News Release

KIER GROUP

15 September 2005

KIER GROUP PLC

PRELIMINARY RESULTS FOR THE YEAR ENDED 30 JUNE 2005

- 13th successive year of growth in profits
- Pre-tax profits, including exceptional profits of £6.7m, up 39.8% to £60.4m* (2004: £43.2m*)
- EPS, before exceptional profits, up 20.9% to 105.4p* (2004: 87.2p*)
- Dividend increased by 16.8% to 22.2p (2004: 19.0p)
- £86.4m of cash generated from operating activities
- Construction and Support Services order books at record levels
- The Homes order book together with unit completions to 31 August 2005 secure 43% of full year budgeted unit sales

**Results are shown before deducting £2.5m (2004: £2.6m) relating to goodwill amortisation.*

After deducting goodwill amortisation results are:

- *Pre-tax profits, including exceptional profits of £6.7m, up 42.6% to £57.9m (2004: £40.6m)*
- *EPS, including exceptional profits, up 31.0% to 106.8p (2004: 81.5p)*

Commenting on the results Peter Warry, Chairman of Kier Group, said:

This is the first set of full year results under my chairmanship and I am pleased to be announcing another record level of turnover and profits for the year to 30th June 2005, the 13th successive year of profits increase, with growth across all divisions.

We enter this year with record levels of work in hand in Construction and Support Services and a satisfactory order book in Homes. Our integrated business model continues to provide competitive advantage. I therefore anticipate further profitable growth in the current year.'

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Chairman's statement

This is the first set of full year results under my chairmanship and I am pleased that we have continued the pattern that was established under Colin Busby's stewardship with yet another record level of turnover and profit for the year to 30 June 2005, the 13th successive year of profits growth.

Pre-tax profits before exceptional items and goodwill have increased by 24.3% on 2004; construction awards were the highest ever at £1,372m (2004: £931m) and, once again, cash generation has been excellent with £86.4m produced from operations.

Financial performance

A strong performance was achieved in all the divisions. Turnover grew by 9.8% to £1,621.4m (2004: £1,476.5m), operating profit, after deducting goodwill amortisation rose 25.4% to £53.4m (2004: £42.6m) and profit before tax (before exceptional profits) increased by 26.1% to £51.2m. The year end net cash balance was £58.1m (2004: £7.6m).

Exceptional profits of £6.7m (2004: £nil) comprise £2.1m arising on the sale of our investment in the Neath Port Talbot Hospital concession, £3.8m on the sale of a fixed asset property and £0.8m arising on the sale of our remaining interest in Kier Hong Kong. Tax of £1.8m has been charged on the combined profit. In addition, whilst no profit has been recognised, an exceptional tax charge of £2.5m has arisen following refinancing and subsequent £8.1m cash extraction from the PFI investment vehicle for Hairmyres Hospital. Basic earnings per share, after all exceptional items, increased by 31.0% to 106.8p (2004: 81.5p). Adjusted earnings per share before goodwill amortisation and exceptional items increased by 20.9% to 105.4p (2004: 87.2p).

The Board proposes a final dividend for the year ended 30 June 2005 of 15.2p (2004: 13.0p) making 22.2p for the year (2004: 19.0p) an increase of 16.8% and covered 4.7 times by earnings per share before goodwill amortisation and exceptional items. The dividend will be paid on 6 December 2005 to shareholders on the register on 30 September 2005 and there will be a scrip alternative.

Shareholders' funds increased by £31.0m to £147.4m (2004: £116.4m). Pre-tax return on shareholders' funds was 43.9%, having been sustained at around this level for the last eight years.

International Financial Reporting Standards ('IFRS')

This is the last set of results reported upon under UK Generally Accepted Accounting Practice. The interim results to 31 December 2005 and those that follow will be reported upon under IFRS. The results for the year to 30 June 2005 have also been restated under IFRS and, together with the restated balance sheet at 30 June 2005 and selective notes are disclosed in a separate announcement released today. The key points relating to the restatement are:-

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- The transition to IFRS has no impact on business operations, cash, financing or our ability to pay dividends;
- There is no impact on the profit recognition policy for Construction or Support Services and only minor impact on profit recognition for Housebuilding and Property; and
- The most significant effect of IFRS is in accounting for pensions which reduces stated net assets.

The Kier Group Board

I am pleased to announce that, with effect from 1 October 2005, Ian Lawson, managing director of Kier Support Services, and Paul Sheffield, deputy managing director of Kier Regional, will be joining the Board. Ian returned to the Group five years ago as managing director of our Infrastructure Investment business, having previously worked for Kier International. He joined the Regional board in 2003 and the Support Services board in 2004. Paul joined the Group as a graduate engineer 22 years ago. He has worked in the UK and overseas and was appointed managing director of Kier Construction in 2001, chairman of Kier Construction in 2003 and joined the Regional board in 2004. I am looking forward to working with Ian and Paul and am confident that they will both contribute strongly to the Board and to the future direction of the Group.

The Residential board

Following the restructuring of the Residential board we have appointed Michael O'Farrell, previously managing director of our subsidiary Allison Homes, as managing director of Kier Residential reporting to the Kier Group Board through the chief executive, John Dodds. With Mick's broad experience in housebuilding I am confident that he will make a significant contribution to the future growth of the Residential business.

Prospects and markets

We enter the year with record levels of work in hand in Construction and Support Services and a satisfactory order book in Homes. Our integrated business model continues to provide competitive advantage. I therefore anticipate further profitable growth in the current year.

Chief Executive's review

The year has been an extremely busy one for Kier with record turnover and profit levels achieved by all the divisions. A growing proportion of our work has been secured from repeat business and negotiated contracts and an increasing amount is being generated from development schemes where two or more of the divisions within the Group are working together. An example of this is at Whitehall where the office development for DEFRA was completed during the year by Kier Build, working for developer Kier Property, with Kier Managed Services carrying out the facilities management function. Further examples include PFI projects and other schemes involving Kier Residential and Kier Partnership Homes. This rare offering of a total solution to clients' increasingly complex requirements is providing us with some unique opportunities and an ability to attract new clients. I am confident that further value can be achieved from these markets.

Construction

The full-year results for the Construction segment have been analysed separately from those of Support Services for the first time. Our Construction segment includes Kier Regional, comprising Regional Contracting, Affordable Housing and Major Building Projects, and Kier Construction our Infrastructure and Overseas operation. Turnover from the Construction segment reached £1,096.2m, 8.8% up on 2004's £1,007.3m, fuelled by a good market and a strong supply of public sector work. Operating profit, before goodwill amortisation, increased by 35.7% to £15.6m (2004: £11.5m) and the operating margin increased from 1.1% to 1.4%. Cash generation has been exceptionally strong with cash balances at 30 June 2005 over £50m higher than the previous year end and average cash balances for the year £34m ahead. Contract awards were at a record £1,372m (2004: £931m) including a number of long-term framework contracts, providing a record order book of £1,030m at 30 June 2005 (2004: £662m).

The year to 30 June 2005 saw a number of records for Kier Regional: turnover at £954.6m was 10.0% ahead of 2004; year end cash balances of £205m were £36m ahead; and contract awards at £1,018m compare favourably with the previous record set in 2004 of £845m.

The strength of Kier Regional lies in its wide network of UK construction businesses which combine local knowledge with national presence enabling it to respond to a wide range of markets and sectors. Through strategic alliances and frameworks with public sector clients it delivers a co-ordinated service through Kier Health, for ProCure 21; Kier Custodial, for prisons; and Kier Education, for Building Schools for the Future. Other local authority and housing association frameworks have also been established including those to deliver affordable housing. These frameworks and strategic alliances have contributed to an increase in public sector awards to 41% of the total, compared with 36% in 2004. In the private sector, where commercial and retail awards dominate, similar frameworks exist, for example, through Kier Retail, for clients such as Tesco, Waitrose and Morrisons. The proportion of total awards from negotiated and two-stage bids has increased to 59% in 2005 from 52% in 2004.

Kier Regional has started the new financial year with an order book of £647m (2004: £511m) comprising largely shorter-term contracts at an average value of £2.6m which provides protection against building cost inflation and maintains a low risk profile, a strategy that has been key to the success of this business. With this type and value of work in hand and a large volume of contracts pending award we anticipate further growth in the business during this financial year.

In the UK, the civil engineering arm of Kier Construction successfully completed a major section of the Channel Tunnel Rail Link and secured a Network Rail Structures Framework contract for the East Anglia region which is expected to provide £100m of work over five years. The water sector has provided further work through our second five year framework agreement with United Utilities, in joint venture, which will provide £130m of work for Kier over the period. Our private opencast coal mine at

Greenburn has now completed its first full year of production. So far 750,000 tonnes have been mined and over 60% of that remaining in the ground has been forward sold at favourable, fixed prices. Possible extensions to the mine are being explored which could extend the period of activity beyond the current anticipated completion date of 2009.

Overseas, our activities in the Caribbean are thriving with the award of a new hotel contract for Sandals in Antigua and a transportation centre in Kingston, Jamaica. Our long term alliance with Alcoa continues on projects at alumina refineries in Suriname and Jamaica and we are set to play a further major role in Alcoa's worldwide capital expansion plans. During the year we sold our remaining shares in Kier Hong Kong which provided an exceptional profit of £0.8m. We maintain our relationships with local Hong Kong contractors which may, in time, lead to future joint venture opportunities in the Far East.

Support Services

Our Support Services business continues to prosper. Overall turnover increased by 15.1% to £227.5m (2004: £197.7m) and operating profit, after goodwill amortisation, rose to £3.2m; before goodwill it was £5.1m (2004: £4.7m) representing a margin of 2.2%. A number of contracts were awarded during the year resulting in a record order book of £1.2bn at 30 June 2005 (2004: £1.1bn).

Building Maintenance successfully implemented the Leeds North West and Leeds South repair and maintenance contracts with a combined value of over £10m per annum for the next five years, extendable for a further five. Kier Sheffield added to its, already successful, building maintenance contract by securing a share of the Sheffield Decent Homes framework contract which will provide us with around £160m of work over seven years. Other Decent Homes framework contracts were awarded at Islington for £40m and Greenwich for £7.5m, both over five years. New work is plentiful in this sector and we are hopeful of further awards in the current financial year.

In Managed Services the portfolio of services provided under the Private Finance Initiative continues to grow with the start of services at Essex, Harrow, Waltham Forest and Bexley Schools. We were pleased to have won Best Operational Health Scheme in the UK for Neath Port Talbot Hospital in the Public Private Finance Awards for the standard of service provided to clients and the award for Best Operational Education Project for Pembroke Dock Community School.

Homes

Kier Residential came forward at 1 July 2004 with an exceptionally strong order book which provided a high level of unit sales for the six months to 31 December 2004. As predicted the number of unit sales was lower in the second half of the year. Full year completions of 1,215 were 4.9% ahead of 2004's 1,158 at an average selling price of £181,700 (2004: £186,300) which provided turnover of £220.8m (2004: £215.7m) from housing sales. A land disposal, planned as part of a larger site, generated a further £4.7m of turnover at no profit or loss. The reduction in average selling prices year on year reflects both a 7% reduction in average unit size and an increase in the proportion of affordable housing sales from 5% of total sales in 2004 to 12% in 2005.

Operating profit increased by 7.2% to £34.1m (2004: £31.8m) at a margin of 15.4% on housing turnover (2004: 14.7%), benefiting during the period from a large strategic site at Royston which is now complete. Our Scottish based business contributed strongly to the growth following the restructuring and strengthening of the local management team and assisted by a sound market.

During the year £69m was spent on selective land purchases and in June 2005 we acquired the land and work in progress of Ashwood Homes, in an off-market deal, for £23.5m of which £8.5m is deferred. Nine sites, located in Lincolnshire and Cambridgeshire, were acquired in the transaction comprising 389 units with planning consent. At 30 June 2005 the land bank contained 5,178 units with planning consent (2004: 4,961) representing slightly more than our target holding of four years' unit sales. At 30 June 2005 we held approximately 12,000 units of strategic land, mostly under option, after achieving planning consent during the year for 550 units on a former Anglian Water site near the centre of Peterborough. Significant planning progress has also been made in delivering a site at Aylesbury, part of a mixed-use development area, which should provide us with 400 units for development. Strategic land is proving a valuable route for land acquisition. Historically approximately 18% of our annual unit sales have originated from this process.

Kier Residential is making good progress at Poole Harbour where contracts have been exchanged with Network Rail on a six acre mixed-use development site. Work is about to commence, in conjunction with Kier Construction and Kier Property, to deliver a new hotel, 250 apartments and a new railway station. Other mixed-use projects include the former Shippams paste factory site in Chichester where planning consent has been granted for 165 apartments and 50,000sq ft of retail units for redevelopment in conjunction with Kier Property and Kier Regional.

The holiday period has, as always, resulted in fewer visitors to our sites, however, the quality of those visitors has improved. Although purchasers are taking longer to make their decision, we have taken more reservations in the two months to 31 August 2005 than in the same period last year. Taken together the order book and completions to date are at a marginally lower level than last year reflecting the strong brought forward position at 1 July 2004. We will be selling from around 18% more outlets during the year compared with the year to 30 June 2005 and therefore we anticipate growth in unit sales for the full year of which 43% are already secure. The balance of unit sales is expected to be more heavily skewed towards the second half of the year than 2005.

Property

Kier Property continues to establish itself as one of the UK's leading commercial property developers. It has a development pipeline totalling 4m sq ft of space including offices, industrial, retail and mixed-use schemes with a future sales value of nearly £700m developed directly and through joint venture. In the year to 30 June 2005 Kier Property achieved a 29.6% increase in turnover to £60.4m (2004: £46.6m) and a 51.5% increase in operating profit to £10.0m (2004: £6.6m). The completion, by contractors Kier Regional, of the office developments at Whitehall for DEFRA and at Swindon for the National Trust during the year contributed strongly to the results. Also in the offices sector the 100,000sq ft head office for BAE subsidiary AMS was completed at Frimley Business Park and plans are in preparation for a further 300,000sq ft office scheme in the same location.

Under the Trade City industrial brand we acquired a site at Enfield for up to 50,000sq ft of industrial space and completed our sites at Bicester, Exeter and Romford.

In the retail sector we completed a further 75,000sq ft resource recovery unit at Waltham Park for Sainsbury adjacent to the 700,000sq ft distribution centre completed for the same client some time ago. Further investment in retail included the acquisition of the 100,000sq ft Mannington Retail Park in Swindon which is let to national occupiers and includes valuable redevelopment and refurbishment opportunities.

In Reading town centre a 22 storey residential and retail development has been given the go-ahead and at Sunbury consent has been granted for a new hotel and 90 flats near to Kempton racecourse. More mixed-use opportunities are being bid for in conjunction with Kier Residential as well as other office, retail and industrial sites. In order to fund further expansion the bank facilities within the joint venture with the Bank of Scotland have been increased to £162m.

Infrastructure Investment

Our infrastructure investment business has continued to successfully bid and win work by drawing together the Group's PFI, construction and services activities under the banner of Kier. This formula has been a key factor in much of our success to date.

Financial close was reached on a £50m scheme for Sheffield City Council in May 2005, our third schools project. Kier Regional has started construction on the four new schools and on completion Kier Managed Services will provide the services for the 25-year term. Our fourth schools project achieved preferred bidder status in July 2005 for five new schools and the refurbishment of one school in Norfolk. In health our fifth project was awarded preferred bidder status in February 2005 for a treatment centre in Ipswich. Upon financial close, expected in the New Year, Kier Regional will carry out the £26m construction project and Kier Managed Services will maintain it for 30 years after completion. Our response to the Building Schools for the Future initiative is brought together under the Kier Education banner which achieved its first short-listing, in July 2005, as one of three bidding to Sheffield City Council.

As well as investing in new projects this year we have been developing the returns from our current portfolio. In August 2004 we refinanced our first PFI project, Hairmyres Hospital which provided us with £8.1m of cash after contributing 30% of the gain to the Lanarkshire Health Board. No profit can be recognised on the gain unless we dispose of the investment but tax is payable resulting in an exceptional tax charge of £2.5m in the accounts. In December 2004 we disposed of our 25.5% investment in the Neath Port Talbot Hospital concession to Secondary Market Infrastructure Fund UK LP. We received a cash consideration of £5.0m on the sale and generated an exceptional profit of £2.1m.

Following this disposal our portfolio of investments comprises 12 projects with a committed investment of £20.3m. As the secondary market for these investments develops there may be opportunity to realise future value from the portfolio.

Pensions

The FRS 17 deficit in the Kier Group Pension Scheme, after accounting for deferred tax, has increased during the year from a net £67.2m to £82.6m at 30 June 2005. The market value of the scheme's assets rose by 21% whilst the present value of liabilities increased by 21%, largely resulting from a 0.9% reduction in the discount rate compared with the previous year. The assumptions for longevity have also changed contributing to an increase in the deficit. The Group has continued to take a responsible approach to the funding requirements of the pension fund and in March 2005, using the cash proceeds from refinancing the Hairmyres PFI investment and the sale of the investment in the Neath Port Talbot Hospital concession, the Group made a £12.0m special cash contribution to the pension fund, without which the deficit in the fund would have been greater. Under current accounting standards this contribution has no impact on operating profits and is treated as a prepayment in the accounts.

Other changes have been made to the way in which pension contributions are made which will result in savings to the Group and which are being contributed to the pension fund in addition to normal requirements.

Health & Safety

In an industry where incidents and accidents still occur, Kier Group health & safety standards are an integral part of the management process. The Group remains focused on the continuous improvement of health & safety standards throughout all parts of the business and supply chain and is determined to play its part in creating an industry that presents a healthy and safe working environment and is an attractive prospect for the employment of future generations. The Group's Accident Incidence Rate is 598 per 100,000 staff and subcontractors, comparing favourably with the Health & Safety Executive benchmark of 1,023.

The positive attitude displayed toward health & safety by Kier companies led to the award of one bronze, one silver and 17 gold RoSPA awards and 13 British Safety Council Awards. We were also delighted that Kier Building Maintenance won the RoSPA Behavioural Safety and Best Practice award which is a great achievement.

Kier people

I should like to thank each and every one of our employees for their contribution to the advancement of the Group. It is the continuing commitment, innovation, professionalism and integrity of our people that has made the Group the success it is today and I am confident that the high quality of our teams will take the Group forward to achieve further growth in the future.

Summary and prospects

Kier has had a very successful year, with strong performances achieved in all the divisions. Looking forward the Group is in excellent shape to continue its advancement. The Construction order book is at record levels containing a high proportion of good quality negotiated work and framework contracts. The local authority building maintenance outsourcing sector continues to provide our Support

Services division with good opportunities. In Homes our land bank consists of sites capable of delivering the right product in the right location which should provide further growth in unit sales this year. In Property our portfolio of office, retail and industrial developments continues to enhance value and we are investing further in new schemes; and in Infrastructure Investment we have developed a good pipeline of projects and remain committed to the Government's Private Finance Initiative. More opportunities are being presented to us where we are able to involve the many disciplines in the Group to provide mixed-use solutions to clients and a total in-house service.

Ours is a long-term business with firm foundations in place and I am confident that the Group will continue to deliver further growth in 2006 and beyond.

Consolidated profit and loss account
for the year ended 30 June 2005

	Notes	2005 £m	2004 £m
Turnover – Continuing operations			
Group and share of joint ventures	2	**1,621.4**	1,476.5
Less share of joint ventures' turnover		**(48.4)**	(32.4)
Group turnover		**1,573.0**	1,444.1
Cost of sales		**(1,430.7)**	(1,315.1)
Gross profit		**142.3**	129.0
Administrative expenses		**(93.7)**	(89.6)
Group operating profit – Continuing operations		**48.6**	39.4
Share of operating profit – joint ventures		**4.8**	3.2
Operating profit: Group and share of joint ventures	2	**53.4**	42.6
Exceptional items	3	**6.7**	-
Profit on ordinary activities before interest and taxation		**60.1**	42.6
Net interest receivable/(payable) – Group		**0.9**	(0.2)
Net interest payable – joint ventures		**(3.1)**	(1.8)
Profit on ordinary activities before taxation	2	**57.9**	40.6
Taxation on profit before exceptional items	4	**(15.8)**	(12.0)
Taxation on exceptional items	3	**(4.3)**	-
		(20.1)	(12.0)
Profit for the year		**37.8**	28.6
Dividends	5	**(7.9)**	(6.8)
Retained profit for the Group and its share of joint ventures		**29.9**	21.8
Earnings per Ordinary Share	6		
- basic		**106.8p**	81.5p
- diluted		**105.9p**	80.8p
Adjusted Earnings per Ordinary Share	6		
(before exceptional items and goodwill amortisation)			
- basic		**105.4p**	87.2p
- diluted		**104.5p**	86.4p
Dividend per Ordinary Share		**22.2p**	19.0p

All items in the profit and loss account relate to operations continuing as at 30 June 2005.

Group operating profit includes a charge of £2.5m for the amortisation of goodwill (2004: £2.6m).

Consolidated balance sheet
at 30 June 2005

	Notes	2005 £m	2004 £m
Fixed assets			
Intangible assets – goodwill		**16.1**	18.6
Tangible assets		**75.8**	68.9
Investments			
Investments in joint ventures			
Share of gross assets		**218.3**	194.8
Share of gross liabilities		**(221.8)**	(190.7)
Loans provided to joint ventures		**27.3**	28.1
Investment in joint ventures		**23.8**	32.2
		115.7	119.7
Current assets			
Stock		**334.2**	328.6
Debtors		**259.9**	231.2
Cash at bank and in hand		**93.5**	41.4
		687.6	601.2
Current liabilities			
Creditors - amounts falling due within one year		**(587.3)**	(530.7)
Net current assets		**100.3**	70.5
Total assets less current liabilities		**216.0**	190.2
Creditors – amounts falling due after more than one year		**(48.3)**	(58.5)
Provisions for liabilities and charges		**(20.3)**	(15.3)
Net assets	2	**147.4**	116.4
Capital and reserves			
Called up share capital		**0.4**	0.4
Share premium account		**17.9**	17.1
Capital redemption reserve		**2.7**	2.7
Share scheme reserve		**(0.2)**	(0.4)
Profit and loss account		**126.6**	96.6
Equity shareholders' funds	7	**147.4**	116.4

Consolidated cash flow statement
for the year ended 30 June 2005

	Notes	**2005 £m**	2004 £m
Net cash inflow/(outflow) from operating activities	8(a)	**86.4**	(3.7)
Dividends received from joint ventures		**0.4**	0.3
Returns on investments and servicing of finance			
Interest received		**2.5**	1.4
Interest paid		**(2.6)**	(2.8)
Interest on loans to joint ventures		**1.2**	2.0
		1.1	0.6
Taxation paid		**(12.8)**	(11.5)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		**(19.9)**	(21.5)
Sale of tangible fixed assets		**6.0**	2.8
		(13.9)	(18.7)
Acquisitions and disposals	8(c)	**(4.1)**	(17.2)
Equity dividends paid		**(6.4)**	(5.5)
Cash inflow/(outflow) before use of liquid resources and financing		**50.7**	(55.7)
Management of liquid resources			
Net decrease in short-term bank deposits		**16.1**	20.7
Financing			
Issue of ordinary share capital		**0.2**	1.4
Purchase of own shares		**(0.4)**	(0.1)
		(0.2)	1.3
Increase/(decrease) in cash during the year		**66.6**	(33.7)

Reconciliation of net cash flow to movement in net funds			
Increase/(decrease) in cash		**66.6**	(33.7)
Decrease in liquid resources		**(16.1)**	(20.7)
Movement in net funds in the year		**50.5**	(54.4)
Cash, net of debt on 1 July		**7.6**	62.0
Cash, net of debt at 30 June	8(b)	**58.1**	7.6

1. Accounting policies

There have been no changes to accounting policies in these financial statements. They are prepared in accordance with UK Generally Accepted Accounting Practice.

2. Turnover, profit and segmental information

Segmental analysis of the results is shown below:

	Turnover		Operating profit		Profit before tax	
	2005	2004	**2005**	2004	**2005**	2004
	£m	£m	**£m**	£m	**£m**	£m
Construction	**1,096.2**	1,007.3	**15.0**	10.9	**26.4**	19.0
Support Services	**227.5**	197.7	**3.2**	2.7	**3.0**	2.2
Homes	**225.5**	215.7	**34.1**	31.8	**24.7**	24.5
Property	**60.4**	46.6	**10.0**	6.6	**7.2**	5.0
Infrastructure Investment	**11.8**	9.2	**(0.9)**	(1.9)	**1.4**	(1.3)
Corporate overhead/finance	**-**	-	**(8.0)**	(7.5)	**(4.8)**	(8.8)
	1,621.4	1,476.5	**53.4**	42.6	**57.9**	40.6

Operating profit and profit before tax is after deducting the amortisation of goodwill in Construction of £0.6m
(2004: £0.6m) and in Support Services of £1.9m (2004: £2.0m).

	Net operating assets		Net assets	
	2005	2004	**2005**	2004
	£m	£m	**£m**	£m
Construction	**(175.1)**	(132.6)	**66.6**	59.0
Support Services	**(6.3)**	10.6	**8.1**	7.3
Homes	**248.4**	201.3	**62.9**	53.6
Property	**24.3**	24.8	**11.7**	8.1
Infrastructure Investment	**(1.7)**	9.0	**(3.7)**	(1.8)
Corporate overhead/finance	**(0.3)**	(4.3)	**1.8**	(9.8)
	89.3	108.8	**147.4**	116.4

Net operating assets represent assets excluding cash, bank overdrafts, long-term borrowings and interest-bearing inter-company loans.

Operating profit and profit before tax for Support Services and corporate overhead/finance have been adjusted to reallocate costs of bidding for Support Services contracts from corporate overhead/finance to Support Services. The adjustment is £2.0m in the year to June 2004. Profit before tax for the year to 30 June 2005 includes: an exceptional profit of £0.8m relating to the sale of an investment in Construction, an exceptional profit of £2.1m relating to the sale of an investment in a PFI joint venture in Infrastructure Investment; and an exceptional profit of £3.8m relating to the sale of a fixed asset property in corporate overhead/finance.

3. Exceptional items

Exceptional items for the year to 30 June 2005 arise from the following:

	Profit before tax £m	Tax £m	Net profit/ (loss) £m
Disposal of investment in Kier Hong Kong Limited	**0.8**	**-**	**0.8**
Disposal of investment in a PFI joint venture	**2.1**	**(0.6)**	**1.5**
Refinancing of a PFI joint venture	**-**	**(2.5)**	**(2.5)**
Disposal of a fixed asset property	**3.8**	**(1.2)**	**2.6**
	6.7	**(4.3)**	**2.4**

4. Analysis of taxation charge

	2005 £m	2004 £m
Taxation on profit before exceptional items	**15.8**	12.0
Taxation on exceptional items	**4.3**	-
Total taxation charge	**20.1**	12.0
Current tax		
UK corporation tax on profit before exceptional items at 30%	**11.7**	10.8
UK corporation tax on exceptional items	**4.3**	-
Joint venture tax	**0.6**	0.1
Overseas tax	**0.3**	0.5
Adjustments in respect of previous years	**0.4**	0.6
Total current tax	**17.3**	12.0
Deferred tax		
Origination and reversal of timing differences	**2.8**	0.3
Joint venture tax	**0.4**	(0.3)
Adjustments in respect of previous years	**(0.4)**	-
Total deferred tax	**2.8**	-
Total tax on profit on ordinary activities	**20.1**	12.0

5. Dividends

	2005	2004
	£m	£m
Ordinary Shares		
Paid 7.0 pence (2004: 6.0 pence)	**2.5**	2.2
Proposed 15.2 pence (2004: 13.0 pence)	**5.4**	4.6
	7.9	6.8

6. Earnings per share

Earnings per share is calculated as follows:	**2005**		2004	
	Basic	**Diluted**	Basic	Diluted
	£m	**£m**	£m	£m
Profit after tax	**37.8**	**37.8**	28.6	28.6
Less: exceptional items	**(6.7)**	**(6.7)**	-	-
Add: tax on exceptional items	**4.3**	**4.3**	-	-
Profit after tax before exceptional items	**35.4**	**35.4**	28.6	28.6
Add: goodwill amortisation	**2.5**	**2.5**	2.6	2.6
Less: tax on goodwill amortisation	**(0.6)**	**(0.6)**	(0.6)	(0.6)
Adjusted profit after tax	**37.3**	**37.3**	30.6	30.6
	Million	**Million**	Million	Million
Weighted average number of shares	**35.4**	**35.4**	35.1	35.1
Weighted average number of unexercised options - dilutive effect	**-**	**0.1**	-	0.1
Weighted average impact of LTIP	**-**	**0.2**	-	0.2
Weighted average number of shares used for EPS	**35.4**	**35.7**	35.1	35.4
	Pence	**Pence**	Pence	Pence
Earnings per share (based on net profit for the year)	**106.8**	**105.9**	81.5	80.8
Adjusted earnings per share (before exceptional items)	**100.0**	**99.2**	81.5	80.8
Adjusted earnings per share (before exceptional items and goodwill amortisation)	**105.4**	**104.5**	87.2	86.4

7. Reconciliation of movements in shareholders' funds

	£m
Profit for the year	**37.8**
Dividends	**(7.9)**
Retained profit for the year	**29.9**
Currency translation	**0.1**
Issue of shares	**0.8**
Movement in share scheme reserve	**0.2**
Net additions to shareholders' funds	**31.0**
Opening shareholders' funds	**116.4**
Closing shareholders' funds	**147.4**

8. Cash flow notes

a) Reconciliation of operating profit to operating cash flows

	2005 £m	2004 £m
Group operating profit	**48.6**	39.4
Amortisation of goodwill	**2.5**	2.6
Depreciation charges	**12.3**	8.1
Profit on sale of fixed assets	**(0.5)**	(1.3)
Decrease/(increase) in stocks	**18.5**	(52.1)
Increase in debtors	**(28.7)**	(26.2)
Increase in creditors	**31.9**	27.9
Increase/(decrease) in provisions	**1.8**	(2.1)
Net cash inflow/(outflow) from operating activities	**86.4**	(3.7)

b) Analysis of changes in net funds	1 July 2004 £m	Cash flows £m	**30 June 2005 £m**
Cash at bank and in hand	11.1	68.2	**79.3**
Bank overdrafts	(3.7)	(1.6)	**(5.3)**
Short-term bank deposits	30.3	(16.1)	**14.2**
Long-term borrowings	(30.1)	-	**(30.1)**
Cash, net of debt	7.6	50.5	**58.1**

Cash, net of debt includes £6.2m (2004: £10.2m) being the Group's share of cash and liquid resources held by joint arrangements and £16.6m (2004: £13.6m) of cash not readily available to the Group.

c) Acquisitions and disposals	**2005**	2004
	£m	£m
Investment in subsidiary undertakings	**(16.5)**	(17.0)
Disposal of investment in Kier Hong Kong Limited	**0.8**	-
Disposal of investment in PFI joint venture	**5.0**	-
Refinancing of PFI joint venture	**8.1**	-
Investment in joint ventures	**(1.5)**	(0.2)
	-------------	-------------
	(4.1)	(17.2)
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9. Statutory Accounts

The financial information set out above does not constitute statutory accounts for the years ended 30 June 2005 or 2004 but is derived from those accounts.

Statutory accounts for 2004 have been delivered to the Registrar of Companies and those for 2005 will be delivered following the Company's Annual General Meeting. The auditors have reported on those accounts, their reports were unqualified and did not contain statements under section 237 (2) or (3) of the Companies Act 1985.