights Issue and any investment in the New Shares are subject to a number of risks. Accordingly, Shareholders and prospective investors should carefully consider the factors and risks associated with any investment in the New Shares, Kier's and Mouchel's businesses and the industry in which they operate and the business and industry in which the Enlarged Group will operate, together with all other information contained or incorporated by reference in this document, including, in particular, the risk factors described below, and their personal circumstances prior to making any investment decision. Some of the following factors relate principally to Kier's, Mouchels's and the Enlarged Group's businesses. Other factors relate principally to the Rights Issue and an investment in the New Shares. The businesses, operating results, financial condition and prospects of Kier, Mouchel and the Enlarged Group could be materially and adversely affected by any of the risks described below. In such case, the market price of the Nil Paid Rights, the Fully Paid Rights and/or the New Shares may decline and investors may lose all or part of their investment.

Prospective investors should note that the risks relating to Kier, Mouchel, the Enlarged Group and the industries in which they operate and the risks relating to the New Shares summarised in the section of this document headed "Summary" are the risks that the Board believes to be the most essential to an assessment by a prospective investor of whether to consider an investment in the New Shares. However, as the risks which Kier, Mouchel and the Enlarged Group face relate to events and depend on circumstances that may or may not occur in the future, prospective investors should consider not only the information on the key risks summarised in the section of this document headed "Summary" but also, among other things, the risks and uncertainties described below.

The following is not an exhaustive list or explanation of all risks which investors may face when making an investment in the New Shares and should be used as guidance only. Additional risks and uncertainties relating to Kier, Mouchel and the Enlarged Group that are not currently known to the Company, or that it currently deems immaterial, may individually or cumulatively also have a material adverse effect on Kier's, Mouchel's or the Enlarged Group's business, financial condition and results of operations and, if any such risk should occur, the price of the New Shares may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in the New Shares is suitable for them in the light of the information in this document and their personal circumstances.

Risks relating to the business and industry in which Kier and Mouchel operate and in which the Enlarged Group will operate

Kier and Mouchel depend, and the Enlarged Group will depend, on UK government customers and other UK public sector bodies and agencies, particularly Highways England, for a substantial proportion of their revenues.

Historically, Kier and Mouchel have derived a substantial proportion of their respective revenues from contracts with the UK government, its agencies and other public sector bodies, particularly, in the case of Mouchel, Highways England, which accounted for approximately 34 per cent. of Mouchel's revenue for the financial year ended 30 September 2014 (such figure being expected to increase in the financial year ending 30 September 2015), and local authorities, with which Mouchel has business process outsourcing ("BPO"), property management and highways maintenance contracts. Highways England rules currently allow bidders to hold area maintenance contracts in a maximum of four highway areas. As Mouchel currently holds four such contracts, this may limit its opportunities for growth in its business with Highways England in respect of additional highways maintenance contracts. However, two of the four contracts Mouchel currently holds (Areas 1 and 13) are due to be re-tendered in June 2015.

Kier expects that the UK government, its agencies and other public sector bodies will continue to account for a significant proportion of the Enlarged Group's revenue for the foreseeable future. In order to enter into and perform contracts with such customers, Kier and Mouchel will continue to need to obtain and retain the necessary eligible status, approvals, consents and/or licences and meet the standards required of them by the customers. In particular, certain Mouchel contracts require customer consent in order to effect a change of control and there can be no assurance that any such consents will be granted following the Acquisition. The loss, expiration, suspension, cancellation or termination of any one of these contracts for any reason, the failure to obtain or retain the necessary eligible status, approvals, consents and/or licences to contract with any such customer or the loss of reputation by Kier, Mouchel or the Enlarged Group (including as a result of loss of reputation by other outsourcing service providers or service providers generally) could have a material adverse effect on Kier's, Mouchel's and the Enlarged Group's business, financial condition and results of operations.

The UK government, its agencies and other public sector bodies have significant purchasing and bargaining power with suppliers and may use that power to seek to amend or renegotiate existing contracts to include, or be willing only to enter into contracts on, terms less favourable to contractors, including Kier and Mouchel, than may historically have been the case. All of Mouchel's contracts with Highways England are terminable at will, with no additional compensation being due to Mouchel upon termination.

If the UK government, any of its agencies or other public sector bodies were to decrease the amount of business they undertake with Kier or Mouchel for any reason, or if Kier's or Mouchel's reputation or relationship with them were to be impaired, Kier's, Mouchel's and the Enlarged Group's business, financial condition and results of operations could be materially adversely affected.

Global economic conditions or other macroeconomic developments in the geographic regions and markets in which Kier or Mouchel operate may adversely affect the Enlarged Group's business, financial condition and results of its operations.

Kier and Mouchel each derive the majority of their revenues from the United Kingdom and this will continue to be the case for the Enlarged Group following the Acquisition. The Enlarged Group will, therefore, continue to be exposed to the impact of global and local economic conditions affecting the United Kingdom and may be adversely affected if the United Kingdom's economy deteriorates.

Kier has operations in the Middle East, the Caribbean and Hong Kong and Mouchel has operations in the Middle East and Australia. As a consequence, these operations are affected by political and economic developments in these geographic regions, including factors such as mineral, commodity or energy prices, potential economic volatility and the availability and cost of credit, and by political and economic issues in other regions that, in turn, affect the Middle East, the Caribbean, Hong Kong and Australia. For example, Kier's and Mouchel's Middle Eastern operations may be sensitive to the price of oil and movements in oil prices may have a substantial impact on the budgets of their respective customers in this region. To the extent that current economic conditions decline, this could have a material adverse effect on Kier's, Mouchel's and the Enlarged Group's business, financial condition and results of operations.

Unfavourable developments in global or regional economic growth rates may also have an impact on the level of demand for Kier's and Mouchel's services in the markets in which they operate. Adverse or volatile economic conditions may affect liquidity and the availability of credit which may, in turn, influence customer spending on capital investment and/or other projects.

Additional factors that could influence customer demand include central and local government budgetary constraints, unemployment rates and consumer confidence. These factors may, in turn, be influenced by the political environment in the countries in which Kier and Mouchel operate, including in particular in the United Kingdom after the outcome of the general election on 7 May 2015. These factors may affect customers' ability and confidence to award or renew contracts and may lead to an increase in the number of customers who delay or terminate projects or are not willing to pay for the services provided. If Kier, Mouchel or the Enlarged Group are unable to anticipate successfully changing economic and political conditions affecting the markets in which they operate, they may be unable to effectively plan for or respond to those changes, which, in turn, could have a material adverse effect on the business, financial condition and results of operations of Kier, Mouchel and the Enlarged Group.

Kier and Mouchel operate and the Enlarged Group will operate in highly competitive environments.

Kier and Mouchel operate in highly competitive markets in which contractors, service providers and suppliers compete for new work through a process of competitive tendering or bilateral negotiation. An entity's reputation, prior experience with a customer and pricing will all have a bearing on winning new work. A failure by Kier, Mouchel or the Enlarged Group to compete effectively could have a material adverse effect on their business, financial condition and results of operations.

Kier and Mouchel compete, and the Enlarged Group will compete, with international, national and local construction, support services, property and house-building groups. Some of these groups are larger than Kier, Mouchel or the Enlarged Group and may have greater financial, technical and operating resources or capabilities. The sectors in which Kier and Mouchel operate, and in which the Enlarged Group will operate, are highly competitive on the basis of both price and service. In order to tender successfully for contracts, Kier, Mouchel or the Enlarged Group may need to agree to lower prices or less favourable contract terms than they would typically expect to agree to.

There can be no assurances as to the competitiveness of the Enlarged Group or that the Enlarged Group will win any additional market share from any of its competitors or maintain the current aggregate market share of Kier and Mouchel (or as to the terms on which it is able to do so). As a result of this competition, Kier, Mouchel and the Enlarged Group may fail to win new contracts in their chosen markets, may be unable to renew current contracts or may fail to win contracts on appropriate terms which are sufficiently profitable to maintain or improve the financial condition of Kier, Mouchel and the Enlarged Group.

Changes in governments' budgets, policies and investment levels may adversely affect the Enlarged Group's business, financial condition and results of operations.

Certain of Kier's, Mouchel's and the Enlarged Group's operations are dependent on national and local government policies with regard to maintaining and improving public infrastructure and buildings and outsourcing services to the private sector. The order books for Kier's, Mouchel's and the Enlarged Group's construction and services businesses are, to a certain extent, also dependent upon the level of expenditure in the public sector. In particular, the local government market has been challenging in recent years as central government cuts in expenditure have significantly reduced local authority grants. National and/or local government bodies may decide in the future to change their priorities and programmes, including by reducing, delaying or cancelling present or future investment in publicly funded infrastructure projects, reducing the level of services to be outsourced to private contractors or by decreasing or cancelling expenditure in other areas in which Kier, Mouchel and the Enlarged Group would expect to operate. In 2013, for example, Mouchel lost its contract with Milton Keynes Council when the council decided to "insource" work that Mouchel had previously been contracted to perform, which had an adverse effect on Mouchel's results.

Additionally, a change in a national or local governing party, such as could occur in the forthcoming general election in the United Kingdom, could also result in changes in national and local government policies or priorities and/or a reduction, delay or cancellation of investment in the funding of public sector projects. Any such reduction, delay or cancellation in such government investment and funding could have a material adverse effect on Kier's, Mouchel's and the Enlarged Group's business, financial condition and results of operations.

Kier is required to comply with a significant number of laws, regulations and administrative requirements and policies which may change, resulting in increased compliance costs and exposure to liability.

Each of the jurisdictions in which Kier and Mouchel operate, and in which the Enlarged Group will operate, requires compliance with a significant number of regulations and administrative requirements and policies which relate to, among other matters, national, local and other laws, planning, developments, building, land use, health and safety, environment, competition and employment matters. These regulations, requirements and policies often provide broad discretion to the administering authorities. Furthermore, changes in relevant law, regulations or policies, or the interpretation thereof, or delays in such interpretations being delivered, may result in the cancellation, delay or increase in the cost of projects.

Additionally, Kier and Mouchel operate in a number of different jurisdictions, including certain emerging markets, which can have complex and, at times, less developed legal and regulatory frameworks than the United Kingdom. Kier and Mouchel endeavour to conduct their businesses within the framework set by applicable regulatory requirements in each of the markets and geographic regions in which they operate. However, if either Kier or Mouchel is unable to or does not comply with applicable legal and regulatory requirements, this may lead to the loss of licences, reputational damage and/or potential civil and criminal liability for Kier or Mouchel and their management. Kier, Mouchel or the Enlarged Group may also, from time to time, become aware of allegations of non-compliance with the laws and regulations to which they are subject, whether by its employees or associated parties (including, for example, its agents, sub-contractors and joint venture partners or any of their respectively employees), in response to which they may conduct investigations. Even if it is determined that there has been no breach of such laws or regulations, they may suffer reputational damage as a result of these allegations.

Kier expects that its operations will be subject to increasingly stringent legal and regulatory requirements in the future. Although the effect of these requirements cannot be predicted, compliance with them may result in the cancellation, delay or increase in the cost of projects or increase Kier's, Mouchel's or the Enlarged Group's overall costs, which could have a material adverse effect on the business, financial condition and results of operations of Kier, Mouchel and the Enlarged Group.

Kier and Mouchel are required, and the Enlarged Group will be required, to comply with stringent SHE laws, regulations and policies.

Kier and Mouchel are, and the Enlarged Group will be, subject to a number of laws, regulations and policies concerning SHE. The impact of such laws, regulations and policies can vary greatly from site to site, depending on, among other things, the site's environmental condition, its present and former uses and the nature of the work being undertaken at the site. SHE laws, regulations and policies may result in delay of projects or may give rise to substantial compliance, remediation and/or other costs and could prohibit or severely restrict the Enlarged Group's ability to operate and/or grow its business in certain jurisdictions or locations.

The consequences of a breach of SHE laws, regulations or policies can or could be significant. Kier, Mouchel and the Enlarged Group may be liable for losses associated with SHE issues, may be subject to regulatory investigations (for example, in the United Kingdom by the Health and Safety Executive), may have their licences or permits withdrawn or suspended or may be forced to undertake or pay for extensive remedial action, even in cases where such issues have been caused by any previous or subsequent owners or operators of the site, by any past or present owners of adjacent properties or by acts of vandalism by trespassers. Any such losses, investigations, withdrawals, suspensions, actions or payments may have a material adverse effect on the reputation, business, results of operations and financial condition of Kier, Mouchel and, following the Acquisition, the Enlarged Group. Furthermore, even if Kier, Mouchel and the Enlarged Group remain in compliance with laws, regulations and policies concerning SHE, they may experience reputational damage arising from allegations of non-compliance or adverse publicity in these areas.

A major SHE incident or disaster could lead to injury, loss of life, or property damage and could result in reputational damage and potential liabilities.

Kier, Mouchel and the Enlarged Group are involved in activities that are inherently complex and potentially hazardous and has resulted and could result in injury or loss of life to employees, sub-contractors, clients' employees, members of the public or other third parties or damage to the environment. Kier, Mouchel and the Enlarged Group are responsible for the health and safety of their employees and third-party personnel who are working at project sites under the supervision of Kier, Mouchel or the Enlarged Group and, accordingly, must implement health and safety procedures. The failure to comply with such procedures may subject Kier, Mouchel or the Enlarged Group to losses and liabilities under client contracts, law or regulation. Kier, Mouchel and the Enlarged Group's SHE performance will be critical to the success of the Enlarged Group.

If a disaster or disruption relating to SHE matters occurs and Kier's, Mouchel's or the Enlarged Group's policies and procedures are found to be insufficient to mitigate the harm that may result from such a disaster or disruption, this could have an adverse effect on Kier's, Mouchel's or the Enlarged Group's business, financial condition and results of operations. Furthermore, such a failure could generate significant adverse publicity and have a negative impact on Kier's, Mouchel's or the Enlarged Group's reputation and its ability to win new business, which, in turn, could adversely affect its operating, financial and share price performance.

Contracts are subject to the risks associated with pricing, cost overruns and delays as well as risks associated with delays in payment by customers.

Kier and Mouchel each carry out several hundred contracts annually and the work for which they tender is often complex and long-term, with significant associated risks. If Kier, Mouchel or the Enlarged Group do not adequately price risks or are unable accurately to assess or estimate the revenues or costs on a particular contract, then profits may be lower than anticipated or a loss may be incurred on the contract. If risks are over-priced, Kier, Mouchel or the Enlarged Group may be unsuccessful in securing new contract awards, resulting in an adverse impact on future order books. Kier's and Mouchel's businesses depend, and the Enlarged Group's business will depend, on risks being accurately priced, costs being controlled and projects being completed on time, such that costs are contained within the pricing structure of the relevant contract.

Cost overruns, whether due to inefficiency, incorrect estimates, cost escalation, cost overruns, inflation or other factors (whether within the control of Kier or Mouchel or not or whether forecast or not), can result in a lower profit or a loss on a contract. A significant number of Kier's and Mouchel's contracts, and in

particular contracts that they tender for, are based in part on cost estimates that are subject to a number of assumptions. There can be no guarantee or assurance that these assumptions are, or will remain, reasonable or accurate. If any or all of these assumptions or estimates of the overall risks, revenues or costs prove inaccurate or circumstances change, then less revenue may be derived from the contract than had originally been anticipated or a lower profit or a loss on the contract may result. For example, May Gurney, which Kier acquired in July 2013, had certain environmental contracts that remain loss-making and require management attention. There can be no guarantee as to the effectiveness of a mitigation plan with respect to any contract, including these May Gurney environmental contracts. In certain instances, Kier, Mouchel or the Enlarged Group may incur costs upon the termination of a contract (including, for example, the mobilisation costs of any replacement supplier of the services), which may be significant. Any failure effectively to mitigate the risks associated with, or the losses arising from, underperforming contracts could have a material and adverse effect on the business, financial condition and results of operation of Kier, Mouchel and the Enlarged Group.

Kier and Mouchel are also subject, and the Enlarged Group will be subject, to the risk of delays in payment by customers. In particular, in certain jurisdictions in which Kier and Mouchel operate, and in which the Enlarged Group will operate, the timing of payments may be longer. If Kier, Mouchel or the Enlarged Group experience delays in payments by its customers (or such customers fail to pay), their cash flows could be adversely affected. Any adverse effect on the Enlarged Group's cash flows could have a material adverse effect on its reputation and its ability to win new business, which, in turn, could affect its operating, financial and share price performance.

Failure to meet customer expectations on project delivery could result in reputational damage and/or loss of repeat business and potentially lead to litigation.

Kier's, Mouchel's and the Enlarged Group's ability to tender for new business and their relationships with their customers depend in large part on the reputation that they have established. A number of factors, whether within Kier's or Mouchel's control or not, could mean that projects are not delivered in line with expectations as to time, cost, quality or SHE performance and therefore do not meet customer expectations. Any failure to deliver in accordance with contractual service levels or customer expectations could subject Kier, Mouchel or the Enlarged Group to damages and/or reduce the margins on these contracts. Failure to meet contractual service levels or customer expectations may also result in disputes or litigation, cancelled or delayed contracts, additional costs or payments for alleged breaches of warranty or other contractual commitments. The occurrence of any of these risks could adversely affect Kier's, Mouchel's or the Enlarged Group's reputation, expose Kier, Mouchel or the Enlarged Group to financial liabilities and have a material adverse effect on Kier's, Mouchel's or the Enlarged Group's business, financial condition and results of operations.

Failure to defend successfully claims made by customers, suppliers or sub-contractors, or failure to recover adequately on claims made against customers, suppliers or sub-contractors, could materially adversely affect Kier's, Mouchel's and the Enlarged Group's business, financial condition and results of operations.

As Kier, Mouchel and the Enlarged Group undertake increasingly large-scale and complex contracts such as the Crossrail projects, the Hong Kong tunnelling projects and the Highways England contracts, the potential impact of the risks associated with these contracts may also increase. In particular, the risk of significant claims arising between Kier, Mouchel or the Enlarged Group and their customers relating to, *inter alia*, breach of contract (or otherwise relating to the terms and conditions of a contract), is generally considered as likely to be greater in the context of large civil and infrastructure projects as compared to lower-value building contracts. With respect to claims brought by Kier, Mouchel or the Enlarged Group, no assurance can be given as to the value or outcome of any such claims and no guarantee that customers will settle or pay amounts in respect of any such claims in a timely manner or at all. Similarly, there can be no assurance as to the number or value of any such claims that Kier, Mouchel or the Enlarged Group may bring or face in the future. Large-value claims, whether brought by or against Kier, Mouchel or the Enlarged Group, may have a material adverse effect on Kier's, Mouchel's or the Enlarged Group's business, financial condition and results of operations.

Furthermore, Kier and Mouchel rely on sub-contractors and suppliers to assist with the completion of their contracts and the Enlarged Group will also continue to do so. Accordingly, claims involving customers, suppliers, sub-contractors and other counterparties may be brought against or by Kier, Mouchel or the Enlarged Group in connection with contracts entered into by Kier, Mouchel and the Enlarged Group.

Customer claims brought against Kier, Mouchel or the Enlarged Group may include amounts relating to allegedly defective or incomplete work, breaches of warranty and/or the delayed completion of the project. The claims may involve actual damages, as well as contractually agreed-upon liquidated sums. Claims brought by Kier, Mouchel or the Enlarged Group against customers may include claims for additional costs incurred in excess of current contract provisions arising out of project delays and changes to the previously agreed scope of work. Claims between Kier, Mouchel or the Enlarged Group and their suppliers, sub-contractors and other parties (for example, joint venture partners) may include claims for non-performance or delayed or sub-standard performance. Any of these claims, if not resolved through negotiation, may be subject to lengthy and expensive litigation or arbitration proceedings and it is often difficult accurately to predict how long the resolution of these claims will take and their ultimate cost. The costs associated with such claims could have a material adverse effect on Kier's, Mouchel's and the Enlarged Group's business, financial condition and results of operations.

It may be difficult or expensive to obtain commercial insurance and there can be no assurance that sufficient cover will be secured or maintained.

Whilst Kier and Mouchel maintain commercial insurance in amounts that they believe to be appropriate in relation to the risks commonly insured against by similar businesses, and the Enlarged Group will seek to maintain such insurance, there can be no guarantee that the Enlarged Group will be able to obtain appropriate or sufficient levels of cover on acceptable terms in the future.

In addition, even with such insurance in place, the risk remains that Kier, Mouchel or the Enlarged Group may incur liabilities to clients and other third parties which exceed the limits of such insurance cover or are not covered by it. If any of Kier's, Mouchel's or the Enlarged Group's insurers become insolvent, refuse to renew or revoke coverage or otherwise cannot satisfy the insurance requirements of Kier, Mouchel or the Enlarged Group, then the overall risk exposure and operational costs of Kier, Mouchel or the Enlarged Group could materially increase and the Enlarged Group's business operations could be significantly disrupted. In such circumstances, there would be a material adverse effect on the business, financial condition or results of operations of Kier, Mouchel or the Enlarged Group.

Kier and Mouchel are, and the Enlarged Group will be, subject to procurement rules and regulations and procurement delays.

When tendering for contracts with national and local governments and other public sector bodies, Kier and Mouchel must comply with specific procurement regulations and other requirements. These requirements, although customary when entering into contracts with public sector bodies, increase Kier's and Mouchel's bidding, performance and compliance costs. If procurement requirements change, the eligibility requirements for such contracts may also change and/or the costs of bidding for or complying with such contracts could increase, any or all of which could have a material adverse effect on Kier's, Mouchel's and the Enlarged Group's ability successfully to tender for contracts and therefore their business, financial condition and results of operations.

Failure or inability to comply with procurement rules or regulations (which may be subject to change) could result in: (i) reductions in the number or value of contracts to be awarded to Kier, Mouchel or the Enlarged Group; (ii) Kier, Mouchel or the Enlarged Group not being able or permitted to participate in future tenders; or (iii) contract delays, modifications or terminations, any or all of which could have a material adverse effect on the financial condition and results of operations of Kier, Mouchel and the Enlarged Group. Failure to comply with these rules and regulations could lead to Kier, Mouchel or the Enlarged Group being unable to contract with the public sector body concerned either at all or for a period of time and could negatively affect Kier's, Mouchel's or the Enlarged Group's reputation and ability to procure future public sector work. In addition, to the extent that any of Kier's, Mouchel's or the Enlarged Group's joint venture partners fail to comply with procurement rules and regulations, there is a risk that Kier, Mouchel or the Enlarged Group could be held jointly liable for such failure.

Certain government-related projects on which Kier, Mouchel and the Enlarged Group may work will require relevant approvals from government ministers or senior civil servants or national or local government departments. There is a risk that, due to difficulties obtaining such approvals, projects may be delayed, whether before procurement has started, during the tender stage or during the period between the appointment of a preferred bidder and the exchange of contracts. Delays in awarding public contracts may also arise from challenges to the award of the contracts by competitors. These matters may be beyond the control of Kier, Mouchel or the Enlarged Group, but any resulting delays could affect the future

revenue and cash flows of Kier, Mouchel and the Enlarged Group and therefore, have a material adverse effect on Kier's, Mouchel's and the Enlarged Group's businesses, financial condition and results of operations.

Kier and Mouchel face, and the Enlarged Group will face, additional risks of challenge relating to public sector bodies' compliance with procurement, state aid, *vires* and other requirements, any of which could have a material adverse effect on Kier's, Mouchel's and the Enlarged Group's business, financial condition and results of operations.

Kier, Mouchel and the Enlarged Group could be adversely affected by their dependence on the continued viability of sub-contractors, suppliers and other service providers.

Kier and Mouchel are, and the Enlarged Group will be, reliant on their supply chain, as they use third-party contractors to provide certain services. In certain markets, Kier's, Mouchel's and the Enlarged Group's choice of sub-contractors, suppliers or other service providers may be limited. If any of these sub-contractors, suppliers or other service providers fail to meet their obligations, Kier, Mouchel or the Enlarged Group may not have readily available alternatives, which could result in a delay in a project, which, in turn, could lead to financial losses for Kier or Mouchel, as the case may be. Additionally, if a sub-contractor, supplier or other service provider is responsible for late or inadequate delivery or poor quality of work on a project, this could damage Kier's, Mouchel's or the Enlarged Group's reputation and/or cause it to suffer financial losses.

Furthermore, Kier, Mouchel or the Enlarged Group may appoint a sub-contractor, a supplier or other service provider that subsequently becomes insolvent, causing cost overruns or programme delays (which could lead to financial losses for Kier or Mouchel, as the case may be) and increasing the risk that Kier, Mouchel or the Enlarged Group will be unable to recover costs in relation to any defective work performed by such sub-contractor, supplier or service provider, to the extent such costs are not covered by insurance. The insolvency or other financial distress of a sub-contractor or supplier could have a material adverse effect on Kier's, Mouchel's or the Enlarged Group's business, financial condition and results of operations.

Kier and Mouchel are, and the Enlarged Group will be, exposed to the risks associated with operating in emerging markets.

Kier operates in the Caribbean and the Middle East, and Mouchel operates in the Middle East. Operating in these emerging markets will expose the Enlarged Group's operations to risks that may not be encountered in countries with more developed economic and political systems. Such risks include: (i) changes in international governmental regulations; (ii) trade restrictions and laws; (iii) tariffs and other barriers to trade; (iv) the potential for nationalisation of enterprises; (v) government policies favouring local production; (vi) renegotiation or termination of existing agreements; (vii) fluctuations in interest rates and currency exchange rates; (viii) the introduction of exchange controls and other restrictions by foreign governments; (ix) timeliness of client payments; and (x) the application of local law and regulations relating to SHE matters. These risks may impact Kier's, Mouchel's and the Enlarged Group's ability to operate successfully in the relevant market which may, in turn, have a material adverse effect on Kier's, Mouchel's and the Enlarged Group's business, financial condition and results of operations.

The success of Kier's, Mouchel's and the Enlarged Group's joint ventures depends on the satisfactory performance by its joint venture partners of their contractual and other obligations.

Both Kier and Mouchel bid for contracts with joint venture partners and have entered into joint venture arrangements with third parties, including project-specific joint ventures, such as Kier's Crossrail joint ventures and the DownerMouchel joint venture with Downer in Australia, where control of operations may be shared with unaffiliated third parties. Joint ventures are subject to inherent risks, such as joint venture partners adopting differing approaches to the conduct of business (including, without limitation, with respect to SHE matters, risk management, operational and commercial matters and financial performance), which may result in delayed decision-making, a failure to agree on material issues or the joint venture not performing in line with expectations.

Kier expects that the Enlarged Group will continue to enter into joint ventures, thereby exposing it to the risks associated with joint ventures. In addition, from time to time, in order to establish or preserve a joint venture relationship, Kier, Mouchel or the Enlarged Group may be required to accept risks or

responsibilities that exceed those which, typically, Kier, Mouchel or the Enlarged Group would be prepared to accept. Although Kier, Mouchel and the Enlarged Group may have decision-making and other rights in respect of their joint ventures, their operations, including in relation to internal controls and financial reporting, will not be exclusively within the control of Kier, Mouchel or the Enlarged Group.

The success of these joint ventures also depends, in large part, on the satisfactory performance by Kier, Mouchel and the Enlarged Group's joint venture partners of their contractual, legal, regulatory and other obligations, including their obligation to commit working capital, equity or credit support, to support their indemnification and other contractual obligations and to comply with applicable law and regulation. If a joint venture partner fails satisfactorily to perform its obligations, for whatever reason, the joint venture may be unable adequately to perform or deliver its contracted services. Under these circumstances, Kier, Mouchel or the Enlarged Group may be required to make additional investment and provide additional services to ensure the adequate performance and delivery of the contracted services. These additional obligations could result in reduced profits or, in some cases, increased liabilities or significant losses with respect to the joint venture (and, therefore Kier, Mouchel or the Enlarged Group). In addition, a failure by a joint venture partner to comply with applicable laws, rules or regulations could negatively affect Kier's, Mouchel's or the Enlarged Group's reputation and business, financial condition and results of operations.

Additionally, some of Mouchel's existing joint venture agreements (including those relating to DownerMouchel) contain change of control provisions which could be triggered by the Acquisition, allowing Mouchel's current joint venture partners unilaterally to exit the relevant joint venture. The termination of any of these joint venture arrangements could have a material adverse effect on Kier's, Mouchel's and the Enlarged Group's business, financial condition and results of operations.

Failure or security breaches of information technology ("IT") systems and/or data security or the inability to effectively integrate Kier's and Mouchel's IT systems may result in losses for the Enlarged Group.

The efficient operation and management of Kier's and Mouchel's business depends, and the Enlarged Group's business will require the proper operation, performance and development of IT systems and processes. New IT systems and changes to management systems may not be successfully implemented and managed. For instance, Kier is currently planning to implement an Enterprise Resource Planning system, which will have a substantial impact on Kier's current IT systems. Additionally, following the Acquisition, Kier's and Mouchel's existing IT systems may not be successfully integrated. Either of these risks may lead to a loss of data, a failure of IT systems or an IT environment that is inadequate to support the Enlarged Group's business and operations.

Furthermore, information and communication systems by their nature are susceptible to internal and external security breaches, including computer hacker and cyberterrorist attacks or wilful breaches by employees, and can fail or become unavailable for a period of time. A significant performance failure of Kier's, Mouchel's or the Enlarged Group's IT systems could lead to loss of control over critical business information and/or systems (such as those relating to contract costs, invoicing, payroll management and/or internal reporting (whether financial, commercial or operational)), adversely affecting the business' ability to operate effectively or to fulfil its contractual obligations, which may in turn lead to a loss of customers, revenue and profitability and the incurrence of significant consequential and remedial costs, any of which could have a material adverse effect on the business, financial condition and results of operation of Kier, Mouchel and the Enlarged Group.

Kier and the Enlarged Group may not be successful in the implementation of their strategic objectives.

Kier recently announced its corporate strategy, Vision 2020, which is aimed at leveraging its integrated offering to deliver significant growth in operating profit through to 2020. By 2020, in both its Property and Residential divisions, Kier aims to achieve ROCE of at least 15 per cent. and, in its Construction and Services divisions, it aims to achieve operating margins of at least 2.5 per cent. and 5 per cent., respectively. There can, however, be no assurance that Kier will be successful in implementing its strategy or that it will meet the aforementioned targets. Furthermore, the implementation of its strategy may cost more than Kier has currently budgeted. If Kier does not successfully implement its strategy or if it is required to spend more to achieve its strategic objectives, this could have a material adverse effect on its business, financial condition and results of operations.

Kier, Mouchel and the Enlarged Group may fail to attract, develop and retain appropriately skilled management and personnel.

The success of Kier and Mouchel is, and the success of the Enlarged Group will be, dependent on recruiting, retaining, motivating and developing sufficient appropriately skilled and competent people at all levels of their organisations. Kier and Mouchel may face increased staff turnover and intense competition for appropriate personnel from other companies and organisations. As a result of this turnover and competition, there may at any time be shortages in the availability of appropriately skilled people at all levels within Kier, Mouchel or the Enlarged Group and these shortages could have a material adverse effect on their business, financial condition and results of operations.

The Enlarged Group's success depends, to a significant extent, on the continued services of its senior management team, which has substantial knowledge of, and experience and expertise in, the industries in which it operates, together with long-standing client relationships. The members of the senior management team of Kier and Mouchel will be expected to contribute to the Enlarged Group obtaining, generating, managing and developing business opportunities. If Kier, Mouchel or the Enlarged Group are unable successfully to retain or attract such personnel, they may not be able to maintain standards of service or continue to grow the Enlarged Group's business as anticipated. The loss of such personnel, or the inability to retain or attract additional appropriately skilled employees, could have a material adverse effect on Kier's, Mouchel's and the Enlarged Group's business, financial condition and results of operations.

There is no guarantee that any of Kier's or Mouchel's senior management team will remain employed by the Enlarged Group. Succession planning is important at all levels of Kier and Mouchel and will also be important in the Enlarged Group. The loss of the services of key members of the senior management team or other key employees could have a material adverse effect on the business, financial condition or results of operations of the Enlarged Group.

A number of Kier's and Mouchel's employees are, and the Enlarged Group's employees will be, represented by trade unions.

Kier and Mouchel employ, and the Enlarged Group will employ, a large number of employees across multiple geographic locations. Some of Kier's, Mouchel's and the Enlarged Group's employees may be represented by trade unions. The presence of these trade unions may limit Kier's, Mouchel's and the Enlarged Group's flexibility in dealing with their employees and may lead to increased operating costs. Additionally, from time to time, there may be disputes with employees, trade unions or other employee bodies to which such employees are affiliated. There can be no guarantee or assurance that any such disputes would not have a material adverse effect on the reputation and the business, financial condition or results of operations of Kier, Mouchel or the Enlarged Group.

An increase in labour costs in the jurisdictions in which Kier and Mouchel operate, and the Enlarged Group will operate, may adversely affect Kier's, Mouchel's and the Enlarged Group's business and results of operations.

Kier's and Mouchel's businesses are labour intensive and any increase in labour costs, in particular in the United Kingdom, where the majority of the Enlarged Group's employees will be located, could adversely affect Kier's, Mouchel's and the Enlarged Group's business, financial condition and results of operations.

A significant number of Kier's and Mouchel's employees have been transferred to Kier and Mouchel under TUPE. The terms and conditions of employment of these workers were, typically, agreed by third parties and may affect Kier's, Mouchel's and the Enlarged Group's ability to control the costs associated with its employees. In addition, collective bargaining agreements and/or non-unionised workers becoming unionised may have a material adverse effect on Kier's, Mouchel's and the Enlarged Group's costs, operations and business.

Furthermore, Kier, Mouchel and/or the Enlarged Group are obliged to remunerate employees on the basis of recent interpretations of the UK Working Time Regulations (the "Working Time Regulations") relating to statutory holiday pay. The European Court of Justice ("ECJ") has held that the calculation of holiday pay should be based not only on an employee's salary but also include any element of remuneration "intrinsically linked" to the tasks required under the employee's contract, including certain overtime payments and commission payments. In November 2014, the Employment Appeals Tribunal ("EAT") decided that the Working Time Regulations should be interpreted in accordance with the ECJ's judgment. Accordingly, employers that pay workers non-guaranteed overtime may face increased costs in relation to

such workers. Kier's, Mouchel's and the Enlarged Group's labour costs may also increase as a result of the EAT's decision; however, it is currently not possible to determine accurately the level of any such increased costs.

In addition, legislation and regulations relating to labour, employment (for example, TUPE), social security, health and safety of employees and immigration also affect Kier's and Mouchel's ability, and will affect the Enlarged Group's ability, to control staff costs. In the event that Kier, Mouchel or the Enlarged Group experience a significant increase in labour costs and are not able to pass some or all of those incurred costs on to their customers, this could have a material adverse effect on Kier's, Mouchel's or the Enlarged Group's business, financial condition and results of operations.

The Enlarged Group is exposed to funding risks in relation to Kier's and Mouchel's defined benefit pension schemes.

Kier and Mouchel operate defined benefit pension schemes, which require careful judgement in determining the assumptions for future salary and pension increases, discount rates, inflation, investment return and participants' life expectancy. These defined benefit pension schemes include legacy pension schemes for companies that have previously been acquired, such as, in the case of Kier, May Gurney and TransLinc. The Enlarged Group expects to continue to operate these schemes, although the most significant Kier and Mouchel defined benefit schemes are now closed to new entrants (other than, in the case of Mouchel, in respect of a small number of employees who have transferred to Mouchel under TUPE).

In the current financial year, Kier expects to recognise a £6.5 million charge in connection with the closure of its principal defined benefit pension scheme to new entrants in February 2015.

As at 30 June 2014, the net deficit for Kier's defined benefit schemes, on the valuation basis specified in IAS 19 "Employee Benefits", was £48 million, compared to a net deficit as at 30 June 2013 of £38 million.

As at 30 September 2014, the net deficit for Mouchel's defined benefit schemes, on the valuation basis specified in IAS 19 "Employee Benefits", was £55.7 million, compared to a net deficit as at 30 September 2013 of £53 million. Mouchel reached an agreement with the trustee of its defined benefit pension schemes resulting in expected contributions payable, based on existing funding plans and contribution rates, of £7.5 million for the years ending 30 September 2015 and 30 September 2016.

A prolonged period of poor asset returns, imbalances between bond and interest rates and/or unexpected increases in participants' life expectancy could require increases in the level of additional cash contributions to defined benefit schemes, which may constrain Kier's, Mouchel's or the Enlarged Group's ability to make acquisitions or invest in capital expenditures or adversely affect the Enlarged Group's cash flows, thereby adversely affecting future growth and profitability. In addition, in certain limited circumstances, actions by the Pensions Regulator in the United Kingdom to impose financial support directions or contribution notices, or decisions by the trustees of Kier's or Mouchel's defined benefit schemes to take a more prudent approach to deficit recovery payments, could result in Kier, Mouchel or the Enlarged Group being required to contribute significant additional amounts to its pension schemes, which could thereby also have a material adverse effect on Kier's, Mouchel's or the Enlarged Group's business, financial condition and results of operations.

The cost, quality and location of land is fundamental to the Property and Residential divisions of Kier and the Enlarged Group.

The Property and Residential divisions rely upon acquiring land at appropriate prices and in appropriate locations. There is a risk that the value of land purchased by Kier may decline in value and/or that the market's perception of the location of land may change. In addition, values are inherently subjective; factors such as: (i) changes in regulatory requirements and applicable laws (including in relation to building regulations, taxation and planning); (ii) political conditions; (iii) financial market conditions; (iv) economic conditions; (v) tax; and (vi) interest and inflation rate fluctuations all contribute to land valuation uncertainty.

Kier and the Enlarged Group will continue to manage the risks associated with purchasing, owning and building on land. However, there can be no assurance that the valuations of land and housing stock will reflect actual sale prices. There is a risk that unforeseen events will have an impact on the value of Kier's

current landbank and that a decline in land value could have a material adverse effect on the business, financial condition and results of operations of Kier and the Enlarged Group.

Kier, Mouchel and the Enlarged Group may not successfully identify, complete or manage acquisitions or divestments.

Kier and Mouchel from time to time acquire other companies in order to expand their own businesses. The risks associated with such acquisitions include the availability of suitable acquisition opportunities, obtaining regulatory approval for any acquisitions, the availability of financing (on appropriate terms) and integration issues, such as the success or failure to realise operating benefits or synergies. The process of integrating an acquired company or business is risky and may create unforeseen operating difficulties and expenditures, including: (i) difficulties in integrating the operations, technologies, services and personnel of acquired businesses; (ii) unexpected costs or liabilities of acquired businesses; (iii) ineffectiveness or incompatibility of acquired technologies or services; (iv) failure to realise operating benefits or synergies from completed transactions; (v) potential loss of key employees and cultural challenges associated with integrating employees; (vi) inability to maintain the key business relationships and the reputations of acquired businesses; and (vii) diversion of management's attention from other business concerns. In addition, liabilities associated with acquired businesses may be substantial and may exceed previously forecast liabilities. Furthermore, Kier, Mouchel and the Enlarged Group may not be able to recover amounts in respect of any representations, warranties and indemnities given by the sellers in connection with such acquisitions.

Kier, Mouchel and the Enlarged Group may also from time to time seek to divest certain businesses in order to streamline their businesses or exit from underperforming businesses. The risks associated with such divestments include the failure to find a buyer at an acceptable price and the diversion of management's attention from other matters.

If Kier, Mouchel or the Enlarged Group are unsuccessful in effectively integrating an acquired company or divesting a business, their business, financial condition and results of operations may be materially adversely affected.

Failure to comply with anti-corruption laws and regulations, economic sanction programmes or other laws and regulations may result in Kier, Mouchel or the Enlarged Group becoming subject to fines or penalties and the disruption of its business activities.

Many of the countries in which Kier and Mouchel operate have anti-corruption laws and regulations that restrict the offer or payment of anything of value to government officials or other persons with the intent of gaining business or favourable government action. Kier and Mouchel are subject to these laws and regulations, including the Bribery Act 2010, and the Enlarged Group will continue to be subject to these laws and regulations in the future. Additionally, economic sanctions programmes, including those administered by the United Nations, the European Union and the U.S. Office of Foreign Asset Control, restrict Kier's and Mouchel's business dealings with certain sanctioned countries and will continue to restrict the dealings of the Enlarged Group.

The Enlarged Group will be exposed to the risk of violating anti-corruption laws and sanctions regulations applicable in those countries and regions where it, its partners or its agents operate, such as the Middle East and the Caribbean. Some of the locations in which Kier and Mouchel currently have less well developed legal systems and have relatively higher levels of corruption than the United Kingdom. A substantive ethical breach and/or non-compliance with applicable laws or regulations by Kier, Mouchel or the Enlarged Group or their employees, consultants, sub-contractors, agents or joint venture partners could damage Kier's, Mouchel's or the Enlarged Group's reputation and/or result in, fines, litigation, increased tax exposure or claims for compensation. Violations of anti-corruption laws and sanctions regulations are punishable by civil penalties, including fines, injunctions, asset seizures, debarment from government contracts, termination of existing contracts and revocations of or restrictions on licences, as well as criminal fines and imprisonment. In addition, any major violations could have a significant impact on Kier's, Mouchel's or the Enlarged Group's reputation and consequently on its ability to win future business.

Kier and Mouchel require their employees and third parties with which they conduct business to comply with anti-corruption laws and regulations and have implemented procedures and controls designed to ensure compliance. The Enlarged Group will continue to mandate compliance with such laws and

regulations and will also implement procedures and controls designed to ensure compliance; however, there can be no assurance that Kier's, Mouchel's or the Enlarged Group's policies and procedures will be followed at all times or will effectively detect and/or prevent violations of applicable law, or regulations by its employees, consultants, sub-contractors, agents or partners. As a result, Kier, Mouchel or the Enlarged Group could be subject to criminal, civil and/or administrative fines or penalties. Kier may also, from time to time, become aware of allegations of non-compliance with anti-corruption laws and regulations or fraudulent activity, whether by its employees or associated parties (including, for example, its agents, sub-contractors and joint venture partners or any of their respective employees), in response to which it may conduct investigations. Even if Kier determines that there has been no breach of applicable law or regulation, it may suffer reputational damage as a result of these allegations. Any of the foregoing could have a material adverse effect on its business, financial condition and results of operations if it fails to prevent any such violations.

Risks relating to the Acquisition

The Acquisition is subject to a number of conditions which may not be satisfied or waived.

Completion is conditional upon the approval by Shareholders of the Transaction Resolutions, the receipt by Kier of the proceeds of the Rights Issue and a notification from the Guernsey Financial Services Commission that it has no objection to the Acquisition. Although Kier and each of the other parties to the Share Purchase Agreement have agreed to use reasonable endeavours to satisfy each condition as promptly as practicable after signing the Share Purchase Agreement, there is no assurance that these conditions will be satisfied (or waived, if applicable) either at or before the Long Stop Date (or, if extended, the Extended Long Stop Date), in which case Completion will not occur.

The Enlarged Group may fail to realise the expected benefits of and synergies from the Acquisition.

The Enlarged Group may not realise the expected benefits of and synergies from the Acquisition or may encounter difficulties or higher costs in achieving those expected benefits and synergies. Realisation of the expected benefits of the Acquisition will depend largely on the success of the implementation of the Enlarged Group's strategy. Additionally, the success of the Mouchel businesses within the Enlarged Group depends in part on the Enlarged Group's ability to maintain and/or increase its client base, including maintaining and enhancing its service offering, and key management and employee continuity. In particular, certain Mouchel contracts require customer consent in order to effect a change of control and there can be no assurance that any such consents will be granted following the Acquisition. Any failure to obtain these consents or to realise the increased earnings, operational efficiencies or accelerated growth opportunities for Kier, Mouchel or the Enlarged Group described in this document could have a material adverse effect on the business, financial condition and results of operations of the Enlarged Group.

The value of Mouchel may be less than the consideration paid by Kier.

Prior to Completion, Kier has limited rights to terminate the Acquisition. Accordingly, in the event that there is an adverse event affecting the value of Mouchel or the value of the Mouchel business declines prior to Completion, the value of the Mouchel business purchased by the Group may be less than the consideration agreed to be paid by Kier and, as a result, the net assets of the Enlarged Group could be reduced. There can be no assurance that Kier would be able to renegotiate the consideration paid for Mouchel in such circumstances and Kier may therefore pay an amount in excess to market value for Mouchel, which could have a material adverse effect on the business, financial condition and results of operations of the Enlarged Group.

As a result of the Acquisition, the Enlarged Group may fail to retain key management or other personnel.

The calibre and performance of the Enlarged Group's senior management and other key employees, taken together, is critical to the success of the Enlarged Group and, while incentive plans will be put in place for key personnel, there can be no assurance that the Acquisition will not result in the departure of personnel from the Enlarged Group. Such attrition may take place either before the Acquisition has completed or during the integration of Mouchel within the Enlarged Group. Failure of the Enlarged Group to put in place new long-term incentive plans/arrangements and otherwise remunerate employees appropriately could also result in loss of key personnel. The loss of a significant number of management or key employees could adversely affect both the Enlarged Group's ability to conduct its businesses (through an inability to execute business operations and strategies effectively) and the value of those businesses, which, in turn, could have a material adverse effect on the business, financial condition and results of operations of the Enlarged Group.

Integration of Mouchel into the Enlarged Group may be more time-consuming and costly than expected and unforeseen difficulties may arise.

The integration process following the completion of the Acquisition may be complex. Successful integration will require a significant amount of management time and thus may affect or restrict the ability of the management team of the Enlarged Group to run the business effectively during the period of implementation. If the integration process proves more difficult than is anticipated, there is also a risk to the operations of the Enlarged Group. This integration may take longer than is expected or unforeseen difficulties relating to the integration may arise. In addition, there can be no assurance that the actual cost of the integration process will not exceed the cost estimated by Kier. Furthermore, Kier may not be able to retain personnel with the appropriate skill set for the tasks associated with the integration process. Any difficulties with the integration process could have a material adverse effect on the business, financial condition and results of operations of the Enlarged Group.

Shareholders may be exposed to lower earnings per Share if the Rights Issue completes but the Acquisition does not.

In the event that the Rights Issue completes but the Acquisition does not, there will be an increase in the number of Shares in issue but without any associated increase in earnings from the Acquisition. In such circumstances, Shareholders will be exposed to lower earnings per Share until such time as the Company is able to return substantially all of the net proceeds of the Rights Issue to Shareholders. In such circumstances, although the Company will endeavour to return such proceeds to Shareholders in a timely and efficient manner, there can be no assurance or guarantee given as to either the manner in which it would do so or the time such process would take. The Company will also be obliged to pay certain fees and costs to its advisers in connection with the Rights Issue and the Acquisition.

Shareholders and prospective Shareholders should be aware that the value of an investment in Shares may go down as well as up and any fluctuations may be material and may not reflect the underlying asset value.

The market price of the Shares could be subject to significant fluctuations due to a change in sentiment in the market regarding the Shares. The fluctuations could result from national and global economic and financial conditions, the market's response to the Acquisition and/or the Rights Issue, market perceptions of Kier and various other factors and events, including but not limited to regulatory changes affecting the Enlarged Group's operations, variations in the Enlarged Group's operating results, business developments of the Enlarged Group and/or its competitors and the liquidity of the financial markets. Furthermore, Kier's or the Enlarged Group's operating results and prospects from time to time may be below the expectations of market analysts and investors. Any of these events could result in a decline in the market price of the Shares.

Risks relating to the Rights Issue

Shareholders and prospective Shareholders should be aware that there may be possible volatility in the price of the Nil Paid Rights, the Fully Paid Rights and/or the Shares.

The market price of the Nil Paid Rights, the Fully Paid Rights and/or the Shares could be subject to significant fluctuations due to a change in sentiment in the market regarding the Nil Paid Rights, the Fully Paid Rights and/or the Shares (or securities similar to them), including, in particular, in response to various facts and events, including any regulatory changes affecting the Group's operations, variations in the Group's operating results and/or business developments of the Group and/or its competitors. Stock markets have from time to time experienced significant price and volume fluctuations that have affected the market prices for securities and which may be unrelated to the Company's operating performance or prospects. Furthermore, the Group's operating results and prospects from time to time may be below the expectations of market analysts and investors. Any of these events could result in a decline in the market price of the Nil Paid Rights, the Fully Paid Rights and/or the Shares.

A trading market for the New Shares, the Nil Paid Rights or the Fully Paid Rights may not develop.

Application has been made to admit the New Shares (nil and fully paid) to trading on the London Stock Exchange's main market for listed securities. It is expected that Admission will become effective at 8.00 a.m. on 18 May 2015. There can be no assurance, however, that Admission will become effective or that an active trading market in the New Shares, the Nil Paid Rights or the Fully Paid Rights will develop upon or following Admission.

Investors who purchase the New Shares, the Nil Paid Rights or the Fully Paid Rights in currencies other than pounds sterling are subject to exchange rate risk.

The New Shares, the Nil Paid Rights or the Fully Paid Rights are priced in pounds sterling. Accordingly, any investor outside the United Kingdom is subject to adverse movements in its local currency against pounds sterling.

Shareholders who do not take up their Nil Paid Rights or otherwise acquire New Shares may not receive compensation for their Nil Paid Rights and may be subject to a dilution of ownership of their Shares upon the issue of New Shares.

If a Shareholder, including a Shareholder with a registered address in the United States or the Excluded Territories, does not respond to the Rights Issue by 11.00 a.m. on 2 June 2015, being the latest time and date for acceptance and payment in full for that Shareholder's provisional allotment of New Shares, that Shareholder's Nil Paid Rights will lapse and the Company has made arrangements under which the Underwriters, within two Business Days following the expiration of the latest time and date for acceptance and payment, will endeavour to find subscribers for New Shares not taken up by Shareholders. If, however, the Underwriters are unable to find subscribers for such New Shares or are unable to achieve a specified premium over the Issue Price and the related expenses of procuring such subscribers, Shareholders will not receive any consideration for the Nil Paid Rights which they have not taken up. Furthermore, to the extent that Shareholders do not exercise their Nil Paid Rights to subscribe for New Shares, their proportionate ownership and voting interest in the Shares (upon the issue of New Shares) will, accordingly, be reduced, and the percentage that their Shares will represent of the total share capital of the Company will be reduced accordingly. Even if a Shareholder elects to sell its unexercised Nil Paid Rights, or such Nil Paid Rights are sold on its behalf, the consideration it receives may not be sufficient to compensate it fully for the dilution of its percentage ownership of the Company's share capital that may be caused as a result of the Rights Issue.

Shareholders outside the United Kingdom may not be able to subscribe for New Shares in the Rights Issue.

In the case of an allotment of Shares for cash, Shareholders have certain statutory pre-emption rights (unless those rights are disapplied by a special resolution of the Shareholders at a general meeting) and such a non-preemptive issue could dilute the interests of Shareholders. Securities laws of certain jurisdictions may restrict the Company's ability to allow participation by Shareholders in the Rights Issue. In particular, holders of Shares who are located in the United States may not be able to take up their rights under the Rights Issue unless a registration statement under the Securities Act is effective with respect to such rights or an exemption from the registration requirements is available thereunder. The Rights Issue will not be registered under the Securities Act. Securities laws of certain other jurisdictions may restrict the Company's ability to allow participation by Shareholders in such jurisdictions in any future issue of shares carried out by the Company. Qualifying Shareholders who have a registered address in or who are resident in, or who are citizens of, countries other than the United Kingdom should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their Nil Paid Rights or to acquire Fully Paid Rights or New Shares.

Any future issue of Shares will further dilute the holdings of shareholders of the Enlarged Group and could adversely affect the market price of Shares.

Other than pursuant to the Acquisition, Kier has no current plans for an offering of Shares, apart from possible issues in relation to certain of the Share Schemes or scrip dividend alternatives. However, it is possible that Kier or the Enlarged Group may decide to offer additional Shares in the future either to raise capital or for other purposes. If Shareholders of the Enlarged Group do not take up such offer of Shares or are not eligible to participate in such offering, their proportionate ownership and voting interests in the Enlarged Group would be reduced and the percentage that their Shares would represent of the total share capital of the Enlarged Group would be reduced accordingly. An additional offering, or significant sales of Shares by major Shareholders, could have a material adverse effect on the market price of Shares.

It may not be possible to effect service of process upon the Company or the Directors or enforce court judgments against the Company or the Directors.

The Company is incorporated in England and Wales. Most of the Company's assets are located in the United Kingdom. As a result, it may not be possible for investors outside of the United Kingdom to effect

service of process against the Company or the Directors or to enforce the judgment of a court outside the United Kingdom against the Company or the Directors.

The Company's ability to continue to pay dividends on the Shares will depend on the availability of distributable reserves.

The Company's ability to pay dividends is limited under English company law, which limits a company to paying cash dividends only to the extent that it has distributable reserves and cash available for this purpose. As a holding company, the Company's ability to pay dividends in the future is affected by a number of factors, principally its ability to receive sufficient dividends from subsidiaries. The payment of dividends to the Company by its subsidiaries is, in turn, subject to restrictions, including certain regulatory requirements and the existence of sufficient distributable reserves and cash in the Company's subsidiaries. The ability of these subsidiaries to pay dividends and the Company's ability to receive distributions from its investments in other entities are subject to applicable local laws and regulatory requirements and other restrictions, including, but not limited to, applicable tax laws and covenants in some of the Company's debt facilities. These laws and restrictions could limit the payment of future dividends and distributions to the Company by its subsidiaries, which could restrict the Company's ability to fund other operations or to pay a dividend to holders of the Shares.

Market and Industry Information

Market data and certain industry forecasts used in this document were obtained from internal surveys, reports and studies, where appropriate, as well as market research, publicly available information and industry publications. Industry publications generally state that the information they contain has been obtained from sources believed to be reliable but that the accuracy or completeness of such information is not guaranteed. Similarly, internal surveys, reports and studies and market research, while believed by the Company to be reliable and accurately extracted by the Company for the purposes of this document, have not been independently verified and the Company makes no representation as to the accuracy of such information. The industry forecasts are forward-looking statements. See "Cautionary Note Regarding Forward-Looking Statements" below.

Cautionary Note Regarding Forward-Looking Statements

This document and the information incorporated by reference into this document include statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "anticipates", "expects", "intends", "plans", "goal", "target", "aim", "may", "will", "would", "could" or "should" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this document and the information incorporated by reference into this document and include statements regarding the intentions, beliefs or current expectations of the Directors, the Company or the Group concerning, amongst other things, the operating results, financial condition, prospects, growth, strategies and dividend policy of the Group and the industry in which it operates.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future and may be beyond the Company's ability to control or predict. Forward-looking statements are not guarantees of future performance. The Group's actual operating results, financial condition, dividend policy and the development of the industry in which it operates may differ materially from the impression created by the forward-looking statements contained in this document and/or the information incorporated by reference into this document. In addition, even if the operating results, financial condition and dividend policy of the Group, and the development of the industry in which it operates, are consistent with the forward-looking statements contained in this document and/or the information incorporated by reference into this document, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that could cause these differences include, but are not limited to, general economic and business conditions, industry trends, competition, changes in government and other regulation, including in relation to SHE and taxation, labour relations and work stoppages, changes in political and economic stability and changes in business strategy or development plans and other risks, including those described in the section of this document headed "Risk Factors".

You are advised to read this document and the information incorporated by reference into this document in their entirety, and, in particular, the section of this document headed "Risk Factors", for a further discussion of the factors that could affect the Group's future performance and the industry in which it operates. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements in this document and/or the information incorporated by reference into this document may not occur.

Other than in accordance with their legal or regulatory obligations (including under the Listing Rules, the Disclosure and Transparency Rules and the Prospectus Rules), neither the Company nor the Underwriters undertake any obligation to update or revise publicly any forward-looking statement, whether as a result of new information, future events or otherwise.

Presentation of Financial Information

Capitalisation and indebtedness information relating to the Group in this document is derived from the Group's internal accounting records. All financial information relating to the Group, unless otherwise stated, has been extracted from its unaudited consolidated interim financial statements for the six months ended 31 December 2014, prepared in accordance with IAS 34, and the consolidated financial statements

included in the 2014, 2013 and 2012 Annual Report and Accounts, certain sections of which are incorporated by reference into this document.

Where information has been extracted from the Group's audited consolidated financial statements, the information is audited unless otherwise stated. Where the information has been extracted from the Group's consolidated interim financial statements, the information is unaudited. Unless otherwise indicated, financial information relating to the Group in this document and the information relating to the Group incorporated by reference into this document is presented in pounds sterling and has been prepared in accordance with IFRS.

All financial information relating to Mouchel, unless otherwise stated, has been extracted from its unaudited condensed interim consolidated financial information for the three months ended 31 December 2014 prepared in accordance with IAS 34; or from its combined and consolidated financial information for the 14 months ended 30 September 2012 and the two years ended 30 September 2014 prepared in accordance with the basis of preparation in note 2a to the combined and consolidated financial information relating to Mouchel included in Part IX of this document; or from the financial information of EM for the 14 months ended 30 September 2013 and the 12 months ended 29 July 2012 prepared in accordance with IFRS. Where information has been extracted from the combined and consolidated financial information relating to Mouchel or the financial information relating to EM, the information is audited unless otherwise stated. Where the information has been extracted from the condensed interim consolidated financial information of Mouchel, the information is unaudited.

The financial information included in this document or incorporated by reference into this document was not prepared in accordance with U.S. Generally Accepted Accounting Principles ("U.S. GAAP") or audited in accordance with U.S. Generally Accepted Audited Standards ("U.S. GAAS") or the auditing standards of the Public Company Accounting Oversight Board ("PCAOB Standards"). No opinion or any other assurance with regard to any financial information was expressed under U.S. GAAP, U.S. GAAS or PCAOB Standards and the financial information is not intended to comply with SEC reporting requirements. Compliance with such requirements would require modification, reformulation or exclusion of certain financial measures. In addition, changes would be required in the presentation of certain other information. In particular, no reconciliation to U.S. GAAP is provided.

The financial information presented in a number of tables in this document has been rounded to the nearest whole number or the nearest decimal. Therefore, the sum of the numbers in a column may not conform exactly to the total figure given for that column. In addition, certain percentages presented in the tables in this document reflect calculations based upon the underlying information prior to rounding, and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

Underlying Financial Information

Each of Kier and Mouchel analyses its results of operations on an underlying basis. In the case of Kier, non-underlying items include exceptional items, amortisation of intangible assets relating to contract rights and the unwinding of the discount in respect of deferred consideration and fair value adjustments made on acquisition. For a reconciliation of these items, see Part VI of this document.

In the case of Mouchel, underlying profit excludes material income and charges considered to be one-off or non-recurring in nature, such as acquisition transaction costs. Underlying profit for Mouchel also excludes the amortisation of intangible assets arising from business combinations. For a reconciliation of these items, see Part VII of this document.

The presentation of underlying results is not in conformity with IFRS. The underlying results of operations may also not be comparable to underlying figures reported by other companies as those companies may compute their normalised figures differently from Kier and/or Mouchel. Furthermore, the underlying results of operations of Kier and Mouchel may not be directly comparable.

Pro Forma Financial Information

In this document, any reference to "pro forma" financial information is to information which has been extracted without material adjustment from the unaudited pro forma financial statements contained in Part X of this document. The unaudited pro forma financial information of the Enlarged Group has been prepared to illustrate the effect of the Rights Issue and the Acquisition on the consolidated net assets of the Group at 31 December 2014 as if each of the foregoing had occurred on 31 December 2014 and the

effect on the Group's income statement for the year ended 30 June 2014 had the Rights Issue and the Acquisition taken place on 1 July 2013. The unaudited pro forma statement of net assets and income statement are based on the consolidated financial information and compiled on the basis set out in the notes thereto and in accordance with the accounting policies adopted by the Group for the six months ended 31 December 2014 and for the year ended 30 June 2014 respectively. The unaudited pro forma financial information has not been prepared, and shall not be construed as having been prepared, in accordance with Regulation S-X under the Securities Act.

The unaudited pro forma income statement and net assets statement has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and does not, therefore, represent either the Group's or the Enlarged Group's actual financial position or results. The unaudited pro forma financial information has been prepared on the basis set out in the notes to the pro forma financial information and in accordance with Annex II to the PD Regulation. The unaudited pro forma financial information is stated on the basis of the Group's accounting policies.

Currencies

In this document and the information incorporated by reference into this document, references to "£", "sterling", "pounds sterling" or "GBP" are to the lawful currency of the United Kingdom.

No Profit Forecast

No statement in this document is intended as a profit forecast and no statement in this document should be interpreted to mean that earnings per Share for the current or future financial years would necessarily match or exceed the historical published earnings per Share.

Notice to Investors in the United States of America

Neither this document nor the Provisional Allotment Letter constitutes, or will constitute, or forms part of any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, New Shares, Nil Paid Rights and/or Fully Paid Rights to any Shareholder with a registered address in, or who is resident of, the United States. Notwithstanding the foregoing, the Company reserves the right to offer and deliver the Nil Paid Rights to, and the Fully Paid Rights and the New Shares may be offered to and acquired by, a limited number of Shareholders in the United States reasonably believed to be QIBs, in offerings exempt from or in a transaction not subject to, the registration requirements under the Securities Act. The Nil Paid Rights, the Fully Paid Rights and the New Shares being offered outside the United States are being offered in reliance on Regulation S. If you are a QIB, in order to exercise your Nil Paid Rights or Fully Paid Rights and/or acquire any New Shares upon exercise thereof, you must sign and deliver an investor letter.

If you sign such an investor letter, you will be, amongst other things:

- representing that you and any account for which you are acquiring the New Shares, the Nil Paid Rights or the Fully Paid Rights are a QIB; and
- agreeing not to reoffer, sell, pledge or otherwise transfer the New Shares, the Nil Paid Rights, the Fully Paid Rights or the Provisional Allotment Letters, except: (a) in an offshore transaction in accordance with Rule 904 of Regulation S under the Securities Act; or (b) with respect to the New Shares only, to a person that you and any person acting on your behalf reasonably believes is a QIB purchasing for its own account or the account of a QIB in a transaction meeting the requirements of Rule 144A, pursuant to Rule 144 under the Securities Act (if available) or pursuant to another exemption from, or a transaction not subject to, the registration requirements of the Securities Act,

and, in each case, in compliance with any applicable securities laws of any state or other jurisdiction of the United States.

No representation has been, or will be, made by the Company or the Underwriters as to the availability of Rule 144 under the Securities Act or any other exemption under the Securities Act or any state securities laws for the reoffer, pledge or transfer of the New Shares.

Any envelope containing a Provisional Allotment Letter and postmarked from the United States will not be valid unless it contains a duly executed investor letter in the appropriate form as described above, and any Provisional Allotment Letter in which the exercising holder requests New Shares to be issued in

registered form and gives an address in the United States will not be valid unless it contains a duly executed investor letter.

The payment paid in respect of Provisional Allotment Letters that do not meet the foregoing criteria will be returned without interest.

Any person in the United States who obtains a copy of this document and who is not a QIB is required to disregard it.

Available Information

If, at any time, the Company is neither subject to Section 13 or Section 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, the Company will furnish, upon request, to any holder or beneficial holder of the Nil Paid Rights, the Fully Paid Rights or the New Shares, or any prospective purchaser designated by any such holder or beneficial owner, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act. In such cases, the Company will also furnish to each such owner all notices of general Shareholders' meetings and other reports and communications that the Group generally makes available to Shareholders.

Enforcement of Civil Liabilities

The ability of an Overseas Shareholder to bring an action against the Company may be limited under law. The Company is a public limited company incorporated in England and Wales. The rights of holders of Shares are governed by English law and by the Articles of Association. These rights differ from the rights of shareholders in typical U.S. corporations and some other non-UK corporations.

An Overseas Shareholder may not be able to enforce a judgment against some or all of the Directors and executive officers. The majority of the Directors and executive officers are residents of the United Kingdom. Consequently, it may not be possible for an Overseas Shareholder to effect service of process upon the Directors and executive officers within the Overseas Shareholder's country of residence or to enforce against the Directors and executive officers judgments of courts of the Overseas Shareholder's country of residence based on civil liabilities under that country's securities laws. There can be no assurance that an Overseas Shareholder will be able to enforce any judgments in civil and commercial matters or any judgments under the securities laws of countries other than the United Kingdom against the Directors or executive officers who are residents of the United Kingdom or countries other than those in which judgment is made. In addition, English or other courts may not impose civil liability on the Directors or executive officers in any original action based solely on the foreign securities laws brought against the Company or the Directors in a court of competent jurisdiction in England or other countries.

RIGHTS ISSUE STATISTICS

Price per New Share	858p
Basis of Rights Issue	5 New Shares for every 7 Existing Shares
Number of Shares in issue on 24 April 2015[1]	55,505,368
Number of New Shares to be issued by the Company	39,646,692
Number of Shares in issue immediately following completion of the Rights Issue[2]	95,152,060
New Shares as a percentage of enlarged issued share capital of the Company immediately following completion of the Rights Issue[2]	41.7 per cent.
Estimated expenses in connection with the Rights Issue	£10 million
Estimated net proceeds receivable by the Company after expenses	£330 million

Notes:

(1) Being the latest practicable date prior to the date of this document.

(2) Assuming that no options under the Sharesave Schemes are exercised between the date of this document and Admission becoming effective.

EXPECTED TIMETABLE FOR THE RIGHTS ISSUE

Event	Date
Publication and posting of this document, the Notice of General Meeting and the Form of Proxy	**28 April 2015[2][3]**
Latest time and date for receipt of Forms of Proxy	10.00 a.m. on 13 May 2015
Record Date for entitlements under the Rights Issue	**close of business on 13 May 2015**
General Meeting	10.00 a.m. on 15 May 2015
Date of despatch of Provisional Allotment Letters (to Qualifying Non-CREST Shareholders only)[1]	on or about 15 May 2015
Special Dealing Service open for applications	16 May 2015
Dealings in New Shares, nil paid, commence on the London Stock Exchange	**8.00 a.m. on 18 May 2015**
Nil Paid Rights credited to stock accounts in CREST (Qualifying CREST Shareholders only)	As soon as practicable after 8.00 a.m. on 18 May 2015
Nil Paid Rights and Fully Paid Rights enabled in CREST	As soon as practicable after 8.00 a.m. on 18 May 2015
The Ex-Rights Date	18 May 2015
Latest time and date for receipt of instructions under Share Dealing Service in respect of Cashless Take-up or disposal of Nil Paid Rights	3.00 p.m. on 22 May 2015
Dealings carried out in relation to Cashless Take-up or disposal of Nil Paid Rights under Special Dealing Facility	27 May 2015
Recommended latest time for requesting withdrawal of Nil Paid Rights or Fully Paid Rights from CREST (i.e. if your Nil Paid Rights or Fully Paid Rights are in CREST and you wish to convert them into certificated form)	4.30 p.m. on 27 May 2015
Settlement of dealings in relation to Cashless Take-up or disposal of Nil Paid Rights under Special Dealing Facility	28 May 2015
Latest time and date for depositing renounced Provisional Allotment Letters, nil paid or fully paid, into CREST or for dematerialising Nil Paid Rights into a CREST stock account	3.00 p.m. on 28 May 2015
Despatch of cheques in relation to proceeds of disposal of Nil Paid Rights under Special Dealing Facility	29 May 2015
Latest time and date for splitting Provisional Allotment Letters	3.00 p.m. on 29 May 2015
Latest time and date for acceptance in CREST and payment in full and registration of renounced Provisional Allotment Letters	**11.00 a.m. on 2 June 2015**
Expected date of announcement of results of the Rights Issue	3 June 2015
Dealings in the New Shares to commence on the London Stock Exchange fully paid	**8.00 a.m. on 3 June 2015**
New Shares credited to CREST stock accounts (uncertificated holders only)[1]	As soon as practicable after 8.00 a.m. on 3 June 2015
Despatch of definitive share certificates for New Shares in certificated form (to Qualifying Non-CREST Shareholders only)[1]	by no later than 10 June 2015

Notes:

(1) Subject to certain restrictions relating to Overseas Shareholders. See paragraph 2.5 of Part III of this document.

(2) The times and dates set out in the timetable above and referred to throughout this document and in the Provisional Allotment Letter may be adjusted by the Company by announcement through a Regulatory Information Service, in which event details of the new dates will also be notified to the Financial Conduct Authority, the London Stock Exchange and, where appropriate, Shareholders.

(3) References to times in this document are to London time, unless otherwise stated.

DIRECTORS AND ADVISERS

Board of Directors

A list of the members of the Board is set forth in the table below.

Name	Position
Phil White	Chairman
Haydn Mursell	Chief Executive
Beverley Dew	Finance Director
Nigel Brook	Executive Director
Nigel Turner	Executive Director
Claudio Veritiero	Executive Director
Richard Bailey	Senior Independent Non-Executive Director
Kirsty Bashforth	Non-Executive Director
Amanda Mellor	Non-Executive Director
Nick Winser	Non-Executive Director

Each of the Directors' business address is the Company's registered address at Tempsford Hall, Sandy, Bedfordshire SG19 2BD.

Telephone: 01767 355000 or, when dialling from outside the United Kingdom, +44 1767 355000.

Registered Office:	Tempsford Hall Sandy Bedfordshire SG19 2BD
Joint Sponsor, Joint Bookrunner and Joint Broker:	J.P. Morgan Securities plc 25 Bank Street London E14 5JP
Joint Financial Adviser:	J.P. Morgan Limited 25 Bank Street London E14 5JP
Joint Sponsor, Joint Bookrunner, Joint Broker and Joint Financial Adviser:	Numis Securities Limited 10 Paternoster Square London EC4M 7LT
Reporting Accountants:	KPMG LLP 15 Canada Square London E14 5GL
Reporting Accountants:	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH
Statutory Auditor to the Company:	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH
Statutory Auditor to Mouchel:	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH
Legal advisers to the Company as to English and United States law:	Linklaters LLP One Silk Street London EC2Y 8HQ
Legal advisers to the Banks as to English and United States law:	Simmons & Simmons LLP CityPoint One Ropemaker Street London EC2Y 9SS

Registrar:	Capita Asset Services The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
Receiving Agent:	Capita Asset Services Corporate Actions The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

PART I—LETTER FROM THE CHAIRMAN OF KIER GROUP PLC

<table>
<tr><td>Directors:</td><td>Registered Office:</td></tr>
<tr><td>Phil White, Chairman
Haydn Mursell, Chief Executive
Beverley Dew, Finance Director
Nigel Brook, Executive Director
Nigel Turner, Executive Director
Claudio Veritiero, Executive Director
Richard Bailey, Senior Independent Non-Executive Director
Kirsty Bashforth, Non-Executive Director
Amanda Mellor, Non-Executive Director
Nick Winser, Non-Executive Director</td><td>Tempsford Hall
Sandy
Bedfordshire SG19 2BD</td></tr>
</table>

28 April 2015

PROPOSED ACQUISITION OF MOUCHEL AND RIGHTS ISSUE

Dear Shareholder

1 Introduction

On 28 April 2015, Kier announced that it had reached agreement on the terms of the proposed acquisition of Mouchel for a cash consideration of £265 million (the "Acquisition").

Mouchel is an international infrastructure services and business services group. It provides advisory, design, project delivery and managed services to the highways and transportation, local government, property, emergency services, health, education and utilities markets in the United Kingdom, the Middle East and Australia. It is the leading provider of repair and maintenance services to the UK strategic road network.

Kier proposes to finance the Acquisition by undertaking the Rights Issue to raise a total of £340 million. Under the Rights Issue, 39,646,692 New Shares at a price of 858p per New Share will be issued.

The key terms of the Acquisition are described in Part XII of this document. The Acquisition constitutes a Class 1 transaction under the Listing Rules as a result of the size of Mouchel relative to Kier. The Acquisition is therefore conditional upon the approval of Shareholders. Accordingly, a General Meeting has been convened for 10.00 a.m. on 15 May at the offices of Linklaters LLP at One Silk Street, London EC2Y 8HQ for Shareholders to consider, and if thought fit, pass the necessary resolutions to approve the Acquisition and the Rights Issue. An explanation of the Resolutions is set out in paragraph 10 below.

I am writing to give you further details of the Acquisition and the Rights Issue, including the background to and reasons for it, to explain why the Board considers it to be in the best interests of Kier and Shareholders as a whole and to seek your approval of the Resolutions.

2 Background to and Reasons for the Acquisition and the Rights Issue

2.1 Kier's Strategy

In July 2014, Kier launched Vision 2020, its updated group strategy which targets significant growth in operating profit through to 2020, with Kier aiming to be a top-three participant in its chosen markets. As part of this strategy, Kier aims to operate a safe and sustainable business and to achieve top quartile performance and efficiency, while attracting and retaining highly-motivated and high-performing employees.

2.2 Reasons for the Acquisition

The Board believes that the strategic rationale for the Acquisition is compelling and aligns with Vision 2020. In particular, the Acquisition is complementary to the Group's existing service offering and represents an excellent opportunity to accelerate growth in one of its target markets, infrastructure services.

The principal strategic benefits of the Acquisition include:

- the creation of a sector leader in the growing UK highways maintenance and management market, combining Mouchel's leading position in strategic highways services with Kier's presence in the local authority roads market;
- providing Kier with access to long-term and, in many cases, recently won frameworks and contracts operated by Mouchel for the Highways England Areas 1, 3, 9 and 13, so as to complement Kier's capital works relationship with Highways England;
- positioning Kier to benefit from the new Road Investment Strategy ("RIS") which sets out a long-term investment plan of £17 billion of total expenditure on the maintenance, renewal and enhancement of the strategic road network from 2015 to 2020, with annual expenditure increasing from £2.9 billion to £4.1 billion over the same period;
- the acceleration of Kier's strategy for growth in the infrastructure sector, allowing greater focus on transportation opportunities;
- enabling the continued development of Kier's integrated capability in the highways and utilities sectors, in particular through access to Mouchel's design capability and technology solutions; and
- the further enhancement of Kier's service offering in local authority markets and overseas.

The pro forma combined order book of the Enlarged Group was £9.3 billion as at 31 March 2015, comprising Kier's order book of £6.5 billion and Mouchel's order book of £2.8 billion.

2.3 Financial Effects of the Acquisition

The Board has carefully reviewed the business and prospects of the Enlarged Group, as well as the expected synergy benefits and the associated costs of achieving them. The Acquisition meets Kier's criteria for acquisitions and, after taking into account the forecast synergy benefits, the Acquisition is expected by the Board to be materially earnings enhancing for Kier for the financial year ending 30 June 2016, the first full financial year following Completion, and to deliver a ROCE of at least 15 per cent. in the financial year ending 30 June 2017[1].

3 Summary Information about Kier

Kier is a leading property, residential, construction and services group, specialising in building and civil engineering, support services, commercial property development, structured property financing and private and affordable housing and is a member of the FTSE 250 index.

Kier's integrated model is organised into four divisions:

- Property: the Property division comprises property development and structured project finance;
- Residential: Kier Living comprises all of Kier's house building operations, from contracting and mixed-tenure housing to private house building;
- Construction: the Construction division comprises Kier's UK regional building, major projects, infrastructure and international businesses; and
- Services: the Services division comprises highways maintenance, utilities, facilities management ("FM"), housing maintenance, environmental services and fleet and passenger services.

In the financial year ended 30 June 2014, the Construction and Services divisions accounted for, in aggregate, approximately 91 per cent. of the Group's revenues and 81 per cent. of its underlying operating profit before corporate costs.

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[1] These statements of expected earnings enhancement and targeted ROCE relate to future actions and circumstances which, by their nature, involve risks, uncertainties and contingencies. As a result, the expected earnings enhancement and ROCE referred to may not be achieved, or those achieved could be materially different from those targeted. These statements should not be construed as a profit forecast or interpreted to mean that the Enlarged Group's earnings in the period following the Acquisition would necessarily match or be greater than or be less than those of Kier and/or Mouchel for the relevant preceding financial period or any other period.

4 Summary Information about Mouchel

Mouchel is an international infrastructure services and business services group. It provides advisory, design, project delivery and managed services to the highways and transportation, local government, property, emergency services, health, education and utilities markets in the United Kingdom, the Middle East and Australia.

In its audited financial statements for the year ended 30 September 2014, Mouchel reported total assets of £261.6 million and underlying profit before tax of £19.9 million.

Mouchel comprises two operating divisions, Integrated Infrastructure Services and Mouchel Business Services, with their primary activities as follows:

- Integrated Infrastructure Services ("IIS"): this operating division comprises Mouchel's largest businesses, being the highways, water and environmental businesses, operating predominantly across the United Kingdom but also in the Middle East and in Australia. Within this business, there are three segments:
  - EM Highway Services ("EM"): formerly EnterpriseMouchel, EM is a provider of highways maintenance and management services, specialising in the delivery of road maintenance contracts in England and also providing public sector infrastructure works and professional services;
  - Mouchel Infrastructure Services ("MIS"): an international business providing professional infrastructure engineering, environmental and asset management consultancy services primarily in highways design and management, intelligent transport, transportation, maritime, water and energy; and
  - DownerMouchel ("DM"): DM, Mouchel's joint venture with Downer in Australia, delivers integrated road asset management and maintenance services under the Main Roads Western Australia Integrated Services Arrangements and, in March 2014, commenced three new maintenance contracts in Sydney and South East Queensland.
- Mouchel Business Services ("MBS"): the MBS operating division is one of the UK's largest providers of outsourced professional and support services to local councils and other public bodies, such as the police, fire and rescue services, schools and the NHS.

5 Synergies and Integration of Mouchel

The Board believes that the Acquisition presents opportunities for significant cost synergies. The Board believes that the Enlarged Group can be expected to achieve aggregate annual pre-tax cost synergies of approximately £10 million in the financial year ending 30 June 2017. These synergies are contingent on the completion of the Acquisition and could not be achieved by Kier and Mouchel operating independently.

The Board has identified the following potential recurring cost synergies:

- the reduction of corporate overheads (including Mouchel's board of directors) is expected to save an estimated £4.4 million per annum;
- combining corporate support functions (including shared services and IT) is estimated to drive savings of £3.1 million per annum;
- the increased size of the Enlarged Group is expected to create opportunities for procurement savings estimated to be £1.4 million per annum; and
- estimated savings from removing operational duplication (including property) are expected to be £1.1 million per annum.

The Board expects to realise pre-tax cost synergies on a phased basis, as follows:

- approximately £4 million of pre-tax cost synergies are expected to be realised in the financial year ending 30 June 2016; and
- approximately £10 million of pre-tax cost synergies are expected to be realised in the financial year ending 30 June 2017.

The Board also expects that the integration process and the realisation of these cost synergies will result in one-off exceptional costs of approximately £2 million in the financial year ending 30 June 2015, approximately £13 million in the financial year ending 30 June 2016 and approximately £2 million in the financial year ending 30 June 2017.

The Group acquired May Gurney in July 2013. Since the transaction, May Gurney has been integrated into the Group and £5 million of cost savings were achieved in the financial year ended 30 June 2014, as anticipated. As at the date hereof, the Board believes that the Group is on track to deliver the expected £15 million of cost savings from the transaction in the financial year ending 30 June 2015.

The Board is confident that the integration of Mouchel can be achieved without significant disruption to the Enlarged Group.

As part of the Company's integration process, the Board will carry out a review of fair value following Completion. Any fair value adjustments are likely to relate to balance sheet recoverability assumptions, and it is not anticipated that any such adjustments will be material. During the Company's due diligence exercise in respect of Mouchel, no onerous contracts for which provisions for losses would need to be made have been identified.

6 Principal Terms of the Acquisition

In order to implement the Acquisition, Kier has entered into the agreements set out below. More detailed summaries of the key terms of these agreements are set out in Part XII of this document.

6.1 Share Purchase Agreement

Under the terms of the Share Purchase Agreement, and subject to the conditions thereunder being satisfied, Kier Limited has agreed to acquire Mouchel for a cash consideration of £265 million (subject to certain adjustments).

Completion of the Acquisition is conditional on (i) the passing of the Transaction Resolutions, (ii) the receipt by Kier of the proceeds of the Rights lssue and (iii) a notification from the Guernsey Financial Services Commission that it has no objection to the Acquisition.

If any of the conditions referred to above has not been fulfilled or waived by the Long Stop Date (or, if extended, the Extended Long Stop Date), Kier Limited will be required to pay a "break fee" of £4.5 million to the Mouchel Sellers.

The expected date of Completion is on or around 15 June 2015.

6.2 Management Warranty Deed

Certain members of the Mouchel senior management team have given warranties to Kier in relation to the business and affairs of Mouchel and certain information related to Mouchel.

7 Financing the Acquisition

The Acquisition will be financed by way of a fully underwritten rights issue of New Shares at a price of 858p per New Share on the basis of 5 New Shares for every 7 Existing Shares. 39,646,692 New Shares will be issued, providing gross proceeds of £340 million. In addition to financing the Acquisition, the proceeds from the Rights Issue will also be used to:

- pay the transaction costs and expenses associated with the Acquisition and the Rights Issue, which are approximately £20 million, of which approximately £10 million relates to the Rights Issue;
- finance the integration costs of the Acquisition, which are expected to be approximately £17 million; and
- repay Mouchel's net debt at the time of Acquisition.

The Rights Issue is conditional upon, amongst other things, the passing of the Transaction Resolutions, Admission having become effective and the Underwriting Agreement having become unconditional in all respects (save for the condition relating to Admission), and not having been terminated in accordance with

its terms, prior to Admission. The Rights Issue is not conditional upon completion of the Acquisition. However, the Underwriting Agreement is conditional on (among other matters) the Share Purchase Agreement not having been terminated, varied, modified or supplemented or having lapsed before Admission.

8 Current Trading and Prospects

8.1 Kier

8.1.1 Introduction

The Group remains on course to meet the Board's expectations for the current financial year. In particular, the Residential and Services divisions remain on track to deliver a second-half weighted performance in line with management's expectations. The total order book of the Construction and Services divisions remained stable at £6.5 billion as at 31 March 2015, with potential further renewals and extensions valued at up to £2 billion.

8.1.2 Property

The Property division's performance continues to be good as a result of its robust approach to capital allocation, whilst maintaining its minimum hurdle rate of 15 per cent. ROCE. The division has maintained the valuation of its structured finance assets at £38 million, with an implied discount rate of 7.5 per cent. Capital investment within the Property division is in line with management's expectations and is expected to increase towards £100 million by 30 June 2015.

8.1.3 Residential

Completions within the Residential division remain in line with management's expectations, with approximately 2,100 units expected to be completed across the private housing and mixed-tenure businesses in the year ending 30 June 2015. Following a strong sales performance, both in terms of volume of sales and selling price, all units forecast to be completed in the current financial year are now reserved, exchanged or completed. By 30 June 2015, Kier expects to have a forward order book representing approximately 25 per cent. of the units forecast for completion in the next financial year.

8.1.4 Construction

Within the Construction division, UK regional building activity has delivered significant year-on-year organic growth. Turnover in the international and infrastructure businesses remains in line with prior years. Margins in all three areas of the business are consistent with management's expectations. Recent contract awards include all three lots under the Southern Construction Framework, new awards at the Argent development, King's Cross and the Ram Brewery regeneration development in Wandsworth.

8.1.5 Services

Following contract wins in the highways and utilities businesses in the first-half of the year, second-half volumes in the Services division are expected to increase. These include a £200 million four-year extension of the highways services contract with Northamptonshire County Council and £700 million of wins from the AMP6 cycle.

With revenue expected to be in line with management's expectations and bidding activity forecast at normal levels in the second-half of the year, it is expected that the overall order book will remain stable. Margins within the Services division are expected to continue to move towards 5 per cent. for the full financial year, having expensed the costs of successful contract bids in the six months ended 31 December 2014.

Discussions regarding the sale of the fleet and passenger services business are continuing, with indicative offers received from a number of parties.

8.1.6 Corporate

The Kier Group Services defined benefit pension scheme was closed to future accrual in February 2015. This will lead to an exceptional charge of £6.5 million in the current financial year, as previously disclosed, of which the cash impact is approximately £1 million.

8.1.7 Net debt

The Group's net debt is in line with management's expectations. The Group's average borrowings increased in the third quarter, as planned investment in the mixed-tenure housing business increased in line with the HCA's Affordable Homes funding programme. All units associated with that programme are now complete, with the related HCA grants secured or received. It is therefore anticipated that the Group's net debt will improve in the final quarter of the year.

8.2 Mouchel

8.2.1 Introduction

Revenues for the three months ended 31 December 2014 increased by 38 per cent. compared to the same period in the previous year, as Mouchel continued to benefit from its leading position in the UK strategic highways market. Since the end of the period, Mouchel has continued to experience similar growth and has maintained margins at historic levels. Mouchel's management are confident about the prospects of Mouchel for its current financial year.

At 31 March 2015, Mouchel's order book was £2.8 billion.

8.2.2 Integrated Infrastructure Services

IIS reported an increase in revenue of 52 per cent. for the three months ended 31 December 2014, as compared to the same period in the prior year, and has continued to grow since the end of that period. EM's revenue growth was particularly strong in the six months ended 31 March 2015, increasing almost 100 per cent. compared to the same period last year, benefiting from the impact of the Area 9 and Area 3 Highways England contracts. The Area 9 contract is Mouchel's largest-ever contract, worth £0.9 billion over the initial five-year contract period.

In addition to increased work under existing Highways England contracts, the new Collaborative Delivery Framework was secured in November 2014 and will, in due course, allow EM to participate in larger capital works schemes for Highways England.

MIS reported revenue broadly in line with that achieved in the six months ended 31 March 2014. DM has performed well, reporting significant revenue growth as contracts awarded in the second half of the 2014 financial year flowed through into the 2015 financial year.

8.2.3 Mouchel Business Services

Following a reduction in revenues from lower margin IT pass-through services and property projects, MBS has reported a decline in revenue of 10 per cent. for the three months ended 31 December 2014, as compared to the same period in the prior year. This change in revenue mix has continued since the period end.

9 Principal Terms of the Rights Issue

Pursuant to the Rights Issue, the Company is proposing to offer 39,646,692 New Shares to Qualifying Shareholders. The offer is to be made at 858p per New Share, payable in full on acceptance by no later than 11.00 a.m. on 2 June 2015. If the Rights Issue were to proceed but Completion does not take place, Kier intends to return substantially all of the net proceeds of the Rights Issue to Shareholders as soon as reasonably practicable. Such a return could carry costs for certain Shareholders and will have costs for the Company. The Rights Issue is expected to raise approximately £330 million, net of expenses. The Issue Price represents a 34.3 per cent. discount to the theoretical ex-rights price based on the closing middle-market price of 1,625p per Share on 27 April 2015 (being the last Business Day before the announcement of the terms of the Rights Issue).

The Rights Issue will be made on the basis of:

5 New Shares at 858p per New Share for every 7 Existing Shares

held by Qualifying Shareholders at the close of business on the Record Date.

Entitlements to New Shares will be rounded down to the nearest whole number and fractional entitlements will not be allotted to Shareholders but will be aggregated and issued into the market for the benefit of the Company. Holdings of Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Rights Issue.

The Rights Issue is fully underwritten by the Underwriters pursuant to the Underwriting Agreement. The principal terms of the Underwriting Agreement are summarised in Part XIII of this document.

The Rights Issue will result in 39,646,692 New Shares being issued (representing approximately 71.4 per cent. of the existing issued share capital and 41.7 per cent. of the enlarged issued share capital immediately following completion of the Rights Issue, assuming that no options under the Sharesave Schemes are exercised between the date of this document and Admission becoming effective).

The Rights Issue is conditional, *inter alia*, upon:

- the Underwriting Agreement having become unconditional in all respects save for the condition relating to Admission;
- Admission becoming effective by not later than 8.00 a.m. on 18 May 2015 (or such later time and date as the Sponsors and the Company may agree); and
- the passing, without material amendment, of the Transaction Resolutions.

Resolutions authorising the allotment of the New Shares and the waiver of pre-emption rights in connection with the Rights Issue are proposed to the Shareholders for approval at the General Meeting. These authorities, if passed, will be relied upon for the purposes of the Rights Issue.

The New Shares, when issued and fully paid, will rank *pari passu* in all respects with the Existing Shares, including the right to receive dividends or distributions made, paid or declared after the date of issue of the New Shares. Application will be made to the FCA and to the London Stock Exchange for the New Shares to be admitted to the premium listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities, respectively. It is expected that Admission will become effective and that dealings on the London Stock Exchange in the New Shares (nil paid) will commence at 8.00 a.m. on 18 May 2015.

Some questions and answers, together with details of further terms and conditions of the Rights Issue, including the procedure for acceptance and payment and the procedure in respect of rights not taken up, are set out in Parts II and III of this document and, where relevant, will also be set out in the Provisional Allotment Letter.

Overseas Shareholders should refer to paragraph 2.5 of Part III of this document for further information on their ability to participate in the Rights Issue.

10 The Resolutions

The notice convening the General Meeting, at which the Resolutions will be proposed, is set out on pages 297 to 300 (inclusive) of this document. The full text of the Resolutions is set out in the Notice of General Meeting. The purpose of the General Meeting is to consider and, if thought appropriate, pass the Resolutions.

10.1 Resolution 1

Resolution 1 proposes that the Acquisition be approved and that the Directors be authorised to implement the Acquisition.

10.2 Resolution 2

Resolution 2 proposes that the Directors be authorised to allot shares in the Company up to a nominal amount of £396,466.92 pursuant to, or in connection with, the Rights Issue. This authority will apply until the conclusion of the annual general meeting of the Company to be held in 2015.

10.3 Resolution 3

Resolution 3 proposes that, subject to and conditional upon Resolution 2 being duly passed, for the purposes of Article 98, the aggregate amount of the net borrowings of the Enlarged Group be increased to an amount not exceeding the greater of: (i) three times the Enlarged Group's adjusted capital and reserves and (ii) £1 billion.

At the time of the acquisition of May Gurney, Shareholders approved an increase of the limit to an amount not exceeding the greater of (i) three times the Group's adjusted capital and reserves and (ii) £550 million. The increase in the borrowing limit contemplated by Resolution 3 is necessary to enable consolidation of the Mouchel Group's financial indebtedness within the Enlarged Group's borrowings, to provide the Enlarged Group with appropriate headroom to be able to deliver its Vision 2020 strategy, as referred to in paragraph 2 of Part I of this document, and to enable the Enlarged Group to utilise its new banking facilities referred to in paragraph 13 of Part XIII, having regard to the Enlarged Group's other financial indebtedness which are required to be taken into account in determining the amount of net borrowings for the purposes of Article 98.

10.4 Resolution 4

Resolution 4 proposes that the maximum aggregate remuneration payable to the directors of the Company (by way of fee) for their services be increased from £400,000 per annum to £550,000 per annum. The aggregate amount of fees paid to the non-executive directors of the Company in the year ending 30 June 2015 is expected to be £397,000 (as described in the 2014 Annual Report and Accounts). Following the recent appointments of additional executive directors to the Board, the Company wishes to have the flexibility to appoint, and pay fees to, additional independent non-executive directors, as contemplated by the provisions of the Corporate Governance Code.

10.5 Resolution 5

Resolution 5 proposes that, subject to and conditional upon Resolution 2 being duly passed, the Directors be given power to allot equity securities pursuant to the Rights Issue as if section 561(1) of the Companies Act did not apply.

11 Dividends and Dividend Policy

On 25 February 2015, the Board announced its intention to pay the Interim Dividend to Shareholders on the register of members on 6 March 2015. On 20 March 2015, the Company issued a circular to Shareholders offering a scrip alternative to the Interim Dividend. As the issue date for the Shares which would be issued under the scrip dividend alternative is after the Record Date, the Board has decided to cancel the scrip dividend alternative (in so far as it relates to the Interim Dividend). The Interim Dividend will be paid in cash on 15 May 2015. The New Shares to be issued pursuant to the Rights Issue will not carry an entitlement to the Interim Dividend.

It is expected that any final dividend of the Enlarged Group for the year ending 30 June 2015 will be proposed at its next annual general meeting and paid in November or December 2015 and that any interim dividend for the year ending 30 June 2016 will be declared in February 2016 and paid in May 2016. Assuming that the Acquisition completes in June 2015, as currently anticipated, the first dividend in relation to the Enlarged Group is expected to be the final dividend for the year ending 30 June 2015.

The Board intends to continue with its progressive dividend policy. The final dividend in respect of the financial year ending 30 June 2015 will be adjusted to take account of the increased number of Shares that will be in issue following completion of the Rights Issue.

12 Further Information

Your attention is drawn to the further information set out in Parts II to XV (inclusive) of this document. Shareholders should read the whole of this document and not rely solely on the information set out in this letter. In addition, you should consider the risk factors set out on pages 16 to 30 (inclusive) of this document.

13 Overseas Shareholders

The attention of Shareholders who have registered addresses outside the United Kingdom, or who are citizens or residents of or located in countries other than the United Kingdom, is drawn to the information in paragraph 2.5 of Part III of this document.

New Shares will be provisionally allotted (nil paid) to all Shareholders on the register at the Record Date, including Overseas Shareholders. However, subject to certain exceptions, Provisional Allotment Letters will only be sent to Qualifying Non-CREST Shareholders with registered addresses outside the United States and the Excluded Territories and only the CREST stock accounts of Qualifying CREST Shareholders with registered addresses outside the United States and the Excluded Territories will be credited.

Notwithstanding any other provision of this document or the Provisional Allotment Letter, the Company reserves the right to permit any Shareholder on the register at the Record Date to take up his/her rights if the Company in its sole and absolute discretion is satisfied that the transaction in question will not violate applicable laws.

The provisions of paragraph 2.5 of Part III of this document will apply generally to Overseas Shareholders who cannot or do not take up the New Shares provisionally allotted to them.

14 UK and U.S. Taxation

Certain information about UK and U.S. taxation in relation to the Rights Issue is set out in Part XI of this document. If you are in any doubt as to your tax position, or you are subject to tax in a jurisdiction other than the United Kingdom or the United States, you should consult your own independent tax adviser without delay.

15 Action to be Taken

15.1 Action to be Taken in Respect of the General Meeting

Set out at the end of this document is a notice convening the General Meeting to be held at 10.00 a.m. on 15 May 2015 at the offices of Linklaters LLP at One Silk Street, London EC2Y 8HQ. At the General Meeting, the Resolutions will be proposed for approval.

You will find enclosed with this document (unless you hold your shares indirectly) a Form of Proxy for use at the General Meeting. Whether or not you propose to attend the General Meeting in person, you are asked to complete the Form of Proxy and return it to the Company's Registrars, Capita Asset Services, at PXS1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF (using the enclosed prepaid envelope), so as to arrive as soon as possible, but in any event so as to be received by no later than 10.00 a.m. on 13 May 2015.

Alternatively, Shareholders may submit their proxy vote electronically via www.kier.co.uk/vote. From there, Shareholders can log in to their Capita share portal account or register for the Capita share portal by following the on-screen instructions.

CREST members may also choose to utilise the CREST electronic proxy appointment service in accordance with the procedures set out in the notice convening the General Meeting at the end of this document.

Completion and return of a Form of Proxy (or the electronic appointment of a proxy) will not preclude you from attending and voting at the General Meeting in person if you so wish.

Further details relating to voting by proxy are set out in the notes to the Notice of General Meeting on pages 297 to 300 (inclusive) of this document.

15.2 Action to be Taken in Respect of the Rights Issue

If you are a Qualifying Non-CREST Shareholder with a registered address outside the United States and the Excluded Territories (subject to certain exceptions), you will be sent a Provisional Allotment Letter giving you details of your Nil Paid Rights by post on or about 15 May 2015. If you are a Qualifying CREST Shareholder, you will not be sent a Provisional Allotment Letter. Instead, provided that you have a registered address outside the United States and the Excluded Territories (subject to certain exceptions), you will receive a credit to your appropriate stock accounts in CREST in respect of Nil Paid Rights, which it is expected will take place as soon as practicable after 8.00 a.m. on 18 May 2015. Such crediting does not in itself constitute an offer of New Shares.

If you sell or have sold or otherwise transferred all of your Shares held (other than ex-rights) in certificated form before 13 May 2015, please forward this document and any Provisional Allotment Letter, if and when received, at once to the purchaser or transferee or the bank, stockbroker or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee, except that such documents should not be sent to any jurisdiction where to do so might constitute a violation of local securities laws or regulations, including, but not limited to, the United States and the Excluded Territories.

If you sell or have sold or otherwise transferred all or some of your Shares (other than ex-rights) held in uncertificated form before the Ex-Rights Date, a claim transaction will automatically be generated by Euroclear which, on settlement, will transfer the appropriate number of Nil Paid Rights to the purchaser or transferee.

If you sell or have sold or otherwise transferred only part of your holding of Existing Shares (other than ex-rights) held in certificated form before the Ex-Rights Date, you should refer to the instruction regarding split applications in Part III of this document and in the Provisional Allotment Letter.

The latest time and date for acceptance and payment in full in respect of the Rights Issue is expected to be 11.00 a.m. on 2 June 2015, unless otherwise announced by the Company. The procedure for acceptance and payment is set out in Part III of this document and, if applicable, in the Provisional Allotment Letter.

For Qualifying Non-CREST Shareholders, the New Shares will be issued in certificated form and will be represented by definitive share certificates, which are expected to be despatched by no later than 10 June 2015 to the registered address of the person(s) entitled to them.

For Qualifying CREST Shareholders who take up their rights, the Registrar will instruct CREST to credit the stock accounts of the Qualifying CREST Shareholders with their entitlements to New Shares. It is expected that this will take place by 8.00 a.m. on 18 May 2015.

Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST sponsor regarding the action to be taken in connection with this document and the Rights Issue.

If you are in any doubt as to the action you should take, you should immediately seek your own financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the FSMA or, if you are outside the United Kingdom, by another appropriately authorised independent financial adviser.

15.3 Special Dealing Service

Kier has engaged Capita Asset Services to make available the Special Dealing Service in order for Qualifying Non-CREST Shareholders (who are individuals and whose registered addresses are in the United Kingdom or any other jurisdiction in the EEA) to sell all of the Nil Paid Rights to which they are entitled or to effect a Cashless Take-up should they wish. Further information about the Special Dealing Service is set out in paragraph 2.1.5 of Part III of this document and the Special Dealing Service Terms and Conditions will be posted to Qualifying Non-CREST Shareholders together with the Provisional Allotment Letter.

16 Directors' Intentions

The Directors are fully supportive of the Rights Issue. Each of the Directors who holds Shares either intends, to the extent that he or she is able, to take up in full his or her rights to subscribe for New Shares

under the Rights Issue or to sell a sufficient number of their Nil Paid Rights during the nil paid trading period to meet the costs of taking up the balance of his or her entitlement to New Shares.

17 Financial Advice

The Board has received financial advice from J.P. Morgan Limited and Numis Securities Limited in relation to the Acquisition. In providing advice to the Board, J.P. Morgan Limited and Numis Securities Limited have relied upon the Board's commercial assessment of the Acquisition.

18 Recommendation and Voting Intentions

The Board believes the Acquisition and the Resolutions to be in the best interests of Kier and Shareholders as a whole and, accordingly, unanimously recommends that the Shareholders vote in favour of the Resolutions, as the Directors each intend to do in respect of their own legal and beneficial holdings, amounting to 45,089 Shares (representing approximately 0.1 per cent. of the Company's existing issued share capital as at 24 April 2015, being the last practicable date prior to the date of this document).

Yours faithfully

Phil White

Chairman
Kier Group plc

PART II—QUESTIONS AND ANSWERS ABOUT THE RIGHTS ISSUE

The questions and answers set out in this Part II are intended to be in general terms only and, as such, you should read Part III of this document for full details of what action you should take. If you are in any doubt as to what action you should take, you are recommended to seek immediately your own financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser, duly authorised under the FSMA if you are resident in the UK or, if not, from another appropriately authorised independent financial adviser.

This Part II deals with general questions relating to the Rights Issue and more specific questions relating to Shares held by persons resident in the UK who hold their Shares in certificated form only. If you are an Overseas Shareholder, you should read paragraph 2.5 of Part III of this document and you should take professional advice as to whether you are eligible and/or you need to observe any formalities to enable you to take up your rights. If you hold your Shares in uncertificated form (that is, through CREST) you should read Part III of this document for full details of what action you should take. If you are a CREST sponsored member, you should also consult your CREST sponsor. If you do not know whether your Shares are in certificated or uncertificated form, please call the Shareholder Helpline on 0871 664 0321 (from within the UK) or on +44 20 8639 3399 (if calling from outside the UK). Calls to the 0871 664 0321 number are charged at 10p per minute (including VAT) plus network extras. Lines are open from 9.00 a.m. to 5.30 p.m. (London time) Monday to Friday. Calls to the Shareholder Helpline from outside the UK will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. Please note that the Shareholder Helpline operators cannot provide advice on the merits of the Rights Issue nor give financial, tax, investment or legal advice.

Times and dates referred to in this Part II have been included on the basis of the expected timetable for the Rights Issue set out on page 36.

1 What is a rights issue?

A rights issue is a way for companies to raise money. Companies do this by giving their existing shareholders a right to buy further shares in proportion to their existing shareholdings.

The offer under this Rights Issue is at a price of 858p per New Share. If you hold Shares on the Record Date and, subject to certain exceptions, do not have a registered address in the United States or the Excluded Territories, you will be entitled to buy New Shares pursuant to the Rights Issue. If you hold your Existing Shares in certificated form, your entitlement will be set out in your Provisional Allotment Letter.

New Shares are being offered to Qualifying Shareholders in the Rights Issue at a discount to the Share price on the last dealing day before the details of the Rights Issue were announced on 28 April 2015. The Issue Price of 858p per New Share represents a 34.3 per cent. discount to the theoretical ex-rights price based on the closing middle-market price quotation as derived from SEDOL of 1,625p per Share on 27 April 2015, the last business day prior to the date of announcement of the terms of the Rights Issue. As a result of this discount and while the market value of the Existing Shares exceeds the Issue Price, the right to buy the New Shares is potentially valuable.

The Rights Issue is on the basis of 5 New Shares for every 7 Existing Shares held by Qualifying Shareholders.

If you are a Qualifying Shareholder and you do not want to buy the New Shares to which you are entitled, you can instead sell or transfer your rights (called Nil Paid Rights) to those New Shares and receive the net proceeds, if any, of the sale or transfer in cash. This is referred to as "dealing nil paid".

2 What happens next?

The Company has called a General Meeting to be held at 10.00 a.m. on 15 May 2015 at the offices of Linklaters LLP at One Silk Street, London EC2Y 8HQ. Please see the Notice of General Meeting at the end of this document. As you will see from the contents of the Notice of General Meeting, the Board is seeking shareholder approval for the Acquisition and for the allotment of the New Shares and disapplication of pre-emption rights associated with the Rights Issue.

If the Transaction Resolutions are approved at the General Meeting, the Rights Issue will proceed (subject to certain conditions). The Provisional Allotment Letters are due to be despatched on or about 15 May 2015 to Qualifying Non-CREST Shareholders with registered addresses outside the United States and the Excluded Territories (subject to certain exceptions) and the Nil Paid Rights are due to be credited to the

CREST stock accounts of Qualifying CREST Shareholders with registered addresses outside the United States and the Excluded Territories (subject to certain exceptions) as soon as practicable after 8.00 a.m. on 18 May 2015.

3 Can I sell some rights and use the proceeds to take up my remaining rights?

This is known as a cashless take-up or "tail-swallowing". You should contact your stockbroker or financial adviser who may be able to help if you wish to do this. Alternatively, if you are an individual certificated shareholder whose registered address is in the UK or any other EEA country, you can use the Special Dealing Service (see paragraph 6(d) below). Please note that your ability to sell your rights is dependent on demand for such rights and that the price for Nil Paid Rights may fluctuate. Please ensure that you allow enough time so as to enable the person acquiring your rights to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 2 June 2015.

4 I hold my Existing Shares in certificated form. How do I know if I am able to acquire New Shares under the Rights Issue?

If you receive a Provisional Allotment Letter and are a Qualifying Non-CREST Shareholder with a registered address outside the United States and the Excluded Territories (subject to certain exceptions), then you should be eligible to acquire New Shares under the Rights Issue (as long as you have not sold all of your Existing Shares before 8.00 a.m. on the Ex-Rights Date, in which case you will need to follow the instructions on the front page of this document).

5 I hold my Existing Shares in certificated form. How will I be informed of how many New Shares I am entitled to buy?

Subject to Shareholders approving the Transaction Resolutions at the General Meeting to be held on 15 May 2015, if you hold your Existing Shares in certificated form and are a Qualifying Non-CREST Shareholder with a registered address outside the United States and the Excluded Territories (subject to certain exceptions), you will be sent a Provisional Allotment Letter that shows:

- how many Existing Shares you held at the close of business on 13 May 2015 (the record date for the Rights Issue);
- how many New Shares you are entitled to buy; and
- how much you need to pay if you want to take up your right to buy all the New Shares provisionally allotted to you in full.

Subject to certain exceptions, if you have a registered address in the United States or the Excluded Territories, you will not receive a Provisional Allotment Letter.

6 I am a Qualifying Shareholder with a registered address in the United Kingdom and I hold my Existing Shares in certificated form. What are my choices and what should I do with the Provisional Allotment Letter?

(a) If you want to take up all of your rights

If you want to take up all of your rights to acquire the New Shares to which you are entitled, all you need to do is send the Provisional Allotment Letter, together with your cheque or banker's draft for the full amount, payable to "Capita Registrars Limited re: Kier Group plc—Rights Issue A/C" and crossed "A/C payee only", by post or by hand (during normal business hours only) to Capita Asset Services, Corporate Actions at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, to arrive by no later than 11.00 a.m. on 2 June 2015. Within the United Kingdom only, you can use the reply-paid envelope which will be enclosed with the Provisional Allotment Letter. Full instructions are set out in Part III of this document and will be set out in the Provisional Allotment Letter.

Please note third-party cheques will not be accepted other than building society cheques or banker's drafts.

If payment is made by building society cheque (not being drawn on an account of the applicant) or a banker's draft, the building society or bank must endorse on the back of the cheque or draft the applicant's name and the number of an account held in the applicant's name at the building society or bank, such endorsement being validated by a stamp and an authorised signature.

A definitive share certificate will then be sent to you for the New Shares that you take up. Your definitive share certificate for New Shares is expected to be despatched to you by no later than 10 June 2015. You will need your Provisional Allotment Letter to be returned to you if you want to deal in your Fully Paid Rights. Your Provisional Allotment Letter will not be returned to you unless you tick the appropriate box on the Provisional Allotment Letter.

(b) If you do not want to take up your rights at all

If you do not want to take up your rights, you do not need to do anything. If you do not return your Provisional Allotment Letter subscribing for the New Shares to which you are entitled by 11.00 a.m. on 2 June 2015, we have made arrangements under which the Underwriters will try to find investors to take up your rights and the rights of others who have not taken up their rights. If the Underwriters do find investors who agree to pay a premium above the Issue Price and the related expenses of procuring those investors (including any applicable brokerage and commissions and amounts in respect of value added tax), you will be sent a cheque for your share of the amount of that premium, provided that this is £5.00 or more. Cheques are expected to be despatched by no later than 10 June 2015 and will be sent to your existing address appearing on the Company's register of members (or to the first-named holder if you hold your Existing Shares jointly). If the Underwriters cannot find investors who agree to pay a premium over the Issue Price and related expenses so that your entitlement would be £5.00 or more, you will not receive any payment, and any amounts of less than £5.00 will be aggregated and donated to charity. Alternatively, if you do not want to take up your rights, you can sell or transfer your Nil Paid Rights (see paragraph (d) below).

(c) If you want to take up some but not all of your rights

If you want to take up some but not all of your rights and wish to sell some or all of those you do not want to take up, you should first apply to have your Provisional Allotment Letter split by completing Form X on the Provisional Allotment Letter (unless you wish to use the Special Dealing Service), and returning it by post or by hand (during normal business hours only) to Capita Asset Services Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, to be received by 3.00 p.m. on 29 May 2015, together with a covering letter stating the number of split Provisional Allotment Letters required and the number of Nil Paid Rights to be comprised in each split Provisional Allotment Letter. You should then deliver the split Provisional Allotment Letter representing the New Shares that you wish to accept together with your cheque or banker's draft to Capita Asset Services, Corporate Actions, at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU to be received by 11.00 a.m. on 2 June 2015.

Please note that your ability to sell your rights is dependent on demand for such rights and that the price for Nil Paid Rights may fluctuate. Please ensure that you allow enough time so as to enable the person acquiring your rights to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 2 June 2015.

Further details are set out in Part III of this document and will be set out in the Provisional Allotment Letter.

(d) If you want to sell all of your rights

If you want to sell all of your rights other than through the Special Dealing Service, you should complete and sign Form X on the Provisional Allotment Letter (if it is not already marked "Original Duly Renounced") and pass the entire letter to your stockbroker, bank manager or other appropriate financial adviser or to the transferee (provided they are not in the United States or the Excluded Territories).

Please note that your ability to sell your rights is dependent on demand for such rights and that the price for Nil Paid Rights may fluctuate. Please ensure that you allow enough time so as to enable the person acquiring your rights to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 2 June 2015.

(e) If you want to use the Special Dealing Service

If you are an individual certificated shareholder whose registered address is in the United Kingdom or any other EEA country, you can use the Special Dealing Service to either (i) sell all of your Nil Paid Rights or (ii) sell a sufficient number of Nil Paid Rights to raise money to take up the remainder (that is, effect a Cashless Take-up).

If you want to use the Special Dealing Service to sell all of your Nil Paid Rights, you should tick Box C on the front page of your Provisional Allotment Letter, sign and date it and return the Provisional Allotment Letter by 3.00 p.m. on 22 May 2015.

If you want to effect a Cashless Take-up, you should tick Box D on the front page of your Provisional Allotment Letter, sign and date it and return the Provisional Allotment Letter by 3.00 p.m. on 22 May 2015.

Capita Asset Services will charge a commission of 0.35 per cent. of the gross proceeds of any sale of Nil Paid Rights effected using the Special Dealing Service, subject to a minimum of £20 per holding.

You should be aware that by returning your Provisional Allotment Letter and electing to use the Special Dealing Service, you will be deemed to be agreeing to the terms and conditions of the Special Dealing Service and make a legally binding agreement with Capita Asset Services on those terms. The terms and conditions of the Special Dealing Service will be posted to you together with the Provisional Allotment Letter if you hold your Ordinary Shares in certificated form.

If you have any questions relating to the Special Dealing Service, please telephone Capita Asset Services between 9.00 a.m. and 5.30 p.m. (London time) Monday to Friday on 0871 664 0321 from within the United Kingdom or +44 20 8639 3399 if calling from outside the United Kingdom. Calls to the 0871 664 0321 number cost 10 pence per minute (including VAT) plus your service provider's network extras. Calls to the helpline from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Rights Issue not give any financial, legal, tax or investment advice.

Further details about the Special Dealing Service are set out in paragraph 2.1.5 of Part III.

7 I acquired my Existing Shares prior to the Record Date and hold my Existing Shares in certificated form. What if I do not receive a Provisional Allotment Letter?

If the Shareholders approve the Transaction Resolutions at the General Meeting to be held on 15 May 2015, and you do not receive a Provisional Allotment Letter but hold your Existing Shares in certificated form, this probably means that you are not able to acquire New Shares under the Rights Issue. Some Non-CREST Shareholders, however, will not receive a Provisional Allotment Letter but may still be eligible to acquire New Shares under the Rights Issue, namely:

- Qualifying CREST Shareholders who held their Existing Shares in uncertificated form on 13 May 2015 and who have converted them to certificated form;
- Shareholders who bought Existing Shares before 13 May 2015 and who hold such Shares in certificated form but were not registered as the holders of those Shares at the close of business on 13 May 2015; and
- certain Overseas Shareholders.

If you do not receive a Provisional Allotment Letter but think that you should have received one, please call the Shareholder Helpline on 0871 664 0321 (from within the United Kingdom) or on +44 20 8639 3399 (if calling from outside the United Kingdom). Calls to the 0871 664 0321 number are charged 10p per minute (including VAT) plus network extras. Lines are open from 9.00 a.m. to 5.30 p.m. (London time) Monday to Friday. Calls to the Shareholder Helpline from outside the United Kingdom will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. Please note that the Shareholder Helpline operators cannot provide advice on the merits of the Rights Issue nor give financial, tax, investment or legal advice.

8 If I buy Shares after the Record Date, will I be eligible to participate in the Rights Issue?

If you bought Shares after the Record Date but prior to 8.00 a.m. on the Ex-Rights Date, you may be eligible to participate in the Rights Issue.

If you are in any doubt, please consult your stockbroker, bank or other appropriate financial adviser, or whoever arranged your share purchase, to ensure you claim your entitlement.

If you buy Shares at or after 8.00 a.m. on 13 May 2015, you will not be eligible to participate in the Rights Issue in respect of those Shares.

9 I hold my Existing Shares in certificated form. If I take up my rights, when will I receive the certificate representing my New Shares?

If you take up your rights under the Rights Issue, share certificates for the New Shares are expected to be posted by no later than 10 June 2015.

10 What if the number of New Shares to which I am entitled is not a whole number? Am I entitled to fractions of New Shares?

Your entitlement to New Shares will be calculated at the Record Date (other than in the case of those who bought shares after the Record Date but prior to 8.00 a.m. on the Ex-Rights Date who are eligible to participate in the Rights Issue). If the result is not a whole number, you will not be provisionally allotted a New Share in respect of the fraction of a New Share and your entitlement will be rounded down to the nearest whole number. The New Shares representing the aggregated fractions that would otherwise be allotted to Shareholders will be issued in the market nil paid for the benefit of the Company.

11 Will I be taxed if I take up or sell my rights or if my rights are sold on my behalf?

If you are resident in the United Kingdom for tax purposes, you should not have to pay UK tax when you take up your rights, although the Rights Issue will affect the amount of UK tax you may pay when you subsequently sell your Shares.

However, assuming that you hold your Shares as an investment, rather than for the purposes of a trade, you may (subject to any available exemption or relief) be subject to capital gains tax on any proceeds that you receive from the sale of your rights. Similarly, assuming that you hold your Shares as an investment, if you allow, or are deemed to allow, your rights to lapse and receive a cash payment in respect of them, you may (subject to any available exemption or relief) be subject to capital gains tax on any proceeds.

However, if the proceeds are "small" as compared to the value of the Existing Shares in respect of which the rights arose (broadly, the proceeds do not exceed £3,000 or 5 per cent. of the value of the Existing Shares), a capital gains tax charge should not generally arise at that time. Rather, the proceeds will be deducted from the base cost of the holding of the Existing Shares for the purposes of computing a chargeable gain or allowable loss on a subsequent disposal. This treatment will not apply if the proceeds are greater than the base cost of the holding of Existing Shares.

Further information for Qualifying Shareholders who are resident in the United Kingdom for tax purposes is contained in Part XI of this document. This information is intended as a general guide to the current tax position in the United Kingdom and Qualifying Shareholders should consult their own tax advisers regarding the tax treatment of the Rights Issue in light of their own circumstances. Qualifying Shareholders who are in any doubt as to their tax position, or who are subject to tax in any other jurisdiction, should consult an appropriate professional adviser as soon as possible. Please note that the Shareholder Helpline will not be able to assist you with taxation issues.

12 I understand that there is a period when there is trading in the Nil Paid Rights. What does this mean?

If you do not want to buy the New Shares being offered to you under the Rights Issue, you can instead sell or transfer your Nil Paid Rights and receive the net proceeds of the sale or transfer in cash. This is referred to as "dealing nil paid". This means that, during the Rights Issue (between 18 May 2015 and 11.00 a.m. on 2 June 2015) you can either purchase Shares (which will not carry any entitlement to participate in the Rights Issue) or you can trade in the Nil Paid Rights.

13 I hold my Existing Shares in certificated form. What if I want to sell the New Shares for which I have paid?

Provided the New Shares have been paid for and you have requested the return of the receipted Provisional Allotment Letter, you can transfer the Fully Paid Rights by completing Form X (the form of renunciation) on the receipted Provisional Allotment Letter in accordance with the instructions set out in the Provisional Allotment Letter until 11.00 a.m. on 2 June 2015. After that time, you will be able to sell your New Shares in the normal way. The share certificate relating to your New Shares is expected to be

despatched to you by no later than 10 June 2015. Pending despatch of the share certificate, instruments of transfer will be certified by the Registrar against the register.

Further details are set out in Part III of this document.

14 What should I do if I live outside the United Kingdom?

Whilst you have an entitlement to participate in the Rights Issue, your ability to take up or sell rights to New Shares may be affected by the laws of the country in which you live and you should take professional advice as to whether you require any governmental or other consents or need to observe any other formalities to enable you to take up your rights. Shareholders with registered addresses in the United States or the Excluded Territories are, subject to certain exceptions, not able to acquire New Shares under the Rights Issue. Your attention is drawn to the information in paragraph 2.5 of Part III of this document.

The Company has made arrangements under which the Underwriters will try to find investors to take up your rights and those of other Shareholders who have not taken up their rights. If the Underwriters do find investors who agree to pay a premium above the Issue Price and the related expenses of procuring those investors (including any applicable brokerage and commissions and amounts in respect of value added tax), you will be sent a cheque for your share of the amount of that premium provided that this is £5.00 or more. Cheques are expected to be despatched by no later than 10 June 2015 and will be sent to your address appearing on the Company's register of members (or to the first-named holder if you hold your Shares jointly). If the Underwriters cannot find investors who agree to pay a premium over the Issue Price and related expenses so that your entitlement would be £5.00 or more, you will not receive any payment and any such amount of less than £5.00 will be donated to charity.

15 Will the Rights Issue affect the future dividends the Company pays?

Following completion of the Rights Issue, future dividend payments will be adjusted for the Rights Issue. The adjustment will take account of the discount in the Issue Price to the share price at close of business on 27 April 2015, being the day prior to the announcement of the terms of the Rights Issue.

16 What if I hold options and awards under the Share Schemes?

Participants in the Share Schemes will be contacted separately with further information on how their options and awards granted under such plans may be affected by the Rights Issue.

17 How do I transfer my rights into the CREST system?

If you are a Qualifying Non-CREST Shareholder, but are a CREST member and want your New Shares to be in uncertificated form, you should complete Form X and the CREST Deposit Form (both on the Provisional Allotment Letter) and ensure they are delivered to CCSS to be received by 3.00 p.m. on 28 May 2015 at the latest. CREST sponsored members should arrange for their CREST sponsors to do this.

If you have transferred your rights into the CREST system, you should refer to paragraph 2.2 of Part III of this document for details on how to pay for the New Shares.

18 What should I do if I think my holding of Shares is incorrect?

If you have recently bought or sold Shares, your transaction may not be entered on the register of members in time to appear on the register at the Record Date. If you are concerned about the figure in the Provisional Allotment Letter or otherwise concerned that your holding of Shares is incorrect, please call the Shareholder Helpline on 0871 664 0321 (from within the United Kingdom) or on +44 20 8639 3399 (if calling from outside the United Kingdom). Calls to the 0871 664 0321 number are charged at 10p per minute (including VAT) plus network extras. Lines are open from 9.00 a.m. to 5.30 p.m. (London time) Monday to Friday. Calls to the Shareholder Helpline from outside the United Kingdom will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. Please note that the Shareholder Helpline operators cannot provide advice on the merits of the Rights Issue nor give financial, tax, investment or legal advice.

PART III—TERMS AND CONDITIONS OF THE RIGHTS ISSUE

1 Introduction

The Company is proposing to raise proceeds of approximately £330 million (net of expenses) by way of a rights issue of 39,646,692 New Shares. Subject to the fulfilment of the conditions of the Underwriting Agreement, the New Shares will be offered under the Rights Issue by way of rights at 858p per New Share. This offer will be on the basis of:

5 New Shares for every 7 Existing Shares

held on the Record Date (and so in proportion for any other number of Existing Shares then held) and otherwise on the terms and conditions as set out in this document and, in the case of Qualifying Non-CREST Shareholders, the Provisional Allotment Letters.

Times and dates referred to in this Part III have been included on the basis of the expected timetable for the Rights Issue set out on page 36.

The Issue Price of 858p per New Share represents a 34.3 per cent. discount to the theoretical ex-rights price based on the closing middle-market price of a Share as derived from SEDOL of 1,625p per Existing Share on 27 April 2015, the last Business Day prior to the date of announcement of the terms of the Rights Issue.

Qualifying Shareholders who do not take up their entitlements to New Shares will have their proportionate shareholdings in the Company diluted by approximately 41.7 per cent. Those Qualifying Shareholders who take up the New Shares provisionally allotted to them in full will, subject to the rounding down and sale of any fractions, retain the same proportionate voting and distribution rights as held by them at the close of business on the Record Date. In each case, assuming that no options under the Sharesave Schemes are exercised between the date of this document and Admission becoming effective.

The Nil Paid Rights (also described as New Shares, nil paid) are entitlements to acquire the New Shares subject to payment of the Issue Price. The Fully Paid Rights are entitlements to receive the New Shares, for which a subscription and payment has already been made.

Holdings of Existing Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Rights Issue. Entitlements to New Shares will be rounded down to a whole number (or to zero in the case of shareholders holding fewer than 1 Existing Share at the close of business on the Record Date) and fractions of New Shares will not be allotted to Qualifying Shareholders. Such fractions will be aggregated and, if possible, placed as soon as practicable after the commencement of dealings in the New Shares, nil paid. The net proceeds of such placings (after deduction of expenses) will be aggregated and will ultimately accrue for the benefit of the Company.

Overseas Shareholders or any persons (including, without limitation, custodians, nominees and trustees) who have a contractual or other legal obligation to forward this document into a jurisdiction other than the United Kingdom should consider paragraph 2.5 below. The offer of New Shares under the Rights Issue will not be made into certain territories. Subject to the provisions of paragraph 2.5 below, Shareholders with a registered address in the United States or the Excluded Territories are not being sent this document and will not be sent Provisional Allotment Letters.

Application will be made to the FCA and to the London Stock Exchange for the New Shares to be admitted to the premium listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities, respectively. It is expected that Admission will become effective on 18 May 2015 and that dealings on the London Stock Exchange in the New Shares (nil paid) will commence by 8.00 a.m. on that date. The New Shares and the Existing Shares are in registered form and can be held in certificated form or uncertificated form via CREST.

The Existing Shares are already admitted to CREST. No further application for admission to CREST is required for the New Shares and all of the New Shares when issued and fully paid may be held and transferred by means of CREST.

Applications will be made for the Nil Paid Rights and the Fully Paid Rights to be admitted to CREST. Euroclear requires the Company to confirm to it that certain conditions (imposed by the CREST Manual) have been satisfied before Euroclear will admit any security to CREST. It is expected that these conditions will be satisfied, in respect of the Nil Paid Rights and the Fully Paid Rights, on Admission. As soon as practicable after satisfaction of the conditions, the Company will confirm this to Euroclear.

The ISIN for the New Shares will be the same as that of the Existing Shares, being GB0004915632. The ISIN for the Nil Paid Rights will be GB00BWWC6C19 and for the Fully Paid Rights will be GB00BWWC6G56.

None of the New Shares are being offered to the public other than pursuant to the Rights Issue.

The Rights Issue has been fully underwritten by the Underwriters and is conditional, *inter alia*, upon:

(i) the Underwriting Agreement having become unconditional in all respects (save for the condition relating to Admission) and not having been terminated in accordance with its terms;

(ii) Admission becoming effective by not later than 8.00 a.m. on 18 May 2015 (or such later date as the Sponsors and the Company may agree); and

(iii) the passing, without material amendment, of the Transaction Resolutions.

The Underwriting Agreement is conditional upon certain matters being satisfied or not breached prior to the General Meeting and may be terminated by the Underwriters prior to Admission becoming effective upon the occurrence of certain specified events, in which case the Rights Issue will not proceed. The Underwriting Agreement is not capable of termination following Admission. The Underwriters may arrange sub-underwriting for some, all or none of the New Shares. A summary of certain terms and conditions of the Underwriting Agreement is contained in paragraph 15.1 of Part XIII of this document.

The Underwriters and any of their respective affiliates may engage in trading activity in connection with their roles under the Underwriting Agreement and, in that capacity, may retain, purchase, sell, offer to sell or otherwise deal for their own account in securities of the Company and related or other securities and instruments (including Shares, Nil Paid Rights and Fully Paid Rights) for the purpose of hedging their underwriting exposure or otherwise. Accordingly, references in this document to Nil Paid Rights, Fully Paid Rights or New Shares being issued, offered, subscribed, acquired, placed or otherwise dealt in should be read as including any issue or offer to, or subscription, acquisition, placing or dealing by, the Underwriters and any of their affiliates acting as investors for their own account. Except as required by applicable law or regulation, none of the Underwriters propose to make any public disclosure in relation to such transactions. In addition, certain of the Underwriters or their affiliates may enter into financing arrangements (including swaps or contracts for differences) with investors in connection with which such Underwriters (or their affiliates) may from time to time acquire, hold or dispose of Shares.

In addition, the Company reserves the right to decide not to proceed with the Rights Issue if the Underwriting Agreement is terminated at any time prior to Admission and commencement of dealings in the New Shares (nil paid).

Subject, *inter alia*, to the conditions referred to above being satisfied (other than the condition relating to Admission) and save as provided in paragraph 2.5 below, it is intended that:

(a) Provisional Allotment Letters in respect of Nil Paid Rights will be despatched to Qualifying Non-CREST Shareholders with registered addresses outside the United States and the Excluded Territories (subject to certain exceptions) on or about 15 May 2015;

(b) the Receiving Agent will instruct Euroclear to credit the appropriate stock accounts of Qualifying CREST Shareholders with registered addresses outside the United States and the Excluded Territories (subject to certain exceptions) with such Shareholders' entitlements to Nil Paid Rights with effect from 8.00 a.m. on 15 May 2015;

(c) the Nil Paid Rights and the Fully Paid Rights will be enabled for settlement by Euroclear as soon as practicable after the Company has confirmed to Euroclear that all the conditions for admission of such rights to CREST have been satisfied, which is expected to be by 8.00 a.m. on 18 May 2015;

(d) New Shares will be credited to the appropriate stock accounts of the relevant Qualifying CREST Shareholders and/or purchasers of Nil Paid Rights (or their renouncees) who validly take up their rights, and the purchasers of Fully Paid Rights, as soon as practicable after 8.00 a.m. on 18 May 2015; and

(e) share certificates for the New Shares will be despatched to relevant Qualifying Non-CREST Shareholders or their renouncees by no later than 10 June 2015.

The offer will be made to Qualifying Non-CREST Shareholders by way of the Provisional Allotment Letter (as described in step (i) above) and to Qualifying CREST Shareholders by way of the enablement of

the Nil Paid Rights and the Fully Paid Rights (as described in step (iii) above) (such Shareholders' stock accounts having been credited as described in step (ii) above).

The New Shares will, when issued and fully paid, rank *pari passu* in all respects with the Existing Shares, including the right to receive all dividends or other distributions made, paid or declared after the date of issue of the New Shares. There will be no restrictions on the free transferability of the New Shares save as provided in the Articles. The rights attaching to the New Shares are governed by the Articles, a summary of which is set out in paragraph 4 of Part XIII of this document.

All documents, including Provisional Allotment Letters (which constitute temporary documents of title) and cheques and certificates posted to, by or from Qualifying Shareholders and/or their transferees or renouncees (or their agents, as appropriate) will be posted at their own risk.

Shareholders taking up their rights by completing a Provisional Allotment Letter or by sending a Many-To-Many ("MTM") instruction to Euroclear will be deemed to have given the representations and warranties set out in paragraph 2.6 below, unless the requirement is waived by the Company.

2 Action to be taken

The action to be taken in respect of the New Shares depends on whether, at the relevant time, the Nil Paid Rights or the Fully Paid Rights in respect of which action is to be taken are in certificated form (that is, are represented by Provisional Allotment Letters) or are in uncertificated form (that is, are in CREST).

If you are a Qualifying Non-CREST Shareholder with a registered address outside the United States and the Excluded Territories, please refer to paragraph 2.1 and paragraphs 2.3 to 2.9 below.

If you are a Qualifying CREST Shareholder with a registered address outside the United States and the Excluded Territories, please refer to paragraphs 2.2 to 2.9 below and to the CREST Manual for further information on the CREST procedures referred to below.

If you are Qualifying Shareholder either: (i) subject to certain exceptions, with a registered address in the United States or the Excluded Territories; or (ii) holding Shares on behalf of, or for the account or benefit of any person on a non-discretionary basis who, subject to certain exceptions, has a registered address in the United States or the Excluded Territories, please refer to paragraph 2.5 below.

CREST sponsored members should refer to their CREST sponsors, as only their CREST sponsors will be able to take the necessary actions specified below to take up the entitlements or otherwise to deal with the Nil Paid Rights or Fully Paid Rights of CREST sponsored members.

All enquiries in relation to the Provisional Allotment Letters should be addressed to the Shareholder Helpline on 0871 664 0321 (from within the United Kingdom) or on +44 20 8639 3399 (if calling from outside the United Kingdom). Calls to 0871 664 0321 are charged at 10p per minute (including VAT) plus network extras. Lines are open from 9.00 a.m. to 5.30 p.m. (London time) Monday to Friday. Calls to the Shareholder Helpline from outside the United Kingdom will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. Please note that the Shareholder Helpline operators cannot provide advice on the merits of the Rights Issue nor give financial, tax, investment or legal advice.

2.1 Action to be taken by Qualifying Non-CREST Shareholders in relation to the Nil Paid Rights represented by Provisional Allotment Letters

2.1.1 General

Provisional Allotment Letters are expected to be despatched to Qualifying Non-CREST Shareholders with registered addresses outside of the United States and the Excluded Territories (subject to certain exceptions) on or about 15 May 2015. Each Provisional Allotment Letter will set out:

(i) the holding at the close of business on the Record Date of Existing Shares in certificated form on which a Qualifying Non-CREST Shareholder's entitlement to New Shares has been based;

(ii) the aggregate number of New Shares which have been provisionally allotted to that Qualifying Non-CREST Shareholder with respect to the Existing Shares referred to in paragraph (i) above;

(iii) the amount payable by a Qualifying Non-CREST Shareholder at the Issue Price to take up his entitlement in full;

(iv) the procedures to be followed if a Qualifying Non-CREST Shareholder wishes to dispose of all or part of his entitlement or to convert all or part of his entitlement into uncertificated form;

(v) the procedures to be followed if a Qualifying Non-CREST Shareholder who is eligible to use the Special Dealing Service wishes to sell all of his Nil Paid Rights or to effect a Cashless Take-up using the Special Dealing Service; and

(vi) instructions regarding acceptance and payment, consolidation, splitting and registration of renunciation (where applicable).

On the basis that Provisional Allotment Letters are posted on or about 15 May 2015, and that dealings in Nil Paid Rights commence on 18 May 2015, the latest time and date for:

(a) **acceptance and payment in full will be 11.00 a.m. on 2 June 2015**

(b) **receipt of instructions under the Special Dealing Service in respect of the sale of all Nil Paid Rights or a Cashless Take-up will be 3.00 p.m. on 22 May 2015.**

If the Rights Issue is delayed so that Provisional Allotment Letters cannot be despatched on 15 May 2015 or if the timetable for the Rights Issue is otherwise amended, the expected timetable, as set out at the front of this document, will be adjusted accordingly and the revised dates will be set out in the Provisional Allotment Letters and announced through a Regulatory Information Service. All references to times and/or dates in this Part III should be read as being subject to such adjustment.

2.1.2 Procedure for acceptance and payment

(i) Qualifying Non-CREST Shareholders who wish to take up their entitlement in full

Holders of Provisional Allotment Letters who wish to take up all of their entitlement must complete and return the Provisional Allotment Letter, together with a cheque or banker's draft in pounds sterling, made payable to "Capita Registrars Limited re: Kier Group plc—Rights Issue A/C" and crossed "A/C payee only", for the full amount payable on acceptance, in accordance with the instructions printed on the Provisional Allotment Letter, by post or by hand (during normal business hours only) to Capita Asset Services, Corporate Actions at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, so as to arrive as soon as possible and in any event so as to be received by not later than 11.00 a.m. on 2 June 2015. A reply-paid envelope will be enclosed with the Provisional Allotment Letter for this purpose and for use in the United Kingdom only. If you post your Provisional Allotment Letter within the United Kingdom by first-class post, it is recommended that you allow at least four days for delivery.

(ii) Qualifying Non-CREST Shareholders who wish to take up some (but not all) of their entitlement

Holders of Provisional Allotment Letters who wish to take up some but not all of their Nil Paid Rights and wish to sell some or all of those rights which they do not want to take up (other than by effecting a Cashless Take-up using the Special Dealing Service described in paragraph 2.1.5 below) should first apply for split Provisional Allotment Letters by completing Form X on the Provisional Allotment Letter and returning it, together with a covering letter stating the number of split Provisional Allotment Letters required and the number of Nil Paid Rights or Fully Paid Rights (if appropriate) to be comprised in each split Provisional Allotment Letter, by post or by hand (during normal business hours only) to Capita Asset Services, Corporate Actions at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU by 3.00 p.m. on 29 May 2015, the last date and time for splitting Provisional Allotment Letters. The Provisional Allotment Letter will then be cancelled and exchanged for the split Provisional Allotment Letters required. Such holders of Provisional Allotment Letters should then deliver the split Provisional Allotment Letter representing the rights they wish to take up together with a cheque or banker's draft in pounds sterling for this number of rights, payable to "Capita Registrars Limited re: Kier Group plc—Rights Issue A/C" and crossed "A/C payee only" so as to be received by not later than 11.00 a.m. on 2 June 2015, the last date and time for acceptance. The further split Provisional Allotment Letters (representing the New Shares the Shareholder does not wish to take up) will be required in order to sell those rights not being taken up.

Alternatively, Qualifying Non-CREST Shareholders who wish to take up some of their rights, without selling or transferring the remainder, should complete Form X on the original Provisional Allotment Letter and return it, together with a covering letter confirming the number of rights to be taken up and a cheque or banker's draft in pounds sterling to pay for this number of Shares, by post or by hand (during normal business hours only) to Capita Asset Services, Corporate Actions at The Registry, 34 Beckenham Road,

Beckenham, Kent BR3 4TU. In this case, the Provisional Allotment Letter and payment must be received by 11.00 a.m. on 2 June 2015, the last date and time for acceptance.

(iii) Company's discretion as to validity of acceptances

If payment is not received in full by 11.00 a.m. on 2 June 2015, the provisional allotment will (unless the Company has exercised its right to treat as valid an acceptance, as set out below) be deemed to have been declined and will lapse. The Company may elect, with the agreement of the Joint Bookrunners, but shall not be obliged, to treat as valid Provisional Allotment Letters and accompanying remittances for the full amount due which are received prior to 5.00 p.m. on 2 June 2015.

The Company may elect, but shall not be obliged to treat as a valid acceptance, the receipt of appropriate remittance by 5.00 p.m. on 2 June 2015 from an authorised person (as defined in the FSMA) specifying the number of New Shares to be acquired and containing an undertaking by that person to lodge the relevant Provisional Allotment Letters, duly completed, in due course.

The Company may also (in its sole discretion) treat a Provisional Allotment Letter as valid and binding on the person(s) by whom or on whose behalf it is lodged even if it is not completed in accordance with the relevant instructions or is not accompanied by a valid power of attorney where required.

The Company reserves the right to treat as invalid any acceptance or purported acceptance of the New Shares that appears to the Company to have been executed in, despatched from or that provided an address for delivery of definitive share certificates for New Shares in the United States or the Excluded Territories unless the Company is satisfied that such action would not result in the contravention of any registration or other legal requirement in any jurisdiction.

The provisions of this paragraph (iii) and any other terms of the Rights Issue relating to Qualifying Non-CREST Shareholders may be waived, varied or modified as regards specific Qualifying Non-CREST Shareholder(s) or on a general basis by the Company, with the agreement of the Underwriters.

A Qualifying Non-CREST Shareholder who makes a valid acceptance and payment in accordance with this paragraph 2.1.2 is deemed to request that the New Shares to which they will become entitled be issued to them on the terms and conditions set out in this document and subject to the Articles.

(iv) Payments

All payments must be in pounds sterling and made by cheque or banker's draft made payable to "Capita Registrars Limited re: Kier Group plc—Rights Issue A/C" and crossed "A/C payee only". Cheques or banker's drafts must be drawn on a bank or building society or branch of a bank or building society in the United Kingdom or the Channel Islands which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques and banker's drafts to be cleared through the facilities provided by any of those companies or committees and must bear the appropriate sort code in the top right-hand corner. Cheques must be drawn on the personal account to which the Qualifying Non-CREST Shareholder (or their nominee) has sole or joint title to the funds. Third-party cheques will not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has confirmed the name of the account holder by stamping or endorsing the back of the cheque or draft to such effect. The account name should be the same as that shown on the application. Post-dated cheques will not be accepted. Cheques or banker's drafts will be presented for payment upon receipt. The Company reserves the right to instruct the Registrar to seek special clearance of cheques and banker's drafts to allow the Company to obtain value for remittances at the earliest opportunity. No interest will be paid on payments. It is a term of the Rights Issue that cheques shall be honoured on first presentation and the Company may elect to treat as invalid acceptances in respect of which cheques are not so honoured. Return of a completed Provisional Allotment Letter will constitute a warranty that the cheque will be honoured on first presentation. All documents, cheques and banker's drafts sent through the post will be sent at the risk of the sender. Payments via CHAPS, BACS or electronic transfer will not be accepted.

If the New Shares have already been allotted to a Qualifying Non-CREST Shareholder prior to any payment not being so honoured upon first presentation or such acceptances being treated as invalid, the Company may (in its absolute discretion as to manner, timing and terms) make arrangements for the sale of such New Shares on behalf of such Qualifying Non-CREST Shareholder and hold the proceeds of sale (net of the Company's reasonable estimate of any loss it has suffered as a result of the same and of the expenses of the sale, including, without limitation, any stamp duty or SDRT payable on the transfer of such

New Shares, and of all amounts payable by such Qualifying Non-CREST Shareholder pursuant to the terms of the Rights Issue in respect of the acquisition of such New Shares) on behalf of such Qualifying Non-CREST Shareholder. Neither the Company nor the Underwriters nor any other person shall be responsible for, or have any liability for, any loss, expense or damage suffered by such Qualifying Non-CREST Shareholder as a result.

(v) Holders of Provisional Allotment letters who wish to take up any of their entitlements must make the representations and warranties set out in paragraph 2.6 below.

2.1.3 Money Laundering Regulations

It is a term of the Rights Issue that, to ensure compliance with the Money Laundering Regulations, the Registrar, Capita Asset Services, may require verification of the identity of the person by whom or on whose behalf a Provisional Allotment Letter is lodged with payment (which requirements are referred to below as the "verification of identity requirements"). If an application is made by a UK-regulated broker or intermediary acting as agent and which is itself subject to the Money Laundering Regulations, any verification of identity requirements is the responsibility of such broker or intermediary and not of the Registrar. In such case, the lodging agent's stamp should be inserted on the Provisional Allotment Letter. The person(s) (the "acceptor") who, by lodging a Provisional Allotment Letter with payment, and in accordance with the other terms as described above, accept(s) directly or indirectly, the allotment of the New Shares (the "relevant shares") comprised in such Provisional Allotment Letter (being the provisional allottee or, in the case of renunciation, the person named in such Provisional Allotment Letter) shall thereby be deemed to agree to provide the Registrar and/or the Company with such information and other evidence as they or either of them may require to satisfy the verification of identity requirements and agree for the Registrar to make a search using a credit reference agency for the purpose of confirming such identity where deemed necessary. A record of the search will be retained.

If the Registrar determines that the verification of identity requirements apply to an acceptance of an allotment and the verification of identity requirements have not been satisfied (which the Registrar shall in its absolute discretion determine) by 11.00 a.m. on 2 June 2015, the Company may, in its absolute discretion, and without prejudice to any other rights of the Company, treat the acceptance as invalid, in which event the application monies will be returned (at the applicant's risk) without interest to the account of the bank or building society on which the relevant cheque or banker's draft was drawn, or may confirm the allotment of the relevant shares to the acceptor but (notwithstanding any other term of the Rights Issue) such shares will not be issued to him or registered in his name until the verification of identity requirements have been satisfied (which the Registrar shall in its absolute discretion determine). If the acceptance is not treated as invalid and the verification of identity requirements are not satisfied within such period, being not less than seven days after a request for evidence of identity is despatched to the acceptor, as the Company may in its absolute discretion allow, the Company will be entitled to make arrangements (in its absolute discretion as to manner, timing and terms) to sell the relevant shares (and for that purpose the Company will be expressly authorised to act as agent of the acceptor). Any proceeds of sale (net of expenses) of the relevant shares which shall be issued to and registered in the name of the purchaser(s) or an amount equivalent to the original payment, whichever is the lower, will be held by the Company on trust for the acceptor, subject to the requirements of the Money Laundering Regulations. The Registrar is entitled in its absolute discretion to determine whether the identity verification requirements apply to any acceptor and whether such requirements have been satisfied. Neither the Company, the Joint Bookrunners nor the Registrar will be liable to any person for any loss suffered or incurred as a result of the exercise of any such discretion or as a result of any sale of relevant shares.

Return of a Provisional Allotment Letter with the appropriate remittance will constitute a warranty from the acceptor that the Money Laundering Regulations will not be breached by acceptance of such remittance and an undertaking to provide promptly to the Registrar such information as may be specified by the Registrar as being required for the purpose of the Money Laundering Regulations. If the verification of identity requirements apply, failure to provide the necessary evidence of identity may result in your acceptance being treated as invalid or in delays in the despatch of a receipted fully paid Provisional Allotment Letter, share certificate or other documents relating to the Rights Issue (as applicable).

The verification of identity requirements will not usually apply:

(i) if the acceptor is an organisation required to comply with the Money Laundering Directive 2005/60/EC of the European Parliament and of the EC Council of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing; or

(ii) if the acceptor is a regulated UK broker or intermediary acting as agent and is itself subject to the Money Laundering Regulations; or

(iii) if the acceptor (not being an acceptor who delivers his acceptance in person) makes payment by way of a cheque drawn on an account in the name of such acceptor; or

(iv) if the aggregate subscription price for the relevant shares is less than €15,000 (approximately £10,900).

Where the verification of identity requirements apply, please note the following as this will assist in satisfying the requirements. Satisfaction of the verification of identity requirements may be facilitated in the following ways:

(a) if payment is made by cheque or banker's draft in pounds sterling drawn on a branch in the United Kingdom of a bank or building society and bears a UK bank sort code number in the top right-hand corner, the following applies. Cheques or banker's drafts should be made payable to "Capita Registrars Limited re: Kier Group plc—Rights Issue A/C" and crossed "A/C payee only". Third-party cheques will not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has confirmed the name of the account holder by stamping or endorsing the back of the building society cheque/banker's draft to such effect. The account name should be the same as that shown on the application;

(b) if the Provisional Allotment Letter is lodged with payment by an agent which is an organisation of the kind referred to in paragraph (a) above or which is subject to anti money-laundering regulation in a country which is a member of the Financial Action Task Force (the non-European Union members of which are Argentina, Australia, Brazil, Canada, China, Hong Kong, Iceland, India, Japan, the Republic of Korea, Mexico, New Zealand, Norway, the Russian Federation, Singapore, South Africa, Switzerland, Turkey, the United States of America and, by virtue of their membership of the Gulf Co-operation Council, Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE), the agent should provide written confirmation with the Provisional Allotment Letter that it has that status and a written assurance that it has obtained and recorded evidence of the identity of the persons for whom it acts and that it will on demand make such evidence available to the Registrar or the relevant authority; or

(c) if a Provisional Allotment Letter is lodged by hand by the acceptor in person, he should ensure that he has with him evidence of identity bearing his photograph (for example, his passport) and evidence of his address (for example, a recent bank statement).

In order to confirm the acceptability of any written assurance referred to in paragraph (b) above or any other case, the acceptor should contact the Receiving Agent. Shareholder Helpline is available on 0871 664 0321 (from within the United Kingdom) or on +44 20 8639 3399 (if calling from outside the United Kingdom). Calls to the 0871 664 0321 number are charged at 10p per minute (including VAT) plus network extras. Lines are open from 9.00 a.m. to 5.30 p.m. (London time) Monday to Friday. Calls to the Shareholder Helpline from outside the United Kingdom will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. Please note that the Shareholder Helpline operators cannot provide advice on the merits of the Rights Issue nor give financial, tax, investment or legal advice.

2.1.4 Dealings in Nil Paid Rights

Assuming the Rights Issue becomes unconditional, dealings on the London Stock Exchange in the Nil Paid Rights are expected to commence at 8.00 a.m. on 18 May 2015. A transfer of Nil Paid Rights can be made by renunciation of the Provisional Allotment Letter in accordance with the instructions printed on it and delivery of the letter to the transferee or to a stockbroker, bank or other appropriate financial adviser. The latest time and date for registration of renunciation of Provisional Allotment Letters, nil paid, is expected to be 11.00 a.m. on 2 June 2015.

In addition, Qualifying Non-CREST Shareholders who are individuals with a registered address in the UK or in any other jurisdiction in the EEA can elect to sell all of their Nil Paid Rights or to effect a Cashless

Take-up in each case using the Special Dealing Service, details of which are set out in paragraph 2.1.5 below.

2.1.5 Special Dealing Service

(i) Qualifying Non-CREST Shareholders who wish to sell all of their entitlement using the Special Dealing Service

Qualifying Non-CREST Shareholders who are individuals with a registered address in the United Kingdom or in any other jurisdiction in the EEA and who wish to sell all of the Nil Paid Rights to which they are entitled may elect to do so using the Special Dealing Service. Such Qualifying Non-CREST Shareholders should complete and return the Provisional Allotment Letter in accordance with the instructions printed thereon, by post or by hand (during normal business hours) to Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, by not later than 3.00 p.m. on 22 May 2015, the latest time and date for requesting the sale of Nil Paid Rights through the Special Dealing Service.

A reply-paid envelope will be enclosed with the Provisional Allotment Letter for this purpose. If you post your Provisional Allotment Letter within the United Kingdom by first-class post, it is recommended that you allow at least four days for delivery. Please note that Capita Asset Services will charge a commission of 0.35 per cent. of the gross proceeds of sale of all of the Nil Paid Rights to which the Qualifying Non-CREST Shareholder is entitled, subject to a minimum of £20, for effecting such sale through the Special Dealing Service.

Under the Special Dealing Service, Capita Asset Services will collate all the instructions from Qualifying Non-Crest Shareholder Shareholders wishing to use the service to sell all their Nil Paid Rights up to 3.00 p.m. on 22 May 2015 and instruct a broker to sell all such Nil Paid Rights on 27 May 2015.

Capita Asset Services will aggregate instructions from all Qualifying Non-CREST Shareholders who have elected to sell all of their Nil Paid Rights under the Special Dealing Service that are received (or are treated as having been received). Such Nil Paid Rights in respect of which an instruction is received may be sold in several transactions and on separate days. Qualifying Non-CREST Shareholders would receive the average price obtained for the sale of all of the Nil Paid Rights aggregated for sale purposes in accordance with the above. This may result in Qualifying Non-CREST Shareholders who choose to sell all of their Nil Paid Rights through the Special Dealing Service receiving a higher or lower price than if their Nil Paid Rights were sold separately. This may also result in Qualifying Non-CREST Shareholders who choose to sell all of their Nil Paid Rights through the Special Dealing Service receiving a higher or lower price for their Nil Paid Rights than if all of their Nil Paid Rights had been sold in a single transaction or on a single day and such Qualifying Non-CREST Shareholders may receive the proceeds of sale later than if their Nil Paid Rights had been sold by another broker on an individual basis.

A Qualifying Non-CREST Shareholder who is considering giving an instruction to sell all of their Nil Paid Rights under the Special Dealing Service should note that there is no guarantee that the sale of Nil Paid Rights will be effected under the Special Dealing Service in relation to their Nil Paid Rights.

Whether such Qualifying Non-CREST Shareholder's Nil Paid Rights will be sold under the Special Dealing Service will depend on whether it is expected that the proceeds from the sale of the Nil Paid Rights of the majority of the Qualifying Non-CREST Shareholders who elect to sell all of their Nil Paid Rights and whose instructions are aggregated for sales purposes will exceed the commissions referred to above. If a Qualifying Non-CREST Shareholder's Nil Paid Rights are sold but the proceeds obtained for the sale of such Nil Paid Rights are less than the commissions referred to above, such Qualifying Non-CREST Shareholder will not receive any proceeds.

(ii) Qualifying Non-CREST Shareholders who wish to effect a Cashless Take-up using the Special Dealing Service

Qualifying Non-CREST Shareholders who are individuals with a registered address in the United Kingdom or in any other jurisdiction in the EEA and who wish to effect a Cashless Take-up may elect to do so using the Special Dealing Service. Such Qualifying Non-CREST Shareholders should complete and return the Provisional Allotment Letter in accordance with the instructions printed thereon, by post or by hand (during normal business hours) to Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, by not later than 3.00 p.m. on 22 May 2015, the latest time and date for requesting a Cashless Take-up through the Special Dealing Service.

A reply-paid envelope will be enclosed with the Provisional Allotment Letter for this purpose. If you post your Provisional Allotment Letter within the United Kingdom by first-class post, it is recommended that you allow at least four days for delivery. Please note that Capita Asset Services will charge a commission of 0.35 per cent. of the gross proceeds of sale of such number of Nil Paid Rights as is required to effect a Cashless Take-up for a Qualifying Non-CREST Shareholder is entitled, subject to a minimum of £20.

Under the Special Dealing Service, Capita Asset Services will collate all the instructions from Qualifying Shareholders wishing to use the service to effect a Cashless Take-Up up to 3.00 p.m. on 22 May 2015 and instruct a broker to sell sufficient Nil Paid Rights for Qualifying Non-Crest Shareholders to take up the remainder of their Nil Paid Shares on 27 May 2015.

Capita Asset Services will aggregate instructions from all Qualifying Non-CREST Shareholders who elect a Cashless Take-up under the Special Dealing Service that are received (or are treated as having been received). Such number of Nil Paid Rights which need to be sold to effect a Cashless Take-up for a Qualifying Non-CREST Shareholders under the Special Dealing Service may be sold in several transactions and on separate days. Qualifying Non-CREST Shareholders would receive the average price obtained for the sale of all of the Nil Paid Rights aggregated for sale purposes in accordance with the above. This may result in Qualifying Non-CREST Shareholders who elect a Cashless Take-up under the Special Dealing Service receiving a higher or lower price than if their Nil Paid Rights were sold separately. This may also result in Qualifying Non-CREST Shareholders who choose to effect a Cashless Take-up under the Special Dealing Service receiving a higher or lower price for their Nil Paid Rights than if such Nil Paid Rights had been sold in a single transaction or on a single day.

A Qualifying Non-CREST Shareholder who is considering giving an instruction for Cashless Take-up under the Special Dealing Service should note that there is no guarantee that Cashless Take-up will be effected under the Special Dealing Service in relation to his Nil Paid Rights. Whether such Qualifying Non-CREST Shareholder's Nil Paid Rights will be sold under the Special Dealing Service will depend on whether it is expected that the proceeds from the sale of the Nil Paid Rights of the majority of the Qualifying Non-CREST Shareholders (the "Majority Shareholders") who elect for a Cashless Take-up under the Special Dealing Service and whose instructions are aggregated for sales purposes will be sufficient, after deducting the commissions referred to aove, to take-up one New Ordinary Share for each of the Majority Shareholders. If a Qualifying Non-CREST Shareholder's Nil Paid Rights are sold but the proceeds obtained for the sale of the Nil Paid Rights are not sufficient, after the deduction of the commissions referred to above, to acquire any New Shares at the Issue Price, such Qualifying Non-CREST Shareholder will not receive any New Shares.

(iii) General

By giving an instruction under the Special Dealing Service, a Qualifying Non-CREST Shareholder will be deemed to have represented, warranted and undertaken that he will not thereafter seek to take any action in respect of his Provisional Allotment Letter. By giving your instruction under the Special Dealing Service, you will be deemed to have renounced your Nil Paid Rights, as applicable to your instruction.

The Special Dealing Service Terms and Conditions will be posted to Qualifying Non-CREST Shareholders together with the Provisional Allotment Letter. A Qualifying Non-CREST Shareholder who is eligible for and elects to use the Special Dealing Service agrees to the terms and conditions of the Rights Issue set out in this document and the Special Dealing Service Terms and Conditions (including how the price for the sale of their Nil Paid Rights is calculated and the commissions that will be deducted from the proceeds of their sale of such Nil Paid Rights). Qualifying Non-CREST Shareholders using the Special Dealing Service should note that they will be clients of Capita Asset Services and not of the Company when using such service. Capita Asset Services' liability to such a Qualifying Non-CREST Shareholder and its responsibility for providing the protections afforded by the UK regulatory regime to clients for whom such services are provided is as set out in the Special Dealing Service Terms and Conditions and neither Capita Asset Services nor the Company shall have any liability or responsibility to a Qualifying Non-CREST Shareholder using the Special Dealing Service, except as set out in those Special Dealing Service Terms and Conditions. None of the Company, Capita Asset Services or their agents shall be responsible for any loss or damage (whether actual or alleged) arising from the terms or timing of any sale, any settlement issues arising from any sale, any exercise of discretion in relation to any sale, or any failure to procure any sale, of Nil Paid Rights pursuant to the Special Dealing Service.

The Company, Capita Asset Services and/or their agents shall each have sole discretion to determine the eligibility of Qualifying Non-CREST Shareholders and may each in their sole discretion interpret

instructions (including handwritten markings) on the Provisional Allotment Letter, and none of the Company, Capita Asset Services or their agents shall be responsible for any loss or damage (whether actual or alleged) arising from any such exercise of discretion. All remittances will be sent by post, at the risk of the Qualifying Non-CREST Shareholder entitled there to, to the registered address of the relevant Qualifying Non-CREST Shareholder (or, in the case of joint holders, to the address of the joint holder whose name stands first in the register of Shareholders). No interest will be payable on any proceeds received from the sale of Nil Paid Rights under the Special Dealing Service.

The Company, Capita Asset Services and/or their agents cannot offer financial, legal, tax or investment advice on the Special Dealing Service. The Share Dealing Service is an "execution only" service and not a recommendation to buy, sell the Nil Paid Rights. The Special Dealing Service Terms and Conditions apply to the Share Dealing Service. The value of Shares and any income from them can fluctuate and, when sold, investors may receive less than the original amount invested. Past performance is not a guide to future returns. The Special Dealing Service is provided by Capita Asset Services, a trading name of Capita IRG Trustees Limited, which is authorised by the FCA.

2.1.6 Dealings in Fully Paid Rights

After acceptance of the provisional allotment and payment in full in accordance with the provisions set out in this document and the Provisional Allotment Letter, the Fully Paid Rights may be transferred by renunciation of the relevant Provisional Allotment Letter and delivering it, by post or by hand (during normal business hours only) to Capita Asset Services, Corporate Actions at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, so as to be received by not later than 11.00 a.m. on 2 June 2015. To do this, Qualifying Non-CREST Shareholders will need to have their fully paid Provisional Allotment Letters returned to them after acceptance has been effected by the Registrar. However, fully paid Provisional Allotment Letters will not be returned to Qualifying Non-CREST Shareholders unless their return is requested by ticking the appropriate box on the Provisional Allotment Letter. After 3 June 2015, the New Shares will be in registered form and transferable in the usual way (see paragraph 2.1.11 below).

2.1.7 Renunciation and splitting of Provisional Allotment Letters

Qualifying Non-CREST Shareholders who wish to transfer all of their Nil Paid Rights or, after acceptance of the provisional allotment and payment in full, Fully Paid Rights comprised in a Provisional Allotment Letter may (save as required by the laws of certain overseas jurisdictions) renounce such allotment by completing and signing Form X on the Provisional Allotment Letter (if it is not already marked "Original Duly Renounced") and passing the entire Provisional Allotment Letter to their stockbroker or bank or other appropriate financial adviser or to the transferee. Once a Provisional Allotment Letter has been renounced, the letter will become a negotiable instrument in bearer form and the Nil Paid Rights or Fully Paid Rights (as appropriate) comprised in the Provisional Allotment Letter may be transferred by delivery of the Provisional Allotment Letter to the transferee. The latest time and date for registration of renunciation of Provisional Allotment Letters, fully paid, is 11.00 a.m. on 2 June 2015.

If a holder of a Provisional Allotment Letter wishes to have only some of the New Shares registered in his name and to transfer the remainder, or wishes to transfer all the Nil Paid Rights or (if appropriate) Fully Paid Rights but to different persons, he may have the Provisional Allotment Letter split, for which purpose he or his agent must complete and sign Form X on the Provisional Allotment Letter. The Provisional Allotment Letter must then be delivered by post or by hand (during normal business hours only) to Capita Asset Services, Corporate Actions at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, so as to be received by not later than 3.00 p.m. on 29 May 2015, to be cancelled and exchanged for the number of split Provisional Allotment Letters required. The number of split Provisional Allotment Letters required and the number of Nil Paid Rights or (if appropriate) Fully Paid Rights to be comprised in each split letter should be stated in an accompanying letter. Form X on split Provisional Allotment Letters will be marked "Original Duly Renounced" before issue. The aggregate number of Nil Paid Rights or (as appropriate) Fully Paid Rights comprised in the split Provisional Allotment Letters must equal the number of New Shares set out in the original Provisional Allotment Letter (less the number of New Shares representing rights that the holder wishes to take up if taking up his entitlement in part). The split Provisional Allotment Letter(s) (representing the New Shares the Shareholder does not wish to take up) will be required in order to sell those rights not being taken up.

The Company reserves the right to refuse to register any renunciation in favour of any person in respect of which the Company believes such renunciation may violate applicable legal or regulatory requirements,

including (without limitation) any renunciation in the name of any person with an address outside the United Kingdom.

Alternatively, Qualifying Non-CREST Shareholders who wish to take up some of their rights, without transferring the remainder, should complete Form X on the original Provisional Allotment Letter and return it, together with a covering letter confirming the number of rights to be taken up and a cheque or banker's draft in pounds sterling to pay for this number of New Shares, by post or by hand (during normal business hours only) to Capita Asset Services, Corporate Actions at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. In this case, the Provisional Allotment Letter and payment must be received by the Receiving Agent by 11.00 a.m. on 2 June 2015.

2.1.8 Registration in names of Qualifying Shareholders

A Qualifying Shareholder who wishes to have all the New Shares to which he is entitled registered in his name must accept and make payment for such allotment in accordance with the provisions set out in this document and the Provisional Allotment Letter but need take no further action. A share certificate in respect of the New Shares subscribed for is expected to be sent to such Qualifying Shareholders by no later than 10 June 2015.

2.1.9 Registration in names of persons other than Qualifying Shareholders originally entitled

In order to register Fully Paid Rights in certificated form in the name of someone other than the Qualifying Shareholders(s) originally entitled, the renouncee or his agent(s) must complete Form Y on the Provisional Allotment Letter (unless the renouncee is a CREST member who wishes to hold such New Shares in uncertificated form, in which case Form X and the CREST Deposit Form must be completed (see paragraph 2.2 below)) and deliver the entire Provisional Allotment Letter, when fully paid, by post or by hand (during normal business hours only) to Capita Asset Services, Corporate Actions at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, by not later than the latest time for registration of renunciations, which is expected to be 11.00 a.m. on 2 June 2015. Registration cannot be effected unless and until the New Shares comprised in a Provisional Allotment Letter are fully paid.

The New Shares comprised in several renounced Provisional Allotment Letters may be registered in the name of one holder (or joint holders) if Form Y on the Provisional Allotment Letter is completed on one Provisional Allotment Letter (the "Principal Letter") and all the Provisional Allotment Letters are delivered in one batch. Details of each Provisional Allotment Letter (including the Principal Letter) should be listed in a separate letter.

2.1.10 Deposit of Nil Paid Rights or Fully Paid Rights into CREST

The Nil Paid Rights or Fully Paid Rights represented by the Provisional Allotment Letter may be converted into uncertificated form, that is, deposited into CREST (whether such conversion arises as a result of a renunciation of those rights or otherwise). Similarly, Nil Paid Rights or Fully Paid Rights held in CREST may be converted into certificated form, that is, withdrawn from CREST. Subject as provided in the next paragraph or in the Provisional Allotment Letter, normal CREST procedures and timings apply in relation to any such conversion. You are recommended to refer to the CREST Manual for details of such procedures.

The procedure for depositing the Nil Paid Rights represented by the Provisional Allotment Letter into CREST, whether such rights are to be converted into uncertificated form in the name(s) of the person(s) whose name(s) and addresses appear on page 1 of the Provisional Allotment Letter or in the name of a person or persons to whom the Provisional Allotment Letter has been renounced, is as follows: Form X and the CREST Deposit Form (both on the Provisional Allotment Letter) will need to be completed and the Provisional Allotment Letter deposited with the CCSS. In addition, the normal CREST Stock Deposit procedures will need to be carried out, except that: (i) it will not be necessary to complete and lodge a separate CREST Transfer Form (prescribed under the Stock Transfer Act 1963) with the CCSS; and (ii) only the whole of the Nil Paid Rights or the Fully Paid Rights represented by the Provisional Allotment Letter may be deposited into CREST. If you wish to deposit some only of the Nil Paid Rights or the Fully Paid Rights represented by the Provisional Allotment Letter into CREST, you must first apply for split Provisional Allotment Letters by following the instructions in paragraph 2.1.2 above. If the rights represented by more than one Provisional Allotment Letter are to be deposited, the CREST Deposit Form on each Provisional Allotment Letter must be completed and deposited. The Consolidation Listing Form (as defined in the CREST Regulations) must not be used.

A holder of the Nil Paid Rights (or, if appropriate, the Fully Paid Rights) represented by a Provisional Allotment Letter who is proposing to convert those rights into uncertificated form (whether following a renunciation of such rights or otherwise) is recommended to ensure that the conversion procedures are implemented in sufficient time to enable the person holding or acquiring the Nil Paid Rights (or, if appropriate, the Fully Paid Rights) in CREST following the conversion to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 2 June 2015. **In particular, having regard to processing times in CREST and on the part of the Receiving Agent, the latest recommended time for depositing a renounced Provisional Allotment Letter (with Form X and the CREST Deposit Form on the Provisional Allotment Letter duly completed) with the CCSS (to enable the person acquiring the Nil Paid Rights (or, if appropriate, the Fully Paid Rights) in CREST as a result of the conversion to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 2 June 2015) is 3.00 p.m. on 28 May 2015.**

When Form X and the CREST Deposit Form (on the Provisional Allotment Letter) have been completed, the title to the Nil Paid Rights or the Fully Paid Rights represented by the Provisional Allotment Letters will cease to be renounceable or transferable by delivery and, for the avoidance of doubt, any entries in Form Y will not subsequently be recognised or acted upon by the Receiving Agent. All renunciations or transfers of Nil Paid Rights or Fully Paid Rights must be effected through the CREST system once such Nil Paid Rights or Fully Paid Rights have been deposited into CREST.

CREST sponsored members should contact their CREST sponsor as only their CREST sponsor will be able to take the necessary action to take up the entitlement or otherwise to deal with the Nil Paid Rights or Fully Paid Rights of the CREST sponsored member.

2.1.11 Issue of New Shares in definitive form

Definitive share certificates in respect of the New Shares to be held in certificated form are expected to be despatched by post by no later than 10 June 2015 at the risk of the persons entitled thereto to Qualifying Non-CREST Shareholders (or their transferees who hold Fully Paid Rights in certificated form), or, in the case of joint holdings, to the first-named Shareholders, at their registered address (unless lodging agent details have been completed on the Provisional Allotment Letter). After despatch of the definitive share certificates, Provisional Allotment Letters will cease to be valid for any purpose whatsoever. Pending despatch of definitive share certificates, instruments of transfer of the New Shares will be certified by the Receiving Agent against the register.

2.2 Action to be taken by Qualifying CREST Shareholders in relation to Nil Paid Rights and Fully Paid Rights in CREST

2.2.1 General

It is expected that each Qualifying CREST Shareholder will receive a credit to his stock account in CREST of his entitlement to Nil Paid Rights on 18 May 2015. It is expected that such rights will be enabled by 8.00 a.m. on 18 May 2015. The CREST stock account to be credited will be an account under the participant ID and member account ID that apply to the Existing Shares in uncertificated form held at the close of business on the Record Date by the Qualifying CREST Shareholder in respect of which the Nil Paid Rights are provisionally allotted.

The maximum number of New Shares that a Qualifying CREST Shareholder may take up is that which has been provisionally allotted to that Qualifying CREST Shareholder and for which he receives a credit of entitlement into his stock account in CREST. The minimum number of New Shares a Qualifying CREST Shareholder may take up is one.

The Nil Paid Rights will constitute a separate security for the purposes of CREST and can accordingly be transferred, in whole or in part, by means of CREST in the same manner as any other security that is admitted to CREST.

If, for any reason, it is impracticable to credit the stock accounts of Qualifying CREST Shareholders, or to enable the Nil Paid Rights by 8.00 a.m. on 18 May 2015, Provisional Allotment Letters shall, unless the Company determines otherwise, be sent out in substitution for the Nil Paid Rights which have not been so credited or enabled and the expected timetable as set out in this document will be adjusted as appropriate. **References to dates and times in this document should be read as subject to any such adjustment.** The Company will make an appropriate announcement to a Regulatory Information Service giving details of

any revised dates **but Qualifying CREST Shareholders may not receive any further written communication**.

CREST members who wish to take up their entitlements in respect of or otherwise to transfer Nil Paid Rights or Fully Paid Rights held by them in CREST (including CREST members who wish to effect a cashless take-up of that Nil Paid Rights) should refer to the CREST Manual for further information on the CREST procedures referred to below. If you are a CREST sponsored member, you should consult your CREST sponsor if you wish to take up your entitlement as only your CREST sponsor will be able to take the necessary action to take up your entitlements or otherwise to deal with your Nil Paid Rights or Fully Paid Rights (including effecting a cashless take-up of Nil Paid Rights).

2.2.2 Procedure for acceptance and payment

(i) MTM instructions

CREST members who wish to take up all or some of their entitlement in respect of Nil Paid Rights in CREST must send (or, if they are CREST sponsored members, procure that their CREST sponsor sends) an MTM instruction to Euroclear that, on its settlement, will have the following effect:

(a) the crediting of a stock account of the Receiving Agent under the participant ID and member account ID specified below, with the number of Nil Paid Rights to be taken up;

(b) the creation of a settlement bank payment obligation (as this term is defined in the CREST Manual), in accordance with the RTGS payment mechanism (as this term is defined in the CREST Manual), in favour of the RTGS settlement bank (as this term is defined in the CREST Manual) of the Receiving Agent in pounds sterling in respect of the full amount payable on acceptance in respect of the Nil Paid Rights referred to in paragraph (a) above; and

(c) the crediting of a stock account of the accepting CREST member (being an account under the same participant ID and member account ID as the account from which the Nil Paid Rights are to be debited on settlement of the MTM instruction) of the corresponding number of Fully Paid Rights to which the CREST member is entitled on taking up his Nil Paid Rights referred to in paragraph (a) above.

(ii) Contents of MTM instructions

The MTM instruction must be properly authenticated in accordance with Euroclear's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

(a) the number of Nil Paid Rights to which the acceptance relates;

(b) the participant ID of the accepting CREST member;

(c) the member account ID of the accepting CREST member from which the Nil Paid Rights are to be debited;

(d) the participant ID of the Receiving Agent, in its capacity as a CREST receiving agent. This is 7RA33;

(e) the member account ID of the Receiving Agent, in its capacity as a CREST receiving agent. This is 28535KIE;

(f) the number of Fully Paid Rights that the CREST member is expecting to receive on settlement of the MTM instruction. This must be the same as the number of Nil Paid Rights to which the acceptance relates;

(g) the amount payable by means of the CREST assured payment arrangements on settlement of the MTM instruction. This must be the full amount payable on acceptance in respect of the number of Nil Paid Rights referred to in paragraph (a) above;

(h) the intended settlement date. This must be on or before 11.00 a.m. on 2 June 2015;

(i) the Nil Paid Rights ISIN number, which is GB00BWWC6C19;

(j) the Fully Paid Rights ISIN number, which is GB00BWWC6G56;

(k) the Corporate Action Number for the Rights Issue. This will be available by viewing the relevant corporate action details in CREST; and

(l) a contact name and telephone number in the shared note field.

(iii) Valid acceptance

An MTM instruction complying with each of the requirements as to authentication and contents set out in paragraph 2.2.2(ii) above will constitute a valid acceptance where either:

(a) the MTM instruction settles by not later than 11.00 a.m. on 2 June 2015; or

(b) at the discretion of the Company:

  (I) the MTM instruction is received by Euroclear by not later than 11.00 a.m. on 2 June 2015; and

  (II) a number of Nil Paid Rights at least equal to the number of Nil Paid Rights inserted in the MTM instruction is credited to the CREST stock member account of the accepting CREST member specified in the MTM instruction at 11.00 a.m. on 2 June 2015; and

  (III) the relevant MTM instruction settles by 11.00 a.m. on 2 June 2015 (or such later time and/or date as the Company may determine).

An MTM instruction will be treated as having been received by Euroclear for these purposes at the time at which the instruction is processed by the Network Providers' Communications Host (as this term is defined in the CREST Manual) at Euroclear of the network provider used by the CREST member (or by the CREST sponsored member's CREST sponsor). This will be conclusively determined by the input time stamp applied to the MTM UK instruction by the Network Providers' Communications Host.

The provisions of this paragraph (iii) and any other terms of the Rights Issue relating to Qualifying CREST Shareholders may be waived, varied or modified as regards specific Qualifying CREST Shareholder(s) or on a general basis by the Company.

(iv) Representations, warranties and undertakings of CREST members

A CREST member or CREST sponsored member who makes a valid acceptance in accordance with this paragraph 2.2.2 represents, warrants and undertakes to the Company and the Underwriters that he has taken (or procured to be taken), and will take (or will procure to be taken), whatever action is required to be taken by him or by his CREST sponsor (as appropriate) to ensure that the MTM instruction concerned is capable of settlement at 11.00 a.m. on 2 June 2015. In particular, the CREST member or CREST sponsored member represents, warrants and undertakes that, at 11.00 a.m. on 2 June 2015 (or until such later time and date as the Company may determine), there will be sufficient Headroom within the Cap (as those terms are defined in the CREST Manual) in respect of the cash memorandum account to be debited with the amount payable on acceptance to permit the MTM instruction to settle. CREST sponsored members should contact their CREST sponsor if they are in any doubt. Such CREST member or CREST sponsored member taking up entitlements must make the representations and warranties set out in paragraph 2.6 below.

If there is insufficient Headroom within the Cap (as those terms are defined in the CREST Manual) in respect of the cash memorandum account of a CREST member or CREST sponsored member for such amount to be debited or the CREST member's or CREST sponsored member's acceptance is otherwise treated as invalid and New Shares have already been allotted to such CREST member or CREST sponsored member, the Company may (in its absolute discretion as to the manner, timing and terms) make arrangements for the sale of such New Shares on behalf of that CREST member or CREST sponsored member and hold the proceeds of sale (net of the Company's reasonable estimate of any loss that it has suffered as a result of the acceptance being treated as invalid and of the expenses of sale, including, without limitation, any stamp duty or SDRT payable on the transfer of such New Shares, and of all amounts payable by the CREST member or CREST sponsored member pursuant to the Rights Issue in respect of the acquisition of such New Shares) on behalf of such CREST member or CREST sponsored member. Neither the Company nor any other person shall be responsible for, or have any liability for, any loss, expense or damage suffered by such CREST member or CREST sponsored member as a result.

(v) CREST procedures and timings

CREST members and CREST sponsors (on behalf of CREST sponsored members) should note that Euroclear does not make available special procedures in CREST for any particular corporate action. Normal system timings and limitations will therefore apply in relation to the input of an MTM instruction and its settlement in connection with the Rights Issue. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST sponsored member, to procure that his CREST

sponsor takes) the action necessary to ensure that a valid acceptance is received as stated above by 11.00 a.m. on 2 June 2015. In connection with this, CREST members and (where applicable) CREST sponsors are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

(vi) CREST member's undertaking to pay

A CREST member or CREST sponsored member who makes a valid acceptance in accordance with the procedures set out in this paragraph 2.2.2 undertakes to pay to the Receiving Agent, or procure the payment to the Receiving Agent of, the amount payable in pounds sterling on acceptance in accordance with the above procedures or in such other manner as the Receiving Agent may require it being acknowledged that, where payment is made by means of the RTGS payment mechanism (as defined in the CREST manual), the creation of an RTGS payment obligation in pounds sterling in favour of the Receiving Agent's RTGS settlement bank (as defined in the CREST Manual) in accordance with the RTGS payment mechanism shall, to the extent of the obligation so created (a) discharge in full the obligation of the CREST member (or CREST sponsored member) to pay the amount payable on acceptance) and (b) request that the Fully Paid Rights and/or New Shares to which he will become entitled be issued to him on the terms set out in this document and subject to the Articles of Association of the Company. Such payment will be held by the Receiving Agent on trust for Barclays, who is acting as principal on receipt of such monies.

If the payment obligations of the relevant CREST member or CREST sponsored member in relation to such New Shares are not discharged in full and such New Shares have already been allotted to the CREST member or CREST sponsored member, the Company may (in its absolute discretion as to manner, timing and terms) make arrangements for the sale of such Shares on behalf of the CREST member or CREST sponsored member and hold the proceeds of sale (net of the Company's reasonable estimate of any loss it has suffered as a result of the same and of the expenses of the sale, including, without limitation, any stamp duty or SDRT payable on the transfer of such Shares, and of all amounts payable by such CREST member or CREST sponsored member pursuant to the terms of the Rights Issue in respect of the acquisition of such Shares) or an amount equal to the original payment of the CREST member or CREST sponsored member. Neither the Company nor the Underwriters nor any other person shall be responsible for, or have any liability for, any loss, expense or damage suffered by the CREST member or CREST sponsored member as a result.

(vii) Company's discretion as to rejection and validity of acceptances

The Company may agree in its absolute sole discretion to:

(a) reject any acceptance constituted by an MTM instruction, which is otherwise valid, in the event of breach of any of the representations, warranties and undertakings set out or referred to in this paragraph 2.2.2. Where an acceptance is made as described in this paragraph 2.2.2, which is otherwise valid, and the MTM instruction concerned fails to settle by 11.00 a.m. on 2 June 2015 (or by such later time and date as the Company has determined), the Company shall be entitled to assume, for the purposes of its right to reject an acceptance contained in this paragraph 2.2.2, that there has been a breach of the representations, warranties and undertakings set out or referred to in this paragraph 2.2.2 unless the Company is aware of any reason outside the control of the CREST member or CREST sponsor (as appropriate) for the failure to settle;

(b) treat as valid (and binding on the CREST member or CREST sponsored member concerned) an acceptance which does not comply in all respects with the requirements as to validity set out or referred to in this paragraph 2.2.2;

(c) accept an alternative properly authenticated dematerialised instruction from a CREST member or (where applicable) a CREST sponsor as constituting a valid acceptance in substitution for, or in addition to, an MTM instruction and subject to such further terms and conditions as the Company and the Underwriters may determine;

(d) treat a properly authenticated dematerialised instruction in this paragraph (d) (the "first instruction") as not constituting a valid acceptance if, at the time at which the Receiving Agent receives a properly authenticated dematerialised instruction giving details of the first instruction, either the Company or the Receiving Agent has received actual notice from Euroclear of any of the matters specified in Regulation 35(5)(a) of the CREST Regulations in relation to the first instruction. These matters

include notice that any information contained in the first instruction was incorrect or notice of lack of authority to send the first instruction; and

(e) accept an alternative instruction or notification from a CREST member or CREST sponsored member or (where applicable) a CREST sponsor, or extend the time for acceptance and/or settlement of an MTM instruction or any alternative instruction or notification, if, for reasons or due to circumstances outside the control of any CREST member or CREST sponsored member or (where applicable) CREST sponsor, the CREST member or CREST sponsored member is unable validly to take up all or part of his Nil Paid Rights by means of the above procedures. In normal circumstances, this discretion is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or of any part of CREST) or on the part of facilities and/or systems operated by the Receiving Agent in connection with CREST.

2.2.3 Money Laundering Regulations

If you hold your Nil Paid Rights in CREST and apply to take up all or part of your entitlement as agent for one or more persons and you are not a UK or EU regulated person or institution (e.g. a UK financial institution), then, irrespective of the value of the application, the Receiving Agent is entitled to take reasonable measures to establish the identity of the person or persons (or the ultimate controller of such person or persons) on whose behalf you are making the application and any submission of an MTM instruction constitutes agreement for the Receiving Agent to make a search via a credit reference agency where deemed necessary. A record of search results will be retained. You must therefore contact the Receiving Agent before sending any MTM instruction or other instruction so that appropriate measures may be taken.

Submission of an MTM instruction which constitutes, or which may on its settlement constitute, a valid acceptance as described above constitutes a warranty and undertaking by the applicant to provide promptly to the Receiving Agent any information the Receiving Agent may specify as being required for the purposes of the verification of the identity requirements in the Money Laundering Regulations or the FSMA. Pending the provision of such information and other evidence as the Registrar may be required to satisfy the verification of identity requirements, the Receiving Agent, having consulted with the Company, may take, or omit to take, such action as it may determine to prevent or delay settlement of the MTM instruction. If such information and other evidence of identity has not been provided within a reasonable time, then the Receiving Agent will not permit the MTM instruction concerned to proceed to settlement but without prejudice to the right of the Company and/or the Underwriters to take proceedings to recover any loss suffered by any of them as a result of failure by the applicant to provide such information and other evidence.

2.2.4 Dealings in Nil Paid Rights in CREST

Assuming the Rights Issue becomes unconditional, dealings in the Nil Paid Rights on the London Stock Exchange are expected to commence as soon as practicable after 8.00 a.m. on 18 May 2015. A transfer (in whole or in part) of Nil Paid Rights can be made by means of CREST in the same manner as any other security that is admitted to CREST. The Nil Paid Rights are expected to be disabled in CREST after the close of CREST business on 2 June 2015.

2.2.5 Dealings in Fully Paid Rights in CREST

After acceptance of the provisional allotment and payment in full in accordance with the provisions set out in this document, the Fully Paid Rights may be transferred by means of CREST in the same manner as any other security that is admitted to CREST. The last time for settlement of any transfer of Fully Paid Rights in CREST is expected to be 11.00 a.m. on 2 June 2015. The Fully Paid Rights are expected to be disabled in CREST after the close of CREST business on 2 June 2015. From 3 June 2015, the New Shares will be registered in the name(s) of the person(s) entitled to them in the Company's register of members and will be transferable in the usual way (see paragraph 2.2.7 below).

2.2.6 Withdrawal of Nil Paid Rights or Fully Paid Rights from CREST

Nil Paid Rights or Fully Paid Rights held in CREST may be converted into certificated form, that is, withdrawn from CREST. Normal CREST procedures (including timings) apply in relation to any such conversion.

The recommended latest time for receipt by Euroclear of a properly authenticated dematerialised instruction requesting withdrawal of Nil Paid Rights or, if appropriate, Fully Paid Rights from CREST is 4.30 p.m. on 27 May 2015, so as to enable the person acquiring or (as appropriate) holding the Nil Paid Rights or, if appropriate, Fully Paid Rights following the conversion to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 2 June 2015. You are recommended to refer to the CREST Manual for details of such procedures.

2.2.7 Issue of New Shares in CREST

Fully Paid Rights in CREST are expected to be disabled in CREST after the close of CREST business on 2 June 2015 (the latest date for settlement of transfers of Fully Paid Rights in CREST). New Shares (in definitive form) will be issued in uncertificated form to those persons registered as holding Fully Paid Rights in CREST no later than the close of business on the business day after the date on which the Fully Paid Rights are disabled. The Receiving Agent will instruct Euroclear to credit the appropriate stock accounts of those persons (under the same participant ID and member account ID that applied to the Fully Paid Rights held by those persons) with their entitlements to New Shares with effect as soon as practicable after 8.00 a.m. on 3 June 2015).

2.2.8 Right to allot/issue in certificated form

Despite any other provision of this document, the Company reserves the right to allot and/or issue any Nil Paid Rights, Fully Paid Rights or New Shares in certificated form. In normal circumstances, this right is only likely to be exercised in the event of an interruption, failure or breakdown of CREST (or of any part of CREST) or on the part of the facilities and/or systems operated by the Receiving Agent in connection with CREST.

2.3 Procedure in respect of rights not taken up (whether certificated or in CREST) and withdrawal

2.3.1 Procedure in respect of New Shares not taken up

If an entitlement to New Shares is not validly taken up by 11.00 a.m. on 2 June 2015, in accordance with the procedure laid down for acceptance and payment, then that Provisional Allotment Letter will be deemed to have been declined and will lapse. The Joint Bookrunners will endeavour to procure, by not later than 5.00 p.m. on the second dealing day after the last date for acceptance under the Rights Issue, subscribers for all (or as many as possible) of those New Shares not taken up at a price per New Share which is at least equal to the aggregate of the Issue Price and the expenses of procuring such subscribers (including any applicable brokerage and commissions and amounts in respect of value added tax).

Notwithstanding the above, the Underwriters may cease to endeavour to procure any such subscribers if, in their opinion, it is unlikely that any such subscribers can be procured at such a price and by such a time. If and to the extent that subscribers for New Shares cannot be procured on the basis outlined above, the relevant New Shares will be subscribed for by the Underwriters or sub-underwriters (if any) at the Issue Price pursuant to the terms of the Underwriting Agreement.

Any premium over the aggregate of the Issue Price and the expenses of procuring subscribers (including any applicable brokerage and commissions and amounts in respect of irrecoverable value added tax) shall be held in trust for and paid (subject as provided in this paragraph 2.3) to:

(i) where the Nil Paid Rights were, at the time they were not taken up, represented by a Provisional Allotment Letter, the person whose name and address appeared on the Provisional Allotment Letter;

(ii) where the Nil Paid Rights were, at the time they were not taken up, in uncertificated form, the person registered as the holder of those Nil Paid Rights at the time of their disablement in CREST; and

(iii) where an entitlement to New Shares was not taken up by an Overseas Shareholder, that Overseas Shareholder.

New Shares for which subscribers are procured on this basis will be reallotted to the subscribers and the aggregate of any premiums (being the amount paid by the subscribers after deducting the Issue Price and the expenses of procuring the subscribers, including any applicable brokerage and commissions and amounts in respect of irrecoverable value added tax), if any, will be paid (without interest) to those persons entitled (as referred to above) pro rata to the relevant provisional allotments not taken up, save that amounts of less than £5.00 per holding will not be so paid but will be aggregated and donated to charity. Cheques for the amounts due will be sent by post, at the risk of the person(s) entitled, to their registered

addresses (the registered address of the first-named holder in the case of joint holders), provided that, where any entitlement concerned was held in CREST, the amount due will, unless the Company (in its absolute discretion) otherwise determines, be satisfied by the creation of an assured payment obligation in favour of the relevant CREST member's (or CREST sponsored member's) CREST settlement bank in respect of the cash amount concerned in accordance with the CREST payment mechanism.

Any transactions undertaken pursuant to this paragraph 2.3 or paragraph 2.5.1 below shall be deemed to have been undertaken at the request of the persons entitled to the rights not taken up or other entitlements and neither the Company nor the Underwriters nor any other person procuring subscribers shall be responsible for any loss, expense or damage (whether actual or alleged) arising from the terms or timing of any such acquisition, any decision not to endeavour to procure subscribers or the failure to procure subscribers on the basis so described. The Underwriters will be entitled to retain any brokerage fees, commissions or other benefits received in connection with these arrangements.

It is a term of the Rights Issue that all New Shares validly taken up by subscribers under the Rights Issue may be allotted to such subscribers in the event that not all of the New Shares offered for subscription under the Rights Issue are taken up.

2.3.2 Withdrawal rights

Persons who have the right to withdraw their acceptances under Section 87Q(4) of the FSMA after a supplementary prospectus (if any) has been published and who wish to exercise such right of withdrawal must do so by lodging a written notice of withdrawal (which shall not include a notice sent by facsimile), which must include the full name and address of the person wishing to exercise such statutory withdrawal rights and, if such person is a CREST member, the participant ID and the member account ID of such CREST member, with Capita Asset Services, Corporate Actions at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU or email to withdraw@capita.co.uk, so as to be received no later than two business days after the date on which the supplementary prospectus was published, withdrawal being effective as at posting of the written notice of withdrawal. Notice of withdrawal given by any other means or which is deposited with or received by Capita Asset Services, Corporate Actions after the expiry of such period will not constitute a valid withdrawal. Furthermore, based on advice received by the Company as to the effect of statutory withdrawal rights where the allotment contract is fully performed, the Company will not permit the exercise of withdrawal rights after payment by the relevant Shareholder of its subscription amount in full and the allotment of the New Shares to such Shareholder becoming unconditional. In such circumstances, Shareholders are advised to consult their professional advisers including their legal advisers as this may be a matter of law.

Provisional allotments of entitlements to New Shares which are the subject of a valid withdrawal notice will be deemed to be declined. Such entitlements to New Shares will be subject to the provisions of paragraph 2.3.1 above as if the entitlement had not been validly taken up.

2.4 Taxation

The information contained in Part XI of this document is intended only as a general guide to the current tax position in the United Kingdom and the United States, and Qualifying Shareholders should consult their own tax advisers regarding the tax treatment of the Rights Issue in light of their own circumstances.

2.5 Overseas Shareholders

2.5.1 General

This document has been approved by the FCA, being the competent authority in the United Kingdom. The making or acceptance of the proposed offer of Nil Paid Rights, Fully Paid Rights and/or New Shares to persons who have registered addresses outside the United Kingdom, or who are resident in, or citizens of, countries other than the United Kingdom may be affected by the laws of the relevant jurisdiction. Those persons should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their rights.

It is also the responsibility of any person (including, without limitation, custodians, nominees and trustees) outside the United Kingdom wishing to take up rights under or otherwise participate in the Rights Issue to satisfy himself as to the full observance of the laws of any relevant territory in connection therewith, including the obtaining of any governmental or other consents which may be required, the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such territories.

The comments set out in this paragraph 2.5 are intended as a general guide only and any Overseas Shareholder who is in doubt as to his position should consult his professional adviser without delay.

Having considered the circumstances, the Board has formed the view that it is necessary or expedient to restrict the ability of persons in the Excluded Territories to take up rights to New Shares or otherwise participate in the Rights Issue due to the time and costs involved in the registration of this Prospectus and/or compliance with the relevant local legal or regulatory requirements in those jurisdictions.

Receipt of this document and/or Provisional Allotment Letter or the crediting of Nil Paid Rights to a stock account in CREST will not constitute an offer in those jurisdictions in which it would be illegal to make an offer and, in those circumstances, this document and/or a Provisional Allotment Letter must be treated as sent for information only and should not be copied or redistributed.

New Shares will be provisionally allotted (nil paid) to all Shareholders on the register at the close of business on the Record Date, including Overseas Shareholders. However, Provisional Allotment Letters will not be sent to, and Nil Paid Rights will not be credited to, CREST accounts of, Shareholders with registered addresses in the United States or the Excluded Territories or their agent or intermediary, except where the Company is satisfied that such action would not result in the contravention of any registration or other legal requirement in any jurisdiction.

The crediting of Nil Paid Rights does not constitute an offer to Shareholders and, specifically, no offer is being made to Shareholders (i) with a registered address in the United States or the Excluded Territories; or (ii) in any jurisdiction in which it is unlawful to make or accept an offer to acquire the Shares. CREST Shareholders will be entitled to take up rights in the Rights Issue only if such action would not result in the contravention of any registration or other legal requirement in any jurisdiction.

No person receiving a copy of this document and/or a Provisional Allotment Letter and/or receiving a credit of Nil Paid Rights to a stock account in CREST in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him nor should he in any event use the Provisional Allotment Letter or deal in Nil Paid Rights or Fully Paid Rights in CREST unless, in the relevant territory, such an invitation or offer could lawfully be made to him of the Nil Paid Rights and Fully Paid Rights. In such circumstances, this document and the Provisional Allotment Letter are to be treated as sent for information only and should not be copied or redistributed.

Persons (including, without limitation, custodians, nominees and trustees) receiving a copy of this document and/or a Provisional Allotment Letter or whose stock account is credited with Nil Paid Rights or Fully Paid Rights should not, in connection with the Rights Issue, distribute or send the same or transfer Nil Paid Rights or Fully Paid Rights in or into any jurisdiction where to do so would or might contravene local security laws or regulations. If a Provisional Allotment Letter or a credit of Nil Paid Rights or Fully Paid Rights is received by any person in any such territory, or by his agent or nominee, he must not seek to take up the rights referred to in the Provisional Allotment Letter or in this document or renounce the Provisional Allotment Letter or transfer the Nil Paid Rights or Fully Paid Rights unless the Company determines that such actions would not violate applicable legal or regulatory requirements. Any person (including, without limitation, custodians, nominees and trustees) who does forward this document or a Provisional Allotment Letter or transfers Nil Paid Rights or Fully Paid Rights into any such territories (whether pursuant to a contractual or legal obligation or otherwise) should draw the recipient's attention to the contents of this paragraph 2.5.

Subject to paragraphs 2.5.2 to 2.5.5 below, any person (including, without limitation, agents, nominees and trustees) outside the United Kingdom wishing to take up his rights under the Rights Issue must satisfy himself as to full observance of the applicable laws of any relevant territory, including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such territories. The comments set out in this paragraph 2.5 are intended as a general guide only and any Overseas Shareholders who are in any doubt as to their position should consult their professional advisers without delay.

The Company reserves the right to treat as invalid and will not be bound to allot or issue any New Shares in respect of any acceptance or purported acceptance of the offer of New Shares which:

(i) appears to the Company or its agents to have been executed, effected or despatched from the United States or an Excluded Territory unless the Company is satisfied that such action would not result in the contravention of any registration or other legal requirement; or

(ii) in the case of a Provisional Allotment Letter, provides an address for delivery of the share certificates or other statements of entitlement or advice in the United States or an Excluded Territory or any other jurisdiction outside the United Kingdom in which it would be unlawful to deliver such certificates, statements or advice or if the Company or its agents believe that the same may violate applicable legal or regulatory requirements; or

(iii) in the case of a credit of New Shares in CREST, is to a CREST member or CREST sponsored member whose registered address would be in the United States or an Excluded Territory or any other jurisdiction outside the United Kingdom in which it would be unlawful to make such a credit or if the Company or its agents believe that the same may violate applicable legal or regulatory requirements.

The attention of Overseas Shareholders with registered addresses in the United States and the Excluded Territories is drawn to paragraphs 2.5.2 to 2.5.5 below.

The provisions of paragraph 2.3.1 above will apply to Overseas Shareholders who do not take up New Shares provisionally allotted to them or are unable to take up New Shares provisionally allotted to them because such action would result in a contravention of applicable law or regulatory requirements. Accordingly, such Shareholders will be treated as Shareholders that have not taken up their entitlement for the purposes of paragraph 2.3.1 above and the Underwriters will use reasonable endeavours to procure subscribers for the relevant New Shares. The net proceeds of such sales (after deduction of expenses) will be paid to the relevant Shareholders pro rata to their holdings of Existing Shares at the close of business on the Record Date as soon as practicable after receipt, except that (i) individual amounts of less than £5.00 per holding will not be distributed but will be aggregated and paid to charity and (ii) amounts in respect of fractions will not be distributed but will be retained for the benefit of the Company. None of the Company, the Underwriters or any other person shall be responsible or have any liability whatsoever for any loss or damage (actual or alleged) arising from the terms or the timing of the acquisition or the procuring of it or any failure to procure subscribers.

Notwithstanding any other provision of this document or the Provisional Allotment Letter, the Company reserves the right to permit any Shareholder to participate in the Rights Issue on the terms and conditions set out in this document as if it were a Qualifying Shareholder if the Company in its sole and absolute discretion is satisfied that the transaction in question is exempt from or not subject to the legislation or regulations giving rise to the restrictions in question. If the Company is so satisfied, the Company will arrange for the relevant Shareholder to be sent a Provisional Allotment Letter if he is a Qualifying Non-CREST Shareholder or, if he is a Qualifying CREST Shareholder, arrange for Nil Paid Rights to be credited to the relevant CREST stock account.

Those Shareholders who wish, and are permitted, to take up their entitlement should note that payments must be made as described in paragraphs 2.1.2 and 2.2.2 above.

Overseas Shareholders should note that all subscription monies must be paid in pounds sterling by cheque or banker's draft and should be drawn on a bank in the United Kingdom, made payable to "Capita Registrars Limited re: Kier Group plc—Rights Issue" and crossed "A/C payee only".

2.5.2 United States of America

The Nil Paid Rights, the Fully Paid Rights, the New Shares and the Provisional Allotment Letters have not been and will not be registered under the Securities Act or under any securities laws of any state or other jurisdiction of the United States and may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, within the United States except pursuant to an applicable exemption from the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States.

Prospective investors are hereby notified that sellers of the Nil Paid Rights, the Fully Paid Rights or the New Shares may be relying on the exemption from registration provisions under Section 5 of the Securities Act provided by Rule 144A thereunder.

Accordingly, the Company is not extending the offer under the Rights Issue into the United States unless an exemption from the registration requirements of the Securities Act is available and, subject to certain exceptions, none of this document or the Provisional Allotment Letter constitutes or will constitute an offer or an invitation to apply for or an offer or an invitation to acquire any Nil Paid Rights, Fully Paid Rights or New Shares in the United States. Subject to certain exceptions, neither this document nor a Provisional Allotment Letter will be sent to any Shareholder with a registered address in the United States.

Subject to certain exceptions, Provisional Allotment Letters or renunciations thereof sent from or post marked in the United States will be deemed to be invalid and all persons acquiring New Shares and wishing to hold such Shares in registered form must provide an address for registration of the New Shares issued upon exercise thereof outside the United States.

Subject to certain exceptions, any person who acquires New Shares, Nil Paid Rights or Fully Paid Rights will be deemed to have declared, warranted and agreed, by accepting delivery of this document or the Provisional Allotment Letter taking up their entitlement or accepting delivery of the New Shares, the Nil Paid Rights or the Fully Paid Rights, that they are not, and that, at the time of acquiring the New Shares, the Nil Paid Rights or the Fully Paid Rights they will not be, in the United States or acting on behalf of, or for the account or benefit of a person on a non-discretionary basis in the United States or any state of the United States.

The Company reserves the right to treat as invalid any Provisional Allotment Letter (or renunciation thereof) that appears to the Company or its agents to have been executed in or despatched from the United States, or that provides an address in the United States for the acceptance or renunciation of the Rights Issue, or which does not make the warranty set out in the Provisional Allotment Letter to the effect that the person accepting and/or renouncing the Provisional Allotment Letter does not have a registered address and is not otherwise located in the United States and is not acquiring the Nil Paid Rights, the Fully Paid Rights or the New Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Nil Paid Rights, Fully Paid Rights or New Shares in the United States or where the Company believes acceptance of such Provisional Allotment Letter may infringe applicable legal or regulatory requirements. The Company will not be bound to allot (on a non-provisional basis) or issue any New Shares, Nil Paid Rights or Fully Paid Rights to any person with an address in, or who is otherwise located in, the United States in whose favour a Provisional Allotment Letter or any Nil Paid Rights, Fully Paid Rights or New Shares may be transferred or renounced. In addition, the Company and the Underwriters reserve the right to reject any MTM instruction sent by or on behalf of any CREST member with a registered address in the United States in respect of the Nil Paid Rights.

In addition, until 40 days after the commencement of the Rights Issue, an offer, sale or transfer of the New Shares, the Nil Paid Rights, the Fully Paid Rights or the Provisional Allotment Letters within the United States by a dealer (whether or not participating in the Rights Issue) may violate the registration requirements of the Securities Act.

The provisions of paragraph 2.3 above will apply to any rights not taken up. Accordingly, subject to certain exceptions, Shareholders with a registered address in the United States will be treated as unexercising holders and the Underwriters will endeavour to procure on behalf of such unexercising holders subscribers for the New Shares.

2.5.3 Australia, Canada, Japan and South Africa

Due to restrictions under the securities laws of Australia, Canada, Japan and South Africa, no Provisional Allotment Letters in relation to the New Shares will be sent to Shareholders, and no Nil Paid Rights or Fully Paid Rights will be credited to a stock account in CREST of, persons with registered addresses in the Excluded Territories and the Nil Paid Rights to which they are entitled will be sold if possible in accordance with the provisions of paragraph 2.3.1 above. Qualifying CREST Shareholders with registered addresses outside the Excluded Territories will not be entitled to take up rights in the Rights Issue unless such action would not result in the contravention of any registration or other legal requirement in any jurisdiction. The Provisional Allotment Letters, the Nil Paid Rights, the Fully Paid Rights and the New Shares may not be transferred or sold to, or renounced or delivered in, the Excluded Territories. No offer of New Shares is being made by virtue of this document or the Provisional Allotment Letters into the Excluded Territories.

2.5.4 Overseas territories other than the United States and the Excluded Territories

Provisional Allotment Letters will be posted to Qualifying Non-CREST Shareholders with registered addresses outside of the United States and the Excluded Territories (subject to certain exceptions) and Nil Paid Rights will be credited to the CREST stock accounts of Qualifying CREST Shareholders with registered addresses outside the United States and the Excluded Territories (subject to certain exceptions). Such Qualifying Shareholders may, subject to the laws of the relevant jurisdictions, participate the Rights Issue in accordance with the instructions set out in this document and, if relevant, the Provisional

Allotment Letter. In cases where Overseas Shareholders do not take up Nil Paid Rights, their entitlements will be sold if possible in accordance with the provisions of paragraph 2.3.1 above.

Qualifying Shareholders who have registered addresses in or who are resident in, or who are citizens of, all countries other than the United Kingdom should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their rights.

(i) Member States of the EEA (other than the United Kingdom)

In relation to each member state of the EEA which has implemented the Prospectus Directive (as defined below) (except the United Kingdom) (each a "Relevant Member State"), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State, none of the New Shares, the Nil Paid Rights or the Fully Paid Rights may be offered or sold to the public in that Relevant Member State prior to the publication of this Prospectus in relation to the New Shares, the Nil Paid Rights and the Fully Paid Rights, which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, other than the offers contemplated in this Prospectus in a Relevant Member State after the date of such publication or notification, and except that an offer of such Nil Paid Rights, Fully Paid Rights or New Shares may be made to the public in that Relevant Member State:

(a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive (as defined below), 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive for any such offer; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of New Shares, the Nil Paid Rights or the Fully Paid Rights shall require the Company to publish a prospectus pursuant to Article 3 of the Prospectus Directive or any measure implementing the Prospectus Directive in a Relevant Member State and each person who initially acquires any New Shares, Nil Paid Rights or Fully Paid Rights or to whom any offer is made under the Rights Issue will be deemed to have represented, acknowledged and agreed that it is a "qualified investor" within the meaning of Article 2(1)(e) of the Prospectus Directive.

For the purposes of this selling restriction, the expression an "offer of New Shares, the Nil Paid Rights or the Fully Paid Rights to the public" in relation to any New Shares, the Nil Paid Rights or the Fully Paid Rights in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the New Shares, the Nil Paid Rights or the Fully Paid Rights to be offered so as to enable an investor to decide to acquire the New Shares, the Nil Paid Rights or the Fully Paid Rights, as the same may be varied in that Relevant Member State, and the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented by the Relevant Member State) and includes any relevant implementing measure in the Relevant Member State, and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

In the case of the New Shares, the Nil Paid Rights or Fully Paid Rights being offered to a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, such financial intermediary will also be deemed to have represented, acknowledged and agreed that the New Shares, the Nil Paid Rights or the Fully Paid Rights acquired by it have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any New Shares, the Nil Paid Rights or Fully Paid Rights to the public other than their offer or resale in a Relevant Member State to "qualified investors" within the meaning of Article 2(1)(e) of the Prospectus Directive. The Company, the Joint Bookrunners and their respective affiliates will rely upon the truth and accuracy of the foregoing representation, acknowledgement and agreement.

2.5.5 Waiver

The provisions of this paragraph 2.5 and of any other terms of the Rights Issue relating to Overseas Shareholders may be waived, varied or modified as regards specific Shareholders or on a general basis by the Company in its absolute discretion. Subject to this, the provisions of this paragraph 2.5 supersede any terms of the Rights Issue inconsistent herewith. References in this paragraph 2.5 to Shareholders shall include references to the person or persons executing a Provisional Allotment Letter and, in the event of more than one person executing a Provisional Allotment Letter, the provisions of this paragraph 2.5 shall apply to them jointly and to each of them.

2.6 Representations and warranties relating to Shareholders

2.6.1 Qualifying Non-CREST Shareholders

Any person accepting and/or renouncing a Provisional Allotment Letter or requesting registration of the New Shares comprised therein represents and warrants to the Company and the Underwriters that, except where proof has been provided to the Company's satisfaction that such person's use of the Provisional Allotment Letter will not result in the contravention of any applicable regulatory or legal requirement in any jurisdiction: (a) such person is not accepting and/or renouncing the Provisional Allotment Letter, or requesting registration of the relevant New Shares, from within the United States or the Excluded Territories; (b) such person is not in any territory in which it is unlawful to make or accept an offer to subscribe for New Shares or to use the Provisional Allotment Letter in any manner in which such person has used or will use it; (c) such person is not acting on a non-discretionary basis on behalf of, or for the account or benefit of, a person located within the United States or any Excluded Territory or any territory referred to in (b) above at the time the instruction to accept or renounce was given; and (d) such person is not acquiring Nil Paid Rights, Fully Paid Rights or New Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Nil Paid Rights, Fully Paid Rights or New Shares into the United States or any Excluded Territory or any territory referred to in (b) above. The Company may treat as invalid any acceptance or purported acceptance of the allotment of New Shares comprised in, or renunciation or purported renunciation of, a Provisional Allotment Letter if it: (a) appears to the Company to have been executed in or despatched from the United States or any Excluded Territory or otherwise in a manner which may involve a breach of the laws of any jurisdiction or if it believes the same may violate any applicable legal or regulatory requirement; (b) provides an address in the United States or any Excluded Territory (or any jurisdiction outside the United Kingdom in which it would be unlawful to deliver share certificates or sales advice); or (c) purports to exclude the warranty required by this paragraph 2.6.

2.6.2 Qualifying CREST Shareholders

A CREST member or CREST sponsored member who makes a valid acceptance in accordance with the procedures set out in this Part III represents and warrants to the Company and the Underwriters that, except where proof has been provided to the Company's satisfaction that such person's acceptance will not result in the contravention of any applicable regulatory or legal requirement in any jurisdiction: (a) he is not within the United States or any of the Excluded Territories; (b) he is not in any territory in which it is unlawful to make or accept an offer to subscribe for New Shares; (c) he is not accepting on a non-discretionary basis for, on behalf of, or for the account or benefit of, a person located within the United States or any Excluded Territory or any territory referred to in (b) above at the time the instruction to accept was given; and (d) he is not acquiring Nil Paid Rights, Fully Paid Rights or New Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Nil Paid Rights, Fully Paid Rights or New Shares into the United States or any Excluded Territory or any territory referred to in (b) above.

2.7 Times and dates

The Company shall, in its discretion and after consultation with its financial and legal advisers, be entitled to amend the dates that Provisional Allotment Letters are despatched or dealings in Nil Paid Rights commence or amend or extend the latest time and date for acceptance under the Rights Issue and all related times and dates set out in this document and in such circumstances shall notify the UK Listing Authority, and make an announcement via a Regulatory Information Service approved by the UK Listing Authority. **In the event such an announcement is made, Qualifying Shareholders may not receive any**

further written communication in respect of such amendment or extension of the dates included in this document.

If a supplementary prospectus is issued by the Company two or fewer business days prior to the latest time and date for acceptance and payment in full under the Rights Issue specified in this document (or such later date as may be agreed between the Company and the Underwriters), the latest date for acceptance under the Rights Issue shall be extended to the date that is three business days after the date of issue of the supplementary prospectus (and the dates and times of principal events due to take place following such date shall be extended accordingly).

2.8 Governing law

The terms and conditions of the Rights Issue as set out in this document and the Provisional Allotment Letter and any non-contractual obligations arising out of or in relation to the Rights Issue shall be governed by, and construed in accordance with, English law.

2.9 Jurisdiction

The courts of England and Wales are to have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Rights Issue, this document or the Provisional Allotment Letter and any non-contractual obligations arising out of or in connection with them. By accepting rights under the Rights Issue in accordance with the instructions set out in this document and, in the case of Qualifying Non-CREST Shareholders, the Provisional Allotment Letter, Qualifying Shareholders irrevocably submit to the jurisdiction of the courts of England and Wales and waive any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum.

PART IV—BUSINESS OVERVIEW OF KIER

1 Group Overview

Kier is a leading property, residential, construction and services group, specialising in building and civil engineering, support services, commercial property development, structured property financing and private and affordable housing and is a member of the FTSE 250 index. In the financial year ended 30 June 2014, the Construction and Services divisions accounted for, in aggregate, approximately 91 per cent. of the Group's revenues and 81 per cent. of its underlying operating profit before corporate costs.

Kier operates across a range of sectors, including defence, education, housing, industrials, power, transport and utilities. Kier employs over 16,000 people in the United Kingdom, the Caribbean, the Middle East and Hong Kong.

Key aspects of Kier's business include:

- A track record of resilient performance;
- A well-diversified client base across both the private and public sectors;
- An experienced management team;
- A conservative approach to financial management and capital discipline; and
- A developing international presence.

Kier has the expertise and the resources to adapt its services to meet its customers' requirements. Kier has four divisions – Property, Residential, Construction and Services. Kier's capital model is to generate cash from the Construction and Services divisions and to invest it in the Property and Residential divisions.

For the six months ended 31 December 2014 and the financial year ended 30 June 2014, Kier's revenues were £1,583 million and £2,985 million, respectively, and its underlying operating profit was £44 million and £88 million, respectively.

2 Group History

Kier has its origins in the early 1920s, although the group of today is the product of a management-led employee buyout from the Hanson Group in 1992. Following its flotation on the London Stock Exchange in 1996, Kier has grown organically and through acquisitions. In particular, in July 2013, Kier completed the acquisition of May Gurney, which significantly increased the range of services it offers to customers.

Kier provides clients with innovative building and civil engineering services, providing it with a sound basis on which to continue to build its businesses. Using its services portfolio, private and affordable house building interests, property development and investment capabilities, the Group is able to combine its expertise to provide integrated solutions for a wide range of clients.

Kier provides a range of services that include investment, planning and design, construction, maintenance and facilities management. The breadth of services gives Kier resilience during periods of challenging economic conditions and enables it to offer a "one-stop shop" to clients.

3 Group Strategy

In July 2014, Kier launched Vision 2020, its updated corporate strategy, which targets significant growth in operating profit through to 2020, with Kier aiming to be a top-three participant in its chosen markets. As part of this strategy, Kier aims to operate a safe and sustainable business and to achieve top quartile performance and efficiency, while attracting and retaining highly-motivated and high-performing employees. Kier's strategy also includes supplementing growth through acquisitions.

By 2020, in each of its Property and Residential divisions, Kier aims to achieve a ROCE of at least 15 per cent. and, in its Construction and Services divisions, it aims to achieve operating margins of at least 2.5 per cent. and 5 per cent., respectively. To achieve Vision 2020, Kier aims to:

- Operate a safe and sustainable business;
- Accelerate its growth to be a top-three participant in its chosen markets;
- Achieve top quartile performance and efficiency;
- Provide a sector-leading customer experience for its clients and for their customers; and
- Attract and retain highly-motivated, high-performing teams.

4 Divisional Overview

Prior to 30 June 2014, Kier had three divisions – Property, Construction and Services. In July 2014, the new Residential division, known as Kier Living, was created to combine Kier's house building operations.

4.1 Property Division

4.1.1 Overview of the Business

The Property division is the property development and investment business of Kier, operating in most property sectors across the United Kingdom. The division was established in 2002 through the acquisition of Laing Property Developments and has grown organically, as well as through corporate transactions. The Property division targets a ROCE of at least 15 per cent.

The division comprises two main businesses: (i) commercial, industrial, retail and mixed-use property development; and (ii) structured property financing.

The Property division has a development pipeline of up to 10 years, valued at over £1 billion, and undertakes approximately 15 to 20 schemes per annum at an average scheme cost of approximately £10 million.

The Property division often works with clients to undertake all aspects of the build process, including planning, financial modelling, building and subsequent maintenance. Recent examples of this approach include a £240 million 10 year scheme with Watford Borough Council and West Hertfordshire Health Authority and a £90 million pre-let scheme for the Total Group to provide a new office facility in Aberdeen. The business has also delivered over one million square feet of pre-let/pre-sold light industrial schemes under the Trade City brand, which is a joint venture with Investec, comprising both freehold and leasehold light industrial units.

Kier Project Investment ("KPI") manages Kier's interests in serviced assets procured under PFI, PPPs and other similar structured finance solutions. KPI acts as promoter and developer and then as equity investor and manager. Its current portfolio comprises eight schemes, delivering new facilities in the education, emergency services, local authority and student accommodation sectors.

Kier has been involved in PFI from the late 1990s. Since then, Kier has invested in more than 20 PFI projects and delivered over £700 million in total capital value. Kier invests in PFI projects in partnership with others, generally specialist PFI equity funds or other service providers, often when the Construction and Services divisions act as the construction sub-contractor and facilities provider, respectively. The associated service contracts provide long-term, predictable cash flows for the FM business. However, Kier will also bid for projects involving other services providers. As the PFI project companies are joint ventures, Kier is not typically required to consolidate the project debt in its accounts.

The strategy of KPI is to dispose of its PFI investments regularly, once they are operational, and secure replacement investments. Kier will generally hold the investment in the project for between two to four years after the end of construction.

4.1.2 Strategy

The Property division's strategy is to:

- Target non-speculative developments where there are pre-let and/or forward sale opportunities;
- Develop strategic alliances with large land/property asset owners;
- Use a combination of Kier and third-party funding, together with advance payments from pre-sold developments, to drive higher margin value creation;
- Continue to support new and emerging structured finance opportunities, while expanding coverage in sectors such as care homes, student accommodation and residential regeneration;
- Continue its strategy of regularly selling PFI investments;
- Increase capital invested towards £200 million over time; and
- Act as catalyst for the Group's integrated business model.

4.1.3 Current Environment

Development activity in the United Kingdom is mainly influenced by occupier demand, which appears to be increasing. In addition, there appears to be an increase in lending from banks and major institutions to the property developments market. In its structured finance business, Kier is exploring new markets, including the student accommodation and elderly care markets, in addition to identifying further opportunities with local authorities. In particular, Kier expects to continue its largely non-speculative approach to the property development business.

4.2 Residential division

4.2.1 Overview of the Business

From 1 July 2014, the three existing areas of Kier's house building activities – private residential, which involves house building on Kier's own land bank, mixed-tenure housing and contracted residential projects – were combined into a new division, branded "Kier Living".

In private residential, Kier specialises in private and social housing design and build projects. It builds a range of new homes, from one bedroom apartments to five bedroom homes. At 31 December 2014, Kier had a private housing land bank of approximately 3,600 plots across the United Kingdom, predominantly in the south and east of England.

Kier reduced the output of its private residential activity from approximately 2,000 homes per annum prior to 2008 to approximately 600 units during the financial year ended 30 June 2014. During that period, Kier expanded its lower risk, residential contracting and mixed-tenure activities. This strategy, which involves focusing on increasing the proportion of less speculative house building, is different from the strategies typically followed by traditional house builders.

Approximately 80 per cent. of houses built on Kier's own land are currently being built on land that was bought at higher prices before the financial crisis in 2008. As a result of the financial crisis, the value of the land bank was written down in value. The Group's strategy is to reduce the capital invested in Kier's private land bank by buying "new" land at a slower rate than that at which the "old" land is built out and to recycle the net capital released into mixed-tenure housing, which typically generates a higher return on capital with less speculative risk. The margins of the private housing business are therefore expected to increase over time as the legacy sites are built out and the proportion of sales from more recently-acquired sites increases.

The Residential division provides mixed-tenure housing in partnership with local authorities and registered providers of affordable homes, while regenerating areas to create sustainable communities.

The Residential division has a pipeline of approximately 3,400 plots on mixed-tenure schemes, representing a forward revenue pipeline of approximately £400 million of future revenue. The risk associated with these mixed-tenure schemes is typically much lower than for traditional private housing schemes for two main reasons: (i) typically, a significant portion of the scheme is non-speculative contracted affordable housing with local authorities or registered social landlords; and (ii) land payments to the local authority or registered social landlord are usually deferred, typically until the private housing which is built as part of these schemes is sold.

Affordable mixed-tenure housing typically generates a higher return on capital than traditional private house building, as capital is not invested in a land bank. The land is typically provided by a local authority, with Kier then constructing a mix of private and social housing, with the higher profits on the sale of the private homes subsidising the construction of the social houses.

4.2.2 Strategy

The Residential division's strategy is to:

- Optimise the size of the existing land bank and, where appropriate, replenish the land bank to maintain a stable private housing business of approximately 600 units per annum, focusing on a contained geographic region in the south and east of England;
- Increase the scale of its mixed-tenure and affordable housing activities;

- Maintain current levels of capital investment across the division overall, but re-deploy capital from the legacy land bank to new land acquisitions and to less capital intensive, lower risk mixed-tenure opportunities; and
- Target a ROCE of 15 per cent. by 2020.

4.2.3 Current Environment

The UK housing market's demographics have created a need for more and affordable housing. Currently, more than 200,000 new households are created each year (Source: ONS, February 2015), with new house construction covering up to only 65 per cent. of household growth (Source: CPA Spring 2015).

During the past 12 months, the UK housing market has experienced a recovery and activity levels have increased significantly, contributing to revenue growth. Demand in the affordable housing market remains high. A number of opportunities have emerged from partnerships and frameworks with the HCA, local authorities and housing associations which, when linked to the government's affordable housing grant programme, are expected to provide a strong platform for growth in the business.

4.3 Construction Division

4.3.1 Overview of the Business

The Construction division is one of the United Kingdom's leading construction businesses and comprises a strategically-positioned UK network of locally-established regional contracting businesses with national and international major building, civil engineering and mining capabilities. The division serves its clients through its UK building, UK infrastructure and international businesses.

The UK building business provides construction, management, mechanical and electrical services and operates in the education, health, commercial, defence and retail sectors with both a regional contracting and major projects capability. Typical regional building projects include the construction or extension of schools, hospitals, commercial offices and retail stores. Recent and current projects in the major projects activity include the £74 million mixed-use developments for Argent at King's Cross, London, the £121 million construction of new defence training facilities at RAF Lyneham, and the £115 million redevelopment of Broadmoor Hospital. In the UK Building business, Kier works together with a number of consultants, designers and sub-contractors to deliver construction projects for clients in the public and private sectors.

In its UK infrastructure business, Kier delivers civil engineering and infrastructure projects throughout the United Kingdom. It has considerable experience in the highways and bridges, nuclear, rail, water and energy sectors. Its service offering includes dock upgrades and port infrastructure, immersed tube tunnels, railways and gas, coal, nuclear and hydroelectric power station infrastructure. Significant joint venture projects currently underway include the £450 million construction of the Mersey Gateway crossing, the £100 million site preparation works at the Hinkley point nuclear power station and several projects within the Crossrail programme in London.

The international business provides building and civil engineering services in its core territories of the Middle East, Hong Kong and the Caribbean. The international business has operated for over 70 years and has completed projects in over 50 countries during this period.

The Construction division has several hundred projects in progress at any point in time. Contracts often range in value from £1 million to in excess of £200 million. A significant proportion of Kier's workload comes from repeat business clients and long-term frameworks. Accordingly, Kier seeks to create resilience to the economic cycle and to reduce contract risk through diversification.

On a typical project, approximately 10 to 15 per cent. of the workforce are likely to be Kier full-time employees with the remainder being sub-contracted.

Of the division's £1.6 billion of revenue in the financial year ended 30 June 2014, £1 billion was attributable to the UK building business, £0.4 million was attributable to the UK infrastructure business and £0.2 million was attributable to the international business.

4.3.2 Strategy

The Construction division's strategy is to:

- Deliver accelerated growth in the UK construction business through increased penetration of existing regional building sectors;
- Increase presence in other building sectors, such as high-rise construction and defence;
- Leverage a growing presence in major infrastructure projects in nuclear energy, rail and highways into new infrastructure sectors; and
- Continue to increase Kier's presence overseas, exploring expansion into new territories and sectors, as appropriate.

4.3.3 Current Environment

The UK construction market now appears to be growing at approximately 4 to 5.5 per cent. (Source: CPA Spring 2015) per annum and is expected to grow at this level in 2015 and 2016.

It is also anticipated that there will be an increasing level of opportunities in the UAE, supporting growth in Kier's international operations. In the Caribbean, good opportunities remain in the private sector, particularly tourism, including major hotel projects in both Haiti and St Kitts.

The Construction division's order book of secured and probable work of £2.6 billion includes 100 per cent. of the anticipated revenue for the 2015 financial year, on increasing volumes. With increased opportunities in its UK infrastructure and international businesses (in addition to the projected investment in the UK construction market), Kier is targeting an increase in the Construction division's operating margin to 2.5 per cent. by 2020.

4.4 Services Division

4.4.1 Overview of the Business

The Services division is a specialist provider of public and private sector services, providing both single service and multi-disciplinary outsourcing services throughout the United Kingdom.

The division comprises the following principal activities:

- Housing maintenance, which provides both reactive and planned maintenance to over 300,000 homes owned and let by local authorities, housing associations and major operators in the private rented sector;
- Highways, which provides highways maintenance and asset management services, together with maintenance of street lighting infrastructure to local authorities. Kier maintains approximately 25,000 miles of roads and more than 500,000 street lights and illuminated road signs in the United Kingdom;
- Utilities, which provides maintenance services in the water, gas, power and telecommunications sectors across the United Kingdom, as well as regeneration and maintenance of the United Kingdom's waterways network;
- Facilities management, which provides "soft" and "hard" facilities management services to public and private sector clients;
- Environmental, which offers services for municipal and commercial waste collection, street cleaning and ground maintenance, household waste recycling centres and the operation of a materials recycling facility; and
- Fleet and passenger services, which delivers fleet management and passenger services predominantly to local authorities.

The Services division significantly expanded its range of services and its geographic coverage with the acquisition of May Gurney in July 2013. The acquisition added utilities and highways to Kier's existing service offering and increased the scale of its environmental services business.

The division operates entirely in the United Kingdom and targets long-term, sustainable contracts with clients. Contracts are typically five years or longer, with certain larger contracts of a longer duration. In the

financial year ended 30 June 2014, more than 70 per cent. of divisional revenue was attributable to the public sector, primarily local authorities and social housing providers.

The division's contract mix tends to be integrated/multi-service, with only a relatively small number of single service contracts. The division employs approximately 11,000 people, a large number of whom have been transferred through TUPE from either the relevant local authority or the previous services provider.

The fleet and passenger services business has been under strategic review and discussions are underway with a number of parties interested in the business. The environmental services business is also under strategic review.

4.4.2 Strategy

The Services division's strategy is to:

- Grow the business, sustain profit levels and expand into new and adjacent services markets such as telecommunications, power transmission and industrial;
- Develop Kier's relationships in the private sector and with central government so as to complement the Group's presence in the local authority outsourcing sector; and
- Achieve a sustainable target operating margin of 5 per cent. by 2020.

4.4.3 Current Environment

Kier estimates that the UK outsourcing market across all service disciplines is valued at approximately £208 billion per annum, with 64 per cent., or £133 billion, delivered to the private sector and the balance procured by the public sector. Kier believes that the Services division's addressable market is worth approximately £80 billion per annum, although Kier's offering does not enable it to address fully all market segments (for instance, it does not address fully the facilities management market). Addressing the full breadth of its target markets and growing its share of these markets are key areas of focus for the Group. Kier estimates that its current share of the total addressable UK outsourcing market is approximately 1.4 per cent.

With increased emphasis on regulated sectors such as telecommunications and water and increasing pressure on local authority budgets, Kier anticipates that the number of opportunities available to the Services division will increase. In the housing maintenance business, management expects that the sharing of skillsets across G15 authorities and increased penetration of the private sector will continue. As well as extending highways capability to existing and new clients, Kier continues to consider opportunities arising from district councils and Highways England. With a market share of less than 0.5 per cent., the facilities management business aims to use the strength of its technical services to increase revenues from private sector clients. Kier believes that its range of capabilities and geographic reach position it well for further outsourcing opportunities.

5 Contracts and Contract Management

5.1 Overview

Kier has rigorous risk review procedures to ensure that contract risk is assessed before entering into contract.

At any one time, Kier has a large number of contracts in operation, providing significant diversification by contract, customer and type of work. Contracts will range in duration, from a few months to a couple of years in the Construction division and from five to 20 years in the Services division. In terms of size, contracts range from £1 million to more than £200 million, although the typical size of contracts in the Construction division is between £5 million and £10 million and the typical size of contracts in the Services division (particularly in the highway services, utilities and housing maintenance businesses) is approximately £20 million per annum. This significantly limits the risk of any one contract materially affecting either a division or the Group.

5.2 Contract Tendering Process

Tenders for contracts to be entered into by any of the Group's businesses are subject to an extensive internal approval process. The level of management approval is dictated by a variety of factors, including the value of the project, the nature of the work to be undertaken, the complexity of the proposed work and/or the level of risk (whether commercial, financial, technical or contractual) to be assumed by the relevant business.

5.3 Contract Selection

The risks to which the Group is exposed depend upon the nature of the work, the duration of the contract and the legal form of the contract.

The Group's appetite for long-term, large, competitively tendered construction contracts is limited. In the current UK economic climate, the Group believes that competitively tendered contracts are less likely to be as profitable as opportunities which arise under frameworks. Tenders for contracts are subject to approval by the Executive Directors or divisional directors, depending upon the value and nature of the contract. Contracts in progress are controlled and managed through the Group's operating structure and procedures, including rigorous and regular review of the forecast revenue and costs to complete.

Wherever possible, the Group will seek selection on national and regional frameworks which, the Group believes, provides it with the best opportunities for securing future work. For example, Kier was recently awarded a place on all six of the Education Funding Agency ("EFA") regional frameworks with a combined opportunity value of up to £5 billion over the next four years.

In the Property and Residential divisions, the cost and quality of property and land is fundamental to the profitability of a property development and the housing business. Site evaluation is a key process and site appraisals are carried out in detail, including using external advice where appropriate. Land and development acquisitions are subject to rigorous internal approval. Developments in progress are controlled and managed through a regular review of the forecast financials and sales activity. The Group allocates capital on a portfolio basis, ensuring diversification and the efficient use of resources within the Group. In the case of the Property division, development risk is managed by ensuring construction generally commences once key elements of the development have either been pre-sold or pre-let.

6 Joint Arrangements and Joint Ventures

A "joint arrangement" is a contractual agreement to cooperate or collaborate with other entities with respect to a specific project. Typically, the parties to the joint arrangement will be jointly and severally liable to the client and will enter into an agreement as between themselves (to which the client is not a party) detailing, among other matters, the sharing of profits, the division of liabilities, the composition of any project board and the financing of the joint arrangement.

Before entering a joint arrangement, Kier will conduct due diligence on its potential partners. In addition, Kier typically looks to form joint arrangements with entities with which it has worked in the past and which can provide complementary skills and resources to those provided by Kier.

These kinds of arrangements are used frequently by UK construction companies in the context of either overseas work or large civil or infrastructure projects. In relation to overseas work (in particular, large and complex infrastructure projects), clients often award contracts to consortia comprising a local company working together with an international (or UK) business in preference to either a local or an international business operating individually.

In addition to the joint arrangements entered into by the Construction division, joint ventures (where a member of the Group has a joint partnership or interest in an incorporated entity) have been entered into by KPI (in relation to PFI projects and Biogen, the Property division's development business (for example, the Solum joint venture with Network Rail), the highway services business (for example, the Tor2 joint venture with Torbay) and the housing maintenance business (for example, with Harlow Council, North Tyneside Council and Stoke-on-Trent City Council). These entities are incorporated and operate in the United Kingdom and the Group's share of their results is included within its financial statements.

7 Employees

The average number of employees employed by the Group during the periods ended 31 December 2014 and 30 June 2014, 2013 and 2012 was as follows:

By geographical location	Six months ended 31 December 2014	Financial year ended 30 June 2014	2013	2012
UK	15,077	14,318	9,763	10,246
Other	1,278	1,017	692	531
Total	16,355	15,335	10,455	10,777

8 Property

Kier operates from a number of freehold and leasehold properties in the United Kingdom. Kier's principal properties are as follows:

Property location	Approximate area (sq. ft)	Property use	Tenure and approximate unexpired term (if applicable)	Lease rate (£) per annum
Tempsford Hall, Sandy, Bedfordshire SG19 2BD	63,715	Office	Freehold	N/A
6 Cavendish Place, London W1G 9NB	12,492	Office	Leasehold(1)	679,371
2 Langston Road, Loughton, Essex IG10 3SD	16,624	Office	Freehold	N/A
Kier House, Windward Drive, Estuary Park, Speke, Liverpool L24 8RF	20,000	Office	Leasehold(2)	260,000
Southern Cross, Basing View, Basingstoke, Hampshire RG21 4HG	25,070	Office	Leasehold(3)	272,724
1st Floor, Tungsten Building, Blythe Valley Park, Solihull B90 8AF	23,325	Office	Leasehold(4)	461,182

Notes:

(1) 11 years remaining.

(2) 15 years remaining.

(3) 2 years remaining.

(4) 13 years remaining.

9 The Construction Workers Compensation Scheme and Related Legal Proceedings

9.1 Introduction

In 2009, The Information Commissioner's Office seized a database maintained by The Consulting Association (the "TCA") which contained data relating to approximately 3,200 individuals employed within the construction industry. In 2013, certain large UK contractors, including the Company, were joined in contribution proceedings by Sir Robert McAlpine ("SRM") in respect of claims brought by a number of individuals against SRM relating to allegations of unlawful vetting of workers by the use of TCA. Subsequently, a number of those companies (including Kier) were also joined as defendants to similar claims.

9.2 The Construction Workers Compensation Scheme

Eight of the contractors referred to above (the "Contractors"), including the Company, have developed a compensation scheme for those who can demonstrate their identity as a person named on TCA records, known as The Construction Workers Compensation Scheme ("TCWCS"). An announcement of the intended launch of TCWCS was made in November 2013 and TCWCS formally opened for applications on 4 July 2014. TCWCS will remain open to applicants until July 2016.

It is currently not possible to predict with certainty the final level of take-up under TCWCS and, therefore, its total cost. However, in its financial statements as at and for the financial year ended 30 June 2014, the

Company made provision for its share of the total cost of TCWCS, together with certain related costs, of £4.5 million.

9.3 Related Legal Proceedings

As referred to in paragraph 9.1 above, the Contractors are jointly defending a number of claims which relate to the operation of TCA (and its predecessor). It is, however, currently not possible to predict with certainty the length of time that such proceedings will take to resolve, the total number of claimants, the total cost of the proceedings to the Group and their impact on the Group's operations.

10 Safety, Health and Environment

The health and safety of its employees is of fundamental importance to Kier. Kier aims to provide an environment that is free from harm by providing a positive safety culture and improving the health and well-being of its employees.

Kier continues to seek to eliminate workplace injuries and to increase its employees' awareness of occupational health and well-being. Whilst it delivered a reduction in its accident incidence rate during the financial year ended 30 June 2014, Kier continues to strive towards the goal of zero harm. A number of positive safety leadership programmes are in place across the Group. These programmes encourage active discussions within the workforce, as well as supply chain members, on safety issues.

Kier has an Environmental Management System which has been certified to ISO 14001:2004 by The British Standards Institution. Kier aims to ensure that it manages all of its projects (and their impact) effectively so as to prevent pollution and protect the environment. Accordingly, Kier is committed to working with its customers and supply chain to, wherever possible, reduce the impact of its operations on climate change, effectively manage the waste produced by its business and source materials from sustainable sources.

PART V—BUSINESS OVERVIEW OF MOUCHEL

1 Introduction

Mouchel is an international infrastructure services and business services group. It provides advisory, design, project delivery and managed services in the highways and transportation, local government, property, emergency services, health, education and utilities markets in the United Kingdom, the Middle East and Australia. It is the leading provider of repair and maintenance services to the UK strategic road network.

Mouchel has two operating divisions, IIS and MBS. IIS comprises Mouchel's core operations, being its highways, water and environmental businesses. MBS is one of the United Kingdom's largest providers of outsourced professional and support services to local councils and other public bodies, such as the police, fire and rescue services, schools and the NHS. In the financial year ended 30 September 2014, IIS and MBS contributed 76 per cent. and 24 per cent. to Mouchel's revenues, respectively.

Mouchel's headquarters are in Woking, with additional offices around the United Kingdom and in the Middle East and Australia. It employs more than 6,500 employees. In the financial year ended 30 September 2014, the United Kingdom, the Middle East and Australia contributed 85 per cent., 3 per cent. and 12 per cent., to Mouchel's consolidated revenues, respectively.

In the three months ended 31 December 2014 and the financial year ended 30 September 2014, Mouchel's revenues were £194.3 million and £596.4 million, respectively, and its underlying operating profit was £6.7 million and £27.7 million, respectively.

2 History

Mouchel can trace its history back to 1897. In that year, Louis Gustave Mouchel arrived in the United Kingdom from France with a licence to use a new technique of reinforcing concrete using iron bars and subsequently held the UK patent for this technique for the first decade of the 1900s. During the first half of the twentieth century, the business developed into a broadly based consulting engineering practice, and was involved in projects such as the Battersea Power Station in London and the pre-cast concrete "Mulberry" harbour, which was designed in preparation for the Allied invasion of Europe.

In September 2003, it merged with Parkman Group plc to form Mouchel Parkman plc, which was later rebranded as Mouchel Group plc in 2007.

In 2005, Mouchel Parkman plc and Accord plc established AccordMP (renamed EnterpriseMouchel at the time Enterprise acquired Accord) as a 50:50 joint venture to provide highways asset maintenance and management services.

In 2010, Mouchel entered the Australian market by establishing an unincorporated joint venture arrangement with Downer EDI Limited, an existing Australian road maintenance supplier.

In 2007 and 2008, Mouchel Group plc acquired HBS, a BPO business, and Hedra, a management consultancy, for £47 million and £51 million respectively. As a result, the business had a high level of borrowings relative to its size at the start of the 2008 financial crisis.

Between 2009 and 2013, the business undertook a significant operational restructuring which included exiting loss-making contracts, the disposal of its rail and pipeline design businesses, the rationalisation of its operating structure and a significant reduction in headcount.

In 2012, in the context of continued challenging market conditions, most notably as a result of significant reductions in the budgets of Mouchel Group plc's local authority clients at the time and a substantial reduction in the market for its former management consulting business, its directors undertook a strategic review of the business. The directors subsequently determined that Mouchel Group plc would not be in compliance with the financial covenants contained in its facilities agreement as at 30 August 2012, which would permit its lenders to demand immediate repayment of all amounts outstanding under the facilities. The lenders agreed to a debt-for-equity swap, whereby they would invest along with management in the equity of Mouchel in exchange for writing off a significant portion of their debt, while acquiring Mouchel Group plc's business. On 24 August 2012, Mouchel Group plc was put into administration. One day later, on 25 August 2012, MRBL (which had been incorporated by Mouchel Group plc's lenders and

management on 13 August 2012) acquired the operating subsidiaries, took on certain obligations and liabilities of Mouchel Group plc and commenced trading.

In February 2013, MRBL acquired the remaining 50 per cent. shareholding in EM, which became a wholly-owned subsidiary of MRBL.

3 Operating Groups

Mouchel comprises four operating groups: EM, MIS and DM, each of which is part of the IIS operating division, and MBS.

3.1 Integrated Infrastructure Services

IIS comprises a range of Mouchel's core offerings covering the highways, water and environmental and maritime businesses. It operates predominantly across the United Kingdom but also in the Middle East and Australia. In highways and water, Mouchel operates across several stages of the life-cycle of essential infrastructure assets, from demand analysis and business case preparation to asset design, management maintenance and operations.

In IIS, Mouchel's principal competitors include Balfour Beatty plc, Atkins, Carillion, Costain, Jacobs, Mott MacDonald and Skanska.

In the three months ended 31 December 2014 and the financial year ended 30 September 2014, IIS accounted for 84 per cent. and 76 per cent. of revenue and 100 per cent. and 95 per cent. of underlying operating profit (excluding corporate costs), respectively.

3.1.1 EM Highway Services

EM is a highways maintenance and management provider, specialising in the delivery of road maintenance contracts in England. It provides long-term integrated maintenance for Highways England and, to a lesser extent, Transport for London ("TfL") and local authorities. Its work typically involves routine maintenance such as gritting and grass cutting on verges of the primary highway network and end-to-end delivery of improvement works to the network, which it refers to as "schemes". EM also provides public realm infrastructure works and professional services. EM is headquartered in Manchester.

EM currently operates four Highways England maintenance contracts; one London Highways Alliance Contract ("LoHAC") covering the south of London; and two contracts with London boroughs (Croydon and Westminster).

Highways England contracts are for road management and maintenance services for areas of the primary road network. Highways England rules stipulate that any one contractor is able to service up to four areas. Mouchel has had contracts for the maximum four areas since June 2014, including Areas 3 and 9. Areas 1 and 13 are expected to be subject to a re-tendering process in June 2015.

Highways England has changed the contract format under which area contracts are awarded. The contracts for Mouchel's two older Highways England contracts, for Areas 1 and 13, are based on a Managing Agent Contract ("MAC") format. The contracts for Areas 3 and 9 are based on an Asset Support Contract ("ASC"). When the contracts for Areas 1 and 13 are awarded upon re-tender, whether to Mouchel or another supplier, Mouchel believes that they will be in the form of an ASC. Both types of contracts have two components: a lump sum, which covers routine maintenance on the network; and scheme revenues, which are improvement projects on the road network (for example, resurfacing, improvements and capacity projects) which are designed and managed by EM but primarily delivered by a network of sub-contractors. However, ASCs tend to have lower margins than MACs, as ASC contracts are awarded on a more price-led assessment of tenders than was previously the case under MACs.

Highways England contracts are heavily influenced by Highways England's budget which, in turn, is affected by the government's commitments to fund renewals to and maintenance of the UK's strategic road network. Highways England expenditure is expected to increase, which could drive growth in EM. In addition, Mouchel was recently appointed to the new Collaborative Delivery Framework ("CDF"), which was secured in November 2014 and may create additional opportunities for EM to participate in larger schemes for Highways England.

EM has worked with TfL for eight years. In April 2013, TfL divided the main road network in London into four areas, each covered by a LoHAC. EM won the largest LoHAC, which covers the south of London. The LoHAC uses a schedule of rates and includes a lump sum element for certain recurring services.

3.1.2 Mouchel Infrastructure Services

MIS is an international business providing professional infrastructure engineering, environmental and asset management consultancy services primarily in the highways design and management, intelligent transport, transportation, maritime, water and energy sectors. It operates across the entire life-cycle of an asset or project from initial feasibility scoping through to decommissioning and disposal.

MIS includes four businesses: Mouchel Intelligent Transport; highways, design and management; water and environmental; and Middle East.

MIS generally provides its services under one of three types of contracts: framework agreements (such as AMP5 agreements, which are described below), long-term contracts and short-term consulting contracts.

Mouchel Intelligent Transport ("MIT")

MIT comprises the intelligent transport systems business, the transport planning business and Mouchel Traffic Support ("MTS") and also includes the joint venture, Network Information Services Limited ("NIS").

The intelligent transport systems business includes design and advisory services for highway technology and services for traffic management, enabling users to make "smarter" use of the network—for example, using the hard shoulder as an extra lane.

The transport planning business includes design and advisory services in transportation planning for the public and private sectors.

MTS is a penalty management software business. Its software collects data (for example, illegal parking data) and issues corresponding tickets and penalty notices. It also supports Highways England's Dartford freeflow tolling and provides software for London road user charging.

NIS is a joint venture with Thales for managing Highways England's technical database. NIS' contract with Highways England includes two stages: the transformation of the previous IT system and implementation of the new IT system; and ongoing services and maintenance.

Highways, Design and Management

The highways, design and management business is a regionalised highway design business primarily providing design and advisory services to Highways England and local authorities either directly or as a sub-contractor. Highways England work is procured mainly under frameworks, including the new CDF.

The highways, design and management business operates in areas including Scotland, Ireland, the South East, the South West, the Midlands, the North, Lincoln, Knowsley, Norfolk and Shropshire. It also has a joint venture with Balfour Beatty, which provides highways maintenance services in South West Scotland, operating as Scotland Transerv.

Water and Environmental

The water and environmental business includes the following service offerings: water consulting; environment; maritime; the KMI+ joint venture; and water operations.

Water consulting includes consulting, design and engineering services for regional water companies under the AMP framework contracts, which run for five years. Mouchel has provided services to a significant number of water/sewage companies in the United Kingdom, including long-term contracts with Thames Water, Severn Trent, Wessex, South West, Yorkshire, Scottish Water, Anglian Water, Northern Ireland Water and Dwr Cymru. The current AMP cycle (AMP 5) is due to expire in 2015, although the transition between AMPs is phased and can vary by water company. Mouchel is continuing to develop its relationships with potential partners and clients to enable it to compete for contracts in the AMP 6 cycle, which began in April 2015.

Environment is a consulting business, providing assessments on the impact of infrastructure projects (for example, air pollution assessments and land services for HS2 impact). Highways England is a key client and therefore consulting services are also used by other parts of Mouchel's business.

Maritime includes design and consultancy for maritime port infrastructure and coastal defences in the United Kingdom.

KMI+ is a joint venture with Kier, J Murphy & Sons Ltd and Interserve of which Mouchel's interest is 7.5 per cent. This joint venture was created to deliver £400 million of design and build contracts with United Utilities under the AMP frameworks.

Water operations is a compliance related (meter readings) and leakage detection and management business.

Middle East

Mouchel has been operating in the Middle East for 30 years, primarily in the UAE, Kuwait and Saudi Arabia. It focuses on the design and supervision of infrastructure works, primarily highways, but also includes marine works and major utility projects. It is currently seeking to extend its product offering into managed services and asset management.

During the financial year ended 30 September 2014, the Middle East represented 3 per cent. of Mouchel's revenues.

3.1.3 DownerMouchel

Mouchel entered the Australian market in 2010 after an approach from Downer EDI Limited, an engineering and road maintenance supplier which provides similar services as EM to the Australian market. DM is a series of unincorporated joint ventures.

Mouchel has seven contracts in Western and Eastern Australia operated by four joint ventures. It has a 50 per cent. interest in all joint ventures. However, for the Western Australia joint venture, which has three contracts, it is entitled to only 40 per cent. of the profit.

Downer Mouchel has approximately 560 people, delivering its contracts and working in 10 depot and office locations in Australia. DM carries out much of its work through the use of sub-contractors.

3.2 Mouchel Business Services

MBS provides BPO, property management and consulting services to a range of public sector clients. MBS' largest customers are local authorities, including in Lincoln, Bournemouth, Oldham and Middlesbrough. Its contracts with these four local authorities accounted for approximately 70 per cent. of MBS' revenue during the financial year ended 30 September 2014. It also has significant contracts with the London Borough of Hackney, via a joint venture arrangement, and with the Department of Health. Its remaining clients include a diverse range of primarily public sector entities such as schools and universities.

Its service offering can be grouped into the following five areas: BPO; information and communication technology ("ICT"); property services; consulting; and highways, as described in further detail below.

MBS' larger contracts are typically long-term arrangements providing outsourced services to local authorities. These contracts often last 10 years or more and comprise a range of services within MBS's service offering.

MBS has a leading position in the market for local authority large bundled contracts (those with an annual contract value of £5 million or more, and total contract value of £25 million or more, that include a white-collar component). Its main competitors in this market have historically been Capita plc and BT Group plc.

MBS also sells to a range of mainly public sector customers with single service offerings (for example, managed payroll, pension administration and property estates management) and competes for project-based work in its property and consulting business, primarily through framework contracts.

In the three months ended 31 December 2014 and the financial year ended 30 September 2014, MBS accounted for 16 per cent. and 24 per cent. of revenue and nil and 5 per cent. of underlying operating profit (excluding corporate costs), respectively.

BPO

The BPO services provided by MBS include: human resources and payroll; pensions administration services; revenues and benefit collection services; transactional financial services; customer service centre support; and procurement.

MBS' human resources services include recruitment and selection, advising on contractual issues, managing attendance, discipline and grievance issues, terminations of employment and policy development. Mouchel also provides health and safety services through a team of qualified health and safety specialists by telephone, post and in person. It also provides managed payroll and pensions administration services for local government customers, schools and academies and blue light organisations.

MBS' revenues and benefits offering includes: assessment of housing and council tax benefit, billing and collection of council tax and business rates, recovery and enforcement, recovery of housing benefits overpayments, dealing with all customer enquiries both on the telephone and at their offices, preparation of statistical and financial returns, administration of systems and property inspection.

ICT

MBS' ICT services include IT implementation, support and maintenance for local government, education and blue light markets. The key features of Mouchel's ICT service are technology strategy and effectiveness, technology enabled transformation, technology delivery, configuration management, programme diagnostics and support systems.

Property Services

MBS' property services include estate services (including strategic asset management and facilities management), as well as project management design and consultancy services relating to capital projects, which are provided to a wide range of customers in the public sector, together with some in the private sector, with a particular focus on education.

Highways

MBS provides highway maintenance services to the Oldham local authority as part of the Unity/Oldham joint venture.

4 Contracts and Contract Management

In 2011, Mouchel instituted new oversight and controls to manage bidding process for contracts, including monitoring potential bids, bid preparation, bid withdrawal, managing client relationships, pricing and economic modelling and post-bid review.

Mouchel has a formal three-stage review process for opportunities, with reviews occurring at key stages in the business development life-cycle. It has established contract value monetary thresholds that determine what level of authorisation (ranging from an operating group director panel sign-off to an executive management team ("EMT") sign-off) will apply to a bid under consideration at each of the three reviews. Bids submitted in Australia, the Middle East and Ireland are also required to be reviewed by the appropriate country leader before any formal review to ensure all local terms and conditions and other commercial issues are properly considered as part of the bid and approvals process. Any bids outside of these areas must be referred to the EMT bid panel for approval to develop and pursue the opportunity. Any bid with a contract value of over £10 million per annum must be authorised by Mouchel's board of directors.

Regardless of value, any bid that contains one or more specified risks is classified as high risk. The specified risks include, among others, the creditworthiness of the client, projected cash flow and margins of the bid, overseas contracts governed by overseas law, complex or uncommon contract terms, pension requirements and reputational risks. High risk bids must be reviewed by an EMT bid panel.

5 Employees

The average number of employees employed by Mouchel during the three months ended 31 December 2014, the financial years ended 30 September 2014 and 2013 and the 14 months ended 30 September 2012 was as follows:

By geographical location	Three months ended 31 December 2014	Financial year ended 30 September 2014	Financial year ended 30 September 2013	14 months ended 30 September 2012
UK	5,997	6,018	6,420	7,275
Rest of World	451	214	228	219
Total	6,448	6,232	6,648	7,494

PART VI—OPERATING AND FINANCIAL REVIEW OF KIER

Investors should read the discussion below in conjunction with the Group's unaudited consolidated interim financial statements for the six months ended 31 December 2014, its audited consolidated financial statements for the financial years ended 30 June 2014, 2013 and 2012, the auditors' reports contained in the 2014, 2013 and 2012 Annual Report and Accounts, the detailed information included in Part VIII of this document and the other information incorporated by reference into this document and should not rely solely on key and summarised information. KPMG LLP has issued unqualified audit opinions in respect of the financial statements for the Company for each of the financial years ended 30 June 2014, 2013 and 2012.

Some of the information in the review set forth below and elsewhere in this document and in the information incorporated by reference into this document includes forward-looking statements that involve risks and uncertainties. The Group's actual results may differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed below and elsewhere in this document, including under "Risk Factors" and "Cautionary Note Regarding Forward-Looking Statements".

1 Overview

Kier is a leading property, residential, construction and services group, specialising in building and civil engineering, support services, commercial property development, structured property financing and private and affordable housing and is a member of the FTSE 250 index. In the financial year ended 30 June 2014, the Construction and Services divisions accounted for, in aggregate, approximately 91 per cent. of the Group's revenues and 81 per cent. of its underlying operating profit before corporate costs.

Kier operates across a range of sectors, including defence, education, housing, industrials, power, transport and utilities. Kier employs over 16,000 people in the United Kingdom, the Caribbean, the Middle East and Hong Kong.

Kier has the expertise and the resources to adapt its services to meet its customers' requirements. Kier has four divisions – Property, Residential, Construction and Services. Kier's capital model is to generate cash from the Construction and Services divisions and invest it in the Property and Residential divisions.

For the six months ended 31 December 2014 and the financial year ended 30 June 2014, Kier's revenue was £1,583 million and £2,985 million, respectively, and its underlying operating profit was £44 million and £88 million, respectively.

2 Key Factors Affecting Kier's Financial Results

Kier's results have been affected, and are expected to be affected in the future, by a variety of factors, including the following:

2.1 Economic Conditions

Historically, construction sector growth tends to lag behind the economic cycle. The UK economy has been growing since 2013 and grew 2.6 per cent. in 2014 (Source: ONS, February 2015). The Bank of England forecasts that the economy will grow every year through to 2018, even allowing for margins of uncertainty (Bank of England, February 2015). The Office for Budget Responsibility forecasts GDP growth of 2.5 per cent. in 2015 and 2.3 per cent. per annum in 2016 to 2018.

The fall in oil prices is expected to have a net stimulating effect on both the global economy and the United Kingdom. UK inflation continues to be low and recently fell to zero. It is expected to remain low for the rest of the year (Source: Capital Economics/Financial Times, 24 March 2015), with a potential stimulating effect on consumer demand.

2.2 Political Conditions and Public Spending

The UK General Election will take place on 7 May 2015. Based on the current government's budget statement made on 18 March 2015 and comments made by the current opposition, public spending cuts will be made regardless of who forms the next government. Kier is, however, well-positioned in that its business with the UK government is largely as a provider of infrastructure projects. The major political parties have all shown support for investment in infrastructure and housing. The Conservative and Liberal Democrat coalition government (the "Coalition Government") recently sponsored the Infrastructure Act 2015 and the subsequent creation of Highways England from 1 April 2015 with a £17 billion budget for the

maintenance, renewal and enhancement of the strategic road network during the road period from 2015 to 2020. The Infrastructure Act 2015 passed with support from the Labour Party.

The Coalition Government has committed approximately £73 billion of infrastructure projects between 2015/16 to 2020/21, covering roads, rail, energy and other areas. Details were set out by HM Treasury in Investing in Britain's Future (June 2013).

The Labour Party is also actively supporting infrastructure expenditure and sees it as "vital to boosting growth and productivity in a way which raises living standards" (Shadow Chancellor, 3 February 2015). Labour shadow ministers have made a number of recent statements to indicate their continuing support for this.

2.3 Market Dynamics

Kier's financial results are affected by general trends in the property and construction markets. As most of Kier's markets return to growth, Kier believes that it is well placed to take advantage of increasing opportunities in the United Kingdom and internationally. The dynamics of each of the markets in which Kier operates are described in further detail below.

2.3.1 Property

In 2013, commercial property investment in the United Kingdom was £53 billion, which represented an increase of 57 per cent. compared to 2012 (Source: Savills). More than 50 per cent. of investment was in Greater London, with regional markets recovering to account for 45 per cent. of investment in 2013, compared to 41 per cent. in 2012. In this same period, development of new commercial property reached 50 million square feet, valued at £11 billion (Source: British Property Federation).

Kier believes that occupier demand is improving and that valuations are increasing. Prospects for the commercial property market appear to be stable, with potential for selective growth.

2.3.2 Residential

In 2014, total output in the UK residential market was approximately 140,000 new homes (Source: CPA). CPA has forecast growth in output of greater than 6 per cent. per annum to 177,000 new homes by 2018. Nonetheless, output is forecast to remain significantly below government targets and projected household growth. Government initiatives such as Help-to-Buy, New Homes Bonus and Build-to-Rent are expected to continue in the medium term. The affordability of new housing continues to be an important issue. The building of new homes for housing associations and local authorities is expected to increase from 21 per cent. of output in 2014 to 24 per cent. in 2018 (Source: Savills).

2.3.3 Construction

In 2014, new construction work (excluding residential) was valued at £48 billion (Source: CPA). Building output was valued at £35 billion in 2014 and is forecast to grow at 4.2 per cent. per annum to 2018 (Source: CPA). Infrastructure output was valued at £13 billion in 2014 and is forecast to grow at up to 11 per cent. per annum to 2018 (Source: CPA).

Construction output is expected to grow by 4 to 5.5 per cent. per annum in each of 2015 and 2016. Significant expenditure is forecast in roads construction and energy infrastructure, with cumulative growth by 2018 forecast to be 52.1 per cent. and 81.8 per cent., respectively. These forecasts allow for a potential temporary hiatus in public sector construction in 2016 and 2017 as a result of a change in government (Source: Construction Products Association, Construction Industry Forecasts, Spring 2015).

Total construction investment by the Gulf Co-operation Council states ("GCC") was U.S.$90 billion in 2013 (Source: Deloitte). Investment in the transport and energy infrastructure sectors, which are the largest segments in the UAE and Saudi Arabian markets and together account for 80 per cent. of GCC construction output, is extensive.

Far East Asian construction markets were valued at U.S.$300 billion in 2013 (Source: Aecom). Aecom forecasts growth in Far East Asian construction markets of approximately 5 per cent. to 2018.

2.3.4 Services

The value of the addressable services market in the United Kingdom was approximately £80 billion (Source: Credo, BSA, ONS), which is expected to support overall services market growth of 2 to 4 per cent. per annum in the medium term.

The facilities management market of £41 billion is Kier's largest addressable market in its Services division. Kier believes that there are growth opportunities in both the public and private sectors. The utilities market was valued at £18 billion, with expected growth of 2 to 3 per cent. per annum up to 2018. Outsourced expenditure on social and private rented housing maintenance is estimated to be £5.2 billion; local authorities and housing associations accounted for approximately 90 per cent. of expenditure.

Austerity in public expenditure is expected to continue to place pressure on public sector budgets, which Kier expects will contribute to outsourcing opportunities and innovation.

2.4 Order Book

Kier's order book comprises the estimated remainder of the value of secured and probable projects. Its combined order book for the Construction and Services divisions amounted to £6.5 billion as at 31 December 2014, comprising £2.6 billion and £3.9 billion for the Construction and Services divisions, respectively. The relatively short tenure of the Construction division's order book is underpinned by the much longer Services division contracts.

Kier's order book gives it the ability to forecast cash flow more reliably, having secured 100 per cent. of the current year's Construction and Services forecast revenue. The order book does not include contract extensions, which, if included, could add up to a further £2.0 billion to the order book as at 31 December 2014.

The gross development value of Kier's property development activities was over £1 billion as at 31 December 2014.

2.5 Cash Flow Profile and Contract Accounting

Kier's integrated business model is designed to cross-sell the services of its different businesses. The cash generated by the Construction division is used to finance investments in its Property and Residential divisions. Similarly, the Property division's developments and PFI opportunities contribute to the Construction and Services divisions' work.

In its Construction division, although payment terms vary from contract to contract, typically Kier agrees contract terms so that payments to suppliers and sub-contractors are made after cash is received from clients. As a result, whilst the cash flow profile of a typical Construction division contract provides negative cash flow at the outset as a result of bid and mobilisation costs, thereafter, a cash surplus is created as receipts from clients precede payments to suppliers and sub-contractors. Towards the end of the life of a contract, the cash surplus falls as payments to suppliers and sub-contractors exceed receipts from clients.

All contract mobilisation costs are written off at the outset, with only a small portion of first full year profit being recognised on Construction division contracts. Only in later years, when the contract is well-progressed, will Kier recognise full profit. Accordingly, there is typically a slightly higher margin in the later stage of a contract.

For its Services division contracts, Kier typically has negative cash flow at the outset due to writing off bid and mobilisation costs, followed by increasing positive cash flows during the life of the contract.

2.6 Acquisitions

Kier's acquisition of May Gurney, which completed on 8 July 2013, has significantly strengthened Kier's Services division and has contributed to increased penetration of the utilities and highways maintenance markets in particular. May Gurney's order book of £1.7 billion contributed to an increase in Kier's combined order books in its Construction and Services divisions from £4.3 billion as at 30 June 2013 to £6.2 billion as at 30 June 2014.

During the financial year ended 30 June 2014, revenue increased by £1,002 million, or 51 per cent. and underlying profit increased by £32.5 million, or 59 per cent. Excluding the impact of the May Gurney acquisition, revenue would have increased by 13 per cent. and underlying operating profit by 3 per cent.

The Services division in particular has been favourably affected by the May Gurney acquisition. Kier has also recognised certain cost synergies in connection with the acquisition of May Gurney.

The increases in revenue and cost savings resulting from the May Gurney acquisition were partially offset by certain costs associated with its integration. During the financial year ended 30 June 2014, Kier incurred £8.1 million of costs relating to the acquisition of May Gurney, compared to £1.8 million in the financial year ended 30 June 2013. During the financial year ended 30 June 2014, Kier also incurred restructuring and transformation costs of £29.6 million.

Kier also recognised a fair value provision of £73 million in the financial year ended 30 June 2014, which was related to loss-making contracts of May Gurney, mainly the waste collection contracts for the Bristol and Cheshire West & Chester local authorities, which continue to be challenging.

Kier's financing of the May Gurney acquisition has increased its borrowings and its finance costs. Kier has historically operated with net cash balances and because of that, its net finance costs have usually been positive. In the financial year ended 30 June 2014, Kier's net cash balance declined in part as a result of the acquisition. At the time of the acquisition, Kier also increased its bank facilities, entering into a four-year £50 million syndicated term loan to service the cash cost of the acquisition and a £70 million additional revolving credit facility, replacing existing May Gurney facilities. The total cash impact of the May Gurney acquisition was approximately £110 million, comprising £39 million of cash consideration, £37 million of acquired net debt and £34 million of integration costs. The Company also issued approximately 14.7 million shares as consideration for the acquisition of May Gurney in July 2013.

3 Basis of Preparation

Kier's unaudited consolidated interim financial statements for the six months ended 31 December 2014 are prepared in accordance with IAS 34 and its audited consolidated financial statements for the financial years ended 30 June 2014, 2013 and 2012 have been prepared in accordance with IFRS.

Financial information for the financial year ended 30 June 2013 has been restated as a result of the adoption of IAS 19 and the resulting impact of the change in accounting for defined benefit pension schemes. For additional information, see note 31 to Kier's audited consolidated financial statements for the financial year ended 30 June 2014, incorporated by reference herein. Financial information for the financial year ended 30 June 2012 has been restated to reflect the amortisation of contract rights on a consistent basis with the treatment of contracts for the financial year ended 30 June 2013. In this Part VI, the financial information for the financial year ended 30 June 2013 discussed when comparing to the financial year ended 30 June 2014 is the restated financial information and when comparing to the financial year ended 30 June 2012 is the un-restated financial information. All 2012 financial information in Part VI is restated.

4 Underlying Performance

In this Part VI, the Group presents its results of operations on an underlying basis, before exceptional items, amortisation of intangible assets relating to contract rights and the unwinding of the discount in respect of deferred consideration and fair value adjustments made on acquisition.

The following table presents non-underlying items for the six months ended 31 December 2014 and 2013 and the financial years ended 30 June 2014, 2013 and 2012:

	Six months ended 31 December (unaudited)		Financial year ended 30 June		
	2014	2013	2014	2013	2012
	(£ millions)				
Costs associated with cessation of Group final salary pension scheme	1.0	—	—	—	—
Costs relating to the acquisition of May Gurney	—	7.5	8.1	1.8	—
Restructuring and transformation costs following the acquisition of May Gurney	—	—	29.6	—	—
TCWCS and related costs	—	—	4.5	—	—
Restructuring and business disposal costs	1.1	14.5	—	10.1	—
Closure and discontinuation of scaffolding and related businesses	—	—	—	1.9	—
Loss on disposal of the tower crane and other discontinued businesses	—	—	—	3.2	3.2
Acquisition of 50 per cent. of Biogen (UK) Limited	—	—	—	—	0.4
Total exceptional items before tax	2.1	22.0	42.2	17.0	3.6

For additional information on non-underlying items, see note 3 to Kier's unaudited consolidated financial statements for the six months ended 31 December 2014 and note 4 to Kier's audited consolidated financial statements for the financial year ended 30 June 2014, incorporated by reference herein.

5 Segmental Analysis

Prior to 1 July 2014, Kier operated three divisions: Property, Construction and Services, which was the basis on which Kier managed and reported its primary segmental information. From 1 July 2014, Kier reorganised its operations into four divisions: Property, Residential, Construction and Services. Accordingly, in this Part VI, the financial results of Kier are discussed on a three-division basis for the financial years ended 30 June 2014, 2013 and 2012 and on a four-division basis for the six months ended 31 December 2014 and 2013.

6 Current Trading and Prospects

The Group remains on course to meet the Board's expectations for the current financial year. In particular, the Residential and Services divisions remain on track to deliver a second-half weighted performance in line with management's expectations.

The total order book of the Construction and Services divisions remained stable at £6.5 billion as at 31 March 2015, with potential further extensions and renewals valued at up to £2 billion.

6.1 Property

The Property division's performance continues to be good as a result of its robust approach to capital allocation, whilst maintaining its minimum hurdle rate of 15 per cent. ROCE. The division has maintained the valuation of its structured finance assets at £38 million, with an implied discount rate of 7.5 per cent. Capital investment within the Property division is in line with management's expectations and is expected to increase towards £100 million by 30 June 2015.

6.2 Residential

Completions within the Residential division remain in line with management's expectations, with approximately 2,100 units expected to be completed across the private housing and mixed-tenure businesses in the year ending 30 June 2015. Following a strong sales performance, both in terms of volume of sales and selling price, all units forecast to be completed in the current financial year are now reserved, exchanged or completed. By 30 June 2015, we expect to have a forward order book representing approximately 25 per cent. of the units forecast for completion in the next financial year.

6.3 Construction

Within the Construction division, the UK regional building activity has delivered significant year-on-year organic growth. Turnover in the international and infrastructure businesses remains in line with prior years. Margins in all three areas of the business are consistent with management's expectations. Recent contract awards include all three lots under the Southern Construction Framework, new awards at the Argent development, King's Cross and the Ram Brewery regeneration development in Wandsworth.

6.4 Services

Following contract wins in the highways and utilities businesses in the first half of the financial year, second half volumes in the Services division are expected to increase. These include a £200 million four-year extension of the highways services contract with Northamptonshire County Council and £700 million of wins from the AMP6 cycle. With revenue expected to be in line with management's expectations and bidding activity forecast at normal levels in the second half of the year, it is expected that the overall order book will remain stable.

Margins within the Services division are expected to continue to move towards 5 per cent. for the full year, having expensed with the costs of successful contract bids in the six months ended 31 December 2014.

Discussions regarding the sale of the fleet and passenger services business are continuing, with indicative offers received from a number of parties.

6.5 Corporate

The Kier Group Services defined benefit pension scheme was closed to future accrual in February 2015. This will lead to an exceptional charge of £6.5 million in the current financial year, as previously disclosed, of which the cash impact is approximately £1 million.

6.6 Net debt

The Group's net debt is in line with management's expectations. The Group's average borrowings increased in the third quarter as planned investment in the mixed-tenure housing business increased in line with the HCA's Affordable Homes funding programme. All units associated with that programme are now complete, with the related HCA grants secured or received. It is therefore anticipated that the Group's net debt will improve in the final quarter of the year.

7 Financial Results

7.1 Six Months Ended 31 December 2014 Compared to Six Months Ended 31 December 2013

The following table presents Kier's underlying financial results for the six months ended 31 December 2014 and 2013:

	Six months ended 31 December (unaudited)	
	2014	**2013**
	(£ millions)	
Revenues		
Group and share of joint ventures	1,582.6	1,432.0
Less share of joint ventures	(10.1)	(17.6)
Group revenue	1,572.5	1,414.4
Cost of sales	(1,438.6)	(1,294.0)
Gross profit	133.9	120.4
Administrative expenses	(91.6)	(78.5)
Share of post-tax results of joint ventures	0.6	0.4
Profit on disposal of joint ventures	1.3	2.1
Profit from operations	44.2	44.4
Finance income	1.0	0.6
Finance cost	(9.3)	(8.2)
Profit before tax	35.9	36.8
Taxation	(7.4)	(6.6)
Profit for the period	28.5	30.2

7.1.1 Revenue

Revenue, including joint ventures, increased by 11 per cent. to £1,583 million for the six months ended 31 December 2014, from £1,432 million for the six months ended 31 December 2013. The increase primarily reflected growth in the Construction division's revenue.

The Construction division's revenues increased by 18 per cent. to £874 million in the six months ended 31 December 2014, compared to £742 million in the six months ended 31 December 2013, reflecting growth in public sector construction frameworks, the continued expansion of the infrastructure business and further progress in the international business, particularly in the Middle East.

The Services division's revenues increased by 1 per cent. to £569 million for the six months ended 31 December 2014, compared to £563 million for the six months ended 31 December 2013, reflecting the strong performance of the utilities business and highways business.

The Property division's revenues decreased by 10 per cent. to £49 million for the six months ended 31 December 2014, from £55 million for the six months ended 31 December 2013, reflecting a decrease in revenue from structured finance and PFI. Revenue from developments increased by 11 per cent. to £44 million for the six months ended 31 December 2014 from £40 million for the six months ended 31 December 2013.

The Residential division's revenues increased by 25 per cent. to £90 million for the six months ended 31 December 2014 from £72 million for the six months ended 31 December 2013. The division experienced strong levels of new business opportunities in all housing sectors from private land to mixed-tenure housing to contract build for private and public sector bodies.

7.1.2 Underlying Operating Profit

Underlying operating profit, including the Group's share of joint ventures' profits, remained stable at £44 million for the six months ended 31 December 2014 and 2013. The Residential and Services divisions' underlying operating profits are weighted towards the second half of the financial year.

The Construction division contributed £18 million of operating profit for the six months ended 31 December 2014, with operating margins remaining resilient at 2.1 per cent., compared to 2.3 per cent.

for the six months ended 31 December 2013. This reflected Kier's strict approach to bidding and robust execution of contracts.

The Services division contributed £24 million of operating profit for the six months ended 31 December 2014 and the six months ended 31 December 2013. The division's operating margin was 4.2 per cent. for the six months ended 31 December 2014, compared to 4.3 per cent. for the six months ended 31 December 2013. The operating margin was affected by an intense period of contract mobilisation and bidding costs associated with recently awarded contracts, particularly in the utilities business. The division is continuing to target operating margins approaching 5.0 per cent. for the 2015 financial year.

The Property division delivered a strong profit contribution of £14 million for the six months ended 31 December 2014, compared to £11 million for the six months ended 31 December 2013.

The Residential division contributed profit of £0.8 million for the six months ended 31 December 2014, compared to £0.5 million for the six months ended 31 December 2013.

7.1.3 Corporate Costs

Corporate costs increased by £3.9 million to £12.3 million for the six months ended 31 December 2014, from £8.4 million for the six months ended 31 December 2013. The increase was primarily due to the increased scale of the Group and increased investment in IT.

7.1.4 Underlying Finance Costs

Underlying finance costs increased by £0.7 million to £8.3 million for the six months ended 31 December 2014, from £7.6 million for the six months ended 31 December 2013.

7.1.5 Underlying Profit Before Tax

Underlying profit before tax decreased by 2 per cent. to £36 million for the six months ended 31 December 2014, from £37 million for the six months ended 31 December 2013, reflecting stable operating profit and higher net finance costs.

7.1.6 Taxation on Underlying Items

Taxation on underlying items increased by £0.8 million to £7.4 million for the six months ended 31 December 2014, from £6.6 million for the six months ended 31 December 2013. The Group's effective tax rate, including tax on joint venture profits, increased from 18 per cent. for the six months ended 31 December 2013 to 21 per cent. for the six months ended 31 December 2014.

7.2 Financial Year Ended 30 June 2014 Compared to Financial Year Ended 30 June 2013

The following table presents Kier's underlying financial results for the financial years ended 30 June 2014 and 2013:

	Financial year ended 30 June	
	2014	2013 (restated)
	(£ millions)	
Revenues		
Group and share of joint ventures	2,985.2	1,982.8
Less share of joint ventures	(30.9)	(39.8)
Group revenues	2,954.3	1,943.0
Cost of sales	(2,699.5)	(1,739.8)
Gross profit	254.8	203.2
Administrative expenses	(174.5)	(158.4)
Share of post-tax results of joint ventures	1.6	0.9
Profit on disposal of joint ventures	6.1	9.8
Profit from operations	88.0	55.5
Finance income	2.2	2.3
Finance cost	(17.1)	(10.2)
Profit before tax	73.1	47.6
Taxation	(13.9)	(5.1)
Profit for the period	59.2	42.5

7.2.1 Revenue

Revenue, including joint ventures, increased by 51 per cent. to £2,985 million for the financial year ended 30 June 2014, from £1,983 million for the financial year ended 30 June 2013. The increase reflected growth across all divisions, particularly in Services, where the acquisition of May Gurney has had a significant impact. Excluding the impact of the May Gurney acquisition, revenue would have increased by 13 per cent.

The Construction division's revenue increased by 22 per cent. to approximately £1.6 billion in the financial year ended 30 June 2014, compared to £1.3 billion in the financial year ended 30 June 2013, reflecting significant market and contract growth, particularly in the infrastructure and international businesses.

In the Services division, the May Gurney acquisition increased revenue significantly, with the addition of the utilities and maintenance businesses, as well as giving an increased presence in the environmental sector. The housing maintenance business grew as a result of a number of contract wins, including the £200 million Circle contract.

7.2.2 Underlying Operating Profit

Underlying operating profit, including the Group's share of joint ventures' profits, increased by 59 per cent. to £88.0 million for the financial year ended 30 June 2014, from £56 million for the financial year ended 30 June 2013. The increase reflected a good underlying performance combined with a significant contribution from the May Gurney acquisition. Excluding the impact of May Gurney, underlying operating profit would have increased by 3 per cent.

The results of the Property division, which included the disposal profits from selling two PFI investments, contributed £21 million of underlying operating profit in the financial year ended 30 June 2014, a level similar to the financial year ended 30 June 2013. The Property division achieved its target of 15 per cent. return on capital and its PFI investments were replaced at a similar rate to the disposals. The residential business reported increased operating profit of £5.0 million for the financial year ended 30 June 2014, compared to £4.3 million for the financial year ended 30 June 2013, due to growth in mixed-tenure housing activities.

The underlying operating margin in the Construction division of approximately 2.1 per cent. for the financial year ended 30 June 2014 was in line with Kier's expectations. Robust performance in UK building and infrastructure, including continued good progress on the Crossrail contracts, was tempered by operational delays and challenges in the Mass Transit Railway timetable which affected Kier's Hong Kong operations.

In the Services division, Kier achieved an underlying operating margin of 4.8 per cent. for the financial year ended 30 June 2014, reflecting the increased range of services available to clients, which generated additional and/or larger scale contracts and the realisation of cost savings arising from the integration of May Gurney. Utilities and highway maintenance both delivered results in line with Kier's expectations, whilst the contribution from housing maintenance reflected the impact of mobilising the Circle contract. As expected, the environmental services market was challenging, whilst Kier's facilities management business delivered a strong result, reflecting the effect of rigorous maintenance programmes, thereby reducing total life-cycle costs.

7.2.3 Corporate Costs

Total corporate costs for the financial year ended 30 June 2014 were £19.9 million, which included £13.6 million of pension charges, following the adoption of the amendment to IAS 19, and £6.3 million of unrecovered overhead costs, reflecting the increased scale of the Group, as well as increased central investment in risk and performance management, strategic procurement, IT and sector leadership.

7.2.4 Underlying Finance Costs

Underlying finance costs increased by £7 million to £15 million for the financial year ended 30 June 2014, from £8 million for the financial year ended 30 June 2013. The increase was due to the cost of financing the May Gurney acquisition.

7.2.5 Underlying Profit Before Tax

Underlying profit before tax increased by 54 per cent. to £73.1 million for the financial year ended 30 June 2014 from £47.6 million for the financial year ended 30 June 2013. This is stated before minority interests of £0.7 million for the financial year ended 30 June 2014, compared to £1.0 million for the financial year ended 30 June 2013, relating to the share of profits of Kier's housing maintenance business, which were attributable to contracts with local authorities.

7.2.6 Taxation on Underlying Items

Taxation on underlying items increased by £8.8 million to £13.9 million for the financial year ended 30 June 2014 from £5.1 million for the financial year ended 30 June 2013. The Group's effective tax rate, including tax on joint venture profits, increased from 11 per cent. for the financial year ended 30 June 2013 to 19 per cent. for the financial year ended 30 June 2014, 3.5 per cent. below the standard corporation tax rate. This rate reflected the contribution from the sale of two PFI investments and the reduction in the standard corporation tax rate.

7.3 Financial Year Ended 30 June 2013 Compared to Financial Year Ended 30 June 2012

The following table presents Kier's underlying financial results for the financial years ended 30 June 2013 and 2012:

	Financial year ended 30 June	
	2013 (unrestated)	**2012 (restated)**
	(£ millions)	
Revenues		
Group and share of joint ventures	1,982.8	2,069.2
Less share of joint ventures	(39.8)	(38.7)
Group revenues	1,943.0	2,030.5
Cost of sales	(1,739.8)	(1,815.1)
Gross profit	203.2	215.4
Administrative expenses	(144.2)	(149.0)
Share of post-tax results of joint ventures	0.9	1.3
Profit on disposal of joint ventures	9.8	6.7
Profit from operations	69.7	74.4
Finance income	2.3	2.6
Finance cost	(8.6)	(7.0)
Profit before tax	63.4	70.0
Taxation	(8.9)	(9.3)
Profit for the period	54.5	60.7

7.3.1 Revenue

Revenue, including joint ventures, decreased by £86 million, or 4 per cent., to £1,983 million for the financial year ended 30 June 2013, from £2,069 million for the financial year ended 30 June 2012. The decrease reflected a reduction in the Construction division's revenue. This was in turn due to poor weather in the first quarter of the 2013 calendar year, causing delays and pushing revenue into the 2014 financial year and a change in the mix of activities. UK building revenue decreased to £1 billion, as Kier maintained a focus on the quality of work it pursued. However, this reduction was partially offset by growth in UK infrastructure and overseas revenues.

In the Services division, revenue levels in the housing maintenance, facilities management and environmental businesses were similar in both financial years, totalling £437 million for the financial year ended 30 June 2013.

Revenue from the Property division resulted from the ongoing progress of Kier's combined £1.5 billion property development and mixed-tenure housing pipeline and the level of private housing sales achieved.

7.3.2 Underlying Operating Profit

Underlying operating profit, including the Group's share of joint ventures' profits, decreased by 6 per cent. to £69.7 million for the financial year ended 30 June 2013, mainly as a result of the lower contribution to underlying profit from the Construction division.

The underlying operating margin in the Construction division of 2.3 per cent. represented a strong performance. In particular, this reflected the increasing proportion of UK infrastructure and overseas operations.

In the Services division, Kier achieved an underlying operating margin of 4.4 per cent. for the financial year ended 30 June 2013, in line with its expectations, and included a higher level of bidding and mobilisation costs following the success in securing major schemes, including the Circle and East Sussex contracts.

The Property division, which included Kier's property development activities, the £4.3 million underlying operating profit of its housing businesses and the disposal profits from selling four of its PFI investments, contributed £20.5 million of total Group underlying operating profit in the financial year ended 30 June 2013, a level similar to that for the financial year ended 30 June 2012. The property development business

achieved its target of 15 per cent. ROCE and its PFI investments were replaced at a similar rate to the disposals.

7.3.3 Corporate Costs

The total corporate costs for the financial year ended 30 June 2013 were £0.5 million, which represented a decrease from the financial year ended 30 June 2012. The decrease principally arose because of a credit that related to the Group's defined benefit pension schemes, which was partially offset by higher IT expenditure.

The pension credit was a direct result of changes in the underlying pension assumptions, in particular the discount rate and the expected return on assets.

7.3.4 Underlying Finance Costs

Underlying finance costs for the financial year ended 30 June 2013 increased from the financial year ended 30 June 2012 due to interest payable arising from an average net debt balance for the financial year ended 30 June 2013, as compared to an average net cash balance for the financial year ended 30 June 2012. This reflected considerable investment during the year and the timing of Kier's property transactions, some of which completed in the last quarter of the financial year.

During the financial year ended 30 June 2013, Kier considerably strengthened its capital structure. These changes followed on from renegotiations of its revolving credit facilities the previous year and therefore increased the interest payable and fees on committed borrowings to £3.0 million for the financial year ended 30 June 2013.

The unwinding of the discount on long-term liabilities which arose during the year was mainly a result of the Lloyds property portfolio acquisition in April 2011. The final consideration payment of £26 million was paid in October 2013.

7.3.5 Underlying Profit Before Tax

Underlying profit before tax decreased by 9 per cent. to £63.4 million for the financial year ended 30 June 2013, from £70.0 million for the financial year ended 30 June 2012. This is stated before minority interests of £1.0 million for the financial year ended 30 June 2013, compared to £1.1 million for the financial year ended 30 June 2012. The minority interest relates to the share of profits of Kier's housing maintenance business which were attributable to contracts with local authorities.

7.3.6 Taxation on Underlying Items

Taxation on underlying items decreased by £0.4 million to £8.9 million for the financial year ended 30 June 2013, from £9.3 million for the financial year ended 30 June 2012. The Group's effective tax rate, including joint venture tax on joint venture profits, increased from 13 per cent. for the financial year ended 30 June 2012 to 14 per cent. for the financial year ended 30 June 2013, 9.8 per cent. below the corporation tax rate. This rate reflected the benefit of the Group's prudence in the past, the contribution from the sale of four PFI investments and the reduction in the standard corporation tax rate.

8 Financial Results by Division

The following tables present Kier's financial results on a divisional level for the six months ended 31 December 2014 and 2013 and the financial years ended 30 June 2014, 2013 and 2012:

	Six months ended 31 December 2014 (unaudited)					
	Property[1]	Residential[1]	Construction	Services	Corporate	Group
	(£ millions)					
Revenue[2]						
Group and share of joint ventures	49.1	90.2	874.0	569.3	—	1,582.6
Less share of joint ventures	(6.3)	—	(3.8)	—	—	(10.1)
Group revenue	42.8	90.2	870.2	569.3	—	1,572.5
Profit						
Group operating profit/(loss)	12.7	0.8	17.4	23.7	(12.3)	42.3
Share of post-tax results of joint ventures	—	—	0.6	—	—	0.6
Profit on disposal of joint ventures	1.3	—	—	—	—	1.3
Underlying operating profit/(loss)	14.0	0.8	18.0	23.7	(12.3)	44.2
Underlying net finance (costs)/ income[3]	(1.3)	(5.2)	3.0	(2.2)	(2.6)	(8.3)
Underlying profit/(loss) before tax	12.7	(4.4)	21.0	21.5	(14.9)	35.9
Exceptional items	—	—	—	(0.6)	(1.5)	(2.1)
Amortisation of intangible contract rights	—	—	(0.2)	(5.1)	—	(5.3)
Non-underlying net finance costs	—	—	—	(1.8)	—	(1.8)
Profit/(loss) before tax	12.7	(4.4)	20.8	14.0	(16.4)	26.7

Notes:

(1) Prior year comparatives have been represented to reflect the split of the Property division into the Property and the Residential divisions.

(2) Revenue is stated after the exclusion of inter-segmental revenue. Inter-segmental pricing is determined on an arm's length basis.

(3) Interest was (charged)/credited to the divisions at a notional rate of 4.5 per cent. and 4.1 per cent., respectively.

	Six months ended 31 December 2013 (unaudited)					
	Property[1]	Residential[1]	Construction	Services (restated)	Corporate	Group
	(£ millions)					
Revenue[2]						
Group and share of joint ventures	54.5	72.4	742.2	562.9	—	1,432.0
Less share of joint ventures	(14.6)	—	(3.0)	—	—	(17.6)
Group revenue	39.9	72.4	739.2	562.9	—	1,414.4
Profit						
Group operating profit/(loss)	8.2	0.5	17.2	24.4	(8.4)	41.9
Share of post-tax results of joint ventures	0.3	—	0.1	—	—	0.4
Profit on disposal of joint ventures	2.1	—	—	—	—	2.1
Underlying operating profit/(loss)	10.6	0.5	17.3	24.4	(8.4)	44.4
Underlying net finance (costs)/ income[3]	(1.0)	(5.5)	2.9	(2.6)	(1.4)	(7.6)
Underlying profit/(loss) before tax	9.6	(5.0)	20.2	21.8	(9.8)	36.8
Exceptional items	(0.1)	—	(4.8)	(6.3)	(10.8)	(22.0)
Amortisation of intangible contract rights	—	—	(0.3)	(5.3)	—	(5.6)
Non-underlying net finance costs	(0.3)	—	—	(2.6)	—	(2.9)
Profit/(loss) before tax	9.2	(5.0)	15.1	7.6	(20.6)	6.3

Notes:

(1) Prior year comparatives have been represented to reflect the split of the Property division into the Property and the Residential divisions.

(2) Revenue is stated after the exclusion of inter-segmental revenue. Inter-segmental pricing is determined on an arm's length basis.

(3) Interest was (charged)/credited to the divisions at a notional rate of 4.0 per cent.

	Financial Year Ended 30 June 2014				
	Property[1]	Construction	Services	Corporate	Group
	(£ millions)				
Revenue[2]					
Group and share of joint ventures	284.1	1,597.0	1,104.1	—	2,985.2
Less share of joint ventures	(24.4)	(6.5)	—	—	(30.9)
Group Revenue	259.7	1,590.5	1,104.1	—	2,954.3
Profit					
Group operating profit	14.4	32.5	53.3	(19.9)	80.3
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	21.0	33.6	53.3	(19.9)	88.0
Underlying net finance (costs)/credits[3]	(13.4)	5.6	(4.5)	(2.6)	(14.9)
Underlying profit/(loss) before tax	7.6	39.2	48.8	(22.5)	73.1
Exceptional items	(2.4)	(7.8)	(10.4)	(21.6)	(42.2)
Amortisation of intangible assets relating to contract costs	(0.1)	(0.4)	(10.3)	—	(10.8)
Non-underlying net finance costs	(0.3)	—	(5.0)	—	(5.3)
Profit/(loss) before tax	4.8	31.0	23.1	(44.1)	14.8

Notes:

(1) Results for Property include the Residential division, created on 1 July 2014. These results are separately disclosed for the six months ended 31 December 2014.

(2) Revenue is stated after the exclusion of inter-segmental revenue.

(3) Interest was (charged)/credited to the division at a notional rate of 4.5 per cent. and 4.0 per cent., respectively.

	Financial year ended 31 June 2013 (restated)				
	Property[1]	Construction	Services	Corporate	Group
	(£ millions)				
Revenue[2]					
Group and share of joint ventures	238.0	1,307.4	437.4	—	1,928.8
Less share of joint ventures	(33.6)	(6.2)	—	—	(39.8)
Group Revenue	204.4	1,301.2	437.4	—	1,943.0
Profit					
Group operating profit/(loss)	10.2	30.0	19.3	(14.7)	44.8
Share of post-tax results of joint ventures	0.5	0.4	—	—	0.9
Profit on disposal of joint ventures	9.8	—	—	—	9.8
Underlying operating profit/(loss)	20.5	30.4	19.3	(14.7)	55.5
Underlying net finance (costs)/income[3]	(12.9)	7.6	(0.8)	(1.8)	(7.9)
Underlying profit/(loss) before tax	7.6	38.0	18.5	(16.5)	47.6
Exceptional items	—	(8.9)	(6.7)	(1.4)	(17.0)
Amortisation of intangible assets relating to contract costs	—	(0.1)	(3.3)	—	(3.4)
Non-underlying net finance costs	(1.3)	—	—	—	(1.3)
Profit/(loss) before tax	6.3	29.0	8.5	(17.9)	25.9

Notes:

(1) Results for Property include the Residential division, created on 1 July 2014. These results are separately disclosed for the six months ended 31 December 2014.

(2) Revenue is stated after the exclusion of inter-segmental revenue.

(3) Interest was (charged)/credited to the division at a notional rate of 4.5 per cent. and 4.0 per cent., respectively.

	Financial year ended 30 June 2012 (restated)				
	Property[1]	Construction	Services	Corporate	Group
	(£ millions)				
Revenue[2]					
Group and share of joint ventures	240.8	1,383.5	444.9	—	2,069.2
Less share of joint ventures	(36.0)	(2.7)	—	—	(38.7)
Group Revenue	204.8	1,380.8	444.9	—	2,030.5
Profit					
Group operating profit	14.1	35.1	20.1	(2.9)	66.4
Share of post-tax results of joint ventures	1.2	0.1	—	—	1.3
Profit on disposal of joint ventures	6.7	—	—	—	6.7
Underlying operating profit/(loss)	22.0	35.2	20.1	(2.9)	74.4
Exceptional items	(0.4)	—	(3.2)	—	(3.6)
Amortisation of intangible assets relating to contract costs	—	—	(3.4)	—	(3.4)
Profit from operations	21.6	35.2	13.5	(2.9)	67.4
Finance (costs)/income	(13.7)	12.5	(1.4)	(1.8)	(4.4)
Profit/(loss) before tax	7.9	47.7	12.1	(4.7)	63.0

Notes:

(1) Results for Property include the Residential division, created on 1 July 2014. These results are separately disclosed for the six months ended 31 December 2014.

(2) Revenue is stated after the exclusion of inter-segmental revenue.

8.1 Property Division

The Property division's revenues for the six months ended 31 December 2014 were £49 million, compared to £55 million for the six months ended 31 December 2013. Underlying operating profit was £14 million for the six months ended 31 December 2014, compared to £11 million for the six months ended 31 December 2013. Eight key schemes were completed during the six months ended 31 December 2014, including the disposal of Kier's equity in the Oldham Library project for a total consideration of £2.4 million, representing a discount rate of 7 per cent., which supports the Directors' valuation of the entire PFI portfolio of £38 million.

The Property division's revenues (including the Residential division's revenues) for the financial year ended 30 June 2014 were £284 million, compared to £238 million for the financial year ended 30 June 2013. Underlying operating profit was £21.0 million for the financial year ended 30 June 2014, compared to £20.5 million for the financial year ended 30 June 2013. Opportunities in retail, commercial, industrial and mixed-use schemes generated a ROCE of 15 per cent. A profit of £6 million was generated from the disposal of two of Kier's PFI investments and the activities of its private and affordable housing businesses.

The Property division's revenues for the financial year ended 30 June 2013 were £238 million, compared to £241 million for the financial year ended 30 June 2012. Underlying operating profit was £20.5 million for the financial year ended 30 June 2013, as compared to £22.0 million for the financial year ended 30 June 2012.

8.2 Residential Division

The Residential division's revenues for the six months ended 31 December 2014 were £90 million, compared to £72 million for the six months ended 31 December 2013. Underlying operating profit was £0.8 million for the six months ended 31 December 2014, as compared to £0.5 million for the six months ended 31 December 2013. The Residential division experienced good levels of new business opportunities in all housing sectors, from private land to mixed-tenure housing to contract build for private and public sector bodies. The market was buoyed by the UK economic recovery, the need for more and improved housing across the United Kingdom, increased public expenditure on social infrastructure and housing, liquidity and availability of mortgage finance, including the "Help to Buy" scheme, and the need for more energy efficient homes. A significant proportion of the total expected affordable housing completions for the year was, and remains, anticipated in the second half of the 2015 financial year as the current affordable housing programme funding round ended on 31 March 2015.

8.3 Construction Division

The Construction division's revenues for the six months ended 31 December 2014 were £874 million, compared to £742 million for the six months ended 31 December 2013. Underlying operating profit was £18 million for the six months ended 31 December 2014, compared to £17 million for the six months ended 31 December 2013. Operating margin was 2.1 per cent., compared to 2.3 per cent. for the six months ended 31 December 2013. The order book of secured or probable work increased to £2.6 billion as at 31 December 2014, with 100 per cent. of the forecast revenue for the financial year ended 30 June 2015 secured and probable. Public sector construction frameworks continued to grow, particularly in the education and health sectors. Kier also increased its presence in the biotech sector, with developments in Cambridge and the surrounding area. The infrastructure business continued to expand, with revenue in the period approaching £200 million following good contributions across all sectors. The international business progressed well during the period on the basis of its strong relationships and reputation in the Middle East.

The Construction division's revenues increased by 23 per cent. to £1.6 billion for the financial year ended 30 June 2014, compared to £1.3 billion for the financial year ended 30 June 2013, reflecting significant market and contract growth over the period, particularly within the infrastructure and international businesses. This resulted in an operating profit increase of 11 per cent. to £33.6 million for the financial year ended 30 June 2014, compared to £30.4 million for the financial year ended 30 June 2013. Underlying operating margin was 2.1 per cent., compared to 2.3 per cent. for the previous financial year.

The increase in market activity resulted in some price inflation, with rising labour costs and commodity prices. However, Kier's use of frameworks, greater use of two stage bidding and established supply chain management helped to mitigate this impact.

The Construction division's revenues decreased by 5.5 per cent. to £1,307 million for the financial year ended 30 June 2013, compared to £1,384 million for the financial year ended 30 June 2012, as a result of poor weather in the first quarter of the calendar year causing delays and pushing revenues into the 2014 financial year. Kier also experienced a change in the mix of activities within the division. UK building revenue decreased to £1 billion, as it maintained its focus on tendering for good quality work. However, this reduction was partially mitigated by growth in UK infrastructure and international revenues. Principally as a result of the increasing proportion of UK infrastructure and international operations, the underlying operating margin, at 2.3 per cent. for the financial year ended 30 June 2013, compared to 2.5 per cent. for the financial year ended 30 June 2012, represented a strong performance, delivering £30.4 million of underlying operating profit for the financial year ended 30 June 2013, compared to £35.2 million for the financial year ended 30 June 2012.

8.4 Services Division

The Services division's revenues for the six months ended 31 December 2014 were £569 million, compared to £563 million for the six months ended 31 December 2013. Underlying operating profit was £24 million for the six months ended 31 December 2014 and the six months ended 31 December 2013. The division's operating margin was 4.2 per cent. for the six months ended 31 December 2014, compared to 4.3 per cent. for the six months ended 31 December 2013, reflecting an intense period of contract mobilisation and bidding costs associated with contract awards particularly in the utilities business. With the integration of May Gurney complete, the division was, and remains, focused on promoting a broader range of services to customers and a number of significant contract awards were won in the period. The order book as at 31 December 2014 was £3.9 billion, excluding £2 billion of potential extensions, with 100 per cent. of the forecast revenue for the financial year ended 30 June 2015 secured. The utilities business performed strongly, including several AMP6 contract wins. The highways business also performed well, benefitting from increased Government focus on infrastructure maintenance. In December 2014, Northamptonshire County Council approved a £200 million four-year extension of the highways services contract.

The Services division's revenues increased by 153 per cent. to £1,104 million for the financial year ended 30 June 2014, compared to £437 million for the financial year ended 30 June 2013. Underlying operating profit of £53.3 million for the financial year ended 30 June 2014, compared to £19.3 million for the prior financial year, increased by 176 per cent. An increase in underlying operating margin to 4.8 per cent. reflected the increased range of services available to clients and the ability to bid for a greater number and larger scale contracts, as a result of the May Gurney acquisition. As anticipated, £5 million of cost savings was delivered during the 2014 financial year. The fair value of the loss-making contracts of May Gurney was assessed in the financial year and a provision of £73 million was taken, a slight increase since December 2013 reflecting completion of further contract and balance sheet reviews.

For the financial year ended 30 June 2013, revenue in the three principal businesses then comprising the Services division, being housing maintenance, environmental and FM, was £437 million, as compared to £445 million for the financial year ended 30 June 2012. This result reflected Kier's success in renewing existing contracts and securing new business, despite the continued budget constraints faced by many of its public sector customers.

The underlying operating margin was 4.4 per cent. for the financial year ended 30 June 2013, as compared to 4.5 per cent. for the financial year ended 30 June 2013. Underlying operating profit was £19.3 million, as compared to £20.1 million for the prior financial year. The underlying operating margin was in line with Kier's expectations and included a higher level of bidding and mobilisation costs following its success in securing major schemes, such as Circle Housing Group and East Sussex.

9 Liquidity and Capital Resources

9.1 Treasury Facilities and Policies

As at 31 December 2014, the Group had the following available financing facilities:

Facility type	As at 31 December 2014 (unaudited)	
	Amount	**Expiry**
	(£ millions)	
Revolving credit facility	190	September 2018
Syndicated term loan	50	September 2016
Funding for Lending term loan	30	January 2017
2012 U.S. private placement	63	December 2019/2022
2014 U.S. private placement	120	November 2021/2024
Overdrafts	45	
Asset finance	109	
Total	607	

Historically, Kier has operated with a low level of debt. However, more recently, as a result of a variety of factors, including the management by customers, and the supply chain of their working capital, the Group has extended its facilities to assist in the management of its own working capital and to provide capacity for continuing investment across the Group.

Facilities were extended at the time of the acquisition of May Gurney in July 2013, with the addition of a four-year £50 million syndicated term loan to service the cash cost of the acquisition and a £70 million additional revolving credit facility, replacing the existing May Gurney facilities. In February 2014, Kier extended the maturity of its revolving credit facilities from 2016 to 2018. These changes followed the completion, in December 2012, of a £63 million (U.S.$100 million) U.S. private placement of notes for seven and 10-year terms, replacing a £30 million expired facility, and the securing of a £30 million four-year loan under the government's Funding for Lending scheme. In November 2014, Kier completed an additional £120 million U.S. private placement of notes for seven and 10-year terms.

On 22 April 2015, the Company entered into the 2015 Facility Agreement with HSBC Bank plc as agent and HSBC Bank plc, Lloyds Bank plc, The Royal Bank of Scotland plc, Abbey National Treasury Services plc and Barclays Bank PLC as mandated lead arrangers and HSBC Bank plc, National Westminster Bank plc, Abbey National Treasury Services plc and Barclays Bank PLC as original lenders. The 2015 Facility will be used (i) to refinance the Group's existing indebtedness (including the prepayment of the facilities provided under the 2013 Facility Agreement and the RCF), (ii) to refinance certain financial indebtedness of Mouchel and its subsidiaries and (iii) for general corporate purposes, with effect from the Completion Date, subject to the satisfaction of the conditions precedent therein. For a description of the 2015 Facility Agreement, see paragraph 13.1.1 of Part XIII of this document.

The Group's financial instruments comprise cash and liquid investments. The Group, largely through its PFI and Property joint ventures, enters into derivatives transactions (principally, interest rate swaps) to manage interest rate risks arising from its operations and its sources of finance.

The Group does not enter into speculative transactions. There are minor foreign currency risks arising from its operations. The Group has a limited number of overseas operations in different currencies. Currency exposure to overseas assets is hedged through inter-company balances and borrowings, so that assets denominated in foreign currencies are matched, as far as possible, by liabilities. Where there may be further exposure to foreign currency fluctuations, forward exchange contracts are completed to buy and sell foreign currency.

As at 31 March 2015, excluding finance leases, Kier had net debt of £262.8 million.

9.2 Cash Flows

The following table presents the Group's cash flows for the six months ended 31 December 2014 and 2013 and the financial years ended 30 June 2014, 2013 and 2012:

	Six months ended 31 December (unaudited)		Financial year ended 30 June		
	2014	2013	2014	2013	2012
	(£ millions)				
Net cash generated from/(used in) operations	50.9	(65.4)	(5.9)	0.7	17.3
Net cash used in investing activities	(39.2)	(94.6)	(125.0)	(49.4)	(40.0)
Net cash generated from/(used in) financing activities	54.2	76.6	51.2	41.9	(13.3)
Net increase/(decrease) in cash and cash equivalents	65.9	(83.4)	(79.7)	(6.8)	(36.0)
Cash and cash equivalents at beginning of year	72.6	152.3	152.3	159.1	195.1
Cash and cash equivalents at end of year	138.5	68.9	72.6	152.3	159.1

9.2.1 Net Cash Generated from/(Used in) Operations

Cash generated from operations increased to £50.9 million for the six months ended 31 December 2014 as compared to an outflow of £65.4 million for the six months ended 31 December 2013. The increase was primarily due to favourable working capital movements.

Cash used in operations was £5.9 million for the financial year ended 30 June 2014, as compared to an inflow of £0.7 million for the financial year ended 30 June 2013. The increase was primarily due to an increase in underlying profit before depreciation, partially offset by adverse working capital movements.

Cash generated from operations decreased to £0.7 million for the financial year ended 30 June 2013, from £17.3 million for the financial year ended 30 June 2012. The decrease was primarily due to increased pension fund contributions and cash used in connection with exceptional items.

9.2.2 Net Cash Used in Investing Activities

Net cash used in investing activities decreased to £39.2 million for the six months ended 31 December 2014, from £94.6 million for the six months ended 31 December 2013. The decrease was primarily due to the acquisition of May Gurney during the period.

Net cash used in investing activities increased to £125.0 million for the financial year ended 30 June 2014, from £49.4 million for the financial year ended 30 June 2013. The decrease was primarily due to the acquisition of May Gurney during the period.

Net cash used in investing activities increased to £49.4 million for the financial year ended 30 June 2013, from £40.0 million for the financial year ended 30 June 2012. The increase was primarily due to deferred consideration from the acquisition of the remaining 50 per cent. interest in the joint venture with Lloyds Banking Group becoming due and an increased investment in joint ventures and was partially reduced by a decrease in capital expenditure.

9.2.3 Net Cash Generated from/(Used in) Financing Activities

Net cash generated from financing activities decreased to £54.2 million for the six months ended 31 December 2014, from £76.6 million for the six months ended 31 December 2013. The decrease was primarily due to an increase in the level of dividends paid.

Net cash generated from financing activities increased to £51.2 million for the financial year ended 30 June 2014, from £41.9 million for the financial year ended 30 June 2013. The increase was primarily due to an increase in borrowings during the period.

Net cash generated from financing activities increased to £41.9 million for the financial year ended 30 June 2013, from an outflow of £13.3 million for the financial year ended 30 September 2012. The increase was primarily due to an increase in borrowings during the period.

9.3 Cash Performance

9.3.1 Six Months Ended 31 December 2014 Compared to Six Months Ended 31 December 2013

During the six months ended 31 December 2014, the average month-end net debt balance (excluding finance leases) was £104 million, compared to £132 million for the six months ended 31 December 2013. This reflected the impact of the May Gurney acquisition and also investment in the Property and Residential divisions. The net debt position, excluding finance leases, as at 31 December 2014 was £156 million, as compared to £123 million as at 30 June 2014, following £37 million of investment in the Property and Residential divisions. In November 2014, Kier again strengthened its capital structure through the completion of a £120 million private placement in the United States, further diversifying the source and maturities of its debt facilities.

The Group's cash balance net of borrowings at 31 December 2014 included £288.8 million which was attributable to the Construction division and £15.6 million which was attributable to the Services division. In addition to robust underlying trading, this also reflected strong working capital management.

In the Property division, the net debt position as at 31 December 2014 was £69.4 million, reflecting continued investment in the developments portfolio.

In the Residential division, the net debt position as at 31 December 2014 was £263.5 million reflecting the continued investment in the mixed-tenure housing business.

9.3.2 Financial Year Ended 30 June 2014 Compared to Financial Year Ended 30 June 2013

The Group delivered a resilient cash performance in the 2014 financial year, with an average month-end net debt balance of £140 million for the year ended 30 June 2014, compared to £4 million for the year ended 30 June 2013. This reflected £76 million of cash costs associated with the acquisition of May Gurney, a £36 million cash outflow in respect of exceptional items and £129 million of capital and investment across the Group, particularly in the mixed-tenure housing business, the rest of the Property division and the fleet and passenger services business. This performance produced a net debt position, excluding finance leases, of £123 million at 30 June 2014, compared to net cash of £60 million as at 30 June 2013.

The Group cash balance at 30 June 2014 included £274 million attributable to the Construction division and £13 million attributable to the Services division. In addition to underlying trading, this included approximately £50 million of capital and investment-related expenditure, a £36 million cash impact resulting from restructuring activities and a working capital outflow of £50 million, principally in the Construction division and in the first half of the 2014 financial year. Working capital remained a challenge as more stringent supply chain payment terms were applied and the mix of construction work reflected an increase in the number of infrastructure projects where contracts are typically of a target cost nature, and reimbursed against certification rather than pre-funded.

In the Property division, the year-end net debt position of the Development business of £72 million reflected Kier's strategy to increase the investment in its property development business to approximately £100 million. The net debt position in the housing businesses showed a slight net increase to £239 million, as investment in the growing mixed-tenure housing business was largely offset by sales revenue in the private homes business.

The Group's net debt balance at 30 June 2014 included £112 million held in joint contracting agreements, overseas bank accounts and other cash arrangements which are not readily available to the Group until the contracts near completion. This compared to £81 million as at 30 June 2013.

9.3.3 Financial Year Ended 30 June 2013 Compared to Financial Year Ended 30 June 2012

In the financial year ended 30 June 2013, the Group delivered a solid cash performance, with an average month end net debt balance of £4 million after considerable investment across the Group and the completion of a number of property transactions in the last quarter of the financial year. This performance produced a net cash position at 30 June 2013 of £60 million, compared to £129 million at 30 June 2012.

Overall, the Group invested approximately £77 million during the 2013 financial year in its own growth, including mining land, options and equipment, refuse vehicles and ongoing investment in the Property division, including Solum Regeneration, Kier's joint venture with Network Rail, and Biogen, its anaerobic digestion business.

The Group cash balance at 30 June 2013 included £320 million attributable to the Construction division and £30 million attributable to the Services division. In addition to underlying trading, this reflected approximately £20 million of capital and investment related expenditure, a £9 million cash effect of the restructuring activities undertaken during the year and a working capital outflow of £17 million mainly in the Construction division.

In the Property division, the net debt position of £40 million at 30 June 2013 reflected Kier's ongoing investment strategy to increase the cash deployed in its property development business. The net debt position across Kier's housing businesses decreased to £226 million following unit and land sale receipts, partially offset by investment in new housing land and an increase in work in progress on mixed-tenure sites, which had a forward pipeline of work of approximately £400 million as at 30 June 2013.

The Group's cash balances at 30 June 2013 included £81 million held in joint contracting agreements, overseas bank accounts and other cash arrangements which were not readily available to the Group until the contracts near completion. This compared to £85 million at 30 June 2012.

10 Balance Sheet

Total net assets at 31 December 2014 were £285 million, as compared to £310 million as at 30 June 2014, and included intangible assets of £325 million (as compared to £324 million as at 30 June 2014).

Total net assets at 30 June 2014 were £310 million, as compared to £158 million as at 30 June 2013, and included intangible assets of £324 million (as compared to £30 million as at 30 June 2013), of which £209 million (as compared to £13 million as at 30 June 2013) related to goodwill and £109 million (as compared to £13 million as at 30 June 2013) related to contract rights. The increase in goodwill and intangible assets during the 2014 financial year resulted primarily from the acquisition of May Gurney.

Total net assets at 30 June 2013 were £158 million, as compared to £154 million as at 30 June 2012, and included intangible assets of £30 million (as compared to £29 million as at 30 June 2012), of which £13 million (as compared to £11 million as at 30 June 2012) related to contract rights.

10.1 Inventories

At 31 December 2014, the combined value of land and work in progress was £343 million, as compared to £331 million at 30 June 2014, an increase of £9 million. This reflected continuing investment in land.

At 31 December 2014, Kier's land bank comprised 3,643 plots, compared to 3,672 at 30 June 2014. Kier's focus was and remains, to reduce its investment in land and work-in-progress. The majority of Kier's land bank by value was purchased before 2008 and therefore Kier does not anticipate profit from land disposals.

At 30 June 2014, the combined value of residential land and work in progress was £263 million, as compared to £249 million at 30 June 2013. These figures are not restated to reflect the new division formed on 1 July 2014. This increase reflected purchases of new housing land and further investment in work in progress in Kier's mixed-tenure housing business, partially offset by unit sales during the year. At 30 June 2014, Kier's land bank comprised 3,672 plots, as compared to 4,005 at 30 June 2013.

Construction contract work-in-progress increased to £92 million at 30 June 2014, as compared to £62 million at 30 June 2013. The costs incurred with respect to raw materials and consumables also increased as a result of the acquisition of May Gurney.

At 30 June 2013, residential land and work-in-progress totalled a combined £249 million, a decrease of £7 million compared with the 30 June 2012 balance. This decrease reflected unit and land sales over the year, partially offset by purchases of new housing land and further investment in work in progress in the mixed-tenure housing business.

At 30 June 2013, Kier's land bank comprised 4,005 plots, a decrease from 4,180 at 30 June 2012.

11 Pensions

The Group's principal pension scheme is the Kier Group Pension Scheme, which includes both defined benefit and defined contribution sections. The Group also participates in two smaller schemes acquired with May Gurney which, for reporting purposes, are combined.

The financial statements reflect the pension scheme deficits calculated in accordance with IAS 19. The new pensions accounting standard came into force for Kier for the June 2014 financial year and the 2013 figures, as comparatives, were restated. The expected return on scheme assets and the interest cost on scheme liabilities, previously reported in the income statement, have been replaced with a net interest cost which is calculated by applying a discount rate to the net defined benefit obligation. The amendment has a corresponding impact on actuarial gains and losses recognised in the statement of comprehensive income, with no overall change to the net retirement benefit liability in the balance sheet.

At 31 December 2014, on an IAS 19 basis, the net deficit of the Kier Group Pension Scheme was £81 million. The market value of the scheme's assets was £913 million and the then net present value of the liabilities was £993 million.

The triennial valuation of the scheme as at 1 April 2013 has now been concluded, resulting in an increase in additional deficit contributions of £1 million per annum. The Group recently closed the defined benefit section to future accrual.

At 31 December 2014, the May Gurney schemes shared a net deficit of £3.5 million, compared to £3.0 million at acquisition.

Note 8 to the financial statements included in the 2014 Annual Report, which is incorporated by reference in this document as described in Part XIV of this document, includes a sensitivity analysis that highlights the effect of changes to the key assumptions behind the valuation to the pension schemes. A net pension charge of £14.0 million was reported in the income statement for the 2014 financial year in accordance with IAS 19.

12 Capitalisation and Indebtedness

As at 31 December 2014, the Group's total shareholders' funds (consisting of total ordinary share capital, retained earnings and losses and other reserves) in accordance with IFRS was £285 million.

The following table sets out the capitalisation of Kier as at 31 December 2014, and has been extracted without material adjustment from Kier's unaudited consolidated interim financial statements as at 31 December 2014, which are incorporated by reference into this document.

Capitalisation	**31 December 2014 (unaudited)**
	(£ millions)
Shareholders' equity[(1)]	
Share capital	0.6
Share premium	76.6
Other reserves	184.9
Total[(2)]	262.1

Notes:

(1) Shareholders' equity does not include the retained earnings reserve.

(2) There has been no material change to the capitalisation of Kier since 31 December 2014.

The following table, sourced from the Company's internal accounting records, shows the Company's unaudited indebtedness (distinguishing between guaranteed and unguaranteed, secured and unsecured indebtedness) as at the close of business on 31 March 2015.

	As at 31 March 2015 (unaudited)
	(£ millions)
Total current debt	
Guaranteed	—
Secured	—
Unguaranteed/unsecured	—
Total current indebtedness	—
Total non-current debt	
Guaranteed	—
Secured	—
Unguaranteed/unsecured	(449.4)
Total non-current indebtedness[1]	**(449.4)**

(1) Total gross indebtedness excludes finance leases

The following table, sourced from the Company's internal accounting records, shows the Company's net consolidated financial funds of the Group as at 31 March 2015.

	As at 31 March 2015 (unaudited)
	(£ millions)
Cash and overdrafts	186.6
Liquidity	**186.6**
Non-current bank loans	(449.4)
Non current financial indebtedness	**(449.4)**
Net financial indebtedness[1][2]	**(262.8)**

(1) Net financial indebtedness excludes finance leases

(2) The group has no indirect or contingent indebtedness as at 31 March 2015.

13 Critical Accounting Policies

Critical accounting policies are those that require application of management's most difficult, subjective or complex judgments often as a need to make estimates about the effects of matters that are inherently uncertain and may change in subsequent periods. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting the estimate may differ significantly from management's current judgments. Kier's significant accounting policies are more fully described in note 1 of the financial statements included in the 2014 Annual Report, which is incorporated by reference in this document as described in Part XIV of this document.

Described below are the critical accounting policies that Kier's management believes are the most significant judgments and estimates used in the preparation of Kier's financial statements.

13.1 Revenue and Profit Recognition

The estimation techniques used for revenue and profit recognition in respect of private housing sales, property development and construction contracts require forecasts to be made of the outcome of long-term contracts which require assessments and judgments 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.

13.2 Valuation of Land and Work in Progress

The key judgments 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 judgments and estimates change unfavourably, impairments of land and work in progress may be necessary.

13.3 Determination of Fair Values of Identifiable Net Assets on Acquisition

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.

13.4 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 Kier:

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

13.5 Provisions

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

13.6 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.

13.7 Goodwill

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

13.8 Non-Underlying Items

Non-underlying items are items of financial performance which Kier believes should be separately identified in the income statement to assist in understanding the underlying financial performance achieved by Kier.

13.9 Assets Held for Sale

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.

13.10 Taxation

Kier is subject to tax in a number of jurisdictions and judgment is required in determining the overall provision for income taxes. Kier 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.

PART VII—OPERATING AND FINANCIAL REVIEW OF MOUCHEL

You should read the information below in conjunction with (i) MRBL Limited's unaudited condensed interim consolidated financial information for the three months ended 31 December 2014, (ii) its combined and consolidated financial information for the 14 months ended 30 September 2012 and the two years ended 30 September 2014 and (iii) the financial information for EM for the 14 months ended 30 September 2013 and the 12 months ended 29 July 2012.

You should also read the reporting accountant's reports contained in Parts IX and V of this document and you should not rely solely on key and summarised information. PricewaterhouseCoopers LLP has issued accountant's reports as set out in Part C and Part E of Part IX of this document in respect of the combined and consolidated financial information for Mouchel for the 14 months ended 30 September 2012 and the two years ended 30 September 2014 and for EM for the 14 months ended 30 September 2013 and the 12 months ended 29 July 2012, respectively.

Some of the information in the review set forth below and elsewhere in this document includes forward-looking statements that involve risks and uncertainties. The Mouchel Group's actual results may differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed below and elsewhere in this document, including under "Risk Factors" and "Cautionary Note Regarding Forward-Looking Statements".

1 Overview

Mouchel is an international infrastructure services and business services group. It provides advisory, design, project delivery and managed services in the highways and transportation, local government, property, emergency services, health, education and utilities markets in the United Kingdom, the Middle East and Australia. It is the leading provider of repair and maintenance services to the UK strategic road network.

Mouchel has two operating divisions, IIS and MBS. IIS comprises Mouchel's core operations, being its highways, water and environmental businesses. MBS is one of the United Kingdom's largest providers of outsourced professional and support services to local councils and other public bodies, such as the police, fire and rescue services, schools and the NHS. In the financial year ended 30 September 2014, IIS and MBS contributed 76 per cent. and 24 per cent. to Mouchel's revenues, respectively.

Mouchel headquarters are in Woking, UK, with additional offices around the United Kingdom and in the Middle East and Australia. It employs more than 6,500 employees. In the financial year ended 30 September 2014, the United Kingdom, the Middle East and Australia contributed 85 per cent., 3 per cent. and 12 per cent. to Mouchel's consolidated revenues, respectively.

In the three months ended 31 December 2014 and the financial year ended 30 September 2014, Mouchel's revenues were £194.3 million and £596.4 million, respectively, and its underlying operating profit was £6.7 million and £27.7 million, respectively.

2 Key Factors Affecting Mouchel's Financial Results

Mouchel's results have been affected, and are expected to be affected in the future, by a variety of factors, including the following:

2.1 Government Spending

Mouchel is a leading provider of road infrastructure services and outsourced professional and support services to public bodies. Its main clients include Highways England, as well as local authorities and other governmental bodies. Accordingly, its results of operations are influenced by the level of government spending. In 2010, in the context of difficult economic conditions as described in paragraph 2.1 of Part VI of this document, the Coalition Government delivered an austerity budget, including a £40 billion package of emergency tax increases, welfare cuts and governmental spending restraint designed to reduce the United Kingdom's budget deficit. The environment of budget cuts created a difficult environment for Mouchel. In particular, the local government market has been challenging in recent years as central government spending cuts have significantly reduced local authority budgets.

In the local authority BPO market, there has also been a general market trend away from large outsourcing contracts as local authorities have sought to bring work back in house (or to procure individual services on a service-by-service basis from specialist providers). These trends have contributed to a decline

in the number and size of the MBS division's BPO contracts. For example, in 2013, Mouchel lost its contract with Milton Keynes Council when the council decided to insource work that Mouchel had previously been contracted to perform. On the other hand, certain sectors are exhibiting increased demand for outsourcing, in particular the education sector. An increasing number of academy trusts are seeking to outsource their back offices. Demand is also increasing in the police and health sectors.

2.1.1 Highways

Within England, there are two distinct highways markets: strategic highways and local highways. Each has its own dynamics. Local highways are managed by local councils and, in London, also by Transport for London. They each have a statutory obligation to maintain the roads in their respective local areas. Strategic highways in England are managed by Highways England, a strategic highways company that replaced the Highways Agency, a Government executive agency, on 1 April 2015. Total annual expenditure on United Kingdom highways is currently £13 billion per annum, with approximately £7 billion being spent on maintenance.

Strategic Highways

The RIS sets out a long-term programme for UK government expenditure on the strategic road network from 2015/16 to 2020/21, of which approximately £17 billion has been set for the first regulatory road period ("RP1") from 2015 to 2020, including both capital and resource/operational expenditure. Funding comes from both the RIS and the UK government's Comprehensive Spending Review ("CSR"). By 2019/20, the final year of RP1, total annual expenditure on the strategic road network will be approximately £4 billion, which is more than double the 2012/13 level.

The strategic road network accounts for approximately two per cent. of the total network but approximately 23 per cent. of roads expenditure.

Highways England is independent from the Government and subject to regulation by the Office of the Rail and Road Regulator and Transport Focus, a consumer watchdog. Contracts are procured on a national, regional or, for large capital schemes, project basis and this is expected to continue to be the case.

Local Highways

The local highways maintenance market in England is a mature market that is worth approximately £1.8 billion per annum and is approximately 75 per cent. outsourced. Procurement is conducted by each individual local authority except where adjacent authorities choose a joint procurement option, as is the case in London under the LoHAC framework contracts. Since local highways are funded by the local authority, they continue to be subject to government budget cuts and there is therefore a growing emphasis by clients on value for money.

2.1.2 Water

Mouchel's water business is also largely linked to the AMP investment cycle. Water consulting includes consulting, design and engineering services for regional water companies under the AMP framework contracts, which run for five years. The current AMP cycle (AMP5) is due to expire in 2015, although the transition between AMPs is phased and can vary by water company. With expenditure beginning to slow down as the AMP5 period winds down, Mouchel is actively participating in the AMP6 bidding process. Total AMP6 spending for 2015-2020 has been confirmed by Ofwat at £44.3 billion.

2.1.3 Middle East

Economic conditions, the decline in oil prices and the consequent reduction of government spending in the Middle East have also affected Mouchel's business. In 2012, Mouchel undertook a strategic review of its Middle Eastern business and ultimately resolved to continue the business. It has since experienced increased demand for its services in the region.

2.2 Order Book and Pipeline

The order book reflects Mouchel management's view of work that is secured, either via a purchase order or contract or an exclusive framework arrangement where there is high visibility of spend by the client (e.g. indicative budgets made available to Highways England, combined with management's estimates). Mouchel has high levels of visibility over its order book, which provides it with a degree of predictability

with regard to its results of operations. The order book was £3.0 billion as at 31 December 2014. Order book and pipeline visibility is the greatest in EM, which operates as a supplier of Highways England contracts and is lowest in MIS, which is a consultancy engineering business with short contract lead times and contract durations.

Mouchel's bid pipeline includes the estimated value of opportunities in the bid stage (including shortlist, request for information, pre-qualification questionnaire and preferred bidder status), but not leads or prospects. As at 31 December 2014, Mouchel's management estimates that the net pipeline of £3.1 billion covers 19 per cent. of the forecast revenue for the 2015 financial year.

2.3 Contract Structure

Mouchel's Highways England contracts are primarily based either on a MAC framework or an ASC framework. These framework contracts are terminable at will, with no additional compensation being due to Mouchel upon termination. Both types of contract have two components: (i) a lump sum to cover routine maintenance on the network; and (ii) scheme revenues, which are revenues from improvement projects on the road network (e.g., resurfacing, improvements, capacity projects) which are designed and managed by EM but delivered by a network of sub-contractors. Lump sum amounts are recognised on a straight-line basis over the life of the contract with adjustments made for seasonality (e.g., to cover gritting). Both the MAC and ASC contracts include a target price for scheme delivery which is developed and agreed with Highways England. The target price mechanism for each scheme is based either on a schedule of rates (per the ASCs) or derived from a sample scheme selected by Highways England (per the MACs). The mark-up is applied in accordance with the contractual fee percentage.

Highways England is shifting from MAC contracts to ASC framework contracts. ASCs include increased contractor responsibility for planning works, some of which are currently performed for Highways England by contractors under framework agreements. The contracts for Mouchel's two older Highways England contracts, for Areas 1 and 13, are based on a MAC format. The contracts for Areas 3 and 9 are based on an ASC. When the contracts for Areas 1 and 13 are awarded to Mouchel or another bidder upon re-tender, Mouchel believes they will be under ASCs. ASCs tend to have lower margins than MACs, as contracts are awarded on a more price-led assessment of tenders than was previously the case under MACs.

2.4 Joint Ventures

In 2005, Mouchel and Accord plc established AccordMP (later renamed EnterpriseMouchel when Enterprise acquired Accord) as a 50:50 joint venture to provide highways asset maintenance and management services. In February 2013, Mouchel acquired the remaining 50 per cent. shareholding in EnterpriseMouchel Limited (and subsequently renamed the company EM Highway Services Limited) and the company became a wholly-owned subsidiary. Prior to the date of its acquisition of the remaining 50 per cent. shareholding in EM, the joint venture was proportionally consolidated. Following the completion of the acquisition, EM is fully consolidated. Accordingly, the financial statements for the financial years ended 30 September 2014 and 2013 are not fully comparable.

In 2010, Mouchel entered the Australian market by establishing an unincorporated joint venture arrangement with Downer EDI Limited, an existing Australian road maintenance supplier. This joint venture has historically been proportionally consolidated.

For purposes of the preparation of the Mouchel Financial Statements included in this document, EM and DM have been accounted for using the equity method.

Mouchel has certain other minor joint ventures and operations which are accounted for using equity accounting or the proportional consolidation method.

3 Basis of preparation

Mouchel's unaudited condensed interim consolidated financial information for the three months ended 31 December 2014 has been prepared in accordance with IAS 34. Its combined and consolidated financial information for the the 14 months ended 30 September 2012 and the two years ended 30 September 2014 has been prepared in accordance with the basis of preparation in note 2a to the combined and consolidated financial information of Mouchel included elsewhere in this document.

Financial information for EM is also presented for the 14 months ended 30 September 2013 and the 12 months ended 29 July 2012. This information has been prepared in accordance with IFRS. In February

2013, Mouchel acquired the remaining 50 per cent. shareholding in EM and the company became a wholly-owned subsidiary.

4 Non-underlying Items

In this Part VII, Mouchel presents underlying profit, which excludes material income and charges considered to be one-off or non-recurring in nature, such as acquisition transaction costs. Underlying profit also excludes the amortisation of intangible assets arising from business combinations.

The following table presents non-underlying items for the three months ended 31 December 2014 and 2013, the financial years ended 30 September 2014 and 2013 and the 14 months ended 30 September 2012:

	Three months ended 31 December (unaudited)		Financial year ended 30 September		14 months ended 30 September
	2014	2013	2014	2013	2012
	(£ millions)				
Amortisation of intangible assets arising from business combinations	1.2	1.3	5.0	4.8	5.4
Goodwill impairment	—	—	—	—	128.6
Impairment of intangible assets arising from business combinations	—	—	—	—	10.4
Impairment of other intangible assets	—	—	—	—	8.8
Property, plant and equipment impairment charges	—	—	—	—	0.3
Movement in provisions	—	—	(5.5)	(5.9)	16.5
Pre-contract costs written off	—	—	—	—	0.3
Costs associated with business disposal	—	—	—	—	0.4
Profit on disposal of operations	—	—	—	—	(1.1)
Acquisition transaction costs	—	—	—	1.2	—
Costs relating to restructuring activities	1.7	—	4.3	4.1	16.1
Exceptional items before interest and tax	2.9	1.3	3.8	4.2	185.7
Borrowings written off during restructuring	—	—	—	—	(86.9)
Exceptional finance costs	—	—	—	—	28.0
Exceptional items before tax	2.9	1.3	3.8	4.2	126.8
Tax on exceptional items	(0.2)	(0.4)	(9.8)	(1.0)	—
Total exceptional items after tax	2.7	0.9	(6.0)	3.2	126.8

5 Segmental Analysis

Mouchel's operations are organised and managed separately, according to the nature of products and services provided. IIS comprises the EM, MIS and DM businesses. MBS encompasses Mouchel's partnerships with various UK local authorities and other largely public sector customers to provide a range of front and back office public services. Corporate comprises the central cost of running Mouchel. The financing of Mouchel's activities is undertaken centrally, and consequently net financing costs cannot be analysed segmentally.

6 Current Trading

Revenues for the three months ended 31 December 2014 have increased by 38 per cent. compared to the same period in the previous year, as Mouchel has continued to benefit from its leading position in the UK strategic highways market. Since the end of the period, Mouchel has continued to experience similar growth and has maintained margins at historic levels. Mouchel's management are confident about the prospects of Mouchel for their current financial year.

At 31 March 2015, Mouchel's order book was £2.8 billion.

6.1 Integrated Infrastructure Services

IIS reported an increase in revenue of 52 per cent. for the three months ended 31 December 2014 compared to the same period in the prior year, and has continued to grow since the end of that period.

EM's revenue growth was particularly strong in the six months ended 31 March 2015, increasing almost 100 per cent. compared to the same period last year, benefiting from the impact of the Area 9 and Area 3 Highways England contracts. The Area 9 contract is Mouchel's largest-ever contract, worth £0.9 billion over the initial five-year contract period.

In addition to increased work under existing Highways England contracts, the new Collaborative Delivery Framework was secured in November 2014 and will, in due course, allow EM to participate in larger capital works schemes for Highways England.

MIS reported revenue broadly in line with that achieved in the six months ended 31 March 2014. DM has performed well, reporting significant revenue growth as contracts awarded in the second half of the 2014 financial year flowed through into the 2015 financial year.

6.2 Mouchel Business Services

Following a reduction in revenues from lower margin IT pass-through services and property projects, MBS has reported a decline in revenue of 10 per cent. for the three months ended 31 December 2014 compared to the same period in the prior year. This change in revenue mix has continued since the period end.

7 Financial Results

7.1 Three Months Ended 31 December 2014 Compared to Three Months Ended 31 December 2013

The following table presents Mouchel's underlying financial results for the three months ended 31 December 2014 and 2013:

	Three months ended 31 December (unaudited)	
	2014	**2013**
	(£ millions)	
Revenue		
Group and share of joint ventures	197.0	144.7
Less share of joint ventures	(2.7)	(3.7)
Group revenue	194.3	141.0
Cost of sales	(181.7)	(131.0)
Gross profit	12.6	10.0
Administrative expenses	(5.8)	(5.6)
Share of post-tax results of joint ventures	(0.1)	0.1
Operating profit	6.7	4.5
Finance income	—	—
Finance cost	(2.1)	(2.1)
Profit before tax	4.6	2.4
Tax	(0.4)	—
Profit for the period attributable to owners of the parents	4.2	2.4

7.1.1 Revenue

Revenue increased by 38 per cent. to £194.3 million for the three months ended 31 December 2014, from £141.0 million for the three months ended 31 December 2013. The increase was primarily due to the growth of EM within the IIS operating division as a result of the mobilisation of the Area 3 and Area 9 contracts in 2014.

7.1.2 Underlying operating profit

Underlying operating profit increased by 49 per cent. to £6.7 million for the three months ended 31 December 2014, from £4.5 million for the three months ended 31 December 2013. The increase was primarily due to the growth in revenue noted above, as well as an increase in margins due to operational gearing, with additional revenue being spread over a relatively consistent fixed cost base.

7.1.3 Share of post-tax results of joint ventures

Share of post-tax results of joint ventures was a loss of £0.1 million for the three months ended 31 December 2014 as compared to a profit of £0.1 million for the three months ended 31 December 2013. The decrease was largely due to rounding, with margins remaining relatively consistent for these joint ventures.

7.1.4 Finance costs

Finance costs remained unchanged at £2.1 million for both the three months ended 31 December 2014 and 31 December 2013.

7.1.5 Underlying profit before tax

Profit before tax increased by 92 per cent. to £4.6 million for the three months ended 31 December 2014 from £2.4 million for the three months ended 31 December 2013. The increase was primarily due to the growth in operating profit as noted above.

7.1.6 Tax

Tax increased by £0.4 million to a charge of £0.4 million for the three months ended 31 December 2014 from £nil for the three months ended 31 December 2013. Mouchel's effective tax rate increased from nil for the three months ended 31 December 2013 to a 9 per cent. charge for the three months ended 31 December 2014. This change reflected a credit in the three months to 31 December 2013 for the recognition of tax losses and capital allowances.

7.2 Financial Year Ended 30 September 2014 Compared to Financial Year Ended 30 September 2013

The following table presents Mouchel's underlying financial results for the financial years ended 30 September 2014 and 2013:

	Financial year ended 30 September	
	2014	**2013**
	(£ millions)	
Revenue		
Group and share of joint ventures revenue	616.6	555.3
Less share of joint ventures	(20.2)	(60.6)
Group revenue	596.4	494.7
Cost of sales	(544.3)	(449.3)
Gross profit	52.1	45.4
Administrative expenses	(25.4)	(26.0)
Share of post-tax results of joint ventures	1.0	4.5
Operating profit	27.7	23.9
Finance income	—	0.9
Finance cost	(7.8)	(7.8)
Profit before tax	19.9	17.0
Tax	11.0	4.3
Profit for the period attributable to owners of the parent	30.9	21.3

7.2.1 Revenue

Revenue increased by 21 per cent. to £596.4 million for the financial year ended 30 September 2014, from £494.7 million for the financial year ended 30 September 2013. The increase reflected increased Highways England spending in the EM operating group. In particular, EM won the Area 9 contract with Highways England in December 2013 and mobilised the contract in July 2014. The results for the financial year ended 30 September 2014 accordingly reflect three months of the contract. DM revenue also grew as a result of winning new contracts in Sydney and Queensland, which started generating revenue during the financial year ended 30 September 2014. MBS revenue declined as a result of the loss of certain BPO

outsourcing contracts, the largest of which was the Milton Keynes contract, as certain local authorities sought to bring work back in house and to scale back their outsourcing contracts generally.

7.2.2 Underlying Operating Profit

Underlying operating profit increased by 16 per cent. to £27.7 million for the financial year ended 30 September 2014 from £23.9 million for the financial year ended 30 September 2013. The underlying operating margin increased to 4.5 per cent. for the financial year ended 30 September 2014 from 4.3 per cent. for the financial year ended 30 September 2013. The margin of EM decreased slightly due to the shift to ASC contracts from MAC contracts. DM's margin also decreased slightly due to higher overhead costs relating to bidding costs. These margin decreases were in part offset by lower corporate overheads as a result of savings from Mouchel's restructuring plan.

The underlying profit of MBS for the financial year ending 30 September 2014 reflects £8.4 million of group IT costs which also materially benefit IIS.

7.2.3 Share of Post-Tax Results of Joint Ventures

Share of post-tax results of joint ventures decreased by 77.8 per cent. to £1.0 million for the financial year ended 30 September 2014 from £4.5 million for the financial year ended 30 September 2013. The decrease was due to the acquisition by Mouchel in February 2013 of the remaining 50 per cent. shareholding in EM following which the company became a wholly-owned subsidiary of Mouchel, resulting in it being fully consolidated. Prior to the date of acquisition, the results of EM have been equity accounted in this document.

7.2.4 Finance Costs

Net finance costs have increased by £0.9 million from £6.9 million for the financial year ended 30 September 2013 to £7.8 million for the financial year ended 30 September 2014.

7.2.5 Underlying Profit Before Tax

Underlying profit before tax increased by 17 per cent. to £19.9 million for the financial year ended 30 September 2014 from £17.0 million for the financial year ended 30 September 2013, primarily due to the factors described above.

7.2.6 Tax

Underlying tax credit increased by £6.7 million to £11.0 million for the financial year ended 30 September 2014 from £4.3 million for the financial year ended 30 September 2013. The increase was due to the recognition of tax losses from previous years and the release of a provision that was no longer required.

7.3 14 Months Ended 30 September 2012

The following table presents Mouchel's underlying financial results for the 14 months ended 30 September 2012:

	14 months ended 30 September 2012
	(£ millions)
Revenue	
Group and share of joint ventures revenue	620.6
Less share of joint ventures	(161.6)
Group revenue	459.0
Cost of sales	(422.4)
Gross profit	36.6
Administrative expenses	(56.3)
Share of post-tax results of joint ventures	6.6
Operating loss	(13.1)
Finance income	1.8
Finance costs	(19.3)
Loss before tax	(30.6)
Tax	3.4
Loss for the period	(27.2)

7.3.1 Revenue

Revenue for the 14 months ended 30 September 2012 was £459.0 million. During this period, Mouchel experienced continued challenging market conditions, most notably as a result of significant reductions in the budgets of its local authority clients at the time and a substantial reduction in the market for its former management consulting business.

7.3.2 Underlying Operating Loss

Underlying operating loss for the 14 months ended 30 September 2012 was £13.1 million, reflecting the factors described above.

7.3.3 Share of Post-Tax Results of Joint Ventures

Share of post-tax results of joint ventures for the 14 months ended 30 September 2012 was £6.6 million. During this period, EM was accounted for using the equity method.

7.3.4 Finance Income/(Costs)

Net finance income for the 14 months ended 30 September 2012 was £41.4 million, including £19.3 million of underlying finance costs, £58.9 million of non-underlying finance income and £1.8 million of underlying finance income. In connection with the restructuring in August 2012, Mouchel's lenders agreed to a debt-for-equity swap whereby they invested, along with certain members of the management and trustees acting on their behalf, in the equity of MRBL in exchange for writing off a significant portion of their debt while acquiring Mouchel's business. This debt-for-equity swap resulted in non-underlying finance income of £58.9 million, consisting of £86.9 million of borrowings written off during restructuring, £21.0 million of finance costs relating to professional fees associated with the restructuring and £7.0 million of accelerated amortisation of the revolving credit facility.

7.3.5 Underlying Loss Before Tax

Underlying loss before tax for the 14 months ended 30 September 2012 was £30.6 million, reflecting the factors described above.

7.3.6 Tax

Underlying tax credit for the 14 months ended 30 September 2012 was £3.4 million, reflecting the tax attributable to the loss for the period.

7.4 EM Financial Results for 14 Months Ended 30 September 2013 and the Financial Year Ended 29 July 2012

The following table presents EM's financial results for the 14 months ended 30 September 2013 and the 12 months ended 29 July 2012:

	14 months ended 30 September 2013	12 months ended 29 July 2012
	(£ millions)	
Revenue	294.0	209.7
Cost of sales	(247.6)	(180.7)
Gross profit	46.4	29.0
Administrative expenses	(24.9)	(17.8)
Operating profit before pension scheme costs	21.5	11.2
Finance income	0.2	0.1
Profit before tax	21.7	11.3
Tax	(4.7)	(3.0)
Profit for the period/year attributable to the shareholders	17.0	8.3

7.4.1 Revenue

Revenue for the 14 months ended 30 September 2013 was £294.0 million, reflecting EM's excellent track record of delivery and performance, which led to additional funding for network improvement schemes being secured.

Revenue for the 12 months ended 29 July 2012 was £209.7 million.

7.4.2 Underlying Operating Profit

Underlying operating profit for the 14 months ended 30 September 2013 was £21.5 million, reflecting the benefit of operational gearing, leading to an increase in margins from 5.3 per cent. in 2012 to 7.3 per cent. in 2013.

Underlying operating profit for the 12 months ended 29 July 2012 was £11.2 million.

7.4.3 Tax

Tax for the 14 months ended 30 September 2013 was £4.7 million, reflecting an effective tax rate of 21.7 per cent.

Tax for the 12 months ended 29 July 2012 was £3.0 million, reflecting an effective tax rate of 26.5 per cent.

8 Financial Results by Reportable Segment

The following tables present Mouchel's financial results by reportable segment for the three months ended 31 December 2014, the financial years ended 30 September 2014 and 2013 and the 14 months ended 30 September 2012:

	Three months ended 31 December 2014 (unaudited)			
	Integrated Infrastructure Services	Mouchel Business Services	Corporate	Total
	(£ millions)			
Revenue				
Group and share of joint ventures	165.6	31.4	—	197.0
Less share of joint ventures	(0.5)	(2.2)	—	(2.7)
Group revenue	165.1	29.2	—	194.3
Profit				
Group underlying operating profit/(loss)	10.2	—	(3.4)	6.8
Share of post-tax results of joint ventures	—	0.1	—	(0.1)
Underlying net finance costs	—	—	(2.1)	(2.1)
Underlying profit/(loss) before tax	10.2	(0.1)	(5.5)	4.6
Non-underlying items	(1.0)	(0.2)	(1.7)	(2.9)
Profit/(loss) before tax	9.2	(0.3)	(7.2)	1.7

	Three months ended 31 December 2013 (unaudited)			
	Integrated Infrastructure Services	Mouchel Business Services	Corporate	Total
	£m	£m	£m	£m
Revenue				
Group and share of joint ventures	109.0	35.7	—	144.7
Less share of joint ventures	(0.4)	(3.3)	—	(3.7)
Group revenue	108.6	32.4	—	141.0
Profit				
Group underlying operating profit/(loss)	7.0	(0.2)	(2.4)	4.4
Share of post-tax results of joint ventures	—	(0.1)	—	0.1
Underlying net finance costs	—	—	(2.1)	(2.1)
Underlying profit/(loss) before tax	7.0	(0.1)	(4.5)	2.4
Non-underlying items	(1.0)	(0.3)	—	(1.3)
Profit/(loss) before tax	6.0	(0.4)	(4.5)	1.1

	Financial year ended 30 September 2014			
	Integrated Infrastructure Services	Mouchel Business Services	Corporate	Total
	(£ millions)			
Revenue				
Group and share of joint ventures	470.9	145.7	—	616.6
Less share of joint ventures	(4.7)	(15.5)	—	(20.2)
Group revenue	466.2	130.2	—	596.4
Profit				
Group underlying operating profit/(loss)	35.3	2.0	(10.6)	26.7
Share of post-tax results of joint ventures	0.5	0.5	—	1.0
Underlying net finance costs	(0.1)	—	(7.7)	(7.8)
Underlying profit/(loss) before tax	35.7	2.5	(18.3)	19.9
Non-underlying items	(2.1)	(1.1)	(0.6)	(3.8)
Profit/(loss) before tax	33.6	1.4	(18.9)	16.1

	Financial year ended 30 September 2013			
	Integrated Infrastructure Services	Mouchel Business Services	Corporate	Total
	(£ millions)			
Revenue				
Group and share of joint ventures	387.9	167.4	—	555.3
Less share of joint ventures	(48.0)	(12.6)	—	(60.6)
Group revenue	339.9	154.8	—	494.7
Profit				
Group underlying operating profit/(loss)	24.6	4.3	(9.5)	19.4
Share of post-tax results of joint ventures	3.4	1.1	—	4.5
Underlying net finance costs	—	—	(6.9)	(6.9)
Underlying profit/(loss) before tax	28.0	5.4	(16.4)	17.0
Non-underlying items	(2.4)	(1.1)	(0.7)	(4.2)
Profit/(loss) before tax	25.6	4.3	(17.1)	12.8

	14 months ended 30 September 2012			
	Integrated Infrastructure Services	Mouchel Business Services	Corporate	Total
	(£ millions)			
Revenue				
Group and share of joint ventures	372.6	248.0	—	620.6
Less share of joint ventures	(132.4)	(29.2)	—	(161.6)
Group revenue	240.2	218.8	—	459.0
Profit				
Group underlying operating loss	(2.0)	(9.1)	(8.6)	(19.7)
Share of post-tax results of joint ventures	5.6	1.0	—	6.6
Underlying net finance costs	(1.7)	(1.8)	(14.0)	(17.5)
Underlying profit/(loss) before tax	1.9	(9.9)	(22.6)	(30.6)
Non-underlying items	(91.7)	(82.0)	(12.0)	(185.7)
Non-underlying finance credits	—	—	58.9	58.9
Loss/(profit) before tax	(89.8)	(91.9)	24.3	(157.4)

8.1 Integrated Infrastructure Services

Revenue from IIS increased by 52 per cent. to £165.1 million for the three months ended 31 December 2014 from £108.6 million for the three months ended 31 December 2013. The increase was primarily due to the growth in EM as a result of the mobilisation of the Area 3 and Area 9 contracts in 2014.

Underlying operating profit from IIS increased by 46 per cent. to £10.2 million for the three months ended 31 December 2014 from £7 million for the three months ended 31 December 2013, due to increased revenue noted above.

Revenue from IIS increased by 37 per cent. to £466.2 million for the financial year ended 30 September 2014 from £339.9 million for the financial year ended 30 September 2013. The increase was primarily due to higher revenue from EM, which in turn reflected increased Highways England spending. In particular, EM won the Area 9 contract with Highways England in December 2013 and mobilised the contract in July 2014, and the results for the financial year ended 30 September 2014 accordingly reflect three months of the contract. DM revenue also grew as a result of winning new contracts in Sydney and Queensland, which started generating revenue during the financial year ended 30 September 2014.

Underlying operating profit from IIS increased by 43 per cent. to £35.3 million for the financial year ended 30 September 2014 from £24.6 million for the financial year ended 30 September 2013. The margin of EM decreased slightly due to the shift to ASC contracts from MAC contracts. DM's margin also decreased slightly due to increased bidding expenses.

Revenue from IIS was £240.2 million for the 14 months ended 30 September 2012. Underlying operating loss from infrastructure services was £2.0 million for the 14 months ended 30 September 2012. This reflected the challenging business environment in which Mouchel was operating during the period.

8.2 Mouchel Business Services

Revenue from MBS decreased by 10 per cent. to £29.2 million for the three months ended 31 December 2014 from £32.4 million for the three months ended 31 December 2013. The decrease reflected the difficult market conditions within the sector and a reduction in lower-margin IT pass-through services and property revenues.

Underlying operating loss from MBS remained relatively unchanged at £nil for the three months ended 31 December 2014 and a loss of £0.2 million for the three months ended 31 December 2013.

Revenue from MBS decreased by 13 per cent. to £130.2 million for the financial year ended 30 September 2014 from £154.8 million for the financial year ended 30 September 2013, primarily reflecting the loss of a contract with Milton Keynes Council, which decided to insource work that Mouchel had previously been contracted to perform.

Underlying operating profit from MBS decreased by 43 per cent. to £2.0 million for the financial year ended 30 September 2014 from £4.3 million for the financial year ended 30 September 2013 primarily due to the aforementioned factor.

Revenue from MBS was £218.8 million for the 14 months ended 30 September 2012. Underlying loss from MBS was £9.1 million for the 14 months ended 30 September 2012. This reflected the loss of BPO outsourcing contracts as local authorities were under increased budgetary constraints.

9 Liquidity and Capital Resources

9.1 Borrowings

At the date of this document, Mouchel had credit facilities (including bonding arrangements) of £125 million with The Royal Bank of Scotland plc, Lloyds Bank plc, Barclays Bank PLC, HSBC Bank Plc and Bank of London and the Middle East Plc. Of the £125 million, £45 million is in the form of revolving credit facilities, which are due to mature on 30 April 2018 and £50 million is in the form of a term loan, which is due to be repaid in bi-annual instalments of £5 million, with the balance due on 30 April 2018.

Under these facilities Mouchel is required to meet financial covenants as would be usual for these types of facilities and these are tested on a quarterly basis. There is a continuing obligation to ensure that the aggregate gross assets and EBITDA of the guarantors are each at least 85 per cent. of the aggregate gross assets and EBITDA, respectively, of Mouchel and its subsidiaries (excluding joint ventures) at all times.

Mouchel has complied with all covenants during the financial years ended 30 September 2014 and 2013 and is currently in compliance with such covenants.

Mouchel has entered into interest rate swaps to partially hedge against adverse movements in short-term interest rates on the term loan and revolving credit facility. Under the terms of these interest rate swaps, Mouchel is required to pay an average of 1.2 per cent. until the swaps mature in July 2016, receiving floating LIBOR rate. The nominal amount was £30.0 million until July 2014, falling to £27.5 million at that time until July 2015 and falling to £25.0 million at that time until July 2016. At 30 September 2014, the total fair value of interest rate hedge derivatives was a liability of £0.1 million, compared to £0.8 million as at 30 September 2013. The whole movement in the fair value is recorded in the income statement.

The term loan and the revolving credit facility are secured against fixed and floating charges over the assets of Mouchel.

9.2 Cash Flows

The following table presents Mouchel's cash flows for the three months ended 31 December 2014 and 2013, the financial years ended 30 September 2014 and 2013 and the 14 months ended 30 September 2012:

	Three months ended 31 December (unaudited)		Financial year ended 30 September		14 months ended 30 September
	2014	2013	2014	2013	2012
	(£ millions)				
Net cash generated from/(used in) operations	8.2	(2.5)	12.3	10.6	(47.6)
Net cash (used in)/generated from investing activities	(0.7)	(1.2)	(5.1)	(5.8)	4.6
Net cash (used in)/generated from financing activities	—	—	(5.1)	(0.4)	32.0
Net increase/(decrease) in cash and cash equivalents	7.5	(3.7)	2.1	4.4	(11.0)
Cash and cash equivalents at beginning of period	36.7	34.6	34.3	29.9	40.9
Cash and cash equivalents at end of period	44.2	30.9	36.4	34.3	29.9

9.2.1 Net Cash Generated from/(Used in) Operations

Cash generated from operations increased to an inflow of £8.2 million for the three months ended 31 December 2014 from an outflow of £2.5 million for the three months ended 31 December 2013. The increase reflected strong cash collection on receivables in December 2014.

Cash generated from operations increased to £12.3 million for the financial year ended 30 September 2014 from £10.6 million for the financial year ended 30 September 2013. The increase was primarily due to the higher level of cash generated from underlying operations.

Cash used in operations was £47.6 million for the 14 months ended 30 September 2012, primarily reflecting cash used by the underlying operations.

9.2.3 Net Cash (Used in)/Generated from Investing Activities

Net cash used in investing activities improved to £0.7 million for the three months ended 31 December 2014 from £1.2 million for the three months ended 31 December 2013.

Net cash used in investing activities decreased to £5.1 million for the financial year ended 30 September 2014 from £5.8 million for the financial year ended 30 September 2013. The decrease was primarily due to the acquisition of the remaining 50 per cent. of EM in the financial year ended 30 September 2013.

Net cash generated from investing activities was £4.6 million for the 14 months ended 30 September 2012, primarily reflecting the sale of Mouchel Energy Limited and the business and assets of Mouchel Rail in the 14 months ended 30 September 2012.

9.2.4 Net Cash (Used in)/Generated from Financing Activities

There was no cash used in financing activities in either the three months ended 31 December 2014 or the three months ended 31 December 2013.

Net cash used in financing activities increased to £5.1 million for the financial year ended 30 September 2014 from £0.4 million for the financial year ended 30 September 2013. The increase was primarily due to loan facility repayments net of loan facility drawdowns during the financial year ended 30 September 2013 in the amount of £0.4 million, compared to £4.5 million in the financial year ended 30 September 2014.

Net cash generated from financing activities was £32.0 million for the 14 months ended 30 September 2012, reflecting loan facility drawdowns net of loan facility repayments being £32.0 million.

10 Financial Risk Management

Mouchel is exposed to risks arising from variations in interest rates, foreign exchange rates, credit and liquidity. Those risks relating to foreign exchange and credit, given the nature of the customers, are relatively low, with provisions mainly arising from specific customers in the Middle East from previous years and amounts being disputed by the customers. The risk relating to liquidity is dependent upon Mouchel performing within its banking covenants and banking facilities. The risks relating to variations in interest rates arise from long-term sterling borrowings at variable rates. Mouchel's policy is to hedge a proportion of the drawn revolving credit facility. Mouchel has not undertaken hedging or complex financial instruments to mitigate risk other than interest rate risk.

The financial assets and liabilities of Mouchel comprise bank loan facilities, internal cash resources and trade receivables and payables arising from trading activities. Mouchel's policy is to manage the assets and liabilities centrally to provide both the working capital and the investment funds necessary for ongoing operations and future development.

The majority of UK projects and contracts are in pounds sterling and otherwise are in the currencies in which the majority of the costs are denominated. Mouchel's principal overseas subsidiaries usually contract in their own local currency. Consideration is given to hedging against possible currency movements where appropriate. It is Mouchel's policy not to trade in derivatives.

In accordance with IAS 39 "Financial Instruments, Recognition and Measurement", Mouchel has reviewed all contracts for embedded derivatives that are required to be separately accounted for. None were identified as part of the review.

10.1 Interest Rate Risk

Mouchel's exposure to the risk of changes in market interest rates relates primarily to its long-term debt obligations with floating interest rates.

Mouchel's policy is to manage its interest cost using a mix of fixed and variable rate debts by entering into interest rate swaps, in which Mouchel agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed upon notional principal amount. These swaps are measured at fair value through profit and loss in accordance with Mouchel's accounting policies.

The interest rate profile of Mouchel's financial assets and liabilities as at 30 September 2014 is presented below:

	As at 30 September 2014				
	Within 1 year	Between 1 - 2 years	Between 2 - 3 years	Between 3 - 4 years	Total
			(£ millions)		
Floating rate:					
Bank borrowings	(5.0)	(70.9)	—	—	(75.9)
Cash in hand	36.4	—	—	—	36.4
Fixed rate:					
Interest rate hedges	(0.1)	—	—	—	(0.1)

The following table demonstrates the sensitivity to a change in interest rates, with all other variables held constant, of Mouchel's profit before tax (through the impact on floating rate borrowings) for the financial year ended 30 September 2014.

	Increase/ decrease in basis points	Effect on profit before tax	Effect on equity
	(%)	(£ millions)	
Year ended 30 September 2014	+/− 0.25	+/− 0.2	—

10.2 Foreign Exchange Risk

Mouchel has operations where transactions are denominated in foreign currencies. In these operations, the working capital facilities are maintained in local currency with funds being remitted back to the United Kingdom to minimise exposure to foreign exchange risk. Mouchel does not hedge against foreign currency exchange risk as balances in foreign currency are not significant to Mouchel. The extent of foreign currency exposure is monitored on an ongoing basis. The majority of bonds and guarantees are funded out of the United Kingdom.

At 30 September 2014, if the Euro had weakened/strengthened by 1 per cent. against the pound sterling with all other variables held constant, pre-tax profit for the year would have been £0.1 million lower/higher (2013: £0.01 million lower/higher), mainly as a result of foreign exchange gains/losses on translation of pound sterling denominated trade receivables. Between 1 October 2013 and 30 September 2014, the euro weakened against the pound sterling by 7.3 per cent. (2013: strengthened 4.8 per cent.).

At 30 September 2014, if the Emirati Dirham had weakened/strengthened by 1 per cent. against the pound sterling with all other variables held constant, pre-tax profit for the year would have been £0.1 million lower/higher (2013: £0.1 million lower/higher), mainly as a result of foreign exchange gains/losses on translation of pound sterling denominated trade receivables. Between 1 October 2013 and 30 September 2014, the Emirati Dirham weakened against the pound sterling by 0.2 per cent. (2013: weakened 0.02 per cent.).

At 30 September 2014, if the Australian Dollar had weakened/strengthened by 1 per cent. against the pound sterling with all other variables held constant, pre-tax profit for the year would have been £0.1 million lower/higher (2013: £0.01 million lower/higher). Between 1 October 2013 and 30 September 2014, the Australian Dollar weakened against the pound sterling by 7.0 per cent. (2013: weakened 11.5 per cent.).

10.3 Credit Risk

Mouchel's principal financial assets are cash and cash equivalents, trade receivables and unbilled revenue. Mouchel does not hold any collateral as security. Mouchel manages these risks through a number of measures. Counterparty risk on cash deposits is managed by adhering to the guidelines set by the Board.

Trade receivables and unbilled revenue are managed through set-up and authorisation policies for new customers. It is Mouchel's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. An assessment of credit quality of the customer is made as appropriate taking into account their financial position, past experience, external agency ratings and other factors.

Where possible, the risk is mitigated by use of advanced payments. Group policy is not to apply individual credit limits to trade and other receivables, although total exposure and payment performance are monitored monthly both at individual project and client level.

The table below shows Mouchel's gross trade receivables and unbilled revenue balances 30 September 2014 classified according to the counterparty.

	As at 30 September 2014
	(£ million)
Counterparty	
Local government	33.5
Central government	27.5
Regulated industries	4.1
Private sector companies	33.4
Total	98.5

Mouchel's management have considered the credit risk relating to other receivables and prepayments and accrued income and do not consider there to be any significant credit risk over and above any amounts already provided for.

The table below shows Mouchel's cash and cash equivalents balances as at 30 September 2014 classified according to the banks credit rating.

	As at 30 September 2014
	(£ million)
Rating	
AA−	5.8
A+	0.2
A	30.2
A−	0.2
Cash and cash equivalents	36.4

10.4 Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, Mouchel maintains flexibility in funding by maintaining availability under committed credit lines.

Mouchel's management monitors rolling forecasts of Mouchel's liquidity reserve (which comprises the undrawn borrowing facility and cash and cash equivalents) on the basis of expected cash flow. In addition, Mouchel's liquidity management policy involves projecting cash flows and considering the level of liquid assets necessary to meet these.

The table below analyses the maturity profile of Mouchel's financial liabilities as at 30 September 2014. Figures shown are the contractual undiscounted cash flows.

	As at 30 September 2014			
	On demand or within 1 year	Between 1 - 2 years	Between 2 - 5 years	Over 5 years
	(£ million)			
Trade and other payables	115.1	—	—	—
Interest rate hedges	—	0.1	—	—
Bank borrowings and other loans	5.0	70.9	—	—

10.5 Price Risk

Mouchel does not hold any equity securities that are available for sale and does not have any exposure to commodity price risk.

11 Lease Obligations

11.1 Operating Lease Commitments—Minimum Lease Payments

The following table presents Mouchel's operating lease commitments as at 30 September 2014:

	As at 30 September 2014	
	Property	**Vehicles, plant and equipment**
Commitments under non-cancellable operating leases payable:		
Within one year	3.6	8.4
Between one and five years	7.9	14.7
Over five years	0.9	0.4
Total	12.4	23.5

Mouchel leases various offices under non-cancellable operating lease agreements. The leases have various terms, escalation clauses and renewal rights. Mouchel also leases vehicles, plant and machinery under non-cancellable operating lease agreements.

At 30 September 2014, Mouchel had annual amounts of £0.3 million receivable in respect of subleases on the above (2013: £0.4 million). These subleases expire between one and five years.

12 Critical Accounting Policies

Critical accounting policies are those that require application of management's most difficult, subjective or complex judgments often as a need to make estimates about the effects of matters that are inherently uncertain and may change in subsequent periods. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting the estimate may differ significantly from management's current judgments. Mouchel's significant accounting policies are more fully described in note 1 to the financial statements of Mouchel for the financial year ended 30 September 2014.

Described below are the critical accounting policies that Mouchel's management believes are the most significant judgments and estimates used in the preparation of Mouchel's financial statements.

12.1 Retirement Benefit Obligations

The calculation of retirement benefit obligations is dependent on material key assumptions including discount rates, future returns on assets and future contribution rates. The value of retirement benefit obligations at 30 September 2014 is £55.7 million (2013: £53.0 million).

12.2 Goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation involves an estimation of the future growth rates and future cash flows of cash-generating units and also the selection of appropriate discount rates, which involves judgment, to calculate present values. The carrying value of goodwill at 30 September 2014 is £32.9 million (2013: £32.9 million).

12.3 Revenue Recognition

In some cases, judgment is required to determine the appropriate proportion of the value delivered on the contract and the extent to which fees will be recoverable. The recoverability of fees in the cases where the fee has become the subject of a claim against the customer involves management judgment to be applied to the specific circumstances of each individual case.

12.4 Intangible Assets

Mouchel recognises certain intangible assets on acquisition. Judgments in respect of useful lives, discount rates and valuation methods affect the carrying value and amortisation charges in respect of these assets.

12.5 Deferred Income Tax and Income Taxes

Mouchel's management has estimated the likely value of deferred income tax assets in respect of trading losses. There are many transactions and calculations for which the ultimate tax determination is uncertain. Mouchel recognises liabilities and assets for anticipated tax audit issues based on estimates of whether additional taxes will be due.

Mouchel has open tax matters with a number of revenue authorities. Mouchel believes that it has made adequate provision for the liabilities likely to arise from open assessments. Where open matters exist the ultimate liability for such matters may vary from the amounts provided and is dependent on the outcome of negotiations with the relevant tax authorities or, if necessary, litigation.

12.6 Provisions for Liabilities and Charges

Refer to note 23 of the financial statements of Mouchel for the year ended 30 September 2014 for further information on Mouchel's judgments relating to the recognition of provisions for liabilities and charges.

PART VIII—FINANCIAL STATEMENTS OF KIER

PART A—INTERIM FINANCIAL STATEMENTS OF KIER GROUP

Financial statements relating to Kier as at and for the six months ended 31 December 2014 are incorporated into this document by reference to Kier's 31 December 2014 interim financial statement announcement.

PART B—HISTORICAL FINANCIAL STATEMENTS OF KIER GROUP

Financial statements relating to Kier as at and for the financial years ended 30 June 2014, 2013 and 2012 are incorporated into this document by reference to the 2014, 2013 and 2012 Annual Report and Accounts.

PART IX—FINANCIAL INFORMATION OF MOUCHEL

PART A—INTERIM FINANCIAL INFORMATION OF MOUCHEL

Condensed interim consolidated income statement for the three months ended 31 December 2014

	Note	Unaudited Underlying Performance 3 months to 31 December 2014 £m	Unaudited Non-underlying items 3 months to 31 December 2014 £m	Unaudited Total 3 months to 31 December 2014 £m	Underlying Performance 3 months to 31 December 2013 £m	Unaudited Non-underlying items 3 months to 31 December 2013 £m	Unaudited Total 3 months to 31 December 2013 £m
Revenue							
Group and share of joint ventures	2	197.0	—	197.0	144.7	—	144.7
Less share of joint ventures		(2.7)	—	(2.7)	(3.7)	—	(3.7)
Group revenue		194.3	—	194.3	141.0	—	141.0
Cost of sales		(181.7)	—	(181.7)	(131.0)	—	(131.0)
Gross profit		12.6	—	12.6	10.0	—	10.0
Administrative expenses	3	(5.8)	(2.9)	(8.7)	(5.6)	(1.3)	(6.9)
Share of post-tax results of joint ventures		(0.1)	—	(0.1)	0.1	—	0.1
Operating profit/(loss)	2	6.7	(2.9)	3.8	4.5	(1.3)	3.2
Finance income	5	—	—	—	—	—	—
Finance costs	5	(2.1)	—	(2.1)	(2.1)	—	(2.1)
Profit/(loss) before tax		4.6	(2.9)	1.7	2.4	(1.3)	1.1
Tax	6	(0.4)	0.2	(0.2)	—	0.4	0.4
Profit/(loss) for the period attributable to owners of the parent		4.2	(2.7)	1.5	2.4	(0.9)	1.5
Earnings per Share Basic (in pence)	16	41.6	(26.7)	14.9	23.9	(8.9)	15.0

The notes on pages 143 to 152 are an integral part of the condensed interim consolidated financial information.

Condensed interim consolidated statement of comprehensive income
for the three months ended 31 December 2014

	Unaudited 3 months to 31 December 2014 £m	Unaudited 3 months to 31 December 2013 £m
Profit for the period attributable to owners of the parent	1.5	1.5
Other comprehensive (expense)/income		
Items that may be subsequently reclassified to profit or loss		
Currency translation differences	(0.2)	—
Items that will not be reclassified to profit or loss		
Remeasurement gain/(loss) on pension scheme valuations	1.0	(1.9)
Deferred tax in respect of pension scheme	(0.3)	0.3
	0.7	(1.6)
Other comprehensive income/(expense) for the period, net of tax	0.5	(1.6)
Total comprehensive income/(expense) for the period attributable to owners of the parent	**2.0**	**(0.1)**

There is no tax effect for currency translation differences.

The notes on pages 143 to 152 are an integral part of the condensed interim consolidated financial information.

Condensed interim consolidated balance sheet

as at 31 December 2014

	Note	Unaudited as at 31 December 2014 £m	Unaudited as at 31 December 2013 £m	As at 30 September 2014 Restated[(1)] £m
Assets				
Non-current assets				
Intangible assets		72.0	79.2	73.3
Property, plant and equipment		10.0	7.0	10.4
Retirement benefit assets	10	0.8	0.8	0.8
Investments in Joint Ventures		0.2	0.9	1.0
Deferred tax assets		33.7	18.4	33.8
Non-current assets		116.7	106.3	119.3
Current Assets				
Inventories		4.0	3.6	3.9
Trade and other receivables		120.3	94.5	102.0
Cash and cash equivalents	9	44.2	30.9	36.4
Current Assets		168.5	129.4	142.3
Total assets		285.2	235.7	261.6
Liabilities				
Current liabilities				
Borrowings	8	5.0	5.0	5.0
Trade and other payables		160.8	124.2	137.3
Current income tax liabilities		5.3	20.4	3.8
Derivative financial instruments		0.1	0.4	0.1
Provisions for other liabilities and charges		5.3	6.0	5.4
Retirement benefit obligations	11	4.3	0.5	4.3
Current liabilities		180.8	156.5	155.9
Non-current liabilities				
Borrowings	8	71.0	75.3	70.9
Trade and other payables		0.8	1.1	1.1
Non-current income tax liabilities		7.5	—	8.4
Provisions for other liabilities and charges		9.9	17.0	10.8
Deferred tax liabilities		8.5	8.1	8.2
Retirement benefit obligations	11	49.8	54.1	51.4
Non-current liabilities		147.5	155.6	150.8
Total liabilities		328.3	312.1	306.7
Net liabilities		(43.1)	(76.4)	(45.1)
Equity/(Deficit)				
Share capital		—	—	—
Share premium		—	—	—
Accumulated losses		(42.0)	(76.2)	(44.2)
Other reserves		(1.1)	(0.2)	(0.9)
Total deficit attributable to owners of the parent		(43.1)	(76.4)	(45.1)

(1) See note 1.

The notes on pages 143 to 152 are an integral part of the condensed interim consolidated financial information.

Condensed interim consolidated statement of cash flows for the three months ended 31 December 2014

	Note	Unaudited 3 months to 31 December 2014 £m	Unaudited 3 months to 31 December 2013 £m
Profit for the period/year before tax		**1.7**	**1.1**
Finance cost	5	2.1	2.1
Share of post-tax trading results of joint ventures		0.1	(0.1)
Amortisation of intangible assets—arising from business combinations		1.2	1.3
Amortisation of intangible assets—software and other acquired intangibles		0.4	0.4
Depreciation		0.9	0.8
Loss/(profit) on disposal of property, plant and equipment		0.2	(0.9)
(Gain) on foreign exchange		(0.2)	—
Operating cash flows before movements in working capital		**6.4**	**4.7**
Special contributions to pension fund		(1.1)	(1.1)
(Increase)/decrease in receivables		(12.8)	5.2
Increase/(decrease) in payables		17.2	(8.1)
(Decrease) in provisions		(1.0)	(1.3)
Cash flows from operating activities		8.7	(0.6)
Dividends received from joint ventures		—	—
Finance costs paid		(0.3)	(1.9)
Taxation paid		(0.2)	—
Net cash generated/(used) from operating activities		8.2	(2.5)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		—	—
Purchase of property, plant and equipment		(0.5)	(0.5)
Purchase of intangibles—software and assets in the course of construction		(0.2)	(0.7)
Net cash (used)/generated in investing activities		(0.7)	(1.2)
Cash flows from financing activities			
Loan facility drawn down net of loan issue costs			
Repayment of borrowings		—	—
Net purchase of shares by Employee Benefit Trust from shareholders		—	—
Net cash (used)/generated in financing activities		**—**	**—**
Net increase/(decrease) in cash and cash equivalents		**7.5**	**(3.7)**
Opening cash and cash equivalents		**36.7**	**34.6**
Closing cash and cash equivalents		**44.2**	**30.9**

(1) See note 14

The notes on pages 143 to 152 are an integral part of the combined and consolidated financial information.

Condensed interim consolidated statement of changes in equity as at 31 December 2014

	Share capital £m	Share premium £m	Attributable to owners of the parent: Other reserves £m	Accumulated losses £m	Total £m
Unaudited					
Balance at 1 October 2014	—	—	(0.9)	(44.2)	(45.1)
Comprehensive income:					
Profit for the period	—	—	—	1.5	1.5
Other comprehensive income/(expense):					
Remeasurement gain on pension scheme valuations	—	—	—	1.0	1.0
Deferred tax on pension scheme valuations	—	—	—	(0.3)	(0.3)
Currency translation differences	—	—	(0.2)	—	(0.2)
Total other comprehensive (expense)/income	—	—	(0.2)	0.7	0.5
Total comprehensive (expense)/income for the period	**—**	**—**	**(0.2)**	**2.2**	**2.0**
Balance at 31 December 2014	**—**	**—**	**(1.1)**	**(42.0)**	**(43.1)**
Unaudited					
Balance at 1 October 2013—(restated[1])	—	—	(0.2)	(76.1)	(76.3)
Comprehensive income:					
Profit for the period	—	—	—	1.5	1.5
Other comprehensive (expense)/income:					
Remeasurement loss on pension scheme valuations	—	—	—	(1.9)	(1.9)
Deferred tax on pension scheme valuations	—	—	—	0.3	0.3
Total other comprehensive expense	—	—	—	(1.6)	(1.6)
Total comprehensive expense for the period	**—**	**—**	**—**	**(0.1)**	**(0.1)**
Balance at 31 December 2013	**—**	**—**	**(0.2)**	**(76.2)**	**(76.4)**
Balance at 1 October 2013—(restated[1])	—	—	(0.2)	(76.1)	(76.3)
Comprehensive income:					
Profit for the period	—	—	—	36.9	36.9
Other comprehensive (expense)/income:					
Remeasurement loss on pension scheme valuations	—	—	—	(5.1)	(5.1)
Deferred tax on pension scheme valuations	—	—	—	0.1	0.1
Currency translation differences	—	—	(0.1)	—	(0.1)
Net acquisition of Employee Benefit Trust shares	—	—	(0.6)	—	(0.6)
Total other comprehensive expense	—	—	(0.7)	(5.0)	(5.7)
Total comprehensive (expense)/income for the year	**—**	**—**	**(0.7)**	**31.9**	**31.2**
Balance at 30 September 2014	**—**	**—**	**(0.9)**	**(44.2)**	**(45.1)**

(1) See note 1.

The notes on pages 143 to 152 are an integral part of the condensed interim consolidated financial information.

Notes to the condensed interim consolidated financial statements

for the three months ended 31 December 2014

1 Basis of preparation

General

MRBL Limited ("the Company" and known as "Mouchel") is a private limited company and is incorporated and domiciled in England and Wales. The address of its registered office is Export House, Cawsey Way, Woking, Surrey, GU21 6QX, United Kingdom. MRBL Limited and its subsidiaries (together "the Group") is an international infrastructure and business services group.

Basis of preparation

This condensed interim consolidated financial information, which is unaudited for the three months ended 31 December 2014 and the three months ended 31 December 2013, has been prepared in accordance with the accounting policies the Group expects to adopt in its 2015 Annual Report and Accounts and unless stated are consistent with those adopted in the historical financial information for the year ended 30 September 2014 included in section B of Part IX of this prospectus. The accounting policies applied to the condensed interim consolidated information conform with the accounting policies adopted in Kier plc's latest published accounts. These accounting policies are based on IFRSs as adopted by the European Union and IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS.

In addition, the Group has adopted IFRS 11 "Joint Arrangements" in this condensed consolidated financial information, the comparative information for the 3 months ended 31 December 2013 and the year ended 30 September 2014 has been restated to reflect this. The impact of this is disclosed in note 14.

This condensed interim consolidated financial information for the three months ended 31 December 2014 and the three months ended 31 December 2013 has been prepared in accordance with IAS 34, "Interim financial reporting", as adopted by the European Union. Taxes on income in interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The condensed interim consolidated financial information has been prepared under the historical cost convention except for interest rate hedges designated at fair value through profit or loss and the assets of the Group's pension schemes that have been measured at fair value and the liabilities of the Group's pension schemes that are measured using the projected unit credit valuation method.

Going Concern

The condensed interim consolidated financial information has been prepared on a going concern basis. In determining that this is an appropriate basis for preparing the condensed interim consolidated financial information, the Directors have had regard to the factors affecting the future development, performance and financial position of the Group including its cash flows, liquidity position, borrowing facilities and the risks and uncertainties relating to its business activities.

Consideration has been given to the budgeting and on going cash management within the business which have been subject to extensive review. The Directors are therefore satisfied that sufficient headroom exists within the Group's banking facilities which were renegotiated on 15 January 2015. Note 8 gives more information on the Group's current banking facilities.

After considering these factors, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the condensed interim consolidated financial information.

The preparation of condensed interim consolidated financial information in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed interim consolidated financial information and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

The Group's principal risks and uncertainties are considered to be health and safety, supporting growth, people, customer concentration and pensions. The Directors consider that the significant areas of judgement made by management that have significant effect on the Group's performance and estimates

1 Basis of preparation (Continued)

with a significant risk of material adjustment in the remaining nine months of the financial year are unchanged from those identified in the historical financial information for the year ended 30 September 2014 included in section B of Part IX of this prospectus.

Accounting policies

The accounting policies adopted are consistent with those of the historical financial information for the year ended 30 September 2014 included in section B of Part IX of this prospectus, except for the following standard that will be adopted for the first time for the financial year ending on 30 September 2015 and have a material impact on the Group:

IFRS 11, "*Joint arrangements*". Investments in joint arrangements are classified as either joint operations or joint ventures, depending on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. See note 14 for the impact of the adoption on the financial statements.

The following standards, interpretations and amendments to existing standards are now effective and have been adopted by the Group and will have no material impact on the Group's financial statements:

IFRS 10, *"Consolidated financial statements"*

IFRS 12, *"Disclosures of interests in other entities"*

IAS27 (revised 2011), "*Separate Financial Statements"*

IAS28 (revised 2011), *"Investments in Associates and Joint Ventures"*

Amendmentsto IAS 36, "*Impairment of Assets"*

2 Segmental analysis
Reportable segments

The Group's operations are organised and managed separately, according to the nature of products and services provided. Integrated Infrastructure Services comprises asset management, engineering design and operation management. Mouchel Business Services encompasses the Group's partnerships with various UK local authorities to provide a range of front and back office public services. Corporate comprises the central cost of running the Group. The financing of the Group's activities is undertaken centrally and consequently net financing costs cannot be analysed segmentally.

2 Segmental analysis
Reportable segments (Continued)

Analysis of operating profit/(loss) by reportable segment is as follows:

Unaudited 3 months to 31 December 2014	Integrated Infrastructure Services £m	Mouchel Business Services £m	Corporate £m	Total £m
Revenue				
Group and share of joint ventures	165.6	31.4	—	197.0
Less share of joint ventures	(0.5)	(2.2)	—	(2.7)
Group revenue	165.1	29.2	—	194.3
Profit				
Group underlying operating profit/(loss)	10.2	(0.1)	(3.4)	6.7
Share of post-tax results of joint ventures	—	—	—	—
Underlying net finance costs	—	—	(2.1)	(2.1)
Underlying profit/(loss) before tax	10.2	(0.1)	(5.5)	4.6
Non-underlying items	(1.0)	(0.2)	(1.7)	(2.9)
Profit/(loss) before tax	9.2	(0.3)	(7.2)	1.7
Balance sheet				
Total assets excluding cash	178.4	28.1	34.5	241.0
Liabilities excluding borrowings	(136.7)	(24.8)	(90.8)	(252.3)
Net operating assets/(liabilities)	41.7	3.3	(56.3)	(11.3)
Net borrowings	—	—	(31.8)	(31.8)
Net assets/(liabilities)	41.7	3.3	(88.1)	(43.1)
Other segment items:				
Capital expenditure (intangible assets and property, plant and equipment)	0.3	0.2	—	0.5

2 Segmental analysis
Reportable segments (Continued)

Unaudited 3 months to 31 December 2013	Integrated Infrastructure Services £m	Mouchel Business Services £m	Corporate £m	Total £m
Revenue				
Group and share of joint ventures	109.0	35.7	—	144.7
Less share of joint ventures	(0.4)	(3.3)	—	(3.7)
Group revenue	108.6	32.4	—	141.0
Profit				
Group underlying operating profit/(loss)	7.0	(0.2)	(2.4)	4.4
Share of post-tax results of joint ventures	—	0.1	—	0.1
Underlying net finance costs	—	—	(2.1)	(2.1)
Underlying profit/(loss) before tax	7.0	(0.1)	(4.5)	2.4
Non-underlying items	(1.0)	(0.3)	—	(1.3)
Profit/(loss) before tax	6.0	(0.4)	(4.5)	1.1
Balance sheet				
Total assets excluding cash	151.1	34.3	19.4	204.8
Liabilities excluding borrowings	(95.0)	(30.0)	(106.8)	(231.8)
Net operating assets/(liabilities)	56.1	4.3	(87.4)	(27.0)
Net borrowings	—	—	(49.4)	(49.4)
Net assets/(liabilities)	56.1	4.3	(136.8)	(76.4)
Other segment items:				
Capital expenditure (intangible assets and property, plant and equipment)	0.4	0.5	—	0.9

Year to 30 September 2014	Integrated Infrastructure Services Restated[1] £m	Mouchel Business Services Restated[1] £m	Corporate Restated[1] £m	Total Revised Restated[1] £m
Balance sheet				
Total assets excluding cash	157.2	33.5	34.5	225.2
Liabilities excluding borrowings	(106.5)	(31.6)	(92.7)	(230.8)
Net operating assets/(liabilities)	50.7	1.9	(58.2)	(5.6)
Net borrowings	—	—	(39.5)	(39.5)
Net assets/(liabilities)	50.7	1.9	(97.7)	(45.1)
Other segment items:				
Capital expenditure (intangible assets and property, plant and equipment)	5.1	1.1	—	6.2

3 Non-underlying items

	Unaudited 3 months to 31 December 2014 £m	Unaudited 3 months to 31 December 2013 £m
Amortisation of intangible assets arising from business combinations	1.2	1.3
Costs relating to business sale activities and debt re-financing costs	1.7	—
Total non-underlying items	2.9	1.3

Material and non-recurring 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 reclass of provisions in respect of such

3 Non-underlying items (Continued)

items. Amortisation of acquired intangible assets is also treated as a non-underlying item so that the underlying profit of Mouchel Group can be measured from period to period. Underlying operating profit is one of the key measures used by the Board to monitor Mouchel Group's performance.

Management use underlying profit to measure and manage the financial performance of the Group on a day-to-day basis. Underlying profit excludes material income and charges considered to be one-off or non-recurring in nature, such as acquisition transaction costs. Underlying profit also excludes the amortisation of intangible assets arising from business combinations. The Group presents these items as nonunderlying items in a separate column in the condensed interim consolidated income statement so that the underlying and statutory performance can be seen clearly.

During the 3 month period ended 31 December 2014 the Group incurred £1.7m of costs relating to business sale activities and debt re-financing costs to ensure that the Group has the right financing level and organisational structure.

The income tax credit of £0.2m (31 December 2013: £0.4m credit) in the condensed interim consolidated income statement represents tax on the nonunderlying items in the condensed interim consolidated income statement of £0.2m (31 December 2013: £0.4m).

4 Dividends

The directors have not proposed a dividend for the period to 31 December 2014 (31 December 2013: £nil).

5 Finance income/(costs)

	Unaudited 3 months to 31 December 2014 £m	Unaudited 3 months to 31 December 2013 £m
Other interest receivable	—	—
Finance income	—	—
Interest expense:		
—interest payable on revolving credit facility and term loans	(1.2)	(1.2)
—discounting on borrowings	(0.1)	(0.1)
—amounts payable on interest rate hedges	—	(0.1)
—net interest payable on post-employment benefit liabilities	(0.5)	(0.5)
—interest payable on bonds	(0.3)	(0.2)
Finance costs	(2.1)	(2.1)
Net finance costs	(2.1)	(2.1)

6 Tax

The underlying tax charge in the period was £0.4m (Q1 2014: charge £nil), due to the availability of brought forward tax losses, and is based on the estimated effective tax rate on underlying profits for the full year. This results in a statutory effective tax rate of charge 9% (Q1 2014: credit 36%) for the three month period. The full year statutory effective tax rate will be dependent on the precise mix of profits between underlying and non-underlying items but is currently forecast to be a charge of 9% (Q1 2014: credit 36%).

7 Goodwill

Intangible assets contain goodwill. Goodwill is not amortised but tested at least annually or more frequently if there are indications that goodwill might be impaired. Details of the accounting policy and assumptions made are disclosed in the historical financial information for the year ended 30 September 2014 included in section B of Part IX of this prospectus. During the quarter to 31 December 2014 £nil (Q1 2014: £nil, 2014: £nil) goodwill was impaired and no additional cost was incurred.

8 Borrowings

Loans are repayable as follows:

	Unaudited as at 31 December 2014 £m	Unaudited as at 31 December 2013 £m	As at 30 September 2014 Restated[1] £m
Obligations due within one year	5.0	5.0	5.0
Obligations due within one and two years	71.0	5.0	70.9
Obligations due within two and five years	—	70.3	—
Total borrowings	76.0	80.3	75.9
Deduct: cash and cash equivalents (note 9)	(44.2)	(30.9)	(36.7)
Net bank borrowings	31.8	49.4	39.2

(1) See note 1.

The Group has entered into interest rate swaps to partially hedge against adverse movements in short term interest rates on the term loan and revolving credit facility that are drawn to finance these loans. Under the terms of these interest rate swaps the Group are required to pay an average of 1.2% until the swaps mature in July 2016, receiving floating LIBOR rate. The nominal amount was £30.0m until July 2014, falling to £27.5m at that time until July 2015 and falling to £25.0m at that time until July 2016. At 31 December 2014, the total fair value of interest rate hedge derivatives was a liability of £0.1m (31 December 2013: £0.4m; 30 September 2014: £0.1m). The whole movement in the fair value is recorded in the condensed interim consolidated income statement.

On 15 January 2015, the Group renegotiated its banking facilities, increasing the total facility from £95m to £125m and extended the duration of the facility to April 2018. At this date, the Group became liable for arrangement fees of approximately £2.2m.

9 Cash and cash equivalents

Cash and cash equivalents are analysed as follows:

	Unaudited as at 31 December 2014 £m	Unaudited as at 31 December 2013 £m	As at 30 September 2014 Restated[1] £m
Cash and cash equivalents	44.2	30.9	36.7

(1) See note 1.

Of the above cash balances, £13.7m (31 December 2013: £15.3m; 30 September 2014: £11.6m) is restricted by virtue of it being held within the Group's joint ventures and captive insurance company and £14.8m (31 December 2013: £0.1m; 30 September 2014: £16.1m) by virtue of it being held within project bank accounts.

10 Retirement benefit assets

In addition to the defined benefits schemes outlined in Note 11 Retirement benefit obligations, the Group participates in the Prudential Platinum Pension Scheme relating to its wholy owned subsidiary, EM Highway Services Limited. The Prudential Platinum Scheme is a sectionalised multi-employer final salary pension arrangement. The assets of the Group's section are administered by trustees in funds independent of those of the Group and other sections of the scheme.

The Group's net asset at 31 December 2013 and 31 December 2014 has been calculated using a full actuarial valuation from December 2012. For both balance sheet dates key assumptions have been rolled forward from 30 September to 31 December and this incorporates changes to discount rates, CPI and RPI rates, salary increase rates and life expectancies.

11 Retirement benefit obligations

The Group operates several occupational pensions schemes for its employees. These schemes are a combination of defined benefit, defined contribution and third-party defined benefit schemes. The Group's defined benefit pension scheme obligations are calculated using a full actuarial valuation from 31 March 2010 for the liability at 31 December 2013 and a full actuarial valuation from 31 March 2013 for the liability at 31 December 2014. For both balance sheet dates key assumptions have been rolled forward from 30 September to 31 December and this incorporates changes to discount rates, CPI and RPI rates, salary increase rates and life expectancies. The net deficit on the Group's pensions schemes have reduced to £54.1m (31 December 2013: £54.6m; 30 September 2014: £55.7m) as a result of changes to the schemes' values from the adjustment in inflation assumptions to reflect current market conditions. The difference between the expected return on assets and the actual return on assets has been recognised as a remeasurement gain/(loss) in the condensed interim consolidated statement of comprehensive income in accordance with the Group's accounting policy.

12 Contingent liabilities

Contingent liabilities at 31 December 2014 in respect of guarantees and indemnities in the normal course of business totalled £17.9m (31 December 2013: £15.4m; 30 September 2014 £17.8m). Note 8 discloses details of bank refinancing arrangement fees which became contingently liable on 15 January 2015.

13 Related party transactions

The following transactions were undertaken with the joint venture entities to which the Group is party:

	Unaudited 3 months to 31 December 2014 £m	Unaudited 3 months to 31 December 2013 £m	Year to 30/09/2014 Restated[(1)] £m
Sales to joint venture entities	0.5	0.4	2.0
Purchases from joint venture entities	0.3	0.3	1.5
Net amount due to the subsidiaries at the period-end	—	1.9	0.1

(1) See note 1.

	Unaudited as at 31 December 2014 £m	Unaudited as at 31 December 2013 £m	As at 30 September 2014 £m
Loans to related parties	3.5	4.3	3.5

The loans to related parties are to joint venture companies.

Amounts due to the Group are unsecured and will be settled in cash. No guarantees have been given or received.

No expense has been recognised in respect of bad or doubtful debts due from any joint ventures in the period ended 31 December 2014 (31 December 2013: £nil; 30 September 2014: £nil) and no amount has been provided in relation to amounts outstanding at 31 December 2014 (31 December 2013: £nil; 30 September 2014: £nil).

14 Impact on the Group's historical financial statements on adoption of IFRS 11 "Joint Arrangements"

During the period ended 31 December 2014, the Group adopted IFRS 11 "Joint Arrangements". The impact on the historical financial information for the year ended 30 September 2014 is set out below. The 31 December 2013 financial information has been prepared on a consistent basis.

a) Impact on the condensed interim consolidated income statement

	Year to 30 September 2014 £m	Change in accounting policy £m	Year to 30 September 2014 Restated[1] £m
Revenue			
Group and share of joint ventures	616.6	—	616.6
Less share of joint ventures	(20.2)	4.7	(15.5)
Group Revenue	596.4	4.7	601.1
Cost of sales	(544.3)	(2.8)	(547.1)
Gross profit	52.1	2.0	54.1
Administrative expenses	(29.2)	(1.3)	(30.5)
Share of post-tax results of joint ventures	1.0	(0.5)	0.5
Operating profit	23.9	0.1	24.0
Finance income	—	—	—
Finance costs	(7.8)	—	(7.8)
Profit before tax	16.1	0.1	16.2
Tax	20.8	(0.1)	20.7
Profit for the year attributable to owners of the parent	36.9	—	36.9

(1) See note 1.

14 Impact on the Group's historical financial statements on adoption of IFRS 11 "Joint Arrangements" (Continued)

b) Impact on the consolidated balance sheet

	As at 30 September 2014 £m	Change in accounting policy £m	As at 30 September 2014 Restated[1] £m
Non-current assets			
Intangible assets	73.3	0.1	73.5
Property, plant and equipment	10.4	0.1	10.5
Retirement benefit assets	0.8	—	0.8
Investments in Joint Ventures	1.0	(0.7)	0.3
Deferred tax assets	33.8	—	33.8
	119.3	(0.5)	118.9
Current Assets			
Inventories	3.9	—	3.9
Trade and other receivables	102.0	2.5	104.5
Cash and cash equivalents	36.4	0.3	36.7
	142.3	2.8	145.1
Total assets	261.6	2.3	263.9
Current liabilities			
Borrowings	5.0	—	5.0
Trade and other payables	137.3	2.3	139.6
Current income tax liabilities	3.8	—	3.8
Derivative financial instruments	0.1	—	0.1
Provisions for other liabilities and charges	5.4	—	5.4
Retirement benefit obligations	4.3	—	4.3
	155.9	2.3	158.2

(1) See note 1.

	As at 30 September 2014 £m	Change in accounting policy £m	As at 30 September 2014 Restated[1] £m
Non-current liabilities			
Borrowings	70.9	—	70.9
Trade and other payables	1.1	—	1.1
Non-current income tax liabilities	8.4	—	8.4
Provisions for other liabilities and charges	10.8	—	10.8
Deferred tax liabilities	8.2	—	8.2
	51.4	—	51.4
	150.8	—	**150.8**
Total liabilities	306.7	2.3	309.0
Net liabilities	(45.1)	—	(45.1)
Equity attributable to owners of the parent			
Share capital	—	—	—
Share premium	—	—	—
Accumulated losses	(44.2)	—	(44.2)
Other reserves	(0.9)	—	(0.9)
Total deficit attributable to owners of the parent	(45.1)	—	(45.1)

(1) See note 1.

14 Impact on the Group's historical financial statements on adoption of IFRS 11 "Joint Arrangements" (Continued)

c) Impact on condensed interim consolidated statement of cash flows

	As at 30 September 2014 £m	Change in accounting policy £m	As at 30 September 2014 Restated[(1)] £m
Cash generated from operating activities	11.4	—	11.4
Taxation paid	(0.1)	—	(0.1)
Net cash used in investing activities	(5.1)	—	(5.1)
Net cash used in financing activities	(5.1)	—	(5.1)
Dividend received from joint ventures	1.0	—	1.0
Net increase/(decrease) in cash and cash equivalents	2.1	—	2.1
Cash and cash equivalents at beginning of the period	34.3	0.3	34.6
Cash and cash equivalents at period end	36.4	0.3	36.7

(1) See note 1.

15 Post-balance sheet event

On 15 January 2015, the Group renegotiated its banking facilities. The key change to these facilities was to increase the total facility from £95m to £125m and extend the duration of the facility out to April 2018.

On 28 April 2015, Kier Group plc announced the proposed acquisition of the entire issued share capital of MRBL Limited from Barclays Converted Investments Limited, Globe Nominees Limited, Uberior Equity Limited, SIG 1 Holdings Limited, Sanne Fiduciary Services Limited and certain management shareholders of MRBL Limited for total consideration of £265 million.

16 Earnings per share

Basic earnings per share	Unaudited 3 months to 31 December 2014 £m	Unaudited 3 months to 31 December 2014 £m
Earnings after tax, being net profits attributable to owners of the parent	1.5	1.5
Non-underlying items	2.9	1.3
Tax credit thereon	(0.2)	(0.4)
Adjusted earnings (excluding non-underlying items)[(1)]	4.2	2.4
	million	million
Total shares in issue	10.1	10.1
	pence	pence
Earnings per share	14.9	15.0
Adjusted earnings excluding non-underlying items per share	41.6	23.9

(1) Adjusted earnings are after non-underlying items disclosed in note 3

PART B—HISTORICAL FINANCIAL INFORMATION OF MOUCHEL

Combined and Consolidated Income Statement

for the periods ended 30 September 2014, 2013 and 2012

	Note	12 months to 30 September 2014			12 months to 30 September 2013			14 months to 30 September 2012		
		Underlying performance £m	**Non-underlying items £m**	**Total 2014 £m**	**Underlying performance £m**	**Non-underlying items £m**	**Total 2013 £m**	**Underlying performance £m**	**Non-underlying items £m**	**Total 2012 £m**
Revenue										
Group and share of joint ventures	3	616.6	—	616.6	555.3	—	555.3	620.6	—	620.6
Less share of joint ventures	3	(20.2)	—	(20.2)	(60.6)	—	(60.6)	(161.6)	—	(161.6)
Group revenue		**596.4**	**—**	**596.4**	**494.7**	**—**	**494.7**	**459.0**	**—**	**459.0**
Cost of sales		(544.3)	—	(544.3)	(449.3)	—	(449.3)	(422.4)	—	(422.4)
Gross profit		**52.1**	**—**	**52.1**	**45.4**	**—**	**45.4**	**36.6**	**—**	**36.6**
Administrative expenses	4	(25.4)	(3.8)	(29.2)	(26.0)	(4.2)	(30.2)	(56.3)	(185.7)	(242.0)
Share of post-tax results of joint ventures		1.0	—	1.0	4.5	—	4.5	6.6	—	6.6
Operating profit/(loss)	**3,5**	**27.7**	**(3.8)**	**23.9**	**23.9**	**(4.2)**	**19.7**	**(13.1)**	**(185.7)**	**(198.8)**
Finance income	6	—	—	—	0.6	—	0.6	1.8	—	1.8
Finance cost	6	(7.8)	—	(7.8)	(7.5)	—	(7.5)	(19.3)	58.9	39.6
Profit/(loss) before tax		**19.9**	**(3.8)**	**16.1**	**17.0**	**(4.2)**	**12.8**	**(30.6)**	**(126.8)**	**(157.4)**
Taxation	8	11.0	9.8	20.8	4.3	1.0	5.3	3.4	—	3.4
Profit/(loss) for the year attributable to owners of the parent		**30.9**	**6.0**	**36.9**	**21.3**	**(3.2)**	**18.1**	**(27.2)**	**(126.8)**	**(154.0)**
Earnings/(loss) per share										
Basic and diluted (in pence)	10	306.3	59.4	365.7	212.6	(32.0)	180.6	(264.0)	(1,275.0)	(1,539.0)

Combined and Consolidated Statement of Comprehensive Income for the periods ended 30 September 2014, 2013 and 2012

	Note	12 months to 30 September 2014 £m	12 months to 30 September 2013 £m	14 months to 30 September 2012 £m
Profit/(loss) for the year attributable to owners of the parent		**36.9**	**18.1**	**154.0**
Other comprehensive (expense)/income				
Items that may be subsequently reclassified to profit or loss				
Cash flow hedges		—	—	1.5
Currency translation differences	25	(0.1)	(0.6)	1.3
Items that will not be reclassified to profit or loss				
Impairment of shares held by ESOP trusts		—	—	0.4
Net acquisition of Employee Benefit Trust Shares		(0.6)	—	—
Other movement on reserves		—	—	0.7
Remeasurement of defined benefit liabilities	26, 30	(5.1)	(3.8)	(21.5)
Recognition of pension scheme asset	29	—	0.8	—
Tax on actuarial losses on defined benefit liabilities	15	0.1	(1.0)	3.7
		(5.6)	**(4.0)**	**(16.7)**
Other comprehensive expense for the year, net of tax		**(5.7)**	**(4.6)**	**(13.9)**
Total comprehensive income/(expense) for the year attributable to owners of the parent		**31.2**	**13.5**	**(167.9)**

There is no tax effect for differences on exchange.

Combined and Consolidated Balance Sheet
as at 30 September 2014, 2013 and 2012

	Note	30 September 2014 £m	30 September 2013 £m	30 September 2012 £m
Assets				
Non-current assets				
Intangible assets	11	73.3	79.9	70.9
Property, plant and equipment	12	10.4	7.0	8.0
Retirement benefit assets	29	0.8	0.8	—
Investments in joint ventures	13	1.0	1.0	7.2
Deferred tax assets	15	33.8	18.1	15.5
Non-current assets		**119.3**	**106.8**	**101.6**
Current assets				
Inventories	16	3.9	2.7	0.3
Trade and other receivables	17	102.0	90.2	69.9
Cash and cash equivalents	20, 28	36.4	34.3	29.9
Current assets		**142.3**	**127.2**	**100.1**
Total assets		**261.6**	**234.0**	**201.7**
Liabilities				
Current liabilities				
Borrowings	19	5.0	5.0	—
Trade and other payables	18	137.3	121.7	93.5
Current income tax liabilities		3.8	20.7	18.9
Derivative financial instruments	19, 20	0.1	0.8	0.7
Provisions for other liabilities and charges	23	5.4	6.6	14.1
Retirement benefit obligations	30	4.3	0.5	0.5
Current liabilities		**155.9**	**155.3**	**127.7**
Non-current liabilities				
Borrowings	19	70.9	75.3	79.6
Trade and other payables	18	1.1	1.0	0.7
Non-current tax liabilities		8.4	—	—
Derivative financial instruments	19, 20	—	—	2.3
Provisions for other liabilities and charges	22	10.8	17.7	20.8
Deferred tax liabilities	15	8.2	8.5	8.7
Retirement benefit obligations	30	51.4	52.5	51.7
Non-current liabilities		**150.8**	**155.0**	**163.8**
Total liabilities		**306.7**	**310.3**	**291.5**
Net liabilities		**(45.1)**	**(76.3)**	**(89.8)**
Equity/(Deficit)				
Share capital	23	—	—	—
Share premium	24	—	—	—
Retained deficit	26	(44.2)	(76.1)	(90.2)
Other reserves	25	(0.9)	(0.2)	0.4
Total deficit attributable to owners of the parent		**(45.1)**	**(76.3)**	**(89.8)**

Combined and Consolidated Statement of Cash Flows

for the periods ended 30 September 2014, 2013 and 2012

	Note	12 months to 30 September 2014 £m	12 months to 30 September 2013 £m	14 months to 30 September 2012 £m
Profit/(loss) for the year before tax		**16.1**	**12.8**	**(157.4)**
Finance income	6	—	(0.9)	(1.8)
Finance cost	6	7.8	7.8	(39.6)
Share of post-tax trading results of joint ventures	13	(1.0)	(4.5)	(6.6)
Amortisation of intangible assets—arising from business combinations	11	5.0	4.8	5.4
Amortisation of intangible assets—software and other acquired intangibles	11	0.7	2.3	4.2
Impairment of goodwill	11	—	—	128.6
Impairment of intangible fixed assets	11	—	—	19.2
Depreciation	12	3.2	4.4	4.7
(Profit)/loss on disposal of property, plant and equipment		(0.6)	1.0	—
Impairment of property, plant and equipment	12	—	—	0.3
Gain on disposal	4	—	—	(0.2)
Operating cash flows before movements in working capital		**31.2**	**27.7**	**(43.2)**
Special Contributions to pension fund		(2.4)	(3.0)	(2.1)
(Increase)/decrease in receivables		(7.7)	(7.4)	36.1
Increase/(decrease) in payables		4.6	5.7	(30.8)
(Decrease)/increase in provisions		(8.1)	(6.8)	17.7
Cash flows from operating activities		**17.6**	**16.2**	**(22.3)**
Dividends received from joint ventures	13	1.0	1.0	5.3
Finance income		—	0.3	1.8
Finance costs		(6.2)	(6.6)	(32.4)
Taxation paid		(0.1)	(0.3)	—
Net cash generated/(used) from operating activities		**12.3**	**10.6**	**(47.6)**
Cash flows from investing activities				
Purchase of business assets and liabilities and subsidiary investments	31	—	—	(0.7)
Acquisition of subsidiaries net of cash acquired	31	—	(11.7)	—
Disposal of investment in joint venture	13	—	9.7	—
Sale of business and assets, net of cash disposed of	31	—	—	3.4
Sale of subsidiary, net of cash disposed of	31	—	—	2.6
Proceeds from sale of property, plant and equipment		1.1	—	—
Purchase of property, plant and equipment	12	(5.2)	(2.2)	—
Purchase of intangibles—software and assets in the course of construction	11	(1.0)	(1.6)	(0.7)
Net cash (used)/generated in investing activities		**(5.1)**	**(5.8)**	**4.6**
Cash flows from financing activities				
Loan facility drawn down net of loan issue costs		0.5	21.5	60.0
Repayment of borrowings		(5.0)	(21.9)	(28.0)
Net purchase of shares by Employee Benefit Trust from shareholders		(0.6)	—	—
Net cash (used)/generated in financing activities		**(5.1)**	**(0.4)**	**32.0**
Net increase/(decrease) in cash and cash equivalents		**2.1**	**4.4**	**(11.0)**
Opening cash and cash equivalents		34.3	29.9	40.9
Closing cash and cash equivalents	**28**	**36.4**	**34.3**	**29.9**

Combined and Consolidated Statements of Changes in Equity
for the periods ended 30 September 2014, 2013 and 2012

						Attributable to owners of the parent	
	Note	Share capital £m	Share premium £m	Mouchel Group plc Invested capital £m	Other reserves £m	Retained earnings/ (deficit) £m	Total equity/(deficit) attributable to owners £m
Balance at 1st August 2011		—	—	(14.3)	—	—	(14.3)
Pre-acquisition comprehensive expense pre-acquisition to 25 August 2012:		—	—		—	—	
Loss for the period		—	—	(66.3)	—	—	(66.3)
Pre-acquisition other comprehensive expense (period to 25 August 2012):							
Remeasurement loss on pension scheme valuations		—	—	(17.6)	—	—	(17.6)
Deferred tax on pension scheme valuations and other		—	—	3.0	—	—	3.0
Cash flow hedges	25	—	—	1.5	—	—	1.5
Currency translation differences	25	—	—	0.9	—	—	0.9
Impairment of shares held by ESOP trusts	25	—	—	0.4	—	—	0.4
Total pre-acquisition other comprehensive expense		—	—	(11.8)	—	—	(11.8)
Total pre-acquisition comprehensive expense for the period		—	—	(78.1)	—	—	(78.1)
Balance pre-acquisition		—	—	(92.4)	—	—	(92.4)
On Administration							
On administration other comprehensive expense (25 August 2012):							
De-recognition of Mouchel Group plc share capital on acquisition		—	—	(0.3)	—	—	(0.3)
De-recognition of Mouchel Group plc share premium on acquisition		—	—	(27.9)	—	—	(27.9)
De-recognition of Mouchel Group plc other reserves on acquisition	25	—	—	(14.9)	—	—	(14.9)
De-recognition of Mouchel Group plc retained losses on acquisition	26	—	—	135.5	—	—	135.5
Total on Administration		—	—	92.4	—	—	92.4
Post-acquisition comprehensive income (26 August 2012 to 30 September 2012):							
Loss for the period		—	—	—	—	(87.7)	(87.7)
Post-acquisition other comprehensive expense (26 August 2012 to 30 September 2012):							
Remeasurement loss on pension scheme valuations	30	—	—	—	—	(3.9)	(3.9)
Deferred tax on pension scheme valuations and other	8, 15	—	—	—	—	0.7	0.7
Other		—	—	—	—	0.7	0.7
Currency translation differences	25	—	—	—	0.4	—	0.4
Total post-acquisition other comprehensive expense		—	—	—	0.4	(2.5)	(2.1)
Total post-acquisition comprehensive (expense)/income for the year		—	—	—	0.4	(90.2)	(89.8)
Balance at 30 September 2012		—	—	—	0.4	(90.2)	(89.8)
Balance at 1 October 2012		—	—	—	0.4	(90.2)	(89.8)
Comprehensive income:							
Profit for the year		—	—	—	—	18.1	18.1
Other comprehensive income/(expense):							
Remeasurement loss on pension scheme valuations	30	—	—	—	—	(3.8)	(3.8)
Deferred tax on pension scheme valuations and other	8, 15	—	—	—	—	(1.0)	(1.0)
Recognition of pension scheme asset	29	—	—	—	—	0.8	0.8
Currency translation differences	25	—	—	—	(0.6)	—	(0.6)
Total other comprehensive expense		—	—	—	(0.6)	(4.0)	(4.6)
Total comprehensive (expense)/income for the year	—	—	—	—	(0.6)	14.1	13.5
Balance at 30 September 2013					(0.2)	(76.1)	(76.3)
Balance at 1 October 2013		—	—	—	(0.2)	—	—
Comprehensive income:		—	—	—	—	(76.1)	(76.3)
Profit for the year		—	—	—	—	36.9	36.9
Other comprehensive income/(expense):							
Remeasurement loss on pension scheme valuations	30	—	—	—	—	—	—
Deferred tax on pension scheme valuations and other	8, 15	—	—	—	—	(5.1)	(5.1)
Currency translation differences	25	—	—	—	(0.1)	0.1	0.1
Net acquisition of Employee Benefit Trust shares	25	—	—	—	(0.6)	—	(0.1)
Total other comprehensive expense		—	—	—	(0.7)	(5.0)	(5.7)
Total comprehensive (expense)/income for the year		—	—	—	(0.7)	31.9	31.2
Balance at 30 September 2014		—	—	—	(0.9)	(44.2)	(45.1)

Notes to the Combined and Consolidated Financial Information for the periods ended 30 September 2014, 2013 and 2012.

1 General Information

MRBL Limited ("the Company") and its subsidiaries collectively form the "Mouchel Group". The Mouchel Group's principal activity is that of an infrustructure and business services group.

2 Accounting policies

a Basis of preparation

The combined and consolidated financial information for the 14 months ended 30 September 2012 and the two years ended 30 September 2014 (the "HFI") has been prepared specifically for the purpose of this Investment Circular. The historical financial information has been prepared in accordance with the Prospectus Directive Regulation, the Listing Rules and in accordance with this basis of preparation. The accounting policies applied to the HFI conform with the accounting policies adopted in Kier plc's latest published annual accounts. The financial information has been prepared on a going concern basis and under the historical cost convention except for interest rate hedges designated at fair value through the profit and loss.

This basis of preparation describes how the HFI has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union, the Companies Act 2006 that applies to companies reporting under International Financial Reporting Standards as adopted by the European Union and IFRIC interpretations together "IFRS", except as described below.

IFRS does not provide for the specific accounting treatment set out below, and accordingly in preparing the combined historical financial information for the 14 month period ended 30 September 2012, certain accounting conventions commonly used for the preparation of historical financial information for inclusion in investment circulars as described in the Annexure to SIR 2000 (Investment Reporting Standard applicable to public reporting engagements on historical financial information) issued by the UK Auditing Practices Board have been applied. The application of these conventions results in the departure from IFRS as described below. Other than these departures IFRS has been applied.

For the 14 month period ended 30 September 2012

The Company was incorporated on 13 August 2012 and has prepared consolidated financial information for the 6 weeks ended 30 September 2012 and the two years ended 30 September 2014. On 25 August 2012 (the "Acquisition Date") MRBL Ltd bought the subsidiaries and took on all the obligations and liabilities from Mouchel Group plc (the "Acquisition"). On 24 August 2012, one day prior to the Acquisition Date, Mouchel Group plc, excluding the acquired trading subsidiaries was put into administration (the "Administration"). Together MRBL Ltd and Mouchel Group plc and their subsidiaries are referred to as the "Mouchel Group" within this HFI.

Due to the Administration, Mouchel Group has not comprised a separate legal group that prepared consolidated financial results for the full period covering the 14 months ended 30 September 2012 and the two years ended 30 September 2014 (the "Historical Track Record"). However, financial information for the 14 month period to 30 September 2012 exists for all of the underlying trading businesses (the "Mouchel Group Businesses") that were acquired by the Company on the Acquisition date; the longer accounting period is a consequence of a change in accounting period from 31 July to 30 September for Mouchel Group.

Therefore, whilst the Acquisition resulted in a change in legal ownership that required acquisition accounting, there was no change to Mouchel Group Businesses during the Historical Track Record. Accordingly, a continuous track record of Mouchel Group at the date of this Investment Circular has been presented in accordance with the Annexure to SIR 2000.

The following summarises the accounting and other principles applied in preparing the combined historical financial information for the 14 month period ended 30 September 2012:

- the assets and liabilities, income and expenses and cash flows of Mouchel Group Businesses have been aggregated in accordance with paragraph 26 of the Annexure to SIR 2000; and

2 Accounting policies (Continued)

- in presenting the historical financial information of Mouchel Group, account has been taken of certain adjustments that arose as a result of the Acquisition to reflect the:

  a Purchase of all of the assets and liabilities of Mouchel Group by MRBL Ltd, from the administrator, by way of:

    - Recognition of the assets and liabilities of Mouchel Group at fair value including the full impairment of pre-acquisition goodwill.
    - The difference between the consideration paid and the fair value of net liabilities acquired being recognised as goodwill (refer to note 31).
    - Recognition of these goodwill adjustments has been recorded as a net credit to Invested Capital.

  b Financial restructuring of Mouchel Group involving:

    - An agreement with the lenders (The Royal Bank of Scotland plc, Lloyds Banking Group and Barclays) to MRBL Ltd to write off the bank debt and fees of £86.9m in return for an issue to the lenders of shares forming part of the ordinary shares of MRBL Ltd.
    - A number of restructuring, impairment and accelerated amortisation charges and provisions.

  c A subsequent non-cash impairment of the goodwill (refer to note 31).

    - equity, including the total amounts invested by the shareholders in Mouchel Group Businesses pre-Acquisition in the form of share capital, share premium, other reserves and accumulated profits and losses, have been aggregated into Invested Capital.
    - The combined and consolidated historical information has not been prepared in accordance with IAS 33 'Earnings per Share' given changes in the capital structure in the 14 month period ended 30 September 2012. An illustrative earnings per share measure for the 14 month period ended 30 September 2012 is included in note 10 to present the earnings attributable to the Ordinary Shares as at the Acquisition Date.

b Changes in accounting policies

The following new and revised standards and interpretations have been adopted by Mouchel Group and have affected the amounts reported in this historical financial information for all periods.

IAS 19 (revised 2011), *Employee Benefits,* requires Mouchel Group to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability. The change has no impact on the pension liability or cash. See note 31 for further information on the impact of the standard.

The following new and revised standards and interpretations have been adopted by Mouchel Group and do not have a material impact on the historical financial information for all periods.

Amendment to IAS 1, *Financial statement presentation regarding other comprehensive income*. The main change resulting from this amendment is a requirement for entities to group items presented in "other comprehensive income" on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). There has been no measurement impact on the combined and consolidated financial information of applying the amendments to IAS 1.

Amendment to IFRS 7, *Financial instruments: Disclosures, on asset and liability offsetting*. This amendment enables users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities on the entity's financial position.

IFRS 13, *Fair value measurement.* The objective of the standard is to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements. There has been no measurement impact on the combined and consolidated financial information of applying IFRS 13.

2 Accounting policies (Continued)

Annual Improvements 2011. These Annual Improvements address six areas, none of which materially impacted Mouchel Group's primary statements.

No interpretations have been early adopted as of 1 August 2011. For a full list of future changes to standards please refer to note 2y.

c Basis of consolidation

The results of subsidiaries acquired or disposed of during the period are included in the combined and consolidated income statement from the effective date of acquisition or up to the date of disposal, as appropriate.

On acquisition, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of Mouchel Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by Mouchel Group. The consideration transferred includes the fair values of any asset or liability resulting from a contingent consideration arrangement. Any costs directly attributable to the business combination are written off to the combined and consolidated income statement. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 (Revised), Business Combinations, are recognised at their fair values at the acquisition date. When the initial accounting for a business combination is incomplete at the end of the first reporting period post acquisition, provisional amounts are used.

During the measurement period, the provisional amounts are retrospectively adjusted and additional assets and liabilities may be recognised, to reflect new information obtained about the facts and circumstances that existed at the acquisition date which would have affected the measurement of the amounts recognised at that date, had they been known. The measurement period does not exceed twelve months from the date of acquisition. Where Mouchel Group acquires control of another business, the identifiable assets acquired, the liabilities assumed and any non-controlling interests in the acquired business shall be recognised, separately from goodwill. This process involves management making an assessment of the fair value of these items.

Management judgement is particularly involved in the recognition and measurement of the following items: intellectual property—this may include patents, licences, trademarks and similar rights; contingencies—such as legal and environmental matters; contingent consideration arrangements; and the recoverability of any accumulated tax losses previously incurred by the acquired company. In all cases, management makes an assessment based on the underlying economic substance of the items concerned, and not only on the contractual terms, in order to fairly present these items.

d Interests in joint ventures

A joint venture is a contractual arrangement whereby Mouchel Group and one or more other parties undertake an economic activity that is subject to joint control. Joint control is when the strategic, financial and operating policy decisions relating to the activity require the unanimous consent of the parties sharing control.

Mouchel Group conducts its joint venture arrangements through both jointly controlled entities and jointly controlled operations. Mouchel Group's interests in jointly controlled entities are reported using the equity method. Under this method Mouchel Group's share of the profits less losses of jointly controlled entities is included in the combined and consolidated income statement and its interest in their net assets is included in investments in the combined and consolidated balance sheet. Where the share of the losses exceeds Mouchel 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. For jointly controlled operations, Mouchel Group accounts for its own share of sales, profits, assets, liabilities and cashflows measured according to the terms of the agreement covering the jointly controlled operations.

2 Accounting policies (Continued)

e Goodwill

Goodwill arising on consolidation represents the excess of the consideration over Mouchel Group's interest in the net fair value of the identifiable assets and liabilities of the subsidiary or jointly controlled entity recognised at the date of acquisition. 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 combined and consolidated income statement immediately.

On disposal of a subsidiary or jointly controlled entity, the attributable amount of goodwill remaining is included in the determination of the profit or loss on disposal.

Determining whether goodwill is impaired requires an estimation of the value in use of cash-generating units (CGUs) to which the goodwill has been allocated. The value in use calculation requires an estimate to be made of the timing and amount of future cash flows expected to arise from the CGU and the application of a suitable discount rate in order to calculate the net present value. Cash flow forecasts 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 11 together with an assessment of the impact of reasonable possible sensitivities.

f Foreign currencies

The individual financial statements of each Mouchel Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the historical financial information, the results and financial position of each entity are expressed in Pounds Sterling, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

(i) Individual entity financial statements

Transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement or retranslation of monetary items are included in the combined and consolidated income statement. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the combined and consolidated income statement for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

(ii) Combined and consolidated financial statements

The assets and liabilities of Mouchel Group's foreign operations are expressed in Pounds Sterling using exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used.

Any exchange differences arising are recognised in other comprehensive income and transferred to Mouchel Group's translation reserve. Such translation differences are recognised in the combined and consolidated income statement in the period in which the foreign operation is disposed of.

g Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts due for services provided, net of sales-related taxation and after eliminating revenue within Mouchel Group.

2 Accounting policies (Continued)

Revenue is recognised as follows:

(i) Construction contracts

When the outcome of a construction contract can be estimated reliably, contract revenue and costs associated with the construction contract are recognised by reference to the stage of completion of the contract activity at the balance sheet date in accordance with IAS 18 Revenue and IAS 11 Construction Contracts. This is measured by the proportion of contract costs incurred for work performed to date compared to the estimated total contract costs.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs that are probable to be recovered. Contract costs are recognised as expenses in the period in which they are incurred.

No profit is recognised until the outcome of the contract can be estimated reliably.

When it is probable that the total contract costs will exceed total contract revenue, the expected loss is fully provided for and recognised as an expense immediately.

(ii) Service contracts

Revenue from service contracts is recognised by reference to services performed to date as a percentage of total services to be performed.

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.

h Employee benefits

Mouchel Group operates several occupational pension schemes, of both the defined contribution and defined benefit type.

(i) Defined contribution pension schemes

Contributions to Mouchel Group's defined contribution schemes are recognised as an employee benefit expense when they fall due. Employer pension contributions in respect of employees who transferred under TUPE to Mouchel Group, but who remain members of their respective councils' defined benefit pension scheme are treated as being made to defined contribution schemes where under the terms of the contract the defined benefit liability effectively remains with the relevant council.

Prepaid contributions are recognised as an asset to the extent that they result in either a cash refund or a reduction in future payments.

(ii) Defined benefit pension schemes

The asset/liability recognised in the combined and consolidated balance sheet for Mouchel Group's defined benefit pension schemes is the present value of the defined benefit obligation at the balance sheet date less the fair value of scheme assets. The defined benefit obligation is calculated by independent actuaries using the projected unit credit method and by discounting the estimated future cash flows using interest rates on high-quality corporate bonds that have terms to maturity approximating the terms of the related pension liability. Any asset resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan (asset ceiling).

The pension expense for Mouchel Group's defined benefit schemes is recognised as follows:

Within operating profit

Current service cost—representing the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

2 Accounting policies (Continued)

Past service cost—representing the increase in the present value of the defined benefit obligation resulting from employee service in prior periods which arises from changes made to the benefits under the scheme in the current period. To the extent that the changes to benefits vest immediately, past service costs are recognised immediately; otherwise they are recognised on a straight-line basis over the vesting period.

Gains and losses arising on settlements and curtailments—where the item that gave rise to the settlement or curtailment is recognised within operating profit.

Administration costs—costs associated with operating the Mouchel pension schemes are charged through the combined and consolidated income statement following the revision of IAS 19.

Within finance costs

Interest cost on the liabilities of the scheme—calculated by reference to the scheme liabilities and discount rate at the beginning of the period and allowing for changes during the period.

Expected return on the assets of the scheme—calculated by reference to the scheme assets and long-term expected rate of return at the beginning of the period and allowing for changes during the period.

Within the combined and consolidated statement of comprehensive income

Remeasurement gains and losses arising on the assets and liabilities of the scheme.

When a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement) occurs, the obligation and related plan assets are remeasured using current actuarial assumptions and the resultant gain or loss is recognised in the combined and consolidated income statement during the period in which the curtailment occurs.

(iii) Share-based payments

Mouchel Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share- based payments is expensed on a straight-line basis over the vesting period, based on Mouchel Group's estimate of the shares that will eventually vest. At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and hence the number of equity instruments that will ultimately vest. The movement in the cumulative expense since the previous combined and consolidated balance sheet is recognised in the combined and consolidated income statement.

i Taxation

Taxation in the combined and consolidated income statement represents the sum of the income tax currently payable and deferred tax on items charged or credited to the combined and consolidated income statement.

The income tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the combined and consolidated income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. Mouchel Group's liability for current income tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the historical financial information and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all temporary differences and deferred income tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

2 Accounting policies (Continued)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and interests in joint ventures, except where Mouchel Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the combined and consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also reflected in equity. Examples of items charged to equity are gains or losses in relation to pension scheme valuations and actual amounts received in respect of relief obtained in granting options to employees under share incentive schemes.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current income tax liabilities and when they relate to income taxes levied by the same taxation authority and Mouchel Group intends to settle its current tax assets and liabilities on a net basis.

j Intangible assets

(i) Computer software costs

The cost or valuation of assets acquired or created to fulfil customer contracts, less their estimated residual value, is written down in equal instalments over the life of the contract to which the assets relate.

Acquired computer software licences and software development costs are capitalised and amortised over their estimated useful lives of between three and eight years.

Mouchel Group's corporate information systems are treated as an intangible asset. Costs included are those directly attributable to the design, construction and testing of new systems (including major enhancements and internally generated costs) from the point of inception to the point of satisfactory completion where it can be determined how the product will generate probably future economic benefits and where the expenditure attributable to the product during its development can be reliably measured. Maintenance and minor modifications are expensed in the combined and consolidated income statement as incurred. The corporate information systems are amortised on a straight-line basis over their estimated useful economic life of up to eight years.

(ii) Assets in the course of construction

Capital software projects which are incomplete at the balance sheet date are included within this category of intangible assets until the projects are commissioned and transferred to computer software costs. Assets in the course of construction are not amortised.

(iii) Customer relationships

Customer relationships are initially measured as the present value of cash flows attributable to the relationship after deduction of appropriate contributory asset charges. The carrying value of the acquired customer relationships is amortised on a straight-line basis over the remaining period of the expected client relationship. Such amortisation periods are typically between 3 and 10 years.

(iv) Brand

Corporate brand names acquired as part of acquisitions of businesses are capitalised separately from goodwill as intangible assets if their value can be measured reliably on initial recognition and it is probable that the expected future economic benefits that are attributable to the asset will flow to Mouchel Group. These are amortised over their expected useful life of 20 years on a straight line basis.

2 Accounting policies (Continued)

k Property, plant and equipment

Assets are carried at cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are capitalised only when it is probable that they will result in future economic benefits flowing to the Group and when they can be measured reliably. All other repairs and maintenance expenditure is charged to the combined and consolidated income statement in the year in which it is incurred.

Depreciation on assets is calculated using the straight-line method to write off their cost less their residual value over their estimated useful lives as follows:

Leasehold improvements—over the expected term of the lease

Plant and office equipment—3-10 years

Vehicles—3-5 years

Assets under construction, within property, plant and equipment, comprise computer hardware projects which were incomplete at the balance sheet date and are included within this category until the projects are commissioned and transferred to plant and office equipment. Assets in the course of construction are not depreciated.

The cost or valuation of assets acquired or created to fulfil customer contracts, less their estimated residual value, is written down in equal instalments over the life of the contract to which the assets relate. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. Residual values and estimated useful lives are reviewed, and adjusted if appropriate, at least at each financial year-end.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses arising on disposals are determined by comparing net sales proceeds with carrying amounts and are recognised in the combined and consolidated income statement in the period of the disposal.

l Impairment of non-current assets

(i) Goodwill

For the purpose of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired.

If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

An impairment loss recognised for goodwill is not reversed in a subsequent period.

(ii) Other non-current assets

At each balance sheet date, Mouchel Group reviews the carrying amount of its non-current assets to determine whether there is any indication that those assets have suffered an impairment loss.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent, if any, of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, Mouchel Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

2 Accounting policies (Continued)

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the latter is reduced to its recoverable amount. Any impairment is recognised immediately in the combined and consolidated income statement.

Prior impairments of non-current assets other than goodwill are reviewed for possible reversal at each reporting date.

(iii) Assets in the course of construction

As stated in note 2j(ii), incomplete capital projects are included within other intangible assets. They are not amortised. Once the project is complete and transferred to software it is amortised in accordance with note 2j(i).

m Operating leases

Rentals payable under operating leases are charged to the combined and consolidated income statement on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

n Financial instruments

Financial assets and liabilities are recognised on Mouchel Group's combined and consolidated balance sheet when Mouchel Group becomes a party to the contractual provisions of the instrument.

(i) Inventories

Inventories are stated at cost less impairment. Cost is determined using the first in, first out method.

(ii) Trade receivables and unbilled revenue

Trade receivables and unbilled revenue, including contract retentions, are initially measured at fair value, do not carry any interest, and are reduced by appropriate impairment provisions for estimated irrecoverable amounts. They are subsequently measured at amortised cost.

Where recovery is anticipated as being greater than one year, the receivable is discounted. The unwinding of any such discount is reflected in Finance Income.

A provision for impairment of trade receivables and unbilled revenue is established when there is objective evidence that Mouchel Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the customer, probability that the customer will enter bankruptcy or financial reorganisation and default may be considered indicators that the trade receivable may be impaired. Delinquency of payments is an indicator that is considered when assessing whether the asset needs to be impaired.

The amount of the impairment provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an impairment provisions account, and the amount of the loss is recognised in the combined and consolidated income statement within administrative expenses. When a trade receivable is uncollectible, it is written off against the impairment provisions account for trade receivables.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment is recognised in the combined and consolidated income statement.

(iii) Cash and cash equivalents

These comprise cash in hand and on demand deposits, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

2 Accounting policies (Continued)

(iv) Trade and other payables

Trade and other payables are not interest-bearing and are initially measured at their fair value. They are subsequently measured at amortised cost.

(v) Borrowings

Bank overdrafts and interest-bearing loans are initially measured at fair value. After initial recognition loans and borrowings are subsequently measured at amortised cost, taking into account issue costs.

Borrowings are classified as current liabilities unless Mouchel Group has an unconditional right to defer settlement of the liability for a period of at least 12 months after the end of the reporting period.

(vi) Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

(vii) Derivative financial instruments

The derivative instruments used by Mouchel Group, which are used solely for hedging purposes (i.e. to offset interest rate risks) comprise interest rate swaps. Such derivative instruments are used to alter the risk profile of an existing underlying exposure of Mouchel Group, in line with Mouchel Group's risk management policies.

Derivatives are initially recognised at fair value on the date the contract is entered into and are subsequently re-measured at their fair value. Refer to note 18 for further detail on fair value measurement.

Derivatives are classified as current or non-current based on the timing of cash flows. Mouchel Group does not use hedge accounting as allowable under IFRS and accounts for the difference in the fair value of its financial instruments immediately through the combined and consolidated income statement.

(viii) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the combined and consolidated balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

o Provisions

Provisions are recognised when Mouchel Group has a present obligation as a result of a past event, and it is probable that Mouchel Group will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material, using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in provision due to the passage of time is recognised in finance costs.

Restructuring provisions are recognised when Mouchel Group has committed to a course of restructuring activity that will result in non-underlying costs to complete.

Insurance/claims provisions reflect management's view of the likely outcome of insurance and other legal claims made against Mouchel Group in connection with operational activities.

Dilapidation provisions are recognised to provide for the expected costs of meeting dilapidation/ reinstatement requirements for properties leased by Mouchel Group when they are exited and these are provided for at the point of lease inception and included within leasehold improvements.

Onerous contract provisions are recognised where the unavoidable costs relating principally to property lease contracts are not expected to be fully recovered by the economic benefits expected to be derived from using those properties.

Provisions for termination benefits are recognised when Mouchel Group has a detailed formal plan to terminate the employment of current employees without the possibility of withdrawal. Termination benefits

are payable when employment is terminated by Mouchel Group before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer.

p Segmental reporting

Segment reporting requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. Reportable segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Executive Directors. A geographical segment is engaged in providing services within a particular world location.

Mouchel Group's reportable segments, as defined in note 2, are those used internally by management to run the business and make decisions. Mouchel Group's reportable segments are based on products and services.

q Investments in subsidiaries

Investments in subsidiaries are stated at cost less accumulated impairment losses.

r Financial risk management

Mouchel Group has a limited number of overseas operations, significant cash balances and a revolving credit facility which expose Mouchel Group to the effects of changes in foreign currency exchange rates, changes in interest rates and credit risk. Mouchel Group manage these risks within a defined set of policies and procedures laid down by the Board.

The Board has identified that Mouchel Group is exposed to foreign exchange risk, interest rate risk, credit risk, liquidity risk and price risk in varying degrees.

The Mouchel Group's policy for managing these risks is set out in note 20.

The Mouchel Group hedges against interest rate risk on bank borrowings.

s Research and development

Expenditure on research is recognised as an expense in the period in which it is incurred. Development costs are expensed in the period in which the costs are incurred unless the criteria for capitalisation are met.

t Dividends

Dividends are recorded in Mouchel Group's historical financial information in the period in which they are approved by Mouchel Group's shareholders.

u Non-underlying items

Certain items are presented separately in the combined and 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 Mouchel Group's underlying business performance.

Examples of material and non-recurring 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 reclassifications 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 Mouchel Group can be measured from period to period. Underlying operating profit is one of the key measures used by the Board to monitor Mouchel Group's performance.

2 Accounting policies (Continued)

v Borrowing costs

Borrowing costs, at the rate incurred, are added to the cost of those assets that necessarily take a substantial period of time to get ready for their intended use or sale until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

w Employee Benefit Trust

The accounts of the Employee Benefit Trust (EBT) are incorporated into the results of Mouchel Group as, although they are administered by independent trustees and their assets are held separately from those of Mouchel Group, in practice, Mouchel Group's recommendations on how the assets are used for the benefit of employees are normally followed. Mouchel Group bears the major risks and rewards of the assets held by the EBT until the shares vest unconditionally with the employees. Shares in MRBL Limited held by the EBTs are shown as a reduction in retained earnings. Other assets and liabilities held by the EBT are consolidated within the assets of Mouchel Group.

x Key accounting estimates

The preparation of historical financial information in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. In the process of applying Mouchel Group's accounting policies which are described above, management has made the following judgements which have the most significant effect on the amounts recognised in the historical financial information:

(i) Retirement benefit obligations

The calculation of retirement benefit obligations is dependent on material key assumptions including discount rates, future returns on assets and future contribution rates (see note 30). The value of retirement benefit obligations at the balance sheet date is £55.7m (2013: £53.0m and 2012: £52.2m). The sensitivity associated with assumptions is disclosed in note 30b.

(ii) Goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation involves an estimation of the future growth rates and future cash flows of cash-generating units and also the selection of appropriate discount rates, which involves judgement, to calculate present values (see note 11). The carrying value of goodwill at the balance sheet date is £32.9m (2013: £32.9m and 2012: £24.2m).

(iii) Revenue recognition

Mouchel Group's revenue recognition policy is stated in note 2g. In some cases, judgement is required to determine the appropriate proportion of the value delivered on the contract and the extent to which fees will be recoverable. The recoverability of fees in the cases where the fee has become the subject of a claim against the customer involves management judgement to be applied to the specific circumstances of each individual case.

(iv) Intangible assets

As described in note 2j, Mouchel Group recognises certain intangible assets on acquisition. Judgements in respect of useful lives, discount rates and valuation methods affect the carrying value and amortisation charges in respect of these assets. These judgements are shown in note 11.

(v) Deferred income tax and income taxes

Management has estimated the likely value of deferred income tax assets in respect of trading losses. There are many transactions and calculations for which the ultimate tax determination is uncertain. Mouchel Group recognises liabilities and assets for anticipated tax audit issues based on estimates of whether additional taxes will be due (see note 8 and note 15).

2 Accounting policies (Continued)

Mouchel Group has open tax matters with a number of revenue authorities. Mouchel Group believes that it has made adequate provision for the liabilities likely to arise from open assessments. Where open matters exist the ultimate liability for such matters may vary from the amounts provided and is dependent on the outcome of negotiations with the relevant tax authorities or, if necessary, litigation.

(vi) Provisions for liabilities and charges

Refer to note 22 for further information on Mouchel Group's judgements relating to the recognition of provisions for liabilities and charges.

y New standards and amendments not yet adopted by Mouchel Group

Standards issued but not yet effective up to the date of issuance of Mouchel Group's combined and consolidated historical financial information are listed below. Mouchel Group intends to adopt these standards and interpretations when they become effective. The Directors are currently assessing the impact of these standards on Mouchel Group.

(i) New Standards

IFRS 10, "Consolidated financial statements" is effective for Mouchel Group for the period ending 30 September 2015.

IFRS 11, "Joint arrangements" is effective for Mouchel Group for the period ending 30 September 2015. Given Mouchel Group has a number of joint arrangements which are currently proportionally consolidated it is possible that the standard will have a material impact on Mouchel Group's reporting as this will no longer be permitted. Mouchel Group is currently assessing the impact.

IFRS 12, "Disclosures of interests in other entities" is effective for Mouchel Group for the period ending 30 September 2015.

IFRS 9 "Financial Instruments"—effective for accounting periods beginning on or after 1 January 2018—Not yet endorsed by the EU.

IFRS 15 "Revenue from contracts with customers"—effective for accounting periods beginning on or after 1 January 2017—Not yet endorsed by the EU.

IAS27 (revised 2011) "Separate Financial Statements"—effective for Mouchel Group for the period ending 30 September 2015.

IAS28 (revised 2011) "Investments in Associates and Joint Ventures"—effective for Mouchel Group for the period ending 30 September 2015.

(ii) Amendments to existing standards

Amendments to IAS19 "Employee Benefits" on employee contributions—effective for accounting periods beginning on or after 1 July 2014—Not yet endorsed by the EU.

Amendments to IAS 27, 'Separate financial statements' on equity accounting, effective for accounting periods beginning on or after 1 January 2016—Not yet endorsed by the EU.

Amendments to IAS 32 "Financial Instruments: Disclosures, on offsetting financial assets and financial liabilities" is effective for Mouchel Group for the period ending 30 September 2015.

Amendments to IAS 36, "Impairment of assets" on recoverable amount disclosures, is effective for Mouchel Group for the period ending 30 September 2015.

Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28, 'Investments in associates and joint ventures' on sale or contribution of assets—effective for accounting periods beginning on or after 1 January 2016—Not yet endorsed by the EU.

Amendments to IFRS 10, 11 and 12 on transition guidance, are effective for Mouchel Group for the period ending 30 September 2015.

2 Accounting policies (Continued)

Amendments to IFRS 10, 12 and IAS 27 on consolidation for investment entities, are effective for Mouchel Group for the period ending 30 September 2015.

Amendments to IFRS 11 "Joint Operations" on acquisition of an interest in a joint operation—effective for accounting periods beginning on or after 1 January 2016—Not yet endorsed by the EU.

3 Segmental analysis

Reportable segments

Mouchel Group's operations are organised and managed separately, according to the nature of products and services provided. Integrated Infrastructure Services comprises asset management, engineering design and operation management. Mouchel Business Services encompasses Mouchel Group's partnerships with various UK local authorities to provide a range of front and back office public services. Corporate comprises the central cost of running Mouchel Group. The financing of Mouchel Group's activities is undertaken centrally and consequently net financing costs cannot be analysed segmentally.

Analysis of operating profit/(loss) by reportable segment is as follows:

Period to 30 September 2014	Integrated Infrastructure Services £m	Mouchel Busines Services £m	Corporate £m	Total £m
Revenue[1]				
Group and share of joint ventures	470.9	145.7	—	616.6
Less share of joint ventures	(4.7)	(15.5)	—	(20.2)
Group Revenue	**466.2**	**130.2**	**—**	**596.4**
Profit/(loss)				
Group underlying operating profit/(loss)	35.3	2.0	(10.6)	26.7
Share of post-tax results of joint ventures	0.5	0.5	—	1.0
Underlying net finance costs	(0.1)	—	(7.7)	(7.8)
Underlying profit/(loss) before tax	35.7	2.5	(18.3)	19.9
Non-underlying items	(2.1)	(1.1)	(0.6)	(3.8)
Profit/(loss) before tax	**33.6**	**1.4**	**(18.9)**	**16.1**
Balance sheet				
Total assets excluding cash	157.2	33.5	34.5	225.2
Liabilities excluding borrowings	(106.5)	(31.6)	(92.7)	(230.8)
Net operating assets/(liabilities)	50.7	1.9	(58.2)	(5.6)
Cash, net of borrowings	—	—	(39.5)	(39.5)
Net assets/(liabilities)	**50.7**	**1.9**	**(97.7)**	**(45.1)**

(1) Revenue is stated after the exclusion of inter-segmental revenue.

	Integrated Infrastructure Services £m	Mouchel Business Services £m	Total Group £m
Other information			
Depreciation of property, plant and equipment	1.4	1.8	3.2
Amortisation of intangible assets	3.8	2.6	6.4
Capital expenditure (intangible assets and property, plant and equipment)	5.1	1.1	6.2

3 Segmental analysis (Continued)

Period to 30 September 2013	Integrated Infrastructure Services £m	Mouchel Business Services £m	Corporate £m	Total £m
Revenue[1]				
Group and share of joint ventures	387.9	167.4	—	555.3
Less share of joint ventures	(48.0)	(12.6)	—	(60.6)
Group Revenue	**339.9**	**154.8**	**—**	**494.7**
Profit/(loss)				
Group underlying operating profit/(loss)	24.6	4.3	(9.5)	19.4
Share of post-tax results of joint ventures	3.4	1.1	—	4.5
Underlying net finance costs	—	—	(6.9)	(6.9)
Underlying profit before tax	28.0	5.4	(16.4)	17.0
Non-underlying items	(2.4)	(1.1)	(0.7)	(4.2)
Profit/(loss) before tax	**25.6**	**4.3**	**(17.1)**	**12.8**
Balance sheet				
Total assets excluding cash	138.7	43.0	18.0	199.7
Liabilities excluding borrowings	(84.2)	(38.4)	(107.4)	(230.0)
Net operating assets/(liabilities)	54.5	4.6	(89.4)	(30.3)
Cash, net of borrowings	—	—	(46.0)	(46.0)
Net assets/(liabilities)	**54.5**	**4.6**	**(135.4)**	**(76.3)**

(1) Revenue is stated after the exclusion of inter-segmental revenue.

	Integrated Infrastructure Services £m	Mouchel Business Services £m	Total Group £m
Other information			
Depreciation of property, plant and equipment	2.1	2.3	4.4
Amortisation of intangible assets	3.7	3.4	7.1
Capital expenditure (intangible assets and property, plant and equipment)	16.0	3.2	19.2

3 Segmental analysis (Continued)

14 months to 30 September 2012	Integrated Infrastructure Services £m	Mouchel Business Services £m	Corporate £m	Total £m
Revenue[1]				
Group and share of joint ventures	372.6	248.0	—	620.6
Less share of joint ventures	(132.4)	(29.2)	—	(161.6)
Group Revenue	**240.2**	**218.8**	**—**	**459.0**
Profit/(loss)				
Group underlying operating profit/(loss)	(2.0)	(9.1)	(8.6)	(19.7)
Share of post-tax results of joint ventures	5.6	1.0	—	6.6
Underlying net finance costs	(1.7)	(1.8)	(14.0)	(17.5)
Underlying profit/(loss) before tax	1.9	(9.9)	(22.6)	(30.6)
Non-underlying items	(91.7)	(82.0)	(12.0)	(185.7)
Non-underlying finance credits	—	—	58.9	58.9
Loss before tax	**89.8**	**(91.9)**	**24.3**	**(157.4)**
Balance sheet				
Total assets excluding cash	108.7	47.3	15.8	171.8
Liabilities excluding borrowings	(54.3)	(46.5)	(111.1)	(211.9)
Net operating assets/(liabilities)	54.4	0.8	(95.3)	(40.1)
Cash, net of borrowings	—	—	(49.7)	(49.7)
Net assets/(liabilities)	**54.4**	**0.8**	**(145.0)**	**(89.8)**

(1) Revenue is stated after the exclusion of inter-segmental revenue.

	Integrated Infrastructure Services £m	Mouchel Business Services £m	Group £m
Other information			
Depreciation of property, plant and equipment	1.4	3.3	4.7
Impairment of property, plant and equipment	0.3	—	0.3
Amortisation of intangible assets	5.2	4.4	9.6
Impairment of intangible assets	77.3	70.5	147.8
Capital expenditure (intangible assets and property, plant and equipment)	0.5	0.2	0.7

Geographical analysis

The table below represents revenue by geographical origin (the analysis by geographical destination is not materially different to that by origin) and the carrying amount of non-current assets[1], split according to the geographical location of those assets.

	Revenue for the period ended			Non-current assets[1] as at 30 September		
	2014 £m	2013 £m	2012 £m	2014 £m	2013 £m	2012 £m
United Kingdom	526.1	490.6	553.4	118.2	106.3	101.2
Middle East	19.0	15.9	14.7	0.6	0.5	0.4
Australasia	71.0	48.0	50.8	0.5	—	—
Other overseas	0.5	0.8	1.7	—	—	—
At September	**616.6**	**555.3**	**620.6**	**119.3**	**106.8**	**101.6**

(1) Non-current assets exclude financial instruments, deferred tax assets and retirement benefit assets where applicable.

3 Segmental analysis (Continued)

Major Customers

Within the Integrated Infrastructure Services segment, revenue of £229.5m (2013: £189.2m and 2012: £125.8m) was derived from a single external customer.

Mouchel Group does not consider various government agencies, whether local or national, to be a single customer under joint control as, whilst many such agencies are subject to the UK Government's Comprehensive Spending Review (CSR), each agency negotiates and manages its supplier contracts individually.

4 Non-underlying items

	For the period ended		
	2014 £m	2013 £m	2012 £m
Amortisation of intangible assets arising from business combinations	5.0	4.8	5.4
Goodwill impairment	—	—	128.6
Impairment of intangible assets arising from business combinations	—	—	10.4
Impairment of other intangible assets	—	—	8.8
Property, plant and equipment impairment charges	—	—	0.3
Movement in provisions	(5.5)	(5.9)	16.5
Pre-contract costs written off	—	—	0.3
Costs associated with business disposal	—	—	0.4
Profit on disposal of operations	—	—	(1.1)
Acquisition transaction costs	—	1.2	—
Costs relating to restructuring activities	4.3	4.1	16.1
Exceptional items before interest and tax	3.8	4.2	185.7
Borrowings written off during restructuring	—	—	(86.9)
Exceptional finance costs	—	—	28.0
Exceptional items before tax	3.8	4.2	126.8
Tax on exceptional items	(9.8)	(1.0)	—
Total exceptional items after tax	**(6.0)**	**3.2**	**126.8**

Non-recurring items include gains or losses on the disposal of businesses, costs of restructuring and reorganisation of existing businesses, integration of newly acquired busineses, asset impairments and acquisition transaction costs. They also include reclass 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 Mouchel Group can be measured from period to period. Underlying operating profit is one of the key measures used by Mouchel Board to monitor Mouchel Group's performance.

Management use underlying profit to measure and manage the financial performance of Mouchel Group on a day-to-day basis. Underlying profit excludes material income and charges considered to be one-off or non-recurring in nature, such as acquisition transaction costs. Underlying profit also excludes the amortisation of intangible assets arising from business combinations. Mouchel Group presents these items as non-underlying items in a separate column in the combined and consolidated income statement so that the underlying and statutory performance can be seen clearly.

The income tax credit of £9.8m (2013:£1.0m and 2012: £nil) in the combined and consolidated income statement represents tax on the non-underlying items in the combined and consolidated income statement of £1.3m (2013: £1.0m and 2012: £nil) and £8.5m (2013 and 2012: £nil) relating to a prior year over provision.

£128.6m of goodwill impairments is composed of £40.7m of impairment prior to the Acquisition date of 25 August 2012, and a further impairment charge of £87.9m subsequent to the Acquisition. Please see note 31 (business combinations) for further details.

4 Non-underlying items (Continued)

In addition, £10.4m of impairment charges relating to customer relationships and £8.8m of impairment charges relating to Software and Other Intangibles and Assets in the course of construction were incurred by Mouchel Group prior to the Acquisition.

£16.5m of increases in provisions in 2012 includes £15.7m of onerous contract provisions following Mouchel Group's strategic review of the level of property space required by the business in the future as a result of changing the way that property is utilised.

In 2012 £16.1m of restructuring charges were incurred to ensure that Mouchel Group had the right organisational structure and staffing levels following the simplification of the organisation from three to two segments and a streamlining of reporting lines.

£86.9m of debt was written off in 2012 as part of the debt -for equity swap agreement with the lenders to the Group whereby they agreed to invest, along with management, in the equity of MRBL in exchange for writing off debts totalling £86.9m comprising of borrowings valued at £76.7m and loan amendment fees of £10.2m. This was a significant portion of Mouchel Group's debt and left total borrowings of £69.2m at the time of Acquisition.

In 2012, Mouchel Group incurred exceptional finance costs of £28.0m. £21.0m of these costs arose from the professional fees incurred as part of the restructuring that took place in that year. The remaining £7.0m comprises of amortisation of the revolving credit facility charge in respect of the facility in place prior to the Acquisition.

5 Operating profit/(loss)—analysis of costs by nature

Operating profit/(loss) is stated after charging/(crediting):

	For the period ended		
	2014 £m	**2013 £m**	**2012 £m**
Staff costs (note 7)	214.8	213.7	290.5
Impairment of goodwill (note 11)	—	—	128.6
Depreciation of property, plant and equipment (note 12)	3.2	4.4	4.7
(Gain)/loss on disposal of property, plant and equipment and software	(0.6)	2.2	—
Amortisation of software and other acquired intangibles (note 11)	0.7	2.3	4.2
Amortisation of intangible assets arising from business combinations (note 11)	5.0	4.8	5.4
Acquisition transaction costs	—	1.2	—
Operating lease payments on property, vehicles, plant and equipment	8.7	8.4	11.1
Profit on foreign exchange	—	(0.1)	—

6 Finance income/(costs)

	2014	2013	2012		
	Underlying items £m	Underlying items £m	Underlying items £m	Non-underlying items £m	Total £m
Other interest receivable	**—**	0.6	1.8	—	1.8
Interest receivable on loans to joint ventures	**—**	0.3	—	—	—
Finance income	**—**	0.9	1.8	—	1.8
Interest expense:					
Interest payable on revolving credit facility and term loans	**(3.8)**	(3.2)	(8.2)	—	(8.2)
Amortisation of revolving credit facility	**—**	—	(3.3)	(7.0)	(10.3)
Finance costs	**—**	—	—	(21.0)	(21.0)
Amounts payable on interest rate hedges	**(0.9)**	(1.8)	(3.6)	—	(3.6)
Net interest payable on post-employment benefit liabilities (note 30)	**(2.3)**	(2.2)	(3.4)	—	(3.4)
Interest payable on bonds	**(0.8)**	(0.6)	(0.8)	—	(0.8)
Borrowings written off during restructuring	**—**	—	—	86.9	86.9
Finance costs	**(7.8)**	(7.8)	(19.3)	58.9	39.6
Net finance costs	**(7.8)**	(6.9)	(17.5)	58.9	41.4

In 2012, finance costs of £21.0m were incurred. These arose from the professional fees incurred as part of the restructuring of Mouchel Group. Mouchel Group also amortised the remaining credit facility charge of £7.0m in respect of the previous facility.

Mouchel Group wrote off debts totalling £86.9m comprising debts valued at £76.6m as part of the restructuring and waived loan arrangement fees totalling £10.3m.

There were no non-underlying finance income or costs in 2013 and 2014.

7 Employees and Directors

Staff costs during the year were as follows:

	For the period ended		
	2014 £m	2013 £m	2012 £m
United Kingdom	198.6	200.9	275.9
Rest of world	16.2	12.8	14.6
	214.8	**213.7**	**290.5**

	2014 £m	2013 £m	2012 £m
Wages and salaries	185.8	185.2	252.0
Social security costs	16.5	16.0	19.7
Pension costs defined contribution plans	11.4	11.4	17.0
Pension costs defined benefit plans	1.1	1.1	1.8
	214.8	**213.7**	**290.5**

Staff costs in 2014 include £2.2m (2013: £4.1m and 2012: £1.8m) relating to redundancy and other exit costs which have been charged as restructuring costs as part of nonunderlying items, see note 4, and include temporary staff costs.

7 Employees and Directors (Continued)

The average monthly number of people (including Executive Directors and temporary staff) employed during the year was as follows:

	For the period ended		
	2014	2013	2012
United Kingdom	5,898	6,420	7,883
Rest of world	334	228	219
Total staff	**6,232**	**6,648**	**8,102**

	2014	2013	2012
Integrated Infrastructure Services	3,761	3,695	4,300
Mouchel Business Services	2,444	2,919	3,766
Corporate functions	27	34	36
Total staff	**6,232**	**6,648**	**8,102**

Directors' remuneration:

The remuneration in respect of the Directors was as follows:

	For the period ended		
	2014 £m	2013 £m	2012 £m
Aggregate emoluments	1.3	1.3	1.7
Company pension contributions	0.1	0.1	0.1
Compensation for loss of office	—	0.2	—
	1.4	**1.6**	**1.8**

Highest paid director:

	For the period ended		
	2014 £m	2013 £m	2012 £m
Emoluments in respect of qualifying services	0.7	0.7	0.4
Company pension contributions	—	—	—
	0.7	**0.7**	**0.4**

The Company pension contributions to defined contribution schemes relate to two Directors (2013 and 2012: one).

Directors' interests:

The beneficial interests of the Directors in the share capital of the Company were as follows:

	2014 Ordinary B shares number	2013 Ordinary B shares number	2012 Ordinary B shares number
I Duncan	40,000	40,000	—
R H Harris	—	—	300,000
D Garman	10,000	—	—
M Jeffries	151,335	40,000	—
P Rayner	300,000	300,000	—
G Rumbles	969,000	969,000	960,000
DJB Shearer	–	200,000	200,000
	1,470,335	**1,549,000**	**1,460,000**

7 Employees and Directors (Continued)

During the year ended 30 September 2014, MRBL Limited Employee Benefit Trust, see note 29, acquired 200,000 B Shares from DJB Shearer for £1.9m; and sold 10,000 B Shares to D Garman for £0.1m and 111,335 B Shares to M Jeffries for £0.8m.

8 Income tax

a Recognised in the income statement

	For the periods ended						
	2014			2013			2012
	Underlying items £m	Non-underlying items £m	Total £m	Underlying items £m	Non-underlying items £m	Total £m	Total[1] £m
UK current tax on profits	—	—	—	—	—	—	—
Adjustments for prior periods	(0.2)	(8.5)	(8.7)	—	—	—	—
Overseas current tax on profits	0.5	—	0.5	—	—	—	0.1
Tax relating to joint ventures	(0.3)	—	(0.3)	0.1	—	0.1	(1.9)
Total current tax (credit)/charge	**—**	**(8.5)**	**(8.5)**	**0.1**	**—**	**0.1**	**(1.8)**
Change in corporation tax rate	0.5	—	0.5	(0.6)	—	(0.6)	0.1
Deferred tax recognised in the period	(11.5)	(1.3)	(12.8)	(3.8)	(1.0)	(4.8)	(1.7)
Total deferred tax credit	**(11.0)**	**(1.3)**	**(12.3)**	**(4.4)**	**(1.0)**	**(5.4)**	**(1.6)**
Total tax credit in the income statement	**(11.0)**	**(9.8)**	**(20.8)**	**(4.3)**	**(1.0)**	**(5.3)**	**(3.4)**
Reconciliation of effective tax rate							
Profit/(loss) before tax	20.2	(3.8)	16.4	16.9	(4.2)	12.7	(159.3)
Adjust: tax on joint ventures included above	(0.3)	—	(0.3)	0.1	—	0.1	1.9
Adjusted Profit/(loss) before tax	**19.9**	**(3.8)**	**16.1**	**17.1**	**(4.2)**	**12.8**	**(157.4)**
Profit/(loss) multiplied by the standard rate of corporation tax in the UK of 22% (2013: 23.5% and 2012: 25%)	4.4	(0.8)	3.5	3.6	(1.0)	2.9	(41.2)
Effects of:							
—utilisation of capital allowances not previously recognised	(2.8)	—	(2.8)	—	—	—	—
—unrecognised deferred tax assets	—	—	—	—	—	—	16.4
—utilisation of losses not previously recognised	(2.1)	—	(2.1)	(3.4)	—	(3.4)	—
—non-deductible expenses	1.3	—	1.3	0.4	—	0.4	21.0
—adjustments in respect of prior periods	(0.2)	(8.5)	(8.7)	—	—	—	—
—effect of tax rates in foreign jurisdictions	0.5	—	0.5	—	—	—	0.1
—tax assets recognised in year	(12.3)	(0.5)	(12.8)	(4.7)	—	(4.7)	(1.7)
—effect of change in UK corporation tax rate	0.5	—	0.5	(0.6)	—	(0.6)	0.1
Total tax (including joint ventures)	**(10.7)**	**(9.8)**	**(20.5)**	**(4.4)**	**(1.0)**	**(5.4)**	**(5.3)**
Tax on joint ventures	(0.3)	—	(0.3)	0.1	—	0.1	1.9
Group tax credit	**(11.0)**	**(9.8)**	**(20.8)**	**(4.3)**	**(1.0)**	**(5.3)**	**(3.4)**

(1) The tax credit in 2012 does not contain any non-underlying items.

8 Income tax (Continued)

b Factors affecting the tax credit for the year

The tax credit for the year is lower (2013: lower and 2012: higher) than standard rate of corporation tax in the UK of 22% (2013: 23.5% and 2012: 25%). The differences are explained above.

MRBL and its subsidiaries are based predominantly in the UK and are subject to UK corporation tax. Where the group operates overseas it will generally be either through UK tax resident companies or branches of UK tax resident companies. These companies will therefore pay UK corporation tax subject to the available offset of local overseas taxes. The group has not entered into any tax avoidance schemes which require notification to HMRC under the Disclosure of Tax Avoidance Schemes (DOTAS) during either 2014, 2013 or 2012.

The tax credit of £20.5m equates to an effective tax rate of −125% on profit before tax of £16.1m (2013: −44% and 2012: 1%). The tax credit for the year is lower (2013: lower and 2012: higher) than standard rate of corporation tax in the UK of 22% (2013: 23.5% and 2012: 25%). The differences are explained below:

Included in the total tax credit is a £9.8m non-underlying tax credit (2013: £1.0m and 2012: £nil). The non-underlying credit is comprised of the release of an over provision in respect of prior years of £8.5m and £1.3m in respect of the movement in deferred tax liability on intangible assets.

Included within the £8.7m adjustments in respect of prior periods is an £8.5m tax credit in relation to the release of an overprovision in respect of prior periods arising as a result of the group agreeing prior year liabilities with HMRC.

The £12.8m (2013: £4.7m and 2012: £1.7m) credit recognised in 2014 arises as a result of additional deferred tax assets in respect of capital allowances and brought forward losses being recognised in the year. Unrecognised deferred tax assets and liabilities are disclosed in Note 15.

c Recognised in the cash flow statement

The cash flow statement shows a payment of £0.1m during the period (2013: £0.3m and 2012: nil) relating to tax on overseas entities and operations.

d Tax on items charged to Other Comprehensive Income

The income credited directly to equity during the year is as follows:

	2014 £m	2013 £m	2012 £m
Tax movement in respect of pension scheme (including effect of change in tax rate)	0.1	(1.0)	3.7

No deferred tax has been charged or credited directly to equity during the periods presented in this financial information.

e Future changes

The standard rate of Corporation Tax in the UK changed from 23% to 21% with effect from 1 April 2014. Accordingly, the Group's profits for this accounting year are taxed at a rate of 22%. On 2 July 2013, the UK Government passed the 2013 Finance Bill, which will reduce the main rate of corporation tax to 20% from 1 April 2015.

Deferred tax has been recognised at 20% (2013: 21% and 2012: 23%), reflecting the rate that was enacted in the Finance Act 2013.

f Income tax liabilities

Income tax liabilities of £12.5m (2013: £20.8m and 2012: £19.3m) includes £8.4m (2013 and 2012: £nil) classified as non current to recognise the agreed payment profile.

Unrecognised deferred tax assets in relation to losses and capital allowances total £18.3m (2013: £36.6m and 2012: £63.7m). These unrecognised deferred tax assets have no expiry date.

9 Dividends

The Directors have not proposed any dividends for the year (2013 and 2012: £nil). Refer to note 19 regarding the conditions attached to the paying of dividends.

10 Earnings per share

	For the period ended		
Basic earnings per share	**2014 £m**	**2013 £m**	**2012 £m**
Profit (loss) for the year attributable to owners of the parent	36.9	18.1	(154.0)
Add exceptional items	3.8	4.2	126.8
Less tax credit thereon	(9.8)	(1.0)	—
Earnings excluding exceptional items	30.9	21.3	(27.2)
	million	**million**	**million**
Basic and Diluted weighted average number of ordinary shares in issue	10.1	10.0	10.0
	pence	**pence**	**pence**
Basic and diluted earnings per share	365.7	180.6	(1,540.0)
Basic and diluted adjusted earnings per share	306.3	212.6	(265.0)

There are no shares or options with a dilutive effect and hence the basic and diluted earnings per share are the same. The earnings per share presented for the 14 month period ended 30 September 2012 is based on the issued share capital of MRBL Limited at the date of acquisition (for further details see Note 2a).

11 Intangible assets

2014	Goodwill £m	Assets in the course of construction £m	Customer relationships £m	Brand £m	Software and other intangibles £m	Total £m
Cost						
At 1 October 2013	120.8	1.9	35.2	10.0	7.6	175.5
Additions	—	0.5	—	—	0.5	1.0
Disposals	—	—	—	—	(1.0)	(1.0)
Reclassifications	—	(0.4)	—	—	0.4	—
Transferred to property, plant and equipment	—	(1.4)	—	—	—	(1.4)
At 30 September 2014	120.8	0.6	35.2	10.0	7.5	174.1
Accumulated amortisation						
At 1 October 2013	87.9	—	4.6	0.5	2.6	95.6
Charge for the year	—	—	4.5	0.5	1.4	6.4
Reclassification from prior year	—	—	—	—	(0.7)	(0.7)
Disposals	—	—	—	—	(0.5)	(0.5)
At 30 September 2014	87.9	—	9.1	1.0	2.8	100.8
Net book value						
At 30 September 2014	32.9	0.6	26.1	9.0	4.7	73.3

11 Intangible assets (Continued)

2013	Goodwill £m	Assets in the course of construction £m	Customer relationships £m	Brand £m	Software and other intangibles £m	Total £m
Cost						
At 1 October 2012	112.1	0.7	28.0	10.0	8.6	159.4
Additions	—	1.5	—	—	0.3	1.8
Acquisition of subsidiary undertakings	16.7	—	14.5	—	—	31.2
Disposals	(8.0)	—	(7.3)	—	(0.7)	(16.0)
Transferred to property, plant and equipment	—	(0.3)	—	—	(0.6)	(0.9)
At 30 September 2013	120.8	1.9	35.2	10.0	7.6	175.5
Accumulated amortisation						
At 1 October 2012	87.9	—	0.3	—	0.3	88.5
Charge for the year	—	—	4.3	0.5	2.3	7.1
At 30 September 2013	87.9	—	4.6	0.5	2.6	95.6
Net book value						
At 30 September 2013	32.9	1.9	30.6	9.5	5.0	79.9

2012	Goodwill £m	Assets in the course of construction £m	Customer relationships £m	Brand £m	Software and other intangibles £m	Total £m
Cost						
At 1 August 2011	121.9	3.0	47.6	—	47.9	220.4
Disposal on acquisition	(121.9)	(3.0)	(47.6)	—	(47.9)	(220.4)
Fair value on acquisition (see note 31)	—	—	28.0	10.0	8.6	46.6
Goodwill on acquisition (see note 31)	112.1	—	—	—	—	112.1
Additions	—	0.7	—	—	—	0.7
At 30 September 2012	112.1	0.7	28.0	10.0	8.6	159.4
Accumulated amortisation						
At 1 August 2011	57.5		23.5		24.4	105.4
Impairment charge for the period	40.7	1.2	10.4	—	7.6	59.9
Amortisation charge for the period pre-acquisition	—	—	5.1	—	3.9	9.0
Disposal on acquisition	(98.2)	(1.2)	(39.0)	—	(35.9)	(174.3)
Impairment on acquisition	87.9	—	—	—	—	87.9
Amortisation charge for the period post-acquisition	—	—	0.3	—	0.3	0.6
At 30 September 2012	87.9	—	0.3	—	0.3	88.5
Net book value						
At 30 September 2012	24.2	0.7	27.7	10.0	8.3	70.9

Goodwill

Goodwill is monitored by management at the reportable segment level. Goodwill has been allocated to the Integrated Infrastructure Services reportable segment with the exception of £4.1m (2013: £4.1m and 2012: £nil) of goodwill allocated to Mouchel Business Services reportable segment of which £0.7m (2013: £0.7m and 2012: £nil) relates to the acquisition of Genica Limited in 2013.

During the year and preceding periods, the goodwill was tested for impairment in accordance with IAS 36. The recoverable amount for all the cash-generating units (CGUs) in both business segments has been measured based on a value in use calculation derived from Board approved three year budgeted cash flows and extrapolated thereafter based on an estimated growth rate of 2% (2013 and 2012: 2%). A pre-tax discount rate of 13.5% (2013: 13.5% and 2012: 15.8%) was used in the pre-tax value in use calculation for

11 Intangible assets (Continued)

the cash-generating units. The assumptions used are in line with prior year assumptions as management continued to consider these to be reasonable. During the period to 30 September 2012, goodwill was impaired for the period pre-acquisition by £40.7m from £64.4m to £23.7m. On acquisition of the Mouchel group, a fair value exercise was undertaken reducing the goodwill held to £nil. MRBL Limited paid total consideration of £0.7m for total net identifiable liabilities of £111.4m, resulting in goodwill arising on acquisition of £112.1m. This was subsequently impaired post-acquisition by £87.9m to £24.2m.

Amounts disclosed as arising on acquisition in the 2012 reporting period reflect the net book value of goodwill included in the business combinations note 33. Amounts disclosed as disposal on acquisition in the 2012 reporting period reflect fair value and historical movements relating to the pre-acquisition period.

Sensitivities

The Mouchel Group's impairment reviews are sensitive to changes in the key assumptions described above. Based on the Mouchel Group's sensitivity analysis, a reasonably possible change in a single assumption will not cause an impairment loss in any of the Mouchel Group's CGUs.

Other intangible assets

Assets in the course of construction are not amortised, in accordance with note 2I(ii) of the historical financial information.

Customer relationships acquired are the estimated fair value of customer relationships which are in part contractual, represented by the value of the acquired order book, and in part non-contractual, represented by the risk adjusted value of future orders expected to arise from the relationships. Customer relationships are being amortised on a straight line basis over a period of between three and 10 years.

The Mouchel brand acquired was initially valued at £10.0m and is being amortised over 20 years.

All amortisation charges in the year have been charged through administrative expenses.

During the period to 30 September 2012, group intangible assets relating to customer relationships were impaired by £10.4m. Software and Other intangibles were impaired by £7.6m.

Amounts disclosed as arising on acquisition in the 2012 reporting period reflect the net book value of other intangible assets included in the business combinations note 31. Amounts disclosed as disposal on acquisition in the 2012 reporting period reflect fair value and historical movements relating to the pre-acquisition period.

12 Property, plant and equipment

2014	Assets in the course of construction £m	Leasehold improvements £m	Plant and equipment £m	Vehicles £m	Total £m
Cost					
At 1 October 2013	—	2.9	8.3	0.3	11.5
Additions	2.7	0.1	2.1	0.3	5.2
Disposals	—	—	(3.1)	—	(3.1)
Transferred from other intangible assets	0.5	—	0.9	—	1.4
At 30 September 2014	3.2	3.0	8.2	0.6	15.0
Accumulated depreciation					
At 1 October 2013	—	1.7	2.7	0.1	4.5
Charge for the year	—	0.7	2.4	0.1	3.2
Disposals	—	—	(3.1)	—	(3.1)
At 30 September 2014	—	2.4	2.0	0.2	4.6
Net book value					
At 30 September 2014	3.2	0.6	6.2	0.4	10.4

12 Property, plant and equipment (Continued)

2013	Assets in the course of construction £m	Leasehold improvements £m	Plant and equipment £m	Vehicles £m	Total £m
Cost					
At 1 October 2012	—	1.4	6.8	0.2	8.4
Additions	—	0.2	1.9	0.1	2.2
Acquisition of subsidiary undertakings	—	1.3	—	—	1.3
Disposals	—	—	(1.3)	—	(1.3)
Transferred from other intangible assets	—	—	0.9		0.9
At 30 September 2013	—	2.9	8.3	0.3	11.5
Accumulated depreciation					
At 1 October 2012	—	0.1	0.3	—	0.4
Charge for the year	—	1.6	2.7	0.1	4.4
Disposals	—	—	(0.3)	—	(0.3)
At 30 September 2013	—	1.7	2.7	0.1	4.5
Net book value					
At 30 September 2013	—	1.2	5.6	0.2	7.0

2012	Assets in the course of construction £m	Leasehold improvements £m	Plant and equipment £m	Vehicles £m	Total £m
Cost					
At 1 August 2011	—	3.6	44.8	0.5	48.9
Disposal on acquisition	—	(3.6)	(44.8)	(0.5)	(48.9)
Fair value on acquisition (see note 31)	—	1.4	6.8	0.2	8.4
At 30 September 2012	—	1.4	6.8	0.2	8.4
Accumulated depreciation					
At 1 August 2011	—	2.6	34.2	0.3	37.1
Impairment charge	—	—	0.3	—	0.3
Charge for the period pre-acquisition	—	0.4	3.9	—	4.3
Disposal on acquisition	—	(3.0)	(38.4)	(0.3)	(41.7)
Charge for the period post-acquisition	—	0.1	0.3	—	0.4
At 30 September 2012	—	0.1	0.3	—	0.4
Net book value					
At 30 September 2012	—	1.3	6.5	0.2	8.0

Depreciation expense of £0.1m (2013 and 2012: £nil) has been charged in cost of sales and £3.1m (2013: £4.4m and 2012: £0.4m) in administrative expenses.

None of these assets are held under finance leases.

Amounts disclosed as arising on acquisition in the 2012 reporting period reflect the net book value of other property, plant and equipment included in the business combinations note 31. Amounts disclosed as disposal on acquisition in the 2012 reporting period reflect fair value and historical movements relating to the pre-acquisition period.

13 Investments

Subsidiaries

The principal subsidiaries in which Mouchel Group had an interest at 30 September 2014, their country of incorporation and registration, and ownership of their ordinary share capital are listed below:

	Group proportion of shares held %	Country of incorporation/ registration
EM Highway Services Limited[(1)(4)]	100	England and Wales
Mouchel Business Services Limited[(1)(3)]	100	England and Wales
Mouchel Dormant Holdings Limited[(3)]	100	England and Wales
Mouchel Finance Limited[(1)(3)]	100	England and Wales
Mouchel Finance & Treasury Holdings Limited[(3)]	100	England and Wales
Mouchel Holdings Limited[(1)(2)(3)]	100	England and Wales
Mouchel Insurance Limited[(3)]	100	Guernsey
Mouchel International Limited[(3)]	100	Hong Kong
Mouchel International (Jersey) Limited[(1)(3)]	100	Jersey
Mouchel Ireland Limited[(1)(3)]	100	Republic of Ireland
Mouchel Limited[(1)(3)]	100	England and Wales
Mouchel Management Consulting Limited[(1)(3)]	100	England and Wales
The Impact Partnership (Rochdale Borough) Limited[(3)]	80.1	England and Wales
Mouchel Rail Limited[(1)(3)]	100	England and Wales
The Unity Partnership Limited[(1)(3)]	67	England and Wales
2020 Liverpool Limited[(1)(4)(5)]	100	England and Wales

(1) Held indirectly by MRBL Limited

(2) 15.8% held directly

(3) Held in 2014, 2013 and 2012

(4) Held in 2014 and 2013

(5) 80.1% was held and the investment treated as an incorporated joint venture until acquisition of the remaining 19.9% on 27 September 2013

All the trading subsidiaries have the same principal activity as Mouchel Group except for Mouchel Holdings Limited and Mouchel Dormant Holdings Limited which are holding companies, Mouchel Finance & Treasury Holdings Limited and Mouchel Finance Limited which are internal financing companies and Mouchel Insurance Limited which is a captive insurance company.

All subsidiaries are included within the consolidated results of the Mouchel Group.

The following UK subsidiaries of Mouchel Group, having met the criteria set out in sections 479A - 479C of the Companies Act 2006, are claiming exemption from the audit of their individual accounts for the year ended 30 September 2014. The Company has guaranteed the outstanding liabilities of each of the Exempt Subsidiaries that were outstanding as at 30 September 2014. Such liabilities are guaranteed until paid:

Name	Registered number
Genica Limited[(1)]	6691009
Mouchel Dormant Holdings Limited	3913684
Mouchel Parkman Servigroup Limited	4979378
Parkman Holdings Limited	2946586

(1) Held in 2014 and 2013

Disposals in 2012 were:

Mouchel Energy Limited

On 21 October 2011 Mouchel Group disposed of its pipeline design business, the UK-based provider of design and project services to the gas engineering and wider energy markets, to Mott MacDonald Limited (“Mott MacDonald”). Mott MacDonald paid total consideration of £2.6m in cash for the share capital of Mouchel Energy Limited, a new company set up for the purpose of the disposal.

13 Investments (Continued)

Mouchel Rail

On 19 October 2011 the Group disposed of the business and assets of Mouchel Rail, the UK-based provider of multi-disciplinary design, consultancy and project management services to the rail industry, to Sinclair Knight Merz ("SKM"). SKM paid £3.4m in cash to the group at completion, and Mouchel Group retained net realisable assets (principally trade receivables and unbilled revenue) of a further £2.5m.

Joint ventures

Mouchel Group has interests in the following significant joint ventures:

Incorporated joint ventures:

Name	Country of incorporation/registration	Equity proportion of joint interest %	Voting rights %
DownerMouchel Services Pty Limited[2]	Australia	50	50
Hackney Schools for the Future Limited[1]	England and Wales	40	40
Mouchel Babcock Education Investments Limited[1]	England and Wales	50	50
Mouchel Babcock Education Services Limited[1]	England and Wales	50	50
Network Information Services Limited[1]	England and Wales	50	50
2020 Knowsley Limited[3]	England and Wales	80.1	50
EM Highway Services Limited[4]	England and Wales	50	50

(1) Held in 2014, 2013 and 2012

(2) Held in 2014 only

(3) Held 2013 and 2012

(4) Held in 2012 only—The remaining 50% equity of EM Highway Services Limited was acquired by the Group on 21 February 2013, see note 31 for more information.

Joint operations

Mouchel Group has interests in the following significant joint operations:

Unincorporated joint ventures:

	Country of operation	Equity proportion of joint interest %	Voting rights %
Amey Mouchel	Great Britain	25	50
DownerMouchel	Australia	40 - 50	50
Holleran Mouchel (HM)[1]	Great Britain	50	50
KMI+	Great Britain	7.5	25
Mouchel Fairhurst	Great Britain	50	50
PeekMouchel	Great Britain	50	50
Scotland Transerv	Great Britain	30	50
WestminsterTranServ	Great Britain	20	50

(1) Held in 2012 only

Both incorporated and unincorporated joint ventures are accounted for in accordance with the policy detailed in note 2d. 2020 Knowsley Limited, Hackney Schools for the Future Limited, Mouchel Babcock Education Investments Limited and Mouchel Babcock Education Services Limited have a 31 March year-end. The Impact Partnership (Rochdale Borough) Limited has a 30 September year-end. Where joint ventures do not have a 30 September year-end, management accounts for the year to 30 September are used for consolidation purposes. Mouchel Group's interest in DownerMouchel, an unincorporated joint venture, is variable as it has a 50% equity percentage in some contracts and 40% in others. In some other joint ventures, Mouchel Group has a higher percentage of equity than the percentage of voting rights held due to clauses within the contracts between Mouchel Group and its partners.

13 Investments (Continued)

Investment in joint ventures

(a) Movements in the year

	2014 £m	2013 £m	2012 £m
Investment in joint ventures			
At 1 October/August	1.0	7.2	5.9
Disposals	—	(9.7)	—
Share of:			
Operating profit	1.1	4.7	8.5
Finance costs	—	(0.3)	(0.1)
Finance income	—	—	0.1
Taxation	(0.1)	0.1	(1.9)
Post-tax results of joint ventures	1.0	4.5	6.6
Dividends received	(1.0)	(1.0)	(5.3)
At 30 September	**1.0**	**1.0**	**7.2**

(b) Analysis of investment

	2014 £m	2013 £m	2012 £m
Investment in joint ventures			
Intangible assets	0.1	0.3	0.3
Property, plant and equipment	0.2	0.2	1.3
Deferred tax asset	0.1	0.1	—
Trade and other receivables	7.4	8.2	30.8
Cash and cash equivalents	0.8	1.4	10.2
Trade and other payables	(7.6)	(9.2)	(35.4)
Retained earnings	—	—	—
Total investment in joint ventures	**1.0**	**1.0**	**7.2**

14 Capital commitments

	2014 £m	2013 £m	2012 £m
Contracts placed for future capital expenditure not provided in the historical financial information	—	—	0.6

15 Deferred tax

The following are the major deferred tax assets and liabilities recognised by the group and the movements thereon.

	Intangible assets £m	Property, plant and equipment £m	Short term temporary differences £m	Retirement benefit obligations £m	Losses £m	Total £m
At 1 August 2011	**(6.0)**	**—**	**0.6**	**8.3**	**5.3**	**8.2**
Change in tax rate	—	—	—	—	(0.1)	(0.1)
Amounts recognised in income	—	—	—	—	1.7	1.7
Amounts recognised in comprehensive income	—	—	—	3.7	—	3.7
Fair value adjustment on acquisition (note 33)	(2.7)	—	(0.6)	—	(3.4)	(6.7)
At 30 September 2012	**(8.7)**	**—**	**—**	**12.0**	**3.5**	**6.8**
Change in tax rate	0.8	—	—	—	(0.2)	0.6
Amounts recognised in income	1.0	—	—	—	3.8	4.8
Amounts recognised in comprehensive income	—	—	—	(1.0)	—	(1.0)
Acquisition of subsidiary undertakings	(1.6)	—	—	—	—	(1.6)
At 30 September 2013	**(8.4)**	**—**	**—**	**11.0**	**7.1**	**9.6**
Change in tax rate	0.3	—	—	—	(0.3)	—
Amounts recognised in income	1.0	10.7	(1.0)	—	2.1	12.8
Amounts recognised in comprehensive income	—	—	—	0.1	—	0.1
Deferred tax reclassification	—	—	—	—	3.1	3.1
At 30 September 2014	**(7.1)**	**10.7**	**(1.0)**	**11.1**	**12.0**	**25.6**

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

	2014 £m	2013 £m	2012 £m
Assets			
Property, plant and equipment	10.7	—	—
Retirement benefit obligations	11.1	11.0	12.0
Tax losses	12.0	7.1	3.5
Share based payments	—	—	—
	£m	£m	£m
Liabilities			
Intangible assets	(7.2)	(8.5)	(8.7)
Short term temporary differences	(1.0)	—	—
Net Asset	**25.6**	**9.6**	**6.8**

Deferred tax assets have been recognised as the Directors believe that there will be sufficient future profits within the relevant subsidiary financial statements for the assets to be recovered.

Management estimate that £5.3m (2013: £1.7m and 2012: £3.1m) of Mouchel Group's deferred tax assets and £1.0m (2013: £1.0m and 2012: £0.5m) of Mouchel Group's deferred tax liabilities will unwind within one year with the remainder unwinding in more than one year.

Unrecognised deferred tax assets in relation to losses and capital allowances total £18.3m (2013: £36.6m and 2012: £63.7m). These unrecognised deferred tax assets have no expiry date.

16 Inventories

	2014 £m	2013 £m	2012 £m
Raw materials and consumables	**3.9**	**2.7**	**0.3**

The inventories charged to the Combined and Consolidated Income Statement during the year were £2.7m (2013: £2.5m and 2012: £0.1m).

17 Trade and other receivables

	Gross 2014 £m	Impairment provision 2014 £m	Net 2014 £m
Trade receivables	34.9	(3.5)	31.4
Amounts due from joint ventures	0.3	—	0.3
Unbilled revenue	63.6	(4.2)	59.4
Other receivables	3.0	—	3.0
Prepayments and accrued income	7.9	—	7.9
	109.7	**(7.7)**	**102.0**

	Gross 2013 £m	Impairment provision 2013 £m	Net 2013 £m
Trade receivables	34.5	(6.2)	28.3
Amounts due from joint ventures	1.3	—	1.3
Unbilled revenue	52.6	(5.7)	46.9
Other receivables	5.4	—	5.4
Prepayments and accrued income	8.3	—	8.3
	102.1	**(11.9)**	**90.2**

	Gross 2012 £m	Impairment provision 2012 £m	Net 2012 £m
Trade receivables	38.1	(8.4)	29.7
Amounts due from joint ventures	1.2	—	1.2
Unbilled revenue	39.2	(10.8)	28.4
Other receivables	2.7	—	2.7
Prepayments and accrued income	7.9	—	7.9
	89.1	**(19.2)**	**69.9**

At 30 September 2014, trade receivables net of provisions of £8.7m (2013: £12.0m and 2012: £7.8m) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	2014 £m	2013 £m	2012 £m
Up to three months	8.7	5.0	7.3
Over three months	—	7.0	0.5
	8.7	**12.0**	**7.8**

17 Trade and other receivables (Continued)

At 30 September 2014 trade receivables and unbilled revenue of £7.7m (2013: £11.9m and 2012: £19.2m) have been impaired so receivables to the as to reduce the value of contract amounts Mouchel Group believes it should be able to collect. The ageing of these receivables is as follows:

	2014 £m	2013 £m	2012 £m
Up to three months	1.0	1.5	0.2
Over three months	6.7	10.4	19.0
	7.7	**11.9**	**19.2**

The carrying amount of the Group's trade and other receivables are denominated in the following currencies:

	2014 £m	2013 £m	2012 £m
Pound Sterling	83.2	82.0	77.4
Emirati Dirham	12.1	4.7	8.2
Australian Dollar	6.7	3.5	3.5
	102.0	**90.2**	**69.9**

Movements on the Mouchel Group provision for impairment of trade receivables and unbilled revenue are as follows:

	2014 £m	2013 £m	2012 £m
At 1 August/October	11.9	19.2	40.5
Provision utilised during the year	(7.1)	(4.7)	(21.0)
WIP recovery from previous year	(0.4)	(3.4)	—
Charge in the year	3.8	2.5	—
Reclassification to accruals	—	(1.7)	—
Foreign exchange movement	(0.5)	—	(0.3)
At 30 September	**7.7**	**11.9**	**19.2**

No amounts of collateral are held as security.

The creation and release of provisions for impaired receivables have been included in administrative expenses in the combined and consolidated income statement. Impairment provisions are utilised when there is no expectation of cash recovery.

The other classes within trade and other receivables do not contain impaired assets.

18 Trade and other payables

Current:	2014 £m	2013 £m	2012 £m
Trade payables	26.0	17.4	13.8
Social security and other taxes	11.4	7.1	9.9
Other payables	6.3	2.3	11.2
Accrued expenses	71.4	73.7	34.1
Deferred income and customer advances	22.2	21.2	24.5
Total current trade and other payables	137.3	121.7	93.5
Non-current:			
Deferred income and customer advances	0.6	0.5	0.7
Contingent consideration	0.5	0.5	—
Total non-current trade and other payables	1.1	1.0	0.7

19 Borrowings

At 30 September 2014, Mouchel Group had credit facilities totalling £95.0m with The Royal Bank of Scotland plc, Lloyds Bank plc and Barclays Bank plc and their subsidiary companies. Of the £95.0m, £40.0m was in the form of revolving credit facilities, which mature on 31 July 2016. £55.0m is in the form of a term loan of which £5.0m will be repaid on 31 July 2015, with the balance due on 31 July 2016. The term loan will also be prepaid by 50% of the excess cash flow, if any, arising in Mouchel Group during any twelve month period. There was no prepayment for the twelve month period ending on the 30th September 2014 (2013 and 2012: £nil).

Also drawn against the facility were bonds and guarantees as detailed in note 32.

Under this facility the Mouchel Group is required to meet financial covenants as would be usual for this type of facility and these are tested on a quarterly basis. There is a continuing obligation to ensure that the aggregate gross assets and EBITDA of the guarantors are at least 85% of the Group's subsidiaries (excluding joint ventures) at all times. Mouchel Group has complied with all covenants during the year to 30 September 2014 (2013 and 2012: complied with covenants).

There are £0.2m (2013: £0.2m and 2012: £nil) fees payable on these facilities per annum.

There are restrictions in the banking facilities which prevent dividends being paid until the banking facilities have been unconditionally and irrevocably repaid in full.

The term loan and the revolving credit facility, are secured against fixed and floating charges over the assets of Mouchel Group.

Loans are repayable as follows:

	2014 £m	2013 £m	2012 £m
Obligations due within one year	5.0	5.0	—
Obligations due between one and two years	70.9	5.0	5.0
Obligations due between two and five years	—	70.3	74.6
Total borrowings	**75.9**	**80.3**	**79.6**
Deduct: cash and cash equivalents	(36.4)	(34.3)	(29.9)
Net bank borrowings	**39.5**	**46.0**	**49.7**

The interest margin over LIBOR on all facilities is fixed at 4.5%.

Mouchel Group has entered into interest rate swaps to partially hedge against adverse movements in short term interest rates on the term loan and revolving credit facility that are drawn to finance these loans. Under the terms of these interest rate swaps Mouchel Group are required to pay an average of 1.2% until the swaps mature in July 2016, receiving floating LIBOR rate. The nominal amount was £30.0m until July 2014, falling to £27.5m at that time until July 2015 and falling to £25.0m at that time until July 2016. At 30 September 2014, the total fair value of interest rate hedge derivatives was a liability of £0.1m (2013: £0.8m and 2012: £3m). The whole movement in the fair value is recorded in the Income Statement.

On 15 January 2015, the facilities were amended—see note 33.

20 Financial Risk Management including details of Financial Assets and Liabilities

The Mouchel Group is exposed to risks arising from variations in interest rates, foreign exchange rates, credit and liquidity. Those risks relating to foreign exchange and credit, given the nature of the customers, are relatively low with the provisions, recorded in note 22, mainly arising from specific customers in the Middle East from previous years and amounts being disputed by the customers. The risk relating to liquidity is dependent upon Mouchel Group performing within its banking covenants and banking facilities as set out in note 20. The risks relating to variations in interest rates arise from long-term sterling borrowings at variable rates. Mouchel Group policy is to hedge a proportion of the drawn revolving credit facility. Mouchel Group has not undertaken hedging or complex financial instruments to mitigate risk other than interest rate risk.

The financial assets and liabilities of Mouchel Group comprise bank loan facilities, internal cash resources and trade receivables and payables arising from trading activities. Mouchel Group's policy is to manage the

20 Financial Risk Management including details of Financial Assets and Liabilities (Continued)

assets and liabilities centrally to provide both the working capital and the investment funds necessary for ongoing operations and future development.

The majority of UK projects and contracts are in Pounds Sterling and otherwise are in the currencies in which the majority of the costs are denominated. Mouchel Group's principal overseas subsidiaries usually contract in their own functional currency. Consideration is given to hedging against possible currency movements where appropriate. It is Mouchel Group's policy not to trade in derivatives.

In accordance with IAS 39 Financial Instruments, Recognition and Measurement, Mouchel Group has reviewed all contracts for embedded derivatives that are required to be separately accounted for. None were identified as part of the review.

Classification of financial assets and liabilities

2014	Loans and receivables £m	Held at fair value through profit and loss £m	Liabilities at amortised cost £m	Total £m
Financial assets:				
Trade receivables and unbilled revenue	90.8	—	—	90.8
Cash and cash equivalents	36.4	—	—	36.4
	127.2	—	—	127.2
Financial liabilities:				
Trade and other payables	—	—	115.1	115.1
Bank borrowings	—	—	75.9	75.9
Interest rate hedge derivatives	—	0.1	—	0.1
	—	0.1	191.0	191.1

2013	Loans and receivables £m	Held at fair value through profit and loss £m	Liabilities at amortised cost £m	Total £m
Financial assets:				
Trade receivables and unbilled revenue	75.2	—	—	75.2
Cash and cash equivalents	34.3	—	—	34.3
	109.5	—	—	109.5
Financial liabilities:				
Trade and other payables	—	—	100.5	100.5
Bank borrowings	—	—	80.3	80.3
Interest rate hedge derivatives	—	0.8	—	0.8
	—	0.8	180.8	181.6

2012	Loans and receivables £m	Held at fair value through profit and loss £m	Liabilities at amortised cost £m	Total £m
Financial assets:				
Trade receivables and unbilled revenue	58.1	—	—	58.1
Cash and cash equivalents	29.9	—	—	29.9
	88.0	—	—	88.0
Financial liabilities:				
Trade and other payables	—	—	69.0	69.0
Bank borrowings	—	—	79.6	79.6
Interest rate hedge derivatives	—	3.0	—	3.0
	—	3.0	148.6	151.6

20 Financial Risk Management including details of Financial Assets and Liabilities (Continued)

Fair value measurements

IFRS 7 requires enhanced disclosures about fair value measurements of financial instruments through the use of a three-level fair value hierarchy that prioritises the valuation techniques used in fair value calculations.

The levels can be broadly described as follows:

Level 1—use of unadjusted quoted prices in active markets for identical assets or liabilities

Level 2—use of observable inputs other than quoted prices included within level 1, such as quoted prices for similar assets or liabilities in active markets

Level 3—use of inputs not based on observable market data but reflecting management's own assumptions about pricing the asset or liability

Classification of financial instruments

Mouchel Group's financial instruments measured at fair value are confined to the interest swaps described in note 19. These are valued by determining the expected cash flows arising under those swaps. This is done by reference to the fixed rate for the payment leg of the swap and the forward LIBOR rates for the floating leg of the swap. The net of these two figures at each payment date is then discounted to a present value using the zero coupon yield curve. The sum of the present value of both legs is the fair value of the interest rate swap. They are classified as level 3 financial instruments.

There has been a charge recognised in the Income Statement of £0.7m (2013 and 2012: £nil) reflecting the change in fair value of the interest rate swap over the year.

The fair value of current borrowings and other assets and liabilities equates to their carrying amount, as the impact of discounting is not significant.

Interest rate risk

Mouchel Group's exposure to the risk of changes in market interest rates relates primarily to the Mouchel Group's long-term debt obligations with floating interest rates.

Mouchel Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. To manage this, Mouchel Group enters into interest rate swaps, in which Mouchel Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed upon notional principal amount. These swaps are measured at fair value through profit and loss in accordance with accounting policy 2n(vii).

The interest rate profile of the financial assets and liabilities of Mouchel Group as at the year end shows payable amounts as follows:

2014	Within 1 year £m	Between 1 - 2 years £m	Between 2 - 3 years £m	Between 3 - 4 years £m	Total £m
Floating rate:					
Bank borrowings	(5.0)	(70.9)	—	—	(75.9)
Cash in hand	36.4	—	—	—	36.4
Fixed rate:					
Interest rate hedges	(0.1)	—	—	—	(0.1)

2013	Within 1 year £m	Between 1 - 2 years £m	Between 2 - 3 years £m	Between 3 - 4 years £m	Total £m
Floating rate:					
Bank borrowings	(5.0)	(5.0)	(70.3)	—	(80.3)
Cash in hand	34.3	—	—	—	34.3
Fixed rate:					
Interest rate hedges	(0.8)	—	—	—	(0.8)

20 Financial Risk Management including details of Financial Assets and Liabilities (Continued)

2012	Within 1 year £m	Between 1 - 2 years £m	Between 2 - 3 years £m	Between 3 - 4 years £m	Total £m
Floating rate:					
Bank borrowings	—	(5.0)	(5.0)	(69.6)	(79.6)
Cash in hand	29.9	—	—	—	29.9
Fixed rate:					
Interest rate hedges	(0.7)	(2.3)	—	—	(3.0)

The following table demonstrates the sensitivity to a change in interest rates, with all other variables held constant, of the Mouchel Group's profit before tax (through the impact on floating rate borrowings). There is no impact on the Mouchel Group's equity.

	Increase/decrease in basis points %	Effect on profit before tax £m	Effect on equity £m
30 September 2014 and 2013	+/−0.25	+/−0.2	—

	Increase/decrease in basis points %	Effect on profit before tax £m	Effect on equity £m
30 September 2012	+/−0.25	+/−1.5	—

The sensitivity of profit before tax to a change in interest rates for the year ended 30 September 2012 is based on the borrowings held by the Group as at 30 September 2012 following the write off of £86.9m of borrowings and the agreement of new borrowing facilities at the date of Acquisition (25 August 2012).

Foreign exchange risk

Mouchel Group has operations where transactions are denominated in foreign currencies. In these operations, the working capital facilities are maintained in local currency with funds being remitted back to the UK to minimise exposure to foreign exchange risk. Mouchel Group does not hedge against foreign currency exchange risk as balances in foreign currency are not significant to Mouchel Group. The extent of foreign currency exposure is monitored on an ongoing basis. The majority of bonds and guarantees are funded out of the UK.

At 30 September 2014, if the Euro had weakened/strengthened by 1% against the Pound Sterling with all other variables held constant, pre-tax profit for the year would have been £0.1m lower/higher (2013: £0.01m lower/higher and 2012: £0.02m lower/higher), mainly as a result of foreign exchange gains/ losses on translation of Pound Sterling denominated trade receivables. Between 1 October 2013 and 30 September 2014 the Euro weakened against the Pound Sterling by 7.3% (2013: strengthened 4.8%).

At 30 September 2014, if the Emirati Dirham had weakened/strengthened by 1% against the Pound Sterling with all other variables held constant, pre-tax profit for the year would have been £0.1m lower/ higher (2013 and 2012: £0.1m lower/higher), mainly as a result of foreign exchange gains/losses on translation of Pound Sterling denominated trade receivables. Between 1 October 2013 and 30 September 2014 the Emirati Dirham weakened against the Pound Sterling by 0.2% (2013: weakened 0.02%).

At 30 September 2014, if the Australian Dollar had weakened/strengthened by 1% against the Pound Sterling with all other variables held constant, pre-tax profit for the year would have been £0.1m lower/ higher (2013: £0.01m lower/higher and 2012: no change). Between 1 October 2013 and 30 September 2014 the Australian Dollar weakened against the Pound Sterling by 7.0% (2013: weakened 11.5%).

Credit risk

Mouchel Group's principal financial assets are cash and cash equivalents, trade receivables and unbilled revenue. Mouchel Group does not hold any collateral as security. Mouchel Group manages these risks through a number of measures. Counterparty risk on cash deposits is managed by adhering to the guidelines set by the Board.

20 Financial Risk Management including details of Financial Assets and Liabilities (Continued)

Trade receivables and unbilled revenue are managed through set-up and authorisation policies for new customers. It is Mouchel Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. An assessment of credit quality of the customer is made as appropriate taking into account their financial position, past experience, external agency ratings and other factors.

Where possible, the risk is mitigated by use of advanced payments. Mouchel Group policy is not to apply individual credit limits to trade and other receivables, although total exposure and payment performance are monitored monthly both at individual project and client level.

Mouchel Group's most significant clients are public or regulated industry entities which have high credit rating quality due to the nature of the client.

The table below shows Mouchel Group's gross trade receivables and unbilled revenue balances at the year-end date classified according to the counterparty.

Counterparty	2014 £m	2013 £m	2012 £m
Local government	33.5	30.0	27.9
Central government	27.5	26.8	6.6
Regulated industries	4.1	6.1	7.9
Private sector companies	33.4	24.2	34.9
	98.5	87.1	77.3

Management have considered the credit risk relating to other receivables and prepayments and accrued income and do not consider there to be any significant credit risk over and above any amounts already provided for.

The table below shows Mouchel Group's cash and cash equivalents balances at the year-end date classified according to the banks credit rating.

Rating	2014 £m	2013 £m	2012 £m
AA	—	—	0.5
AA−	5.8	4.5	4.4
A+	0.2	0.3	0.5
A	30.2	29.1	11.9
A−	0.2	—	11.3
BBB+	—	0.4	0.5
BBB	—	—	0.2
BB	—	—	0.6
Cash and cash equivalents	36.4	34.3	29.9

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, Mouchel Group maintains flexibility in funding by maintaining availability under committed credit lines.

Management monitors rolling forecasts of Mouchel Group's liquidity reserve (which comprises the undrawn borrowing facility and cash and cash equivalents) on the basis of expected cash flow. In addition, Mouchel Group's liquidity management policy involves projecting cash flows and considering the level of liquid assets necessary to meet these.

Details of Mouchel Group's credit facilities are disclosed in note 19.

20 Financial Risk Management including details of Financial Assets and Liabilities (Continued)

The table below analyses the maturity profile of Mouchel Group's financial liabilities. Figures shown are the contractual undiscounted cash flows.

	Trade and other payables £m	Interest rate hedges £m	Bank borrowings and other loans £m	Total £m
2014				
On demand or within 1 year	115.1	0.1	5.0	120.2
Between 1 - 2 years	—	—	70.9	70.9
Between 2 - 5 years	—	—	—	—
Over 5 years	—	—	—	—
2013				
On demand or within 1 year	100.5	0.8	5.0	106.3
Between 1 - 2 years	—	—	5.0	5.0
Between 2 - 5 years	—	—	70.3	70.3
Over 5 years	—	—	—	—
2012				
On demand or within 1 year	69.0	0.7	—	69.7
Between 1 - 2 years	—	2.3	5.0	7.3
Between 2 - 5 years	—	—	74.6	74.6
Over 5 years	—	—	—	—

Price risk

Mouchel Group does not hold any equity securities that are available for sale and does not have any exposure to commodity price risk.

Capital management

Mouchel Group funds its business through a mix of debt and shareholders' equity. Mouchel Group's capital employed was financed as follows:

	2014 £m	2013 £m	2012 £m
Borrowings	75.9	80.3	79.6
Less cash and cash equivalents	(36.4)	(34.3)	(29.9)
Net debt	39.5	46.0	49.7
Shareholders' equity	(45.1)	(76.3)	(89.8)
Total capital employed	(5.6)	(30.3)	(40.1)

Mouchel Group manages its capital structure to reduce its cost of capital, ensure that it remains a going concern and provide returns for shareholders through providing benefits for other stakeholders.

Mouchel Group's banking facilities, as described more fully in note 19, include a number of financial and non-financial covenants. Compliance with these covenants is closely monitored.

Mouchel Group does not offset financial assets and liabilities.

21 Lease obligations

Operating lease commitments—minimum lease payments

	2014 Property £m	2014 Vehicles, plant and equipment £m	2013 Property £m	2013 Vehicles, plant and equipment £m	2012 Property £m	2012 Vehicles, plant and equipment £m
Commitments under non-cancellable operating leases payable:						
Within one year	3.6	8.4	4.4	5.6	4.9	4.8
Between one and five years	7.9	14.7	8.1	5.5	8.9	4.6
After five years	0.9	0.4	0.7	—	0.9	0.1
	12.4	**23.5**	**13.2**	**11.1**	**14.7**	**9.5**

Mouchel Group leases various offices under non-cancellable operating lease agreements. The leases have various terms, escalation clauses and renewal rights. Mouchel Group also leases vehicles, plant and machinery under non-cancellable operating lease agreements.

At 30 September 2014 Mouchel Group had annual amounts of £0.3m receivable in respect of subleases on the above (2013: £0.4m and 2012: £nil). These subleases expire between one and five years.

22 Provisions for other liabilities and charges

	2014 £m	2013 £m	2012 £m
Current	**5.4**	**6.6**	**14.1**
Between one and two years	3.3	5.9	2.4
Between two and five years	7.0	11.8	16.7
Over five years	0.5	—	1.7
Non-current	**10.8**	**17.7**	**20.8**
At 30 September 2014	**16.2**	**24.3**	**34.9**

22 Provisions for other liabilities and charges (Continued)

Insurance/ 2012	Restructuring provisions[1] £m	Claims provisions[2] £m	Dilapidation provisions[3] £m	Onerous contracts[4] £m	Other provisions[5] £m	Total £m
At 1 August 2011	**0.8**	**1.9**	**3.1**	**1.7**	**—**	**7.5**
Fair value adjustment on acquisition (see note 33)	0.8	4.2	1.3	0.1	3.3	9.7
Amounts provided for during the period	5.7	5.8	1.6	15.7	—	28.8
Amounts released to the Income Statement	—	(2.4)	(0.5)	(0.4)	—	(3.3)
Amounts utilised during the period	(1.9)	—	(1.2)	(5.0)	—	(8.1)
Reclassification	0.6	—	—	(0.3)	—	0.3
At 30 September 2012	**6.0**	**9.5**	**4.3**	**11.8**	**3.3**	**34.9**
Amounts provided for during the year	3.9	1.3	—	0.6	1.6	7.4
Amounts released to the Income Statement	(2.1)	(0.5)	(0.2)	(3.8)	(0.4)	(7.0)
Amounts utilised during the year	(5.7)	(2.1)	—	(3.7)	(0.2)	(11.7)
Reclassification	—	—	—	—	0.7	0.7
At 30 September 2013	**2.1**	**8.2**	**4.1**	**4.9**	**5.0**	**24.3**
Amounts provided for during the year	0.8	1.3	0.4	0.2	1.5	4.2
Amounts released to the Income Statement	(0.1)	(3.9)	(0.8)	(1.1)	(2.8)	(8.7)
Amounts utilised during the year	(2.0)	(0.1)	(0.3)	(0.8)	(0.6)	(3.8)
Reclassification	—	—	—	—	0.2	0.2
At 30 September 2014	**0.8**	**5.5**	**3.4**	**3.2**	**3.3**	**16.2**

(1) Restructuring provisions principally relate to redundancy costs expected to be incurred at the balance sheet date as a result of communicated and committed restructuring plans. These provisions will unwind within one year.

(2) Insurance/claims provisions reflect management's view of the likely outcome of insurance and other legal claims made against Mouchel Group in connection with operational activities. These provisions are held until utilised, by the settlement of a claim, or until such time as the claim is considered unlikely. Due to the very nature of these provisions it is uncertain when they may unwind as individual cases progress at unpredictable rates. Based on historic trends and given the nature of the items being provided against it is management'sjudgment that theywill be settled at an average rate of £1.0m per year.

(3) Dilapidation provisions relate to the expected costs of meeting dilapidation/reinstatement requirements for properties leased by Mouchel Group when they are exited and these are provided for over the term of the lease. The lease expiry dates range between one and six years.

(4) Onerous contract provisions relate principally to property lease contracts where the ongoing level of unavoidable costs is not expected to be fully recovered by the economic benefits expected to be derived from using those properties. The expectation is that this expenditure will be incurred overthe remaining periods of the leases which range up to five years.

(5) Other provisions relate to management's view ofthe expected costs of settling commercial contractual matters. There are no individually material items to disclose.

23 Share capital

	Number of shares	2014 £	Number of shares	2013 £	Number of shares	2012 £
Authorised and allotted A ordinary shares—called up and fully paid A Ordinary shares of 0.0001p	8,000,000	8	8,000,000	8	8,000,000	8
Authorised and allotted B ordinary shares—called-up and fully paid B Ordinary shares of 0.0001p each	2,089,000	2	2,000,000	2	2,000,000	2
	10,089,000	**10**	**10,000,000**	**10**	**10,000,000**	**10**

A shares are held by Barclays Converted Investments Limited, Globe Nominees Limited, Uberior Equity Limited and SIG 1 Holdings Limited. B shares are held by the Mouchel Group's management or trustees acting on their behalf, prior to allotment.

A and B shares rank equally as regards dividends, a return of capital and redemption. The voting rights of A and B shares are equal subject to the aggregate number of votes attaching to all of the shares held by each of the significant shareholders noted above or their respective groups (each being an Investor Group). The voting rights are restricted so that the votes conferred on each such Investor Group may not exceed 49.99% of the voting rights attaching to all shares in the capital of the Company.

During the period ended 30 September 2012, Mouchel Group had 158,682,800 authorised ordinary shares of 0.25p, of which 112,369,719 ordinary shares were alloted, called up and fully paid. Following the administration of Mouchel Group plc on 25 August 2012, the parent company, the group derecognised the shares held previously in Mouchel Group plc and recognised the new shares held in MRBL Limited, the parent company.

On 10 October 2013, the Company passed the necessary resolutions to increase the authorised and allotted B ordinary shares of 0.0001 p each by 89,000 to 2,089,000. The shares were issued or purchased by members of key management under the MIP in 2014. See note 28.

24 Share premium

	2014 £	2013 £	2012 £
At 30 September 2014, 2013 and 2012	8.0	8.0	8.0

25 Other reserves

	2014 £m	2013 £m	2012 £m
At 1 August/October[1]	(0.2)	0.4	12.1
Arising during year—treasury share reserve	(0.6)	—	—
Impairment of shares held by ESOP trusts	—	—	0.4
Pre-acquisition cash flow hedges	—	—	1.5
Pre-acquisition currency translation differences	—	—	0.9
De-recognition of Mouchel Group plc other reserves on acquisition	—	—	(14.9)
Post-acquisition currency translation differences	—	—	0.4
Arising during year—foreign currency reserve	(0.1)	(0.6)	—
At 30 September	**(0.9)**	**(0.2)**	**0.4**

(1) Reserves up to the period of administration and acquisition of Mouchel Group plc by MRBL Limited relate to those of Mouchel Group plc.

26 Retained losses

	For the period ended		
	2014 **£m**	**2013** **£m**	**2012** **£m**
At 1 August/October	(76.1)	(90.2)	(54.6)
Profit for the year/period	36.9	18.1	(154.0)
Other	—	—	0.7
Recognition of pension scheme asset	—	0.8	—
De-recognition of Mouchel Group plc retained losses on acquisition	—	—	135.5
Remeasurement loss on pension scheme valuations	(5.1)	(3.8)	(21.5)
Deferred tax on remeasurement movements in pension scheme valuations	0.1	(1.0)	3.7
At 30 September	**(44.2)**	**(76.1)**	**(90.2)**

27 Long term incentive schemes

2012 Management Incentive Plan ("MIP")

Mouchel Group has put in place a management incentive scheme, the 2012 MIP, in order to aid the retention and incentivisation of the MIP participants. The 2012 MIP will align the MIP participants' interests with those of the A Shareholders, to enhance the equity value of the share capital of the Company.

The Company has issued in aggregate 2,089,000 B Shares to the MIP participants.

The MIP shares are deemed to be equity settled except to the extent there are some provisions in The Articles which may result, in certain circumstances, the MIP shares being cash settled by the Company at the Company's discretion. At 30 September 2014 the liability in relation to the requirement to settle any amounts in cash was £nil (2013 and 2012: £nil).

Share-based payments schemes in operation from 1 August 2011 to 25 August 2012

During the period from 1 August 2011 to 25 August 2012, Mouchel Group operated a number of Approved and Unapproved Executive Share Option Schemes. On 24th August 2012 Mouchel Group plc, the parent company was put into administration and all share option schemes were immediately cancelled. Mouchel Group accounted for the cancellation as an acceleration of vesting and therefore recognised immediately the amounts that would otherwise have been recognised for services received over the remainder of the vesting period. Mouchel Group recognised £0.9m for the period in the income statement.

MRBL Limited Employee Benefit Trust

There is one employee benefit trust currently in operation, being the MRBL Limited Employee Benefit Trust (the "EBT"). Sanne Trust Company Limited is trustee for the EBT. The EBT holds shares in MRBL Limited for the purposes of aiding the retention and incentivisation of future MIP Participants. As at 30 September 2014, the EBT held 78,665 B shares (2013: 171,000) in MRBL Limited.

The net assets of the EBT at 30 September 2014 have been incorporated into the Mouchel Group Balance Sheet as follows:

	Group **30 September** **2014** **£m**
Amounts due to Parent Company	(0.6)
Net own shares at valuation	0.6

2014 represents the first year that the EBT has been consolidated into Mouchel Group's historical financial information.

27 Long term incentive schemes (Continued)

ESOP Reserves from 1 August 2011 to 25 August 2012

During the period from 1 August 2011 to 25 August 2012 Mouchel Group had an ESOP reserve. The reserve arose because Mouchel Trustee Limited held shares in Mouchel Group plc as agent for the trustees of the Mouchel Employees' Share Ownership Plan Trust. Also, Halifax EES Trustees International Limited held shares in Mouchel Group plc as trustee for the Mouchel No.2 Employees' Share Ownership Plan Trust. Shares held by the ESOP trusts were available for distribution to the employees of Mouchel Group at the discretion of the trustees. In accordance with SIC 12, the investment in own shares arising out of ESOP trusts had been shown as a reduction in the reserves of Mouchel Group and was included in other reserves. On 24th August 2012 immediately following the administration, the ESOP shares held were fully impaired through the income statement.

Movement on ESOP reserve	Group 30 September 2012 £m
Balance at 1 August 2011	(0.4)
impairment of shares held by ESOP trusts	0.4
Balance at 30 September 2012	—

28 Cash and cash equivalents

Cash and cash equivalents are analysed as follows:

	2014 £m	2013 £m	2012 £m
Cash and cash equivalents	36.4	34.3	29.9

Of the above cash balances, £12.1m (2013: £16.0m and 2012: £29.6m) is restricted by virtue of it being held within the Mouchel Group's joint ventures and captive insurance company and £16.1m (2013and 2012: £nil) is restricted by virtue of it being held within project bank accounts.

29 Retirement benefit assets

In addition to the Defined Benefits Schemes outlined in note 30 Retirement benefit obligations, Mouchel Group participates in the Prudential Platinum Pension Scheme following the acquisition of the 50% remaining equity interest of Enterprise Mouchel Limited (subsequently renamed EM Highway Services Limited) on 21 February 2013 . The Prudential Platinum Scheme is a sectionalised multi-employer final salary pension arrangement. The assets of Mouchel Group's section are administered by Trustees in funds independent of those of Mouchel Group and other sections of the Scheme.

The administration is also conducted by external professional pension administrators. The Scheme operates for staff whose employment is transferred in connection with client contracts that require Mouchel Group to offer comparable pension arrangements.

The terms of the Scheme allow Mouchel Group to exit when the last member has left employment without additional payments, provided the related assets equal or exceed the value of the past service liabilities on a buy-out basis. However, if the estimated value of the assets arising from Mouchel Group's contributions is less than the value of the past service liabilities, for which Mouchel Group is responsible, then Mouchel Group will be required to make good the shortfall.

The cost of these schemes is determined in accordance with the advice of independent, professionally qualified actuaries on the basis of formal actuarial valuations using the projected unit credit method. In line with normal business practice these valuations are undertaken on a triennial basis.

29 Retirement benefit assets (Continued)

The date of the last full actuarial valuation for this scheme was December 2012. The plan assets have been recognised in 2013 and were not material in the prior year.

The key assumptions used in valuing the retirement benefit obligation at the end of the year were:

	2014 %	2013 %
Discount rate	4.0	4.5
Expected rate of increase in pensionable salaries	3.2	3.2
Expected rate of increase in pensions in payment	3.1	3.2
Expected rate of retail price inflation (RPI)	3.2	3.2
Expected rate of consumer price inflation (CPI)	2.2	3.2

	2014 Years	2013 Years
Life expectancy at age 65:		
—current pensioners: male	87.3	87.7
—current pensioners: female	89.3	90.1
—future pensioners: male	88.6	89.6
—future pensioners: female	90.8	91.6

The amounts recognised in the Balance Sheet are as follows:

	2014 £m	2013 £m
Equities and diversified growth funds	0.5	1.1
Bonds and gilts	3.1	2.0
Total market value of plan assets	3.6	3.1
Present value of obligations	(2.8)	(2.3)
Surplus	0.8	0.8

Movements in the fair value of plan assets are as follows:

	2014 £m	2013 £m
1 October/August	3.1	2.6
Interest income	0.2	0.1
Company contributions	0.3	0.3
Employees contributions	—	0.1
Benefits paid	(0.1)	(0.1)
Return on assets (excluding interest income)	0.1	0.1
At 30 September	**3.6**	**3.1**

Movements in the retirement benefit obligations are as follows:

	2014 £m	2013 £m
1 October/August	(2.3)	(1.6)
Service cost	(0.3)	(0.3)
Interest expense	(0.1)	(0.1)
Employees contributions	—	(0.1)
Benefits paid	0.1	0.1
Remeasurements: effect of changes in assumptions and experience adjustments	(0.2)	(0.3)
At 30 September	**(2.8)**	**(2.3)**

30 Retirement benefit obligations

Mouchel Group operates a money purchase pension scheme provided by Legal & General and several occupational pension schemes for its employees. These occupational pension schemes are a combination of defined benefit and defined contribution schemes. Mouchel also participate in several Local Government Pension Schemes ("LGPS") through admitted body status in the LGPS schemes.

a Schemes accounted for on a defined contribution basis

Cash contributions to Mouchel Group's defined contribution schemes are recognised as pension costs in the Combined and Consolidated Income Statement and no asset or liability is shown on the Combined and Consolidated Balance Sheet.

In respect of employees who transferred to the Group under the Transfer of Undertakings (Protection of Employment) Regulations (1981) as amended ("TUPE") they remain members of LGPS which are pre-funded defined benefit schemes. Where under the terms of the contracts, the defined benefit liability effectively remains with the transferor, the Mouchel Group accounts for these schemes as defined contribution schemes. Cash contributions are recognised as pension costs in the Combined and Consolidated Income Statement and no asset or liability is shown on the Combined and Consolidated Balance Sheet.

b Schemes accounted for on a defined benefit basis—Mouchel Group schemes

The Mouchel Business Services Limited Pension Scheme ("MBS"), the Mouchel Superannuation Fund ("MSF") and the Mouchel Staff Pension Scheme ("MSPS") are funded defined benefit schemes. For these three principal defined benefit schemes the future liabilities for benefits are provided for by the accumulation of assets held externally to Mouchel Group in separate, trustee-administered funds. The cost of these schemes is determined in accordance with the advice of independent, professionally qualified actuaries on the basis of formal actuarial valuations using the projected unit credit method. In line with normal business practice these valuations are undertaken on a triennial basis.

All schemes are closed to new entrants except for employees transferring to Mouchel Group under TUPE, where Mouchel Group is required to provide benefits which are broadly comparable to those provided under the LGPS or another defined benefit scheme provided by the transferring employer. The schemes closed to future accrual of benefit on 31 December 2010 for all non-public sector members with these members being offered entry to the Mouchel Group's defined contribution schemes from 1 January 2011.

Given the membership of the schemes, under the projected unit credit method the current service cost would be expected to increase as the members of the scheme approach retirement.

The date of the last full actuarial valuation for each of the schemes was March 2013.

The key assumptions used in valuing the retirement benefit obligation at the end of the year were:

	2014 %	2013 %	2012 %
Discount rate	4.1	4.5	4.6
Expected rate of increase in pensionable salaries	3.1	3.2	2.5
Expected rate of increase in pensions in payment	1.8	1.8	1.8
Expected rate of retail price inflation ("RPI")	3.1	3.2	2.5
Expected rate of consumer price inflation ("CPI")	2.1	2.2	2.0

	2014 Years	2013 Years	2012 Years
Life expectancy at age 65:			
—current pensioners: male	87.3	87.2	87.4
—current pensioners: female	89.7	89.6	89.8
—future pensioners: male	89.1	89.0	89.1
—future pensioners: female	91.6	91.5	91.8

30 Retirement benefit obligations (Continued)

The sensitivity associated with these assumptions is as follows:

	Effect on deficit		
		Mouchel Group scheme	MBS Group scheme
2014	**Change**	**£m**	**£m**
Discount rate	−/+ 0.1%	−/+ 4.9	−/+ 1.9
Expected rate of price inflation	−/+ 0.1%	+/− 4.1	+/− 1.8
Life expectancy	−/+ 1 year	+/− 6.6	+/− 2.3
2013	**Change**	**£m**	**£m**
Discount rate	−/+ 0.1%	−/+ 4.7	−/+ 1.6
Expected rate of price inflation	−/+ 0.1%	+/− 3.4	+/− 1.6
Life expectancy	−/+ 1 year	+/− 6.1	+/− 2.1
2012	**Change**	**£m**	**£m**
Discount rate	−/+ 0.1%	−/+ 4.6	−/+ 1.6
Expected rate of price inflation	−/+ 0.1%	+/− 4.0	+/− 1.5
Life expectancy	−/+ 1 year	+/− 4.6	+/− 1.5

The sensitivity analysis above has 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. It 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 analysis did not change compared with the previous period.

The trustees of each scheme determine the investment strategy for the assets held by the scheme, in consultation with the principal employer. Under IAS 19 Revised, the return on assets is assumed to be the same as the rate of discount used.

The amounts recognised in the Combined and Consolidated Balance Sheet are as follows:

	2014 £m	2013 £m	2012 £m
Equities and diversified growth funds	97.2	153.1	172.6
Bonds and gilts	217.6	134.9	91.3
Cash	2.0	2.4	2.1
Property	14.6	12.7	12.1
Fair value of plan assets	331.4	303.1	278.1
Present value of obligations	(387.1)	(356.1)	(330.3)
Liability in the Balance Sheet	(55.7)	(53.0)	(52.2)
Current liability	(4.3)	(0.5)	(0.5)
Non-current liability	(51.4)	(52.5)	(51.7)
Total liability in the Balance Sheet as above	**(55.7)**	**(53.0)**	**(52.2)**
Related deferred tax asset	11.1	11.0	12.0
Net pension liability	**(44.6)**	**(42.0)**	**(40.2)**

During the year funds were re-balanced to increase the mix of bonds and reduce the mix of equities.

30 Retirement benefit obligations (Continued)

Movements in the retirement benefit obligations are as follows:

	2014 £m	2013 £m	2012 £m
At 1 August/October	(356.1)	(330.3)	(317.3)
Service cost	(1.1)	(1.1)	(1.8)
Interest expense	(16.1)	(15.4)	(19.6)
Employee contributions	—	—	(0.6)
Benefits paid	11.3	11.4	14.7
Remeasurements: effect of changes in assumptions and experience adjustments	(25.1)	(20.7)	(5.7)
At 30 September	**(387.1)**	**(356.1)**	**(330.3)**

Movements in the fair value of plan assets are as follows:

	2014 £m	2013 £m	2012 £m
At 1 August/October	303.1	278.1	284.6
Interest income	13.8	13.2	17.7
Company contributions	8.9	10.3	7.4
Employee contributions	—	—	0.6
Administration expenses	(3.1)	(4.0)	(1.7)
Benefits paid	(11.3)	(11.4)	(14.7)
Return on assets (excluding interest income)	20.0	16.9	(15.8)
At 30 September	**331.4**	**303.1**	**278.1**

The total amount recognised in the Combined and Consolidated Income Statement was as follows:

	2014 £m	2013 £m	2012 £m
Service cost—included in cost of sales	(1.1)	(1.1)	(1.8)
Total current service cost	(1.1)	(1.1)	(1.8)
Interest cost	(16.1)	(15.4)	(19.6)
Interest income	13.8	13.2	16.2
Net finance cost (note 6)	(2.3)	(2.2)	(3.4)
Administration expenses	(3.1)	(4.0)	(1.7)
Total recognised in the Income Statement	**(6.5)**	**(7.3)**	**(6.9)**

The principal employer, after consulting with the actuaries, has agreed with the trustees of each of the schemes appropriate recovery plans.

The expected contributions payable, based on existing funding plans and contribution rates, to the defined benefit schemes for the forthcoming year is £8.0m (2013: £7.0m and 2012: £7.4m).

30 Retirement benefit obligations (Continued)

Remeasurement gains and losses recognised in the Statement of Comprehensive Income are as follows:

	2014 £m	2013 £m	2012 £m
Return on assets (excluding interest income)	20.0	16.9	(15.8)
Experience gains and losses arising on the scheme liabilities	—	6.2	—
Effect of changes in assumptions on the present value of scheme liabilities—loss	(25.1)	(26.9)	(5.7)
Actuarial loss on pension scheme valuations	(5.1)	(3.8)	(21.5)
Deferred tax on actuarial movement in pension scheme valuations	0.1	(1.0)	3.7
Total recognised in the Statement of Comprehensive Income	**(5.0)**	**(4.8)**	**(17.8)**
Cumulative actuarial losses recognised in the Statement of Comprehensive Income	(10.3)	(6.2)	(3.2)

Summary

The amounts recognised in the Combined and Consolidated Balance Sheet are as follows:

	2014 £m	2013 £m	2012 £m
Defined benefit obligations	(387.1)	(356.1)	(330.3)
Fair value of plan assets	331.4	303.1	278.1
Retirement benefit obligations	**(55.7)**	**(53.0)**	**(52.2)**

History of net gains:

	2014	2013	2012
Return on assets (excluding interest income) (£m)	20.0	16.9	(15.8)
Percentage of scheme assets (%)	6.0	5.6	(5.7)
Experience profit on scheme liabilities (£m)	—	6.2	—
Percentage of scheme liabilities (%)	—	(1.7)	—

c Defined contribution schemes

The defined contribution arrangement provides matching employer contributions from 2% to 10% on a grade related basis.

The pension charge for contributions payable to the defined contribution schemes was £11.4m (2013: £11.4m and 2012: £17.0m).

31 Business combinations

The business combinations over the periods were:

EnterpriseMouchel Limited

On 21 February 2013, Mouchel Group acquired the remaining 50% equity interest in EnterpriseMouchel Limited, renamed EM Highway Services Limited, from its joint venture equity partner for a consideration of £25.0m, before acquisition costs of £1.2m. Prior to the acquisition, the interest in EnterpriseMouchel Limited was accounted using the equity method. Under IFRS 3 (2008), "Business Combinations", the interest previously held by Mouchel Group was re-measured to its fair value at the acquisition date, which resulted in a nil gain/loss arising on the revaluation.

IFRS 3 (2008) requires the notional disposal of the 50% equity interest previously held and re-acquisition of the full company at fair value. The fair value of the interest previously held was estimated by using the purchase price for the acquisition of the remaining 50%.

31 Business combinations (Continued)

The following table summarises the consideration paid for EnterpriseMouchel Limited, the fair value of assets acquired and liabilities assumed at the acquisition date.

£m	Fair value at acquisition
Net assets acquired:	
Intangible assets	14.5
Property plant and equipment	1.3
Trade and other receivables	38.4
Cash and cash equivalents	27.1
Trade and other payables	(47.3)
Total identifiable net assets	**34.0**
Goodwill arising on acquisition	16.0
Total consideration	**50.0**
Satisfied by:	
Cash consideration	25.0
Fair value of joint venture previously owned	25.0
	50.0

	£m
Cash flow:	
Cash consideration	25.0
Cash acquired	(13.5)
Acquisition transaction costs expensed	1.2
Net cash outflow arising from acquisition	12.7
Total cash outflow arising from the purchase of subsidiary company	**12.7**

Adjustments made to the fair value of assets acquired include the value of intangible assets, provisions and other adjustments recognised on acquisition in accordance with IFRS 3 (2008), "Business Combinations". No further adjustments were made to the provisional fair values above within 12 months of the acquisition date.

The goodwill arising on the acquisition of the business represents the premium the Mouchel Group paid to acquire the company which complements the existing business and creates significant opportunities for cross-selling and other synergies. Of the goodwill arising, an amount of £nil is expected to be deductible for tax purposes.

The revenue included in the Combined and Consolidated Income Statement for the period 21 February 2013 to 30 September 2013, contributed by the acquisition of the 50% equity interest in EnterpriseMouchel Limited was £78.9m and its contribution to profit before taxation was £6.8m over the same period. Had EnterpriseMouchel Limited been consolidated from 1 October 2012, the Combined and Consolidated Income Statement would show pro-forma revenue of £605.9m and profit before taxation of £19.8m.

Genica Limited

On 7 June 2013, Mouchel Group acquired 100% of the issued share capital of Genica Limited for an initial consideration of £0.2m. In addition, a deferred consideration of up to £0.5m will become payable if certain conditions are met. The provisional and final fair value of assets acquired were £0.1m resulting in goodwill acquired of £0.7m.

The goodwill arising on the acquisition of the business represents the premium Mouchel Group paid to acquire the company which complements the existing business and creates opportunities for cross-selling and other synergies. Of the goodwill arising, an amount of £nil is expected to be deductible for tax purposes.

31 Business combinations (Continued)

The revenue included in the combined and consolidated income statement since 7 June 2013 contributed by the acquisition of Genica Limited was £nil and its contribution to profit was £nil. Due to the immaterial nature of this acqusisition, the full disclosure required under International Financial Reporting Standard 3 "Business Combinations" have not been presented.

2020 Liverpool Limited

On 27 September 2013, the Group acquired the remaining 19.9% share capital of 2020 Liverpool Limited from its minority partner for a consideration of £199.

Due to the immaterial nature of this acqusisition, the full disclosure required under International Financial Reporting Standard 3 "Business Combinations" have not been presented.

Total acquisition transaction costs expensed in the current year were £nil (2013: £1.2m). Note 4, non-underlying items, provides further information.

MRBL Limited

MRBL Limited was incorporated on 13 August 2012 and on 25 August 2012 bought the subsidiaries and took on all the obligations and liabilities from Mouchel Group plc. Mouchel Group plc, the parent company, and not the acquired trading subsidiaries was put into administration on 24 August 2012. The acquisition was accounted for using the acquisition method.

As part of the acquisition the lenders to the Group (The Royal Bank of Scotland, Lloyds Banking Group, Barclays) agreed to a debt-for-equity swap whereby they would invest, along with management, in the equity of MRBL in exchange for writing off debts totalling £86.9m comprising of borrowings valued at £76.6m and loan amendment fees of £10.3m. This was a significant portion of Mouchel Group's debt and left total borrowings of £69.2m at the time of Acquisition.

MRBL's acquisition has been accounted for under IFRS 3 Business Combinations and accordingly MRBL has recognised the assets and liabilities at fair value with the difference between the consideration paid and the fair value of net liabilities acquired being recognised as goodwill. The goodwill recognised was £112.1m being the difference between the consideration paid of £0.7m and the net liabilities of £111.4m.

The value of the consideration paid was established by the administrators of Mouchel Group plc and due to the significant net liabilities acquired, indicated that the purchase price paid was greater than, and did not reflect a true open market value of the business. Accordingly, Mouchel Group have reduced the goodwill initially recognised of £112.1m by way of a noncash impairment charge of £87.9m.

31 Business combinations (Continued)

	Fair value at acquisition £m
Net liabilites acquired:	
Goodwill	—
Customer relationships	28.0
Brand	10.0
Other Intangible assets	8.6
Property plant and equipment	8.4
Investments in joint ventures	7.2
Deferred tax assets and liabilities	5.9
Trade and other receivables	58.4
Cash and cash equivalents	34.3
Borrowings	(69.2)
Trade and other payables	(95.6)
Current tax liabilities	(19.4)
Provisions for liabilities and charges	(36.0)
Retirement benefit obligations	(49.0)
Derivative financial instruments	(3.0)
Total identifiable net liabilities	**(111.4)**
Goodwill arising on acquisition	112.1
Impairment on acquisition	(87.9)
Net goodwill	24.2
Total consideration (discharged in cash)	**0.7**

32 Contingent liabilities

Contingent liabilities at 30 September 2014 in respect of guarantees and indemnities in the normal course of business totalled £17.8m (2013: £12.1m and 2012: £14.1m) and represented drawings on the credit facilities disclosed in note 20. Much of this arises from bonds issued by Mouchel Group's bankers in support of specific contracts and which can be called at any time by the client who would ordinarily do so in the event of Mouchel Group's poor contractual performance. No such calls were made during the year. No reimbursement would be expected if calls were made.

Mouchel Group has no overdraft facilities (2013 and 2012: £nil).

The Company and various of its subsidiaries are, from time to time, parties to legal proceedings and claims which arise in the ordinary course of business. Provisions are maintained by the Mouchel Group having regard to the size and nature of the claims and Mouchel Group's best estimate of the likely settlement. The Directors do not believe that the outcome of these proceedings, actions and claims, either individually or in aggregate, will have a materially adverse effect upon Mouchel Group's financial position.

Mouchel Group's liabilities under the revolving credit facility detailed in note 19 is guaranteed, on a joint and several basis, by MRBL Limited, Mouchel Finance Limited, Mouchel Limited, Mouchel Ewan Limited, Mouchel Rail Limited, Mouchel Traffic Support Limited, Mouchel Holdings Limited, Mouchel Business Services Limited, Mouchel Management Consulting Limited, Mouchel Rail No. 2 Limited, Mouchel Finance & Treasury Holdings Limited, Mouchel Rail No. 3 Limited, Mouchel International (Jersey) Limited, Mouchel Middle East Limited and EM Highway Services Limited.

33 Post-balance sheet events

On 15 January 2015, Mouchel Group renegotiated its banking facilities. The key change to these facilities was to increase the total facility from £95.0 million to £125.0 million and extend the duration of the facility out to April 2018.

On 28 April 2015, Kier Group plc announced the proposed acquisition of the entire issued share capital of MRBL Limited from Barclays Converted Investments Limited, Globe Nominees Limited, Uberior Equity

33 Post-balance sheet events (Continued)

Limited, SIG 1 Holdings Limited, Sanne Fiduciary Services Limited and certain Management Shareholders of MRBL Limited for total consideration of £265 million.

34 Related party transactions

The following transactions were undertaken with the joint venture entities to which the Mouchel Group is party:

	2014 £m	2013 £m	2012 £m
Sales to joint venture entities	4.0	11.1	17.5
Purchases from joint venture entities	3.2	1.8	5.1
Net amount due to the Subsidiaries at the year-end	1.8	5.2	2.3
	£m	£m	£m
Loans to related parties	3.5	4.2	3.3

The loans to related parties are to joint venture companies.

The amount borrowed from and interest paid to related parties, being the Group's major shareholders as disclosed in note 23, is disclosed in note 19 and 5 respectively.

All loans and borrowings of Mouchel Group are held with The Royal Bank of Scotland plc, Lloyds Bank plc, Barclays Bank plc and their subsidiary companies. Amounts and disclosures in Notes 6 & 19 detail the Mouchel Group's transactions with these related parties.

Amounts due to Mouchel Group are unsecured and will be settled in cash. No guarantees have been given or received.

Mouchel Group made contributions of £9.2m (2013: £10.3m and 2012: £7.4m) to the defined benefit pension schemes during the year.

No expense has been recognised in respect of bad or doubtful debts due from any joint ventures in the year ended 30 September 2014 (2013 and 2012: £nil) and no amount has been provided in relation to amounts outstanding at 30 September 2014 (2013 and 2012: £nil).

Key management remuneration	2014 £m	2013 £m	2012 £m
Salaries and short-term employee benefits	2.8	2.3	1.8

Key management comprises the executive directors and members of the Executive Management Team (EMT). There were no other transactions with key management personnel during the year ended 30 September 2014 (2013 and 2012: £nil). In addition to the above, members of key management were awarded 180,000 B ordinary shares under the MIP in the year to 30 September 2014 (2013: nil shares and 2012: 1,860,000 shares).

PART C—ACCOUNTANTS' REPORT ON MOUCHEL FINANCIAL INFORMATION

The Directors
Kier Group plc
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28 April 2015

Dear Sirs

MRBL Limited ("MRBL")

We report on the financial information set out in section B of Part IX (the "MRBL Financial Information Table"). The MRBL Financial Information Table has been prepared for inclusion in the investment circular dated 28 April 2015 (the "Investment Circular") of Kier Group plc (the "Company") on the basis of the accounting policies set out in note 2 to the MRBL Financial Information Table. This report is required by item 20.1 of Annex I to the PD Regulation and 13.5.21R of the Listing Rules and is given for the purpose of complying with those items and for no other purpose.

Responsibilities

The Directors of the Company are responsible for preparing the MRBL Financial Information Table in accordance with the basis of preparation set out in note 2a to the MRBL Financial Information Table.

It is our responsibility to form an opinion as to whether the MRBL Financial Information Table gives a true and fair view, for the purposes of the Investment Circular and to report our opinion to you.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and for any responsibility arising under item 5.5.3R(2)(f) of the Prospectus Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 23.1 of Annex I to the PD Regulation and 13.4.1R(6) of the Listing Rules, consenting to its inclusion in the Investment Circular.

Basis of Opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the MRBL's circumstances, consistently applied and adequately disclosed.

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We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion, the MRBL Financial Information Table gives, for the purposes of the Investment Circular dated 28 April 2015, a true and fair view of the state of affairs of the MRBL as at the dates stated and of its profits and/or losses, cash flows and changes in equity for the periods then ended in accordance with the basis of preparation set out in note 2a to the MRBL Financial Information Table.

Declaration

For the purposes of Prospectus Rule 5.5.3R(2)(f) we are responsible for this report as part of the Investment Circular and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Investment Circular in compliance with item 1.2 of Annex I to the PD Regulation.

Yours faithfully

PricewaterhouseCoopers LLP
Chartered Accountants

PART D—HISTORICAL FINANCIAL INFORMATION OF EM

Income Statement

for the periods ended 30 September 2013 and 29 July 2012

	Note	14 months to 30 September 2013 £m	12 months to 29 July 2012 £m
Revenue		**294.0**	209.7
Cost of sales		**(247.6)**	(180.7)
Gross profit		**46.4**	29.0
Administrative expenses	2	**(24.9)**	(17.8)
Operating profit		**21.5**	11.2
Finance income	3	**0.2**	0.1
Profit before tax		**21.7**	11.3
Tax	5	**(4.7)**	(3.0)
Profit for the period/year attributable to the owners of the parent		**17.0**	8.3
Earnings per share			
Basic and diluted (in pounds)	7	**850.0**	415.0

Statement of Comprehensive Income

for the periods ended 30 September 2013 and 29 July 2012

	Note	14 months to 3 September 2013 £m	12 months to 29 July 2012 £m
Profit for the period/year attributable to owners of the parent		**17.0**	8.3
Other comprehensive (expense)/income			
Items that will not be reclassified to profit or loss			
Remeasurement of loss on pension scheme valuations	19	**(0.3)**	
Recognition of pension scheme asset	19	**—**	1.0
Other comprehensive expense for the period/year, net of tax		**(0.3)**	1.0
Total comprehensive income for the period/year attributable to owners of the parent		**16.7**	9.3

Balance Sheet
as at 30 September 2013 and 29 July 2012

	Note	2013 £m	2012 £m	2011 £m
Assets				
Non-current assets				
Property, plantand equipment	8	**0.9**	1.9	2.6
Retirement benefit assets	19	**0.8**	1.0	—
Deferred tax assets	9	**0.3**	0.2	0.2
Non-current assets		**2.0**	3.1	2.8
Current assets				
Inventories	10	**2.0**	2.0	2.6
Trade and other receivables	11	**41.1**	26.3	24.4
Cash and cash equivalents	13, 18	**14.3**	14.0	12.0
Current assets		**57.4**	42.3	39.0
Total assets		**59.4**	45.4	41.8
Liabilities				
Current liabilities				
Trade and other payables	12	**49.8**	33.7	32.0
Current income tax liabilities		**0.8**	3.0	1.4
Current liabilities		**50.6**	36.7	33.4
Total liabilities		**50.6**	36.7	33.4
Net assets		**8.8**	8.7	8.4
Equity				
Share capital	15	**—**	—	—
Share premium	16	**0.5**	0.5	0.5
Retained earnings	17	**8.3**	8.2	7.9
Total equity		**8.8**	8.7	8.4

Statement of Cash Flows

for the periods ended 30 September 2013 and 29 July 2012.

	Note	14 months to 30 September 2013 £m	12 months to 29 July 2012 £m
Profit for the period/year before tax		**21.7**	11.3
Finance income		**(0.2)**	(0.1)
Depreciation		**1.0**	1.1
Operating cash flows before movements in working capital		**22.5**	12.3
Increase in trade and other receivables including unbilled revenue and inventories		**(14.8)**	(1.3)
Increase in trade and other payables		**16.0**	1.7
Cash flows from operating activities		**23.7**	12.7
Interest received		**0.2**	0.1
Taxation paid		**(6.9)**	(1.4)
Net cash generated from operating activities		**17.0**	11.4
Cash flows from investing activities			
Purchase of property, plant and equipment		**(0.1)**	(0.4)
Net cash used in investing activities		**(0.1)**	(0.4)
Cash flows from financing activities			
Dividends paid to shareholders		**(16.6)**	(9.0)
Net cash used in financing activities		**(16.6)**	(9.0)
Net increase in cash and cash equivalents		**0.3**	2.0
Cash and cash equivalents at beginning of period/year		**14.0**	12.0
Cash and cash equivalents at end of period/year	18	**14.3**	14.0

Statements of Changes in Equity

as at 30 September 2013 and 29 July 2012.

Attributable to owners of the parent	Note	Share capital £m	Share premium £m	Retained earnings £m	Total equity £m
Balance at 30 July 2011		—	0.5	7.9	8.4
Profit for the year		—	—	8.3	8.3
Dividends paid to shareholders	6	—	—	(9.0)	(9.0)
Other comprehensive income:					
Recognition of pension scheme asset	19	—	—	1.0	1.0
Balance at 29 July 2012		**—**	**0.5**	**8.2**	**8.7**
Balance at 30 July 2012		—	0.5	8.2	8.7
Profit for the period		—	—	17.0	17.0
Dividends paid to shareholders	6	—	—	(16.6)	(16.6)
Other comprehensive income:					
Remeasurement loss on pension scheme valuations	19	—	—	(0.3)	(0.3)
Balance at 30 September 2013		**—**	**0.5**	**8.3**	**8.8**

Notes to the financial information

for the periods ended 30 September 2013 and 29 July 2012.

1 Accounting policies

The principal accounting policies adopted in the preparation of this financial information is set out below. These policies have been consistently applied to all the periods presented, including the application of new International Financial Reporting Standards (IFRSs) as adopted by the European Union and interpretations, unless otherwise stated.

EM Highway Services Limited (formerly Enterprise Mouchel Limited) is known as "EM". EM'S principal activity is that of an infrustructure and business services company.

a Basis of preparation

The financial information for the 14 months to 30 September 2013 and the 12 months to 29 July 2012 has been prepared specifically for the purpose of this Investment Circular. This financial information has been prepared in accordance with the Prospectus Directive Regulation, the Listing Rules and in accordance with this basis of preparation. The accounting policies applied to the financial information conform with the accounting policies adopted in Kier plc's latest published annual accounts. The financial information has been prepared on a going concern basis and under the historical cost convention modified by financial liabilities held at fair value through the profit and loss.

This basis of preparation describes how the financial information has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union, the Companies Act 2006 that applies to companies reporting under International Financial Reporting Standards as adopted by the European Union and IFRIC interpretations together "IFRS".

EM adopted IFRS for the first time for the purposes of this financial information. EM prepares its statutory financial statements under United Kingdom Generally Accepted Accounting Principles "UK GAAP". In accordance with IFRS 1 "First-time Adoption of International Financial Reporting Standards" EM performed an assessment of the effect of transition from UK GAAP to IFRS on EM's financial position, financial performance and cash flows. EM's deemed transition date to IFRS is 30 July 2011. No UK GAAP to IFRS transition differences were identified and therefore no separate Transition Statement is provided.

b Changes in accounting policies

For a full list of future changes to standards please refer to note 1p.

c Foreign currencies

Transactions in currencies other than EM's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement or translation of monetary items are included in the income statement. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the income statement for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directlyin equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

d Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts due for services provided net of sales-related taxation.

1 Accounting policies (Continued)

Revenue is recognised as follows:

(i) Construction contracts

When the outcome of a construction contract can be estimated reliably, contract revenue and costs associated with the construction contract are recognised by reference to the stage of completion of the contract activity at the balance sheet date in accordance with IAS 18 Revenue and IAS 11 Construction Contracts. This is measured by the proportion of contract costs incurred for work performed to date compared to the estimated total contract costs.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs that are probable to be recovered. Contract costs are recognised as expenses in the period in which they are incurred.

No profit is recognised until the outcome of the contract can be estimated reliably.

When it is probable that the total contract costs will exceed total contract revenue, the expected loss is fully provided for and recognised as an expense immediately.

(ii) Service contracts

Revenue from service contracts is recognised by reference to services performed to date as a percentage of total services to be performed.

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.

e Employee benefits

EM operates several occupational pension schemes, of both the defined contribution and defined benefit type.

(i) Defined contribution pension scheme

Contributions to EM's defined contribution scheme are recognised as an employee benefit expense when they fall due. Employer pension contributions in respect of employees who transferred under TUPE to EM, but who remain members of their respective councils' defined benefit pension scheme are treated as being made to defined contribution scheme where under the terms of the contract the defined benefit liability effectively remains with the relevant council.

Prepaid contributions are recognised as an asset to the extent that they result in either a cash refund or a reduction in future payments.

(ii) Defined benefit pension scheme

The asset recognised in the Balance Sheet for EM's defined benefit pension scheme is the fair value of scheme assets less the present value of the defined benefit obligation at the balance sheet date. The defined benefit obligation is calculated by independent actuaries using the projected unit credit method and by discounting the estimated future cash flows using interest rates on high-quality corporate bonds that have terms to maturity approximating the terms of the related pension liability. The asset resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan (asset ceiling).

The pension expense for the defined benefit scheme is recognised as follows:

Within operating profit

Current service cost—representing the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

1 Accounting policies (Continued)

Past service cost—representing the increase in the present value of the defined benefit obligation resulting from employee service in prior periods which arises from changes made to the benefits under the scheme in the current period. Past service costs are recognised immediately.

Gains and losses arising on settlements and curtailments—where the item that gave rise to the settlement or curtailment is recognised within operating profit. Administration costs—costs associated with operating the pension scheme are charged through the Income Statement following the revision of IAS 19.

Within finance costs

Interest cost on the liabilities of the scheme—calculated by reference to the scheme liabilities and discount rate at the beginning of the period and allowing for changes during the period.

Expected return on the assets of the scheme—calculated by reference to the scheme assets and long-term expected rate of return at the beginning of the period and allowing for changes during the period.

Within the Statement of Comprehensive Income

Remeasurement gains and losses arising on the assets and liabilities of the scheme.

When a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement) occurs, the obligation and related plan assets are remeasured using current actuarial assumptions and the resultant gain or loss is recognised in the income statement during the period in which the curtailment occurs.

f Taxation

Taxation in the income statement and other comprehensive income represents the sum of the income tax currently payable and deferred tax on items charged or credited to the income statement and other comprehensive income.

The income tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. EM's liability for current income tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all temporary differences and deferred income tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also reflected in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current income tax liabilities and when they relate to income taxes levied by the same taxation authority and EM intends to settle its current tax assets and liabilities on a net basis.

g Property, plant and equipment

Assets are carried at cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are capitalised only when it is probable that they will result in future economic benefits flowing to EM and when they can be measured reliably. All other repairs and maintenance expenditure is charged to the income statement and other comprehensive income in the year in which it is incurred.

1 Accounting policies (Continued)

Depreciation on assets is calculated using the straight-line method to write off their cost less their residual value over their estimated useful lives as follows:

Leasehold improvements—over the expected term ofthe lease Plant and office equipment—3-8 years

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. Residual values and estimated useful lives are reviewed, and adjusted if appropriate, at least at each financial year-end.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses arising on disposals are determined by comparing net sales proceeds with carrying amounts and are recognised in the income statement and other comprehensive income in the period of the disposal.

h Impairment of non-current assets (i) Other non-current assets

At each balance sheet date, EM reviews the carrying amount of its non-current assets to determine whether there is any indication that those assets have suffered an impairment loss.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent, if any, of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, EM estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the latter is reduced to its recoverable amount. Any impairment is recognised immediately in the income statement.

Prior impairments of non-current assets are reviewed for possible reversal at each reporting date.

i Operating leases

Rentals payable under operating leases are charged to the income statement and other comprehensive income on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

j Financial instruments

Financial assets and liabilities are recognised on EM's Balance Sheet when EM becomes a party to the contractual provisions of the instrument.

(i) Trade receivables and unbilled revenue

Trade receivables and unbilled revenue, including contract retentions, are initially measured at fair value, do not carry any interest, and are reduced by appropriate impairment provisions for estimated irrecoverable amounts. They are subsequently measured at amortised cost.

Where recovery is anticipated as being greater than one year, the receivable is discounted. The unwinding of any such discount is reflected in Finance Income.

A provision for impairment of trade receivables and unbilled revenue is established when there is objective evidence that EM will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the customer, probability that the customer will enter bankruptcy or financial reorganisation and default may be considered indicators that the trade receivable may be impaired. Delinquency of payments is an indicator that is considered when assessing whether the asset needs to be impaired.

The amount of the impairment provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an impairment provisions account, and the amount of the loss is recognised in the income statement within administrative expenses. When a trade receivable is uncollectible, it is written off against the impairment provisions account for trade receivables.

1 Accounting policies (Continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment is recognised in the income statement.

(ii) Cash and cash equivalents

These comprise cash in hand and on demand deposits, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(iii) Trade and other payables

Trade and other payables are not interest-bearing and are initially measured at their fair value. They are subsequently measured at amortised cost.

(vi) Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

(viii) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

k Inventories

Inventories are stated at cost less impairment. Cost is determined using the first in, first out method.

l Financial risk management

The Board has identified that EM is exposed to credit risk, liquidity risk and price risk in varying degrees.

EM's policy for managing these risks is set out in note 12.

m Research and development

Expenditure on research is recognised as an expense in the period in which it is incurred. Development costs are expensed in the period in which the costs are incurred unless the criteria for capitalisation are met.

n Dividends

Dividends are recorded in EM's financial statements in the period in which they are approved by EM's shareholders.

o Key accounting estimates

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying EM's accounting policies. In the process of applying EM's accounting policies which are described above, management has made the following judgements which have the most significant effect on the amounts recognised in the financial statements:

(i) Revenue recognition

EM's revenue recognition policy is stated in note 1d. In some cases, judgement is required to determine the appropriate proportion ofthe value delivered on the contract and the extent to which fees will be recoverable. The recoverability of fees in the cases where the fee has become the subject of a claim against the customer involves management judgement to be applied to the specific circumstances of each individual case.

1 Accounting policies (Continued)

(ii) Deferred income tax and income taxes

Management has estimated the likely value of deferred income tax assets in respect of trading losses. There are many transactions and calculations for which the ultimate tax determination is uncertain. EM recognises liabilities and assets for anticipated tax audit issues based on estimates of whether additional taxes will be due (see note 5 and note 8). EM has open tax matters with a number of revenue authorities. EM believes that it has made adequate provision for the liabilities likely to arise from open assessments. Where open matters exist the ultimate liability for such matters may vary from the amounts provided and is dependent on the outcome of negotiations with the relevant tax authorities or, if necessary, litigation.

p New standards, amendments and interpretations not yet adopted by EM

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 October 2013, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of EM, except the following set out below, for which EM is currently assessing the impact:

IFRS 9 "Financial Instruments"—effective for accounting periods beginning on or after 1 January 2018.

IFRS 15 "Revenue from contracts with customers"—effective for accounting periods beginning on or after 1 January 2017

Amendments to existing standards

Amendments to IAS19 "Employee Benefits" on employee contributions—effective for accounting periods beginning on or after 1 July 2014.

Amendments to IAS 32 "Financial Instruments: Disclosures, on offsetting financial assets and financial liabilities" is effective for the Group for the period ending 30 September 2015.

Amendments to IAS 36, "Impairment of assets" on recoverable amount disclosures, is effective for the Group for the period ending 30 September 2015.

2 Administrative expenses

Operating profit is stated after charging:

	14 months to 30 September 2013 £m	12 months to 29 July 2012 £m
Staff costs (note 4)	48.9	44.3
Depreciation of property, plant and equipment (note 8)	1.0	1.1
Operating lease payments on property, vehicles, plant and equipment	5.6	5.1

3 Finance income

	14 months to 30 September 2013 £m	12 months to 29 July 2012 £m
Interest receivable	0.2	0.1
Finance income	0.2	0.1

4 Employees and Directors

Staff costs during the period/year were as follows:

	14 months to 30 September 2013 £m	12 months to 29 July 2012 £m
Wages and salaries	43.1	39.1
Social security costs	4.5	4.0
Other pension costs	1.3	1.2
	48.9	**44.3**

The average monthly number of people (including Executive Directors and temporary staff) employed during the period/year was as follows:

2013	Management and administration number	Direct labour number	Total number
United Kingdom	609	440	1,049
Total staff	**609**	**440**	**1,049**

2012	Management and administration number	Direct labour number	Total number
United Kingdom	636	535	1,171
Total staff	**636**	**535**	**1,171**

Key management compensation:

Key management consists of the Directors who did not receive any emoluments from EM during the current period or prior year because they are remunerated elsewhere (2012: same).

5 Income tax

a Analysis of income tax charge for the period/year

	14 months to 30 September 2013 £m	12 months to 29 July 2012 £m
UK current tax on profits	5.2	3.1
Adjustments for prior years	(0.4)	(0.1)
Total current tax charge	4.8	3.0
Change in corporation tax rate		
Origination and reversal of temporary differences	0.1	(0.1)
Adjustments in respect of prior years	(0.2)	0.1
Total deferred tax charge	(0.1)	0.0
Total tax charge in the income statement	4.7	3.0
Reconciliation of effective tax rate		
Profit before tax	21.7	11.3
Profit multiplied by the standard rate of corporation tax in the UK of 23.6% (2012: 25.3%)	5.1	2.8
Effects of:		
—Capital allowances for the period in excess of depreciation	0.1	0.1
—Non-deductible expenses	0.2	0.2
—Adjustments in respect of prior years	(0.6)	(0.1)
—movement in short term timing differences	(0.1)	—
Income tax charge for the period/year	4.7	3.0

5 Income tax (Continued)

b Factors affecting the tax credit for year

EM Highways is based in the UK and are subject to UK corporation tax. EM has not entered into any tax avoidance schemes which require notification to HMRC underthe Disclosure of Tax Avoidance Schemes (DOTAS) during either 2013 or 2012.

The tax charge of £4.7m equates to an effective tax rate of 22% on profit before tax of £21.7m (2012: 26.5%). The tax charge for the year is lower (2012: higher) than standard rate of corporation tax in the UK of 23.5% (2012: 25%). The difference is as a result of a £0.6m prior year over provision.

c Recognised in the cash flow statement

The cash flow statement shows a payment of £6.9m during the year (2012: £1.4m).

d Future changes

The standard rate of Corporation Tax in the UK changed from 24% to 23% with effect from 1 April 2013. Accordingly, EM's profits for this accounting period are taxed at a rate of 23.6%. On 2 July 2013, the UK Government passed the 2013 Finance Bill, which will reduce the main rate of corporation tax to 21% from 1 April 2014 with a further reduction to 20% from 1 April 2015, which was not substantively enacted at the balance sheet date.

Deferred tax has been recognised at 21% (2012: 23%), reflecting the rate that was enacted in the Finance Act 2013.

e Tax on items charged to Other Comprehensive Income

No deferred tax has been charged or credited directly to Other Comprehensive Income during the periods presented in this financial information.

f Income tax liabilities

Income tax liabilities of £0.8m (2012: £3.0m) have been classified as current to recognise the agreed payment profile.

6 Dividends

EM paid dividends of £830 per share (2012: £450 per share) during the period/year which totalled £16.6m (2012: £9m).

7 Earnings per share

	2013 £m	2012 £m
Basic earnings per share		
Earnings after tax, being net profits attributable to owners of the parent	17.0	8.3
	million	million
Basic and Diluted weighted average number of ordinary shares in issue	0.02	0.02
	£	£
Basic and diluted adjusted earnings per share	850.0	415.0

There are no shares or options with a dilutive effect and hence the basic and diluted earnings per share are the same.

8 Property, plant and equipment

2013	Leasehold improvements £m	Plant and equipment £m	Total £m
Cost			
At 30 July 2012	3.4	2.7	6.1
Additions	—	—	—
Disposals	(0.6)	—	(0.6)
At 30 September 2013	**2.8**	**2.7**	**5.5**
Accumulated depreciation			
At 30 July 2012	1.7	2.5	4.2
Charge for the period	0.8	0.2	1.0
Disposals	(0.6)	—	(0.6)
At 30 September 2013	**1.9**	**2.7**	**4.6**
Net book value			
At 30 September 2013	**0.9**	**—**	**0.9**

2012	Leasehold improvements £m	Plant and equipment £m	Total £m
Cost			
At 30 July 2011	3.0	2.7	5.7
Additions	0.4	—	0.4
At 29 July 2012	**3.4**	**2.7**	**6.1**
Accumulated depreciation			
At 30 July 2011	1.1	2.0	3.1
Charge for the year	0.6	0.5	1.1
At 29 July 2012	**1.7**	**2.5**	**4.2**
Net book value			
At 29 July 2012	**1.7**	**0.2**	**1.9**

9 Deferred tax assets

2013 Deferred tax assets	Short term temporary differences £m	Total £m
At 30 July 2012	0.2	0.2
Prior year adjustment	0.2	0.2
Amounts utilised during the period	(0.1)	(0.1)
At 30 September 2013	0.3	0.3

2012 Deferred tax assets	Short term temporary differences £m	Total £m
At 30 July 2011	0.2	0.2
Prior year adjustment	(0.1)	(0.1)
Amounts recognised during the year	0.1	0.1
At 29 July 2012	0.2	0.2

Management estimate that all of EM's deferred tax assets will unwind within one year.

10 Inventories

	2013 £m	2012 £m	2011 £m
Raw materials and consumables	2.0	2.0	2.6

The inventories charged to the Income Statement during the period were £2.5m (2012: £2.6m; 2011: £2.8m).

11 Trade and other receivables

	Gross 2013 £m	Impairment provision 2013 £m	Net 2013 £m	Gross 2012 £m	Impairment provision 2012 £m	Net 2012 £m	Gross 2011 £m	Impairment provision 2011 £m	Net 2011 £m
Trade receivables	9.8	(1.0)	8.8	10.6	(1.5)	9.1	17.1	(1.9)	15.2
Unbilled revenue	25.1	—	25.1	15.4	(0.2)	15.2	8.1	—	8.1
Amounts owed by related parties	5.5	—	5.5	0.8	—	0.8	0.1	—	0.1
Other receivables	0.6	—	0.6	0.6	—	0.6	0.3	—	0.1
Prepayments and accrued income	1.1	—	1.1	0.6	—	0.6	0.9	—	0.9
	42.1	**(1.0)**	**41.1**	**28.0**	**(1.7)**	**26.3**	**26.3**	**(1.9)**	**24.4**

At 30 September 2013, trade receivables net of provisions of £1.7m (2012: £2.6m; 2011: £6.8m) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	2013 £m	2012 £m	2011 £m
Up to three months	1.7	2.6	1.4
Over three months	—	—	5.4
	1.7	2.6	6.8

At 30 September 2013 trade receivables and unbilled revenue of £1.0m (2012: £1.7m; 2011: £1.9m) have been impaired so as to reduce the value of contract receivables to the amounts EM believes it should be able to collect. The ageing of these receivables is as follows:

	2013 £m	2012 £m	2011 £m
Up to three months	0.1	0.2	—
Over three months	0.9	1.5	1.9
	1.0	1.7	1.9

The carrying amount of EM's trade and other receivables are all denominated in Pound Sterling for both 2013 and 2012.

Movements on EM's provision for impairment of trade receivables and unbilled revenue are as follows:

	2013 £m	2012 £m	2011 £m
At 1 August/October	1.7	1.9	2.8
Provision utilised during the year	(0.7)	(0.2)	(0.9)
At 30 September	**1.0**	**1.7**	**1.9**

No amounts of collateral are held as security.

The creation and release of provisions for impaired receivables have been included in administrative expenses in the income statement. Impairment provisions are utilised when there is no expectation of cash recovery.

The other classes within trade and other receivables do not contain impaired assets.

12 Trade and other payables — current

	2013 £m	2012 £m	2011 £m
Trade payables	2.1	0.6	0.4
Amounts owed to related parties	2.6	0.1	6.1
Other payables including taxation and social security	0.3	0.4	1.4
Deferred income	4.4	7.1	5.2
Accrued expenses	40.4	25.5	18.9
	49.8	33.7	32.0

13 Financial Risk Management including details of Financial Assets and Liabilities

The financial assets and liabilities of EM comprise internal cash resources and trade receivables and payables arising from trading activities. EM's policy is to manage the assets and liabilities centrally to provide both the working capital and the investment funds necessary for ongoing operations and future development.

The majority of UK projects and contracts are in Pounds Sterling.

In accordance with IAS 39 Financial Instruments, Recognition and Measurement, EM has reviewed all contracts for embedded derivatives that are required to be separately accounted for. None were identified as part of the review.

Classification of financial assets and liabilities

2013	Loans and receivables £m	Liabilities at amortised cost £m	Total £m
Financial assets:			
Trade receivables and unbilled revenue	33.9	—	33.9
Cash and cash equivalents	14.3	—	14.3
	48.2	—	48.2
Financial liabilities:			
Trade payables	—	2.1	2.1
	—	2.1	2.1

2012	Loans and receivables £m	Liabilities at amortised cost £m	Total £m
Financial assets:			
Trade receivables and unbilled revenue	24.3	—	24.3
Cash and cash equivalents	14.0	—	14.0
	38.3	—	38.3
Financial liabilities:			
Trade payables		0.6	0.6
		0.6	0.6

Credit risk

EM's principal financial assets are cash and cash equivalents, trade receivables and unbilled revenue. EM does not hold any collateral as security. EM manages these risks through a number of measures. Counterparty risk on cash deposits is managed by adhering to the guidelines set by the Board.

Trade receivables and unbilled revenue are managed through set-up and authorisation policies for new customers. It is EM's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. An assessment of credit quality of the customer is made as appropriate taking into account their financial position, past experience, external agency ratings and other factors.

13 Financial Risk Management including details of Financial Assets and Liabilities (Continued)

Where possible, the risk is mitigated by use of advanced payments. EM policy is not to apply individual credit limits to trade and other receivables, although total exposure and payment performance are monitored monthly both at individual project and client level.

The Mouchel Group's most significant clients are public or regulated industry entities which have high credit rating quality due to the nature ofthe client.

The table below shows EM's gross trade receivables and unbilled revenue balances at the year-end date classified according to the counterparty.

Counterparty	2013 £m	2012 £m
Local government	7.4	2.2
Central government	25.7	20.2
Regulated industries	—	—
Private sector companies	0.8	1.9
	33.9	24.3

Management have considered the credit risk relating to other receivables and prepayments and accrued income and do not consider there to be any significant credit risk over and above any amounts already provided for.

The table below shows EM's cash and cash equivalents balances at the year-end date classified according to the banks credit rating.

Rating	2013 £m	2012 £m
A	14.3	—
A-	—	14.0
Cash and cash equivalents	14.3	14.0

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, EM maintains flexibility in funding by maintaining availability under committed credit lines.

The table below analyses the maturity profile of EM's financial liabilities. Figures shown are the contractual undiscounted cash flows.

2013	On demand or within 1 year £m
Trade and other payables	2.1

2012	On demand or within 1 year £m
Trade and other payables	0.6

Price risk

EM does not hold any equity securities that are available for sale and does not have any exposure to commodity price risk.

Capital management

EM manages its capital structure to reduce its cost of capital, ensure that it remains a going concern and provide returns for shareholders through providing benefits for other stakeholders.

14 Lease obligations

Operating lease commitments — minimum lease payments

	2013		2012	
	Land and buildings £m	Other £m	Land and buildings £m	Other £m
Commitments under non-cancellable operating leases payable:				
Within one year	1.0	1.7	1.5	3.2
Between one and five years	2.1	1.1	1.4	3.3
Afterfive years	0.6	—	—	0.2
	3.7	2.8	2.9	6.7

15 Share capital

Authorised and allotted ordinary shares—called up and fully paid

	2013		2012	
	Number of shares	£m	Number of shares	£m
Ordinary shares of £1 each	20,002	—	20,002	—

16 Share premium

	2013 £m	2012 £m
At 30 September 2013 and 29 July 2012	0.5	0.5

17 Retained earnings

	2013 £m	2012 £m
At 30 July	8.2	7.9
Profit for the period/year	17.0	8.3
Recognition of pension scheme asset	—	1.0
Remeasurement loss on pension scheme	(0.3)	—
Dividends paid	(16.6)	(9.0)
At 30 September/29 July	8.3	8.2

18 Cash and cash equivalents

Cash and cash equivalents are analysed as follows:

	2013 £m	2012 £m
Cash and cash equivalents	14.3	140

19 Retirement benefit assets and obligations

EM participates in the Prudential Platinum Pension Scheme. The Prudential Platinum Scheme is a sectionalised multi-employer final salary pension arrangement. The assets of EM's section are administered by Trustees in funds independent of those of EM and other sections of the Scheme.

The administration is also conducted by external professional pension administrators. The Scheme operates for staff whose employment is transferred in connection with client contracts that require EM to offer comparable pension arrangements.

The terms of the Scheme allow EM to exit when the last member has left employment without additional payments, provided the related assets equal or exceed the value of the past service liabilities on a buy-out basis. However, if the estimated value of the assets arising from EM's contributions is less than the value of

19 Retirement benefit assets and obligations (Continued)

the past service liabilities, for which EM is responsible, then EM will be required to make good the shortfall.

The date of the last full actuarial valuation for this scheme was December 2012. The plan assets have been recognised during the year and were not material in the prior year.

The cost of this scheme is determined in accordance with the advice of independent, professionally qualified actuaries on the basis of formal actuarial valuations using the projected unit credit method. In line with normal business practice these valuations are undertaken on a triennial basis.

The key assumptions used in valuing the retirement benefit assets and obligations at the end of the year were:

	2013 %	2012 %
Discount rate	4.5	3.9
Expected rate of increase in pensionable salaries	3.2	1.9
Expected rate of increase in pensions in payment	3.2	1.9
Expected rate of retail price inflation (RPI)	3.2	1.9
Expected rate of consumer price inflation (CPI)	2.2	1.4

	2013 Years	2012 Years
Life expectancy at age 65:		
—current pensioners: male	87.7	87.6
—current pensioners: female	90.1	90.0
—future pensioners: male	89.6	89.5
—future pensioners: female	91.6	91.5

The amounts recognised in the Balance Sheet are as follows:

	2013 £m	2012 £m
Equities and diversified growth funds	1.1	0.8
Bonds and gilts	2.0	1.8
Total market value of plan assets	3.1	2.6
Present value of obligations	(2.3)	(1.6)
Asset in the Balance Sheet (Non-current)	0.8	1.0

Movements in the market value of plan assets are as follows:

	2013 £m	2012 £m
1 August	2.6	2.0
Interest income	0.1	0.1
Company contributions	0.3	0.5
Employee contributions	0.1	0.1
Benefits paid	(0.1)	(0.1)
Return on assets (excluding interest income)	0.1	—
At 30 September/29 July	3.1	2.6

19 Retirement benefit assets and obligations (Continued)

Movements in the retirement benefit obligations are as follows:

	2013 £m	2012 £m
1 August	(1.6)	(1.1)
Service cost	(0.3)	(0.2)
Interest expense	(0.1)	(0.1)
Employees contributions	(0.1)	(0.1)
Benefits paid	0.1	0.1
Remeasurements: effect of changes in assumptions and experience adjustments	(0.3)	(0.2)
At 30 September/29 July	(2.3)	(1.6)

20 Related party transactions

The details of transactions with related parties were as follows:

	2013 £m	2012 £m
Purchase of services from related parties	21.8	55.7
Enterprise Group Holdings Limited and its subsidiaries MRBL Limited and its subsidiaries Provision of services to related parties	19.4	11.1
Enterprise Group Holdings Limited and its subsidiaries MRBL Limited and its subsidiaries	(0.1)	—
	(0.2)	—

The balances as at 29 September 2013 and 29 July 2012 with related parties are as follows:

	2013 £m	2012 £m
Amounts due from related parties		
Enterprise Group Holdings Limited and its subsidiaries	—	0.6
MRBL Limited and its subsidiaries	5.5	0.2
Amounts due to related parties		
Enterprise Group Holdings Limited and its subsidiaries	—	—
MRBL Limited and its subsidiaries	2.6	0.1

21 Ultimate controlling party

During the period to 21 February 2013, EM was jointly controlled by two joint venture partners; Mouchel Limited and Enterprise (AOL) Limited.

On 21 February 2013, the whole of the issued share capital of EM Highway Services Limited (formerly Enterprise Mouchel Limited) was acquired by Mouchel Limited, the immediate parent undertaking. Following the acquisition, EM Highway Services Limited was consolidated within the MRBL Limited Group. MRBL Limited is the ultimate parent undertaking and ultimate controlling party.

Em Highway Services Limited is incorporated in the UK and its registered address is Export House, Cawsey Way, Woking, Surrey, GU21 6QX.

22 Post-balance sheet event

On 28 April 2015, Kier Group plc announced the proposed acquisition of the entire issued share capital of MRBL Limited from Barclays Converted Investments Limited, Globe Nominees Limited, Uberior Equity Limited, SIG 1 Holdings Limited, Sanne Fiduciary Services Limited and certain Management Shareholders of MRBL Limited for total consideration of £265 million.

PART E—ACCOUNTANTS' REPORT ON EM FINANCIAL INFORMATION

The Directors
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SG19 2BD

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28 April 2015

Dear Sirs

EM Highway Services Limited ("EM")

We report on the financial information set out in section D of Part IX (the "EM Financial Information Table"). The EM Financial Information Table has been prepared for inclusion in the investment circular dated 28 April 2015 (the "Investment Circular") of Kier Group plc (the "Company") on the basis of the accounting policies set out in note 2a to the EM Financial Information Table. This report is required by item 20.1 of Annex I to the PD Regulation and 13.5.21R of the Listing Rules and is given for the purpose of complying with those items and for no other purpose.

Responsibilities

The Directors of the Company are responsible for preparing the EM Financial Information Table in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion as to whether the EM Financial Information Table gives a true and fair view, for the purposes of the Investment Circular and to report our opinion to you.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and for any responsibility arising under item 5.5.3R(2)(f) of the Prospectus Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 23.1 of Annex I to the PD Regulation and 13.4.1R(6) of the Listing Rules, consenting to its inclusion in the Investment Circular.

Basis of Opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to EM's circumstances, consistently applied and adequately disclosed.

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We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion, the EM Financial Information Table gives, for the purposes of the Investment Circular dated 28 April 2015, a true and fair view of the state of affairs of the EM as at the dates stated and of its profits, cash flows and changes in equity for the periods then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Declaration

For the purposes of Prospectus Rule 5.5.3R(2)(f) we are responsible for this report as part of the Investment Circular and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Investment Circular in compliance with item 1.2 of Annex I to the PD Regulation.

Yours faithfully

PricewaterhouseCoopers LLP
Chartered Accountants

PART X—UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

SECTION A—UNAUDITED PRO FORMA FINANCIAL INFORMATION

The unaudited pro forma financial information of the Enlarged Group in this Part X has been prepared to illustrate the effect of the new Rights Issue and the proposed acquisition of Mouchel (the "Acquisition") on the net assets at 31 December 2014 of Kier as if each of the foregoing had occurred on 31 December 2014 and the effect on the income statement of Kier for the year ended 30 June 2014 had the Rights Issue and the proposed acquisition of Mouchel taken place on 1 July 2013.

The unaudited pro forma statement of net assets and income statement are based on the consolidated financial information and compiled on the basis set out in the notes below and in accordance with the accounting policies adopted by Kier for the six months ended 31 December 2014 and for the year ended 30 June 2014, respectively.

The unaudited pro forma financial information does not constitute financial statements within the meaning of section 434 of the Companies Act.

The unaudited pro forma financial information, which has been produced for illustrative purposes only, by its nature addresses a hypothetical situation and, therefore, does not represent Kier's actual financial position or results.

Investors should read the whole of this document and not rely solely on the unaudited financial information in this Part X. PricewaterhouseCoopers LLP's report on the unaudited pro forma financial information is set out in this Part X.

In addition to the matters noted above, the unaudited pro forma financial information does not reflect the effect of anticipated synergies and efficiencies associated with the Acquisition.

Unaudited Pro Forma Net Assets Statement at 31 December 2014

	Kier Group Plc at 31 December 2014	Mouchel Group at 31 December 2014	Rights Issue and Refinancing	Acquisition accounting	Unaudited Pro Forma Total
		Adjustments			
			(£ millions)		
	Note 1	Note 2	Note 3	Note 4	
Assets					
Non-current assets					
Intangible assets	325.0	72.0	—	308.1	705.1
Property, plant and equipment	184.3	10.0	—	—	194.3
Retirement benefit assets	—	0.8	—	—	0.8
Investment in joint venture	67.3	0.2	—	—	67.5
Deferred tax assets	5.1	33.7	—	—	38.8
Trade and other receivables	20.9	—	—	—	20.9
	602.6	116.7	—	308.1	1,027.4
Current assets					
Inventories	562.2	4.0	—	—	566.2
Trade and other receivables	541.6	120.3	—	—	661.9
Income tax receivable	4.9	—	0.4	—	5.3
Assets held for sale	10.2	—	—	—	10.2
Cash and cash equivalents	150.4	44.2	273.0	(273.0)	194.6
	1,269.3	168.5	273.4	(273.0)	1,438.2
Total assets	1,871.9	285.2	273.4	35.1	2,465.6
Liabilities					
Non-current liabilities					
Borrowings	(294.5)	(71.0)	50.0	—	(315.5)
Finance lease obligations	(44.5)	—	—	—	(44.5)
Non-current income tax liabilities	—	(7.5)	—	—	(7.5)
Other financial liabilities	(2.1)	—	—	—	(2.1)
Trade and other payables	(3.4)	(0.8)	—	—	(4.2)
Retirement benefit obligations	(81.2)	(49.8)	—	—	(131.0)
Provisions	(70.6)	(9.9)	—	—	(80.5)
Deferred tax liabilities	—	(8.5)	—	—	(8.5)
	(496.3)	(147.5)	50.0	—	(593.8)
Current liabilities					
Overdraft	(11.9)	—	—	—	(11.9)
Borrowings	—	(5.0)	5.0	—	—
Finance lease obligations	(32.4)	—	—	—	(32.4)
Other financial liabilities	(0.3)	—	—	—	(0.3)
Trade & other payables	(1,026.2)	(160.8)	—	—	(1,187.0)
Derivative financial instruments	—	(0.1)	—	—	(0.1)
Current income tax liabilities	—	(5.3)	—	—	(5.3)
Retirement benefit obligations	—	(4.3)	—	—	(4.3)
Provisions	(19.4)	(5.3)	—	—	(24.7)
	(1,090.2)	(180.8)	5.0	—	(1,266.0)
Total liabilities	(1,586.5)	(328.3)	55.0	—	(1,859.8)
Net assets/(liabilities)	285.4	(43.1)	328.4	35.1	605.8

Notes:

(1) The unaudited financial information has been extracted without material adjustment from the unaudited consolidated interim financial statements of the Group for the six-month period ended 31 December 2014, which are incorporated by reference into this document and are available for inspection as detailed in Part XIV of this document.

(2) The unaudited financial information has been extracted without material adjustment from unaudited condensed interim consolidated financial information of Mouchel for the three-month period ended 31 December 2014, which is included in Part IX of this document.

(3) The net proceeds of the Rights Issue of £330 million are calculated on the basis that the Company issues 39,646,692 New Shares at a price of 858p per Share, net of estimated expenses in the connection with the Rights Issue of approximately £10 million,

which have been taken directly to equity. £55 million of the proceeds will be used to repay Mouchel's existing bank facilities, with the remaning amount being repaid using the Group's new £380 million revolving credit facility. The remaining proceeds will be used to pay new bank loan fees of £2 million. The replacement of certain of the Group's current bank facilities with a new £380 million revolving credit facility will have no material impact on the pro forma net asset statement at 31 December 2014. Kier expect future integration costs of approximately £17 million which have not been reflected in the unaudited pro forma financial information.

The £0.4 million adjustment relates to the tax impact of the write-off of finance costs relating to the Group's old bank facilities, as described in note 7 to the unaudited pro forma financial information.

(4) The adjustments arising as a result of the Acquisition are set out below:

(a) The adjustment to current assets of £273 million represents the aggregate of the £265 million cash consideration payable for the Acquisition and £8 million of estimated transaction costs. The unaudited pro forma financial information does not adjust the consideration paid for transaction costs incurred by any Mouchel Group company, pursuant to the Acquisition, that may be defrayed.

(b) The adjustment to goodwill has been calculated as follows:

	£ millions
Consideration	265.0
Net liabilities acquired	43.1
Pro forma goodwill adjustment	308.1

This acquisition has been accounted for using the acquisition method of accounting. The excess of consideration over the book value of the net liabilities acquired has been reflected as goodwill. A fair value exercise will be completed post Acquisition. Therefore, no account has been taken of any fair value adjustments that may arise on Acquisition.

No adjustments have been made to reflect the trading results of either Kier or Mouchel since 31 December 2014.

Unaudited Pro Forma Income Statement for the year ended 30 June 2014

	Kier Group Plc for the year ended 30 June 2014	Mouchel Group for the year ended 30 September 2014	Adjustments: Rights Issue and refinancing	Adjustments: Acquisition accounting	Unaudited Pro Forma Total
			(£ millions)		
	Note 5	Note 6	Note 7	Note 8	
Revenue					
Group and share of JVs	2,985.2	616.6	—	—	3,601.8
Less share of JVs	(30.9)	(20.2)	—	—	(51.1)
Group Revenue	2,954.3	596.4	—	—	3,550.7
Cost of sales	(2,703.0)	(544.3)	—	—	(3,247.3)
Gross Profit	251.3	52.1	—	—	303.4
Administrative expenses	(224.0)	(29.2)	—	(8.0)	(261.2)
Share of post-tax results of JVs	1.6	1.0	—	—	2.6
Profit on disposal of JVs	6.1	—	—	—	6.1
Profit from operations	35.0	23.9	—	(8.0)	50.9
Finance income	2.2	—	—	—	2.2
Finance cost	(22.4)	(7.8)	(2.0)	—	(32.2)
Profit before tax	14.8	16.1	(2.0)	(8.0)	20.9
Taxation	(4.1)	20.8	0.4	—	17.1
Profit for the period(9)	10.7	36.9	(1.6)	(8.0)	38.0

Notes:

(5) The financial information has been extracted without material adjustment from the 2014 Annual Report and Accounts, certain parts of which are incorporated by reference into this document and is available for inspection as detailed in Part XIV of this document.

(6) The financial information has been extracted without material adjustment from Mouchel's consolidated financial information for the year ended 30 September 2014, which is included in Part IX of this document.

(7) The adjustments reflect the following:

(a) The £2.0 million adjustment relates to the write-off of finance costs relating to the Group's existing bank facilities which are being replaced by the new £380 million revolving credit facility. The reduction in interest costs resulting from a lower margin payable under the new facility is not expected to be material. Accordingly, no adjustment to interest costs has been made to the pro forma financial information.

(b) The tax adjustment of £0.4 million represents the expected tax impact of the write-off of finance costs relating to the Group's existing bank facilities which are being replaced by the new £380 million revolving credit facility, calculated at 19%, Kier's effective tax rate for the year ended 30 June 2014.

(8) The adjustment reflects the accounting for the Acquisition on the following basis:

(a) A non-underlying exceptional item of £8 million reflecting estimated transaction costs payable in respect of the Acquisition. The tax impact of these estimated transaction costs is not expected to be material. Accordingly, no adjustment to taxation has been made to the pro forma financial information.

With the exception of consolidating future trading results of Mouchel into the Enlarged Group, the aforementioned adjustments to the income statement are not expected to have a continuing impact on the trading of the Enlarged Group.

No adjustments have been made to reflect the trading results of Kier since 30 June 2014 or the trading results of Mouchel since 30 September 2014.

(9) Reconciliation from profit for the period to underlying operating profit

	Kier Group Plc for the year ended 30 June 2014	Adjustments			Unaudited Pro Forma Total
		Mouchel Group for the year ended 30 September 2014	**Rights Issue and refinancing**	**Acquisition accounting**	
			(£ millions)		
Profit for the period	**10.7**	**36.9**	**(1.6)**	**(8.0)**	**38.0**
Taxation	4.1	(20.8)	(0.4)	—	(17.1)
Profit before tax	**14.8**	**16.1**	**(2.0)**	**(8.0)**	**20.9**
Non underlying net finance costs	5.3	—	2.0	—	7.3
Amortisation of intangible assets relating to contract costs	10.8	—	—	—	10.8
Exceptional items	42.2	3.8	—	8.0	54.0
Underlying profit before tax	**73.1**	**19.9**	**—**	**—**	**93.0**
Underlying net finance costs	14.9	7.8	—		22.7
Underlying operating profit	**88.0**	**27.7**	**—**	**—**	**115.7**

SECTION B—ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The Directors
Kier Group plc
Tempsford Hall
Sandy
Bedfordshire
SG19 2BD

J.P. Morgan Securities plc
25 Bank Street
Canary Wharf
London
E14 5JP

Numis Securities Limited
10 Paternoster Square
London
EC4M 7LT

28 April 2015

Dear Sirs

Kier Group plc (the "Company")

We report on the unaudited pro forma financial information (the "Pro Forma Financial Information") set out in section A of Part X of the Company's investment circular dated 28 April 2015 (the "Investment Circular") which has been prepared on the basis described in the notes to the Pro Forma Financial Information, for illustrative purposes only, to provide information about how the proposed acquisition of MRBL Limited and the proposed admission of new ordinary shares of the Company to the premium segment of the Official List maintained by the Financial Conduct Authority (the "FCA") and the proposed admission of those shares to trading on the London Stock Exchange's main market for listed securities (the "Transaction") might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the financial statements for the periods presented. This report is required by item 20.2 of Annex I to the PD Regulation and is given for the purpose of complying with that PD Regulation and for no other purpose.

Responsibilities

It is the responsibility of the directors of the Company to prepare the Pro Forma Financial Information in accordance with item 20.2 of Annex I to the PD Regulation and item 13.3.3R of the Listing Rules.

It is our responsibility to form an opinion, as required by item 20.2 of Annex I to the PD as to the proper compilation of the Pro Forma Financial Information and to report our opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro Forma Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and for any responsibility arising under item 5.5.3R(2)(f) of the Prospectus Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 23.1 of Annex I to the PD Regulation and item 13.4.1R(6) of the Listing Rules, consenting to its inclusion in the Investment Circular.

PricewaterhouseCoopers LLP, 1 Embankment Place, London, WC2N 6RH
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PricewaterhouseCoopers LLP is a limited liability partnership registered in England with registered number OC303525. The registered office of PricewaterhouseCoopers LLP is 1 Embankment Place, London WC2N 6RH. PricewaterhouseCoopers LLP is authorised and regulated by the Financial Conduct Authority for designated investment business.

Basis of Opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro Forma Financial Information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

a) the Pro Forma Financial Information has been properly compiled on the basis stated; and
b) such basis is consistent with the accounting policies of the Company.

Declaration

For the purposes of Prospectus Rule 5.5.3 R(2)(f), we are responsible for this report as part of the Investment Circular and we declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Investment Circular in compliance with item 1.2 of Annex I to the PD Regulation.

Yours faithfully

PricewaterhouseCoopers LLP
Chartered Accountants

PART XI—TAXATION

1 UK Taxation

The following statements are intended only as a general guide to certain UK tax considerations and do not purport to be a complete analysis of all potential UK tax consequences of acquiring, holding or disposing of New Shares, Nil Paid Rights or Fully Paid Rights. Prospective acquirers of New Shares, Nil Paid Rights or Fully Paid Rights are advised to consult their own professional advisers concerning the tax consequences of the acquisition, ownership and disposition of such shares or rights. The following statements are based on current UK tax legislation and the current published practice of HM Revenue & Customs as at the date of this document, both of which are subject to change at any time, possibly with retroactive effect. They apply only to Shareholders who are resident, and in the case of individuals domiciled, for tax purposes in (and only in) the United Kingdom and to whom "split year" treatment does not apply (except insofar as express reference is made to the treatment of non-UK residents), who hold their Shares as an investment (other than in an individual savings account or a self-invested personal pension) and who are the absolute beneficial owners of both their Shares and any dividends paid on them. The tax position of certain categories of Shareholders who are subject to special rules (such as persons acquiring their New Shares in connection with employment, dealers in securities, insurance companies and collective investment schemes) is not considered.

Prospective acquirers of New Shares, Nil Paid Rights or Fully Paid Rights who are in any doubt about their tax position or who may be subject to tax in a jurisdiction other than the United Kingdom are strongly recommended to consult their own professional advisers.

1.1 Taxation of Chargeable Gains

1.1.1 UK tax resident Shareholders

(a) New Shares acquired pursuant to the Rights Issue

For the purposes of UK taxation of chargeable gains ("CGT"), the issue of New Shares to existing Shareholders who take up their rights should be regarded as a reorganisation of the share capital of the Company. Accordingly, to the extent that an existing Shareholder takes up all or part of his entitlement under the Rights Issue, he should not be treated as making a disposal of all or part of his holding of Existing Shares and no liability to CGT should arise if he takes up his entitlement to New Shares in full. Instead, the New Shares acquired and the Existing Shares in respect of which they are issued will, for CGT purposes, be treated as the same asset and as having been acquired at the same time as the Existing Shares. The amount paid for the New Shares will be added to the base cost of the Existing Shares when computing any gain or loss on any subsequent disposal but, for the purposes of calculating the indexation allowance (in the case of corporate shareholders) on a subsequent disposal of Shares, the amount paid will generally be taken into account only from the time that the payment was made. In the case of non-corporate Shareholders, indexation allowance is not available.

(b) Disposals

If a Shareholder sells or otherwise disposes or is deemed to dispose of all or some of the New Shares allotted to him, or of his rights to subscribe for New Shares, or if he allows or is deemed to have allowed his rights to lapse and receives a cash payment in respect of them, he may, depending on his circumstances and subject to any available exemption or relief, incur a liability to CGT.

If a Shareholder disposes of all or part of his Nil Paid Rights, or allows or is deemed to allow them to lapse and receives a cash payment, then if the proceeds are "small" as compared to the value of the Existing Shares in respect of which the rights arose, the Shareholder should not generally be treated as making a disposal for CGT purposes. Instead, the proceeds will be deducted from the base cost of his holding of Existing Shares for the purpose of computing any chargeable gain or allowable loss on a subsequent disposal. HM Revenue & Customs currently regards a receipt as "small" if its amount or value does not exceed 5 per cent. of the value of the Existing Shares or is £3,000 or less, whether or not it would also fall within the 5 per cent. test. This treatment will not apply where such proceeds are greater than the base cost of the holding of Existing Shares for CGT purposes.

1.1.2 Non-UK tax resident Shareholders

A Shareholder who is not resident for tax purposes in the United Kingdom will not generally be subject to CGT on the disposal or deemed disposal of New Shares unless the Shareholder is carrying on a trade, profession or vocation in the United Kingdom through a branch or agency (or, in the case of a corporate Shareholder, a permanent establishment) in connection with which the New Shares are used, held or acquired. Non-UK tax resident Shareholders may be subject to non-UK taxation on any gain under local law.

An individual Shareholder who has ceased to be resident for tax purposes in the United Kingdom or is treated as resident outside the United Kingdom for the purposes of a double tax treaty ("Treaty non-resident") for a period of five years or less (or, for departures before 6 April 2013, ceases to be resident or ordinarily resident or becomes Treaty non-resident for a period of less than five tax years) and who disposes of all or part of his New Shares during that period may be liable to CGT on his return to the United Kingdom, subject to any available exemptions or reliefs.

1.2 Taxation of Dividends

The Company is not required to withhold tax at source when paying a dividend in respect of New or Existing Shares. Liability to tax on dividends will depend upon the individual circumstances of a Shareholder.

An individual Shareholder who is resident for tax purposes in the United Kingdom and who receives a dividend from the Company will generally be entitled to a tax credit equal to one-ninth of the amount of the dividend received, which is equivalent to 10 per cent. of the aggregate of the dividend received and the tax credit (the "gross dividend"), and will be subject to income tax on the gross dividend. An individual UK resident Shareholder who is subject to income tax at a rate or rates not exceeding the basic rate will be liable to tax on the gross dividend at the rate of 10 per cent., so that the tax credit will satisfy the income tax liability of such a Shareholder in full. Where the tax credit exceeds the Shareholder's tax liability, the Shareholder cannot claim repayment of the tax credit from HM Revenue & Customs.

An individual UK resident Shareholder who is subject to income tax at the higher rate will be liable to income tax on the gross dividend at the rate of 32.5 per cent., to the extent that such sum, when treated as the top slice of that Shareholder's income, exceeds the threshold for higher rate income tax. After taking into account the 10 per cent. tax credit, a higher rate taxpayer will therefore be liable to additional income tax of 22.5 per cent. of the gross dividend, equal to 25 per cent. of the cash dividend received.

If and to the extent that the gross dividend is received by an individual UK resident Shareholder who is subject to income tax at the "additional rate" (which applies to taxable income in excess of £150,000), that individual will be subject to tax on the gross dividend at the "dividend additional rate", currently 37.5 per cent.. In the same way as in relation to a Shareholder who is subject to income tax at the higher rate, the 10 per cent. tax credit may be set off against part of his liability. This will have the effect that the Shareholder will have to account for tax equal to 27.5 per cent. of the gross dividend, or approximately 30.6 per cent. of the cash dividend received, to the extent that the gross dividend exceeds the threshold for the additional rate.

UK corporation tax is chargeable on dividends. A Shareholder within the charge to UK corporation tax which is a "small company" for the purposes of the UK taxation of dividends legislation will not generally be subject to UK corporation tax on dividends from the Company.

It is likely that most dividends paid on the Shares to a Shareholder within the charge to corporation tax which is not a "small company" for the purposes of the UK taxation of dividends legislation would fall within one or more of the classes of dividend qualifying for exemption from corporation tax. However, it should be noted that the exemptions are not comprehensive, their appplicability will depend on a Shareholder's own circumstances and they are also subject to anti-avoidance rules. Shareholders within the charge to corporation tax should consult their own professional advisers.

UK resident Shareholders who are not liable to UK tax on dividends, including pension funds and charities, are not entitled to claim repayment of the tax credit.

A Shareholder who is resident outside the United Kingdom for tax purposes should consult his own tax adviser concerning his tax position on dividends received from the Company. Shareholders who are resident outside the United Kingdom for tax purposes will not generally be able to claim repayment of any part of the tax credit attaching to dividends received from the Company, although this will depend on the

existence and terms of any double taxation convention between the United Kingdom and the country in which such Shareholder is resident. A Shareholder resident outside the United Kingdom may also be subject to non-UK taxation on dividends under local law.

1.3 UK Stamp Duty and Stamp Duty Reserve Tax ("SDRT")

1.3.1 The Rights Issue

No stamp duty or SDRT will be payable on the issue of New Shares pursuant to the Rights Issue, other than as explained in the paragraphs below.

No stamp duty or SDRT will generally be payable on the issue of Provisional Allotment Letters or the crediting of Nil Paid Rights to accounts in CREST. Where New Shares represented by such documents or rights are registered in the name of the Shareholder entitled to such shares, or New Shares are credited in uncertificated form to CREST accounts, no liability to stamp duty or SDRT will generally arise.

A purchaser of rights to New Shares represented by Provisional Allotment Letters (whether nil or fully paid) or of Nil Paid Rights or Fully Paid Rights held in CREST on or before the latest time for registration of renunciation will not generally be liable to pay stamp duty, but the purchaser will normally be liable to pay SDRT at the rate of 0.5 per cent. of the value or amount of the consideration given.

Where such a purchase is effected through a stockbroker or other financial intermediary, that person will normally account for the SDRT and should indicate that this has been done in any contract note issued to the purchaser. In other cases, the purchaser of the rights to the New Shares represented by the Provisional Allotment Letter or Nil Paid Rights or Fully Paid Rights held in CREST is liable to pay the SDRT and must account for it to HM Revenue & Customs. In the case of transfers within CREST, any SDRT due should be collected through CREST in accordance with the CREST rules.

No stamp duty or SDRT will be payable on the registration of Provisional Allotment Letters or Nil Paid Rights or Fully Paid Rights, whether by the original holders or their renouncees.

1.3.2 Subsequent transfers

Stamp duty at the rate of 0.5 per cent. (rounded up to the next multiple of £5) of the amount or value of the consideration given is generally payable on an instrument transferring Shares. A charge to SDRT will also normally arise on an unconditional agreement to transfer Shares (at the rate of 0.5 per cent. of the amount or value of the consideration payable). However, if within six years of the date of the agreement becoming unconditional an instrument of transfer is executed pursuant to the agreement, and stamp duty is paid on that instrument, any SDRT already paid will be refunded (generally, but not necessarily, with interest), provided that a claim for payment is made and any outstanding liability to SDRT will be cancelled. The liability to pay stamp duty or SDRT is generally satisfied by the purchaser or transferee. An exemption from stamp duty is available on an instrument transferring Shares where the amount or value of the consideration is £1,000 or less, and it is certified on the instrument that the transaction effected by the instrument does not form part of a larger transaction or series of transactions for which the aggregate consideration exceeds £1,000.

(a) Shares held through CREST

Paperless transfers of Shares within CREST are generally liable to SDRT, rather than stamp duty, at the rate of 0.5 per cent. of the amount or value of the consideration. CREST is obliged to collect SDRT on relevant transactions settled within the system. Under the CREST system, no stamp duty or SDRT will arise on a transfer of Shares into the system unless such a transfer is made for a consideration in money or money's worth, in which case a liability to SDRT (usually at a rate of 0.5 per cent.) will arise.

(b) Shares held through Clearance Systems or Depositary Receipt Arrangements

Special rules apply where Shares are issued or transferred to, or to a nominee or agent for, either a person whose business is or includes issuing depositary receipts within Section 67 or Section 93 of the Finance Act 1986 or a person providing a clearance service within Section 70 or Section 96 of the Finance Act 1986, under which SDRT or stamp duty may be charged at a rate of 1.5 per cent. Following litigation, HM Revenue & Customs have confirmed that they will no longer seek to apply 1.5 per cent. SDRT on an issue of shares into a clearance service or depositary receipt arrangement on the basis that the charge is not

compatible with EU law. Professional advice should be sought in relation to a transaction to which a 1.5 per cent. stamp duty or stamp duty reserve tax charge may apply.

The statements in this paragraph 1.3 apply to any holders of Shares irrespective of their residence, summarise the current position and are intended as a general guide only. Special rules apply to agreements made by, amongst others, intermediaries.

2 United States Taxation

2.1 Certain U.S. Federal Income Tax Considerations

The following is a summary of certain U.S. federal income tax consequences of the receipt, exercise and disposition of Rights pursuant to the Rights Issue, as well as the acquisition, ownership and disposition of New Shares by a U.S. Holder (as defined below). This summary deals only with U.S. Holders that receive Rights in the Rights Issue and acquire New Shares pursuant to an exercise of Rights and, in each case, that will hold Rights and New Shares as capital assets. The discussion does not cover all aspects of U.S. federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the receipt, exercise or disposition of Rights or the acquisition, ownership or disposition of New Shares by particular investors (including consequences under the alternative minimum tax or net investment income tax), and does not address state, local, foreign or other tax laws. This summary also does not address tax considerations applicable to investors that own (directly, indirectly or by attribution) 5 per cent. or more of the voting stock of the Company, nor does this summary discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the U.S. federal income tax laws (such as financial institutions, insurance companies, individual retirement accounts and other tax-deferred accounts, tax-exempt organisations, dealers in securities or currencies, investors that will hold Rights or the New Shares as part of straddles, hedging transactions or conversion transactions for U.S. federal income tax purposes, persons that have ceased to be U.S. citizens or lawful permanent residents of the United States, investors holding the Rights or New Shares in connection with a trade or business conducted outside of the United States, U.S. citizens or lawful permanent residents living abroad or investors whose functional currency is not the U.S. dollar).

As used herein, the term "U.S. Holder" means a beneficial owner of Rights or New Shares that is, for U.S. federal income tax purposes, (i) an individual citizen or resident of the United States, (ii) a corporation created or organised under the laws of the United States or any State thereof, (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or the trust has validly elected to be treated as a domestic trust for U.S. federal income tax purposes.

The U.S. federal income tax treatment of a partner in an entity treated as a partnership for U.S. federal income tax purposes that holds Rights or New Shares will depend on the status of the partner and the activities of the partnership. Prospective purchasers that are entities treated as partnerships for U.S. federal income tax purposes should consult their tax advisers concerning the U.S. federal income tax consequences to their partners of the receipt, exercise and disposition of Rights and the acquisition, ownership and disposition of New Shares by the partnership.

Except as otherwise noted, this summary assumes that none of the Shares in the Company held by U.S. Holders are treated as shares in a passive foreign investment company (a "PFIC") for U.S. federal income tax purposes.

The summary is based on the tax laws of the United States, including the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, as well as on the income tax treaty between the United States and the United Kingdom (the "Treaty") all as of the date hereof and all subject to change at any time, possibly with retroactive effect.

THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. IT IS NOT INTENDED TO BE RELIED UPON BY PURCHASERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED UNDER THE U.S. INTERNAL REVENUE CODE. ALL PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF RECEIVING, EXERCISING AND DISPOSING OF RIGHTS AND ACQUIRING, OWNING AND DISPOSING OF THE NEW SHARES, INCLUDING THEIR ELIGIBILITY FOR THE BENEFITS OF THE TREATY AND THE

APPLICABILITY AND EFFECT OF STATE, LOCAL, FOREIGN AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

2.2 Taxation in respect of Rights

2.2.1 Receipt of Nil Paid Rights

The tax consequences of the receipt of Nil Paid Rights by a U.S. Holder are not free from doubt. In particular, it is not clear whether the procurement of subscribers for the New Shares by the Underwriters, and the remittance of the proceeds from the sale of New Shares to certain holders whose Nil Paid Rights were not taken up, should be treated, for U.S. federal income tax purposes, as a distribution of cash by the Company, or as a sale of those Nil Paid Rights (or an exercise of the Nil Paid Rights and sale of New Shares) by the relevant holders. If the remittance of the proceeds from the sale of New Shares described in the preceding sentence were treated as a distribution made by the Company, then the receipt of Nil Paid Rights would be taxable to U.S. Holders as a dividend to the extent of the Company's current or accumulated earnings and profits, as described below under "Taxation in Respect of New Shares—Dividends—General". However, based on the particular facts relating to the Nil Paid Rights and the procurement of subscribers for the New Shares by the Underwriters, and to the extent it is required to do so, the Company intends to take the position that a U.S. Holder is not required to include any amount in income for U.S. federal income tax purposes as a result of the receipt of Nil Paid Rights. It is possible that the U.S. Internal Revenue Service will take a contrary view and require a U.S. Holder to include in income the fair market value of the Nil Paid Rights on the date of their distribution. The remainder of this discussion assumes that the receipt of Nil Paid Rights will not be a taxable event for U.S. federal income tax purposes. U.S. Holders should consult their own tax advisers with respect to the appropriate treatment of the receipt of Nil Paid Rights and the receipt of proceeds from the sale of New Shares to subscribers procured by the Underwriters , as applicable.

If, on the date of receipt, the fair market value of Nil Paid Rights is less than 15 per cent. of the fair market value of the Existing Shares with respect to which Nil Paid Rights are received, Nil Paid Rights will be allocated a zero tax basis unless the U.S. Holder affirmatively elects to allocate tax basis in the U.S. Holder's Existing Shares between such Existing Shares and Nil Paid Rights in proportion to their relative fair market values determined on the date of receipt. This election must be made in the U.S. Holder's timely filed U.S. federal income tax return for the taxable year in which Nil Paid Rights are received, in respect of all Nil Paid Rights received by the U.S. Holder, and is irrevocable.

If, on the date of receipt, the fair market value of Nil Paid Rights is 15 per cent. or more of the fair market value of the Existing Shares with respect to which Nil Paid Rights are received, then, except as discussed below under "Expiration of Rights", the basis in the U.S. Holder's Existing Shares must be allocated between the Existing Shares and Nil Paid Rights received in proportion to their relative fair market values determined on the date of receipt.

2.2.2 Sale or Other Disposition of Rights

Upon a sale or other disposition of Rights, a U.S. Holder will generally recognise capital gain or loss equal to the difference, if any, between the U.S. dollar value of the amount realised (as determined on the date of the sale or other disposition) and the U.S. Holder's adjusted tax basis in the Rights. Any gain or loss will generally be U.S. source, and will be long-term capital gain or loss if the U.S. Holder's holding period in the Rights exceeds one year. A U.S. Holder's holding period in Nil Paid Rights will include the holding period in the Existing Shares with respect to which the Rights were distributed. However, a U.S. Holder's holding period in Fully Paid Rights will not include the holding period in the Existing Shares with respect to which the Rights were distributed.

2.2.3 Expiration of Nil Paid Rights

If a U.S. Holder allows the Nil Paid Rights it receives to expire without selling or exercising them and does not receive any proceeds, the U.S. Holder will not recognise any loss upon the expiration of the Nil Paid Rights, and the U.S. Holder will not be entitled to allocate any basis to the Nil Paid Rights.

2.2.4 Exercise of Nil Paid Rights

A U.S. Holder will not recognise taxable income due to the receipt of Fully Paid Rights pursuant to the exercise of Nil Paid Rights or due to the receipt of New Shares acquired through Fully Paid Rights. A U.S.

Holder's basis in the Fully Paid Rights and subsequently the New Shares will generally equal the sum of the US dollar value of the exercise price determined at the spot rate on the date of exercise and the U.S. Holder's basis, if any, in the Nil Paid Rights exercised. A U.S. Holder's holding period in each New Share acquired through the exercise of a Nil Paid Right will begin with and include the date of exercise.

2.3 Taxation in Respect of New Shares

2.3.1 Dividends

2.3.1.1 General

Distributions paid by the Company out of current or accumulated earnings and profits (as determined for U.S. federal income tax purposes) will generally be taxable to a U.S. Holder as dividend income, and will not be eligible for the dividends received deduction allowed to corporations. Distributions in excess of current and accumulated earnings and profits will be treated as a non-taxable return of capital to the extent of the U.S. Holder's basis in the New Shares and thereafter as capital gain. However, the Company does not maintain calculations of its earnings and profits in accordance with U.S. federal income tax accounting principles. U.S. Holders should therefore assume that any distribution by the Company with respect to New Shares will constitute ordinary dividend income. Dividends paid by the Company will generally be taxable to a non-corporate U.S. Holder at the special reduced rate normally applicable to long-term capital gains, provided the Company qualifies for the benefits of the Treaty and certain other requirements are met. U.S. Holders should consult their own tax advisers with respect to the appropriate U.S. federal income tax treatment of any distribution received from the Company.

2.3.1.2 Foreign Currency Dividends

Dividends paid in pounds sterling will be included in income in a U.S. dollar amount calculated by reference to the exchange rate in effect on the day the dividends are received by the U.S. Holder, regardless of whether the pounds sterling are converted into U.S. dollars at that time. If dividends received in pounds sterling are converted into U.S. dollars on the day they are received the U.S. Holder will generally not be required to recognise foreign currency gain or loss in respect of the dividend income.

2.3.2 Sale or other Disposition

Upon a sale or other disposition of New Shares, a U.S. Holder will generally recognise capital gain or loss for U.S. federal income tax purposes equal to the difference, if any, between the amount realised on the sale or other disposition and the U.S. Holder's adjusted tax basis in the New Shares. This capital gain or loss will be long-term capital gain or loss if the U.S. Holder's holding period in the New Shares exceeds one year. However, regardless of a U.S. Holder's actual holding period, any loss may be long-term capital loss to the extent the U.S. Holder receives a dividend with respect to Ordinary Shares that qualifies for the reduced rate described above under "Dividends", and exceeds 10 per cent. of the U.S. Holder's adjusted basis in its New Shares.

2.3.3 Disposition of Foreign Currency

Foreign currency received on the sale or other disposition of Rights or New Shares will have a tax basis equal to its U.S. dollar value on the settlement date. Foreign currency that is purchased will generally have a tax basis equal to the U.S. dollar value of the foreign currency on the date of purchase. Any gain or loss recognised on a sale or other disposition of a foreign currency (including its use to purchase New Shares or upon exchange for U.S. dollars) will be U.S. source ordinary income or loss.

2.3.4 Passive Foreign Investment Company Considerations

A foreign corporation will be a PFIC in any taxable year in which, after taking into account the income and assets of the corporation and certain subsidiaries pursuant to applicable "look-through rules," either (i) at least 75 per cent. of its gross income is "passive income" or (ii) at least 50 per cent. of the average value of its assets is attributable to assets which produce passive income or are held for the production of passive income. The Company does not believe that it should be treated as a PFIC for U.S. federal income tax purposes for its current taxable year but the Company's possible status as a PFIC must be determined annually and therefore may be subject to change. This determination will depend in part on whether the Company continues to earn substantial amounts of operating income, as well as on the market valuation of the Company's assets and the Company's spending schedule for its cash balances and the proceeds of the

Rights Issue. If the Company were to be treated as a PFIC, U.S. Holders of New Shares would be required (i) to pay a special U.S. addition to tax on certain distributions and gains on sale and (ii) to pay tax on any gain from the sale of New Shares at ordinary income (rather than capital gains) rates in addition to paying the special addition to tax on this gain. Additionally, dividends paid by the Company would not be eligible for the special reduced rate of tax described above under "Dividends—General". Prospective purchasers should consult their tax advisers regarding the potential application of the PFIC regime.

2.3.5 Backup Withholding and Information Reporting

Payments of dividends and other proceeds with respect to Rights or New Shares by a U.S. paying agent orother U.S. intermediary will be reported to the IRS and to the U.S. Holder as may be required under applicable regulations. Backup withholding may apply to these payments if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to comply with applicable certification requirements. Certain U.S. Holders are not subject to backup withholding. U.S. Holders should consult their tax advisers about these rules and any other reporting obligations that may apply to the ownership or disposition of New Shares, including requirements related to the holding of certain foreign financial assets.

2.3.6 Transfer Reporting Requirements

A U.S. Holder who exercises their Rights may be required to file Form 926 (or a similar form) with the IRS if the amount transferred to the Company in connection with such exercise, when aggregated with all transfers of cash or other property made by the U.S. Holder (or any related person) to the Company within the preceding 12 month period, exceeds U.S.$100,000 (or its equivalent). In certain circumstances, a U.S. Holder that receives cash proceeds from the sale of New Shares may be deemed to have exercised its Rights and, thus, to have transferred cash to the Company. See "Taxation in respect of Rights—Receipt of Nil Paid Rights". Accordingly, U.S. Holders should consult their own tax advisers with respect to whether they should file Form 926 (or a similar form). A U.S. Holder who fails to file any such required form could be required to pay substantial penalties. U.S. Holders should consult their tax advisers with respect to this or any other reporting requirement that may apply to an acquisition of the New Shares.

PART XII—KEY TRANSACTION TERMS

1 Acquisition Structure

Upon completion of the transactions contemplated by the Share Purchase Agreement, Kier Limited (a wholly-owned subsidiary of Kier) will acquire all of the shares in MRBL from the Mouchel Sellers and MRBL will become a wholly-owned subsidiary of Kier Limited. Certain management shareholders of MRBL and its non-executive directors have also entered separately into the Warranty Deed.

2 Principal Terms of the Share Purchase Agreement

2.1 Introduction

On 28 April 2015, the Share Purchase Agreement was entered into between Kier Limited, the Company and the Mouchel Sellers and, subject to the satisfaction or the waiver of the conditions set forth therein and in accordance with the provisions of the Share Purchase Agreement, Kier Limited has agreed to acquire all of the shares in MRBL.

2.2 Consideration

The total consideration to be paid by Kier Limited for all of the shares in MRBL is the aggregate of: (i) an initial consideration of £265 million less the amount of leakage (if any) notified by the Mouchel Sellers to Kier Limited by no later than the third Business Day prior to Completion (see paragraph 2.10 below); (ii) any additional consideration (described below); and (iii) 1p in respect of all deferred shares in MRBL. Additional consideration will become payable only if there has been a delay to the expected timetable and will be calculated as a daily amount of £50,000 multiplied by the number of calendar days from but excluding 15 June 2015 to and including the Completion Date. The consideration payable to each of the Mouchel Management Sellers will depend on the number of ordinary shares in MRBL which are held by them following the operation of a ratchet in accordance with the articles of association of MRBL. The consideration payable by Kier Limited to each Mouchel Seller will be the aggregate of each Mouchel Seller's initial consideration, the additional consideration (if any) and such Mouchel Seller's pro rata proportion of the consideration for the deferred shares.

2.3 Conditions to Completion

Under the terms of the Share Purchase Agreement, Completion is conditional upon:

(i) the approval of the Transaction Resolutions;

(ii) Kier having received gross proceeds of not less than £340 million from the Rights Issue in accordance with the terms of the Underwriting Agreement; and

(iii) Kier Limited's receipt of written notice from the Guernsey Financial Services Commission that it has no objection to Kier's acquisition of Mouchel Insurance Limited in accordance with sections 25(1) and 49A(1) of the Insurance Business (Bailiwick of Guernsey) Law 2002, as amended.

The Mouchel Management Sellers must use reasonable endeavours to procure that Mouchel provides to Kier all such information, documentation, co-operation and assistance as Kier may reasonably request in connection with the satisfaction of the conditions to Completion.

Kier must notify the Mouchel Sellers (in writing) immediately (and in any event within one Business Day) upon becoming aware of: (a) any circumstances that could result in the conditions to Completion not being satisfied within two months of signing the Share Purchase Agreement; and (b) the conditions to Completion having been fulfilled.

Prior to Completion, the Mouchel Sellers must notify Kier Limited as soon as reasonably practicable upon becoming aware that any of the warranties given by the Mouchel Sellers are untrue, inaccurate or misleading as of the date of the Share Purchase Agreement or any event has occurred which results or may result in the warranties given by the Mouchel Sellers being untrue, inaccurate or misleading at Completion.

2.4 Termination Rights and Termination Payment

If the conditions to Completion have not been fulfilled or waived by the Long Stop Date, then the Mouchel Sellers may extend the Long Stop Date to the Extended Long Stop Date with the written agreement of Kier Limited.

If the conditions to Completion have not been fulfilled or waived by the Long Stop Date (or, if extended, the Extended Long Stop Date), save for certain surviving provisions, the Share Purchase Agreement shall lapse and cease to have effect and shall automatically terminate.

If the conditions to Completion have not been fulfilled or waived by the Long Stop Date (or, if extended, the Extended Long Stop Date) as a result of any of the conditions to Completion not having been fulfilled or waived, then Kier Limited will pay to the Mouchel Sellers £4.5 million within five Business Days following termination of the Share Purchase Agreement. Each Mouchel Seller shall be entitled to such proportion of such amount as is equal to the proportion of the consideration that such Mouchel Seller would have received had Completion taken place on the date of termination.

2.5 Pre-Completion Seller Undertakings

Pursuant to the Share Purchase Agreement, the Mouchel Management Sellers have agreed to use their respective reasonable endeavours to ensure that the affairs of Mouchel are conducted in the ordinary and usual course of business, which includes, but is not limited to, restrictions on declaring of dividends, employment of any new employee in a senior managerial capacity, granting awards under share incentives, entering into new contracts outside the usual course of business, instituting legal proceedings and borrowing or incurring indebtedness ("Restricted Activities").

From the date of the Share Purchase Agreement until Completion, the Mouchel Investor Sellers shall not pass any resolution or grant any consent (unless otherwise permitted) to effect or otherwise agree to any Restricted Activity.

2.6 Seller Warranties

The Share Purchase Agreement contains warranties (that are customary for an acquisition of the size and nature of the Acquisition) given by each Mouchel Seller (severally and neither jointly nor jointly and severally) in relation to, among other things:

- its or his power and authority to enter into the Share Purchase Agreement; and
- its or his title and ownership of the relevant shares in Mouchel.

The liability of the Mouchel Sellers is subject to certain customary exceptions and limitations.

Separately, certain Mouchel Management Sellers have entered into the Warranty Deed. See paragraph 3 below.

2.7 Purchaser Warranties

The Share Purchase Agreement contains warranties (that are customary for an acquisition of the size and nature of the Acquisition) given by each of Kier Limited and the Company, in relation to, amongst other things:

- it having power and authority to enter into the Share Purchase Agreement;
- that neither it nor any of its affiliates is insolvent or bankrupt;
- no proceedings in relation to winding up, bankruptcy or insolvency proceedings and no event having occurred which would affect its ability to enter into or perform its obligations under the Share Purchase Agreement;
- subject to the Rights Issue, Kier having available financial resources which will, at Completion, provide, in immediately available funds, the necessary cash resources to pay the consideration relating to the Acquisition; and
- not being aware of any facts or circumstances which could be reasonably expected to result in a claim made against, or constitute a misrepresentation by, any Mouchel Seller in connection with the Acquisition or prevent the conditions to Completion from being satisfied in full prior to the Long Stop Date (or, if extended, the Extended Long Stop Date).

2.9 Post-Completion Undertakings

The Share Purchase Agreement anticipates that the Mouchel Sellers may need access from time to time, after Completion, to certain accounting and tax records and information held by Mouchel, to the extent

such records relate to events occurring prior to Completion. Kier Limited has agreed that it will cause Mouchel to retain such records for an agreed period of time, allow the Mouchel Sellers to inspect, review and make copies of such records as necessary or appropriate from time to time and provide, at the relevant Mouchel Seller's expense, such other reasonable information as required in order to comply with any tax compliance or reporting obligations.

Each Mouchel Seller undertakes in respect of itself or himself only, in the event that a claim is made against it or him in connection with the Acquisition, not to make a claim against Mouchel or any person who was at any time prior to Completion an employee, consultant, officer or director of Mouchel (a "Covered Person") on whom that Mouchel Seller may have relied in negotiating the Share Purchase Agreement, except in the case of fraud or bad faith by Mouchel or a Covered Person.

2.10 No Leakage Undertaking

Each Mouchel Seller severally (but not jointly nor jointly or severally) undertakes, in respect of itself only, to Kier Limited, that if there has been any leakage since 30 September 2014 (the "Locked Box Date") to, but excluding, the date of the Share Purchase Agreement or in the period between the date of the Share Purchase Agreement and Completion, such Mouchel Seller shall, following Completion, pay Kier Limited in cash immediately on demand a sum calculated on an after tax basis (as if such sum were payable under an indemnity in the Share Purchase Agreement) equal to the amount of such leakage in accordance with the terms of the Share Purchase Agreement.

"Leakage" means, in each case to, or on behalf of, or for the benefit of the Mouchel Sellers or any of their affiliates (other than any company in the Mouchel Group):

- any dividend or distribution made by any company in the Mouchel Group;
- any payments made or agreed to be made or any assets disposed or transferred or agreed to be disposed or transferred by any company in the Mouchel Group at, in the case of payments, no more than fair value or, in the case of assets, for at least fair value;
- any payments made or agreed to be made by any company in the Mouchel Group in respect of any share capital being redeemed, purchased or repaid, or any other return of capital (whether by reduction of capital or redemption or purchase of shares) by any company in the Mouchel Group;
- any fees (including directors' fees or monitoring fees) paid by any company in the Mouchel Group;
- the waiver, deferral or release by any company in the Mouchel Group of any amount owed to it or any assumption or discharge of any liability (including in relation to any recharging of costs of any kind) by any company in the Mouchel Group; and
- any payments made, or liabilities assumed, indemnified or incurred, by any company in the Mouchel Group to any third party directly as a result of the Acquisition (including any transaction or retention bonuses for management (including taxes payable on such bonuses) or adviser's fees payable, in each case, in connection with implementation of the Acquisition) together with any tax to the extent becoming payable by any company in the Mouchel Group directly as a consequence of any such payment, but excluding any bonuses to employees funded by the Mouchel Trustees out of consideration proceeds received pursuant to the Share Purchase Agreement.

Liability of each of the Mouchel Sellers in respect of any leakage will terminate on 31 December 2015, unless prior to that date Kier Limited has notified the relevant Mouchel Seller of such leakage, together with reasonable details of such claim (including Kier Limited's good faith estimate of the amount of leakage), in which case, in relation to any relevant breaches so notified, that Mouchel Seller will remain liable until the claim has been satisfied, settled or withdrawn and any payment in respect of any such satisfaction or settlement has been made to Kier Limited.

2.11 Kier Group plc Guarantee

The Company has unconditionally and irrevocably guaranteed to the Mouchel Sellers and their affiliates that Kier Limited will comply properly and punctually with its obligations under the Share Purchase Agreement and each related transaction document to which it is a party.

3 Principal Terms of the Warranty Deed

On 28 April 2015, the Warranty Deed was entered into between Kier Limited and certain Mouchel Management Sellers. The Warranty Deed contains warranties (that are customary for an acquisition of the size and nature of the Acquisition), that are given by the Mouchel Management Sellers who are party to the Warranty Deed (severally and neither jointly nor jointly and severally), in relation to, among other things:

- the share capital of Mouchel;
- the corporate affairs of Mouchel;
- the financial affairs of the Mouchel Group, including the accounts of the Mouchel Group showing a true and fair view of the state of affairs as at 30 September 2014;
- the assets and liabilities of the Mouchel Group, including ownership of assets and disclosure of material liabilities;
- the business operations of the Mouchel Group, including warranties on supplier arrangements, material contracts, intellectual property and information technology;
- the employees and pension schemes of the Mouchel Group;
- compliance with laws, including environmental, health and safety laws;
- material disputes and solvency of each member of the Mouchel Group;
- the tax affairs of the Mouchel Group; and
- the accuracy of information provided to the Company for the purposes of inclusion in this document.

The liability of the Mouchel Management Sellers who are a party to the Warranty Deed is subject to certain customary exceptions and limitations.

PART XIII—ADDITIONAL INFORMATION

1 Responsibility

The Company and the Directors, whose names appear in paragraph 5 below, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Company and the Directors, who have taken all reasonable care to ensure that such is the case, the information contained in this document is in accordance with the facts and contains no omission likely to affect its import.

2 Incorporation and Registered Office

The Company was incorporated and registered in England and Wales on 21 April 1992, with registered number 02708030, as a company limited by shares under the Companies Act 1948 to 1986, with the name De facto 265 Limited, which was subsequently changed to Kier Group Limited on 10 June 1992. The Company was re-registered as Kier Group plc on 6 July 1992.

The Company is domiciled in the United Kingdom and its registered and head office is at Tempsford Hall, Sandy, Bedfordshire SG19 2BD. The Company's main telephone number is +44 (0) 1767 355 000.

The principal legislation under which the Company operates is the Companies Act.

3 Share Capital

3.1 As at 24 April 2015 (being the latest practicable date prior to the date of this document), the issued share capital of the Company was £555,053.68, comprising 55,505,368 Shares, all of which were fully paid or credited as fully paid. The Shares have a nominal value of 1p each and are admitted to the premium listing segment of the Official List and admitted to trading on the London Stock Exchange's main market for listed securities, respectively.

3.2 As at 1 July 2011 (being the first day covered by the historical financial statements incorporated by reference into this document), 38,160,025 Shares were in issue fully paid or credited as fully paid. There have been the following changes in the share capital of the Company between 1 July 2011 and 24 April 2015 (being the latest practicable date prior to the date of this document):

	Financial year ended 30 June			1 July 2014 to 24 April 2015
	2012	2013	2014	
Shares issued as a result of the exercise of options granted under the Sharesave Schemes	37,122	922,219	210,073	175,656
Shares issued pursuant to the scrip dividend	626,037	102,669	491,764	65,358
Shares issued as consideration for the acquisition of May Gurney	—	—	14,714,445	—

3.3 The table set out below shows the issued share capital of the Company as at 24 April 2015 (being the latest practicable date prior to the date of this document) and as it is expected to be immediately following Admission:

	Shares in issue as at 24 April 2015		Shares in issue immediately following the Rights Issue[1]	
	Number	£	Number	£
Issued	55,505,368	555,053.68	95,152,060	951,520.60

Notes:

(1) Assuming that no options under the Sharesave Schemes are exercised between the date of this document and Admission becoming effective.

3.4 The Company remains subject to the continuing obligations of the Listing Rules with regard to the issue of securities for cash and the provisions of section 561 of the Companies Act 2006 (which confers on Shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash) apply to the issued share capital of the Company which is not the subject of the disapplication approved by the Shareholders in a general meeting of the Company.

3.5 Save as disclosed above, since 24 April 2015 (being the latest practicable date prior to the date of this document) there has been no issue of share capital of the Company, fully or partly paid, either in

cash or for other consideration, and (other than in connection with the Rights Issue, the exercise of options under the Sharesave Schemes and elections to take up any future scrip dividend alternative offered by the Company) no such issues are proposed. As at 24 April 2015 (being the latest practicable date prior to the date of this document) the Company did not hold any Shares in treasury.

3.6 Subject to Admission, pursuant to the Rights Issue, 39,646,692 New Shares will be issued at a price of 858p per New Share. This will result in the issued ordinary share capital of the Company increasing by approximately 71.4 per cent. Qualifying Shareholders who take up their pro rata entitlement in full will suffer no dilution to their interests in the Company. Qualifying Shareholders who do not take up any of their rights to subscribe for the New Shares will be diluted by 41.7 per cent. following the Rights Issue (assuming, in each case, that no options under the Sharesave Schemes are exercised between 24 April 2015 (being the latest practicable date prior to the date of this document) and Admission becoming effective).

3.7 At the General Meeting, a resolution is proposed to authorise the Directors, pursuant to section 551 of the Companies Act, to allot Shares and to grant rights to subscribe for or convert any security into Shares up to a nominal amount of £396,466.92 pursuant to or in connection with the Rights Issue. Additionally, a resolution authorising the waiver of pre-emption rights in connection with such allotment is proposed, which, if approved by the Shareholders, will be relied upon for the purposes of the Rights Issue.

3.8 The New Shares will be provisionally allotted (nil paid) to all Qualifying Shareholders by a resolution of a committee of the Board and created in accordance with the laws of England.

3.9 The New Shares will have the same rights in all respects as the Existing Shares (including the right to receive all dividends or other distributions declared by the Company after the date of issue of the New Shares).

3.10 The ISIN for the New Shares will be the same as that of the Existing Shares, being GB0004915632. The ISIN Code for the Nil Paid Rights is GB00BWWC6C19. The ISIN Code for the Fully Paid Rights is GB00BWWC6G56.

4 Articles of Association, Mandatory Takeover Bids, Squeeze-Out and Sell-Out Rules

The Articles of Association are available for inspection at the registered office of the Company and include, *inter alia*, provisions to the following effect:

4.1 Share Rights

Subject to any rights attached to existing shares, Kier may issue shares by ordinary resolution with such rights and restrictions as Kier may determine or, if Kier has not so determined, as the Directors determine. Kier may also issue shares that are redeemable at the option of Kier or a member on such terms and in such manner as may be provided by the Board.

4.2 Voting Rights

Subject to any (i) terms attached to any shares issued or (ii) terms in the Articles:

4.2.1 On a show of hands:

(i) every member present will have one vote;

(ii) every duly authorised representative of a member present will have one vote. In the case of a member who is present by more than one duly authorised representative, each representative will have one vote; and

(iii) a duly appointed proxy will have one vote unless the proxy has been appointed by more than one member entitled to vote and:

(a) the proxy has been instructed to vote for the resolution by one or more members and wishes to vote against the resolution pursuant to an instruction or discretionary authority given by another member; or

(b) the proxy has been instructed to vote against the resolution by one or more members and wishes to vote for the resolution pursuant to an instruction or discretionary authority given by another member,

in which case the proxy will have one vote for and one vote against the resolution.

4.2.2 On a poll:

(i) every member present will have one vote for each share held by him;

(ii) every member present by a duly authorised representative, not being himself a member entitled to vote, will have one vote for each share of which the member is the holder. In the case of a member who is represented by more than one duly authorised representative, if more than one representative purports to vote in respect of the same shares, then:

(a) if the purported votes are cast in the same way, the member will be treated as voting in that way;

(b) if the purported votes are not cast in the same way, the votes will be treated as abstained;

(iii) a member entitled to more than one vote need not, if he votes, use all votes or cast all votes in the same way; and

(iv) all or any of the voting rights of a member may be exercised by one or more duly appointed proxies.

In the case of joint holders, only the senior who tenders a vote will be accepted, where seniority is determined by the order in which the names stand on the register in respect of the holding.

4.3 Restrictions

No member will be entitled to vote, unless the Board determines otherwise, at any general meeting in respect of any share held by him if: (i) any call or other sum then payable by him in respect of that share remains unpaid; or (ii) a member has been served with a restriction notice after that member failed to provide Kier with information concerning interests in those shares required to be provided under applicable law.

4.4 Dividends and Other Distributions

Subject to applicable law, Kier may by ordinary resolution declare dividends not exceeding the amount recommended by the Board.

All dividends will be declared and paid according to the amounts paid on the shares and paid proportionately to the amounts paid over the period in respect of which the dividend is paid.

Any general meeting declaring a dividend may, upon recommendation of the Board, direct payment or satisfaction of such dividend by the distribution of specific assets.

Subject to applicable law, the Board may pay an interim dividend or fixed dividend whenever the profits and position of Kier, in the opinion of the Board, justifies its payment. If the Board acts in good faith, it is not liable for any losses Shareholders may suffer because of the lawful payment of an interim dividend on any shares having deferred or non-preferential rights.

The Board may deduct from any dividend all sums of money (if any) payable to Kier on account of calls or otherwise in respect of that share.

Unless otherwise expressly provided by the rights atached to the share, no dividend or other monies payable on or in respect of a share will bear interest against Kier. Any dividend unclaimed from the date when it was declared may be invested or otherwise made use of by the Board for the benefit of the company until it is claimed. All dividends unclaimed after a period of 12 years from the date when it was declared will be forfeited and revert to Kier.

The Directors may, if authorised by ordinary resolution, offer the holders of ordinary shares the right to elect to receive additional ordinary shares, credited as fully paid, instead of cash in respect of any dividend or any part of any dividend.

4.5 Variation of Rights

Subject to applicable law, Kier can vary or abrogate the rights attached to any class of shares with either the written consent of the holders of at least three quarters of the issued shares of that class (excluding any shares of that class held as treasury shares) or by a special resolution passed at a separate meeting of the holders of that class. This applies whether or not Kier is being wound up.

Subject to the terms on which any shares may be issued, the rights and privileges attached to any class of shares will be deemed not to be varied or abrogated by the creation or issue of any new shares ranking *pari passu* with those already issued.

4.6 General Meetings

No business other than appointment of a chairman will be transacted at any general meeting unless a quorum is present.

At any general meeting, a resolution put to the vote of the meeting will be decided on a show of hands unless a poll is duly demanded.

4.7 Directors

4.7.1 Number of Directors

Unless and until otherwise determined by ordinary resolution, the Directors will be not less than three and not more than 12 in number.

4.7.2 Directors' Shareholding Qualification

A Director is not required to hold any shares in Kier.

4.7.3 Appointment of Directors

Directors may be appointed by ordinary resolution or by the Board if the total number of Directors will not exceed the maximum number. A Director appointed by the Board may only hold office until the next annual general meeting of Kier and is then eligible for re-election by Shareholders.

4.7.4 Retirement and Rotation of Directors

At each annual general meeting, one-third of the Directors who are subject to retirement by rotation will retire from office. The Directors subject to retirement by rotation will be those who have been longest in office since their last election.

A retiring Director will be eligible for re-election.

4.7.5 Resignation and Removal of Directors

A Director may resign his office by written notice.

Kier may remove any Director before the expiration of his period of office by ordinary resolution where special notice is given in accordance with section 312 of the Companies Act.

4.7.6 Disqualification of Directors

The office of a Director will be vacated if:

(i) the Director becomes bankrupt or the subject of an interim receiving order or makes any arrangement or composition with his creditors or applies to the court for an interim order under section 253 of the Insolvency Act 1986 in connection with a voluntary arrangement;

(ii) a registered medical practitioner gives a written opinion stating that the Director has become physically or mentally incapable of acting as a Director and may remain so for more than three months;

(iii) the Director ceases to be a director by virtue of any applicable law or becomes prohibited by law from being a director;

(iv) the Director receives written notice signed by not less than three quarters of the other Directors removing him from office;

(v) in the case of a Director who holds any executive office, the Director ceases to hold such office and the majority of the other Directors resolve that his office be vacated; and

(vi) a resolution of the Board declaring a Director to have vacated office under the terms of the Articles will be conclusive as to the fact and grounds of vacation stated in the resolution.

4.7.7 Proceedings of the Board

The Board may meet together for the despatch of business, adjourn and otherwise regulate its meetings as it thinks fit. The Board may fix the quorum necessary for the transaction of the business of the Board which, unless so fixed at any other number, will be two. Any Director can call a meeting of the Board.

The Board may appoint any Director as chairman or as deputy chairman and determine the period for which they hold office. If no chairman or deputy chairman has been appointed, or is present within five minutes after the time appointed for holding the meeting, the Directors present may choose one of their number to act as chairman of the meeting.

A majority of votes will determine questions arising at any meeting of the Board. In the case of an equality of votes, the chairman of the meeting will have a second or casting vote.

Any Director may validly participate in a meeting of the Board or committee by means of a conference telephone or any communication equipment which allows all persons participating in the meeting to hear and speak to each other. A person so participating will be deemed present at the meeting and will be entitled to vote and to be counted in the quorum.

A resolution in writing signed by all Directors entitled to receive notice of a meeting of the Board will be valid and effectual as a resolution passed at a meeting.

4.7.8 Delegation of the Powers of the Board

The Board may make arrangements for the management and transaction of Kier's affairs and may for that purpose appoint local boards, managers, inspectors and agents and delegate to them any of the powers, authorities and discretions vested in the Board (other than the power to borrow and make calls) with power to sub-delegate. Any such appointment or delegation may be made on such terms and conditions as the Board thinks fit.

The Board may appoint a power of attorney.

The Board may delegate any of its powers to any committee consisting of one or more Directors. The Kier Articles regulating the proceedings of the Board shall govern the proceedings of a committee with two or more members. If the Board determines to co-opt persons other than Directors on to a committee, the number of such persons shall be less than one half of the total number of members and no resolution of the committee shall be effective unless a majority of the members of the committee present at the meeting concerned are Directors.

4.7.9 Remuneration of Directors

The aggregate amount of fees payable by Kier to the Directors in any financial year will not exceed £400,000, unless determined otherwise by ordinary resolution.

The Directors will be entitled to be repaid all expenses travelling to and from Board meetings, committee meetings, general meetings or otherwise incurred while engaged in the business of the Company. Any Director, who by request of the Board performs special services, may be paid extra remuneration as the Board may decide.

4.7.10 Interests of Directors

The Board may authorise any matter which would involve a Director breaching his duty under the Statutes to avoid conflicts of interests. The Director seeking authorisation will declare the nature and extent of his interest as soon as is reasonably practicable, and provide details of the relevant matter.

Any Director (including the relevant Director) may propose the relevant Director be authorised, but the relevant Director's vote will not count on any resolution giving authority and they will be excluded from any Board meeting while the conflict is under consideration. Where the Board gives authority:

(i) the Board may impose terms on the authority;

(ii) the relevant Director will be obliged to conduct himself in accordance with any terms imposed by the Board in relation to the conflict;

(iii) the Board may provide that where the relevant Director obtains (otherwise than through his position) information that is confidential to a third party, the relevant Director will not be obliged to disclose that information to Kier, or to use or apply the information to Kier's affairs, where to do so would amount to a breach of confidence;

(iv) the terms of the authority will be recorded in writing; and

(v) the Board may revoke or vary such authority, but this will not affect anything done by the relevant Director prior to such revocation.

Provided the Director has disclosed the nature and extent of any interest, the Director:

(i) may be a party to or otherwise directly or indirectly interested in any transaction or arrangement with Kier or in which Kier is interested;

(ii) may be or become a member or director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any body corporate promoted by Kier or in which Kier is otherwise interested;

(iii) may hold any other office or place of profit with Kier (except that of auditor) in conjunction with his office of Director;

(iv) may be or become a director of any other company in which Kier does not have an interest which cannot be reasonably regarded as giving rise to a conflict of interest at the time of this appointment as director of that other company;

(v) will not be accountable to Kier for any benefit which he derives from any such office or employment or from any such transaction or arrangement authorised or permitted, and no such transaction or arrangement authorised or permitted will be liable to be avoided on the ground of any such interest or benefit; and

(vi) may act by himself or his firm in a professional capacity for Kier and, if acting for Kier, the Director will be entitled to remuneration for professional services as if he were not a Director.

4.7.11 Restrictions on Voting

A Director will not vote on or be counted in the quorum in relation to any Board resolution concerning his own appointment, or the settlement or variation of the terms or the termination of his own appointment as the holder of any office or place of profit with Kier.

A Director will not vote on or be counted in the quorum in relation to any Board resolution concerning any contract in which the Director has an interest. This prohibition will not apply to any resolution where that interest is not likely to give rise to a conflict or where that interest arises only from one or more of the following matters:

(i) the giving to him of a guarantee, security or indemnity in respect of money lent to, or an obligation incurred by, the Director at the request of, or for the benefit of, Kier or its subsidiaries;

(ii) the giving to a third party of a guarantee, security or indemnity in respect of an obligation of Kier or any of its subsidiaries for which the Director has assumed responsibility under a guarantee or indemnity or by the giving of security;

(iii) the giving of any other indemnity where all other Directors are also being offered indemnities on substantially the same terms;

(iv) the interest arises by virtue of being, or intending to become, a participant in the underwriting or sub-underwriting of any offer of any shares, debentures or any other securities by Kier or any of its subsidiaries;

(v) any contract concerning any other company in which the Director is interested, provided that he does not hold or is not beneficially interested in 1 per cent. or more of any class of the equity share capital of that company or the voting rights available to members of that company;

(vi) any contract for the benefit of the employees of Kier which does not award him any privilege or benefit not generally awarded to the employees to whom such contract relates;

(vii) any contract concerning insurance which Kier is empowered to purchase for the benefit of any Directors;

(viii) the funding by Kier of the expenditure of any Director defending proceedings where all Directors are being offered substantially the same arrangements;

(ix) any contract in which the Director is interested by virtue of his interest in shares, debentures or other securities of Kier; and

(x) any contract concerning a pension fund, superannuation or similar scheme, or retirement, death or disability benefits scheme, or employees' share scheme which relates to both the Directors and Kier employees and does not provide any extra advantage to the Directors.

4.8 Borrowing Powers

The Board may exercise all the powers of Kier to borrow money and to mortgage or charge its undertaking, property, assets (present and future) and uncalled capital. The Board may issue debentures and other securities, whether outright or as collateral security of any debt, liability or obligation of Kier or any other third party. The aggregate amount of the net borrowings of Kier or its subsidiaries will not, without the previous sanction of an ordinary resolution, exceed an amount being the greater of (i) three times adjusted capital and reserves and (ii) £550 million. A resolution to increase this amount will be proposed at the General Meeting.

4.9 Untraced Shareholders

Kier can sell any certificated shares at the best price reasonably obtainable at the time of the sale if:

(i) three dividends have been payable and are unclaimed during the 12 years before the notice mentioned in paragraph (ii) below;

(ii) on or after the 12-year period, Kier has published a notice stating that it intends to sell the shares, and it is published both in a national newspaper and in a newspaper circulating in the area of the last known address of the member;

(iii) the notices, if not published on the same day, are published within 30 days of each other;

(iv) the company has not received any indication of the whereabouts or existence of such member; and

(v) if the shares are listed on the London Stock Exchange, Kier has given notice to the London Stock Exchange of its intention to make such sale.

The net proceeds of the sale will belong to Kier which will be obliged to account to the former member for an amount equal to such proceeds. In respect of the debt, no trust is created, no interest is payable and there is no duty to account for any money earned on it.

5 Directors and Senior Managers

5.1 Directors

The Directors are listed below:

Name	Age	Position
Phil White	65	Chairman
Haydn Mursell	44	Chief Executive
Beverley Dew	44	Finance Director
Nigel Brook	57	Executive Director
Nigel Turner	49	Executive Director
Claudio Veritiero	41	Executive Director
Richard Bailey	63	Senior Independent Non-Executive Director
Kirsty Bashforth	44	Non-Executive Director
Amanda Mellor	51	Non-Executive Director
Nick Winser	54	Non-Executive Director

The business address of each of the Directors is Tempsford Hall, Sandy, Bedfordshire SG19 2BD.

Summary biographical details of each of the Directors are set out below. There is no family relationship between any of the Directors.

Phil White

Phil White was appointed chairman of the Group in January 2008, having joined as non-executive director in July 2006. He served as chief executive of National Express Group plc from January 1997 to September 2006. He is a chartered accountant and has extensive experience within both listed and private companies. He is currently chairman of Lookers plc and The Unite Group plc and a non-executive director of Stagecoach Group plc and Vp plc. He is chair of the Nomination Committee and a member of the Remuneration Committee.

Haydn Mursell

Haydn Mursell was appointed chief executive with effect from 1 July 2014. Mr Mursell joined Kier in August 2010 as finance director designate and took over the role of group finance director in November 2010. He also assumed operational responsibility for the Property division in June 2013. He was previously deputy group finance director at Balfour Beatty plc and, prior to that, UK finance director at Bovis Lend Lease. He is a member of the Institute of Chartered Accountants, having trained and qualified at KPMG.

Beverley Dew

Beverley Dew was appointed finance director with effect from 1 January 2015. Mr. Dew joined Kier from Balfour Beatty on 1 January 2015, where he was the Finance Director of the Regional Construction business in the United Kingdom, a position he had held since 2013. Prior to this, he was the Chief Financial Officer of the UK and CEMEA Engineering and Construction business at Lend Lease between September 2008 and December 2012. Mr. Dew has also held senior roles at Redrow Group Plc and Invensys Rail. He qualified as an accountant with Coopers and Lybrand.

Nigel Brook

Nigel Brook joined the Board on 6 March 2015 as Executive Director—Construction and Infrastructure Services. Previously, he was Executive Director—UK Building North. Mr. Brook is responsible for the Construction division and the utilities and highway maintenance businesses in the Services division. He joined Kier in 2008 as Managing Director of the North West region within the Construction division and has over 35 years' experience in the construction sector, having previously held roles at AMEC, Ballast and Miller Construction.

Nigel Turner

Nigel Turner joined the Board on 6 March 2015 as Executive Director—Developments and Property Services, with responsibility for the Property and Residential divisions and the facilities management and housing maintenance businesses in the Services division. A chartered surveyor by background, Mr. Turner

has been the Executive Director—Kier Property since early 2013. Mr. Turner joined Kier in 2002 from Laing.

Claudio Veritiero

Claudio Veritiero joined the Board on 6 March 2015 as the Group's Strategy and Corporate Development Director. He joined Kier in 2011 and was previously Managing Director of the Services division. Prior to joining Kier, Mr. Veritiero was an executive director of Speedy Hire plc, having spent his early career with the investment banking business of Rothschild.

Richard Bailey

Richard Bailey was appointed to the Board with effect from October 2010. He is a chartered accountant and a partner in N M Rothschild and Sons Limited, the global financial advisory business, where he has spent most of his career. He has been involved in a range of private and public company work with a focus on mergers, acquisitions, private equity and capital raising. He is the senior independent non-executive director, the chair of the Risk Management and Audit Committee and a member of the Nomination and Remuneration Committees.

Kirsty Bashforth

Kirsty Bashforth was appointed to the Board with effect from 1 September 2014. She has over 20 years of experience with BP plc ('BP'). Her current role is Group Head of Organisational Effectiveness, having undertaken a number of other roles within BP, including leading a process and capability improvement programme across its global 'b2b' marketing businesses, running its European petrochemicals marketing, supply and logistics business and financial engineering and risk management roles. She is a member of all four Board committees.

Amanda Mellor

Amanda Mellor was appointed to the Board with effect from December 2011. She is the Group Secretary and Head of Corporate Governance of Marks and Spencer Group plc, having previously been Head of Investor Relations at Marks and Spencer and Director of Corporate Relations at Arcadia Group plc. Prior to this, she worked in investment banking at James Capel and Robert Fleming. She is a member of the Council of Leeds University, where she is also a visiting professor. She is a chartered secretary and a Fellow of the Chartered Institute of Secretaries. She is the chair of the Remuneration Committee and a member of the other three Board committees.

Nick Winser

Nick Winser was appointed to the Board with effect from March 2009. He was a member of the board of directors of National Grid plc from April 2003 to July 2014, during which time he undertook a number of senior roles within the organisation. He is a chartered engineer and a Fellow of the Royal Academy of Engineering. He is Chairman of the IET's Power Academy, Chairman of CIGRE UK and President of the European Network of Transmission System Operators for Electricity. He is the chair of the Safety, Health and Environment Committee and a member of the other three Board committees.

Set out below are the directorships and partnerships held by the Directors (other than, where applicable, directorships held in subsidiaries of the Company) in the five years prior to the date of this document:

Name	Current directorships/partnerships	Past directorships/partnerships
Phil White	Lookers Plc Meridian Motor Group Limited Vantage Garages (Blackburn) Limited Mark Robinson Automotive Limited Mark Robinson Holdings Limited The Unite Group Plc Stagecoach Group Plc VP Plc Vibroplant Trustees Limited Lookers Motor Group Limited Aghoco 1217 Limited	Electricity North West Limited North West Electricity Networks Plc
Haydn Mursell	—	—

Name	Current directorships/partnerships	Past directorships/partnerships
Beverley Dew	R. Mansell (City) Limited (in liquidation) R. Mansell (Homes) Limited (in liquidation) Sunny Mount Limited (in liquidation) Birse Stadia Limited (in liquidation) Hall & Tawse Group Limited (in liquidation) Mansell Energy Limited (in liquidation) Mansell Maintenance Limited (in liquidation) Mansell Property Investments Limited (in liquidation) R Mansell (Developments) Limited (in liquidation)	Lehrer Mcgovern International Limited Lend Lease Construction (EMEA) Limited Lend Lease Construction (Lelliott) Limited Lend Lease Construction Holdings (EMEA) Limited Lend Lease Construction North Western Limited Lend Lease Consulting (EMEA) Limited Lend Lease Dormant (No 9) Limited Lend Lease Europe Finance Plc Lend Lease Europe Holdings Limited Lend Lease Preston Tithebarn No2 Limited Lend Lease US Investments Limited Lend Lease Pharmaceutical (EMEA) Limited Lend Lease Construction Management Services (One) Limited Bovis Lend Lease International Limited Bovis Lend Lease Cemea Investments Limited Bovis Lend Lease Overseas Holdings Limited Blfb Limited Balfour Beatty Civil Engineering Limited Balfour Beatty Civils Limited Balfour Beatty Construction Limited Balfour Beatty Regional Construction Limited Bph Equipment Limited Office Projects (Interiors) Limited Raynesway Construction Limited Footprint Furniture Limited Office Projects Group Limited Office Projects Limited Balfour Beatty Construction Northern Limited Birse Construction Limited Birse Group Limited Birse Group Services Limited Birse Integrated Solutions Limited Aberdeen Construction Group Limited Balfour Beatty Build Limited Burnbank House Limited Hall & Tawse Limited Hall & Tawse Western Limited Kirby Maclean Limited Mansell North East Limited Mansell Plc Strata Construction Limited Multibuild (Construction & Interiors) Limited Multibuild Hotels and Leisure Ltd Multibuild Interiors Ltd. Dean & Dyball Civil Engineering Limited Dean & Dyball Investments Limited Dean & Dyball Limited Birse Properties Limited Balfour Beatty Building Limited Balfour Beatty Construction Scottish & Southern Limited Balfour Beatty Refurbishment Limited Balfour Beatty Regional Civil Engineering Limited Balvac Limited Cowlin Construction Limited Cowlin Group Limited Cowlin Management Limited William Cowlin (Holdings) Limited Balfour Beatty Engineering Solutions Limited Ahji Limited

Name	Current directorships/partnerships	Past directorships/partnerships
		Bovis Engineering Limited Bovis Urban Renewal Limited Crowngap Construction Limited Lend Lease Dormant (No 1) Limited Lend Lease Dormant (No 10) Limited Lend Lease Dormant Holdings Limited Elstead Properties Limited Haremead Lend Lease Construction Tanvec Group Limited Tanshire Limited
Nigel Turner	Kier Warth Limited Transcend Property Limited Solum Regeneration (GP) Limited Solum Regeneration Epsom (GP) Limited Solum Regeneration Epsom (GB Subsidiary) Limited	Sowton 30 Management Limited Trade City Brooklands Management Company Limited Trade City Bristol Limited Trade City Didcot Limited Trade City Limited Ridham 1 Limited Energis House Limited
Nigel Brook	Brookmoor Properties Limited	Woodchurch High School Trust
Claudio Veritiero	Biogen Holdings Limited	Speedy Lifting Limited Speedy Lgh Limited Speedy Hire (Scotland) Limited Speedy Hire Centres (Northern) Ltd Speedy Hire Centres (Southern) Limited Speedy Hire Centres (Western) Limited Speedy Lch Generators Limited Speedy Power Limited Speedy Pumps Limited Speedy Space Ltd. Speedy Support Services Limited Speedy Survey Limited Speedy Hire Plc Speedy Engineering Services Limited Speedy Industrial Services Limited Speedy Rail Services Limited Allen Contracts Ltd Allen Investments Limited Allen Trustee Limited Chestview (North East) Limited Drain Technology (1985) Limited Drain Technology Limited Eveready Equipment Hire Limited Hire-A-Tool Limited Lifting Gear Hire Limited Rapid Hire (UK) Limited Rapid Hire Limited Speedy Asset Leasing Limited Speedy Hire (Ireland) Limited Speedy Hire (UK) Limited Speedy Hire Centres (Eastern) Limited Speedy Hire Centres (London) Limited Speedy Hire Centres (Midlands) Limited Speedy Hire Centres Limited Speedy Hire Direct Ltd Speedy Hire Property Limited Speedy Plant Hire Ltd. Speedy Safemaker Limited Speedy Transport Limited Speedyloo Limited Stockton Investments (North East) Limited Tidy Group Limited Speedy Services Limited Speedy Asset Services Limited Speedy International Asset Services (Holdings) Limited Speedy International Leasing Limited
Richard Bailey	The Devisdale Management Company Limited Chetham's Hall Limited Capital for Colleagues Plc	N M Rothschild Corporate Finance Limited Manchester Business School Incubator Limited MBSI Portfolio Limited Balyab 3 LLP

Name	Current directorships/partnerships	Past directorships/partnerships
Kirsty Bashforth	Quayfive Limited	—
Amanda Mellor	Marks and Spencer Group P.L.C Marks and Spencer P.L.C. Marks and Spencer Hungary Limited Hedge End Park Limited Busyexport Limited M & S Limited M&S Ventures Limited Manford (Textiles) Limited Marks & Spencer Simply Foods Limited Marks and Sparks Limited Marks and Spencer (Northern Ireland) Limited Marks and Spencer (Property Investments) Limited Marks and Spencer (Property Ventures) Limited Marks and Spencer 2005 (Brooklands store) Limited Marks and Spencer 2005 (Chester satellite store) Limited Marks and Spencer 2005 (Chester store) Limited Marks and Spencer 2005 (Fife Road Kingston store) Limited Marks and Spencer 2005 (Glasgow Sauchiehall store) Limited Marks and Spencer 2005 (Hedge End store) Limited Marks and Spencer 2005 (Kensington store) Limited Marks and Spencer 2005 (Kingston-on-Thames satellite store) Limited Marks and Spencer 2005 (Kingston-on-Thames store) Limited Marks and Spencer 2005 (Parman House Kingston store) Limited Marks and Spencer 2005 (Pudsey store) Limited Marks and Spencer 2005 (Warrington Gemini store) Limited Marks and Spencer Chester Limited Marks and Spencer France Limited Marks and Spencer International Holdings Limited Marks and Spencer Investments Marks and Spencer Property Developments Limited Marks and Spencer Property Holdings Limited Marks and Spencer Ventures Limited Minterton Services Limited Per Una Group Limited Ruby Properties (Cumbernauld) Limited Ruby Properties (Enfield) Limited Ruby Properties (Hardwick) Limited Ruby Properties (Long Eaton) Limited Ruby Properties (Thorncliffe) Limited Ruby Properties (Tunbridge) Limited Simply Food (Property Investments) Simply Food (Property Ventures) Limited St. Michael Finance P.L.C St.Michael (Textiles) Limited	Marks and Spencer (Lisburn) Limited Marks and Spencer (Sprucefield) Limited Marks and Spencer 2005 (Bath store) Limited Marks and Spencer 2005 (Cambridge satellite store) Limited Marks and Spencer 2005 (Cambridge store) Limited Marks and Spencer 2005 (Cardiff store) Limited Marks and Spencer 2005 (Culverhouse Cross store) Limited Marks and Spencer 2005 (Edinburgh satellite store) Limited Marks and Spencer 2005 (Newcastle-upon-Tyne store) Limited Marks and Spencer 2005 (Oxford store) Limited Marks and Spencer Export Corporation Limited Marks and Spencer Finance P.L.C. Marks and Spencer SCM Limited Per Una Services Limited Ruby Properties (Exeter) Limited Swindon Warehouse Services Limited The Zip Project Limited
Nick Winser	National Grid Electricity Transmission Plc National Grid Gas Plc Mid Warwickshire Society for Mentally Handicapped Children and Adults National Grid Gas Holdings Limited Multiple Sclerosis Society Energy Systems Catapult Limited	National Grid Plc National Grid UK Limited National Grid Grain LNG Limited NGET/SPT Upgrades Limited

5.2 Senior Managers

The Senior Managers, and the business and administrative departments for which they are responsible, are listed below.

Name	Age	Position
Alastair Gordon-Stewart	42	Executive Director (Finance)—Developments and Property Services
Dave Benson	44	Executive Director (Finance)—Operations
Anoop Kang	40	Group Financial Controller
Hugh Raven	43	General Counsel and Company Secretary
Paul Pethica	59	Group Comercial Director

The business address of each of the Senior Managers is Tempsford Hall, Sandy, Bedfordshire SG19 2BD.

Summary biographical details of each of the Senior Managers are set out below.

Alastair Gordon-Stewart

Mr. Gordon-Stewart joined Kier in 2007. He is responsible for finance across the Property division, Kier Living and various parts of the Services division and is a member of both the Group's Investment Committee and its Risk Management Committee. He is a member of the Institute of Chartered Accountants, having trained and qualified with KPMG, where he worked for 12 years prior to joining Kier, focusing on clients in the construction and property sectors.

Dave Benson

Mr. Benson joined Kier in 2012 as Group Financial Controller, having previously been Group Financial Controller at Keller Group plc. In his current role, he has responsibility for finance across the Construction division and infrastructure Services businesses. He is a member of the Institute of Chartered Accountants, having previously trained and qualified with Deloitte, before working for four years in their consulting business.

Anoop Kang

Mr. Kang joined Kier in April 2015 as Group Financial Controller, having previously held a number of finance positions at Balfour Beatty. These included Head of Investor Relations, Finance Director of the Rail Division and Head of Financial Planning & Analysis. Prior to this, he was a director at Deloitte LLP. He is a Fellow Chartered Accountant, having trained and qualified with Arthur Andersen.

Hugh Raven

Mr. Raven joined Kier in 2010, having previously worked for City law firms, latterly as a partner in Eversheds' corporate department. He has significant experience of a wide variety of legal and regulatory issues, having advised a number of clients in the construction sector. He has responsibility for the Group's legal affairs and is the company secretary.

Paul Pethica

Mr. Pethica joined Kier in 2010, having previously held senior executive roles with leading contracting and professional services companies. A chartered surveyor and chartered director, he has significant experience in commercial management and programme management in both the United Kingdom and overseas, across a number of sectors including rail, major civil engineering, building, industrial, petrochemical and engineering and professional services.

Set out below are the directorships and partnerships held by the Senior Managers (other than, where applicable, directorships held in subsidiaries of the Company), in the five years prior to the date of this document:

Name	Current directorships/partnerships	Past directorships/partnerships
Dave Benson	—	Keller Financing Keller Finance Limited Caxton Support Services Limited Chambill Limited W W (Construction Number Two) Limited William Moss Construction Limited
Alastair Gordon-Stewart	Staffordshire Property Partnership Joint Venture Limited Hugh Bourn Developments (Wragby) Limited Biogen (UK) Limited Biogen Holdings Limited Kier LEP 1 Limited Kier Sydenham GP Holdco Limited Kier Sydenham GP Limited Kier Sydenham Nominee Ltd Kier Warth Limited Transcend Property Limited Lingfield (Catterick) Limited	Kent PFI Holdings Company 1 Limited Sowton 30 Management Limited Kier Hammersmith Limited
Anoop Kang	—	BICC Holdings GmbH
Hugh Raven	—	—
Paul Pethica	—	Institution of Civil Engineering Surveyors

There is no family relationship between any of the Senior Managers.

5.3 Save as disclosed herein, as at the date of this document, none of the Directors or the Senior Managers has at any time within the past five years:

(i) save as disclosed in paragraphs 5.1 and 5.2 above, been a director or partner of any companies or partnerships;

(ii) had any convictions in relation to fraudulent offences (whether spent or unspent);

(iii) been adjudged bankrupt or entered into any individual voluntary arrangements;

(iv) been a director of any company at the time of or within a 12-month period preceding any receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with such company's creditors generally or with any class of creditors of such company;

(v) been partner of any partnership at the time of or within a 12-month period preceding any compulsory liquidation, administration or partnership voluntary arrangement of such partnership;

(vi) had his assets the subject of any receivership;

(vii) been partner of any partnership at the time of or within a 12-month period preceding any assets thereof being the subject of a receivership;

(viii) been subject to any official public incrimination and/or sanctions by any statutory or regulatory authority (including any designated professional body); or

(xi) ever been disqualified by a court from acting as a director or other officer of any company or from acting in the management or conduct of the affairs of any company.

5.4 Save for their capacities as persons legally and beneficially interested in Shares, there are:

(i) no potential conflicts of interest between any duties to the Company of the Directors or the Senior Managers and their private interests and/or other duties; and

(ii) no arrangements or understandings with major Shareholders, members, suppliers or others, pursuant to which any Director or the Senior Managers was selected.

5.5 The Corporate Governance Code

The Company recognises the importance of, and is committed to, high standards of corporate governance. The following sections explain how the Company has applied the main and supporting principles set out in the Corporate Governance Code (September 2012 and June 2010 editions). Kier's compliance with the

Corporate Governance Code (September 2012 and June 2010 editions) is described on page 56 of the 2014 Annual Report and Accounts. The September 2014 edition of the Corporate Governance Code is expressed to apply to financial years beginning on or after 1 October 2014 and, therefore, will first apply to Kier in relation to its financial year ending 30 June 2016.

Since the date of the 2014 Annual Report and Accounts, the Company has continued to comply with the Corporate Governance Code (to the extent described in the 2014 Annual Report and Accounts), save in respect of Code Provision B.1.2, which requires at least half of the Board, excluding the chairman, to comprise independent non-executive directors. The Company will consider the appointment of an appropriate number of additional non-executive directors in due course.

5.6 Board Structure

The Company is led by the Board, comprising the Chairman, four other Non-Executive Directors, all of whom are determined by the Board to be independent, and five Executive Directors.

The offices of Chairman and Chief Executive are held separately, and both officers have clearly defined roles and responsibilities. A summary of the key responsibilities of the Chairman and Chief Executive is contained on page 57 of the 2014 Annual Report and Accounts. The Senior Independent Non-Executive Director is Richard Bailey.

The Board is responsible to the Shareholders for the overall management of the Group. The Chairman and Senior Independent Director are available to meet major Shareholders, as required.

All Directors have access to the advice and services of the General Counsel and Company Secretary. Any Director wishing to do so in furtherance of his or her duties may take independent advice at the Company's expense.

The Company maintains directors' and officers' insurance in respect of legal actions against the Directors.

The interests of certain of the Directors in Shares are shown on page 81 of the 2014 Annual Report and Accounts. Details of such interests are also set out in paragraph 6 below.

The Group's governance structure is designed to ensure that all decisions are made by the most appropriate people in a timely manner. As envisaged by the Corporate Governance Code, the Board has delegated specific responsibilities to the Nomination, Remuneration, Risk Management and Audit and Safety, Health and Environment Committees, as described below. Each committee has terms of reference which have been approved by the Board. Board and committee papers are circulated in advance of each meeting so that Directors are fully briefed. On occasion, members of senior management are invited to attend Board meetings to ensure that the Board is provided with the information it needs.

5.7 Nomination Committee

The Nomination Committee leads the process for Board appointments by making recommendations to the Board about the appointment of directors of the Company.

The Nomination Committee's members are Phil White (Chair), Richard Bailey, Kirsty Bashforth, Amanda Mellor and Nick Winser. Further details of the Nomination Committee's activities are contained in the committee report on pages 60 and 61 of the 2014 Annual Report and Accounts.

5.8 Remuneration Committee

The Remuneration Committee is responsible for reviewing the Company's remuneration policy, recommending any changes to it and approving individual remuneration packages for the executive directors.

The Remuneration Committee's members are Amanda Mellor (Chair), Richard Bailey, Kirsty Bashforth, Phil White and Nick Winser. Further details of the Remuneration Committee's activities are contained in the committee report on page 67 of the 2014 Annual Report and Accounts.

5.9 Risk Management and Audit Committee

The Risk Management and Audit Committee reviews the Company's accounting and financial reporting practices, the work of the internal and external auditor and compliance with the Group's risk management policies and procedures. The Risk Management and Audit Committee also reviews the half-year and

annual financial statements before their submission to the Board and periodically reviews the effectiveness of the Group's internal control systems.

The Risk Management and Audit Committee's members are Richard Bailey (Chair), Kirsty Bashforth, Amanda Mellor and Nick Winser. Further details of the Audit Committee's activities are contained in the committee report on pages 63 to 66 (inclusive) of the 2014 Annual Report and Accounts.

5.10 Safety, Health and Environment Committee

The Safety, Health and Environment Committee monitors the implementation of the Group's strategy in relation to SHE matters, reviews material Group-wide initiatives, policies and procedures relating to SHE matters and reviews the Group's exposure to SHE risks.

The Safety, Health and Environment Committee's members are Nick Winser (Chair), Kirsty Bashforth and Amanda Mellor. Further details of the Safety, Health and Environment Committee's activities are contained in the committee report on page 62 of the 2014 Annual Report and Accounts.

6 Directors' and Senior Managers' Interests

6.1 The interests of the Directors and Senior Managers, and their respective connected persons, in the share capital of the Company (all of which, unless otherwise stated, are beneficial) on 24 April 2015 (being the latest practicable date prior to the date of this document) and as they are expected to be immediately following the Rights Issue (assuming: (i) full take-up by the Directors and their Senior Managers of their entitlements under the Rights Issue (but no further subscription of Shares by them under the Rights Issue); and (ii) that no options under the Sharesave Schemes are exercised between the date of this document and Admission becoming effective) are as follows:

	Shares beneficially held at 24 April 2015		Shares beneficially held immediately following the Rights Issue	
Name	**No.**	**%**	**No.**	**%**
		(to nearest 0.1%)		
Directors				
Phil White	2,540	0.005	4,354	0.005
Haydn Mursell	24,451	0.044	41,916	0.044
Beverley Dew	—	—	—	—
Nigel Brook	8,166	0.015	13,998	0.015
Nigel Turner	20,202	0.036	34,632	0.036
Claudio Veritiero	4,943	0.009	8,473	0.009
Richard Bailey	—	—	—	—
Kirsty Bashforth	—	—	—	—
Amanda Mellor	—	—	—	—
Nick Winser	3,500	0.006	6,000	0.006
Senior Managers				
Alastair Gordon-Stewart	1,051	0.002	1,801	0.002
Dave Benson	1,362	0.002	2,334	0.002
Anoop Kang	—	—	—	—
Hugh Raven	6,400	0.012	10,949	0.012
Paul Pethica	4,864	0.009	8,314	0.009

The Directors and the Senior Managers have the same voting rights as all other Shareholders.

6.2 Certain of the Directors and Senior Managers also have interests in Shares as a result of having been granted awards under the LTIP. No exercise price is applicable to these LTIP awards. Details of

these awards as at 24 April 2015 (being the latest practicable date prior to the date of this document) are:

Name	Number of Shares over which awards granted[1]	Vesting date
Directors		
Haydn Mursell	48,933	14 September 2015
	31,795	21 October 2016
	49,574	22 October 2017
Nigel Brook	9,009	14 September 2015
	7,790	21 October 2016
	9,816	22 October 2017
Nigel Turner	10,037	14 September 2015
	9,106	21 October 2016
	12,369	22 October 2017
Claudio Veritiero	13,383	14 September 2015
	10,738	21 October 2016
	13,743	22 October 2017
Senior Managers		
Alastair Gordon-Stewart	5,567	14 September 2015
	5,204	21 October 2016
	7,009	22 October 2017
Dave Benson	7,583	14 September 2015
	7,445	21 October 2016
	11,534	22 October 2017
Hugh Raven	12,847	14 September 2015
	7,731	21 October 2016
	12,270	22 October 2017
Paul Pethica	9,009	14 September 2015
	7,790	21 October 2016
	9,816	22 October 2017

(1) This is the maximum number of shares to which, subject to the satisfaction of performance conditions, the relevant individual would be entitled on vesting.

6.3 Certain of the Directors and Senior Managers also have interests in options over Shares under the Kier Sharesave Scheme. Details of these options as at 24 April 2015 (being the latest practicable date prior to the date of this document) are:

Name[1]	Number of Shares over which options granted	Exercise price(£)	Exercisable period
Nigel Brook	857	10.50	1 July 2015 - 31 December 2015
	620	14.50	1 December 2017 - 31 May 2018
Nigel Turner	857	10.50	1 July 2015 - 31 December 2015
Claudio Veritiero	857	10.50	1 July 2016 - 31 December 2016
	620	14.50	1 December 2017 - 31 May 2018
Alastair Gordon-Stewart	857	10.50	1 July 2015 - 31 December 2015
	620	14.50	1 December 2017 - 31 May 2018
Dave Benson	857	10.50	1 July 2016 - 31 December 2016
Hugh Raven	1,241	14.50	1 December 2017 - 31 May 2018
Paul Pethica	171	10.50	1 July 2015 - 31 December 2015
	1,117	14.50	1 December 2017 - 31 May 2018

(1) Assumes that each participant continues to save at the current rate for the full savings period.

6.4 In accordance with the rules of the LTIP and the Kier Sharesave Scheme, the Directors propose to make adjustments to the terms of outstanding awards and options to take account of the Rights Issue. Directors and Senior Managers who participate in the AESOP and the DBA will be able to instruct the relevant trustee with respect to the take-up of the rights attaching to their Shares in accordance with the rules of the relevant plan.

6.5 Other than as disclosed in this paragraph 6 or paragraph 10, there are no other persons to whom any capital of any member of the Group is under option or agreed conditionally or unconditionally to be put under option.

6.6 No Director has or has had any interest in any transactions which are or were unusual in their nature or conditions or are or were significant to the business of the Group or any of its subsidiary undertakings and which were effected by the Group or any of its subsidiaries during the current or immediately preceding financial year or during an earlier financial year and which remain in any respect outstanding or unperformed.

6.7 There are no outstanding loans or guarantees granted or provided by any member of the Group to or for the benefit of any of the Directors.

6.8 Save as set out in this Part XIII, it is not expected that any Director will have any interest in the share or loan capital of the Company following the Rights Issue and there is no person to whom any capital of any member of the Group is under option or agreed unconditionally to be put under option.

7 Interests of Major Shareholders

Insofar as the Company had been notified under the Disclosure and Transparency Rules, the name of each person who, directly or indirectly, has an interest in 3 per cent. or more of the Company's issued share capital, and the amount of such person's interest, as at 24 April 2015 (being the latest practicable date prior to the publication of this document) are as follows:

Name	Shares No.	Shares %
Standard Life Investments Limited	4,438,296	8.00
Schroders Plc	2,635,610	4.75

So far as the Company is aware, the Company is not directly or indirectly owned or controlled by another corporation, any foreign government or any other natural or legal person, severally or jointly.

None of the major Shareholders referred to above has different voting rights from other Shareholders.

So far as the Company is aware, immediately following the Rights Issue, the interests of those persons set out above with an interest in 3 per cent. or more of the Company's issued share capital (assuming: (i) full take-up by such persons of their entitlements under the Rights Issue; and (ii) that no options under the Sharesave Schemes are exercised between the date of this document and Admission) will be as follows:

Name	Shares No.	Shares %
Standard Life Investments Limited	7,608,507	8.00
Schroders Plc	4,518,188	4.75

8 Directors' Service Agreements and Letters of Appointment

Executive Directors

Any payments made to an Executive Director on termination of his service agreement will be subject to the Company's remuneration policy as approved by the Shareholders from time to time.

8.1 Haydn Mursell

Mr. Mursell entered into a service agreement with the Company under which Mr. Mursell's appointment took effect from 12 November 2010. The service agreement may be terminated by Mr. Mursell or the Company on not less than 12 months' notice. Alternatively, the Company may terminate the contract by making payment in lieu of salary for any required period of notice, or unexpired part thereof, together with any accrued holiday entitlement and other related benefits.

8.2 Beverley Dew

Mr. Dew entered into a service agreement with the Company under which Mr. Dew's appointment took effect from 1 January 2015. The service agreement may be terminated by Mr. Dew or the Company on not less than 12 months' written notice. Alternatively, the Company may terminate the contract by making a payment in lieu of notice of a sum equal to 12 months' salary and pension contributions (or allowance) and car allowance and the costs of private medical insurance (or continued medical cover during the notice period). The Company may pay such payment in lieu of notice in 12 monthly instalments, in which case any outstanding payment(s) would be reduced or stopped if alternative employment is obtained.

8.3 Nigel Brook

Mr. Brook entered into a service contract with the Company under which Mr. Brook's appointment took effect from 6 March 2015. The service agreement may be terminated by Mr. Brook or the Company on not less than 12 months' written notice. Alternatively, the Company may terminate the contract by making a payment in lieu of notice of a sum equal to 12 months' salary and pension contributions (or allowance) and car allowance and the cost of private medical insurance (or continued medical cover during the notice period). The Company may pay such payment in lieu of notice in 12 monthly instalments, in which case any outstanding payment(s) would be reduced or stopped if alternative employment is obtained.

8.4 Nigel Turner

Mr. Turner entered into a service contract with the Company under which Mr. Turner's appointment took effect from 6 March 2015. The service agreement may be terminated by Mr. Turner or the Company on not less than 12 months' written notice. Alternatively, the Company may terminate the contract by making a payment in lieu of notice of a sum equal to 12 months' salary and pension contributions (or allowance) and car allowance and the cost of private medical insurance (or continued medical cover during the notice period). The Company may pay such payment in lieu of notice in 12 monthly instalments, in which case any outstanding payment(s) would be reduced or stopped if alternative employment is obtained.

8.5 Claudio Veritiero

Mr. Veritiero entered into a service contract with the Company under which Mr. Veritiero's appointment took effect from 6 March 2015. The service agreement may be terminated by Mr. Veritiero or the Company on not less than 12 months' written notice. Alternatively, the Company may terminate the contract by making a payment in lieu of notice of a sum equal to 12 months' salary and pension contributions (or allowance) and car allowance and the cost of private medical insurance (or continued medical cover during the notice period). The Company may pay such payment in lieu of notice in 12 monthly instalments, in which case any outstanding payment(s) would be reduced or stopped if alternative employment is obtained.

Non-Executive Directors

The following letters of appointment have been entered into with the Non-Executive Directors:

8.6 Phil White

Mr. White has a letter of appointment under which Mr. White's appointment took effect from 1 July 2006. The appointment is terminable by either party on one month's notice. Mr. White receives an annual fee of £173,000 for his role as Chairman.

8.7 Richard Bailey

Mr. Bailey has a letter of appointment with the Company under which Mr. Bailey's appointment took effect from 1 October 2010. The appointment is terminable by either party on one month's notice. Mr. Bailey receives an annual fee of £46,000 for his role as a Non-Executive Director, an annual fee of £10,000 for his role as chairman of the Risk Management and Audit Committee and £10,000 as the Senior Independent Non-Executive Director.

8.8 Kirsty Bashforth

Ms. Bashforth has a letter of appointment with the Company under which Ms. Bashforth's appointment took effect from 1 September 2014. The appointment is terminable by either party on one month's notice. Ms. Bashforth receives an annual fee of £46,000 for her role as a Non-Executive Director.

8.9 Amanda Mellor

Ms. Mellor has a letter of appointment with the Company under which Ms. Mellor's apointment took effect from 1 December 2011. The appointment is terminable by either party on one month's notice. Ms. Mellor receives an annual fee of £46,000 for her role as a Non-Executive Director and £10,000 for her role as chair of the Remuneration Committee.

8.10 Nick Winser

Mr. Winser has a letter of appointment with the Company under which Mr. Winser's appointment took effect from 1 March 2009. The appointment is terminable by either party on one month's notice. Mr. Winser receives a fee of £46,000 for his role as a Non-Executive Director and £10,000 for his role as chairman of the Safety, Health and Environment Committee.

9 Directors' Remuneration

9.1 The amount of remuneration paid (including any contingent or deferred remuneration) and benefits in kind granted to those individuals who, during the financial year ended 30 June 2014, were directors of the Company for services in all capacities relating to the Group is as follows:

	Salaries/ fees	Bonus[1]	Taxable benefits[2]	LTIP vesting in year[3]	All-employee schemes[4]	Pensions[5]	Total
				(£ '000)			
Executive Directors							
Haydn Mursell	378	257	13	130	1	76	855
Paul Sheffield[6]	481	327	15	180	—	96	1,099
Steve Bowcott[7]	378	257	16	130	1	76	858
Non-Executive Directors							
Richard Bailey	54	—	—	—	—	—	54
Chris Geoghegan[8]	37	—	—	—	—	—	37
Phil White	165	—	—	—	—	—	165
Amanda Mellor	54	—	—	—	—	—	54
Nick Winser	54	—	—	—	—	—	54
Total	**1,601**	**841**	**44**	**440**	**2**	**248**	**3,176**

Notes:

(1) Paid in September 2014, relating to the financial year ended 30 June 2014.

(2) Comprising private health insurance and a company car or a car allowance.

(3) The award granted on 15 November 2010, which vested on 15 November 2013. Calculated by multiplying the number of shares received by the relevant Director (before deduction for income tax and national insurance contributions) by the share price of the Company on the vesting date of £17.19.

(4) The value of the 44 matching shares purchased for the relevant individual during the year under the AESOP, using an average share price of £17.13.

(5) Comprises the payment of employer pension contributions and/or a cash allowance.

(6) Paul Sheffield retired from the Board with effect from 30 June 2014.

(7) Steve Bowcott retired from the Board with effect from 27 April 2015.

(8) Chris Geoghegan retired from the Board with effect from 21 February 2014.

9.2 The aggregate remuneration (including any contingent or deferred remuneration) and benefits in kind paid or granted to the Senior Managers and Nigel Brook, Nigel Turner and Claudio Veritiero (each of whom was appointed to the Board with effect from 6 March 2015) for the financial year ended 30 June 2014 for services in all capacities to the Group was £2,787,091.29. This figure has been calcuated on the same basis as, and using the same share prices referred to in, the notes to the table in paragraph 9.1 above. The Company is not required to, and does not otherwise, disclose publicly remuneration for the Senior Managers on an individual basis.

9.3 Save as disclosed in this Part XIII, none of the members of the administrative, management or supervisory bodies' service contracts with the Company or any of its subsidiaries provide for benefits upon termination of employment.

10 Share Schemes

The Group currently operates the employee share schemes or plans described below which provide for the allocation of Shares or the grant of awards or options over, or relating to, Shares to employees of the Group.

10.1 Kier Group plc 2010 Long-Term Incentive Plan (the "LTIP")

10.1.1 Overview

The LTIP was approved by Shareholders at the annual general meeting on 12 November 2010. The LTIP allows for the grant of conditional share awards and other share rights (e.g. options) with a maximum total market value of up to 200 per cent. of annual base salary. The LTIP also allows for cash-settled share awards. All awards under the LTIP are subject to performance conditions as set out below.

10.1.2 Eligibility

Any employee of Kier (including an Executive Director) and its subsidiaries will be eligible to participate in the LTIP at the discretion of the Remuneration Committee.

10.1.3 Grant of Awards

The Remuneration Committee may grant awards under the LTIP within 42 days following: (a) Kier's announcement of its results for any period; (b) any amendments to the LTIP having been adopted; (c) any date following the commencement of an eligible employee's commencement of employment; or (d) at any other time when the Remuneration Committee considers there are exceptional circumstances which justify the granting of awards. No awards may be granted after the 10th anniversary of the LTIP's adoption (12 November 2020).

The Remuneration Committee may grant awards as conditional awards or as options (either at nil cost or with an exercise price). The Remuneration Committee may also decide to grant cash-based conditional awards of an equivalent value to share-based conditional awards or to satisfy share-based options/awards in cash.

10.1.4 Individual and Plan Limits

An employee may not receive awards in any financial year over Shares having a total market value in excess of 200 per cent. of his annual base salary.

In any 10-year period, Kier may not issue new Shares or transfer treasury shares (or grant rights to issue new or to transfer treasury shares) in respect of more than:

- 10 per cent. of the issued ordinary share capital of Kier under the LTIP and/or any other share plan operated by Kier; and
- 5 per cent. of the issued ordinary share capital of Kier under the LTIP and/or any other Kier executive share plan.

Treasury shares shall not count towards these limits if institutional investor guidelines cease to require them to be so counted.

10.1.5 Vesting of Awards

The vesting of awards will be subject to performance conditions set by the Remuneration Committee.

The Remuneration Committee may, in exceptional circumstances, vary the performance conditions applying to existing awards if the Remuneration Committee considers it appropriate to do so and provided the Remuneration Committee acts fairly and reasonably in making the alteration and provided that the amended condition is no more difficult to satisfy than the original condition.

Awards will usually vest at the later of the end of any applicable performance period (i.e. once the achievement of the condition has been determined) and the third anniversary of the date of grant (or such later date as the Remuneration Committee may decide). The vesting of awards granted in 2014 and thereafter will generally be subject to any applicable malus provisions which are set out in the award documents.

Awards may be satisfied using new issue Shares, treasury shares or Shares purchased in the market.

10.1.6 Cessation of Employment

An award will normally lapse where a participant ceases employment with the Group before he becomes entitled to receive the shares subject to his award, unless the employment ceases due to death, ill-health, injury, disability, retirement, a sale of the employing business or company or for other reasons specifically allowed by the Remuneration Committee.

If a participant ceases employment in such circumstances, an award which is subject to a performance condition will normally continue until the original vesting date. The performance conditions will then be applied and the number of shares acquired may, at the Remuneration Committee's discretion, be reduced on a pro rata basis to take account of the proportion of the performance period when the participant was not in employment.

Alternatively, the Remuneration Committee may use its discretion to determine that awards will vest immediately on cessation but only to the extent that the performance condition has been or is likely to be, in the opinion of the Remuneration Committee, satisfied up to the date of cessation of employment. Awards may then be pro rated for time as described above.

10.1.7 Change of Control

In the event of a change of control of Kier or similar corporate event (not being an internal corporate reorganisation), all awards will vest early to such extent determined and subject to the Remuneration Committee's assessment of: (i) the extent that any performance condition has been satisfied at that time and is expected to be satisfied at the end of the performance period; (ii) the period of time which has elapsed between grant and normal vesting; and (iii) any other factors which the Remuneration Committee considers relevant.

10.1.8 Alteration of the Capital

In the event of any variation of Kier's share capital (for example, capitalisation issue, rights issue, sub-division or consolidation), or in the event of a demerger or other transaction which may affect the value of an award, the grantor (following consultation with the Remuneration Committee) may make such adjustment to awards (including to any exercise price) as it considers to be fair and reasonable.

10.1.9 Amendment of the LTIP

The Remuneration Committee may, at any time, amend the LTIP in any respect, provided that the prior approval of Shareholders is obtained for any amendments that are to the advantage of participants in respect of the rules governing eligibility, limits on participation, the overall limits on the issue of Shares or the transfer of treasury shares, the provisions relating to cessation of employment, change of control and alteration of the capital.

The requirement to obtain the prior approval of Shareholders will not, however, apply to any minor amendment made to benefit the administration of the LTIP, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for any company in the Group.

Amendments in respect of existing awards which are to the disadvantage of participants may only be made with the participants' consent.

10.1.10 General

No payment is required for the grant of award under the LTIP. Awards are not pensionable or transferable except on death.

Awards will not confer any shareholder rights until awards have vested or options have been exercised and the participants have received the underlying Shares.

The Remuneration Committee may from time to time amend the LTIP to comply with or take account of overseas legal rules, taxation or securities laws.

10.2 Kier Group 2006 Sharesave Scheme (the "Kier Sharesave Scheme")

10.2.1 Overview

The Kier Sharesave Scheme was approved by Shareholders at the annual general meeting on 25 November 2006 and is an HMRC tax-qualified scheme which provides UK tax-favoured options to UK employees. It allows for the grant of options to all employees of the Group (although only UK employees can receive UK tax-favoured options) within certain limits. Where Kier decides to operate the Kier Sharesave Scheme, all UK resident tax-paying employees and full time directors must be invited to participate on the same terms.

10.2.2 Eligibility

Employees and full-time directors of the Company and any designated participating subsidiary who are UK resident taxpayers are eligible to participate. The Board may require employees to have completed a qualifying period of employment before they are eligible to enrol in the plan.

10.2.3 Grant of Options

Invitations to participate may be issued at any time but must take account of when the option price may be determined (see below). Options can only be granted to employees who enter into HMRC-approved savings contracts, under which monthly savings are normally made over a period of three years. Options must be granted within 30 days (or 42 days if applications are scaled back) of the first day by reference to which the exercise price is set. The number of Shares over which an option is granted will be such that the total exercise price payable for those Shares will correspond to the savings contributions on maturity of the related savings contract.

10.2.4 Plan Limit

In any 10-year period, Kier may not issue or transfer treasury shares (or grant rights to issue or to transfer treasury Shares) in respect of more than 10 per cent. of the issued ordinary share capital of Kier under the Kier Sharesave Scheme and any other share option plan adopted by Kier or any other employee share plan operated by Kier.

Shares held in treasury will not count towards these limits if institutional investor guidelines cease to require them to be so counted.

10.2.5 Savings Limits

Monthly savings by an employee under all savings contracts linked to options granted under the Kier Sharesave Scheme and any other sharesave plan may not exceed the statutory maximum (currently £500). The Board may set a lower limit in relation to any particular grant. The minimum monthly savings must not be less than the statutory minimum (currently £5).

10.2.6 Exercise Price

The exercise price per Share payable upon the exercise of an option must be not manifestly less than 80 per cent. of the market value (defined in the plan rules) of a Share on the day before invitations were sent to participants or on such later date set out in the invitation (which must be no later than the date of grant) and, if the option relates only to new issue Shares, must also not be less than the nominal value of a Share.

10.2.7 Exercise of Options

Options will normally be exercisable for a period of six months from the third anniversary of the commencement of the related savings contracts. After this period, the option lapses. Early exercise of options is permitted for six months if a participant leaves for a specific reason (see below).

Options may be satisfied using new issue Shares, treasury shares or Shares purchased in the market.

10.2.8 Cessation of Employment

Unless the participant ceases employment for one of the circumstances set out below, his option will normally lapse on cessation. The circumstances are:

- death;

- cessation by reason of injury, disability or redundancy;
- retirement;
- the business or company in which the participant works ceasing to be part of the Group; and
- following cessation of employment where employment ceases more than three years from grant by reason of retirement.

Where an option becomes exercisable by reason of cessation of employment, it must be exercised within six months (or 12 months in the case of death) after which it will lapse.

10.2.9 Change of Control

In the event of a change of control of Kier, or voluntary winding-up of Kier, options may be exercised early to the extent of the participants' savings as at the time of the event. Alternatively, a participant may agree to exchange his options for an equivalent new option over shares in the new acquiring company.

10.2.10 Variation of Capital

If there is a variation in Kier's share capital, the Board may make such adjustments as it considers appropriate to the number of Shares under option and the exercise price.

10.2.11 Amendment of the Sharesave Scheme

The Board may, at any time, amend the provisions of the Kier Sharesave Scheme, provided that the prior approval of Shareholders is obtained for any amendments that are to the advantage of participants in respect of the rules governing eligibility, individual limits on participation, the overall limits on the issue of Shares or the transfer of treasury shares, the basis for determining a participant's entitlement to, and the terms of, the Shares to be provided, the adjustment of options in the event of a rights issue or other variation of capital, or the amendment provisions.

The requirement to obtain the prior approval of Shareholders will not, however, apply to any minor alteration made to benefit the administration of the Kier Sharesave Scheme, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for any company in the Group.

No amendment which would materially prejudice the interests of participants in respect of outstanding options may be made unless the consent of such participants has been obtained.

10.2.12 General

No payment is required for the grant of an option under the Kier Sharesave Scheme. Kier Sharesave Scheme options are not pensionable or transferable except on death.

Options will not confer any shareholder rights until options have been exercised and the participants have received the underlying Shares.

10.3 Kier Group All Employee Share Ownership Plan (the "AESOP")

10.3.1 Overview

Under the AESOP, three types of shares can be offered to employees based in the United Kingdom – free, partnership and matching shares. The AESOP rules contain all three elements, and the Board has power to decide which, if any, of them should be implemented. At present, participants are offered partnership and matching shares.

The AESOP operates in conjunction with a trust, which holds shares on behalf of employees. The AESOP is an HMRC tax-qualified plan.

10.3.2 Eligibility

Employees and full-time directors of the Company and any designated participating subsidiary who are UK resident taxpayers are eligible to participate. The Board may require employees to have completed a qualifying period of employment before they are eligible to enrol in the plan.

10.3.3 Free Shares

The AESOP provides for the award of free shares worth up to a maximum set by the legislation (currently £3,600) to each eligible employee each year. The shares must generally be offered on similar terms, but the award may be subject to performance targets. "Similar terms" means the terms may only be varied by reference to remuneration, length of service or hours worked.

Free shares must be held in trust for a period of between three and five years at the discretion of the Company and will be free of income tax and national insurance if held in trust for five years. If a participant ceases employment with the Group, his shares cease to be subject to the AESOP. The shares may be forfeited if the participant leaves employment within three years of the award other than by reason of death, retirement, redundancy, injury or disability, or his employing company or business being sold out of the Group.

10.3.4 Partnership Shares

The AESOP provides for employees to be offered the opportunity to purchase shares out of monthly contributions from pre-tax salary of up to the maximum set by the legislation (currently £1,800 in each tax year, or 10 per cent. of salary if less). Employees can stop contributing at any stage. The employees' contributions may be used to buy partnership shares immediately or accumulated for up to 12 months before they are used to buy shares. Where they are accumulated, the price at which they are acquired is of the price at the beginning of the accumulation period and the end of the accumulation period. Currently there is no accumulation period.

Partnership shares can be withdrawn from the AESOP by the participant at any time, but there will be an income tax and national insurance liability if the shares are withdrawn before five years.

10.3.5 Matching Shares

The AESOP provides that, where employees buy partnership shares, they may be awarded additional shares by the Company on a matching basis, up to a current maximum of two matching shares for each partnership share (currently one matching share is awarded for each two partnership shares bought). Matching shares must be held in trust for a minimum of three years and will be free of income tax and national insurance liability if held in trust for five years.

If a participant withdraws his corresponding partnership shares before the trustees have held them for three years, he will forfeit the linked matching shares. If the participant ceases to be employed within the minimum three-year period (or within such shorter period as the directors may decide) other than for a specified reason such as death, retirement, redundancy, injury or disability, or his employing company or business being sold out of the Group, his matching shares may be forfeited.

10.3.6 Dividends

The AESOP provides that the Board may permit any dividends paid on the free, partnership or matching shares to be reinvested in the purchase of additional shares, which must be held in the AESOP for a period of three years.

10.3.7 Voting Rights

Participants may be offered the opportunity to direct the trustees how to exercise the voting rights attributable to the AESOP shares held on their behalf. The trustees will not exercise the voting rights unless they receive the participants' instructions.

10.3.8 Plan Limits

Commitments to issue new Shares or transfer treasury shares may not, on any day, exceed 10 per cent. of the issued ordinary share capital of the Company in issue immediately before that day when added to the total number of ordinary shares which have been allocated in the previous 10 years under the AESOP and any other employee share plan operated by the Company.

Treasury shares shall not count towards these limits if institutional investor guidelines cease to require them to be so counted.

10.3.9 Amendment of the AESOP

The Board may, at any time, amend the provisions of the AESOP, provided that the prior approval of Shareholders is obtained for any amendments that are to the advantage of participants in respect of the limits on the number of Shares which may be issued or transferred from treasury under the AESOP, individual limits on participation, the basis for determining a participant's entitlement to shares or cash under the AESOP or the adjustments of awards in the event of a variation of capital and the amendment rule.

The requirement to obtain the prior approval of Shareholders will not, however, apply to any minor alteration made to benefit the administration of the AESOP, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for any company in the Group.

No amendment which would materially prejudice the interests of participants in respect of existing Shares held under the AESOP may be made.

10.3.10 General

Awards and Shares under the AESOP are not pensionable or transferable except on death.

10.4 Deferred Bonus Shares Arrangements (the "DBA")

10.4.1 Overview

In connection with the Kier's discretionary annual bonus plan, Kier operates the DBA in respect of selected senior employees, including the Executive Directors.

Under the DBA, up to one-third of the participant's after-tax annual cash bonus is satisfied by way of an allocation of Shares ("Deferred Bonus Shares") which are held on behalf of the participant by a trustee for a three-year deferral period. To the extent that a participant elects to take up the scrip dividend relating to the Deferred Bonus Shares, such Shares are allotted to the participant directly.

10.4.2 Eligibility

The Directors may select any employee, who is due to receive an annual cash bonus, for participation in the DBA. To date, the DBA has been operated in respect of members of senior management only.

10.4.3 Acquisition of Deferred Bonus Shares

On or shortly after the bonus date, Kier will procure that an amount equal to one-third or one-quarter of the after-tax bonus, as determined, is applied in the allocation of Deferred Bonus Shares. The number of Deferred Bonus Shares allocated will be determined by dividing the amount of the after-tax bonus deferred by the market value of a share on the award date.

10.4.4 Rights

During the deferral period, the participant remains the beneficial owner of the Deferred Bonus Shares and will be entitled to dividends. However, the participant will not be able to dispose of the Deferred Bonus Shares until their release to the participant.

10.4.5 Cessation of Employment and Forfeiture

Cessation of employment for gross misconduct or circumstances justifying summary dismissal during the three-year deferred period results in the forfeiture of the Deferred Bonus Shares for nil consideration as a "bad leaver". With respect to Deferred Bonus Shares allocated in 2012 and 2013, the rules of the DBA provide that if a participant dies or gives or is given notice of termination of employment for any reason other than as a "bad leaver" (see above), the Deferred Bonus Shares are automatically released.

With respect to Deferred Bonus Shares allocated in 2014, the rules do not contemplate release of the Deferred Bonus Shares in advance of the conclusion of the three-year deferral period (other than at the Company's discretion). The rules also provide that if the Company becomes aware during the three-year deferred period that: (i) there was a material misstatement of the Group's financial statements; (ii) there was a material error in determining the performance giving rise to the annual bonus deferred; or (iii) the participant deliberately misled the Company, the market and/or the Shareholders in relation to the

financial performance of the Company, then the Company may reduce the allocation of Deferred Bonus Shares in 2014 (including to nil).

10.4.6 Change of Control

In the event of the change of control of Kier, a sale of the participant's employing company or business, or if Kier is voluntarily wound up, the Deferred Bonus Shares will be released immediately before the relevant event (or otherwise as the Remuneration Committee determines).

10.5 May Gurney Integrated Services PLC Savings Related Share Option Scheme 2007 (the "May Gurney Sharesave Scheme")

10.5.1 Overview

The May Gurney Sharesave Scheme is a legacy HMRC tax-qualified scheme which provides for the grant of tax-favoured options to UK employees of May Gurney. Upon the Company's acquisition of May Gurney in 2013, existing outstanding options under the May Gurney Sharesave Scheme were exchanged for equivalent options over Shares.

Since the Company's acquisition of May Gurney, no further options have been granted under the May Gurney Sharesave Scheme.

Existing outstanding options under the scheme are subject to the rules of the May Gurney Sharesave Scheme which are in all material respects similar to the rules of the Kier Sharesave Scheme, including provisions relating to the treatment of options on cessation of employment, change of control and in respect of a variation in the share capital of the Company. The existing outstanding options are due to vest in October 2015, after which the May Gurney Sharesave Scheme will terminate.

10.6 May Gurney Integrated Services PLC Share Incentive Plan (the "May Gurney SIP")

10.6.1 Overview

The May Gurney SIP is a legacy HMRC tax-qualified share incentive plan which provides for a tax-favoured share purchase arrangement for UK employees of May Gurney.

The May Gurney SIP was operated in respect of partnership shares only and, since the acquisition of May Gurney, no further partnership shares have been allocated under the plan.

Existing partnership shares under the May Gurney SIP were exchanged for Shares at the time of the Company's acquisition of May Gurney (to the extent so elected by the participants at the time). The resulting partnership shares continue to be held by the trustee under the May Gurney Share Incentive Plan, which is in all material respects similar to the AESOP. Consequently, once the partnership shares have been held by the trustee for a period of five years, they can be withdrawn by the participant free of income tax and national insurance contributions.

10.7 May Gurney Integrated Services PLC Unapproved Share Option Scheme (the "May Gurney Unapproved Share Option Scheme")

10.7.1 Overview

The May Gurney Unapproved Share Option Scheme is a share option plan which provides for the grant of unapproved options to selected employees of May Gurney. Upon the Company's acquisition of May Gurney in 2013, existing outstanding options under the May Gurney Unapproved Share Option Scheme were exchanged for equivalent options over Shares.

Since the Company's acquisition of May Gurney in 2013, no further options have been granted under the May Gurney Unapproved Share Option Scheme.

The few remaining outstanding options under the May Gurney Unapproved Share Option Scheme have all vested and continue to be subject to the rules of this scheme. Vested options lapse on the tenth anniversary of grant or earlier where the participant ceases employment with the Group or there is a sale or winding up of the Company. In the event of a variation of the share capital of the Company (including a rights issue), the Board may make such adjustments as it considers appropriate to the number of Shares under option and the exercise price.

11 Subsidiaries and Corporate Structure

11.1 Corporate Structure

Kier was incorporated in 1992 and is the ultimate parent company of the Group, which comprises Kier and its subsidiary undertakings.

11.2 Significant Subsidiary and Associated Undertakings

The significant subsidiary and associated undertakings of Kier are described on page 136 of the 2014 Annual Report and Accounts. During the period from 30 June 2014 to 24 April 2015 (being the latest practicable date prior to the date of this document), no new significant subsidiary or subsidiary undertakings were incorporated or acquired.

12 Pension Schemes

In relation to the last full financial year, save as described in paragraph 8 above, there are no amounts set aside or accrued by the Group to provide pension, retirement or similar benefits to the Directors and Senior Managers.

Details of the Group's pension schemes are included on pages 107 to 111 (inclusive) of the 2014 Annual Report and Accounts.

Contributions are also made in respect of hourly-paid operatives to an industry-wide stakeholder pension scheme and in respect of employees who are members of a local government pension scheme.

13 Banking Facilities

13.1 Kier Banking Facilities

13.1.1 2015 Facility Agreement

On 22 April 2015, the Company entered into a revolving credit facility agreement (the "2015 Facility Agreement") with HSBC Bank plc as agent, HSBC Bank plc, Lloyds Bank plc, The Royal Bank of Scotland plc, Abbey National Treasury Services plc and Barclays Bank PLC as mandated lead arrangers and HSBC Bank plc, Lloyds Bank plc, National Westminster Bank plc, Abbey National Treasury Services plc and Barclays Bank PLC as original lenders.

Under the terms of the 2015 Facility Agreement, the original lenders have provided the Company with a £380 million revolving credit facility (the "2015 Facility"). The 2015 Facility has an accordion option whereby the Company may request an increase in the 2015 Facility, up to a maximum of £20 million. The 2015 Facility is available to be used to fund: (i) the refinancing of the Group's existing indebtedness (including the prepayment of the facilities provided under the 2013 Facility Agreement and the RCF (as defined below)); (ii) refinancing of certain financial indebtedness of Mouchel and its subsidiaries and (iii) general corporate purposes.

The 2015 Facility is required to be repaid on the last day of the interest period relating to the relevant advance but, subject to certain conditions, can be immediately re-drawn. No sums can be drawn under the 2015 Facility on or after one month prior to the date falling five years from the Completion Date (the "2015 Facility Termination Date"). All amounts outstanding under the 2015 Facility are required to be repaid in full on the 2015 Facility Termination Date.

The 2015 Facility Agreement permits, subject to the payment of any applicable break costs, voluntary prepayments and voluntary cancellation of undrawn amounts under the 2015 Facility.

Interest accrues on loans made under the 2015 Facility at a floating rate of LIBOR for the applicable interest period plus a margin of between 1.4 per cent. and 2.4 per cent. Within the ranges stated, the prevailing margin on the 2015 Facility loans is determined from time to time in accordance with a leverage "ratchet".

The 2015 Facility Agreement contains standard investment grade loan market association representations, undertakings and events of default as well as certain financial covenants which the Company must observe. The financial covenants in the 2015 Facility Agreement require the Company to ensure that: (i) the Group's interest coverage ratio is not less than 4 to 1; and (ii) the Group's leverage ratio does not exceed 2.75 to 1.

The 2015 Facility Agreement is unsecured and is guaranteed by certain subsidiaries of the Company. The 2015 Facility Agreement includes provisions allowing certain wholly-owned subsidiaries of the Company to accede to the 2015 Facility Agreement as additional borrowers and/or additional guarantors.

13.1.2 Term and Revolving Credit Facility Agreement

On 22 April 2013, the Company entered into a term and revolving credit facility agreement, as amended and restated on 26 February 2014 (the "2013 Facility Agreement") with HSBC Bank plc as agent and HSBC Bank PLC, Lloyds TSB Bank plc, The Royal Bank of Scotland plc and Santander UK PLC as lead arrangers and original lenders.

Under the terms of the 2013 Facility Agreement, the original lenders have provided the Company with (i) a £50 million term loan facility ("Facility A") and (ii) a £70 million revolving credit facility ("Facility B"). Facility A was available to be used to fund: (i) the cash consideration payable to May Gurney shareholders in relation to the acquisition of May Gurney; and (ii) the costs and expenses incurred by the Group in connection with the acquisition of May Gurney. Facility B is available to be used for general corporate purposes, including to refinance the working capital facilities of May Gurney.

The 2013 Facility Agreement permits, subject to the payment of any applicable break costs, voluntary prepayments and voluntary cancellation of undrawn amounts under Facility A and Facility B.

Interest accrues on loans made under Facility A at a floating rate of LIBOR for the applicable interest period plus a margin of between 1.9 per cent. and 3 per cent. and on loans made under Facility B at a floating rate of LIBOR for the applicable interest period plus a margin of between 1.7 per cent. and 2.4 per cent. Within the ranges stated, the prevailing margin on both Facility A loans and Facility B loans is determined from time to time in accordance with a leverage "ratchet".

The 2013 Facility Agreement contains standard investment grade loan market association representations, undertakings and events of default as well as certain financial covenants which the Company must observe. The financial covenants in the 2013 Facility Agreement require the Company to ensure that: (i) the Group's interest coverage ratio is not less than 4 to 1; and (ii) the Group's leverage ratio does not exceed 2.75 to 1. As at 31 December 2014, being the most recent covenant test date under the 2013 Facility Agreement, the Company was in compliance with these covenants and the other terms of the 2013 Facility Agreement.

The 2013 Facility Agreement is unsecured and is guaranteed by certain subsidiaries of the Company. The 2013 Facility Agreement includes provisions allowing certain wholly-owned subsidiaries of the Company to accede to the 2013 Facility Agreement as additional borrowers and/or additional guarantors.

The 2013 Facility Agreement will be refinanced by the 2015 Facility Agreement, with effect from the Completion Date, ensuring that the conditions precedent under the 2015 Facility Agreement are satisfied.

13.1.3 Revolving Credit Facility

On 31 May 2012, the Company entered into a revolving credit facility agreement with HSBC Bank PLC as agent and HSBC Bank PLC, Lloyds TSB Bank plc, The Royal Bank of Scotland plc and Santander UK PLC as lenders, as amended by an amendment agreement on 22 April 2013 and as amended and restated on 26 February 2014 (the "RCF").

Under the terms of the RCF, the lenders have provided the Company with a revolving credit facility of £120 million to be used for general corporate purposes. The RCF is required to be repaid on the last day of the interest period relating to the relevant advance but, subject to certain conditions, can be immediately re-drawn. No sums can be drawn under the RCF on or after one month prior to 30 September 2016 (the "RCF Termination Date"). All amounts outstanding under the RCF are required to be repaid on the RCF Termination Date.

The RCF contains standard investment grade loan market association representations, undertakings and events of default, as well as financial covenants relating to interest cover and leverage. As at 31 December 2014, being the most recent covenant test date under the RCF, the Company was in compliance with these covenants and the other terms of the RCF.

The RCF is unsecured and is guaranteed by certain subsidiaries of the Company. The RCF includes provisions allowing certain wholly-owned subsidiaries of the Company to accede to the RCF as additional borrowers and/or additional guarantors.

The RCF will be refinanced by the 2015 Facility Agreement, with effect from such date following the Completion Date, ensuring that the conditions precedent under the 2015 Facility Agreement are satisfied.

13.1.4 Term Loan Facility

On 11 January 2013, the Company entered into a term loan facility agreement with Lloyds TSB Bank plc as agent and lender, as amended by an amendment letter dated 22 April 2013, as amended and restated on 26 February 2015 (the "Term Loan Agreement").

Under the terms of the Term Loan Agreement, Lloyds TSB Bank plc agreed to provide the Company with a term loan facility of £30 million to be used for general corporate purposes. The aggregate loans outstanding under the Term Loan Agreement are required to be repaid by 11 January 2017, with no sums being able to be drawn after 31 December 2013.

The Term Loan Agreement permits, subject to payment of any applicable break costs, voluntary prepayments and voluntary cancellation of undrawn amounts. The Term Loan Agreement contains, on terms which are substantially consistent with the RCF, standard investment grade loan market association representations, undertakings and events of default. The financial covenants which the Company must observe under the Term Loan Agreement are substantially the same as those which apply in the RCF.

As at 31 December 2014, being the most recent covenant test date under the Term Loan Agreement, the Company was in compliance with the above covenants and the other terms of the Term Loan Agreement.

The Term Loan Agreement is unsecured and is guaranteed by certain subsidiaries of the Company. The Term Loan Agreement includes provisions allowing certain wholly-owned subsidiaries of the Company to accede to the Term Loan Agreement as additional borrowers and/or additional guarantors.

13.2 Mouchel Banking Facilities

At the date of this document, Mouchel had credit facilities totalling £125 million with The Royal Bank of Scotland plc, Lloyds Bank plc and Barclays Bank PLC and their subsidiary companies. Of the £125 million, £45 million is in the form of revolving credit facilities, which mature on 30 April 2018 and £50 million is in the form of a term loan, which will be repaid in bi-annual instalments of £5 million, with the balance due on 30 April 2018.

Under this facility, Mouchel is required to meet financial covenants as would be usual for this type of facility and these are tested on a quarterly basis. There is a continuing obligation to ensure that the aggregate gross assets and EBITDA of the guarantors are at least 85 per cent. of Mouchel's subsidiaries (excluding joint ventures) at all times. Mouchel has complied with all covenants during the financial years ended 30 September 2014 and 2013 and is currently in compliance with such covenants.

There are £0.2 million of fees payable on these facilities per annum.

The term loan and the revolving credit facility are secured against fixed and floating charges over the assets of Mouchel.

14 Auditors

The auditor of Kier from 23 February 2015 is PricewaterhouseCoopers LLP, chartered accountants, whose address is at 1 Embankment Place, London WC2N 6RH.

15 Underwriting Arrangements

15.1 Underwriting Agreement

On 28 April 2015, the Company and the Joint Bookrunners entered into the Underwriting Agreement pursuant to which the Joint Sponsors were appointed to act as joint sponsors to the Company in connection with the application for Admission and the Acquisition and have agreed severally, subject to certain conditions, to use reasonable endeavours to procure subscribers for the New Shares to the extent not taken up by Qualifying Shareholders under the Rights Issue, failing which the Joint Bookrunners have

severally agreed to subscribe themselves for such New Shares (to the extent that sub-underwriters are not procured in respect of such new shares), in each case at the Issue Price.

In consideration of their services under the Underwriting Agreement, and subject to their obligations under the Underwriting Agreement having become unconditional and the Underwriting Agreement not being terminated, the Company has agreed to pay to the Joint Bookrunners an aggregate commission of 2.25 per cent. of the value of the New Shares at the Issue Price. The Joint Bookrunners shall pay sub-underwriting commissions to sub-underwriters (to the extent that sub-underwriters are or have been procured) out of the commissions received by them.

Irrespective of whether Admission occurs, the Company shall bear all expenses of or incidental to the Rights Issue, the Acquisition, Admission and the arrangements contemplated by the Underwriting Agreement, including the fees and expenses of its professional advisers, the fees and expenses of the Joint Bookrunners and its professional advisers, the cost of preparation, advertising, printing and distribution of this document and all other documents connected with the Rights Issue, all roadshow expenses, including travel and accommodation, all bookbuilding expenses, the Registrar's fees, the listing and document vetting fees of the FCA, the fees of the London Stock Exchange and, where applicable, VAT.

The Company has given certain customary representations and warranties to the Joint Bookrunners as to the accuracy of the information contained in this document and other relevant documents, and in relation to other matters relating to the Group, Mouchel and their respective businesses. In addition, the Company has given customary indemnities to the Joint Bookrunners and certain indemnified persons connected with each of them. The liabilities of the Company are unlimited as to time and amount.

The obligations of the Joint Bookrunners under the Underwriting Agreement are subject to certain conditions, including, amongst others:

- the passing without material amendment of the Transaction Resolutions;
- the Share Purchase Agreement not having been terminated, varied, modified or supplemented or having lapsed before Admission; and
- Admission becoming effective at or before 8.00 a.m. on 18 May 2015 or such later time and/or date (being not later than 3.00 p.m. on 18 May 2015) as the Company and the Banks may agree.

If any of the conditions to the Underwriting Agreement are not satisfied (or waived by the Joint Bookrunners) or have become incapable of being satisfied by the required time and/or date, the obligations of the Joint Bookrunners under the Underwriting Agreement shall cease and determine. Additionally, each Bank may terminate the Underwriting Agreement in certain circumstances, including if a material adverse change or force majeure event occurs, but only prior to Admission.

The Company has agreed that, between the date of the Underwriting Agreement and the period of 180 days from the commencement of dealing of the New Shares on the London Stock Exchange, fully paid, it will not, without the prior written consent of the Joint Bookrunners: (a) directly or indirectly, issue, allot, offer, pledge, sell, contract to sell, lend, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, deposit into any depositary receipt facility or otherwise transfer or dispose of any Shares or any securities convertible into or exercisable or exchangeable for Shares or file any registration statement under the Securities Act with respect to any of the foregoing (or publicly announce the same); or (b) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of the Shares. The foregoing restriction shall not apply to: (i) the New Shares issued or to be issued under the Rights Issue; (ii) any Shares issued or to be issued by the Company upon the exercise of an option or warrant or the conversion of a security outstanding on the date hereof and disclosed in this document; and (iii) any Shares issued or to be issued or options to subscribe for or acquire Shares granted pursuant to existing employee benefit plans of Share Schemes of the Company disclosed in this document.

16 Material Contracts

16.1 Kier

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company or another member of the Group within the two years immediately preceding the date of this document and are, or may be, material or have been entered into at any time by the Company or any member of the Group and contain provisions under which the Company or any member

of the Group has an obligation or entitlement which is, or may be, material to the Company or any member of the Group as at the date of this document:

16.1.1 Share Purchase Agreement

For a description of the principal terms of the Share Purchase Agreement, see Part XII of this document.

16.1.2 Management Warranty Deed

For a description of the principal terms of the Management Warranty Deed, see Part XII of this document.

16.1.3 Underwriting Agreement

For a description of the principal terms of the Underwriting Agreement, see paragraph 15.1 above.

16.1.4 2015 Facility Agreement

For a description of the 2015 Facility Agreement, see paragraph 13.1.1 above.

16.1.5 2013 Facility Agreement

For a description of the 2013 Facility Agreement, see paragraph 13.1.2 above.

16.1.6 Revolving Credit Facility

For a description of the RCF, see paragraph 13.1.3 above.

16.1.7 Term Loan Facility

For a description of the Term Loan Agreement, see paragraph 13.1.4 above.

16.1.8 2012 Note Purchase Agreement

The Company is party to a note purchase agreement with certain noteholders (the "2012 Noteholders") dated 20 December 2012, as amended by an amendment letter dated 22 April 2013 and an amendment letter dated 26 February 2014 (the "2012 Note Purchase Agreement"), pursuant to which the Company issued: (i) £25 million of 4.24 per cent. senior notes maturing on 20 December 2019; (ii) £20 million of 4.84 per cent. senior notes maturing on 20 December 2022; (iii) U.S.$8 million of 4.26 per cent. senior notes maturing on 20 December 2019; and (iv) U.S.$20 million of 4.83 per cent. senior notes maturing on 20 December 2022 (collectively, the "2012 Notes").

The 2012 Note Purchase Agreement includes a requirement for the Company to comply with certain financial covenants and includes customary affirmative and negative covenants for U.S. private placement instruments. The financial covenants in the 2012 Note Purchase Agreement include a consolidated net worth test and others that are substantially similar to those contained in the 2015 Facility Agreement, the 2013 Facility Agreement, the RCF and the Term Loan Agreement.

The negative covenants imposed on the Group by the 2012 Note Purchase Agreement include, subject to certain exceptions, a restriction on granting security, a restriction on incurring financial indebtedness by members of the Group which do not also guarantee the Notes and a restriction on the disposal of assets.

As at 31 December 2014, being the most recent covenant test date under the 2012 Note Purchase Agreement, the Company was in compliance with the above covenants and the other terms of the 2012 Note Purchase Agreement.

The obligations under the 2012 Notes are unsecured and certain of the Company's subsidiaries, which have also guaranteed the 2013 Facility Agreement, the RCF and the Term Loan Agreement, have also guaranteed the Company's obligations under the 2012 Notes by separate guarantee agreements.

The terms of the 2012 Notes do not require specific 2012 Noteholder consent for the Acquisition to proceed, however any of the Company's subsidiaries who becomes a guarantor, pursuant to the 2015 Facility Agreement, will also have to become a guarantor for the purposes of the 2012 Note Purchase Agreement.

16.1.9 2014 Note Purchase Agreement

The Company is party to a note purchase agreement with certain noteholders (the "2014 Noteholders") dated 20 November 2014 (the "2014 Note Purchase Agreement"), pursuant to which the Company issued: (i) U.S.$21 million of 4.22 per cent. senior notes maturing on 22 November 2021; (ii) £25 million of 4.14 per cent. senior notes maturing on 22 November 2021; (iii) U.S.$95 million of 4.61 per cent. senior notes maturing on 20 November 2024; and (iv) £22 million of 4.43 per cent. senior notes maturing on 20 November 2024 (collectively, the "2014 Notes").

The 2014 Note Purchase Agreement includes a requirement for the Company to comply with certain financial covenants and includes customary affirmative and negative covenants for U.S. private placement instruments. The financial covenants in the 2014 Note Purchase Agreement include a consolidated net worth test and others that are substantially similar to those contained in the 2015 Facility Agreement, the 2013 Facility Agreement, the RCF and the Term Loan Agreement.

The negative covenants imposed on the Group by the 2014 Note Purchase Agreement include, subject to certain exceptions, a restriction on granting security, a restriction on incurring financial indebtedness by members of the Group which do not also guarantee the 2014 Notes and a restriction on the disposal of assets.

As at 31 December 2014, being the most recent covenant test date under the 2014 Note Purchase Agreement, the Company was in compliance with the above covenants and the other terms of the 2014 Note Purchase Agreement.

The obligations under the 2014 Notes are unsecured and certain of the Company's subsidiaries, which have also guaranteed the 2013 Facility Agreement, the RCF and the Term Loan Agreement, have also guaranteed the Company's obligations under the 2014 Notes by separate guarantee agreements.

The terms of the 2014 Notes do not require specific 2014 Noteholder consent for the Acquisition to proceed, however any of the Company's subsidiaries who becomes a guarantor, pursuant to the 2015 Facility Agreement, will also have to become a guarantor for the purposes of the 2014 Note Purchase Agreement.

16.1.10 Joint Sponsors' Agreement

On 14 May 2013, an agreement was entered into between Kier and the Joint Sponsors, whereby the Joint Sponsors agreed to act as sponsors to Kier in connection with the applications for admission and the publication of this document in connnection with the acquisition of May Gurney in May 2013. Pursuant to this agreement, Kier agreed to provide the Joint Sponsors with certain indemnities, undertakings and warranties in connection with their role as Kier's sponsors. The indemnities provided by Kier indemnified the Joint Sponsors against claims made against them or losses suffered or incurred in connection with their role as sponsors, subject to certain exceptions. Kier also warranted the accuracy of certain information relied upon in connection with the issue of documents to Shareholders and/or May Gurney shareholders.

16.2 Mouchel

For a description of Mouchel's banking facilities, see paragraph 13.2 above.

17 Related Party Transactions

Details of the related party transactions between Kier and its subsidiaries that were entered into during the financial years ended 30 June 2014, 2013 and 2012 are incorporated into this document by reference to the 2014, 2013 and 2012 Annual Report and Accounts, as described in Part XIV of this document. During the period from 30 June 2014 to 24 April 2015 (being the latest practicable date prior to the date of this document), there were no new related party transactions.

18 Litigation and Arbitration Proceedings

18.1 Kier

Other than as disclosed in paragraph 9.1 of Part IV of this document, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) during the previous 12 months which may have, or have had in the recent past, significant effects on the Company or the Group's financial position or profitability.

18.2 Mouchel

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) during the previous 12 months which may have, or have had in the recent past, significant effects on Mouchel or the Mouchel Group's financial position or profitability.

19 Working Capital

19.1 The Company is of the opinion that, taking into account the net proceeds of the Rights Issue and the bank and other facilities available to the Group, the Group has sufficient working capital for its present requirements, that is, for at least 12 months from the date of publication of this document.

19.2 The Company is of the opinion that, taking into account the net proceeds of the Rights Issue and the bank and other facilities available to the Enlarged Group, the working capital of the Enlarged Group is sufficient for the Enlarged Group's present requirements, that is, for at least 12 months from the date of publication of this document.

20 No Significant Change

20.1 Kier

There has been no significant change in the financial or trading position of the Group since 31 December 2014, the date to which the latest unaudited consolidated interim financial statements in relation to the Group were prepared.

20.2 Mouchel

Save for an increase in revenue as discussed in paragraph 8.2 of Part I of this document, there has been no significant change in the financial or trading position of Mouchel since 31 December 2014, the date to which the latest unaudited condensed interim consolidated financial information in relation to Mouchel was prepared.

21 Consents

21.1 J.P. Morgan Limited, which is authorised and regulated by the Financial Conduct Authority, has not withdrawn its written consent to the issue of this document with the inclusion herein of the references to its name in the form and context in which they appear.

21.2 Numis, which is authorised and regulated by the Financial Conduct Authority, has not withdrawn its written consent to the issue of this document with the inclusion herein of the references to its name in the form and context in which they appear.

21.3 PricewaterhouseCoopers LLP is a member firm of the Institute of Chartered Accountants in England and Wales and has given and has not withdrawn its written consent to the inclusion of its accountant's reports on the historical financial information of MRBL Limited and EM Highway Services Limited in Part IX of this document and to the inclusion of its report on the unaudited pro forma financial information in Part X of this document and has authorised the contents of the part of this document which comprise its reports for the purposes of Rule 5.5.3R(2)(f) of the Prospectus Rules. A written consent under the Prospectus Rules is different from a consent filed with the SEC under Section 7 of the Securities Act. As the Shares have not been, and will not be, registered under the Securities Act, PricewaterhouseCoopers LLP has not filed a consent under Section 7 of the Securities Act.

22 Miscellaneous

22.1 The total costs and expenses payable by the Company in connection with the Rights Issue (including the listing fees of the FCA and the London Stock Exchange, professional fees and expenses and the costs of printing and distribution of documents) are estimated to amount to approximately £10 million (including VAT).

22.2 Each New Share is expected to be issued at a premium of 857p to its nominal value of 1p.

22.3 Where information has been sourced from a third party, Kier confirms that the information has been accurately reproduced and, as far as Kier is aware and able to ascertain from information

published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. Where third party information has been used, the source of such information has been identified wherever it appears in this docunent.

23 Documents Available for Inspection

Copies of the following documents are available for inspection during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) up to completion of the Rights Issue at the offices of Linklaters LLP at One Silk Street, London EC2Y 8HQ and will also be available for inspection at the General Meeting for at least 15 minutes prior to and during the meeting:

(a) the Articles of Association;

(b) the unaudited consolidated interim financial statements for the Group in respect of the six months ended 31 December 2014;

(c) the unaudited condensed interim consolidated financial information for Mouchel in respect of the three months ended 31 December 2014; the combined and consolidated financial information for Mouchel in respect of the 14 months ended 30 September 2012 and the two financial years ended 30 September 2014; and the financial information for EM Highway Services Limited in respect of the 14 months ended 30 September 2013 and the 12 months ended 29 July 2012;

(d) the consent letters referred to in paragraph 21 above;

(e) the reports from PricewaterhouseCoopers LLP which are set out in Part IX of this document;

(f) the unaudited pro forma financial information of the Enlarged Group and the report from PricewaterhouseCoopers LLP thereon;

(g) the Share Purchase Agreement;

(h) the information incorporated by reference into this document as described in Part XIV of this document; and

(i) this document.

Dated: 28 April 2015

PART XIV—INFORMATION INCORPORATED BY REFERENCE

The following documentation, which was sent to Shareholders at the relevant time and/or is available as described below, contains information that is relevant to the Rights Issue:

1 The 2014, 2013 and 2012 Annual Report and Accounts

These contain the audited consolidated financial statements of Kier for the financial years ended 30 June 2014, 2013 and 2012, prepared in accordance with IFRS, together with audit reports in respect of each such year.

2 The 31 December 2014 Interim Financial Statements Announcement

This announcement contains the unaudited consolidated interim financial statements of the Company for the six-month period ended 31 December 2014, together with the review report in respect of such period.

3 Other

The table below sets out the various sections of the documents referred to above which are incorporated by reference into this document, so as to provide the information required pursuant to Annex I and Annex III to the Prospectus Rules and to ensure that Shareholders and others are aware of all information which, according to the particular nature of the Company and of the New Shares, is necessary to enable Shareholders and others to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Company and of the rights attaching to the New Shares:

Reference document	Information incorporated by reference	Page number in reference document
31 December 2014 interim financial statements announcement	Financial statements of the Company for the six months ended 31 December 2014	1 - 22
2014 Annual Report and Accounts	Independent auditors' report	90 - 92
	Consolidated income statement	93
	Consolidated statement of comprehensive income	94
	Consolidated statement of changes in equity	94
	Consolidated balance sheet	95
	Consolidated cash flow statements	96
	Notes to the consolidated financial statements	97 - 132
	Principal operating subsidiaries and business units	136
2013 Annual Report and Accounts	Independent auditors' report	69
	Consolidated income statement	72
	Consolidated statement of comprehensive income	73
	Consolidated statement of changes in equity	73
	Consolidated balance sheet	74
	Consolidated cash flow statements	75
	Notes to consolidated financial statements	76 - 106
2012 Annual Report and Accounts	Independent auditors' report	73
	Consolidated income statement	74
	Consolidated statement of comprehensive income	75
	Consolidated statement of changes in equity	75
	Consolidated balance sheet	76
	Consolidated cash flow statements	77
	Notes to the consolidated financial statements	78 - 110

Where this information makes reference to other documents, such other documents are not incorporated into and do not form part of this document. Parts of the documents from which such information has been incorporated are not set out above and are either not relevant or are covered elsewhere in this document.

PART XV—DEFINITIONS

2012 Annual Report and Accounts . . .	the annual report and accounts prepared by the Company for the financial year ended 30 June 2012
2013 Annual Report and Accounts . . .	the annual report and accounts prepared by the Company for the financial year ended 30 June 2013
2014 Annual Report and Accounts . . .	the annual report and accounts prepared by the Company for the financial year ended 30 June 2014
Acquisition	the acquisition of Mouchel by Kier Limited, pursuant to the Share Purchase Agreement
Admission	admission of the New Shares, nil paid, to (a) the Official List and (b) trading on the London Stock Exchange's main market for listed securities
AESOP	the Kier Group All Employee Share Ownership Plan
AMP	Asset Management Plan
Articles or **Articles of Association**	the articles of association of the Company which are described in paragraph 4 of Part XIII of this document
ASC	Asset Support Contract
Banks	J.P. Morgan Limited, J.P. Morgan Securities plc and Numis Securities Limited
Board	the board of directors, from time to time, of the Company
Business Day	a day (other than a Saturday or Sunday) on which banks are open for general business in London
Capita Asset Services	a trading name of (i) Capita Registrars Limited acting as Registrar and Receiving Agent to the Company and (ii) Capita IRG Trustees Limited, which is making available the Special Dealing Service
Cashless Take-up	the sale of such number of Nil Paid Rights as will generate sufficient sale proceeds to enable the direct or indirect holder thereof to take up all of their remaining Nil Paid Rights (or entitlements thereto)
CCSS	the CREST Courier and Sorting Service established by Euroclear to facilitate, amongst other things, the deposit and withdrawal of securities
certificated or **in certificated form** . . .	a share or other security which is not in uncertificated form (that is, not in CREST)
Chairman	the chairman of the Company
Companies Act	Companies Act 2006
Company or **Kier**	Kier Group plc, a public limited company incorporated under the laws of England and Wales
Completion	the closing of the Acquisition pursuant to the Share Purchase Agreement
Completion Date	the date of Completion, expected to be on or around 15 June 2015
Corporate Governance Code	the UK Corporate Governance Code produced by the Financial Reporting Council

CREST	the relevant system (as defined in the CREST Regulations) for the paperless settlement of trades in listed securities in the United Kingdom, of which Euroclear is the operator (as defined in the CREST Regulations)
CREST Manual	the rules governing the operation of CREST, consisting of the CREST Reference Manual, CREST International Manual, CREST Central Counterparty Service Manual, CREST Rules, Registrars Service Standards, Settlement Discipline Rules, CCSS Operations Manual, Daily Timetable, CREST Application Procedure, CREST Glossary of Terms and CREST Terms and Conditions (all as defined in the CREST Glossary of Terms promulgated by Euroclear on 15 July 1996 and as amended since)
CREST member	a person who has been admitted by Euroclear as a system-member (as defined in the CREST Regulations)
CREST Regulations	the Uncertificated Securities Regulations 2001 (SI 2001/3755)
CREST sponsor	a CREST participant admitted to CREST as a CREST sponsor
CREST sponsored member	a CREST member admitted to CREST as a sponsored member
CSR	the UK government's Comprehensive Spending Review
DBA	the deferred bonus shares arrangements summarised in paragraph 10.4 of Part XIII of this document
Directors or **Board**	the Executive Directors and Non-Executive Directors as at the date of this document
Disclosure and Transparency Rules	the Disclosure Rules and Transparency Rules of the Financial Conduct Authority
DM or **DownerMouchel**	Mouchel's joint venture with Downer in Australia
EBITDA	earnings before interest, taxes, depreciation and amortisation
EEA	the European Economic Area
EM	EM Highway Services, formerly EnterpriseMouchel
Enlarged Group	the Group following the Acquisition
EU	European Union
Euroclear	Euroclear & Ireland Limited
Exchange Act	United States Exchange Act (1934), as amended
Excluded Territories	the Commonwealth of Australia, its territories and possessions, each province and territory of Canada, Japan and the Republic of South Africa and any other jurisdiction where the extension into or availability of the Rights Issue would breach any applicable law
Executive Directors	the executive directors of the Company as at the date of this document
Existing Shares	the Shares in issue immediately preceding the issue of the New Shares
Ex-Rights Date	18 May 2015
Extended Long Stop Date	the date to which the Long Stop Date may be extended under the Share Purchase Agreement
Financial Conduct Authority or **FCA**	the Financial Conduct Authority acting in its capacity as the competent authority for the purposes of Part VI of the FSMA

Form of Proxy	the form of proxy enclosed with this document for use in connection with the General Meeting
FSMA	the Financial Services and Markets Act 2000, as amended
Fully Paid Rights	rights to acquire New Shares, fully paid
General Meeting	the general meeting of the Company to be held at 10.00 a.m. on 15 May 2015 at the offices of Linklaters LLP at One Silk Street, London, EC2Y 8HQ, notice of which is set out on pages 297 to 300 of this document
Group	the Company and its subsidiary undertakings and, where the context requires, its associated undertakings
HCA	Homes and Communities Agency
Highways England	UK governmental agency that is responsible for managing the core road network of England. Successor agency to the Highways Agency
IFRS	International Financial Reporting Standards as adopted by the European Union
IIS	Integrated Infrastructure Services
Interim Dividend	the interim dividend for the six months ended 31 December 2014 to be paid on 15 May 2015
ISIN	International Securities Identification Number
Issue Price	858p
Joint Bookrunners	J.P. Morgan Securities plc and Numis Securities Limited
Joint Sponsors	J.P. Morgan Securities plc and Numis Securities Limited
Kier Sharesave Scheme	Kier Group 2006 Sharesave Scheme
Listing Rules	the listing rules of the Financial Conduct Authority
LoHAC	London Highways Alliance Contract
London Stock Exchange	London Stock Exchange plc
Long Stop Date	the long stop date under the Share Purchase Agreement, being 28 June 2015
LTIP	the Kier Group plc 2010 Long-Term Incentive Plan
MAC	Managing Agent Contract
May Gurney	May Gurney Integrated Services PLC
May Gurney SIP	the May Gurney Integrated Services PLC Share Incentive Plan
May Gurney Sharesave Scheme	the May Gurney Integrated Services PLC Savings Related Share Option Scheme 2007
MBS	Mouchel Business Services
MIS	Mouchel Infrastructure Services
Money Laundering Regulations	Money Laundering Regulations 2007 (SI 2007/2157)
Mouchel	MRBL or the Mouchel Group, as the context requires
Mouchel Group	MRBL and its subsidiaries
Mouchel Investor Sellers	Barclays Converted Investments Limited, Globe Nominees Limited, Uberior Equity Limited, SIG 1 Holdings Limited
Mouchel Management Sellers	certain members of Mouchel's management who hold Mouchel Shares

Mouchel Sellers	the Mouchel Investor Sellers, the Mouchel Management Sellers and the Mouchel Trustee
Mouchel Shares	ordinary shares of 0.0001p each in the capital of MRBL
Mouchel Trustee	Sanne Fiduciary Services Limited
MRBL	MRBL Limited
New Shares	the 39,646,692 new Shares which the Company will allot and issue pursuant to the Rights Issue
NHS	the National Health Service
Nil Paid Rights	rights to acquire New Shares, nil paid
Non-Executive Directors	the non-executive directors of the Company as at the date of this document
Notice of General Meeting	the notice of General Meeting set out in this document
Numis	Numis Securities Limited
Official List	the Official List of the FCA
Ofwat	The Water Services Regulation Authority
Overseas Shareholders	Qualifying Shareholders with registered addresses in, or who are citizens, residents or nationals of, jurisdictions outside of the United Kingdom
PFI	the Private Finance Initiative
PD Regulation	Commission Regulation (EC) No 809/2004
PPP	a Public Private Partnership
PRA	Prudential Regulation Authority
Prospectus or **this document**	the prospectus and circular issued by the Company in respect of the Rights Issue, together with any supplements or amendments thereto
Prospectus Rules	the Prospectus Rules of the Financial Conduct Authority
Provisional Allotment Letter	the provisional allotment letter to be issued to Qualifying Non-CREST Shareholders (other than certain Overseas Shareholders)
QIB	"qualified institutional buyers" within the meaning of Rule 144A under the Securities Act
Qualifying CREST Shareholders	Qualifying Shareholders holding Shares in uncertificated form
Qualifying Non-CREST Shareholders	Qualifying Shareholders holding Shares in certificated form
Qualifying Shareholders	Shareholders on the register of members of the Company at the Record Date
RCF	the revolving credit facility entered into on 31 May 2012 between the Company, HSBC Bank PLC as agent and HSBC Bank PLC, Lloyds TSB Bank plc, The Royal Bank of Scotland plc and Santander UK PLC as lenders
Receiving Agent	Capita Asset Services
Record Date	close of business on 13 May 2015
Registrar	Capita Asset Services
Regulation S	Regulation S under the Securities Act

Reporting Accountants	each of: (i) KPMG LLP as regards the historical financial information on the Group for the three years ended 30 June 2014; the working capital statements included in Part XIII—Additional Information; the reporting on the financial position and prospects of the Enlarged Group, and Synergy statements included in this prospectus and (ii) PricewaterhouseCoopers LLP as regards the unaudited condensed interim consolidated financial information for Mouchel for the three months ended 31 December 2014; the combined and consolidated financial information for Mouchel for the 14 months ended 30 September 2012 and two years ended 30 September 2014; the financial information for EM Highway Services Limited for the 14 months ended 30 September 2013 and 12 months ended 29 July 2012; and the unaudited pro forma financial information of the Enlarged Group
Resolutions	the resolutions to be proposed at the General Meeting in connection with the Acquisition and the Rights Issue, notice of which is set out on pages 297 and 300 of this document
Rights Issue	the offer by way of rights to Qualifying Shareholders to subscribe for New Shares, on the terms and conditions set out in this document and, in the case of Qualifying Non-CREST Shareholders only, the Provisional Allotment Letter
RIS	the UK government's Road Investment Strategy
ROCE	pre-tax return on capital employed
SDRT	Stamp Duty Reserve Tax
Securities Act	the U.S. Securities Act of 1933, as amended
SEDOL	Stock Exchange Daily Official List
Senior Managers	Alastair Gordon-Stewart, Dave Benson, Anoop Kang, Hugh Raven and Paul Pethica
Share	an ordinary share of 1p each in the capital of the Company having the rights set out in the Articles, as described in paragraph 3 of Part XIII of this document
Shareholders	holders of Shares
Share Purchase Agreement	the agreement entered into between and among the Company, Kier Limited and the Mouchel Sellers on 28 April 2015, as summarised in Part XII of this document
Sharesave Schemes	the schemes or plans described in paragraphs 10.2, 10.5 and 10.7 of Part XIII of this document
Share Schemes	the schemes or plans described in paragraph 10 of Part XIII of this document
SHE	Safety, Health and Environment
Special Dealing Service	the dealing service being made available by Capita Asset Services to Qualifying Non-CREST Shareholders who are individuals with a registered address in the UK or any other jurisdiction within the EEA who wish to sell all of their Nil Paid Rights or to effect a Cashless Take-up
Special Dealing Service Terms and Conditions	the terms and conditions of the Special Dealing Service
Transaction Resolutions	resolutions 1, 2, 3 and 5 to be proposed at the General Meeting

TUPE	Transfer of Undertakings (Protection of Employment) Regulations 2006
UK or **United Kingdom**	the United Kingdom of Great Britain and Northern Ireland
uncertificated or **in uncertificated form**	recorded on the register of members as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
Underwriters	J.P. Morgan Securities plc and Numis
Underwriting Agreement	the underwriting agreement described in paragraph 15.1 of Part XIII of this document
United States or **U.S.**	the United States of America, its territories and possessions, any state of the United States and the District of Columbia

NOTICE OF GENERAL MEETING

Kier Group plc

(incorporated and registered in England and Wales with registered number 02708030)

Notice is hereby given that a general meeting of Kier Group plc (the "Company") will be held at 10.00 a.m. on 15 May 2015 at the offices of Linklaters LLP at One Silk Street, London EC2Y 8HQ (the "General Meeting") for the purpose of considering and, if thought fit, passing the following resolutions, of which the resolutions numbered 1, 2, 3 and 4 shall be proposed as ordinary resolutions and the resolution numbered 5 shall be proposed as a special resolution:

ORDINARY RESOLUTIONS

That:

1. (a) the proposed acquisition by the Company of MRBL Limited, as described in the combined prospectus and circular to the shareholders of the Company dated 28 April 2015, substantially on the terms and subject to the conditions set out in the Share Purchase Agreement dated 28 April 2015 (the "Acquisition") be, and is hereby, approved; and

   (b) the directors of the Company (the "Directors") (or any duly constituted committee thereof) be and are hereby authorised to take all necessary or appropriate steps and to do all necessary or appropriate things to implement or complete, or to procure the implementation or completion of, the Acquisition and give effect thereto with such modifications, variations, revisions, waivers or amendments (not being modifications, variations, revisions, waivers or amendments of a material nature) as the Directors (or any duly authorised committee thereof) may deem necessary, expedient or appropriate in connection with the Acquisition;

2. subject to and conditional upon admission to the premium listing segment of the Official List and to trading on the London Stock Exchange plc's main market for listed securities, respectively, of the new ordinary shares of 1p each to be issued by the Company in connection with the issue by way of rights of up to 39,646,692 new ordinary shares at a price of 858p per new ordinary share to qualifying shareholders on the register of members of the Company at close of business on 13 May 2015 (the "Rights Issue"), and in addition to all existing authorities, the Directors be generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for or convert any security into shares in the Company up to a nominal amount of £396,466.92 pursuant to or in connection with the Rights Issue, such authority to apply until the conclusion of the annual general meeting of the Company to be held in 2015, but, in each case, so that the Company may, before such expiry, make offers and enter into agreements which would, or might, require shares to be allotted or rights to subscribe for or to convert any security into shares to be granted after the authority given by this resolution has expired;

3. subject to and conditional upon Resolution 1 being duly passed, for the purposes of article 98 of the articles of association of the Company (the "Articles"), the aggregate amount for the time being outstanding of the net borrowings of the group (excluding money owed by any member of the group to any other member of the group) shall not exceed an amount being the greater of: (i) three times the adjusted capital and reserves and (ii) £1 billion. For the purpose of this resolution, the terms "the group", "net borrowings" and "adjusted capital and reserves" shall each have the meaning given in, or be interpreted in accordance with, the Articles; and

4. for the purposes of Article 118, the maximum aggregate remuneration (payable by way of fee) for the services of the directors of the Company shall be increased from £400,000 per annum to £550,000 per annum.

SPECIAL RESOLUTION

5. That, subject to and conditional upon Resolution 2 being duly passed, and in addition to all existing powers, the Directors be given power pursuant to section 570 of the Companies Act 2006 to allot equity securities (as defined in section 560(1) of the Companies Act 2006) for cash pursuant to the authority conferred by Resolution 2 above, as if section 561(1) of the Companies Act 2006 did not apply to any such allotment or sale, such power to be limited to the allotment of equity securities pursuant to the authority granted by Resolution 2 up to a nominal amount of £396,466.92, such power to apply until the conclusion of the annual general meeting of the Company to be held in 2015, but so that the Company may, before such expiry, make offers and enter into agreements which would, or might, require equity securities to be allotted after the power given by this resolution has expired.

By order of the board of directors of the Company

HEE Raven
Company Secretary
Kier Group plc

28 April 2015

Registered office:
Tempsford Hall
Sandy
Bedfordshire
SG19 2BD

Registered Number: 2708030
www.kier.co.uk

General Notes:

Proxy appointment

1. A shareholder is entitled to appoint another person as his/her proxy to exercise all or any of his/her rights to attend and to speak and vote at the meeting. A proxy need not be a shareholder of the Company. A shareholder may appoint more than one proxy in relation to the meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder.
2. A form of proxy is enclosed. The appointment of a proxy will not prevent a member from subsequently attending and voting at the meeting in person.
3. To appoint a proxy, either (a) you must return the completed and signed form of proxy, and any power of attorney or other authority under which it is executed (or a duly certified copy of any such power or authority), to Capita Asset Services, PXS1 34 Beckenham Road, Beckenham, Kent BR3 4ZF (using the enclosed prepaid envelope), or (b) the proxy appointment must be registered electronically on the website at www.kier.co.uk/vote, in each case so as to be received no later than 10.00 a.m. on 13 May 2015. CREST members who wish to appoint a proxy through the CREST electronic proxy appointment services may do so. See notes 13 to 16 (inclusive) to below.

Nominated persons

4. The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communications from the Company in accordance with section 146 of the Companies Act 2006 ("nominated persons"). Nominated persons may have a right under an agreement with the member who holds the shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights.

Information about shares and voting

5. At the meeting, votes will be taken by poll rather than on a show of hands. All votes cast at the meeting will be added to those that were validly lodged with the registrars prior to the meeting.
6. Shareholders are entitled to attend and vote at general meetings of the Company. The total number of issued ordinary shares in the Company on 24 April 2015 (being the latest practicable date prior to the date of this document) is 55,505,368, carrying one vote each on a poll. Therefore, the total number of votes exercisable as at 24 April 2015 is 55,505,368. There are no shares held in treasury.

Right to attend and vote and proxies

7. Entitlement to attend and vote at the meeting, and the number of votes which may be cast at the meeting, will be determined by reference to the Company's register of members at the close of business on 13 May 2015 or, if the meeting is adjourned, 48 hours before the time fixed for the adjourned meeting (as the case may be). In each case, changes to the register of members after such time will be disregarded.
8. In the case of joint shareholders, where more than one of the joint shareholders purports to appoint a proxy, only the appointment submitted by the most senior shareholder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members, the first-named being the most senior.
9. Shareholders may change their proxy instructions by submitting a new proxy appointment using the methods set out or referred to in these notes. The cut-off times for receipt of proxy appointments set out in these notes also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

   Where a shareholder has appointed a proxy using the hard copy proxy form and would like to change the instructions using another hard copy proxy form, it should contact Capita Asset Services, at PXS1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF.

   If more than one valid proxy appointment is submitted, the appointment received last before the latest time for the receipt of proxies will take precedence.

10. In order to revoke a proxy instruction, a shareholder will need to inform the Company by sending a signed hard copy notice clearly stating its intention to revoke its proxy appointment to Capita Asset Services, at PXS1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF. In the case of a shareholder which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

    The revocation notice must be received by no later than 10.00 a.m. on 13 May 2015. If a shareholder attempts to revoke its proxy appointment but the revocation is received after the time specified then the original proxy appointment will remain valid.

    Termination of proxy appointments made through CREST must be made in accordance with the procedures described in the CREST manual.

Venue arrangements

11. To facilitate entry to the meeting, members are requested to bring with them the admission card which is attached to the proxy card.
12. Mobile phones may not be used at the meeting and cameras and recording equipment are not allowed in the meeting.

CREST members

13. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting (and any adjournment of the meeting) by following the procedures described in the CREST manual. The CREST manual can be found at www.euroclear.com. CREST personal members or other CREST sponsored members (and those CREST members who have appointed a voting service provider) should refer to their CREST sponsor or voting service provider, who will be able to take the appropriate action on their behalf.
14. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST manual (available via www.euroclear.com/CREST). The message (regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy) must, in order to be valid, be transmitted so as to be received by Capita Asset Services (ID RA10) by no later than 10.00 a.m. on 13 May 2015. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST applications host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to a proxy appointed through CREST should be communicated to him by other means.
15. CREST members (and, where applicable, their CREST sponsors or voting service providers) should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider, to procure that his/her CREST sponsor or voting service provider takes) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members (and, where applicable, their CREST sponsors or voting service providers) are referred, in particular, to those sections of the CREST manual concerning practical limitations of the CREST system and timings.
16. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Corporate representatives

17. Any corporation which is a shareholder can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member, provided that they do not do so in relation to the same shares.

Questions

18. Any member attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

Website information

19. A copy of this notice and other information required by section 311A of the Companies Act 2006 can be found at www.kier.co.uk.

Use of electronic address

20. Members may not use any electronic address provided in either this notice of meeting or any related documents (including the enclosed form of proxy) to communicate with the Company for any purposes other than those expressly stated.

Merrill Corporation Ltd, London
15ZBA48501