KIER GROUP PLC

PRELIMINARY RESULTS FOR THE

YEAR ENDED 30 JUNE 2013

12 September 2013

SOLID RESULTS IN LINE WITH EXPECTATIONS

- Underlying pre-tax profits* of £63.4m (2012: £70.0m) and underlying EPS* of 136.2p (2012: 156.8p) in line with expectations
- Full-year dividend up 3% to 68p (2012: 66p)
- Solid cash performance, with net cash at £60m (2012: £129m) after investment of approximately £77m during the year and average month-end net debt of £4m (2012: average month-end net cash of £95m)
- Resilient Construction margins* of 2.3% (2012: 2.5%) and Services margins* of 4.4% (2012: 4.5%)
- All of the Construction division's targeted revenue and 95% of the Services division's targeted revenue for 2014 is secure and probable, with order books maintained at more than £4bn (£5.9bn including May Gurney)
- Mixed-tenure housing and property development pipeline in excess of £1.5bn; the latter achieved a 15% return on capital in the year

* Underlying operating profits and margins, pre-tax profits and EPS are stated before amortisation of intangible assets relating to contract rights of £3.4m (2012: £3.4m) and exceptional items totalling £17.0m (2012: £3.6m). Reported operating profit was £49.3m (2012: £67.4m), pre-tax profits were £43.0m (2012: £63.0m) and reported EPS was 95.8p (2012: 142.6p).

Commenting on the results, Kier Group plc chief executive, Paul Sheffield, said:

"I am pleased to report that Kier Group plc has performed well and delivered profits in line with our expectations. The modest decline in revenue and profit reflects the tough trading conditions the industry has faced during the year, but I am delighted to see that the divisional trading results remain robust. Margins in Construction and Services were resilient and our Property division again made a strong contribution.

"The acquisition of May Gurney in July 2013 creates a support services business with revenues in excess of £1bn and provides an excellent platform for growth. The integration and interaction with key clients are both proceeding well and the combination of the two businesses will deliver significant synergies.

"After nearly five years of recessionary pressure, we are seeing positive signs of improvement in all our principal businesses, which gives rise to cautious optimism that the economy is recovering. As a result, we have increased the full year dividend by 3% to 68p, reflecting our confidence in the future performance of the business."

Chairman's statement

I am pleased to report a solid set of results for Kier Group plc (Kier) for the year ended 30 June 2013. Underlying profit before tax* of £63.4m (2012: £70.0m) and earnings* per share of 136.2p (2012: 156.8p) were in line with our expectations.

The Group delivered a resilient cash performance, despite the challenging working capital environment. Average Group month-end net debt was £4m (2012: average month-end net cash of £95m) as a result of the timing of our property transactions some of which completed in the last quarter of the financial year and after investment during the year of £77m, mainly in our Property and Construction businesses. This produced a Group net cash position at 30 June 2013 of £60m (2012: £129m).

Taking into account the performance of the Group, its strengthened capital structure and continuing the Group's progressive dividend policy, the Board proposes to increase the total dividend for the year by 3% to 68p (2012: 66p), which is well covered by adjusted earnings per share and reflects the Board's confidence in the business. The final dividend of 46.5p will be paid on 27 November 2013 to shareholders on the register at close of business on 15 September 2013. There will be a scrip dividend alternative.

Board changes

During the year, the Board undertook a review of the management structure of the Group, following which a decision was taken to introduce the role of chief operating officer (COO) to strengthen and integrate Kier's operating processes across the enlarged Group and ensure that they are implemented in a cohesive and consistent way.

Steve Bowcott was appointed to this role and is responsible for the operational efficiency of both the Construction and the Services divisions. In addition to his current responsibilities, Haydn Mursell, the Group finance director, has assumed operational responsibility for the Property division. As a result of these changes Ian Lawson retired as a director from the Board in June.

I am confident that the introduction of the COO role, together with clearly defined roles and responsibilities for each of the executive management team, will enable the business to continue to deliver a strong trading performance.

Outlook

We have secured a number of significant contract wins across all of our businesses which means that we have begun the 2014 financial year in a good position, with all of the Construction division's targeted revenue and 95% of the Services division's targeted revenue currently secured and probable.

Having completed the acquisition of May Gurney in July, our combined order book now stands at £5.9bn across those divisions and stretches well beyond 2020. In addition, the Property division has a pipeline of £1.5bn and will be a key contributor to the Group results in the coming years.

The comprehensive review of our business that we started earlier in the year is substantially complete and our attention remains focused on the successful integration of May Gurney. This comes at a time when the macroeconomic outlook is beginning to improve in all our markets, positioning the Group for growth.

Phil White
Chairman

* Underlying operating profits and margins, pre-tax profits and EPS are stated before amortisation of intangible assets relating to contract rights of £3.4m (2012: £3.4m) and exceptional items totalling £17.0m (2012: £3.6m).

Chief executive's review

Overview

Kier has delivered a solid set of results for the year ended 30 June 2013, with underlying profit before tax* and earnings per share* in line with our expectations. This has been supported by a resilient cash performance, with a year-end net cash balance of £60m (2012: £129m) after significant investment across the Group. This has been achieved in a very competitive trading environment and is testament to our effective project selection and risk management processes.

We have also had a number of significant project wins, enabling us to maintain strong order books. These include the Mersey Gateway Bridge, Broadmoor Hospital re-development, securing the re-development rights to the Swan Hunter shipyards on Tyneside and over £200m of housing maintenance awards.

During the year, we strengthened our capital structure, securing £92m of new funding via US private placements (USPP) with seven and ten-year durations and a loan under the government's Funding for Lending Scheme, over four years. These replaced the previous £30m USPP, which expired in February, and are in addition to the renegotiations of our revolving credit facilities in 2012, which run to September 2016.

The acquisition of May Gurney is a key milestone in the ongoing development and growth of the Group. We now have a combined order book of almost £6bn across our Construction and Services divisions, providing us with a strong platform for 2014 and beyond.

Financial performance

	Total revenue [1] £m	**Operating profit * [1]** £m
Construction	1,308	30.4
Services	437	19.3
Property	238	20.5
Corporate	-	(0.5)
	1,983	**69.7**

[1] Group and share of joint ventures.

Revenue for the year at £1,983m was slightly lower than last year (2012: £2,069m), primarily because of the reduction in our Construction revenues. Poor weather in the first quarter of this calendar year caused delays, pushing revenues into the 2014 financial year. As predicted, we have also seen a change in the mix of activities, with more infrastructure and overseas work.

The Group's operating profit* was £69.7m (2012: £74.4m), in line with our expectations and comprised operating margins* of 2.3% in Construction, 4.4% in Services and a sustained contribution (£20.5m) from Property as we continue with our investment strategy. The strength of the underlying divisional operating margins reflects the quality of the work we completed during the year.

Exceptional items before tax amounted to a charge of £17.0m for the year (2012: charge of £3.6m), as follows:

- £12.0m relating to the comprehensive restructuring programme mainly in the Construction division, which is substantially complete. These included costs related to the closure of the scaffolding, joinery and temporary electrical businesses, office closures and associated staff reductions;
- £3.2m relating to the disposal of the tower crane business, which comprised the loss on disposal of some of the fixed assets together with transaction and redundancy costs; and
- £1.8m of acquisition and integration costs relating to the May Gurney transaction.

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The cash outflow during the year in respect of the above was approximately £11.0m.

Profit before tax* for the year of £63.4m (2012: £70.0m) and earnings per share of 136.2p (2012: 156.8p) were both in line with our expectations.

The management of working capital remains very important to us. We continue to operate in a challenging payment environment, where the introduction of project bank accounts and specific payment terms, particularly across public sector contracts and framework arrangements, place greater pressure on the working capital position of the Group. This is coupled with the changing nature of our construction contracts to a target cost, reimbursable type, as we continue to grow our infrastructure and overseas businesses.

It is therefore pleasing that the Group achieved an average month-end net debt balance of £4m (2012: average month-end net cash of £95m) after investment of approximately £77m during the year and the completion of a number of our property transactions in the last quarter of the financial year.

May Gurney

The acquisition of May Gurney has created a combined support services business with revenues in excess of £1bn. The enlarged Group is now more evenly balanced with an increased proportion of profits being derived from the Services division, which has an order book stretching over ten years.

The strategic rationale for the acquisition was to enable us to deliver more services to more customers over a wider geography. Our capability now extends to highways maintenance where we maintan approximately 35,000km of roads and 500,000 streetlights and signs. Our environmental portfolio has substantially increased and we now provide services to over three million households. In utility services, we now have a presence in the telecommunications sector and an increased operational capability in many of the water authority regions on AMP5 schemes, which will position us well for the forthcoming AMP6 tenders in 2014.

Since the acquisition, we have not lost any contracts and our combined set of capabilities has enabled us to bid on a range of new projects covering water, rail and highways with a total value in excess of £500m.

Restructuring

In order to improve the efficiency of the Group, we have undertaken a significant restructuring programme during the year, closing some non-core operations and adjusting the scale of our regional building operations to better suit anticipated demand.

The programme is designed to ensure that we operate as efficiently as possible and maintain our operating margins at good levels. We will continue to invest appropriately in our IT infrastructure, which will help us to deliver further operational efficiencies.

The cost of this programme, reported as an exceptional charge, was £12.0m.

Outlook

With our entire forecast Construction revenue and 95% of our Services revenue secure and probable for 2014, we are in a strong position to achieve organic growth, which coupled with the strength of the forward bidding pipeline gives us comfort that this trend is likely to continue. The £1.5bn pipeline in our Property division has grown significantly over the last three years and there are many opportunities, which will provide good visibility of future earnings. We have the cash resources to continue to invest in non-speculative schemes that will generate our targeted 15% return on capital.

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Following the acquisition of May Gurney we have received very strong customer support for the combination and we are already seeing the benefits of the greater breadth of services we can offer new and existing customers across the country.

The bidding for AMP6, across the water sector, will commence later this year and we are well placed to capitalise on the combined capabilities of the two businesses, while our combined rail offering will be of great benefit as we tender for a range of new framework agreements with Network Rail. Similarly, the scale of services we can deliver to local authorities providing innovative and cost effective solutions will be well received at a time when they are still looking to make operational savings.

Safety, Health and Environment (SHE)

Through visible leadership, worker engagement and effective risk management, our goal remains the elimination of workplace injuries, better protection to our environment and an increase in our people's awareness of occupational health and well-being. Our Accident Incident Rate (AIR) of 333 remains well below the Health & Safety Executive's benchmark figure of 589.

Our Positive Safety Leadership (PSL) programme has delivered over 50,000 conversations recognising both positive and challenging aspects of SHE performance. These are a powerful means of engaging with our staff and developing a positive safety leadership culture throughout the Group. Over 60% of the delegates attending the Safe and Unsafe Acts (SUSA) workshops came from our supply chain, indicating the importance of collaborative working in delivering top-quartile SHE performance.

Our occupational health department supports the business in its aim to raise the awareness of well-being and the elimination of workplace injuries and incidents. Several health focus events were held throughout the country which were supported equally well by both Kier employees and our supply chain.

During the year, Kier received 22 RoSPA awards, 13 BSC awards, 44 Considerate Constructors Scheme national awards, six Green Apple awards, winner of the National Recycling award and the National House Building Council (NHBC) Health & Safety awards for the second consecutive year. We also achieved 95% (Platinum Big Tick status) in our 2013 Business in the Community (BITC) Corporate Responsibility Index (2012: 90% Gold status).

People

The acquisition of May Gurney involved a team of people from both businesses who have worked tirelessly to make the integration as smooth as possible with the least disruption to our respective customers.

We have welcomed our new colleagues to Kier with particular focus on health and safety, personnel, training and development to reinforce our objective of providing a seamless expansion of our services with a motivated and quality-driven management and workforce.

It is through the effort and commitment of our staff, now totalling approximately 16,000 people that we remain a strong business and can continue to report such a solid set of results in the current economic environment.

On behalf of the Board, I would like to express my gratitude to everyone who makes all of this possible.

Paul Sheffield

Chief Executive

Business review, markets and outlook

Kier Construction

The Construction division comprises our UK building, civil engineering and overseas businesses, which are highly skilled in the construction of the full range of building projects, together with power, waste and infrastructure facilities, transport, water and mining projects.

Construction business review

Revenue in Construction was 5% lower than last year, at £1,308m (2012: £1,384m), as a result of poor weather in the first quarter of this calendar year causing delays and pushing revenues into the 2014 financial year. We have also experienced a change in the mix of activities within the division. UK building revenue has decreased to approximately £1bn, as we maintain our focus on the quality of work we pursue. However, this reduction has been partially mitigated by growth in UK infrastructure and overseas revenues.

As a result of the increasing proportion of UK infrastructure and overseas operations, a selective approach to new work and our prudent profit recognition policy, the operating margin*, at 2.3% (2012: 2.5%) represented a strong performance in today's markets, delivering £30.4m (2012: £35.2m) of operating profit*.

Cash, an area of key focus in this division, reduced to £320m (2012: £361m) after a £14m investment in our mining operations, a £6m cash effect of the restructuring programme, combined with a changing mix of activities with an increasing number of infrastructure projects typically of a target cost, reimbursable nature. However, the working capital trends that affected the building operations in the first six months of the financial year did not significantly affect the second half of the year. We will maintain strong management of working capital, particularly across public sector contracts and framework arrangements, where more stringent supply chain payment terms are being introduced.

We continue to have good visibility of high quality opportunities, with approximately 60% of contract awards during the year arising from numerous frameworks, together with a number of negotiated opportunities with clients with which we have long-term and well-established relationships. These awards, together with 'probable awards' (comprising contracts on which we are in one-to-one negotiations), totalled £1.3bn, and have maintained the secured and probable order book at £2.2bn (2012: £2.2bn). This secures all of our targeted revenue for the 2014 financial year.

Approximately 49% of our awards were for public sector projects (2012: 50%) and we continue to predict that the balance of public sector to private sector work will remain at these levels.

Of the public sector awards, the education sector continues to be the largest source of work, representing 28% of awards (2012: 31%). Despite the decline in education spending, the Contractors' Framework continues to provide opportunities and during the year has resulted in more than £100m of contract awards. A replacement Framework is currently being tendered with award notification expected in October 2013, which could be worth up to £4bn over four years.

Kier has secured a place on all five lots of the replacement LHC Frameworks (representing a consortia of local authorities and London boroughs) covering all of England, Scotland and Wales, and is actively pursuing the Private Finance Priority Schools Building Programme (PSBP), having recently secured the Southern Batch conventionally funded PSBP.

We were also appointed to the South West Hub in Scotland, where there is a pipeline of £600m of work over 10 years for 17 councils and other public bodies, and have recently become preferred bidder on £60m of design & build and Facilities Management (FM) schools work under the scheme.

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The healthcare sector represented 15% of our contract awards (2012: 10%) and the six-year ProCure21+ Framework, which commenced in 2010, generated over £150m of awards in the year and £400m to date, with a further pipeline identified in excess of £300m. In June 2013, we were selected as one of five delivery partners for Frameworks Scotland 2 for healthcare projects over £1m, with a forecast total of £660m over six years, and in the same month we were appointed as contractor for the £115m redevelopment of Broadmoor Hospital.

In the private sector, the strategic relationship we have developed with the Argent Group at the King's Cross Central Development continues to be a success, providing nearly £90m of projects at preferred bidder stage, including a £65m residential-led mixed-use development, an £18m supermarket project and a £5m pavilion scheme. This is in addition to the £110m of work currently under way on the development.

Our Living business continues to be successful in bidding and delivering medium and high-rise contract housing, care homes and similar residential establishments and secured over £150m of opportunities during the year. Our core strategy of targeting long-term residential framework positions has been successful with 70% of new orders derived from such frameworks.

Our UK infrastructure business had a successful year. We were appointed preferred bidder in June 2013 as part of a three-way joint venture, Merseylink, with FCC and Samsung, to deliver the capital works on the circa £450m Mersey Gateway scheme, which includes construction of a new six-lane toll bridge over the River Mersey between Runcorn and Widnes. Financial close is expected later this year.

We have also been successful in many of our other core infrastructure sectors – nuclear, energy, and transport. In nuclear, we have completed work at Sellafield and Aldermaston and have secured £80m of work at Urenco, and we are making good progress on two major waste-to-energy schemes at Wakefield and Plymouth.

In the rail sector, we continue to progress well on Crossrail projects with over £800m of work under way in joint venture on the C300/410 Western Tunnels and the Farringdon and Liverpool Street stations. We have also completed work on the roof at King's Cross station in London and the station regeneration at Epsom.

At the Greenburn surface coal mine, we secured planning for a further extension to the mining area, adding 750,000t of coal to the consented reserves. Work has already commenced in the new area, Wellhill, which will be mined over the next three years in conjunction with our existing Braehead site.

Overseas, we continue to experience growth in our chosen markets. In the Caribbean, we have enjoyed another successful year with awards in Jamaica and Haiti, including a new £22m Marriott Hotel in Port-au-Prince. The pipeline of regional opportunities remains strong and includes a number of opportunities in Trinidad and the Eastern Caribbean. Similar success has been enjoyed in the Middle East, where we have secured a number of projects in Abu Dhabi, Dubai and Saudi Arabia, and we are in preferred bidder position for a negotiated £32m hotel in the region. In Hong Kong, our major joint venture projects for the Mass Transit Railway Corporation (MTRC) are progressing well and we are targeting a number of further opportunities in both the infrastructure and building sectors over the next 12 months. Our overseas business is on target to achieve revenues of £150m in 2014, as predicted.

Construction markets and outlook

The Construction business has maintained a strong position across its key markets. However, the trading environment is such that margins and working capital continue to be challenging. The restructuring programme will ensure we operate as efficiently as possible and maintain operating margins at approximately 2%.

We will continue with the strategy of focusing on the selection of high quality opportunities which best complement our skillsets and technical expertise. Our regional building coverage across the UK remains important; we will also continue to invest in our UK infrastructure activities and pursue growth in our key overseas regions. The recent acquisition of May Gurney also broadens our access to the rail market, where our combined capabilities will help us deliver larger and more integrated projects in this sector.

This robust approach will ensure our future strong performance, which together with our mix of activities across building and infrastructure, positions the business well for the future.

Kier Services

In our reporting in this year, we cover the three Services businesses that contributed to the 2013 results – housing maintenance, which provides reactive and planned maintenance largely to local authorities and housing associations; environmental, offering services for waste collection, the operation of a major recycling facility and grounds maintenance; and facilities management (FM).

The enlarged Services division, since the acquisition of May Gurney, now comprises seven businesses: housing maintenance, environmental, FM, highways maintenance, utilities services (mainly water and telecommunications), fleet and passenger services and waterways services.

Services business review

Revenue in all three businesses, housing maintenance, environmental and FM, was at similar levels to last year, at £437m (2012: £445m). This result reflects our success in renewing existing contracts and securing new business, despite the continued budget constraints faced by many of our public sector customers.

The operating margin* delivered was 4.4% (2012: 4.5%) and produced an operating profit* of £19.3m (2012: £20.1m). The margin is in line with our expectations and includes a higher level of bidding and mobilisation costs following our success in securing major schemes, such as Circle Housing Group and East Sussex.

Cash balances increased to £30m (2012: £19m) after investment in environmental vehicles, the cash effect of the exceptional items and included the £15m proceeds from the disposal of the majority of the plant business in August 2012. In August 2013, the sale of our tower cranes business for £5m also completed. Both transactions are in line with our strategy of withdrawing from non-core operations.

The order book at 30 June 2013 of £2.0bn (2012: £2.1bn) provided a good forward visibility of work, having secured over £400m of new contracts. This secured 95% of our targeted revenue for the 2014 financial year. The order book does not include contract extensions, which if our customers exercised in total, would add a further £800m.

Housing maintenance business revenues remained stable at £280m for 2013 (2012: £280m). This was a good result given the ongoing budget constraints, particularly in the area of discretionary spend by existing clients and the slower release of new work during the year. We continue to manage over 300,000 homes across the UK, representing 5% of the UK social housing market.

During the year, we were awarded planned housing improvement contracts as well as repair and maintenance contracts by City of Lincoln Council, North West Leicestershire District Council, Harlow District Council and Northampton Borough Council with a total value exceeding £100m over five years (with a possible £88m extension) and two smaller contracts for Aberdeenshire Council. A new contract for Red Kite, a tenant-led, not-for-profit charitable housing organisation, involves managing around 6,700 properties around High Wycombe with a value of up to £15m over three years, with a possible two-year extension.

The contract for Circle, covering planned and cyclical maintenance with a value of £200m over an initial five-year period, commenced in April 2013, with a possible five-year extension to 2023. We gained further entry to the UK's private rented housing sector when selected as Grainger plc's (the UK's largest listed residential property owner and manager) sole provider of tenants' repairs and maintenance services across its UK property portfolio, with a contract value of £50m over a ten-year period.

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Kier's environmental business has become a market leader in operating large cross boundary contracts. Following the commencement of services across North Norfolk District Council and the Borough Council of King's Lynn and West Norfolk, work started in April 2013 with East Sussex Joint Waste Partnership. This will deliver £30m of savings to the four waste collection authorities of Wealden, Eastbourne, Hastings and Rother over the next ten years, increase recycling and compost rates to 50% and improve street cleansing standards.

The FM business had a successful year renewing contracts and securing new business, and achieved revenues of approximately £120m. Key successes being reappointed to provide services to the Legal & General estate, our growing presence in the Welsh market, including a four-year contract with Cardiff Council (£10m) and a five- plus two-year contract for the Welsh Assembly worth in excess of £20m. The business also closed two private finance deals, providing an integrated PFI solution for London Fire Brigade and Staffordshire Fire and Rescue with a combined FM value of £34m, over 25 years. In addition, contract wins with Hampshire and Surrey County Councils and the growth in the Scape Framework generated revenues of £40m. Elsewhere the business has further grown its portfolio of private sector customers including contracts with the RAC and DTZ estates.

Services markets and outlook

The Services division's performance remains robust, with a stable £2.0bn order book giving good forward visibility of workload, coupled with potential extensions of £800m and a steady pipeline of further opportunities. We entered the 2014 financial year with 95% of our expected revenues secure and probable, which will maintain operating margins at around current levels.

In our housing maintenance business, we have good forward visibility of the bidding pipeline through to 2018, which is in excess of £3bn on responsive, planned and refurbishment activity across the social housing sector, with both local authority and Housing Association Registered Providers. The social housing repair, maintenance and refurbishment sector remains competitive, as both local authority and Housing Association Registered Providers seek ongoing efficiencies in response to further central Government budget reductions announced in the 2013 Comprehensive Spending Review.

In the private sector, our diverse set of capabilities, covering soft FM, hard FM and building management, will provide further opportunities as customers examine their cost base and seek savings by outsourcing non-core activities.

In Services, our strategy remains to achieve scale and diversification and to drive operating efficiencies and greater penetration in our core markets. The May Gurney acquisition has delivered a significant element of the strategy and provides a broader platform for growth.

Over the medium term, we will continue to refine our strategy to ensure we are well placed to enter new markets, capitalise on emerging markets and drive for growth in our existing markets, particularly through building stronger relationships with customers, delivering excellent service and innovation.

Kier Property

The Property division encompasses our property development, structured project finance and private and affordable homes businesses and has a pipeline in excess of £1.5bn across our development and mixed-tenure housing activities.

Property business review

Revenue for the year to 30 June 2013 of £238m (2012: £241m) was broadly in line with last year. Operating profit was £20.5m (2012: £22.0m) and resulted from the ongoing progress of our combined £1.5bn property development and affordable housing pipeline and the level of private housing sales achieved.

Within the property development business, we completed a number of successful deals in the year and achieved a 15% pre-tax return on capital. In June 2013, we sold a £46m retail and warehouse scheme at Sydenham to Kier Sydenham LP, 50% of which is owned by Kier, with the remaining 50% owned by the trustees of the Kier Group Pension Scheme.

The Trade City brand for industrial development continues to perform well, with new schemes at Trade City International Park in Hayes (60,000sq ft) and at Trade City Cowley Mill Road, Uxbridge (120,000sq ft).

In July 2013, North Tyneside Council named Kier Property as its development partner to bring forward the £100m regeneration of the former Swan Hunter shipyard. We will deliver a master plan to transform the 34-acre site, secure occupiers for the high-tech industrial and office complex and build bespoke units over the next three years for individual occupiers.

Solum Regeneration, the joint venture with Network Rail, has in excess of £500m of mixed-use schemes in its portfolio. We have completed the scheme at Epsom station, are nearing completion at Walthamstow and Christchurch and have planning consent at Twickenham and Haywards Heath.

In June 2013 we reached financial close on the £240m Watford Health Campus project. The project will regenerate land around the Watford General Hospital, delivering 375,000sq ft of mixed-use development to the area including up to 650 new homes.

We continued with our strategy to sell mature PFI investments and disposed of equity investments in four projects: Bournemouth Library, Greenwich Neighbourhood Resource Centres, Ipswich Hospital and Gloucestershire Fire Stations. The total consideration was approximately £13m, representing a valuation discount rate on future cash flows of approximately 7%.

In November 2012, in consortium with Thames Valley Housing Association, Woking Borough Council announced us as preferred bidder to develop an £80m PFI housing scheme. The scheme, which now has planning permission, will create 371 new homes, of which 224 will be available as affordable social rented housing and the remaining 147 homes will be for private sale, and is due to reach financial close in October 2013.

Subsequent to the year-end, we were pleased to announce that we had reached financial close on both the London Fire Service and Staffordshire Fire Service PFI schemes, which between them will provide 20 new fire stations at a combined value exceeding £100m.

Our portfolio of PFI projects currently totals eight schemes, with two at preferred bidder stage and six in construction or operational. Our committed equity investment stands at £22m (2012: £23m) including £4m (2012: £5m) for preferred bidder projects, of which £15m (2012: £18m) has been invested to date. The directors' valuation at a discount rate of 7.5% is £35m (2012: £34m).

In August 2012, we acquired a 50% investment in Biogen (UK) Holdings Ltd. The company designs, builds and operates large-scale anaerobic digestion (AD) plants to process food waste and produce renewable energy. The total committed investment in this joint venture, of £24m over a period of four years, will fund the construction of new AD plants to broaden Biogen's operating network. In addition to the two plants in operation at the time of the acquisition, we are currently building three plants, two in Wales and one in Hertfordshire. We are also preferred bidder on a further local authority plant in Wales and close to a start on site for a plant at Merevale, Warwickshire.

The private homes business made good progress during the year, with demand in the residential housing market remaining positive, assisted by Government incentives and an easing in mortgage availability. Sales rates and completions exceeded expectations at 0.7 sales/week/active site, delivering 556 completions during the year. At 30 June 2013, the closing land bank held 4,005 plots (2012: 4,180), having acquired five sites (474 units) and replanned other existing land holdings to improve viability.

The affordable housing market is also a fast moving environment. Our mixed-tenure regeneration business model, coupled with access to public sector land through a position on the Homes and Communities Agency's Development Partner Panel framework, has allowed us to develop opportunities in this sector and given us a platform to maximise our affordable housing grant allocation. Since July 2012, we have been successful in securing £230m of mixed-tenure housing development schemes, taking our forward order book to £400m, which equates to approximately 2,600 new homes. Significant new schemes include 700 new homes at Manor and Kingsway Derby, 200 new homes at Greets Green in the West Midlands and 120 new homes in the third phase of a Bolsover regeneration programme in Derbyshire.

Property markets and outlook

The Property division continues to bring together skills and expertise from across the Group to deliver greater value from our schemes and to our customers.

There has been some improvement in market sentiment and bidding activity, which has resulted in increased competition, particularly from smaller companies with financial backing. However, this will present the business with opportunities to differentiate by utilising the Group's strong covenant and balance sheet.

In property development, we maintain a focus on predominantly non-speculative opportunities in well-located and marketable areas. Any such schemes will have significant potential for occupier-led, pre-let or forward sale solutions, while targeting a 15% return on capital. Similarly, we continue to pursue innovative funding routes to support the growth in the development pipeline and make the best use of the Group's cash reserves.

In the housing businesses, we will continue with a strategy of maintaining a private 600-unit housing business and will pursue growth in our mixed-tenure housing business through well-established relationships with local authorities and housing associations.

The Property division now has a pipeline of schemes valued at more than £1.5bn across both the development and mixed-tenure housing businesses. This creates a robust platform, which will underpin sustainable levels of profit over the next few years, while providing more than £100m of opportunities annually for the Construction division.

Financial review

In conjunction with the chairman's statement and the chief executive's review, this report provides further information on key aspects of the financial performance and the financial position of the Group.

Accounting policies

The Group's annual consolidated financial statements have been prepared in accordance with International Financial Reporting Standards. There have been no significant changes to the accounting policies adopted by the Group during the year ended 30 June 2013.

Total results

Operating profit of £49.3m (2012: £67.4m), pre-tax profits of £43.0m (2012: £63.0m) and earnings per share of 95.8p (2012: 142.6p) represent the reported results; however for the underlying financial performance please refer to the section below.

Financial performance

	2013 £m	**2012 £m**	***% change***
Revenue: Group and share of joint ventures	1,983	2,069	*-4*
Operating profit: Group and share of joint ventures*	69.7	74.4	*-6*
Profit before tax*	63.4	70.0	*-9*
	p	**p**	
Earnings per share*	136.2	156.8	*-13*
Dividend per share	68.0	66.0	*+3*
	£m	**£m**	
Average month-end net (debt)/cash balance	(4)	95	-

Revenue has slightly decreased by 4% (£86m), mainly as a result of the 5% reduction in our Construction revenues.

This was a result of poor weather in the first quarter of this calendar year causing delays and pushing revenues into the 2014 financial year. We also experienced a change in the mix of activities. UK building revenue decreased to approximately £1bn, as we maintained a focus on the quality of work we pursued; however, this reduction was partially mitigated by growth in UK infrastructure and overseas revenues.

In Services, all three businesses, housing maintenance, FM and environmental achieved revenues at similar levels to last year, totalling £437m. This result reflected our success in renewing existing contracts and securing new business, while acknowledging the continued budget constraints faced by many public sector customers.

The revenue from our Property division results from the ongoing progress of our combined £1.5bn property development and mixed-tenure housing pipeline and the level of private housing sales achieved.

Operating profit* including joint ventures was 6% lower than last year at £69.7m mainly as a result of the lower contribution from the Construction division.

The operating margin* in Construction of 2.3% was a strong performance in today's market. It reflected the increasing proportion of UK infrastructure and overseas operations, the selective approach we have to new work and the prudent profit recognition policy we operate.

In Services, we achieved an operating margin* of 4.4%, in line with our expectations and included a higher level of bidding and mobilisation costs following the success in securing major schemes, such as Circle and East Sussex.

* Underlying operating profits and margins, pre-tax profits and EPS are stated before amortisation of intangible assets relating to contract rights of £3.4m (2012: £3.4m) and exceptional items totalling £17.0m (2012: £3.6m).

The Property division, which includes our property development activities, the £4.3m operating profit of our housing businesses, and the disposal profits from selling four of our PFI investments, contributed £20.5m of the total Group operating profit; a similar level to last year. The property development business achieved its target of 15% return on capital and our PFI investments were replaced at a similar rate to the disposals.

Detailed information on the operating performance of each of the divisions is provided within the business review.

The total corporate cost of £0.5m has decreased compared with 2012 mainly due to a pension credit that related to the Group's defined benefit pension schemes, partially offset by higher IT expenditure and the costs involved in establishing the new Group website.

	2013 £m	**2012 £m**	***Change £m***
Unrecovered overhead	(1.5)	(0.6)	*(0.9)*
Pension credit/(charge)	1.0	(2.3)	*3.3*
Total	**(0.5)**	**(2.9)**	***2.4***

This pension credit was a direct result of changes in the underlying pension assumptions, in particular the discount rate and the expected return on assets.

The Group's net finance cost, analysed below, included interest payable arising from an average month-end net debt balance of £4m (2012: net cash £95m) after considerable investment during the year, and reflected the timing of our property transactions, some of which completed in the last quarter of the financial year.

During the year, we considerably strengthened our capital structure as described in the 'Treasury facilities and policies' section below. These changes follow on from the renegotiations of our revolving credit facilities last year and have therefore increased the interest payable and fees on committed borrowings to £3.0m for the year.

The unwinding of the discount on long-term liabilities was mainly a result of the Lloyds property portfolio acquisition in April 2011; the final consideration payment of £26m is due to be paid in October 2013.

	2013 £m	**2012 £m**
Net interest (payable)/receivable on operating cash balances	(0.1)	1.0
Interest payable and fees on committed borrowings	(3.0)	(2.0)
Unwinding of discount on long-term liabilities and finance leases	(3.2)	(3.4)
	(6.3)	**(4.4)**

Profit before tax* decreased by 9% to £63.4m (2012: £70.0m). This is stated before minority interests of £1.0m (2012: £1.1m). The minority interest relates to the share of profits of our housing maintenance business which are attributable to contracts with local authorities.

The Group's effective tax rate* including joint venture tax on joint venture profits, has increased from 13% last year to 14%, approximately 9% below the standard corporation tax rate. This low rate did not relate to aggressive tax planning schemes but reflected the benefit of the Group's prudence in the past, the contribution from selling four of our PFI investments and the reduction in the standard corporation tax rate.

Earnings per share* was 13% lower than last year at 136.2p (2012: 156.8p) as a result of the lower underlying profits and the increase in the weighted average number of shares. The two key components of the increase in weighted number of shares were the scrip dividend alternative that we offer our shareholders and our employee Save As you Earn scheme.

* Underlying operating profits and margins, pre-tax profits and EPS are stated before amortisation of intangible assets relating to contract rights of £3.4m (2012: £3.4m) and exceptional items totalling £17.0m (2012: £3.6m).

Exceptional items

Exceptional items amounted to a charge before tax of £17.0m (2012: £3.6m), as follows:

	2013 £m	2012 £m
Restructuring programme	(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)	-
Costs relating to the acquisition of May Gurney Integrated Services plc	(1.8)	-
Disposal of the majority of the plant business and related costs	-	(3.2)
Acquisition of 50% of Biogen (UK) Limited	-	(0.4)
Total exceptional items	**(17.0)**	**(3.6)**

There were three key areas of this year's exceptional charge.

- £12.0m relating to the comprehensive restructuring programme mainly in the Construction division, which is predominantly complete. It has resulted in an 8% reduction in the staff cost base to ensure we maintain our Construction operating margins at around 2%. More specifically, £1.9m of these costs related to the closure of the scaffolding, joinery and temporary electrical businesses, while the remainder included office rationalisation and associated staff reductions. We will however, ensure the business retains its geographical spread and local presence;
- £3.2m relating to the disposal of the tower crane business, which completed in August 2013. The costs associated with the transaction were recognised in the year ended 30 June 2013 and comprised the loss on disposal of some of the fixed assets, together with transaction and redundancy costs; and
- £1.8m of acquisition costs relating to the May Gurney transaction.

The cash outflow during the year in respect of the above was approximately £11m.

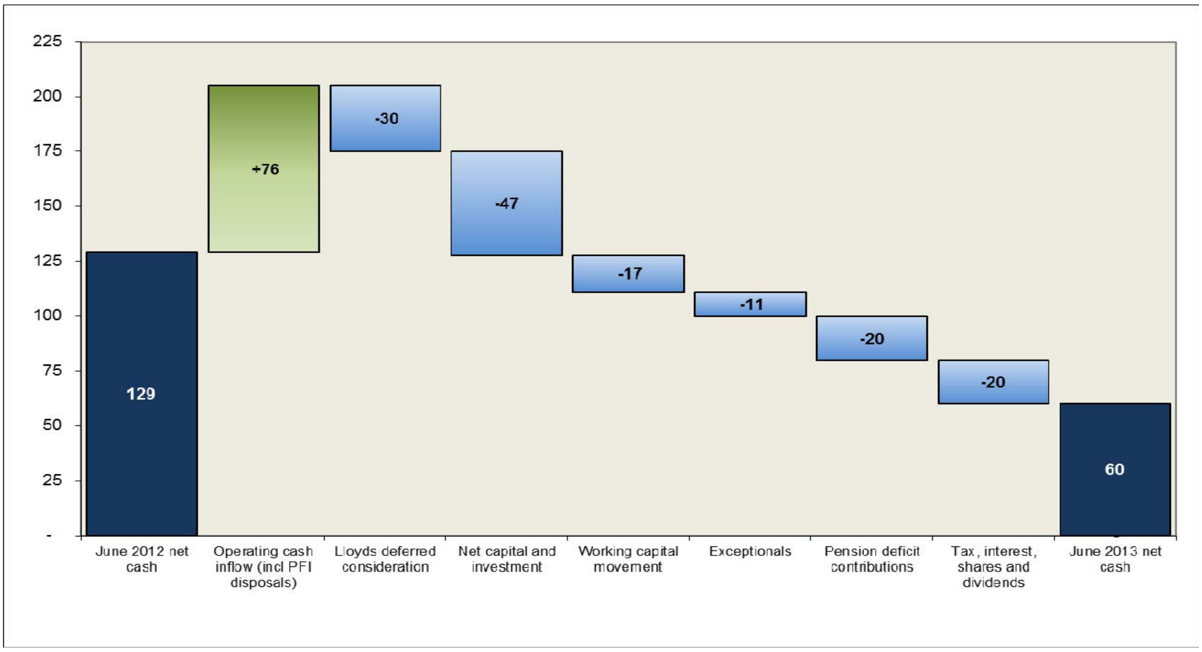
Cash performance

The Group delivered a solid cash performance, with an average month-end net debt balance of £4m after considerable investment across the Group and the completion of a number of our property transactions in the last quarter of the financial year.

This performance produced a net cash position at 30 June 2013 of £60m (2012: £129m) after deducting £92m relating to the $100m (£62m) US private placements and the £30m Funding for Lending Scheme loan. Further details of the new facilities are provided in the 'Treasury facilities and policies' section below.

* Underlying operating profits and margins, pre-tax profits and EPS are stated before amortisation of intangible assets relating to contract rights of £3.4m (2012: £3.4m) and exceptional items totalling £17.0m (2012: £3.6m).

The graph below shows the key movements in the Group's net cash position during the year.



Overall, the Group has invested approximately £77m during the year in its own growth, including mining land, options and equipment, refuse vehicles and ongoing investment in the Property division, including Solum, our joint venture with Network Rail, and Biogen, our anaerobic digestion business.

Within the Group cash balance at 30 June 2013, Construction at £320m and Services at £30m represented resilient performances. In addition to underlying trading, these performances included approximately £20m of capital and investment related expenditure, a £9m cash effect of the restructuring activities and a working capital outflow of £17m mainly in Construction. Our working capital environment remains challenging as more stringent supply chain payment terms continue to be introduced and due to the changing mix of construction workload with more infrastructure projects which are typically of a target cost, reimbursable nature. It is reassuring to see, however, that the working capital trends that particularly affected our UK building operations in the first six months of the financial year did not significantly affect the second half of the year.

In Property, the net debt position of £40m reflects our ongoing investment strategy to increase the cash deployed in our property development business to £100m, which will be achieved during the next 12 months as we progress with our £1.1bn development pipeline. The net debt position across our housing businesses reduced to £226m 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 is a growing business with a forward pipeline of work of approximately £400m.

The Group's cash balances at 30 June 2013 included £81m (2012: £85m) held in joint contracting agreements, overseas bank accounts and other cash arrangements which is not readily available to the Group until the contracts near completion. The liquid cash position is also affected by seasonal, monthly and contract-specific cycles.

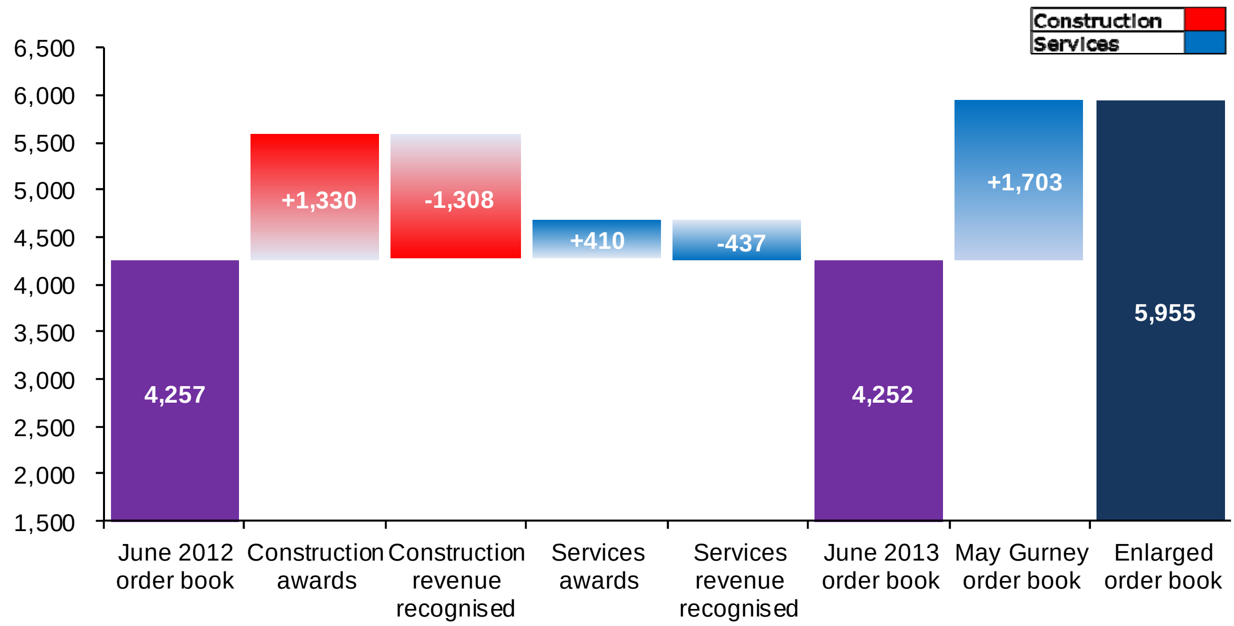
Order books

We have maintained our order books in Construction and Services at a combined level of more than £4bn, as shown in the table below. This means we enter the new financial year in a strong position with all of the Construction division's targeted revenue and 95% of the Services division's targeted revenue for 2014 secure and probable.

The Services division secured and probable position is in line with the equivalent position last year while Construction is at least 10% ahead demonstrating the strength of these businesses particularly in the current trading environment.

With the addition of May Gurney (£1.7bn), our enlarged order book approaches £6bn, and in July 2013, we were named preferred bidder on the Mersey Bridge project, adding a further £150m to the Construction order book figures below.

At 30 June	**2013 £m**	**2012 £m**
Construction	2,229	2,207
Services	2,023	2,050
Total	**4,252**	**4,257**



Dividend policy

We continue to maintain our progressive dividend policy and taking into account the performance of the Group, the level of order books and its strong capital structure, the Board has recommended a final dividend of 46.5p, making the full year dividend 68p, an increase of 3% on the total paid in respect of 2012 (66p). This reflects the confidence in the business going forward and is 2.0 times covered by underlying earnings per share.

Treasury facilities and policies

As at 30 June 2013 the Group had revolving credit facilities, totalling £120m, an uncommitted £20m overdraft facility and long-term debt of £92m, all managed by the centralised treasury function.

During the year we considerably strengthened our capital structure. In December 2012, we completed £62m ($100m) of US private placements (USPP) for seven and ten year terms, which serviced the expiration, in February 2013, of our previous £30m ten year USPP and, in January 2013, we secured a £30m loan under the Government's Funding for Lending Scheme, over four years. These changes follow the renegotiation of our revolving credit facilities last year.

Historically, Kier has operated with a relatively ungeared balance sheet. However, as customers have become more conscious of the need to manage their working capital, so have the demands on construction and services company balance sheets. Accordingly, we have extended our facilities over the medium term to manage this changing requirement for funding, and to provide capacity for ongoing investment across the Group.

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. We do not enter into speculative transactions.

There are minor foreign currency risks arising from 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.

Balance sheet

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

Corporate activity

During the period from July 2012 to August 2013, we completed and announced three transactions as follows:

- In August 2012, we completed our investment in Biogen (UK) Limited for a maximum total investment of £24.4m, of which £5.4m was invested on completion and a further £2.5m in December 2012. The remaining £16.5m is scheduled to be invested over the next three years.
- In July 2013, we completed the acquisition of May Gurney for a consideration of £223m. Further details are in the 'May Gurney' section below.
- In August 2013, we completed the disposal of our tower crane business for approximately £5m, in line with our strategy of withdrawing from non-core operations.

Inventories

An analysis of inventories is given below:

At 30 June	**2013** **£m**	**2012** **£m**
Residential land	127	132
Residential work in progress	122	124
Property land and work in progress	73	86
Other work in progress	77	53
Total	**399**	**395**

At 30 June 2013, residential land and work in progress totalled a combined £249m, a decrease of £7m compared with the June 2012 balance of £256m. This decrease reflects unit and land sales over the year, partially offset by purchases of new housing land and further investment in work in progress in our mixed-tenure housing business.

At 30 June 2013, our land bank comprised 4,005 plots, down from 4,180 at 30 June 2012, all with planning permission. It remains our focus to reduce the cash locked up in our land and work in progress for future investment in the Group. As we have stated previously, the majority of our land was purchased before 2008 and therefore we do not anticipate recognising profit from land disposals, the focus being on cash generation.

Pensions

The Group participates in two principal schemes: the Kier Group Pension Scheme, which includes a defined benefit section, and a defined benefit scheme on behalf of its employees in Kier Sheffield LLP. The financial statements reflect the pension scheme deficits calculated in accordance with IAS 19.

At 30 June 2013, the net deficit of the Kier Group Pension Scheme was £37m (2012: £45m). The market value of the scheme's assets was £784m (2012: £722m) and the net present value of the liabilities was £832m (2012: £781m). The decrease in the net deficit was a result of changes in the key assumptions, particularly the higher than expected asset returns together with increased contributions.

We continue to progress with our recovery plan of additional annual deficit contributions of £8m and we make available our Property and PFI investments where appropriate. In June 2013 we completed the disposal of certain properties located in Sydenham, London for £46m to Kier Sydenham, a limited partnership, 50% of which is owned by Kier, with the remaining 50% owned by the trustees of the Kier Group Pension Scheme. The Group is committed to continuing to support the funding position of the scheme.

At 30 June 2013, the scheme relating to Kier Sheffield LLP showed a net deficit position of £1m (2012: net surplus £1m). Note 8 to the financial statements includes a sensitivity analysis that highlights the impact of changes to the key assumptions to the Kier Group Pension Scheme and the Kier Sheffield LLP Pension Scheme. A net pension credit of £1.0m (2012: net pension charge £2.3m) has been reported in the income statement in accordance with IAS 19.

IAS 19 re-presentation

The new pensions accounting will come into force for us for the June 2014 financial year, and will therefore require restatement of the 2013 figures, as comparatives. The expected return on scheme assets and the interest cost on scheme liabilities, currently reported in the income statement, will be replaced with an interest charge on the net deficit.

The table below highlights the £17m income statement re-presentation for the June 2014 financial year, and the comparative figures for the June 2013 financial year will change by a similar amount.

June 2014 impact	**2014 Current £m**	**2014 New £m**	**Change £m**
Service cost	(13)	(13)	
Expected return on scheme assets (June 2013:6.6%)	61		
Interest cost on scheme liabilities (June 2013:4.7%)	(47)		
Interest on net deficit (June 2013:4.7%)		(3)	
Total	**1**	**(16)**	**(17)**

The difference of £17m will be re-presented in the statement of comprehensive income. It should be noted however, that this accounting change has no impact on cash and no impact on the pension deficit. It is simply a re-presentation of the pension figures.

May Gurney

The acquisition completed on 8 July 2013 and 14.7m new shares were issued making up the majority of the purchase price consideration, at approximately £184m. The cash component of the consideration of approximately £35m was serviced by a new £50m four-year term loan.

When combined with the transaction and integration costs, the majority of which will be accounted for during the 2014 financial year, Kier expects to have a manageable net debt position of approximately £100m. The enlarged Group has £480m of facilities providing a robust capital structure, the terms of the principal facilities being consistent with the pre-existing Kier facilities.

Facility type	Kier (£m)	May Gurney (£m)	Status re May Gurney arrangements	Combined Group (£m)
Existing:				
RCF	120	23	cancelled	120
Overdraft	20	25	retained £20m	40
FLS loan	30			30
USPP	62			62
Leasing	15	93	retained	108
New:				
RCF				70
Term loan				50
Total	**247**	**141**		**480**

The integration is progressing well and we are on track to deliver the cost synergies as planned. In addition, we are completing a comprehensive review of the fair value of the assets and liabilities and will provide a full update, together with any adjustments taken, with our interim results in February 2014.

Going concern

The directors' report states that appropriate enquiries have been made regarding the level of resources to continue in operational existence for the foreseeable future and the chief executive's review highlights the activities of the Group and those factors likely to affect its future development, performance and financial position.

The Group has considerable financial resources, committed banking facilities, long-term contracts and strong order books, and for this reason the directors have continued to adopt the going concern basis in preparing the Group's financial statements.

Haydn Mursell
Finance Director

Consolidated income statement

For the year ended 30 June 2013

	Notes	2013 Before exceptional items and amortisation* £m	2013 Exceptional items and amortisation* £m	2013 Total £m	2012 Before exceptional items and amortisation* £m	2012 Exceptional items and amortisation* £m	2012 Total £m
Revenue							
Group and share of joint ventures	2	**1,982.8**	–	**1,982.8**	2,069.2	–	2,069.2
Less share of joint ventures		**(39.8)**	–	**(39.8)**	(38.7)	–	(38.7)
Group revenue		**1,943.0**	–	**1,943.0**	2,030.5	–	2,030.5
Cost of sales		**(1,739.8)**	**(9.4)**	**(1,749.2)**	(1,815.1)	(3.2)	(1,818.3)
Gross profit		**203.2**	**(9.4)**	**193.8**	215.4	(3.2)	212.2
Administrative expenses		**(144.2)**	**(11.0)**	**(155.2)**	(149.0)	(3.8)	(152.8)
Share of post-tax results of joint ventures		**0.9**	–	**0.9**	1.3	–	1.3
Profit on disposal of joint ventures		**9.8**	–	**9.8**	6.7	–	6.7
Profit from operations	2	**69.7**	**(20.4)**	**49.3**	74.4	(7.0)	67.4
Finance income		**2.3**	–	**2.3**	2.6	–	2.6
Finance cost		**(8.6)**	–	**(8.6)**	(7.0)	–	(7.0)
Profit before tax	2	**63.4**	**(20.4)**	**43.0**	70.0	(7.0)	63.0
Taxation	4a	**(8.9)**	**4.5**	**(4.4)**	(9.3)	1.6	(7.7)
Profit for the year		**54.5**	**(15.9)**	**38.6**	60.7	(5.4)	55.3
Attributable to:							
Equity holders of the parent		**53.5**	**(15.9)**	**37.6**	59.6	(5.4)	54.2
Minority interests		**1.0**	–	**1.0**	1.1	–	1.1
		54.5	**(15.9)**	**38.6**	60.7	(5.4)	55.3
Earnings per share	6						
– basic		**136.2p**	**(40.4)p**	**95.8p**	156.8p	(14.2)p	142.6p
– diluted		**134.9p**	**(40.1)p**	**94.8p**	154.0p	(13.9)p	140.1p

*Exceptional items include significant one off costs related to restructuring, acquisitions and business closures. Amortisation disclosed separately relates to the amortisation of contract right costs held as intangibles on the balance sheet. The prior year comparative has been re-presented to reflect this presentation.

Consolidated statement of comprehensive income

For the year ended 30 June 2013

	Notes	2013 £m	2012 £m
Profit for the year		**38.6**	55.3
Items that may be reclassified subsequently to the income statement			
Share of joint venture fair value movements in cash flow hedging instruments		**4.7**	(10.7)
Tax on share of joint venture fair value movements in cash flow hedging instruments	4c	**(1.7)**	2.3
Total items that may be reclassified subsequently to the income statement		**3.0**	(8.4)
Items that will not be reclassified to the income statement			
Actuarial losses on defined benefit pension schemes		**(24.2)**	(49.0)
Tax on actuarial losses on defined benefit pension schemes	4c	**2.9**	7.5
Total items that will not be reclassified to the income statement		**(21.3)**	(41.5)
Other comprehensive loss for the year		**(18.3)**	(49.9)
Total comprehensive income for the year		**20.3**	5.4
Attributable to:			
Equity holders of the parent		**19.3**	4.3
Minority interests		**1.0**	1.1
		20.3	5.4

Consolidated statement of changes in equity

For the year ended 30 June 2013

	Share capital £m	Share premium £m	Capital redemption reserve £m	Retained earnings £m	Cash flow hedge reserve £m	Translation reserve £m	Attributable to equity holders of the parent £m	Minority interest £m	Total equity £m
At 30 June 2011	**0.4**	**46.9**	**2.7**	**120.7**	**(7.6)**	**0.2**	**163.3**	**0.9**	**164.2**
Profit for the year	–	–	–	54.2	–	–	54.2	1.1	**55.3**
Other comprehensive income	–	–	–	(41.5)	(8.4)	–	(49.9)	–	**(49.9)**
Dividends paid	–	–	–	(24.8)	–	–	(24.8)	(0.1)	**(24.9)**
Issue of own shares	–	8.1	–	–	–	–	8.1	–	**8.1**
Purchase of own shares	–	–	–	(1.2)	–	–	(1.2)	–	**(1.2)**
Share-based payments	–	–	–	2.9	–	–	2.9	–	**2.9**
Tax on share-based payments	–	–	–	(0.3)	–	–	(0.3)	–	**(0.3)**
At 30 June 2012	**0.4**	**55.0**	**2.7**	**110.0**	**(16.0)**	**0.2**	**152.3**	**1.9**	**154.2**
Profit for the year	–	–	–	37.6	–	–	37.6	1.0	**38.6**
Translation differences	–	–	–	–	–	0.2	0.2	–	**0.2**
Other comprehensive income	–	–	–	(21.3)	3.0	–	(18.3)	–	**(18.3)**
Dividends paid	–	–	–	(25.8)	–	–	(25.8)	(0.4)	**(26.2)**
Issue of own shares	–	8.3	–	–	–	–	8.3	–	**8.3**
Share-based payments	–	–	–	4.0	–	–	4.0	–	**4.0**
Tax on share-based payments	–	–	–	(0.8)	–	–	(0.8)	–	**(0.8)**
Purchase of own shares	–	–	–	(1.7)	–	–	(1.7)	–	**(1.7)**
At 30 June 2013	**0.4**	**63.3**	**2.7**	**102.0**	**(13.0)**	**0.4**	**155.8**	**2.5**	**158.3**

Consolidated balance sheet

At 30 June 2013

	Notes	**2013 £m**	2012 £m
Non-current assets			
Intangible assets		**30.0**	28.8
Property, plant and equipment		**109.2**	102.8
Investment in joint ventures		**29.7**	7.5
Retirement benefit asset		**–**	1.2
Deferred tax assets		**23.5**	28.2
Trade and other receivables		**29.6**	32.9
Non-current assets		**222.0**	201.4
Current assets			
Inventories		**399.4**	394.7
Trade and other receivables		**345.6**	377.5
Income tax receivable		**9.3**	10.7
Assets held for sale		**4.2**	13.0
Cash and cash equivalents	10	**152.3**	159.1
Current assets		**910.8**	955.0
Total assets		**1,132.8**	1,156.4
Current liabilities			
Borrowings	10	**–**	(30.3)
Finance lease obligations		**(2.7)**	(1.3)
Other financial liabilities		**(0.1)**	(0.3)
Trade and other payables		**(754.5)**	(816.6)
Provisions		**(17.6)**	(1.8)
Current liabilities		**(774.9)**	(850.3)
Non-current liabilities			
Borrowings	10	**(92.5)**	–
Finance lease obligations		**(11.0)**	(7.3)
Other financial liabilities		**(0.5)**	(0.3)
Trade and other payables		**(6.1)**	(37.2)
Retirement benefit obligations	7	**(49.7)**	(59.0)
Provisions		**(39.8)**	(47.8)
Deferred tax liabilities		**–**	(0.3)
Non-current liabilities		**(199.6)**	(151.9)
Total liabilities		**(974.5)**	(1,002.2)
Net assets		**158.3**	154.2
Equity			
Share capital		**0.4**	0.4
Share premium		**63.3**	55.0
Capital redemption reserve		**2.7**	2.7
Retained earnings		**102.0**	110.0
Cash flow hedge reserve		**(13.0)**	(16.0)
Translation reserve		**0.4**	0.2
Equity attributable to equity holders of the parent		**155.8**	152.3
Minority interests		**2.5**	1.9
Total equity		**158.3**	154.2

Consolidated cash flow statement

For the year ended 30 June 2013

	Notes	2013 £m	2012 £m
Cash flows from operating activities			
Profit before tax		**43.0**	63.0
Exceptional items		**17.0**	3.6
Net finance cost		**6.3**	4.4
Share of post-tax trading results of joint ventures		**(0.9)**	(1.3)
Normal cash contributions to pension fund in excess of pension credit/charge		**(12.2)**	(9.7)
Equity settled share-based payments charge		**4.0**	2.9
Amortisation and impairment of intangible assets		**4.3**	3.7
Depreciation charges		**12.7**	13.9
Profit on disposal of joint ventures		**(9.8)**	(6.7)
Profit on disposal of property, plant and equipment		**(1.7)**	(1.4)
Operating cash flows before movements in working capital		**62.7**	72.4
Special contributions to pension fund		**(20.1)**	(11.1)
(Increase)/decrease in inventories		**(4.7)**	36.0
Decrease/(increase) in receivables		**35.2**	(63.4)
Decrease in payables		**(69.0)**	(15.4)
Increase/(decrease) in provisions		**1.6**	(2.6)
Cash inflow from operating activities before exceptional items		**5.7**	15.9
Cash flow from exceptional items		**(11.0)**	–
Cash flows from operating activities		**(5.3)**	15.9
Dividends received from joint ventures		**0.2**	0.3
Interest received		**2.3**	3.2
Income taxes paid		**3.5**	(2.1)
Net cash generated from operating activities		**0.7**	17.3
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**2.9**	6.3
Proceeds from sale of joint ventures		**13.0**	8.1
Purchases of property, plant and equipment		**(22.1)**	(41.2)
Purchase of intangible assets		**(5.5)**	(1.8)
Acquisition of subsidiaries		**(31.5)**	(4.5)
Net investment in joint ventures		**(19.2)**	(6.9)
Net cash used in investing activities before exceptional disposal proceeds		**(62.4)**	(40.0)
Exceptional proceeds on disposal of plant business net of disposal costs		**13.0**	–
Net cash used in investing activities		**(49.4)**	(40.0)
Cash flows from financing activities			
Issue of shares		**7.0**	0.3
Purchase of own shares		**(1.7)**	(1.2)
Interest paid		**(5.8)**	(3.9)
Inflow from finance leases on property, plant and equipment		**6.6**	9.1
Inflow from new borrowings		**92.5**	–
Finance lease repayments		**(1.5)**	(0.5)
Repayment of borrowings		**(30.3)**	–
Dividends paid to equity holders of the parent		**(24.5)**	(17.0)
Dividends paid to minority interests		**(0.4)**	(0.1)
Net cash used in financing activities		**41.9**	(13.3)
Decrease in cash and cash equivalents		**(6.8)**	(36.0)
Opening cash and cash equivalents		**159.1**	195.1
Closing cash and cash equivalents	10	**152.3**	159.1

Notes to the consolidated financial statements

1 Accounting policies

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

2 Segmental reporting

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

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

Year to 30 June 2013	Construction £m	Services £m	Property £m	Corporate £m	Group £m
Revenue[1]					
Group and share of joint ventures	**1,307.4**	**437.4**	**238.0**	**–**	**1,982.8**
Less share of joint ventures	(6.2)	–	(33.6)	–	**(39.8)**
Group revenue	1,301.2	437.4	204.4	–	**1,943.0**
Profit					
Group operating profit	30.0	19.3	10.2	(0.5)	**59.0**
Share of post–tax results of joint ventures' operating profit	0.4	–	0.5	–	**0.9**
Profit on disposal of joint ventures	–	–	9.8	–	**9.8**
Profit from operations before exceptional items and amortisation[3]	**30.4**	**19.3**	**20.5**	**(0.5)**	**69.7**
Exceptional items	(8.9)	(6.7)	–	(1.4)	**(17.0)**
Amortisation of intangible assets relating to contract rights	(0.1)	(3.3)	–	–	**(3.4)**
Profit from operations	**21.4**	**9.3**	**20.5**	**(1.9)**	**49.3**
Finance income/(cost)[2]	7.6	(0.8)	(14.2)	1.1	**(6.3)**
Profit before tax	**29.0**	**8.5**	**6.3**	**(0.8)**	**43.0**
Balance sheet					
Total assets excluding cash	370.2	131.4	425.5	53.4	**980.5**
Liabilities excluding borrowings	(568.4)	(129.1)	(81.0)	(103.5)	**(882.0)**
Net operating (liabilities)/assets	**(198.2)**	**2.3**	**344.5**	**(50.1)**	**98.5**
Cash and cash equivalents	319.3	30.0	(266.9)	(22.6)	**59.8**
Net assets	**121.1**	**32.3**	**77.6**	**(72.7)**	**158.3**
Other information					
Inter–segmental revenue	10.2	35.5	0.3	–	**46.0**
Capital expenditure	6.7	8.1	1.6	10.6	**27.0**
Depreciation of property, plant and equipment	5.4	4.1	0.2	3.0	**12.7**

1 Revenue is stated after the exclusion of inter–segmental revenue.
2 Interest was (charged)/credited to the divisions at a notional rate of 4.5% and 4.0% respectively.
3 Relating to intangible contract rights.

Notes to the consolidated financial statements continued

2 Segmental reporting continued

Year to 30 June 2012	Construction £m	Services £m	Property £m	Corporate £m	Group £m
Revenue[1]					
Group and share of joint ventures	**1,383.5**	**444.9**	**240.8**	**–**	**2,069.2**
Less share of joint ventures	(2.7)	–	(36.0)	–	**(38.7)**
Group revenue	1,380.8	444.9	204.8	–	**2,030.5**
Profit[4]					
Group operating profit	35.1	20.1	14.1	(2.9)	**66.4**
Share of post–tax results of joint ventures' operating profit	0.1	–	1.2	–	**1.3**
Profit on disposal of joint ventures	–	–	6.7	–	**6.7**
Profit from operations before exceptional items and amortisation[3]	**35.2**	**20.1**	**22.0**	**(2.9)**	**74.4**
Exceptional items	–	(3.2)	(0.4)	–	**(3.6)**
Amortisation of intangible assets relating to contract rights	–	(3.4)	–	–	**(3.4)**
Profit from operations	**35.2**	**13.5**	**21.6**	**(2.9)**	**67.4**
Finance income/(cost)[2]	12.5	(1.4)	(13.7)	(1.8)	**(4.4)**
Profit before tax	**47.7**	**12.1**	**7.9**	**(4.7)**	**63.0**
Balance sheet					
Total assets excluding cash	376.1	132.9	439.1	49.2	**997.3**
Liabilities excluding borrowings	(588.3)	(118.1)	(109.5)	(156.0)	**(971.9)**
Net operating (liabilities) / assets	**(212.2)**	**14.8**	**329.6**	**(106.8)**	**25.4**
Cash, net of borrowings	360.6	19.3	(263.4)	12.3	**128.8**
Net assets	**148.4**	**34.1**	**66.2**	**(94.5)**	**154.2**
Other information					
Inter–segmental revenue	23.3	29.8	0.5	–	**53.6**
Capital expenditure	14.5	16.3	1.4	8.9	**41.1**
Depreciation of property, plant and equipment	3.3	8.0	0.1	2.5	**13.9**

1 Revenue is stated after the exclusion of inter–segmental revenue.

2 Interest was (charged)/credited to the divisions at a notional rate of 4.5% and 4.0% respectively.

3 Relating to intangible contract rights.

4 The prior year comparative has been re-presented to separately disclose amortisation of intangible assets relating contract rights, consistent with the current year presentation.

Net operating (liabilities)/assets represent assets excluding cash, bank overdrafts, borrowings and interest-bearing inter-company loans. Inter-segmental pricing is determined on an arm's length basis.

3 Exceptional items and amortisation of intangible contract rights

	2013 £m	2012 £m
Loss on disposal of tower crane and other discontinued businesses	**(3.2)**	(3.2)
Acquisition costs	**(1.8)**	(0.4)
Business restructuring	**(10.1)**	–
Closure and discontinuation of scaffolding and related businesses	**(1.9)**	–
Exceptional items before tax	**(17.0)**	(3.6)
Taxation on exceptional items	**3.7**	0.8
Exceptional items after tax	**(13.3)**	(2.8)
Amortisation of intangible contract rights	**(3.4)**	(3.4)
Taxation on amortisation of intangible contract rights	**0.8**	0.8
Exceptional items and amortisation of intangible contract rights after tax	**(15.9)**	(5.4)

On the 5 August 2013 the Group sold the final portfolio of assets in its plant business, tower cranes. The loss on disposal along with other discontinued businesses was £3.2m (2012: £3.2m).

During the year a cost of £1.8m has been incurred on the acquisition of May Gurney Integrated Services plc (2012: Biogen (UK) Limited £0.4m). Further details of this acquisition are provided in note 9.

Business restructuring costs of £10.1m have been incurred during the year in the ongoing strategic review of the Construction and Services divisions. This primarily relates to reduction in staff numbers and rationalisation of office locations.

Notes to the consolidated financial statements continued

4 Taxation

a) Recognised in the income statement

	2013			2012		
	Before exceptional items and amortisation* £m	Exceptional items and amortisation* £m	Total £m	Before exceptional items and amortisation* £m	Exceptional items and amortisation* £m	Total £m
Current tax expense						
UK corporation tax	**3.5**	**(3.5)**	–	2.1	(0.8)	1.3
Adjustments for prior years	**(2.1)**	–	**(2.1)**	(6.9)	–	(6.9)
Total current tax	**1.4**	**(3.5)**	**(2.1)**	(4.8)	(0.8)	(5.6)
Deferred tax expense						
Origination and reversal of temporary differences	**9.3**	**(1.0)**	**8.3**	15.1	(0.8)	14.3
Rate change effect on deferred tax	**(1.4)**	–	**(1.4)**	(1.8)	–	(1.8)
Adjustments in respect of prior years	**(0.4)**	–	**(0.4)**	0.8	–	0.8
Total deferred tax	**7.5**	**(1.0)**	**6.5**	14.1	(0.8)	13.3
Total tax charge / (credit) in the income statement	**8.9**	**(4.5)**	**4.4**	9.3	(1.6)	7.7
Reconciliation of effective tax rate						
Profit before tax	**63.4**	**(20.4)**	**43.0**	70.0	(7.0)	63.0
Adjust: tax on joint ventures included above	**(0.2)**	–	**(0.2)**	0.2	–	0.2
Adjusted profit before tax	**63.2**	**(20.4)**	**42.8**	70.2	(7.0)	63.2
Income tax at UK corporation tax rate of 23.75% (2012: 25.5%)	**15.0**	**(4.8)**	**10.2**	17.9	(1.8)	16.1
Non–deductible expenses	**0.1**	**0.3**	**0.4**	0.6	0.2	0.8
Effect of change in UK corporation tax rate	**(1.4)**	–	**(1.4)**	(1.8)	–	(1.8)
Capital gains not taxed	**(1.2)**	–	**(1.2)**	(1.1)	–	(1.1)
Tax relief on expenses not recognised in the income statement	**(0.7)**	–	**(0.7)**	–	–	–
Deferred tax asset recognised on tax losses in joint ventures	**(0.4)**	–	**(0.4)**	–	–	–
Effect of tax rates in foreign jurisdictions	**(0.2)**	–	**(0.2)**	–	–	–
Adjustments in respect of prior years	**(2.5)**	–	**(2.5)**	(6.1)	–	(6.1)
Total tax (including joint ventures)	**8.7**	**(4.5)**	**4.2**	9.5	(1.6)	7.9
Tax on joint ventures	**0.2**	–	**0.2**	(0.2)	–	(0.2)
Group tax charge / (credit)	**8.9**	**(4.5)**	**4.4**	9.3	(1.6)	7.7

*Exceptional items include significant one off costs related to restructuring, acquisitions and business closures. Amortisation disclosed separately relates to the amortisation of contract right costs held as intangibles on the balance sheet. The prior year comparative has been re–presented to reflect this presentation.

Kier Group and its subsidiaries are based predominantly in the UK and are subject to UK corporation tax. Where Kier operates overseas this will generally be either through UK resident companies or branches of UK companies, and therefore these companies will pay UK corporation tax subject to the offset of local overseas tax. The Group does not have an aggressive tax policy and has not entered into any tax avoidance schemes which were, or should have been notified to HMRC under the Disclosure of Tax Avoidance Scheme (DOTAS) rules, during the year or previous year.

The tax charge before exceptional items and amortisation of contract rights of £8.9m (2012: £9.3m) shown in the table above equates to an effective tax rate of 14% (2012: 13%) on adjusted profit before tax of £63.2m (2012: £70.2m). This effective rate is lower than the standard rate of corporation tax of 23.75% (2012: 25.5%) due to a number of items shown in the table above.

The effect of the change in the UK corporation tax rate arises principally as a result of the impact of the rate change on the deferred tax asset related to the retirement benefit obligations. In accordance with accounting standards the effect of the change in the tax rate on the deferred tax balance is recognised in the same primary statement that the original deferred tax balance was recognised in. The original deferred tax balance relating to the retirement benefit obligation is made up of two larger amounts that were previously recognised in part through the income statement and in part through the statement of comprehensive income. This has resulted in a credit in the income statement and a charge in the statement of comprehensive income for the years ended 30 June 2012 and 30 June 2013.

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

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

As a result of additional investment made in joint ventures, there is more certainty that existing tax losses will be utilised against trading profits in the short term, and in accordance with accounting standards a deferred tax asset has been recognised.

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

Notes to the consolidated financial statements continued

4 Taxation continued

b) Recognised in the cash flow statement

Tax payments are generally lower than the tax charge in the income statement because tax deductions are claimed for pension contributions based on the level of contributions actually paid, and pension payments in the year exceed the amount included in the income statement. The cash flow statement shows a net repayment of £3.5m during the year as a result of overpayment in previous periods.

c) Recognised in the statement of comprehensive income

	2013 £m	2012 £m
Deferred tax expense		
Fair value movements on joint venture cash flow hedging instruments	**1.7**	(2.3)
Actuarial losses on defined benefit pension schemes	**(2.9)**	(7.5)
Total tax credit in the statement of comprehensive income	**(1.2)**	(9.8)

d) Factors that may affect future tax charges

The Chancellor has announced the main rate of corporation tax will be 24%, from April 2012, 23% from April 2013, 21% from April 2014 and 20% from April 2015.

The reduction to 23% has had the effect of reducing the net deferred tax asset included in the above figures by £1.5m, with £1.4m being credited to the income statement and £2.9m being charged directly to the statement of comprehensive income.

The reduction in the main rate of UK corporation tax from 23% to 21% was substantively enacted on 2 July 2013 and is effective from 1 April 2014.

This will reduce the Group's future tax charge accordingly.

If the rate change from 23% to 21% had been substantively enacted at 30 June 2013 it would have had the effect of reducing the net deferred tax asset of £27.4m (Group: £23.5 asset, joint ventures £3.9m asset) held at this date by £3.3m, with £2.8m being credited to the income statement and £6.1m being charged directly to the statement of comprehensive income.

It has not been possible to fully quantify the anticipated effect of the further 1% rate reduction from 21% to 20%, although this is expected to reduce the Group's future tax charge and reduce deferred tax assets accordingly.

e) Tax losses

At the balance sheet date the Group has unused income tax losses of £10.3m (2012: £10.0m) available for offset against future profits. A deferred tax asset has been recognised in respect of £10.2m (2012: £9.3m) of these losses. No deferred tax asset has been recognised in respect of the remaining losses, due to the unpredictability of future profit streams against which these losses could be offset. Under present tax legislation, these losses may be carried forward indefinitely.

5 Dividends

Amounts recognised as distributions to equity holders in the year:	2013 £m	2012 £m
Final dividend for the year ended 30 June 2012 of 44.5 pence (2011 of 44.0 pence)	**17.3**	16.6
Interim dividend for the year ended 30 June 2013 of 21.5 pence (2012 of 21.5 pence)	**8.5**	8.2
	25.8	24.8

The proposed final dividend of 46.5 pence (2012: 44.5 pence) bringing the total dividend for the year to 68.0 pence (2012: 66.0 pence) had not been approved at the balance sheet date and so has not been included as a liability in these financial statements. The dividend totalling £25.4m will be paid on 27 November 2013 to shareholders on the register at the close of business on 15 September 2013. A scrip dividend alternative will be offered.

Notes to the consolidated financial statements continued

6 Earnings per share

A reconciliation of profit and earnings per share, as reported in the income statement, to adjusted profit and earnings per share is set out below. The adjustments are made to illustrate the impact of exceptional items and the amortisation of intangible assets relating to contract rights.

	2013		2012	
	Basic £m	**Diluted £m**	Basic £m	Diluted £m
Earnings (after tax and minority interests), being net profits attributable to equity holders of the parent	**37.6**	**37.6**	54.2	54.2
Add: exceptional items	**17.0**	**17.0**	3.6	3.6
Tax thereon	**(3.7)**	**(3.7)**	(0.8)	(0.8)
Add: amortisation of intangible assets relating to contract rights	**3.4**	**3.4**	3.4	3.4
Tax thereon	**(0.8)**	**(0.8)**	(0.8)	(0.8)
Adjusted earnings	**53.5**	**53.5**	59.6	59.6
	million	**million**	million	million
Weighted average number of shares	**39.3**	**39.3**	38.0	38.0
Weighted average impact of LTIP and Sharesave Scheme	–	**0.4**	–	0.7
Weighted average number of shares used for earnings per share	**39.3**	**39.7**	38.0	38.7
	pence	pence	pence	pence
Earnings per share	**95.8**	**94.8**	142.6	140.1
Adjusted earnings per share (excluding exceptional items and the amortisation of intangible assets relating to contract rights)	**136.2**	**134.9**	156.8	154.0

On 8 July 2013 14.7 million shares were issued in connection with the acquisition of May Gurney Integrated Services plc.

7 Retirement benefit obligations

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

	Kier Group Pension Scheme		**Kier Sheffield LLP**	
	2013 £m	2012 £m	**2013 £m**	2012 £m
Opening (deficit)/surplus	**(59.0)**	(31.1)	**1.2**	1.5
Charge to operating profit	**0.9**	(1.4)	**0.2**	(0.9)
Employer contributions	**29.4**	20.9	**1.8**	2.2
Actuarial losses	**(20.0)**	(47.4)	**(4.2)**	(1.6)
Closing (deficit)/surplus	**(48.7)**	(59.0)	**(1.0)**	1.2
Comprising:				
Total market value of assets	**783.7**	721.9	**182.9**	161.2
Present value of liabilities	**(832.4)**	(780.9)	**(183.9)**	(160.0)
(Deficit)/surplus	**(48.7)**	(59.0)	**(1.0)**	1.2
Related deferred tax asset/(liability)	**11.2**	14.2	**0.2**	(0.3)
Net pension (liability) / asset	**(37.5)**	(44.8)	**(0.8)**	0.9

The Group has made the following special contributions to the Kier Group Pension Scheme:

- In December 2011 £3.1m which was settled through the transfer of the Group's 50% interest in Hinchingbrooke Hospital PFI project (Prospect Healthcare Hinchingbrooke) Holdings Limited.
- In July 2012 £5.0m which was settled in cash; and
- In June 2013, £7.1m which was settled through the transfer of the Group's interest in the Sydenham development site into Kier Sydenham LP, an equal partnership between the Group and the Scheme.

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

Notes to the consolidated financial statements continued

8 Acquisitions and disposals

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

	Beco Limited £m	Kier Developments Limited £m	North Tyneside Council £m	Pure Recycling £m	Total £m
Total discounted consideration payable	2.3	87.1	6.9	6.4	102.7
Paid at 30 June 2012	(1.5)	(35.0)	(5.4)	(5.3)	(47.2)
Credited to the income statement	(0.7)	–	–	(0.3)	(1.0)
Paid during the year to 30 June 2013	(0.3)	(30.0)	–	(1.2)	(31.5)
Unwinding of discount	0.3	3.6	0.4	0.4	4.7
Deferred at 30 June 2013	**0.1**	**25.7**	**1.9**	–	**27.7**

Acquisition of investment in Beco Limited

On 22 November 2010 the Group, through its subsidiary Kier Limited, purchased the entire issued share capital of Beco Limited. The discounted consideration, payable wholly in cash, was £2.3m, representing the fair value of the net assets. The deferred consideration is contingent on the results of the business acquired. It has been discounted to its present value.

Acquisition of investment in Kier Developments Limited

On 14 April 2011 the Group, through its subsidiary Kier Property Limited, acquired from Lloyds Banking Group its 50% interest in the jointly owned Kier Developments Limited incorporating a portfolio of real estate assets. As a result of the transaction, Kier Property Limited now owns the entire issued share capital of Kier Developments Limited. The remaining deferred consideration is a fixed payment of £26.0m in October 2013. It has been discounted to its present value.

Acquisition of the business and assets of the construction and building services operation of North Tyneside Council

On 6 September 2009 the Group, through its subsidiary Kier North Tyneside Limited, acquired the business and assets of the building services operation of North Tyneside Council. The remaining deferred consideration is a fixed payment of £2m due by March 2014. It has been discounted to its present value.

b) Investments in joint ventures

On 2 August 2012, the Group through its subsidiary Kier Project Investment Limited entered into an agreement to invest £24.4m over a four year period in Biogen (UK) Limited, establishing a 50/50 joint venture with the owner of Bedfordia Group plc. The Group invested £7.9m during the year, a further £16.5m will be invested over the next 3 years.

c) Disposal of investments in joint ventures

During the year the Group, through its subsidiary Kier Project Investment Limited, sold its investments in the following joint ventures: Ask (Holdings) Limited; Ask (Greenwich) Limited; Information Resources (Holdings) Limited; Information Resources (Bournemouth) Limited; Prospect Healthcare (Ipswich) Limited; Prospect Healthcare (Ipswich) Holding Limited; Blue3 (Gloucestershire Fire) (Holdings) Limited; and Blue3 (Gloucestershire Fire) Limited.

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

	2013 £m	2012 £m
Sales proceeds	**13.0**	8.1
Book value of net assets and loans of joint ventures	**(3.1)**	(1.1)
Sale costs and loan interest receivable included in sales proceeds	**(0.1)**	(0.3)
Profit on disposal	**9.8**	6.7

d) Sale of Plant business

On 31 July 2012 and 1 August 2012, the Group through its subsidiary Kier Plant Limited, sold two portfolios of assets for an aggregate consideration of £15.5m (Wernick Hire Limited (Wernick): £11.6m and Ashtead Plant Hire Company Limited (Ashtead): £3.9m). The total loss on disposal, £3.2m was recorded in the income statement for the year to June 2012 as an exceptional item. The disposal proceeds can be reconciled to the loss as follows:

	2013 £m
Maximum aggregate consideration	**15.5**
Less element of consideration attributable to future trading agreements with Wernick and Ashtead	(1.0)
Less provision for disposal costs	(1.5)
Fair value less provision for disposal costs	13.0
Carrying value of assets sold	(16.2)
Loss	**(3.2)**

Notes to the consolidated financial statements continued

9 Subsequent events

a) Sale of Plant business

On 5 August 2013, the Group through its subsidiary Kier Plant Limited, sold the remainder of its plant business for a consideration of £5.2m. The total impact of this disposal is a loss of £2.6m which has been recorded in the income statement for the year to June 2013 as an exceptional item. The disposal proceeds can be reconciled to the loss as follows:

	2013 £m
Maximum aggregate consideration	**5.2**
Less provision for disposal costs	(1.0)
Fair value less provision for disposal costs	**4.2**
Carrying value of assets sold	(6.8)
Loss	**(2.6)**

The carrying value of the assets sold includes £6.8m originally held in property, plant and equipment.

b) Acquisition of May Gurney Integrated Services plc

The Group purchased the entire share capital of May Gurney Integrated Services plc on the 8 July 2013 for a total consideration of £222.8m.

May Gurney provides support services and delivers a wide range of essential front–line services to the public and regulated sectors. The acquisition represents an excellent opportunity to accelerate Kier's strategy for its Services division. The Kier Board believes the acquisition is highly complementary and will provide an increased breadth of services, skills, geographic coverage and operating efficiencies, representing an attractive proposition for its clients (and those of the enlarged Group) and enhanced value for the shareholder base of the enlarged Group.

Due to the proximity of the acquisition to Kier Group plc's reporting date, the fair values of assets and liabilities acquired have been reported at book value and are provisional to allow for further adjustments in the measurement period.

A comprehensive review of the carrying value of assets and liabilities will be carried out to ensure they are stated at fair value. The goodwill primarily represents the expected synergies. None of the goodwill recognised is expected to be deductible for tax purposes. £1.8m of acquisitions costs were incurred in the year to June 2013 and expensed to the income statement as an exceptional item, further costs have been incurred in the year to 30 June 2014.

	2013 £m
Intangible assets	71.6
Property, plant and equipment	108.6
Inventories	4.0
Trade and other receivables	122.5
Trade and other payables	(166.6)
Cash and cash equivalents	16.6
Borrowings	(20.0)
Taxation	3.5
Retirement benefit obligations	(1.3)
Finance lease obligations	(62.7)
Provisions	(0.4)
	75.8
Goodwill	147.0
Total assets acquired	**222.8**
Satisfied by:	
Shares	183.8
Cash*	39.0
Total consideration	**222.8**

*Cash consideration includes a dividend of £3.9m.

c) Borrowings

To fund the acquisition of May Gurney Integrated Services plc and the working capital requirements of the enlarged business, the Group entered in to a £50m term loan repayable September 2016 and £70m revolving credit facility due for renewal September 2016. Both facilities bear interest at floating rates.

Notes to the consolidated financial statements continued

10 Cash, cash equivalents and borrowings

	2013 £m	2012 £m
Bank balances and cash in hand	152.3	137.5
Bank deposits with a maturity of less than three months	–	21.6
Cash and cash equivalents	**152.3**	159.1
Borrowings due within 1 year	–	(30.3)
Bank loans due after 1 year	(92.5)	–
Net funds	**59.8**	**128.8**

11 Statutory accounts

The information set out above does not constitute statutory accounts for the years ended 30 June 2013 or 2012 but is derived from those accounts.

Statutory accounts for 2012 have been delivered to the Registrar of Companies and those for 2013 will be delivered following the Company's annual general meeting and will be made available on the Company's website, www.kier.co.uk. The accounts have been prepared on a going concern basis which the directors consider appropriate. The auditors have reported on the 2012 and 2013 accounts, their reports were unqualified and did not contain statements under section 498 (1) or (2) of the Companies Act 2006.