KIER

News Release

For release on 17 March 2016 at 0700 hours

Kier Group plc, a leading property, residential, construction and services group, announces its results for the six-month period ended 31 December 2015

Good interim results reflecting continued progress in delivery of Kier's five-year strategy

		Six months ended 31 December 2015	Six months ended 31 December 2014[3]	*Change %*
Revenue[1]		**£2.1bn**	£1.6bn	***+32***
Group revenue		**£2.0bn**	£1.6bn	***+30***
Operating profit	**Underlying[2]**	**£57.1m**	£44.8m	***+27***
	Reported	**£32.1m**	£37.4m	***-14***
Profit before tax	**Underlying[2]**	**£44.2m**	£37.0m	***+19***
	Reported	**£18.0m**	£27.8m	***-35***
Basic earnings per share				
	Underlying[2]	**37.1p**	42.4p[4]	***-12***
	Reported	**15.4p**	31.9p[4]	***-52***
Interim dividend per share		**21.5p**	19.2p[4]	***+12***

Financial information in this table relates to continuing operations.
[1]Group and share of joint ventures.
[2]Stated before non-underlying items.
[3]Comparatives restated to reflect the reclassification of the UK mining activities to discontinued operations.
[4]Restated for the bonus element of the rights issue associated with the Mouchel acquisition.

Highlights - good results in line with expectations, on course for full-year with second-half weighting

Financials

- Revenue[1] of £2.1bn up 32%; like-for-like revenue up 9%;
- Underlying operating profit of £57.1m, up 27%;
- Reported profit before tax of £18.0m (December 2014: £27.8m), which includes non-underlying costs of £15.5m relating to the integration of Mouchel, as forecast;
- Net debt position better than expected at £174m (30 June 2015: net debt £141m), after £26m investment in the future growth of the Group and reflecting a good working capital performance with strong operating cash conversion;
- Underlying earnings per share of 37.1p (December 2014: 42.4p), down 12% following the issue of new shares for the acquisition of Mouchel; and
- Interim dividend increased by 12% to 21.5p (December 2014: 19.2p), reflecting the Board's confidence.

Operations

- 75% of the Group's turnover from infrastructure services, regional building and housing; aligned to growth markets with high visibility of forward pipelines;
- Integration of Mouchel substantially complete; aiming to exceed the 2017 cost synergy target;
- Construction and Services order book of £9bn with potential extensions of a further £3.1bn; Property division with pipeline of >£1bn;
- Property
  - Good performance, second-half weighted, on course for >15% ROCE for the full-year;
- Residential
  - Revenue of £162m up 80%, completions increased by 35% to 959 units, with strong forward sales position;
- Construction
  - Record revenue of c.£1bn up 15%, operating profit of £19.5m, resilient operating margin of 2.0% (December 2014: 2.2%);
  - Strong order book (secured and probable) of £3.5bn (30 June 2015: £3.5bn), fully secured for 2016.

Continued ….

- Services
  - Revenue of £842m up 48%, operating profit of £39.9m up 68%, improved operating margin of 4.7% (December 2014: 4.2%), reflecting six months of Mouchel trading in addition to stable underlying performance;
  - Robust order book (secured and probable) of £5.5bn (30 June 2015: £5.8bn), fully secured for 2016.

Commenting on the results, Haydn Mursell, chief executive, said:
"I am pleased to announce a good set of interim results which show the continued strength and breadth of the Group's capabilities and our presence in growing market sectors. The Group remains on course to deliver expectations for the full-year.

In the UK, our core markets are improving which provides a platform for growth, particularly for our property, residential and regional building businesses, and over the medium-term for our infrastructure businesses. Mouchel has been substantially integrated and is performing well. Our presence in infrastructure services, regional building and housing aligns to growth markets with high visibility of forward pipelines and now accounts for 75% of the Group's turnover.

We are encouraged by the robust pipelines in Property and Residential and the order books totalling £9bn in Construction and Services. We remain focused on ensuring that the Group is fit for growth by continuing to focus on our operational efficiency and continuing to manage risk closely. This discipline, combined with the resilience and flexibility provided by the portfolio of businesses in the Group, will continue to underpin our performance. We look forward to the future with confidence."

- ENDS -

There will be a presentation of the interim results to analysts at 0900 hours on 17 March 2016 at the London Stock Exchange. The presentation will be recorded and the video will be available later in the day on Kier's website.

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Chief Executive's review

The Group has delivered good results for the six-month period ended 31 December 2015. Group revenue for the six months increased by 32% to £2.1bn (December 2014: £1.6bn) and the Group's underlying operating profit for the period was £57.1m (December 2014: £44.8m), up 27% following the acquisition of Mouchel and strong growth in key markets.

The Property division's operating profit for the period was £7.2m (December 2014: £14.0m), reflecting the anticipated second-half weighting of transactions. The Residential division operating profit increased to £6.6m (December 2014: £0.8m), reflecting a 35% increase in unit completions in the period, as compared to the equivalent period in the previous year. The Construction division operating profit increased to £19.5m (December 2014: £18.6m), with resilient operating margins at 2.0% (December 2014: 2.2%), following the settlement of a number of historic final accounts during the period. Operating profit in the Services division increased to £39.9m (December 2014: £23.7m) following the Mouchel acquisition, with margins of 4.7% (December 2014: 4.2%) reflecting stable underlying trading, despite the deteriorating commodity prices affecting some of the Group's environmental contracts. Reported profit before tax of £18.0m (December 2014: £27.8m) includes non-underlying costs of £15.5m relating to the integration of Mouchel.

The Group net debt balance as at 31 December 2015 was £174m (30 June 2015: net debt £141m) after the investment of £26m in the future growth of the Group. Net debt balances in the period averaged c.£280m. The working capital is stable and continued close management will underpin ongoing strong operating cash conversion. Underlying profit before tax for the period of £44.2m (December 2014: £37.0m) and underlying earnings per share of 37.1p (December 2014: 42.4p), a decrease of 12% following the issue of new shares for the acquisition of Mouchel, were both in line with management's expectations.

The Board is pleased to announce an interim dividend of 21.5p (2014: 19.2p), up 12%, reflecting the Board's confidence. This will be paid on 20 May 2016 to shareholders on the register at the close of business on 29 March 2016. A scrip dividend alternative will also be available.

Board changes

On 1 October 2015 and 1 January 2016, respectively, Justin Atkinson and Adam Walker joined the Board as non-executive directors. Richard Bailey retired from the Board on 31 January 2016**.** On 16 March 2016, we announced that Justin Atkinson had been appointed as the Senior Independent Director with immediate effect.

Outlook

These results show the continued strength and breadth of the Group's capabilities and our presence in growing market sectors. The Group remains on course to deliver expectations for the full year.

In the UK, our core markets are improving which provides a platform for growth, particularly for our property, residential and regional building businesses, and over the medium-term for our infrastructure businesses. Mouchel has been substantially integrated and is performing well. Our presence in infrastructure services, regional building and housing aligns to growth markets with high visibility of forward pipelines and now accounts for 75% of the Group's turnover.

We are encouraged by the robust pipelines in Property and Residential and the order books totalling £9bn in Construction and Services. We remain focused on ensuring that the Group is fit for growth by continuing to focus on our operational efficiency and continuing to manage risk closely. This discipline, combined with the resilience and flexibility provided by the portfolio of businesses in the Group, will continue to underpin our performance. We look forward to the future with confidence.

Overview

I am pleased to announce today's interim results, which continue to demonstrate the progress we are making with our five-year strategy, Vision 2020. Having completed two successful acquisitions in the last few years we are:

- One of the leading infrastructure players in the UK, with approximately £1.5bn of annualised infrastructure turnover covering roads, rail, power and utilities;
- The UK's leading regional builder with annualised turnover approaching £1.5bn; and;
- Expanding our mixed tenure housing business and linking it with our maintenance capabilities to address the UK housing shortage.

Kier's strength is reinforced by the breadth of capabilities within the Group. Our portfolio of businesses, as well as a focus on market sectors where there is a political commitment to invest – for example infrastructure, building and housing - underpins our resilient performance. In light of the continuing fiscal challenges faced by the public and regulated sectors, the Group remains focused on providing services to clients which create value from their under-utilised assets.

The integration of Mouchel is substantially complete, with key senior management and customers having been retained. We have combined Mouchel's strategic highways maintenance business with Kier's local authority highways maintenance business in order to strengthen our highways maintenance offering. We are now Highway England's leading highways management and maintenance provider. The Mouchel integration will deliver £4m of cost savings this financial year and we are aiming to exceed the £10m target for 2017, recognising that to do so will require increased costs. We are very pleased with the performance and integration of the Mouchel business.

Overall, our operations have performed well in the period. Our Property division has maintained a pipeline of over £1bn and is on course to generate a return on capital in excess of 15% for the full-year. The Government commitment to double the UK housing budget to £2bn and to fund 400,000 new affordable homes by 2020, together with initiatives such as direct commissioning and the Starter Home Fund, are stimulating the housing market and our Residential division is well-positioned to benefit.

The Construction division has experienced a significant number of contract awards delivering record revenue growth during the period. The Government's £23bn commitment to a UK schools building programme has already resulted in £100m of awards from the Education Funding Agency framework in the past six months. Other public sector building programmes covering hospitals and prisons are also active and Kier's strong position on a number of frameworks ensures that we can participate in these sectors. New and recent national and regional frameworks secured in the period give Kier access to £16bn of framework opportunities.

Our increased profile in the infrastructure market has resulted in Kier being selected on a number of high profile projects, including HS2 where we have been shortlisted to tender for all three enabling works packages covering the south, centre and the north of England. We are encouraged by the establishment of the National Infrastructure Commission with a £100bn budget to spend by 2020 and there is a strong pipeline of opportunities over the medium-term in Kier's core sectors.

More than 60% of the Service division's capabilities relates to the provision of infrastructure services in the highways and utilities sectors. When combined with the Group's construction capabilities, Kier is one of the leading providers of infrastructure services in the UK with an annual revenue of approximately £1.5bn.

The Group continues to benefit from the cross-selling of its capabilities. We have made good progress against our target of 15% of revenue coming from integrated opportunities, where two or more parts of the Group are providing services to a client. Examples of cross-selling include the Kilmarnock and Ayr Academies, where our property and construction teams are working together, and the University College London laboratory project, where Kier's facilities management team has been awarded an eighteen-month contract for FM services.

Our current financial position is strong, with net debt better than expected, allowing us to continue to invest in the future growth of the Group.

Property

The division includes property development, PFI and structured project finance.

	Six months ended 31 December 2015 £m	**Six months ended 31 December 2014 £m**	***Change %***	***Year ended 30 June 2015 £m***
Revenue[1]				
Developments	**43**	44	***-2***	79
Structured finance and PFI	**32**	5	***+568***	47
Total	**75**	**49**	***+53***	**126**
Operating profit				
Developments	**5.1**	12.4	***-59***	23.0
Structured finance and PFI	**2.1**	1.6	***+33***	(0.3)
Total	**7.2**	**14.0**	***-49***	**22.7**
	31 December 2015	**31 December 2014**		**30 June 2015**
Average capital[2]				
Developments	**(111)**	(76)	***+46***	(84)
Structured finance and PFI	**10**	-	***+5098***	1
Total	**(101)**	**(76)**	***+33***	**(83)**

[1]Group and share of joint ventures.
[2]Equates to average net debt.

Revenue was £75m (December 2014: £49m), generating an operating profit of £7.2m (December 2014: £14.0m), a good performance for the division and reflecting the timing of transactions towards the second-half of the financial year. This business remains focused on non-speculative development, utilising joint ventures to optimise the use of Group capital. With improving occupier and investor sentiment, the business is pursuing an increasing number of opportunities and has a healthy development and structured finance pipeline of more than £1bn.

The division is on course to generate a ROCE in excess of 15% for the full-year on a capital investment that is expected to peak at £130m.

Following the launch in 2015 of the ten-year strategic property partnership with Staffordshire County Council and the Police and Crime Commissioner to provide strategic estate management, a £20m ten-year contract was secured in November 2015 to deliver total facilities management solutions to over 40 occupied police properties, including its county headquarters. This partnership is a good example of Kier working with its clients to review their strategic asset options.

Property development
The development business concentrates predominantly on non-speculative opportunities where elements of the schemes are pre-let, forward-sold or developed in joint venture, thereby reducing risk and demands on the Group's capital.

The business continues to identify a number of opportunities in the industrial and commercial sectors, with increasing occupier demand. In London, development continues on the 60,000 sq ft office in Hammersmith in joint venture with Investec and at 58 Victoria Embankment, the pre-sale of a 46,500 sq ft office development in which Kier holds a 16% equity stake, has been secured. At Sovereign Street, Leeds construction is underway of a 100,000 sq ft office development, of which 70% is pre-let. The commercial pipeline was also strengthened with the acquisition in joint venture with Investec of 31-36 Foley Street in Fitzrovia for £55m.

In the retail and mixed-use sector, practical completion was reached on a forward-funded 68,000 sq ft leisure scheme in Walsall, comprising a cinema and food and beverage outlets that were fully pre-let. In January 2016, planning was secured for a 50,000 sq ft retail park in Wakefield that is largely pre-let. Construction was also completed on a forward-sold 222 bed hotel in Newcastle for Motel One.

Planning permission for the 20 acre Reading Gateway site located on the A33 was granted earlier in March 2016. The proposal is to develop a comprehensive mixed-use scheme with a value of £75m.

On the Watford Health Campus, work is progressing well on the highway infrastructure works and planning has been secured for the first development phase, which is a 72,500 sq ft Trade City scheme. The overall project will deliver 375,000 sq ft of mixed-use development to the area, in addition to 680 new homes.

Solum Regeneration, our joint venture with Network Rail, has a portfolio in excess of £500m of mixed-use schemes and a number of significant regeneration schemes are underway including those in Guildford, Haywards Heath, Redhill, Twickenham and Walthamstow.

PFI and Structured Finance
The current portfolio of structured property finance projects includes eight schemes, three at preferred bidder stage, one in negotiation and the remaining four under construction or in operation.

The Property division's strategy of selling mature PFI investments continued with the disposal in December 2015 of Kier's 100% investment in the Norfolk and Suffolk Police Investigation Centres PFI project and the 25% investment in the 1,300 bed student accommodation scheme in Salford.

The division's committed equity investment stands at £25m (June 2015: £24m) of which £4m (June 2015: £14m) has been invested to date. The directors' valuation at a discounted rate of 7.5% for PFI investments and 10% for direct let student accommodation schemes is £36m (June 2015: £36m).

The student accommodation scheme in Glasgow was completed in time for the start of the 2015/16 academic year and is already taking bookings for the 2016/17 academic year. Further student accommodation opportunities have been secured in Southampton and Newcastle. Kier recently closed schemes to design, build, finance and maintain the £25m Ayr Academy in South Ayrshire and the £42m East Ayrshire Learning Campus DBFM scheme, both of which are being delivered via the South West Hub framework.

Property outlook

With strong occupier demand and co-investors, the property market remains positive. While London and the south-east are experiencing some pricing pressure, our established presence and broad sector coverage also allows us to pursue attractive opportunities in other parts of the country. Our funding solutions optimise the use of the Group's capital which is expected to increase to £130m during the current financial year. All schemes are targeting a 15% minimum return on capital whilst maintaining our non-speculative strategy.

The current structured finance pipeline in the traditional markets of health and education is limited. However, other sectors including the student accommodation and infrastructure sectors are providing opportunities; for example the Silvertown Tunnel project.

In addition, the skillsets of the Property division are in demand by clients when looking at their asset portfolios, enabling them to derive value.

Residential

Kier Residential, branded Kier Living, includes private house building and affordable mixed tenure housing partnerships.

	Six months ended 31 December 2015 £m	Six months ended 31 December 2014[1] £m	*Change %*	Year ended 30 June 2015 £m
Revenue				
Private (Kier owned land)	**83**	52	***+60***	142
Mixed tenure	**79**	38	***+108***	115
Total	**162**	**90**	***+80***	**257**
Operating profit				
Private (Kier owned land)	**5.7**	1.4	***+307***	6.4
Mixed tenure	**0.9**	(0.6)	***+250***	4.8
Total	**6.6**	**0.8**	***+725***	**11.2**
	31 December 2015	**31 December 2014**		**30 June 2015**
Average capital[2]				
Private (Kier owned land)	**(194)**	(218)	***-11***	(220)
Mixed tenure	**(52)**	(36)	***+44***	(43)
Total	**(246)**	**(254)**	***-3***	***(263)***
Land bank units	**3,302**	**3,643**	***-9***	**3,485**

[1]Restated to reflect the reallocation of certain activities from the Construction division to the Residential division.
[2]Equates to average net debt.

Revenue was £162m (December 2014: £90m), up 80%, and operating profit was £6.6m (December 2014: £0.8m), up 725%, with the total number of completions during the period increasing by 35% compared to the equivalent period in the previous year to 959 units. The division exceeded its forecast following strong demand for housing stock and has benefitted from the acquisition of Southdale, which has been fully integrated and has given the business national coverage across the UK.

Mixed tenure housing

During the period, the average capital invested in the mixed tenure housing business increased to £52m and 582 units were completed. The capital generated from developing on Kier's own land bank continues to be recycled to underpin growth in the mixed tenure housing business. This business remains on course for approximately 1,350 completions by 30 June 2016 and is more than 90% secured for the full year 2016.

Government measures relating to future rent reductions have affected the affordable housing market significantly and there have been delays in new schemes coming to market. It is anticipated that a consolidation of registered providers will occur, resulting in the need for greater private-public collaboration across larger housing schemes, which we believe will provide additional opportunities for Kier.

In addition, the Government announcement regarding direct commissioning of house building on brownfield sites and the Starter Home Fund will create further opportunities.

Private housing

The private housing business delivered 377 completions from Kier's own land bank and has a current forward order book that represents more than 80% of the units forecast for completion by 30 June 2016. The division remains on course to deliver c.850 completions by the year-end.

The rate of private sales over the period exceeded that of the same period in 2014, at a rate of approximately 0.7 units per trading site per week.

The Government's Help to Buy scheme contributed 45% to sales with the average private selling price of £228k, up from £197k in the prior period. There has been an easing of supply chain inflationary pressures over the period with material and subcontract pricing running within forecast rates.

The private land bank movements resulted in the Group land bank reducing to 3,302 plots (June 2015: 3,485).

Residential outlook
The division continues to recycle Kier's land bank capital and focus on growth of its mixed tenure business. It will remain flexible to market conditions and is able to utilise its own capital over the medium-term. In addition, the overlap with the Group's housing maintenance client base means these two parts of the business are increasingly working together on the regeneration of under-utilised land and assets, providing both new-build and maintenance services.

The residential market remains buoyant, helped by the £2bn Government commitment to fund 400,000 new affordable homes by 2020, through the release of public land and designating unused commercial land. The reduction in social housing rents has resulted in a slowdown of new affordable developments, with registered providers reviewing their longer term strategies as they adjust to their budget challenges. However, with the Government's focus on accelerating the rate of construction, we remain confident of the market opportunity.

The division has a strong forward sales position for 2016 and remains focused on a 15% return on capital over the medium-term.

Construction
The Construction division comprises the UK building, civil engineering and international businesses, which undertake a wide range of building and infrastructure projects.

Continuing operations	**Six months ended 31 December 2015 £m**	**Six months ended 31 December 2014[3,4] £m**	***Change %***
Revenue[1]	**997**	**863**	***+15***
Operating profit[2]	**19.5**	**18.6**	***+5***
Operating margin[2]	**2.0%**	**2.2%**	
	31 December 2015	**30 June 2015[4]**	
Order book (secure and probable)	**£3.5bn**	**£3.5bn**	**-**

[1]Group and share of joint ventures.
[2]Stated before non-underlying items. See Note 3. Reported Construction operating profit from continuing operations was £18.4m (2014[3,4]: £18.4m).
[3]Prior year restated to reflect the reclassification of the UK mining activities to discontinued operations and other classifications.
[4]Restated to reflect the reallocation of certain activities between divisions.

The Construction division delivered a strong performance with record growth during the period. Revenues increased by 15% to £997m (December 2014: £863m) and operating profit increased by 5% to £19.5m (December 2014: £18.6m). Operating margins were 2.0% (December 2014: 2.2%), reflecting the significant growth in regional building and the impact of a small number of final account settlements. Our robust risk management processes, especially at the pre-contract stage, contributed to this resilient performance. The working capital environment is stable, although we will continue to manage it closely. The current order book of £3.5bn represents all of the targeted revenue for the 2016 financial year.

During the period, the split of work across the division was 50% private and 50% public sector. Work awarded from national and regional frameworks plays a major role in public sector contract awards. New and current national and regional frameworks give Kier access to a £16bn addressable market, with positions on significant new frameworks including the £300m four-year Essex Construction framework, the £650m Defence Infrastructure Organisation south-east and south–west regional frameworks for capital works projects, the £250m Scottish Regional framework and the National framework for projects over £12m, as well as two major project lots under the south-west Wales framework.

The regional building business remains the UK market leader, with the education and health sectors continuing to provide a good pipeline of work, the former playing a significant part in London and the south-east contract awards. In the health sector, the Broadmoor development is nearing completion of its first phase and the Group's profile in the defence sector continues to grow, with a presence on four key defence frameworks.

The private sector work is principally in the commercial, residential and mixed-use sectors. Recent significant awards include being appointed the preferred bidder for the £26m first phase contract of the new Swansea Waterfront innovation quarter, the £27m design and build office scheme in Crawley and the £20m student accommodation development in Durham. Our presence has been strengthened in Scotland, Wales and the south-west through prestigious contract awards such as the £29m 24-storey student accommodation scheme in Plymouth, creating the tallest building in the south-west. The Group continues to extend its presence in the biotech sector, with a number of significant projects in the Cambridge area.

Infrastructure revenues were similar to the equivalent period in the last financial year and the business continues to operate across a broad range of sectors including highways, rail, ports and coastal, aviation, energy, water and utilities and nuclear. The Crossrail project at Farringdon and Mersey Gateway provide visibility to 2017 and, together with the Urenco project, have generated a good contribution to the profit in the period. A strong, long-term position on the HS2 project has been secured, where Kier, in joint venture, has been shortlisted to tender for all three enabling work packages, each worth more than £200m. These contracts are due to be awarded in 2016, with works scheduled to commence in early 2017.

The infrastructure business also secured through its joint venture, the Smart Motorway contracts, worth up to £475m, as part of the Highways England Collaborative Delivery Framework, further strengthening our relationship with this key client.

In the power sector, Kier has been undertaking over £200m of enabling works at Hinkley Point C nuclear power station for the first phase of the power station.

Negotiations for the sale of the Greenburn mining operation in Ayrshire are ongoing. The site continues to be fully operational, although an additional provision of £5m is being made to recognise the further decline in the coal price.

The international business is underpinned by our Middle East activities. In January, the £25m contract for the Bluewaters Island site-wide infrastructure in Dubai was awarded by Meraas Development and the establishment of a joint venture company was agreed with Shurooq, the Investment & Development Authority of Sharjah, to undertake strategic projects in the emirate.

The low oil price is having an impact on the pipeline of opportunities in the region. Cash receipts from public sector clients in Saudi Arabia have been slower than anticipated but our ability to provide clients with access to export credit facilities supported by UK Export Finance is proving to be a key differentiator and has enabled quality work to be secured. In the Caribbean, the trading environment remains challenging, while in Hong Kong we continue to deliver on our two major rail contracts for MTRC and negotiations in respect of outstanding payments are ongoing.

Construction outlook

The Construction division continues to perform well. The order book has been maintained at £3.5bn, with more than £1bn of new work secured in the period. All work for the current financial year is secured at this stage reflecting excellent visibility and a robust position. The Group has a strong presence on frameworks with new bids in the pipeline, including the rebid for ProCure 22 and the Scape National Major Works Framework, both presenting opportunities to extend our long-term working relationship with these established framework providers.

In infrastructure, there is political momentum and recognition that the UK's economic growth will be strengthened by improved transport systems, power generation and utilities networks. We expect these to provide opportunities over the medium-term, supporting the expansion of our construction activities and improving the quality of margins and the rate of cash generation.

Services

The division comprises infrastructure services (highway and utilities), property services (housing, FM and related services) and environmental services.

	Six months ended 31 December 2015 £m	Six months ended 31 December 2014 £m	*Change %*
Revenue[1]	**842**	**569**	***+48***[3]
Operating profit[2]	**39.9**	**23.7**	***+68***[3]
Operating margin[2]	**4.7%**	**4.2%**	
	31 December 2015	**30 June 2015**[4]	
Order book (secure and probable)	**£5.5bn**	**£5.8bn**	***-5***

[1]Group and share of joint ventures.
[2]Stated before non-underlying items, see Note 3. Reported Services operating profit was £24.1m (2014:£18.0m).
[3]2014 figures do not include the trade of the Mouchel group which was acquired on 8 June 2015.
[4]Restated to reflect the reallocation of certain activities between divisions.

The Services division revenue increased by 48% to £842m (December 2014: £569m), with an operating profit of £39.9m (December 2014: £23.7m). The division generated a strong operating margin of 4.7% (December 2014: 4.2%), despite the impact of deteriorating commodity prices within some of its environmental contracts. These results include six months trading of the Mouchel businesses. Like-for-like revenue in the Services division has remained stable.

The order book of £5.5bn (June 2015: £5.8m) has slightly decreased, as expected, due to AMP6 and Highways England contracts which run-off through the order book over five years. During the six month period, approximately £250m of revenue was recognised from these contracts. Excluding this effect, the underlying order book remained resilient over the period, despite the impact of the delay in new public sector opportunities following last year's general election and spending review. The order book provides for all of the forecast revenue for 2016 and significant visibility over the medium-term.

More than 60% of the Service division's capabilities relate to the provision of infrastructure services in the highways and utilities sectors. When combined with the Group's construction capabilities, Kier is one of the leading providers of infrastructure services in the UK with an annual revenue of approximately £1.5bn.

Infrastructure Services – Highways

The trading environment is changing both in the strategic highways and local authority sectors. During the period, the integration of the highways senior management teams commenced, creating one team that oversees the combined highways maintenance activity for the Group.

In strategic highways, Highways England requires providers to be flexible and adaptable to respond to its changing procurement and delivery models. Some contracts will be affected in the short-term, resulting in revenue declines whilst these changes are implemented. The five year Road Investment Strategy ("RIS") budget remains unchanged, as confirmed in the Autumn 2015 spending review, and therefore revenue is expected to recover in due course.

During the period, a 20 month extension up to June 2017 was awarded on the existing Managing Agent Contractor for the Area 1 contract covering Devon and Cornwall and a 17 month extension to March 2017 on the Area 13 contract covering Cumbria and North Lancashire. It is anticipated that a number of follow on packages covering other Areas will come to market in the next few months. The London Borough of Croydon has also extended our highways contract to 2018.

In the local authority market, pressure on central and local government budgets has resulted in a change to the way in which transport networks are managed. Local authorities are working more collaboratively and adopting a more regional approach to managing networks which plays to the Group's capabilities and regional coverage.

In February, the Group secured a £160m four-year extension to the current Surrey highways contract. The extension will run from April 2017 to March 2021. In addition, a one-year £35m contract to 2018 was awarded as part of the Lincolnshire Highways Alliance. A place on the Eastern Highways Framework 2, worth up to £750m over four years, was also secured, covering highway maintenance and improvement schemes in Norfolk, Suffolk, Essex, Hertfordshire, Bedfordshire, Cambridgeshire, Luton, Peterborough and Thurrock.

The highways team has also played a leading role in flood protection and restoration initiatives. Most recently, this has included being appointed by Highways England to undertake up to £4m works to re-open the A591 in Cumbria. Other work covering flood hit areas included Elland Bridge, near Halifax, the

Stainton Aquaduct in Kendal and a landslip on the Rochdale Canal, in conjunction with other businesses in the Group.

Overseas, the DownerMouchel joint venture is performing well and opportunities in the Australian and New Zealand markets continue to be evaluated.

Infrastructure Services - Utilities
The AMP6 mobilisation has been more challenging than expected but remains on course, and there is a good pipeline of opportunities available in the power and telecoms sectors. During the period, a total of £24m of contracts were awarded individually or through frameworks including the £12m South West Water Mains Rehab Programme and the £4m Somerset Package Framework for the Environment Agency.

The recent bad weather in the UK has provided incremental environmental and flood protection work for the Canal River Trust through the repair of its assets.

Property Services – Housing
Kier's housing maintenance business is one of the top three service providers in the UK. Last year's Budget announcement regarding social rent reduction has had an impact on client budgets. With the anticipated merger of registered providers and the increasing need for social housing, it is expected that there will be significant opportunities for the provision of an end-to-end service which our Residential and Services divisions can provide, with a combined new build and maintenance offering. During the period, a £20m communal area refurbishment contract was awarded by Sheffield City Council and additional contracts were secured with Great Places and Plus Dane Housing, as well as a range of frameworks including Scape RMW2, GLA RE:NEW framework, the United Lincolnshire Hospital NHS Trust framework and the North West Construction Hub.

Property Services - Facilities Management and related services
During the period, our facilities management and business services businesses have been combined to provide focus and operational efficiency. The new management team is focusing on growth and geographic expansion in the UK and a number of standalone hard FM contracts, totalling almost £50m in the period, have been secured, reflecting the continued de-bundling of hard and soft services in the public sector. These include Bracknell Forest Council, the Office of Police and Crime Commissioner Staffordshire, ACS International Schools and the retention and substantial increase of our service to Wiltshire County Council.

With the greater use of frameworks for public sector services procurement, the business has successfully secured a place on the National Procurement Service Wales frameworks for hard services, soft services and Total FM, the Science and Technology Facilities Council and UK Shared Business Services framework. In addition, a four-year £40m contract has been secured to deliver property and highways consultancy services to North Yorkshire County Council which commences in April 2016 and covers a range of services, including estates management, property projects and highways services.

Mouchel's design presence in the transport sector remains strong with expertise also in the environment, property and water sectors. During the period, a total of £65m of contracts were awarded individually or through frameworks including the £12m North Yorkshire County Council, the £8m Transport Scotland Multiple Framework and the £4m Lincolnshire County Council annual extension. The business has been successful with all seven of its recent local authority tenders and all three of its recent land referencing tenders for Thames Tideway Tunnel, Crossrail 2 and HS2 phase 2.

At the beginning of 2015, Kier business services, on behalf of the eMBED consortium, was appointed to NHS England's newly launched Leader Provider Framework and, in December, it was announced the preferred bidder for the four-year £60m NHS England Lead Provider Framework contract for the Yorkshire & Humber region, as the lead of the eMBED Health Consortium.

Other
The operational performance of the environmental business remains on course, although the decline in the commodity prices of recyclates continues to have an impact on the profitability of the business. We will continue to monitor the position.

Services outlook

The Services division is able to deliver a broad range of services to clients, enhanced by the acquisition of Mouchel.

The scale and strength of the division is demonstrated by the order book of £5.5bn, which represents all of the revenue for 2016 with available extensions adding a further £3.1bn.

In the highways market, the RIS funding is secure and, despite short-term challenges, there remains a good pipeline of opportunities, particularly in the local authority market, which provides a positive outlook.

Following recent Government reductions in rents and general budget cuts, funding for housing repairs and maintenance has reduced and it is anticipated that a consolidation of registered providers will take place as they seek to reduce their cost base to address the new market conditions. Over the medium-term, the larger newly-created registered providers should allow access to larger housing stocks and require more complex outsourced support, which we believe will provide Kier with significant opportunities in light of its scale and expertise.

During the period, the FM business grew by more than 20%, following a number of contract awards. In line with our strategy, it is expected that this business will continue to grow in the medium-term.

- E N D S -

Cautionary statement

Consolidated income statement

Kier Group plc
Interim Management Report and Financial Statements for the six months ended 31 December 2015

For the six months ended 31 December 2015

Continuing operations	Notes	Underlying items[1] £m	Non-underlying items (note 3) £m	Unaudited 6 months to 31 December 2015 Total £m	Underlying items[1] £m	Non-underlying items (note 3) £m	Unaudited 6 months to 31 December 2014[2] Total £m	Underlying items[1] £m	Non-underlying items (note 3) £m	Year to 30 June 2015 Total £m
Revenue										
Group and share of joint ventures	2	**2,076.4**	**-**	**2,076.4**	1,571.8	-	1,571.8	3,351.2	-	3,351.2
Less share of joint ventures	2	**(44.0)**	**-**	**(44.0)**	(10.1)	-	(10.1)	(75.3)	-	(75.3)
Group revenue		**2,032.4**	**-**	**2,032.4**	1,561.7	-	1,561.7	3,275.9	-	3,275.9
Cost of sales		**(1,844.9)**	**-**	**(1,844.9)**	(1,427.3)	-	(1,427.3)	(2,993.0)	-	(2,993.0)
Gross profit		**187.5**	**-**	**187.5**	134.4	-	134.4	282.9	-	282.9
Administrative expenses		**(135.6)**	**(25.0)**	**(160.6)**	(91.5)	(7.4)	(98.9)	(201.9)	(42.8)	(244.7)
Share of post-tax results of joint ventures		**2.6**	**-**	**2.6**	0.6	-	0.6	7.9	-	7.9
Profit on disposal of joint ventures		**2.6**	**-**	**2.6**	1.3	-	1.3	14.8	-	14.8
Profit/(loss) from operations	2	**57.1**	**(25.0)**	**32.1**	44.8	(7.4)	37.4	103.7	(42.8)	60.9
Finance income		**0.6**	**-**	**0.6**	1.0	-	1.0	1.7	-	1.7
Finance cost		**(13.5)**	**(1.2)**	**(14.7)**	(8.8)	(1.8)	(10.6)	(19.5)	(3.6)	(23.1)
Profit/(loss) before tax		**44.2**	**(26.2)**	**18.0**	37.0	(9.2)	27.8	85.9	(46.4)	39.5
Taxation	5	**(8.4)**	**5.5**	**(2.9)**	(7.4)	1.9	(5.5)	(16.9)	6.9	(10.0)
Profit/(loss) for the period from continuing operations		**35.8**	**(20.7)**	**15.1**	29.6	(7.3)	22.3	69.0	(39.5)	29.5
Discontinued operations										
Loss for the period from discontinued operations	12	**-**	**(5.0)**	**(5.0)**	(1.1)	-	(1.1)	(2.2)	(21.8)	(24.0)
Profit for the period		**35.8**	**(25.7)**	**10.1**	28.5	(7.3)	21.2	66.8	(61.3)	5.5
Attributable to:										
Owners of the parent		**35.4**	**(25.7)**	**9.7**	28.2	(7.3)	20.9	65.7	(61.3)	4.4
Non-controlling interests		**0.4**	**-**	**0.4**	0.3	-	0.3	1.1	-	1.1
		35.8	**(25.7)**	**10.1**	28.5	(7.3)	21.2	66.8	(61.3)	5.5
Earnings per share										
Basic earnings per share										
From continuing operations	7	**37.1p**	**(21.7)p**	**15.4p**	42.4p[3]	(10.6)p[3]	31.9p[3]	96.0p	(55.9)p	40.2p
From discontinued operations	7	**-**	**(5.2)p**	**(5.2)p**	(1.6)p[3]	-	(1.6)p[3]	(3.1)p	(30.8)p	(34.0)p
Diluted earnings per share										
From continuing operations	7	**37.0p**	**(21.7)p**	**15.4p**	42.1p[3]	(10.5)p[3]	31.6p[3]	95.6p	(55.6)p	40.0p
From discontinued operations	7	**-**	**(5.2)p**	**(5.2)p**	(1.6)p[3]	-	(1.6)p[3]	(3.1)p	(30.7)p	(33.8)p

[1] Stated before non-underlying items, see note 3 to the financial statements.
[2] Comparatives restated to reflect the reclassification of the UK mining activities to discontinued operations.
[3] Restated for the bonus element of the rights issue associated with the Mouchel transaction.

Consolidated statement of comprehensive income

For the six months ended 31 December 2015

	Unaudited 6 months to 31 December 2015 £m	Unaudited 6 months to 31 December 2014 £m	Year to 30 June 2015 £m
Profit for the period	**10.1**	**21.2**	**5.5**
Items that may be reclassified subsequently to the income statement			
Share of joint venture fair value movements in cash flow hedging instruments	**(0.2)**	0.5	0.7
Deferred tax on share of joint venture fair value movements in cash flow hedging instruments	**-**	(0.1)	(0.2)
Fair value movements in cash flow hedging instruments	**7.0**	(0.4)	0.2
Tax on fair value movements in cash flow hedging instruments	**(1.4)**	0.1	-
Foreign exchange gains on translation of foreign operations	**2.4**	3.8	0.9
Foreign exchange translation differences	**-**	-	(0.2)
Total items that may be reclassified subsequently to the income statement	**7.8**	**3.9**	**1.4**
Items that will not be reclassified to the income statement			
Actuarial gains/(losses) on defined benefit pension schemes	**7.3**	(30.5)	(34.0)
Deferred tax on actuarial gains/(losses) on defined benefit pension schemes	**(1.3)**	6.1	6.8
Total items that will not be reclassified to the income statement	**6.0**	**(24.4)**	**(27.2)**
Other comprehensive income/(loss) for the period	**13.8**	(20.5)	(25.8)
Total comprehensive income/(loss) for the period	**23.9**	**0.7**	**(20.3)**
Attributable to:			
Owners of the parent	**23.5**	0.4	(21.4)
Non-controlling interests	**0.4**	0.3	1.1
	23.9	**0.7**	**(20.3)**
Total comprehensive income attributable to equity shareholders arises from:			
Continuing operations	**28.9**	1.8	3.7
Discontinued operations	**(5.0)**	(1.1)	(24.0)
	23.9	**0.7**	**(20.3)**

Consolidated statement of changes in equity

For the six months ended 31 December 2015

	Share capital £m	Share premium £m	Capital redemption reserve £m	Retained earnings £m	Cash flow hedge reserve £m	Translation reserve £m	Merger reserve £m	**Attributable to owners of the parent £m**	Non-controlling interest £m	**Total equity £m**
At 30 June 2014	**0.6**	**73.7**	**2.7**	**51.4**	**(2.9)**	**(3.6)**	**184.8**	**306.7**	**3.0**	**309.7**
Profit for the period	-	-	-	20.9	-	-	-	**20.9**	0.3	**21.2**
Other comprehensive (loss)/income	-	-	-	(24.4)	0.1	3.8	-	**(20.5)**	-	**(20.5)**
Dividends paid	-	-	-	(27.1)	-	-	-	**(27.1)**	(1.8)	**(28.9)**
Issue of own shares	-	2.9	-	-	-	-	-	**2.9**	-	**2.9**
Purchase of own shares	-	-	-	(1.0)	-	-	-	**(1.0)**	-	**(1.0)**
Share-based payment charge	-	-	-	2.0	-	-	-	**2.0**	-	**2.0**
At 31 December 2014	**0.6**	**76.6**	**2.7**	**21.8**	**(2.8)**	**0.2**	**184.8**	**283.9**	**1.5**	**285.4**
Profit for the period	-	-	-	(16.5)	-	-	-	**(16.5)**	0.8	**(15.7)**
Other comprehensive (loss)/income	-	-	-	(2.8)	0.6	(3.1)	-	**(5.3)**	-	**(5.3)**
Dividends paid	-	-	-	(13.1)	-	-	-	**(13.1)**	(0.5)	**(13.6)**
Issue of own shares	0.4	331.9	-	1.0	-	-	-	**333.3**	-	**333.3**
Share-based payment charge	-	-	-	1.4	-	-	-	**1.4**	-	**1.4**
Tax on share based payments	-	-	-	(0.1)	-	-	-	**(0.1)**	-	**(0.1)**
Transfers	-	-	-	50.0	-	-	(50.0)	**-**	-	**-**
At 30 June 2015	**1.0**	**408.5**	**2.7**	**41.7**	**(2.2)**	**(2.9)**	**134.8**	**583.6**	**1.8**	**585.4**
Profit for the period	-	-	-	9.7	-	-	**-**	**9.7**	0.4	**10.1**
Other comprehensive income	-	-	-	6.0	5.4	2.4	**-**	**13.8**	-	**13.8**
Dividends	-	-	-	(34.2)	-	-	**-**	**(34.2)**	(0.1)	**(34.3)**
Issue of own shares	-	8.6	-	-	-	-	**-**	**8.6**	-	**8.6**
Share-based payment charge	-	-	-	2.2	-	-	**-**	**2.2**	-	**2.2**
At 31 December 2015	**1.0**	**417.1**	**2.7**	**25.4**	**3.2**	**(0.5)**	**134.8**	**583.7**	**2.1**	**585.8**

Consolidated balance sheet

At 31 December 2015

	Notes	**Unaudited 6 months to 31 December 2015 £m**	Unaudited 6 months to 31 December 2014 £m	Year to 30 June 2015[1] £m
Non-current assets				
Intangible assets		**781.8**	325.0	784.2
Property, plant and equipment		**111.8**	184.3	121.2
Investment in joint ventures		**106.9**	67.3	79.4
Deferred tax assets		**3.1**	5.1	8.9
Trade and other receivables		**27.3**	20.9	31.4
Non-current assets		**1,030.9**	602.6	1,025.1
Current assets				
Inventories		**626.4**	562.2	737.5
Trade and other receivables		**567.3**	541.6	534.3
Other financial assets		**5.4**	-	-
Income tax receivable		**-**	4.9	-
Cash and cash equivalents	8	**121.9**	150.4	254.0
Current assets		**1,321.0**	1,259.1	1,525.8
Assets held for sale as part of a disposal group		**51.1**	74.4	193.9
Total assets		**2,403.0**	1,936.1	2,744.8
Current liabilities				
Overdraft	8	**-**	(11.9)	-
Finance lease obligations		**(8.1)**	(32.4)	(14.9)
Other financial liabilities		**(0.4)**	(0.3)	-
Trade and other payables		**(1,206.2)**	(1,026.2)	(1,323.8)
Corporation tax payable		**(6.0)**	-	(12.7)
Provisions		**(1.5)**	(19.4)	(7.4)
Current liabilities		**(1,222.2)**	(1,090.2)	(1,358.8)
Non-current liabilities				
Borrowings	8	**(295.8)**	(294.5)	(394.8)
Finance lease obligations		**(24.8)**	(44.5)	(25.7)
Other financial liabilities		**-**	(2.1)	(1.5)
Trade and other payables		**(9.9)**	(3.4)	(11.4)
Retirement benefit obligations	4	**(138.1)**	(81.2)	(153.6)
Provisions		**(67.3)**	(70.6)	(45.6)
Non-current liabilities		**(535.9)**	(496.3)	(632.6)
Liabilities held for sale as part of a disposal group		**(59.1)**	(64.2)	(168.0)
Total liabilities		**(1,817.2)**	(1,650.7)	(2,159.4)
Net assets		**585.8**	285.4	585.4
Equity				
Share capital		**1.0**	0.6	1.0
Share premium		**417.1**	76.6	408.5
Capital redemption reserve		**2.7**	2.7	2.7
Retained earnings		**25.4**	21.8	41.7
Cash flow hedge reserve		**3.2**	(2.8)	(2.2)
Translation reserve		**(0.5)**	0.2	(2.9)
Merger reserve		**134.8**	184.8	134.8
Equity attributable to owners of the parent		**583.7**	283.9	583.6
Non-controlling interests		**2.1**	1.5	1.8
Total equity		**585.8**	285.4	585.4

[1] Restated for impact of revision to the acquisition accounting of the Mouchel Group, see note 10 to the financial statements.

Consolidated cash flow statement

For the six months ended 31 December 2015

	Notes	Unaudited 6 months to 31 December 2015 £m	Unaudited 6 months to 31 December 2014 £m	Year to 30 June 2015 £m
Profit before tax		**7.0**	26.7	13.7
Non-underlying items - exceptionals		**24.8**	2.1	54.5
Net finance cost		**14.1**	10.1	21.4
Share of post-tax trading results of joint ventures		**(2.6)**	(0.6)	(7.9)
Pension charge in excess of normal contributions to pension fund		**1.6**	0.8	(0.1)
Non cash adjustments				
Equity settled share-based payments charge		**2.2**	2.0	3.4
Amortisation and impairment of intangible assets		**13.2**	7.1	13.6
Other non-cash items		**-**	-	(4.6)
Depreciation charges		**15.3**	13.7	28.9
Profit on disposal of joint ventures		**(2.6)**	(1.3)	(14.8)
Loss on disposal of property, plant and equipment		**3.6**	0.2	2.1
Operating cash inflows before movements in working capital		**76.6**	60.8	110.2
Special contributions to pension fund		**(12.8)**	(11.0)	(18.7)
Decrease/(increase) in inventories		**111.4**	(91.8)	(205.5)
(Increase)/decrease in receivables		**(32.7)**	51.2	88.0
(Decrease)/increase in payables		**(107.8)**	38.5	192.8
Increase/(decrease) in provisions		**8.4**	4.1	(28.3)
Cash inflow from operating activities before non-underlying items		**43.1**	51.8	138.5
Cash outflow from non-underlying items		**(23.7)**	(2.1)	(18.8)
Cash inflow from operating activities		**19.4**	49.7	119.7
Dividends received from joint ventures		**0.4**	0.2	3.5
Interest received		**0.6**	1.0	1.7
Income taxes paid		**(1.3)**	-	(3.5)
Net cash inflow from operating activities		**19.1**	50.9	121.4
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment		**0.3**	1.1	2.0
Proceeds from sale of joint venture		**18.4**	3.2	13.9
Proceeds from sale of subsidiary		**15.5**	-	-
Purchases of property, plant and equipment		**(8.1)**	(6.9)	(19.8)
Purchase of intangible assets		**(14.4)**	(8.3)	(22.6)
Acquisition of subsidiaries		**-**	(1.0)	(262.6)
Net investment in joint ventures		**(30.5)**	(27.5)	(35.6)
Divestment/(investment) in assets held for resale		**9.3**	0.2	(12.6)
Cash acquired		**-**	-	32.2
Net cash used in investing activities		**(9.5)**	(39.2)	(305.1)
Cash flows from financing activities				
Issue of shares		**4.3**	1.8	334.1
Purchase of own shares		**-**	(1.0)	-
Interest paid		**(9.1)**	(7.8)	(15.6)
Cash outflow incurred raising finance		**-**	-	(2.6)
Inflow from finance leases on property, plant and equipment		**-**	4.7	16.9
Increase in borrowings		**0.7**	120.1	199.9
Finance lease repayments		**(8.6)**	(14.8)	(32.2)
Repayment of borrowings		**(99.0)**	(21.0)	(94.0)
Dividends paid to equity holders of the parent		**(29.9)**	(26.0)	(39.1)
Dividends paid to minority interests		**(0.1)**	(1.8)	(2.3)
Net cash used in financing activities		**(141.7)**	54.2	365.1
(Decrease)/increase in cash, cash equivalents and overdraft		**(132.1)**	65.9	181.4
Opening cash, cash equivalents and overdraft		**254.0**	72.6	72.6
Closing cash, cash equivalents and overdraft	**8**	**121.9**	138.5	254.0

Notes to the interim financial statements

1 Basis of preparation

Reporting entity
Kier Group plc (the Company) is a public limited company which his listed on the London Stock Exchange and incorporated and domiciled in the UK. The address of its registered office is Tempsford Hall, Sandy, Bedfordshire, SG19 2BD. The condensed consolidated interim financial statements (interim financial statements) for the six months ended, 31 December 2015 comprise the Company and its subsidiaries (together referred to as the Group) and the Group's interest in jointly controlled entities.

This condensed consolidated interim financial information does not comprise statutory financial statements within the meaning of section 434 of the Companies Act 2006. Statutory financial statements for the year ended 30 June 2015 were approved by the Board of Directors on 16 September 2015 and delivered to the Registrar of Companies. The auditors' report on these accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain a statement under section 498 of the Companies Act 2006.

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 Conduct 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 2015.

These interim condensed financial statements were approved by the directors on 16 March 2016.

Significant accounting policies
Except as described 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 2015.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

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 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 2015. The principal risks and uncertainties continue to be those which are set out on pages 32 – 37 of the Group's annual report and accounts for the year ended 30 June 2015, under the following headings: Contract delivery, Systems, Funding, People, The market, Tender pricing, Compliance, Change, Safety and Reputation.

Going concern
The Group has considerable financial resources, together with long term contracts with a number of customers and suppliers across its business activities. As a consequence, the directors believe that the Group is well placed to manage its business risks effectively. After making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the Group's financial statements.

Segmental reporting
The Group comprises four divisions, Property, Residential, Construction and Services and this is the basis on which the Group reports its primary segmental information. Corporate includes unrecovered overheads and the charge for defined benefit pension schemes.

Segment information is based on the information provided to the chief executive who is the chief operating decision maker. The segments are strategic business units with separate management and have different core customers and offer different services. The segments are discussed in the chief executive's review on pages 4-11.

The accounting policies of the operating segments are the same as those of the Group. The Group evaluates segment information on the basis of profit or loss from operations before exceptional items, amortisation of intangible contract rights, interest and income tax expense. The segment results that are reported to the chief executive include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Fair values
The Group's derivatives are measured at fair value. These are classified as level 2 financial instruments as the inputs are observable indirectly and are derived from quoted market prices at the balance sheet date.

Notes to the interim financial statements

Continued

2 Segmental reporting

Six months to 31 December 2015	Property £m	Residential £m	Construction £m	Services £m	Corporate £m	Group £m
Revenue[1]						
Group and share of joint ventures	75.0	162.4	996.7	842.3	-	2,076.4
Less share of joint ventures	(34.1)	-	(5.7)	(4.2)	-	(44.0)
Group revenue	**40.9**	**162.4**	**991.0**	**838.1**	**-**	**2,032.4**
Profit						
Group operating profit/(loss)	2.7	6.6	19.0	39.7	(16.1)	51.9
Share of post-tax results of joint ventures	1.9	-	0.5	0.2	-	2.6
Profit on disposal of joint ventures	2.6	-	-	-	-	2.6
Underlying operating profit/(loss)	**7.2**	**6.6**	**19.5**	**39.9**	**(16.1)**	**57.1**
Underlying net finance (costs)/income[2]	(2.5)	(5.5)	2.4	(0.8)	(6.5)	(12.9)
Underlying profit/(loss) before tax	**4.7**	**1.1**	**21.9**	**39.1**	**(22.6)**	**44.2**
Amortisation of intangible assets relating to contract rights	-	-	(0.2)	(11.0)	-	(11.2)
Non-underlying finance costs	-	-	-	(1.2)	-	(1.2)
Other non-underlying items	-	-	(0.9)	(4.8)	(8.1)	(13.8)
Profit/(loss) before tax from continuing operations	**4.7**	**1.1**	**20.8**	**22.1**	**(30.7)**	**18.0**
Balance sheet						
Total assets excluding cash	127.4	289.7	694.7	522.7	595.6	2,230.1
Liabilities excluding borrowings	(18.0)	(57.4)	(676.9)	(576.7)	(133.4)	(1,462.4)
Net operating assets/(liabilities) excluding assets held for sale[3]	109.4	232.3	17.8	(54.0)	462.2	767.7
Cash, net of (borrowings)	(68.2)	(215.1)	249.9	(33.8)	(106.7)	(173.9)
Net assets/(liabilities) excluding assets held for sale	**41.2**	**17.2**	**267.7**	**(87.8)**	**355.5**	**593.8**
Assets/(liabilities) held for sale	8.9	-	(16.9)	-	-	**(8.0)**
Net assets/(liabilities)	**50.1**	**17.2**	**250.8**	**(87.8)**	**355.5**	**585.8**

Six months to 31 December 2014	Property £m	Residential[4] £m	Construction[4] £m	Services £m	Corporate £m	Group £m
Revenue[1]						
Group and share of joint ventures	49.1	90.2	863.2	569.3	-	1,571.8
Less share of joint ventures	(6.3)	-	(3.8)	-	-	(10.1)
Group revenue	42.8	90.2	859.4	569.3	-	1,561.7
Profit						
Group operating profit/(loss)	12.7	0.8	18.0	23.7	(12.3)	42.9
Share of post-tax results of joint ventures	-	-	0.6	-	-	0.6
Profit on disposal of joint ventures	1.3	-	-	-	-	1.3
Underlying operating profit/(loss)	**14.0**	**0.8**	**18.6**	**23.7**	**(12.3)**	**44.8**
Underlying net finance (costs)/income[2]	(1.3)	(5.2)	3.5	(2.2)	(2.6)	(7.8)
Underlying profit/(loss) before tax	**12.7**	**(4.4)**	**22.1**	**21.5**	**(14.9)**	**37.0**
Amortisation of intangible assets relating to contract rights	-	-	(0.2)	(5.1)	-	(5.3)
Non-underlying finance costs	-	-	-	(1.8)	-	(1.8)
Other non-underlying items	-	-	-	(0.6)	(1.5)	(2.1)
Profit/(loss) before tax from continuing operations	**12.7**	**(4.4)**	**21.9**	**14.0**	**(16.4)**	**27.8**
Balance sheet						
Total assets excluding cash	128.2	321.1	588.7	415.0	258.5	1,711.5
Liabilities excluding borrowings	3.9	(42.5)	(695.8)	(372.9)	(172.9)	(1,280.2)
Net operating assets/(liabilities) excluding assets held for sale[3]	132.1	278.6	(107.1)	42.1	85.6	431.3
Cash, net of (borrowings)	(69.4)	(263.5)	288.8	15.6	(127.6)	(156.1)
Net assets/(liabilities) excluding assets held for sale	**62.7**	**15.1**	**181.7**	**57.7**	**(42.0)**	**275.2**
Assets/(liabilities) held for sale	10.2	-	-	-	-	**10.2**
Net assets/(liabilities)	**72.9**	**15.1**	**181.7**	**57.7**	**(42.0)**	**285.4**

Notes to the interim financial statements
Continued

2 Segmental reporting continued

Year to 30 June 2015	Property £m	Residential £m	Construction[4] £m	Services[4] £m	Corporate £m	Group £m
Revenue[1]						
Group and share of joint ventures	126.2	257.2	1,728.3	1,239.5	-	3,351.2
Less share of joint ventures	(66.8)	-	(8.3)	(0.2)	-	(75.3)
Group revenue	**59.4**	**257.2**	**1,720.0**	**1,239.3**	**-**	**3,275.9**
Profit						
Group operating profit/(loss)	2.1	11.2	36.8	56.8	(25.9)	81.0
Share of post-tax results of joint ventures	5.8	-	1.8	0.3	-	7.9
Profit on disposal of joint ventures	14.8	-	-	-	-	14.8
Underlying operating profit/(loss)	**22.7**	**11.2**	**38.6**	**57.1**	**(25.9)**	**103.7**
Underlying net finance (costs)/income[2]	(2.5)	(11.0)	6.2	(4.6)	(5.9)	(17.8)
Underlying profit/(loss) before tax	**20.2**	**0.2**	**44.8**	**52.5**	**(31.8)**	**85.9**
Non-underlying items:						
Amortisation of intangible assets relating to contract rights	(0.1)	-	(0.4)	(10.7)	-	(11.2)
Non-underlying finance costs	-	-	-	(3.6)	-	(3.6)
Other non-underlying items	-	-	(0.5)	(8.0)	(23.1)	(31.6)
Profit/(loss) before tax from continuing operations	**20.1**	**0.2**	**43.9**	**30.2**	**(54.9)**	**39.5**
Balance sheet						
Total assets excluding cash	128.2	320.5	703.4	515.8	629.0	2,296.9
Liabilities excluding borrowings	(24.7)	(59.6)	(733.5)	(592.1)	(186.7)	(1,596.6)
Net operating assets/(liabilities) excluding assets held for sale[3]	**103.5**	**260.9**	**(30.1)**	**(76.3)**	**442.3**	**700.3**
Cash, net of (borrowings)	(73.9)	(243.9)	289.7	(43.8)	(68.9)	(140.8)
Net assets/(liabilities) excluding assets held for sale	**29.6**	**17.0**	**259.6**	**(120.1)**	**373.4**	**559.5**
Assets/(liabilities) held for sale	20.3	-	(7.4)	13.1	(0.1)	25.9
Net assets/(liabilities)	**49.9**	**17.0**	**252.2**	**(107.0)**	**373.3**	**585.4**

[1] Revenue is stated after the exclusion of inter-segmental revenue. Inter-segmental pricing is determined on an arm's length basis.

[2] Interest was (charged)/credited to the divisions at a notional rate of 4.0%.

[3] Net operating (liabilities)/assets represent assets excluding cash, bank overdrafts, borrowings and interest-bearing inter-company loans.

[4] Prior year comparatives have been represented to reflect the reallocation of certain activities from the Construction division to the Residential division and from the Services division to the Construction division.

Notes to the interim financial statements
Continued

3 Non-underlying items[1]

	Unaudited 6 months to 31 December 2015 £m	Unaudited 6 months to 31 December 2014 £m	Year to 30 June 2015 £m
Continuing operations			
Amortisation of intangible contract rights	**(11.2)**	(5.3)	(11.2)
Acquisition discount unwind	**(1.2)**	(1.8)	(3.6)
Other non-underlying items:			
Transaction and integration costs following the acquisition of the Mouchel Group	**(15.5)**	-	(21.9)
Costs associated with cessation of the Kier Group final salary pension scheme	**-**	(1.0)	(6.3)
Gains/(costs) relating to the disposal of Fleet and Passenger Services	**1.7**	(0.6)	(3.4)
Other restructuring and transformation costs	**-**	(0.5)	-
Total other non-underlying items	**(13.8)**	(2.1)	(31.6)
Total non-underlying items from continuing operations	**(26.2)**	**(9.2)**	**(46.4)**
Associated tax credit	**5.5**	1.9	6.9
Charged against profit for the period from continuing operations	**(20.7)**	**(7.3)**	**(39.5)**
Discontinued operations			
Impairment of UK Mining business to fair value less costs to sell	**(11.0)**	**-**	**(22.9)**
Associated tax credit	**6.0**	-	1.1
Total non-underlying items from discontinued operations	**(5.0)**	**-**	**(21.8)**
Charged against profit for the period	**(25.7)**	**(7.3)**	**(61.3)**

[1] Exceptional items.

4 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 2015 £m			Unaudited 6 months to 31 December 2014 £m				Year to 30 June 2015 £m
	Kier Group Pension Scheme £m	**Mouchel Pension Schemes £m**	**May Gurney Pension Schemes £m**	**Total £m**	Kier Group Pension Scheme £m	May Gurney Pension Schemes £m	Total £m	Kier Group Pension Scheme £m	Mouchel Pension Schemes £m	May Gurney Pension Schemes £m	Total £m
Opening (deficit)/surplus	**(75.2)**	**(74.9)**	**(3.5)**	**(153.6)**	(63.1)	3.3	(59.8)	(63.1)	-	3.3	(59.8)
Acquired deficit	-	-	-	-	-	-	-	-	(68.6)	-	(68.6)
Charge to income statement	**(2.0)**	**(2.5)**	**(0.2)**	**(4.7)**	(6.5)	-	(6.5)	(13.8)	(0.3)	(0.1)	(14.2)
Employer contributions	**7.1**	**4.8**	**1.0**	**12.9**	15.7	-	15.7	24.7	0.7	0.3	25.7
Actuarial (losses)/gains	**(0.4)**	**7.9**	**(0.2)**	**7.3**	(26.8)	(3.8)	(30.6)	(23.0)	(6.7)	(7.0)	(36.7)
Closing deficit	**(70.5)**	**(64.7)**	**(2.9)**	**(138.1)**	**(80.7)**	**(0.5)**	**(81.2)**	**(75.2)**	**(74.9)**	**(3.5)**	**(153.6)**
Comprising:											
Total market value of assets	**893.8**	**354.6**	**65.4**	**1,313.8**	912.5	80.9	993.4	919.4	356.3	66.4	1,342.1
Present value of liabilities	**(964.3)**	**(419.3)**	**(68.3)**	**(1,451.9)**	(993.2)	(81.4)	(1,074.6)	(994.6)	(431.2)	(69.9)	(1,495.7)
Net deficit	**(70.5)**	**(64.7)**	**(2.9)**	**(138.1)**	**(80.7)**	**(0.5)**	**(81.2)**	**(75.2)**	**(74.9)**	**(3.5)**	**(153.6)**
Related deferred tax asset	**14.1**	**12.9**	**0.6**	**27.6**	16.1	0.1	16.2	15.0	15.0	0.7	30.7
Net pension liability	**(56.4)**	**(51.8)**	**(2.3)**	**(110.5)**	**(64.6)**	**(0.4)**	**(65.0)**	**(60.2)**	**(59.9)**	**(2.8)**	**(122.9)**

Notes to the interim financial statements
Continued

5 Taxation

The taxation charge for the six months ended 31 December 2015 has been calculated at 19% (June 2015: 20%, December 2014: 20%) of adjusted profit before tax, being profits adjusted for the Group's share in equity accounted joint ventures and excluding non-underlying items. This represents the estimated effective rate of tax for the year. Non-underlying items are taxed at their underlying rate.

			Unaudited 6 months to 31 December 2015			Unaudited 6 months to 31 December 2014[2]			Year to 30 June 2015
	Underlying items[1] £m	**Non-underlying items (note 3) £m**	**Total £m**	Underlying items[1] £m	Non-underlying items (note 3) £m	Total £m	Underlying items[1] £m	Non-underlying items (note 3) £m	Total £m
Profit before tax	**44.2**	**(26.2)**	**18.0**	37.0	(9.2)	27.8	85.9	(46.4)	39.5
Adjust: tax on joint ventures included above	**0.1**	**-**	**0.1**	-	-	-	0.3	-	0.3
Adjusted profit before tax	**44.3**	**(26.2)**	**18.1**	37.0	(9.2)	27.8	86.2	(46.4)	39.8
Current tax	**(3.1)**	**3.1**	**-**	(3.6)	1.0	(2.6)	(15.1)	2.9	(12.2)
Deferred	**(5.4)**	**2.4**	**(3.0)**	(3.8)	0.9	(2.9)	(2.1)	4.0	1.9
Total income tax expense in the income statement	**(8.5)**	**5.5**	**(3.0)**	**(7.4)**	**1.9**	**(5.5)**	**(17.2)**	**6.9**	**(10.3)**
Tax on joint ventures	**0.1**	**-**	**0.1**	-	-	-	0.3	-	0.3
Effective tax charge	**(8.4)**	**5.5**	**(2.9)**	**(7.4)**	**1.9**	**(5.5)**	(16.9)	6.9	(10.0)
Rate	**19%**		**16%**	**20%**		**20%**	**20%**		**25%**

[1] Stated before non-underlying items, see note 3 to the financial statements.
[2] Restated to reclassify the Group's UK mining operations as discontinued.

6 Dividends

Amounts recognised as distributions to equity holders in the period:	**Unaudited 6 months to 31 December 2015 £m**	Unaudited 6 months to 31 December 2014 £m	Year to 30 June 2015 £m
Final dividend for the year ended 30 June 2015 of 36.0 pence (2014: 49.5 pence[1])	**34.2**	27.1	27.0
Interim dividend for the year ended 30 June 2016 of 21.5 pence (2015: 19.2 pence[1])	**-**	-	13.2
	34.2	27.1	40.2

The interim dividend for the year ending 30 June 2016 of 21.5 pence per share (2015: 19.2[1] pence) has not yet been paid and so has not been included as a liability in these financial statements. The dividend totalling approximately £20.1m will be paid on 20 May 2016 to shareholders on the register at the close of business on 29 March 2016. A scrip dividend alternative will be offered.

[1] As restated for the bonus element of the rights issue associated with the Mouchel transaction.

Notes to the interim financial statements
Continued

7 Earnings per share

	Unaudited 6 months to 31 December 2015		Unaudited 6 months to 31 December 2014[2]		Year to 30 June 2015	
	Basic £m	Diluted £m	Basic £m	Diluted £m	Basic £m	Diluted £m
Continuing operations						
Earnings (after tax and minority interests), being net profits attributable to equity holders of the parent	**14.7**	**14.7**	22.0	22.0	28.4	28.4
Impact of non-underlying items net of tax:						
Amortisation of intangible assets - net of tax credit of £2.2m (2014: £1.1m)	**9.0**	**9.0**	4.2	4.2	8.9	8.9
Acquisition discount unwind[1] - net of tax credit of £0.2m (2014: £0.4m)	1.0	1.0	1.4	1.4	2.9	2.9
Other non-underlying items - net of tax credit of £3.1m (2014: £0.4m)	10.8	10.8	1.7	1.7	27.7	27.7
Earnings from continuing operations	**35.5**	**35.5**	29.3	29.3	67.9	67.9
Discontinued operations						
Earnings (after tax and minority interests), being net loss attributable to equity holders of the parent	**(5.0)**	**(5.0)**	(1.1)	(1.1)	(24.0)	(24.0)
Other non-underlying items - net of tax credit of £6.0m (2014: £1.1m)	**5.0**	**5.0**	-	-	21.8	21.8
Earnings from discontinued operations	**-**	**-**	(1.1)	(1.1)	(2.2)	(2.2)
	million	million	million	million	million	million
Weighted average number of shares	**95.3**	**95.3**	69.1[3]	69.2[3]	70.7	71.0
Weighted average impact of LTIP and Sharesave scheme	**-**	**0.3**	-	0.4[3]	-	-
Weighted average number of shares used for earnings per share	**95.3**	**95.6**	69.1[3]	69.6[3]	70.7	71.0

Earnings per share	pence	pence	pence	pence	pence	pence
Continuing operations						
Earnings (after tax and minority interests), being net profits attributable to equity holders of the parent	**15.4**	**15.4**	31.9[3]	31.6[3]	40.2	40.0
Impact of non-underlying items net of tax:						
Amortisation of intangible assets	9.4	9.4	6.1[3]	6.1[3]	12.6	12.5
Acquisition discount unwind	1.0	1.0	2.1[3]	2.1[3]	4.0	4.1
Other non-underlying items	11.3	11.2	2.3[3]	2.3[3]	39.2	39.0
Earnings from continuing operations	**37.1**	**37.0**	42.4[3]	42.1[3]	96.0	95.6
Discontinued operations						
Earnings (after tax and minority interests), being net loss attributable to equity holders of the parent	**(5.2)**	**(5.2)**	(1.6[3])	(1.6[3])	(33.9)	(33.8)
Other non-underlying items - net of tax credit of £6.0m (2014: £1.1m)	**5.2**	**5.2**	-	-	30.8	30.7
Earnings from discontinued operations	**-**	**-**	(1.6[3])	(1.6[3])	(3.1)	(3.1)

[1] Unwind of discount in respect of deferred consideration and fair value adjustments made on acquisition.
[2] Represented to show UK mining operations as discontinued.
[3] Restated for the bonus element of the rights issue associated with the Mouchel transaction.

8 Cash, cash equivalents, overdraft and borrowings

	Unaudited 6 months to 31 December 2015 £m	Unaudited 6 months to 31 December 2014 £m	Year to 30 June 2015 £m
Net debt consists of:			
Cash and cash equivalents – bank balances and cash in hand	**121.9**	150.4	254.0
Borrowings due within one year	**-**	(11.9)	-
Borrowings due after 1 year	**(295.8)**	(294.5)	(394.8)
Net debt	**(173.9)**	(156.0)	(140.8)

Notes to the interim financial statements
Continued

9 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 targets. Further details of the LTIP were disclosed in the 2015 annual financial statements. Nil shares have vested under the LTIP during the six months to 31 December 2015.

On 22 October 2015 grants were made under the LTIP as follows:

Shares granted	1,357,160
Share price at grant	£13.88
Exercise price	nil
Option life	3 years
Expected volatility	23.34%
Dividend yield	4.32%
Risk-free interest rate	0.70%
Value per option:	
TSR element (based upon a stochastic model)	813.1p
EPS element (based upon the Black-Scholes model)	1,219.2p

The fair value of the TSR element incorporates an assessment of the number of shares that will be awarded as the performance conditions are market conditions under IFRS 2 'Share-based payments'.

The performance conditions of the EPS element are non-market conditions under IFRS 2. The fair value therefore does not include an assessment of the number of shares that will be awarded. Instead the amount charged for this element is based on the fair value factored by a 'true up' for the number of awards that are expected to vest.

10 Revision to acquisition accounting on Mouchel Group

The fair values of the acquired assets and liabilities disclosed as provisional in the Annual Report and Accounts 2015 in respect of MRBL Limited (the Mouchel Group) have been revised during the period. The following items have been adjusted:

Item adjusted	Fair values originally disclosed (£m)	Revision to fair values (£m)	Fair value of assets acquired (£m)
Deferred tax assets	(2.3)	(2.4)	(4.7)
Inventories	76.7	(0.3)	76.4
Trade and other receivables	49.3	(1.0)	48.3
Trade and other payables	(156.4)	(9.5)	(165.9)
Provisions	(19.1)	5.7	(13.4)
Goodwill	301.3	7.5	308.8

The movements in the fair value of goodwill, and net assets acquired were primarily due to the assessment of contract positions changing as a result of new information becoming available regarding the position at the acquisition date of 8 June 2015. There was no change to consideration or net assets acquired. For full details of the acquisition, please refer to the Annual Report and Accounts for 2015.

11 Disposal of Kier FPS Ltd

On 1 July 2015, the group disposed of its investment in Kier FPS Ltd ("FPS"). Disposal costs of £3.4m had been incurred in the year to 30 June 2015, and a gain of £1.7m has been recognised in the period to 31 December 2015. The net loss on disposal is therefore £1.7m.

		£m
Loss recognised to 30 June 2015		**(3.4)**
Net sale proceeds	17.4	
Costs of disposal	(2.3)	
Net assets disposed of	(13.4)	
Profit on sale in period to 31 December 2015		1.7
Overall loss on disposal		**(1.7)**

Notes to the interim financial statements
Continued

12 Result of discontinued operations

On 30 June 2015, the group announced its intention to sell its mining operations. The group initiated an active programme to locate a buyer and complete the sale during the current year ended 30 June 2016. Discussions with potential buyers are ongoing.

Financial information relating to the mining operations is set out below. The income statement distinguishes discontinued operations from continuing operations. Comparative figures have been restated.

	Unaudited 6 months to 31 December 2015 £m	Unaudited 6 months to 31 December 2014 £m	Year to 30 June 2015 £m
Revenue	-	10.8	20.6
Operating costs	-	(11.4)	(22.5)
Operating (loss)/profit	-	(0.6)	(1.9)
Finance costs	-	(0.5)	(1.0)
Loss before tax	-	(1.1)	(2.9)
Tax	-	-	0.7
Loss after tax of discontinued operations	-	(1.1)	(2.2)
Loss before tax recognised on the re-measurement of net assets of discontinued operations to realisable value	(11.0)	-	(22.9)
Tax	6.0	-	1.1
Loss after tax recognised on the re-measurement of net assets of discontinued operations to realisable value	(5.0)	-	(21.8)
Loss for the period from discontinued operations	(5.0)	(1.1)	(24.0)

13 Related parties

There have been no other 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 2015.

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 16 March 2016 on behalf of the Board

H J Mursell
Chief Executive

B E J Dew
Finance Director

Independent review report to Kier Group plc

Report on the condensed consolidated interim financial statements

Our conclusion

We have reviewed the condensed consolidated interim financial statements, defined below, in the interim financial report of Kier Group plc for the six months ended 31 December 2015. Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.
This conclusion is to be read in the context of what we say in the remainder of this report.

What we have reviewed

The condensed consolidated interim financial statements, which are prepared by Kier Group plc, comprise:

- the consolidated balance sheet as at 31 December 2015;
- the consolidated income statement and consolidated statement of comprehensive income for the period then ended;
- the consolidated statement of changes in equity for the period then ended; and
- the consolidated cash flow statement for the period then ended;
- the explanatory notes to the condensed consolidated interim financial statements.

As disclosed in Note 1, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.
The condensed consolidated interim financial statements included in the interim financial report have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

What a review of condensed consolidated financial statements involves

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 United Kingdom. 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.
We have read the other information contained in the interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated interim financial statements.

Responsibilities for the condensed consolidated interim financial statements and the review

Our responsibilities and those of the directors

The interim financial report, including the condensed consolidated interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.
Our responsibility is to express to the company a conclusion on the condensed consolidated interim financial statements in the interim financial report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure and Transparency Rules of the Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP
Chartered Accountants
16 March 2016
London

Notes:
(a) The maintenance and integrity of the Kier Group plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the interim financial report since it was initially presented on the web site.
(b) Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.