News Release

KIER

KIER GROUP PLC

INTERIM RESULTS FOR THE

SIX MONTHS TO 31 December 2009

24 February 2010

- Underlying pre-tax profits* up 20.8% to £31.9m (2008: £26.4m)
- Underlying EPS* up 20.5% to 61.6p (2008: 51.1p)
- Construction margins at 2.5% (2008: 2.4%), Support Services margins at 4.4% (2008: 4.0%)
- Interim dividend increased by 2.8% to 18.5p (2008: 18.0p)
- £130.7m of net cash at 31 December 2009 (2008: £82.2m)
- Order books for Construction and Support Services at £4.5bn (2008: £3.7bn)
- Construction order books secure targeted revenue for 2010 and 73% of the target for 2011
- Healthy H1 performance in Partnership Homes and Developments benefiting from land transactions

*Underlying pre-tax profits and EPS are stated before amortisation of intangible assets of £1.4m (2008: £1.1m) and before exceptional items.

Commenting on the results, John Dodds, Chief Executive said:

"Kier Group plc has continued to perform well and in line with expectations. We are delivering good profits with increasing net cash and our order books remain healthy supported by an extensive array of framework agreements and partnering arrangements. Our business continues to attract opportunities for our divisions both independently as well as cooperatively through our integrated business model. By working together our divisions create value and deliver holistic solutions that, I believe, truly set us apart from others.

"The uncertainties surrounding the forthcoming general election together with the public sector deficit give rise to concerns over the future levels of public sector spending. Notwithstanding that, our order book has grown and Kier is on over 50 construction framework agreements, both public and private, which provide comfort that we will grow our market share whilst delivering value to our clients."

Chairman, Phil White said:

"As announced in November, John Dodds, our chief executive, is retiring from the Group and will step down from the Board at the end of March. John joined Kier nearly 40 years ago as a site engineer, rose through the ranks in the construction division including overseas, and joined the Group Board in 1992. He was part of the team which led the employee buy-out of the Group, building up the business for its subsequent flotation in 1996. His down-to-earth approach, strength of character and determination culminated in his appointment as group chief executive in 2003. We will greatly miss John and on behalf of the Kier Board I would like to express our sincere thanks to this very special man for his major contribution to the Group.

"Our incoming chief executive Paul Sheffield has worked closely with John for many years and I am confident that Paul's experience and leadership skills will be instrumental in taking the Group further forward. Paul has a strong, supportive team behind him and I wish him every success."

CHIEF EXECUTIVE'S REVIEW

Overview

I am pleased to report good interim results for Kier Group plc for the six months to 31 December 2009. Underlying profit before tax grew by 20.8% to £31.9m (2008: £26.4m) and our net cash balances grew by £38.2m to £130.7m in the six months to 31 December 2009.

In Construction our focus is on continuing to win work at the right price and, with our multitude of framework agreements underpinning our awards, our order books remain stable at £2.2bn (2008: £1.9bn). All of our targeted revenue for the current financial year and 73% of our targeted revenue for the following financial year is already secure or 'probable'. As expected our Construction margins are holding up well at 2.5% for the six months (2008: 2.4%) and our Construction cash position remains strong.

In Support Services our order books have grown to £2.3bn (2008: £1.8bn), operating margins have grown to 4.4% (2008: 4.0%) and cash balances have increased.

Whilst conditions for our Partnership Homes and Developments businesses remain challenging the financial performance improvement in each of these businesses reflects a slight easing in the market. This is largely underpinned by a lack of supply of good quality product and the re-emergence of purchasers, albeit cautious.

Our business continues to attract opportunities for our divisions both independently as well as cooperatively through our integrated business model. By working together our divisions are creating value and can deliver holistic solutions that, I believe, truly set us apart from others. Good examples of these include our ability to deliver mixed-use developments to retail clients, to respond to Network Rail through our Solum Regeneration joint venture and to deliver mixed-use and mixed-tenancy housing sites to the Homes and Communities Agency.

Financial Results

Total revenue for the six months to 31 December 2009 was £1,009.8m (2008: £1,108.7m). Support Services and Partnership Homes achieved growth in the period. In the Construction division there was a reduction in revenue arising largely from a decline in UK private sector projects together with lower levels of revenue arising from our overseas operations.

Underlying operating profit for the Group was 24.5% ahead of last years at £31.0m (2008: £24.9m). This reflects particularly strong performances from our Partnership Homes and Developments divisions as a consequence of the timing of profits arising from land transactions including the transfer of strategic land into the Kier Group Pension Scheme in order to settle an agreed special pension contribution, together with good growth from our Support Services division.

Exceptional items amounted to a net charge of £13.8m for the period. This includes gains of £4.2m arising from the sale of two PFI investments offsetting a provision of £18.0m in respect of a fine levied by the Office of Fair Trading following its investigation into the construction industry, the quantum of which we have appealed against.

Underlying profit before tax for the period was £30.5m (2008: £25.3m) after amortisation of intangibles, joint venture tax and before exceptional items and, on the same basis, adjusted earnings per share were 58.9p (2008: 48.9p).

The cash performance was strong in the period reflecting the sale, by Kier Property, of the UK Supreme Court investment which generated over £30m. Net cash balances in the period averaged £71m (2008: £61m), ending the period at a net balance of £130.7m (2008: £82.2m). Healthy cash balances have been maintained in our Construction and Support Services divisions. Within our Partnership Homes division our cash investment reduced by £13.8m in the six months to 31 December 2009 as revenue from unit sales exceeded new investment in land and work in progress. Our treasury balances averaged £53m (2008: £42m) during the period and, in addition to our cash resources, we have undrawn banking facilities of £105m including five-year facilities amounting to £92.5m which are due for renewal during 2011.

Net assets at 31 December 2009 reduced to £75.5m (June 2009: £89.3m) reflecting an increase in liabilities in our pension scheme due to the application of, what we regard as, an arbitrary discount rate to the long-term cash flow liabilities in the scheme.

Taking into account the performance of the Group in the period and its strong cash position, the Board is pleased to announce its intention to increase the interim dividend by 2.8% to 18.5p (2009 interim dividend: 18.0p). The interim dividend will be paid to shareholders on 4 May 2010 with the usual scrip dividend alternative.

Office of Fair Trading

On 22 September 2009 Kier, along with 102 other construction companies, was fined in respect of the Office of Fair Trading's investigation into cover-pricing in the construction industry. Our fine of £17.9m was calculated by reference to Kier Group plc's worldwide group revenue for the year to 30 June 2008 (£2.3bn) and, as such, was the highest level of revenue to which the calculation of any of the fines was applied.

We have lodged an appeal with the Competition Appeals Tribunal (CAT) which will be heard during the summer of 2010 and we understand that the CAT will conclude its findings and make a decision towards the end of the calendar year. We have made an exceptional provision of £18.0m in the results for the six months to 31 December 2009 to reflect the fine as it currently stands but do not expect any payment to be made before the end of the calendar year.

We remain totally committed to ensuring that the practice of cover pricing and any form of anti-competitive behaviour does not occur in our business.

Construction

The Construction division encompasses our UK regional contracting, civil engineering and overseas businesses which are highly skilled in the construction of the full range of building projects, together with power, waste, water, nuclear, infrastructure, rail and mining projects.

As expected revenue reduced by 14.6%, to £678.3m (2008: £794.2m) led by a reduction in private sector UK contracts together with a decline in our activities in Dubai and Romania.

Operating profit therefore fell marginally to £16.9m (2008: £19.0m) but with a strong operating margin of 2.5% (2008: 2.4%) reflecting the good quality work we are carrying out, largely through frameworks and negotiated opportunities. Cash levels, one of our key measures in this division, continued to be strong with cash balances of £397.8m at 31 December 2009 (2008: £410.0m).

Contract awards in the first half of the year continued at encouraging levels and, together with the brought forward secured position and the level of 'probable' awards (comprising contracts on which we are at least preferred bidder or are in one-to-one negotiations), provided order books of £2,232m (30 June 2009: £2,245m). This secures essentially all of our targeted revenue for the current financial year and 73% of the target for 2011.

75% of our awards for the period are for public sector projects with education continuing to be, by far, our largest source of work accounting for some 43% of awards. The Contractors Framework for Academies has provided us with £310m of secured work on 11 projects together with a further £450m in respect of seven projects on which we have recently been announced preferred bidder and which we expect to execute during 2010 and 2011. We have also been appointed as one of 15 contractors on the Academies Framework 2, a £4bn framework across the entire country split into two regions, of which £1.1bn of funding has already been allocated.

The Kent BSF project, in which we are now an investor as well as a contractor, has continued to perform well with a further £200m of work expected to come on stream in due course. We have also, recently, been announced preferred bidder as contractor on the £200m Cambridge BSF project.

The Procure 21 (health) framework has also had a strong period and we have been selected as preferred bidder on over £70m of work since the beginning of July. Our bid for the new P21+ national framework, worth £650m per annum for six years, has been submitted.

Work for the Ministry of Justice continues to provide a good level of work representing 19% of awards in the period. In October 2009 we achieved financial close on the £180m Featherstone Prison contract near Wolverhampton to provide three 480-place house blocks and additional facilities, with completion expected in May 2012.

In the private sector we have won a number of contracts in the period at Heathrow and Edinburgh under the BAA framework and in retail, Sainsbury's continues to provide a number of contracts including a £24m new store in Newport.

In the power sector, where we are market leader, our major power station for EDF at West Burton is progressing well. The much needed investment programme in power generation in the UK will provide significant opportunity for Kier given our valuable experience and track record with gas, coal and nuclear technologies.

As part of our KMI joint venture for United Utilities, we have recently been awarded a £72m wastewater project in Preston. In Rail we have been successful in gaining entry onto the civil engineering, demolition and enabling frameworks for Crossrail having won our first project and we are tendering, in joint venture, for the forthcoming major tunnelling and civil engineering work.

In Dubai our operations, although small, have continued to see a reduction in revenue levels. However, elsewhere in the Middle East we are exploring further opportunities in Saudi Arabia, where we are currently working on a phosphate mine, as well as in Abu Dhabi.

Looking further ahead the forthcoming election continues to provide uncertainties around the levels of public spending on construction work in the future. However Kier, through our existing frameworks which number over 50, and through our partnership agreements, is very well placed to attract the work that is available and to grow our market share whilst maintaining robust margins. 74% of our contracts are sourced from frameworks or negotiated and partnered work.

We continue to realign our cost base to activity levels in order to maintain our margins which will be an essential part of our activities over the coming months as the political landscape begins to unfold.

Support Services

Support Services comprises four business streams; Kier Building Maintenance, which provides both reactive and planned maintenance, largely to local authorities; Kier Facilities Services, providing facilities management as well as mechanical and electrical services maintenance to public and private sector clients; Kier Street Services, providing services within waste and recycling, street scene and grounds maintenance sectors; and Kier Plant which hires construction plant to Group companies and external clients.

Revenue in Support Services rose 2.4% to £229.7m (2008: £224.4m). Operating profit, before deducting the amortisation of intangible assets of £1.3m (2008: £1.1m), increased by 13.5% to £10.1m (2008: £8.9m) with strong growth in the operating margin to 4.4% (2008: 4.0%). Cash generation within this division remains strong with cash balances at 31 December 2009 of £42.1m (2008: £19.7m) net of our investment in the Plant business of £17m. Order books at 31 December 2009 of £2.3bn (2008: £1.8bn) reflect a continued strong market for building maintenance and facilities management contracts.

Kier Building Maintenance, the largest part of this division, saw revenue levels in line with last year at £166.7m (2008: £169.3m). Our £600m contract for North Tyneside Council started well in September and will see us working with the Council for 10 years with a possible five-year extension. We were also awarded a £100m contract with Barnsley Metropolitan Borough Council to carry out housing repairs, planned maintenance and improvement and environmental work for 9,000 houses over a five-year period, extendable for a further five years. We successfully achieved a £19m extension to our contract with Leeds City Council which gives us further repairs and maintenance work over a 15-month period.

We now look after 240,000 homes across the country providing a combination of planned and reactive repairs and maintenance and decent homes work. We believe that this level of coverage places us within the top five providers of building maintenance services in the UK.

Our Facilities Services business is also performing well, benefiting from an increasing number of both public and private sector opportunities. Revenue in this business grew by 25.7% to £59.2m (2008: £47.1m) supported by the award last year of a £6m per annum cleaning contract for Sheffield City Council, through its sister business Kier Asset Partnership Services. Other new awards include an £80m facilities management contract over 25 years for Kent BSF, a £15m five-year contract for Cornwall Council and an £8m four-year contract for Rutherford Appleton Laboratories.

The outlook for this division remains positive. Whilst local authorities are under pressure to reduce budgets much of the work we carry out for them is essential repairs and maintenance. Typically budgetary pressures tend to encourage local authorities and other public and private bodies to examine their cost base and, as outsourcing becomes the most obvious and cost effective solution, this should provide us with ample opportunity to expand our portfolio. Our order books continue to provide long-term visible revenues to beyond 2020 at strong, consistent margins and there is a growing pipeline of new building maintenance contracts on which we are bidding including: Southwark, Rotherham, North Lanarkshire and, of course, the renewal of our current contract in Islington.

Partnership Homes

Partnership Homes generated revenue of £74.6m (2008: £67.5m) in the six months to 31 December 2009 and operating profit of £6.8m (2008: £0.4m). The division realised healthy profits from land transactions in the period including the transfer of strategic land assets to the Kier Group Pension Scheme to settle a special contribution to the scheme by the Group.

Our social housing completions experienced some slippage this year as a consequence of funding delays and temporary planning issues; however, in the medium term the acute lack of housing supply in the market is expected to underpin growth and provide significant opportunities. Sales of private units have continued in line with our expectations and we are on target to achieve our projected unit completions this financial year. As a result of the timing of social housing contracts our overall unit completions declined slightly in the first half of the year to 488 units (2008: 511 units) and for the full financial year they are expected to be marginally less than those for 2009. 53% of the completions in the period were social housing units, mostly under contracts with housing associations, and 47% were private unit sales (2008: 62% social, 38% private).

Our cash investment in this division continues to reduce as our land and work-in-progress levels decrease in line with our strategy and at 31 December 2009 it amounted to £251.1m (2008: £280.8m). This investment represents our land bank at £222m (June 2009: £230m; December 2008: £264m) together with work in progress of £128m (June 2009: 135m; December 2008 £165m). The land bank of 5,880 units (30 June 2009: 6,150; December 2008: 6,500 units) is diverse and valuable and provides opportunities for both private development and social housing along with other initiatives including care homes and care villages. Our strategy is to focus on mixed-tenure and mixed-use sites and to utilise the land bank to create value. As part of this strategy we expect to continue to see a reduction in the size of our overall land holdings through development as well as profitable land sales. We are seeing some signs of activity in the land market and have profitably disposed of land assets during the period. The average plot cost remains at around £37,000 with wide regional variations in values as well as variations depending upon whether the plots are on greenfield or remediated sites.

In the social housing arena we were delighted to have been selected as a member of the Delivery Partner Panel by the Homes and Communities Agency that will be used to develop new affordable and private housing on public sector sites across England. This initiative will initially enable 1,250 homes to be built nationwide including 500 affordable homes, all of which plays to Kier's strengths as an integrated housebuilding and contracting business. We are shortlisted as one of two bidders on a £55m housing PFI project in Woking which will provide 320 new homes. Other PFI opportunities include schemes in Birmingham, Hull and Portsmouth.

The market for new homes continues to be challenging. Mortgage availability, rather than the demand for our houses, remains the key factor although we are beginning to detect signs of an easing in both mortgage terms and availability as one or two new players are entering the mortgage market. Selling prices have continued to hold up and in selected locations we have experienced marginal increases, underpinned by a lack of availability of new housing. Consequently, having reviewed all of our forecast margins, we are comfortable with the carrying value of the land bank and that no further write-downs are required.

We remain cautious on the outlook for private housing for the rest of the year but we believe that market conditions are beginning to ease. Visitor levels have been increasing over the last six months and we have seen price stabilisation in some of our locations. Gross reservations for the first six months of the financial year are 10% ahead of this time last year. However, given the lower number of sites from which we are selling together with the lower level of order books with which we started this financial year, our current order book of exchanged and reserved contracts together with our completions to date is slightly less than last year and secures around 73% of our targeted unit sales for 2010.

Over time we expect to see our Partnership Homes business growing from its current sales levels. Its activities will be largely in the social housing arena and we expect to achieve mid to high single digit margins.

Developments
Our Developments division comprises Kier Property, which includes office, industrial, retail and mixed-use development both directly and through joint ventures; Kier Project Investment our PFI investment business; and Kier Asset Partnership Services, which has been established for local authority property management and development contracts.

Revenue for the six months to 31 December 2009 of £27.2m (2008: £22.6m) was ahead of last year's reflecting development sales, land disposals (including land assets transferred to the Kier Group Pension Scheme to settle a special contribution) together with revenue arising from our share of the Kent BSF project. Operating profit was £2.4m (2008: £0.6m).

During September we successfully completed the sale of the UK Supreme Court Investment to Prupim generating in excess of £30m of cash at an exit yield of around 5% on the post-tax disposal proceeds. Our former gasworks site at Uxbridge, remediated by Kier Construction, has seen the completion of a new 33,000sq ft office and storage building for international movers

AGS. Also on that site we have commenced the construction of a Driving Test Centre on behalf of the Driving Standards Agency which has already been pre-sold to an investment fund at a yield of 5.5%.

More recently terms have been agreed with Reading University for a new 54,000sq ft Enterprise Centre. Kier is due to start construction shortly with completion expected in the spring of 2011. The investment has been pre-sold and is being funded through the construction phase by the purchaser.

Solum Regeneration, our joint venture with Network Rail, has attracted strong interest in its town centre sites from retailers and hoteliers and we are confident of starting on the first scheme at Epsom during this financial year.

The commercial property market is showing signs of improvement. Yields are hardening and in certain locations rents are beginning to increase. Consequently, having examined the carrying values of our developments, we are confident that no further write-downs are required at this time.

Kier Project Investment, our PFI business, had a number of successes. We completed the purchase of Telereal Trillium's investment in Kent's first BSF Local Education Partnership in September 2009. Having already secured part of the first phase of the construction of the schools, Kier Regional, together with KPI, are working up the proposals for the £200m second phase which will lead to further construction, facilities services and investment opportunities for Kier.

We also sold our investments in two education PFI projects; Waltham Forest Schools and Tendring Schools for a combined cash consideration of £7.3m representing a valuation discount rate of around 8.0%. This sale has resulted in an exceptional gain of £4.2m. Kier Facilities Services continues to act as facilities manager on both of these contracts.

Negotiations on the Norfolk and Suffolk Police Investigations project on which we are preferred bidder are well advanced and financial close is imminent. This will lead to the award of a £60m construction contract for Kier Regional together with a commitment to invest £3.5m in the PFI project.

Our portfolio of PFI projects now totals 12 including the Police Investigation Centres and the first phase of the Kent PFI project through the BSF programme. Our committed equity investment in these schemes stands at £26.3m (2008: £18.4m) of which £16.2m has been invested to date. The directors' valuation of the committed investment at a discount rate of 8% is £44.2m.

We are shortlisted as one of two bidders on a number of PFI projects including Gloucester Fire Stations, Woking Housing and Gloucester Police projects.

Within Kier Asset Partnership Services the outsourcing contract of Sheffield City Council's property management services has started well. The growth potential within this business is significant creating property opportunities both within Sheffield and through replicating this model with other local authorities.

Pensions
The Group participates in two principal schemes; the Kier Group Pension Scheme which includes a defined benefit section, and a local government scheme on behalf of its employees in Kier Sheffield LLP.

At 31 December 2009 the position of the Kier Group Pension Scheme for accounting purposes was a net deficit of £63.1m (December 2008: surplus of £2.7m, June 2009: net deficit £69.2m).

During the last six months we agreed to make an additional special cash contribution to the scheme amounting to £13.2m which was settled through a transfer of residential land at market value, as confirmed by an independent valuation. This special contribution is reflected in the Group's balance sheet as a reduction in inventories together with a reduction in the gross pension deficit. As the land was transferred at greater than book value, profits are included in operating profit for Partnership Homes and Developments for the period.

Under the scheme relating to Kier Sheffield LLP there was a net deficit of £18.4m (December 2008: surplus of £1.4m, June 2009: net deficit £13.4m).

Health and Safety
Kier's Positive Safety Leadership Programme is central to the Group's overall accident reduction plan and is beginning to show real results. The focus by all levels of management, from the chief executive downwards, has helped to reduce the overall Accident Incidence Rate to below last year's levels with December 2009 at 378 per 100,000, being 58% below the Health and Safety Executive benchmark of 906.

Prospects
Whilst we cannot predict the future, we believe that public sector expenditure in our sectors will continue in some form, whichever political party is successful in the forthcoming election. Our approach is to ensure that, should further spending cuts occur, Kier is very well placed to be the contractor of choice and to win the work where it is available on terms which we find acceptable. Our involvement in over 50 long-term framework agreements is a large part of that approach which allows us to be more focussed on the value created for our customers from partnering concepts.

In our Support Services business we have successfully won new work and see good opportunities ahead. In our Partnership Homes and Developments businesses, which benefited in the first half from land sales, we also expect to see improvement in trading conditions over time.

Our integrated business model will continue to create opportunities that are unique to Kier and, together with our spread of operations and our talented and determined staff, we will weather these difficult market conditions and take advantage of opportunities as they arise.

Consolidated income statement

for the six months ended 31 December 2009

	Notes	**Unaudited 6 months to 31 December 2009** Before exceptional items £m	**Exceptional items* £m**	**Total £m**	Unaudited 6 months to 31 December 2008 Before exceptional items £m	Exceptional items* £m	Total £m
Revenue							
Group and share of joint ventures	5	**1,009.8**	**-**	**1,009.8**	1,108.7	-	1,108.7
Less share of joint ventures		**(20.1)**	**-**	**(20.1)**	(23.0)	-	(23.0)
Group revenue		**989.7**	**-**	**989.7**	1,085.7	-	1,085.7
Cost of sales		**(888.4)**	**-**	**(888.4)**	(992.8)	(13.4)	(1,006.2)
Gross profit		**101.3**	**-**	**101.3**	92.9	(13.4)	79.5
Administrative expenses		**(69.7)**	**-**	**(69.7)**	(67.3)	(0.8)	(68.1)
Provision for fine imposed by the Office of Fair Trading		**-**	**(18.0)**	**(18.0)**	-	-	-
Curtailment credit on retirement benefit obligation		**-**	**-**	**-**	-	24.3	24.3
Share of post tax results of joint ventures		**(0.6)**	**-**	**(0.6)**	(0.7)	(3.8)	(4.5)
Profit on disposal of joint ventures	12	**-**	**4.2**	**4.2**	-	-	-
Profit from operations	5	**31.0**	**(13.8)**	**17.2**	24.9	6.3	31.2
Finance income		**1.6**	**-**	**1.6**	3.2	-	3.2
Finance cost		**(2.1)**	**-**	**(2.1)**	(2.8)	-	(2.8)
Profit before tax	5	**30.5**	**(13.8)**	**16.7**	25.3	6.3	31.6
Income tax	7	**(8.5)**	**(0.4)**	**(8.9)**	(7.0)	(2.8)	(9.8)
Profit for the period		**22.0**	**(14.2)**	**7.8**	18.3	3.5	21.8
Attributable to:							
Equity holders of the parent		**21.6**	**(14.2)**	**7.4**	17.8	3.5	21.3
Minority interests		**0.4**	**-**	**0.4**	0.5	-	0.5
		22.0	**(14.2)**	**7.8**	18.3	3.5	21.8
Earnings per share							
- basic	9	**58.9p**		**20.2p**	48.9p		58.5p
- diluted		**58.4p**		**20.0p**	48.9p		58.5p
Adjusted earnings per share (excluding the amortisation of intangible assets)							
- basic	9	**61.6p**			51.1p		
- diluted		**61.1p**			51.1p		

*Exceptional items relate to provision for a fine imposed by the Office of Fair Trading, profit on disposal of joint ventures, land and work in progress write-downs, restructuring costs and a pensions curtailment credit (note 6).

All results are derived from continuing operations.

Consolidated income statement continued
for the year ended 30 June 2009

	Notes	Before exceptional items £m	Exceptional items* £m	Total £m
Revenue				
Group and share of joint ventures	5	2,145.6	-	2,145.6
Less share of joint ventures		(33.7)	-	(33.7)
Group revenue		2,111.9	-	2,111.9
Cost of sales		(1,925.1)	(44.5)	(1,969.6)
Gross profit		186.8	(44.5)	142.3
Administrative expenses		(136.7)	(1.8)	(138.5)
Curtailment credit on retirement benefit obligation		-	24.3	24.3
Share of post tax profits from joint ventures		-	(3.8)	(3.8)
Profit from operations	5	50.1	(25.8)	24.3
Finance income		5.3	-	5.3
Finance cost		(4.8)	-	(4.8)
Profit before tax	5	50.6	(25.8)	24.8
Income tax	7	(14.0)	6.1	(7.9)
Profit for the year		36.6	(19.7)	16.9
Attributable to:				
Equity holders of the parent		35.8	(19.7)	16.1
Minority interests		0.8	-	0.8
		36.6	(19.7)	16.9
Earnings per share				
- basic	9	98.1p		44.1p
- diluted		97.8p		44.0p
Adjusted earnings per share (excluding the amortisation of intangible assets)				
- basic	9	102.5p		
- diluted		102.2p		

*Exceptional items relate to land and work in progress write-downs, restructuring costs and a pensions curtailment credit (note 6)

All results are derived from continuing operations.

Consolidated statement of comprehensive income

for the six months ended 31 December 2009

	Unaudited 6 months to 31 December 2009 £m	Unaudited 6 months to 31 December 2008 £m	Year to 30 June 2009 £m
Foreign exchange translation differences	**-**	-	0.1
Fair value movements in cash flow hedging instruments	**3.8**	(23.7)	(17.2)
Actuarial gains and losses on defined benefit pension schemes	**(15.4)**	23.3	(103.2)
Deferred tax on items recognised directly in equity	**3.2**	0.1	33.7
Other comprehensive loss for the period	**(8.4)**	(0.3)	(86.6)
Profit for the period	**7.8**	21.8	16.9
Total comprehensive (loss)/income for the period	**(0.6)**	21.5	(69.7)
Attributable to:			
Equity holders of the parent	**(1.0)**	21.0	(70.5)
Minority interests	**0.4**	0.5	0.8
	(0.6)	21.5	(69.7)

Consolidated statement of changes in equity

	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 interests £m**	**Total equity £m**
At 30 June 2008	0.4	34.4	2.7	142.0	2.6	0.1	182.2	0.9	183.1
Effect of adoption of IFRIC 12 (net of tax)	-	-	-	(3.2)	-	-	(3.2)	-	(3.2)
At 1 July 2009 (restated)	0.4	34.4	2.7	138.8	2.6	0.1	179.0	0.9	179.9
Total comprehensive income	-	-	-	38.1	(17.1)	-	21.0	0.5	21.5
Dividends paid	-	-	-	(13.5)	-	-	(13.5)	(1.0)	(14.5)
Purchase of own shares	-	-	-	(0.8)	-	-	(0.8)	-	(0.8)
At 31 December 2008 (restated)	0.4	34.4	2.7	162.6	(14.5)	0.1	185.7	0.4	186.1
Total comprehensive income	-	-	-	(96.3)	4.7	0.1	(91.5)	0.3	(91.2)
Dividends paid	-	-	-	(6.6)	-	-	(6.6)	(0.1)	(6.7)
Issue of own shares	-	1.7	-	-	-	-	1.7	-	1.7
Share-based payments credit	-	-	-	(0.9)	-	-	(0.9)	-	(0.9)
Tax on share-based payments	-	-	-	0.3	-	-	0.3	-	0.3
At 30 June 2009 (restated)	0.4	36.1	2.7	59.1	(9.8)	0.2	88.7	0.6	89.3
Total comprehensive income	-	-	-	(3.7)	2.7	-	(1.0)	0.4	(0.6)
Dividends paid	-	-	-	(13.6)	-	-	(13.6)	(0.4)	(14.0)
Share-based payments charge	-	-	-	0.8	-	-	0.8	-	0.8
At 31 December 2009	**0.4**	**36.1**	**2.7**	**42.6**	**(7.1)**	**0.2**	**74.9**	**0.6**	**75.5**

Consolidated balance sheet
at 31 December 2009

	Notes	**Unaudited 31 December 2009 £m**	Unaudited 31 December 2008 restated £m	30 June 2009 restated £m
Non-current assets				
Intangible assets		**22.2**	12.3	11.2
Property, plant and equipment	10	**81.9**	92.5	86.9
Investment in joint ventures		**29.0**	25.4	30.4
Retirement benefit surplus	11	**-**	5.7	-
Deferred tax assets		**31.7**	-	32.1
Trade and other receivables		**19.2**	21.2	49.0
Non-current assets		**184.0**	157.1	209.6
Current assets				
Inventories		**421.6**	515.6	424.3
Trade and other receivables		**283.1**	309.1	296.7
Income tax receivable		**2.1**	1.3	6.6
Cash and cash equivalents		**160.9**	112.4	122.7
Current assets		**867.7**	938.4	850.3
Total assets		**1,051.7**	1,095.5	1,059.9
Current liabilities				
Other financial liabilities		**(0.3)**	(0.7)	(0.6)
Trade and other payables		**(750.2)**	(824.1)	(769.7)
Tax liabilities		**-**	(0.9)	-
Provisions		**(5.6)**	(10.4)	(5.9)
Current liabilities		**(756.1)**	(836.1)	(776.2)
Non-current liabilities				
Long-term borrowings		**(30.2)**	(30.2)	(30.2)
Other financial liabilities		**(0.2)**	(0.3)	(0.3)
Trade and other payables		**(14.7)**	(14.2)	(13.4)
Retirement benefit obligations	11	**(113.2)**	-	(114.7)
Provisions		**(55.6)**	(22.2)	(32.3)
Deferred tax liabilities		**(6.2)**	(6.4)	(3.5)
Non-current liabilities		**(220.1)**	(73.3)	(194.4)
Total liabilities		**(976.2)**	(909.4)	(970.6)
Net assets		**75.5**	186.1	89.3
Equity				
Share capital		**0.4**	0.4	0.4
Share premium		**36.1**	34.4	36.1
Capital redemption reserve		**2.7**	2.7	2.7
Retained earnings		**42.6**	162.6	59.1
Cash flow hedge reserve		**(7.1)**	(14.5)	(9.8)
Translation reserve		**0.2**	0.1	0.2
Equity attributable to equity holders of the parent		**74.9**	185.7	88.7
Minority interests		**0.6**	0.4	0.6
Total equity		**75.5**	186.1	89.3

Consolidated cash flow statement
for the six months ended 31 December 2009

	Unaudited 6 months to 31 December 2009 £m	Unaudited 6 months to 31 December 2008 £m	Year to 30 June 2009 £m
Cash flows from operating activities			
Profit before tax	**16.7**	31.6	24.8
Non cash exceptional items			
Provision for fine imposed by the Office of Fair Trading	**18.0**	-	-
Profit on disposal of joint ventures	**(4.2)**	-	-
Restructuring costs	**-**	0.8	1.8
Land and work in progress write-downs	**-**	17.2	48.3
Curtailment credit on retirement benefit obligation	**-**	(24.3)	(24.3)
Other adjustments			
Share of post tax results of joint ventures	**0.6**	0.7	-
Normal contributions to pension fund in excess of pension charge	**(0.7)**	(0.8)	(2.9)
Share-based payments charge	**0.8**	-	(0.9)
Amortisation of intangible assets	**1.4**	1.1	2.2
Depreciation charges	**8.9**	6.9	14.6
Profit on disposal of property, plant & equipment	**(0.2)**	(1.1)	(1.3)
Net finance cost/(income)	**0.5**	(0.4)	(0.5)
Operating cash flows before movements in working capital	**41.8**	31.7	61.8
Special contributions to pension fund	**(17.2)**	(4.0)	(8.0)
Payment of restructuring costs	**(0.8)**	(6.6)	(8.3)
Decrease/(increase) in inventories	**3.0**	(12.3)	51.4
Decrease in receivables	**44.1**	49.2	33.8
Decrease in payables	**(27.8)**	(80.3)	(133.5)
Increase in provisions	**4.1**	3.8	10.3
Cash inflow/(outflow) from operating activities	**47.2**	(18.5)	7.5
Dividends received from joint ventures	**0.3**	0.2	0.4
Interest received	**2.4**	3.0	4.8
Income taxes received/(paid)	**2.2**	(3.8)	(7.4)
Net cash generated/(used) from operating activities	**52.1**	(19.1)	5.3
Cash flows from investing activities			
Proceeds from sale of property, plant & equipment	**0.5**	2.1	4.4
Proceeds from sale of joint ventures	**7.3**	-	-
Purchases of property, plant & equipment	**(3.9)**	(7.1)	(15.3)
Acquisition of subsidiaries, including net borrowings acquired	**(2.6)**	(12.1)	(14.0)
Investment in joint ventures	**-**	(9.0)	(9.0)
Net cash generated/(used) in investing activities	**1.3**	(26.1)	(33.9)
Cash flows from financing activities			
Purchase of own shares	**-**	(0.8)	(0.8)
Interest paid	**(1.2)**	(1.2)	(2.5)
Dividends paid to equity shareholders	**(13.6)**	(13.5)	(18.4)
Distributions to minority interests	**(0.4)**	(1.0)	(1.1)
Net cash used in financing activities	**(15.2)**	(16.5)	(22.8)
Increase/(decrease) in cash and cash equivalents	**38.2**	(61.7)	(51.4)
Opening cash and cash equivalents	**122.7**	174.1	174.1
Closing cash and cash equivalents	**160.9**	112.4	122.7
Reconciliation of net cash flow to movement in net funds			
Increase/(decrease) in cash and cash equivalents	**38.2**	(61.7)	(51.4)
Opening net funds	**92.5**	143.9	143.9
Closing net funds	**130.7**	82.2	92.5
Net funds consist of:			
Cash and cash equivalents	**160.9**	112.4	122.7
Long-term borrowings	**(30.2)**	(30.2)	(30.2)
Net funds	**130.7**	82.2	92.5

Notes to the interim financial statements

1. Reporting entity

Kier Group plc (the Company) is a company domiciled in the United Kingdom. The condensed consolidated interim financial statements (interim financial statements) of the Company as at, and for the six months ended, 31 December 2009 comprise the Company and its subsidiaries (together referred to as the Group) and the Group's interest in jointly controlled entities.

The comparative figures for the financial year ended 30 June 2009 are not the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditors and delivered to the Registrar of Companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

2. Statement of compliance

These interim condensed financial statements have been prepared in accordance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting' as adopted by the European Union and the Disclosure and Transparency Rules (DTR) of the Financial Services Authority. They do not include all of the information required for the full annual financial statements, and should be read in conjunction with the financial statements of the Group as at, and for the year ended, 30 June 2009.

These interim condensed financial statements were approved by the directors on 23 February 2010.

3. Significant accounting policies

Except as disclosed below, the accounting policies applied by the Group in these interim financial statements are consistent with those applied by the Group in its financial statements as at, and for the year ended, 30 June 2009.

The following amendments to standards or interpretations are mandatory for the first time for the financial year ending 30 June 2010:
IFRS 2 'Amendments to share based payments: vesting conditions and cancellations'
IFRS 3 'Business combinations (revised 2008)'
IFRS 7 'Amendments to financial instruments: disclosures – improving disclosures about financial instruments'
IFRS 8 'Operating segments'
IAS 1 'Presentation of financial statements (revised 2007)'
IAS 23 'Borrowing costs (revised 2007)'
IAS 27 'Consolidated and separate financial statements (revised 2008)'
IFRIC 12 'Service concession arrangements'
IFRIC 14 'Amendments to the limit on defined benefit assets, minimum funding requirements and their interaction'
IFRIC 15 'Agreements for the construction of real estate'.

The adoption of the revised IAS 1 has resulted in the statement of changes in equity being contained in the primary statements rather than within the notes to the financial statements. In addition, the Group has elected to present a separate income statement and statement of comprehensive income. In accordance with the changes in terminology required by the standard the statement of recognised income and expense has been renamed the statement of comprehensive income.

The adoption of IFRIC 12 on 1 July 2009 has resulted in a reduction in the investment in joint ventures and in retained earnings of £3.2m at this date. The impact of the adoption of IFRIC 12 at 30 June 2008 and at 31 December 2008 was also a reduction in the investment in joint ventures and in retained earnings of £3.2m. The prior period balance sheets at 30 June 2008 and at 31 December 2008 have been restated accordingly.

IFRIC 12 addresses the accounting by private sector operators involved in the provision of public sector infrastructure assets and services where the infrastructure assets are not controlled by the operator. Under this interpretation infrastructure assets are not recognised as property, plant and equipment of the operator but recognised as a financial asset as the operator has an unconditional right to receive a specified amount of cash or other financial asset over the life of the agreement. As a consequence of this treatment the operator now recognises investment income in respect of the financial asset on an effective interest basis. In addition, the timing of the profit recognition changes over the life of the contract with no change in the overall project cash flows arising therein.

Other than detailed above, the adoption of the remaining amendments and interpretations has not resulted in changes to the Group's accounting policies and has not had a material impact on amounts reported for the current or prior years.

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year ending 30 June 2010:
IFRS 2 'Amendments to share based payments – group cash settled'
IFRS 9 'Financial instruments'
IAS 24 'Related party disclosures (revised 2009)'
IAS 32 'Amendments to financial instruments – classification of rights issues'
IFRIC 19 'Extinguishing financial liabilities with equity instruments'.

The directors have considered the impact of these new standards and interpretations in future periods and no significant impact is expected. The Group has chosen not to adopt any of the above standards and interpretations early.

4. Estimates and financial risk management

The preparation of interim financial statements requires the directors to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these interim financial statements, the significant judgements made by the directors in applying the Group's accounting policies and the key sources of estimation uncertainty together with the Group's financial risk management objectives and policies were the same as those that applied to the financial statements as at, and for the year ended, 30 June 2009.

5 Segmental analysis

The Group comprises four divisions: Construction, Support Services, Partnership Homes and Developments and it is on this basis that the Group reports its primary segmental information.

Notes to the interim financial statements continued

5 Segmental analysis continued

Six months to 31 December 2009	Construction £m	Support Services £m	Partnership Homes £m	Developments £m	Centre £m	Group £m
Revenue[1]						
Group and share of joint ventures	**678.3**	**229.7**	**74.6**	**27.2**	**-**	**1,009.8**
Less share of joint ventures	(0.7)	-	-	(19.4)	-	**(20.1)**
Group revenue	677.6	229.7	74.6	7.8	-	**989.7**
Profit						
Group operating profit	16.9	8.8	6.8	2.4	(3.3)	**31.6**
Share of joint ventures' operating profit	-	-	-	-	-	**-**
Group and share of joint ventures	**16.9**	**8.8**	**6.8**	**2.4**	**(3.3)**	31.6
Share of joint ventures - finance cost	-	-	-	(0.6)	-	**(0.6)**
- tax	-	-	-	-	-	**-**
Profit from operations before exceptional items	**16.9**	**8.8**	**6.8**	**1.8**	**(3.3)**	**31.0**
Provision for fine imposed by the Office of Fair Trading	(18.0)	-	-	-	-	**(18.0)**
Profit on disposal of joint ventures	-	-	-	4.2	-	**4.2**
Profit from operations	**(1.1)**	**8.8**	**6.8**	**6.0**	**(3.3)**	**17.2**
Finance income/(cost)[2]	7.1	0.2	(6.8)	(0.2)	(0.8)	**(0.5)**
Profit before tax	**6.0**	**9.0**	**-**	**5.8**	**(4.1)**	**16.7**
Balance sheet						
Total assets	292.6	108.1	377.4	62.4	50.3	**890.8**
Total liabilities	(577.1)	(120.5)	(51.6)	(20.7)	(176.1)	**(946.0)**
Net operating assets/(liabilities)	(284.5)	(12.4)	325.8	41.7	(125.8)	**(55.2)**
Cash net of debt	397.8	42.1	(251.1)	(20.5)	(37.6)	**130.7**
Net assets	**113.3**	**29.7**	**74.7**	**21.2**	**(163.4)**	**75.5**

[1]Revenue is stated after the exclusion of inter-segmental revenue

[2]Interest is (charged)/credited to the divisions at a notional rate of 4.5% (2008: 6.0%) and 4.0% (2008: 5.5%)

Six months to 31 December 2008 (restated)	Construction £m	Support Services £m	Partnership Homes £m	Developments £m	Centre £m	Group £m
Revenue						
Group and share of joint ventures	794.2	224.4	67.5	22.6	-	1,108.7
Less share of joint ventures	(1.5)	-	-	(21.5)	-	(23.0)
Group revenue	792.7	224.4	67.5	1.1	-	1,085.7
Profit						
Group operating profit	19.0	7.8	0.4	-	(1.6)	25.6
Share of joint ventures' operating profit	-	-	-	0.6	-	0.6
Group and share of joint ventures	19.0	7.8	0.4	0.6	(1.6)	26.2
Share of joint ventures - finance cost	-	-	-	(1.1)	-	(1.1)
- tax	-	-	-	(0.2)	-	(0.2)
Profit from operations before exceptional items	19.0	7.8	0.4	(0.7)	(1.6)	24.9
Land and work in progress write-downs	-	-	(12.2)	(6.5)	-	(18.7)
Joint venture tax on land and work in progress write-downs	-	-	-	1.5	-	1.5
Restructuring costs	-	-	(0.8)	-	-	(0.8)
Curtailment credit on retirement benefit obligation	-	-	-	-	24.3	24.3
Profit from operations	19.0	7.8	(12.6)	(5.7)	22.7	31.2
Finance income/(cost)	9.9	0.1	(9.8)	(0.1)	0.3	0.4
Profit before tax	28.9	7.9	(22.4)	(5.8)	23.0	31.6
Balance sheet						
Total assets	321.3	100.4	467.0	68.5	25.9	983.1
Total liabilities	(624.3)	(98.6)	(85.0)	(9.2)	(62.1)	(879.2)
Net operating assets/(liabilities)	(303.0)	1.8	382.0	59.3	(36.2)	103.9
Cash, net of debt	410.0	19.7	(280.8)	(49.8)	(16.9)	82.2
Net assets	107.0	21.5	101.2	9.5	(53.1)	186.1

Notes to the interim financial statements continued

5 Segmental analysis continued

Year to 30 June 2009 (restated)	Construction £m	Support Services £m	Partnership Homes £m	Developments £m	Centre £m	Group £m
Revenue						
Group and share of joint ventures	1,492.2	437.9	150.8	64.7	-	2,145.6
Less share of joint ventures	(2.4)	-	-	(31.3)	-	(33.7)
Group revenue	1,489.8	437.9	150.8	33.4	-	2.111.9
Profit						
Group operating profit	39.1	15.7	1.0	(2.8)	(2.9)	50.1
Share of joint ventures' operating profit	-	-	0.1	0.9	-	1.0
Group and share of joint ventures	39.1	15.7	1.1	(1.9)	(2.9)	51.1
Share of joint ventures - finance cost	-	-	-	(0.7)	-	(0.7)
- tax	-	-	-	(0.3)	-	(0.3)
Profit from operations before exceptional items	39.1	15.7	1.1	(2.9)	(2.9)	50.1
Curtailment credit on retirement benefit obligation	-	-	-	-	24.3	24.3
Land and work in progress write-downs	-	-	(42.5)	(7.3)	-	(49.8)
Joint venture tax on land and work in progress write-downs	-	-	-	1.5	-	1.5
Restructuring costs	-	-	(1.8)	-	-	(1.8)
Profit from operations	39.1	15.7	(43.2)	(8.7)	21.4	24.3
Finance income/(cost)	20.3	0.4	(19.2)	(1.0)	-	0.5
Profit before tax	59.4	16.1	(62.4)	(9.7)	21.4	24.8
Balance sheet						
Total assets	303.2	91.6	401.6	90.0	50.8	937.2
Total liabilities	(588.5)	(104.3)	(62.0)	(8.0)	(177.6)	(940.4)
Net operating assets/(liabilities)	(285.3)	(12.7)	339.6	82.0	(126.8)	(3.2)
Cash, net of debt	399.7	36.7	(264.9)	(70.6)	(8.4)	92.5
Net assets	114.4	24.0	74.7	11.4	(135.2)	89.3

6 Exceptional items

	Unaudited 6 months to 31 December 2009 £m	Unaudited 6 months to 31 December 2008 £m	Year to 30 June 2009 £m
Provision for fine imposed by the Office of Fair Trading	**(18.0)**	-	-
Profit on disposal of investment in joint ventures	**4.2**	-	-
Pension credit arising from curtailment of benefits in the Kier Group Pension Scheme	**-**	24.3	24.3
Land and work in progress write-downs:			
Partnership Homes	**-**	(12.2)	(42.5)
Developments - Group	**-**	(1.2)	(2.0)
- Share of joint ventures	**-**	(5.3)	(5.3)
	-	(18.7)	(49.8)
Restructuring of the Partnership Homes division	**-**	(0.8)	(1.8)
Exceptional items before tax	**(13.8)**	4.8	(27.3)
Taxation			
Share of joint ventures	**-**	1.5	1.5
Group	**(0.4)**	(2.8)	6.1
	(0.4)	(1.3)	7.6
Exceptional items after tax	**(14.2)**	3.5	(19.7)

Notes to the interim financial statements continued

7 Income tax

The taxation charge for the six months ended 31 December 2009 has been calculated at 28% (June 2009 28%, December 2008 28%) of underlying profit before tax, being profits adjusted for the Group's share of tax in equity accounted joint ventures and excluding exceptional items. This represents the estimated effective rate of tax for the year. Exceptional items are taxed at their underlying rate.

	2009			2008		
Six months to 31 December	**Before exceptional items 31 December £m**	**Exceptional items 31 December £m**	**Total 31 December £m**	Before exceptional items 31 December £m	Exceptional items 31 December £m	Total 31 December £m
Profit before tax	**30.5**	**(13.8)**	**16.7**	25.3	6.3	31.6
Add: tax on joint ventures	**-**	**-**	**-**	0.2	(1.5)	(1.3)
Underlying profit before tax	**30.5**	**(13.8)**	**16.7**	25.5	4.8	30.3
Current tax	**1.9**	**0.4**	**2.3**	6.2	(3.5)	2.7
Deferred tax	**6.6**	**-**	**6.6**	0.8	6.3	7.1
Total income tax expense in the income statement	**8.5**	**0.4**	**8.9**	7.0	2.8	9.8
Add tax on joint ventures	**-**	**-**	**-**	0.2	(1.5)	(1.3)
Underlying tax charge	**8.5**	**0.4**	**8.9**	7.2	1.3	8.5
Rate	**28%**		**53%**	28%		28%

Year to 30 June 2009	Before exceptional items £m	Exceptional items £m	Total £m
Profit before tax	50.6	(25.8)	24.8
Add: tax on joint ventures	0.3	(1.5)	(1.2)
Underlying profit before tax	50.9	(27.3)	23.6
Current tax	12.3	(12.2)	0.1
Deferred tax	1.7	6.1	7.8
Total income tax expense in the income statement	14.0	(6.1)	7.9
Add tax on joint ventures	0.3	(1.5)	(1.2)
Underlying tax charge	14.3	(7.6)	6.7
Rate	28%		28%

8 Dividends

Amounts recognised as distributions to equity holders in the period.

	Unaudited 6 months to 31 December 2009 £m	Unaudited 6 months to 31 December 2008 £m	Year to 30 June 2009 £m
Final dividend for the year ended 30 June 2009 of 37.0 pence (2008: 37.0 pence)	**13.6**	13.5	13.5
Interim dividend for the year ended 30 June 2009 of 18.0 pence	**-**	-	6.6
	13.6	13.5	20.1

The proposed interim dividend of 18.5 pence (2009: 18.0 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 £6.8m will be paid on 4 May 2010 to shareholders on the register at the close of business on 12 March 2010. A scrip dividend alternative will be offered.

Notes to the interim financial statements continued

9 Earnings per share

	Unaudited 6 months to 31 December 2009 £m	Unaudited 6 months to 31 December 2008 £m	Year to 30 June 2009 £m
Earnings (after tax and minority interests), being net profits attributable to equity holders of the parent	**7.4**	21.3	16.1
Exclude: exceptional items	**13.8**	(6.3)	25.8
Tax thereon	**0.4**	2.8	(6.1)
Underlying earnings	**21.6**	17.8	35.8
Add: amortisation of intangible assets	**1.4**	1.1	2.2
Less: tax on the amortisation of intangible assets	**(0.4)**	(0.3)	(0.6)
Adjusted earnings	**22.6**	18.6	37.4
	million	million	million
Weighted average number of shares used for earnings per share			
- basic	**36.7**	36.4	36.5
- diluted	**37.0**	36.4	36.6
	pence	pence	pence
Earnings per share			
- basic	**20.2**	58.5	44.1
- diluted	**20.0**	58.5	44.0
Underlying earnings per share (excluding exceptional items)			
- basic	**58.9**	48.9	98.1
- diluted	**58.4**	48.9	97.8
Adjusted earnings per share (excluding exceptional items and the amortisation of intangible assets)			
- basic	**61.6**	51.1	102.5
- diluted	**61.1**	51.1	102.2

10 Property, plant and equipment

During the six months ended 31 December 2009 the Group acquired assets with a cost of £4.1m (2008: £6.2m). Assets with a carrying amount of £0.3m were disposed of during the period (2008: £0.7m) resulting in a gain on disposal of £0.2m (2008: £1.1m), which is included within gross profit.

11 Retirement benefit obligations

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

	Unaudited 6 months to 31 December 2009 £m	Unaudited 6 months to 31 December 2008 £m	Year to 30 June 2009 £m
Kier Group Pension Scheme			
Opening deficit	**(96.1)**	(45.7)	(45.7)
Charge to operating profit	**(5.1)**	(5.0)	(8.4)
Credit on benefit curtailment	**-**	24.3	24.3
Employer contributions	**23.0**	10.2	20.2
Actuarial (losses)/gains	**(9.4)**	19.9	(86.5)
Closing (deficit)/surplus	**(87.6)**	3.7	(96.1)
Comprising			
Total market value of assets	**591.8**	551.4	498.4
Present value of liabilities	**(679.4)**	(547.7)	(594.5)
(Deficit)/surplus	**(87.6)**	3.7	(96.1)
Related deferred tax asset/(liability)	**24.5**	(1.0)	26.9
Net pension (liability)/asset	**(63.1)**	2.7	(69.2)

In December 2009 the Group agreed to make a special cash contribution to the Kier Group Pension Scheme amounting to £13.2m which was settled through a transfer of residential land at market value as determined by DTZ an independent firm of chartered surveyors. This amount has been included as a contribution received by the scheme.

The credit on the benefit curtailment has arisen as a consequence of the Board's decision to restrict pensionable salary increases to the lower of RPI and actual pay increases. The previous valuations were based on salaries increasing at 1.5% over RPI.

11 Retirement benefit obligations continued

	Unaudited 6 months to 31 December 2009 £m	Unaudited 6 months to 31 December 2008 £m	Year to 30 June 2009 £m
Kier Sheffield LLP			
Opening deficit	**(18.6)**	(1.0)	(1.0)
Charge to operating profit	**(1.5)**	(1.0)	(2.0)
Employer contributions	**0.5**	0.6	1.1
Actuarial (losses)/gains	**(6.0)**	3.4	(16.7)
Closing (deficit)/surplus	**(25.6)**	2.0	(18.6)
Comprising			
Total market value of assets	**135.3**	117.8	116.1
Present value of liabilities	**(160.9)**	(115.8)	(134.7)
(Deficit)/surplus	**(25.6)**	2.0	(18.6)
Related deferred tax asset/(liability)	**7.2**	(0.6)	5.2
Net pension (liability)/asset	**(18.4)**	1.4	(13.4)

12 Acquisitions and disposals

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 consideration, payable wholly in cash, was £6.9m representing the value of the net assets acquired (intangible assets £6.5m, property plant and equipment £0.1m and inventory £0.3m).

The consideration is payable as follows:

	£m
Total consideration payable	6.9
Paid at 31 December 2009	(0.4)
Deferred at 31 December 2009	6.5

The deferred consideration is a fixed payment due in instalments by March 2014, it has been discounted to its present value.

Acquisition of investment in Kent Building Schools for the Future

On 7 September 2009 the Group through its subsidiary Kier Project Investment Limited, purchased from Telereal Trillium, 64% of the equity of Kent Building Schools for the Future Local Education Partnership (Kent LEP) and a 71.8% interest in the PFI projects being carried out by Kent LEP.

The consideration for the purchase was £4.2m of which £2.2m was paid in cash in September 2009, the balance of £2.0m is conditional upon the funding being approved for the second phase of schools by the Kent LEP.

The fair values of the identifiable assets acquired are as follows:

	£m
Goodwill	0.7
Intangible assets	5.2
Receivables	0.7
Payables	(1.7)
Deferred taxation	(0.7)
	4.2

Disposal of investments in joint ventures

In December 2009 the Group, through its subsidiary Kier Project Investment Limited, sold its investments in two PFI projects, Waltham Forest Schools and Tendring Schools for a combined cash consideration of £7.3m, received in full in December 2009.

The disposal proceeds can be reconciled to the profit on disposal of £4.2m as follows:

	£m
Sales proceeds	7.3
Book value of net assets and loans of joint ventures	(2.9)
Sale costs and loan interest receivable included in sales proceeds	(0.2)
Profit on disposal	4.2

Notes to the interim financial statements continued

13 Share based payments

The Group has established a Long-Term Incentive Plan (LTIP) under which directors and senior employees can receive awards of shares subject to the Group achieving earnings per share growth targets. Full details of the plan are disclosed in the annual financial statements.

No shares have vested during the six months to 31 December 2009.

On 13 October 2009 a further grant was made under the LTIP as follows:

Shares awarded	- directors	155,446
	- employees	185,780
		341,226
Share price at grant		1055.0p
Exercise price		nil
Option life		3 years
Dividend yield		5.1%
Fair value per option based upon the Black-Scholes model		928.0p

14 Related parties

Other than the transfer of a property asset by the Group to the Kier Group Pension Scheme detailed in note 11 there have been no significant changes in the nature and amount of related party transactions since the last annual financial statements as at, and for the year ended, 30 June 2009.

Responsibility statement of the directors in respect of the interim financial report

We confirm that to the best of our knowledge:

• the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union;

• the interim management report includes a fair review of the information required by:

(a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

(b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

Signed on behalf of the Board

J Dodds
Chief Executive

D E Mattar
Finance Director

23 February 2010

Independent review report to Kier Group plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2009 which comprises the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement, and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Disclosure and Transparency Rules (DTR) of the UK's Financial Services Authority (UK FSA). Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FSA.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2009 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the European Union and the DTR of the UK FSA.

Andrew Marshall
for and on behalf of KPMG Audit Plc
Chartered Accountants
8 Salisbury Square
London EC4Y 8BB

23 February 2010