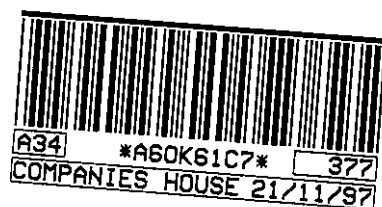


Reg No :- 810557

KIER INTERNATIONAL LIMITED

DIRECTORS' REPORT AND ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 1997



KIER INTERNATIONAL LIMITED
DIRECTORS' REPORT

Page 1

The directors present their annual report and audited accounts for the year ended 30 June 1997.

1. PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activities of the Group are civil engineering construction and building overseas, including joint venture contracts. The Company also acts as a holding company.

2. RESULTS AND DIVIDENDS

The profit for the year after taxation dealt with in the accounts is:

Dividends - final proposed
Arising on currency translation

Group £000	Company £000
1,062	704
(700)	(700)
(201)	-
<hr/>	<hr/>
161	4
<hr/>	<hr/>

Increase in reserves

3. DIRECTORS

The directors of the Company during the year were:-

J Dodds	Chairman
J W H Lawson, BEng	Managing Director
D J Bennie, FRICS	
D J Durey, BSc, CEng, MICE	(Resident in Jamaica)
T G Elliott, BSc, MICE	
R G M Francis, BSc, CEng, MICE	
B Gibbins, BSc, CEng, MICE	
D Rainford, MCI OB	
P J Staniland, BSc, FCA	
G C Trayling, BSc, CEng, MICE, MI Mech.E. (Resident in Hong Kong)	
J R Young, FI Plant E	

4. DIRECTORS' INTERESTS

The directors had the following interests in the 'A' Ordinary Shares of Kier Group plc:-

	30 June 1997		1 July 1996
	Shares	Options	Shares
D J Bennie	40,392	986	95,090
D J Durey	31,598	986	166,950
T G Elliott	27,000	-	34,250
R G M Francis	88,325	-	141,960
B Gibbins	139,757	986	160,970
J W H Lawson	34,570	18,633	143,310
D Rainford	1,882	986	1,000
P J Staniland	122,500	986	170,070
G C Trayling	20,000	-	20,000
J R Young	-	-	5,000

Mr Bennie also had a non-beneficial interest in 63,250 Ordinary Shares of Kier Group plc at 1 July 1996 and 51,250 at 30 June 1997.

KIER INTERNATIONAL LIMITED
DIRECTORS' REPORT
(Continued)

Page 2

Until the admission of its ordinary share capital to the Official List of the London Stock Exchange on 12 December 1996, the Ordinary Shares of Kier Group plc had been designated as 'A' Ordinary Shares.

Any interests of directors who were also directors of the holding company or the ultimate holding company at 30 June 1997 appear in the director's report of that company.

5. EMPLOYEES

The Company is an equal opportunity employer. It provides relevant information on matters of concern to employees through newsletters and formal and informal meetings with local management. Employees are given an opportunity at least twice a year to apply to purchase shares in the ultimate holding company, Kier Group plc, which is controlled by its employees. The Company encourages and assists, whenever practicable, the recruitment, training and career development of disabled people and the retention of those who become disabled during the course of their employment and who can be employed in a safe working environment.

6. DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss for that period. In preparing those accounts, the directors are required to:-

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- prepare the accounts on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are also responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the Company and the Group and which enable them to ensure that the accounts comply with the Companies Act 1985. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

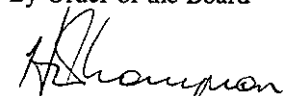
7. POLICY ON PAYMENT OF CREDITORS

The Company agrees payment terms with its suppliers and sub-contractors when it enters into contract with them. It seeks to abide by the agreed terms whenever it is satisfied that the supplier or sub-contractor has provided the goods or services in accordance with the contract terms and conditions. The Company does not follow a standard or code which deals specifically with payment of suppliers and sub-contractors. The aggregate amount owed to trade creditors at the year end is equivalent to 64 days invoicing.

8. AUDITORS

The auditors, KPMG, have indicated to the directors that a limited liability company, KPMG Audit Plc, is to undertake part of their audit business. Accordingly they have indicated their intentions to resign and the directors intend to appoint KPMG Audit Plc as auditors.

By Order of the Board



H L Thompson
Secretary

Tempsford Hall
Sandy
Bedfordshire
SG19 2BD

7 October 1997

KIER INTERNATIONAL LIMITED
AND SUBSIDIARY COMPANIES

Page 3

CONSOLIDATED PROFIT AND LOSS ACCOUNT
YEAR ENDED 30 JUNE 1997

	Notes	1997 £000	1996 £000
TURNOVER - continuing operations	1 & 2	77,737	71,069
Cost of sales		(73,345)	(64,495)
GROSS PROFIT	1	4,392	6,574
Administrative expenses		(2,915)	(2,344)
OPERATING PROFIT - continuing operations		1,477	4,230
Interest receivable		332	487
Interest payable	4	(207)	(67)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	1,602	4,650
Taxation	7	(540)	(1,550)
PROFIT FOR THE FINANCIAL YEAR		1,062	3,100
Dividends	6	(700)	(2,206)
RETAINED PROFIT FOR THE FINANCIAL YEAR	16	362	894

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED
GAINS AND LOSSES
YEAR ENDED 30 JUNE 1997

	1997 £'000	1996 £'000
PROFIT FOR THE FINANCIAL YEAR	1,062	3,100
Currency translation	(201)	42
TOTAL RECOGNISED GAINS AND LOSSES FOR THE FINANCIAL YEAR	861	3,142

KIER INTERNATIONAL LIMITED

Page 4

COMPANY PROFIT AND LOSS ACCOUNT
YEAR ENDED 30 JUNE 1997

	Notes	1997 £000	1996 £000
TURNOVER - continuing operations	1 & 2	10,180	16,860
Cost of sales		(8,585)	(10,597)
GROSS PROFIT	1	1,595	6,263
Administrative expenses		(2,853)	(2,344)
OPERATING (LOSS)/PROFIT - continuing operations		(1,258)	3,919
Income from shares in subsidiary undertakings		2,050	-
Interest receivable		186	100
Amounts (provided)/released for diminution in value of investments (net)		(474)	21
Interest payable	4	(210)	(61)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	294	3,979
Taxation	7	410	(1,360)
PROFIT FOR THE FINANCIAL YEAR		704	2,619
Dividends	6	(700)	(2,206)
RETAINED PROFIT FOR THE FINANCIAL YEAR	6	4	413

There are no recognised gains or losses other than the profit for the financial year.

KIER INTERNATIONAL LIMITED
AND SUBSIDIARY COMPANIES


Page 5

CONSOLIDATED BALANCE SHEET
AT 30 JUNE 1996

	Notes	1997 £000	1996 £000
FIXED ASSETS			
Tangible assets	8	5,819	6,696
Investments	9	16	16
		<hr/>	<hr/>
		5,835	6,712
CURRENT ASSETS			
Stocks and work in progress	10	1,445	741
Debtors due within one year	11	14,942	16,034
Debtors due after more than one year	11	1,003	2,064
Cash at bank and in hand	12	4,039	11,359
		<hr/>	<hr/>
		21,429	30,198
CURRENT LIABILITIES			
Creditors - amounts falling due within one year	13	(22,242)	(31,777)
		<hr/>	<hr/>
NET CURRENT LIABILITIES		(813)	(1,579)
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		5,022	5,133
Creditors - amounts falling due after more than one year	13	(100)	(294)
Provisions for liabilities and charges	14	(30)	(108)
		<hr/>	<hr/>
NET ASSETS		4,892	4,731
CAPITAL AND RESERVES			
Called up share capital	15	500	500
Profit and loss account	16	4,392	4,231
		<hr/>	<hr/>
SHAREHOLDERS' FUNDS	17	4,892	4,731
		<hr/>	<hr/>
J W H Lawson }			
} Directors			
P J Staniland }			

The accounts were approved by the Board of Directors on 7 October 1997.

COMPANY BALANCE SHEET
AT 30 JUNE 1997

	Notes	1997 £000	1996 £000
FIXED ASSETS			
Tangible assets	8	2,756	3,166
Investments	9	927	927
		<hr/>	<hr/>
		3,683	4,093
		<hr/>	<hr/>
CURRENT ASSETS			
Stocks and work in progress	10	474	541
Debtors due within one year	11	11,201	8,788
Debtors due after one year	11	6	383
Cash at bank and in hand		560	1,792
		<hr/>	<hr/>
		12,061	11,504
CURRENT LIABILITIES			
Creditors - amounts falling due within one year	13	(14,441)	(14,118)
		<hr/>	<hr/>
NET CURRENT LIABILITIES		(2,200)	(2,614)
		<hr/>	<hr/>
NET ASSETS		1,483	1,479
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Called up share capital	15	500	500
Profit and loss account	16	983	979
		<hr/>	<hr/>
SHAREHOLDERS' FUNDS	17	1,483	1,479
		<hr/>	<hr/>
J W H Lawson }			
P J Staniland }			
Directors			

The accounts were approved by the Board of Directors on 7 October 1997.

NOTES TO THE ACCOUNTS

1. Principal accounting policies

The accounting policies adopted are disclosed below.

Convention:

The accounts are prepared under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards.

Consolidation:

The Group accounts comprise the audited accounts of the Company and all its branches and subsidiary undertakings.

Turnover:

Turnover arises from increases in valuations on long term contracts and goods and services provided. This is considered by the directors to be a single class of continuing activity.

Recognition of profit:

Profits in respect of long term contracts are recognised on a percentage of completion basis where the contract's ultimate outcome can be foreseen with reasonable certainty. Profits in respect of other contracts are taken when the contract is completed. Provision is made in full for all foreseeable contract losses.

Stocks and work in progress:

Stocks and work in progress, which include attributable overheads, are stated at the lower of cost and net realisable value.

Tangible fixed assets:

Plant and machinery are depreciated at rates varying between 10% and 50% per annum estimated to reduce book values to realisable values over useful lives.

Leasehold property is depreciated over the life of the lease.

Deferred taxation:

Provision is made, on the liability basis, for the taxation effects arising from all timing differences other than those which are expected by the directors to continue for the foreseeable future.

Foreign currencies:

Transactions denominated in foreign currencies are recorded at the exchange rates in effect when they take place. Resulting foreign currency denominated assets and liabilities are translated at the exchange rates ruling at the balance sheet date unless they are covered by forward foreign exchange contracts in which case the contract rates are used. Exchange differences arising from foreign currency transactions are reflected in the profit and loss account.

The assets and liabilities of overseas subsidiary undertakings are translated at the exchange rates ruling at the balance sheet date. Trading profits or losses are translated at the average exchange rates prevailing during the accounting period. Exchange differences arising from the retranslation of net investments in overseas subsidiary undertakings at the year end rates are taken directly to reserves. All other exchange differences are reflected in the profit and loss account.

NOTES TO THE ACCOUNTS
(CONTINUED)

Pension cost:

The pension costs charged against profits are based on an actuarial method and actuarial assumptions designed to spread the anticipated pension costs over the service lives of the employees in the pension schemes, in a way that seeks to ensure that the regular pension cost represents a substantially level percentage of the current and expected future pensionable salary. Variations from regular cost are spread over the average remaining service lives of current employees in the pension scheme.

Joint ventures:

Joint ventures to undertake construction contracts are entered into in the ordinary course of the Group's business. Interests in unincorporated joint ventures are, wherever practicable, accounted for by the proportional consolidation method.

Cash flow:

Under Financial Reporting Standard 1, the Company is exempt from the requirement to prepare a cashflow statement on the grounds that it is a wholly-owned subsidiary undertaking.

2. Turnover

Turnover comprises the full value of work managed by the Group including the value of work paid directly by clients to managed subcontractors amounting to £9,658,000 (1996: Nil).

The analysis of turnover by geographical area is as follows:

	1997		1996	
	Group £000	Company £000	Group £000	Company £000
Africa	8,098	2,073	18,379	12,012
Caribbean	25,335	927	21,544	997
Middle East	14,459	7,180	8,379	3,851
Far East	29,845	-	22,767	-
	<hr/>	<hr/>	<hr/>	<hr/>
	77,737	10,180	71,069	16,860
	<hr/>	<hr/>	<hr/>	<hr/>

NOTES TO THE ACCOUNTS
(CONTINUED)

3. Profit/(loss)

Profit/(loss) on ordinary activities before taxation is stated after charging:

	1997		1996	
	Group £000	Company £000	Group £000	Company £000
Auditors' remuneration - audit fees	121	59	135	60
Depreciation	1,868	1,062	1,286	917
Hire of plant and transport	3,202	170	1,929	146
	<hr/>	<hr/>	<hr/>	<hr/>

4. Interest payable

	1997		1996	
	Group £000	Company £000	Group £000	Company £000
On bank loans and overdrafts	207	210	67	61
	<hr/>	<hr/>	<hr/>	<hr/>

5. Information relating to directors and employees

	1997 £	1996 £
Director's remuneration as executives		
Emoluments	464,204	389,638
Compensation for loss of office	-	20,000
Pension contributions	46,675	47,488
	<hr/>	<hr/>
	510,879	457,126
	<hr/>	<hr/>

Details of the remuneration of the highest paid director during the year were:

	1997 £	1996 £
Emoluments	92,115	94,949
Pension Contributions	9,219	8,676
	<hr/>	<hr/>
	101,334	103,625
	<hr/>	<hr/>

At 30 June 1997 the accrued pension of the highest paid director amounted to £8,070.

NOTES TO THE ACCOUNTS
(CONTINUED)

5. Information relating to directors and employees (continued)

	1997		1996	
	Group £000	Company £000	Group £000	Company £000
Staff costs during the year:				
Wages and salaries	16,241	5,712	9,072	3,481
Social security costs	386	175	289	147
Other pension costs	335	275	275	232
	<hr/>	<hr/>	<hr/>	<hr/>
	16,962	6,162	9,636	3,860
	<hr/>	<hr/>	<hr/>	<hr/>

The average number of persons employed by the Company during the year, including directors, was:

	1997		1996	
	Group No.	Company No.	Group No.	Company No.
Construction	1,864	958	1,629	1,147
	<hr/>	<hr/>	<hr/>	<hr/>

Included in the company numbers above are amounts which have ultimately been charged to subsidiaries of the Company.

Pensions:

The Company participates in the Kier Group Pension Scheme which is a defined benefit scheme based on final pensionable salary. The assets of the scheme are held under trust separately from those of the Group and are invested directly on the advice of independent professional investment managers. Contributions paid to the Group scheme are based on pension costs across the Group as a whole. Details of the scheme are set out in the accounts of the ultimate holding company, Kier Group plc.

Contributions are also made to the Kier Group Retirement Benefit Scheme and to an industry-wide scheme. The pension costs for these schemes have been taken as the actual contributions paid over the year.

6. Dividends

	1997 £000	1996 £000
Ordinary - interim paid	-	500
- final proposed	700	1,706
	<hr/>	<hr/>
	700	2,206
	<hr/>	<hr/>

**NOTES TO THE ACCOUNTS
(CONTINUED)**

7. Taxation

Taxation based on the results for the year:	1997		1996	
	Group £000	Company £000	Group £000	Company £000
UK corporation tax at 32.5%	94	(527)	989	1,236
Double tax relief	(364)	-	(168)	-
Deferred taxation	152	116	340	115
Overseas taxation	641	5	379	2
	<hr/>	<hr/>	<hr/>	<hr/>
	523	(406)	1,540	1,353
 Prior year taxation adjustments:				
UK corporation tax	204	15	7	5
Deferred taxation	(230)	(19)	2	2
Overseas taxation	43	-	1	-
	<hr/>	<hr/>	<hr/>	<hr/>
Charge/(credit) to profit and loss account	540	(410)	1,550	1,360
	<hr/>	<hr/>	<hr/>	<hr/>

8. Tangible fixed assets

	----- Group -----			Company
	Land & Buildings (short leasehold) £000	Plant & Machinery £000	Total £000	Plant & Machinery £000
Cost at 1 July 1996	44	12,710	12,754	7,899
Currency realignments	(3)	(425)	(428)	(170)
Additions during year	22	1,630	1,652	821
Inter group transfers	-	-	-	15
Disposals at cost	-	(2,941)	(2,941)	(2,331)
	<hr/>	<hr/>	<hr/>	<hr/>
Cost at 30 June 1997	63	10,974	11,037	6,234
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation at 1 July 1996	6	6,052	6,058	4,733
Currency realignments	(1)	(142)	(143)	(44)
Charge for year	11	1,857	1,868	1,062
Inter group transfers	-	-	-	6
Depreciation on disposals	-	(2,565)	(2,565)	(2,279)
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation at 30 June 1997	16	5,202	5,218	3,478
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value at 30 June 1997	47	5,772	5,819	2,756
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value at 30 June 1996	38	6,658	6,696	3,166
	<hr/>	<hr/>	<hr/>	<hr/>

**NOTES TO THE ACCOUNTS
(CONTINUED)**

9. Fixed assets investments

Group

Cost	£000
1 July 1996 and 30 June 1997	16

The above investment represents a 49% interest in the ordinary shares of Kier Afcons Limited, which is incorporated in India. The principal activity of this company is civil engineering and building construction overseas.

Company

	Shares in Group Companies £000		
	Cost	Provision for Diminution in Value	Net Book Value
1 July 1996 and 30 June 1997	928	1	927

Details of the principal subsidiary companies are given in note 20.

In the opinion of the directors the value of the Company's investment in these companies are not less than the amount at which they are stated in the balance sheet.

10. Stocks and work in progress

	1997		1996	
	Group £000	Company £000	Group £000	Company £000
Long term contract balances				
- At cost	1,438	467	543	225
- Less applicable payments on account	-	-	(118)	-
	1,438	467	425	225
Raw materials and consumables	7	7	316	316
	1,445	474	741	541

NOTES TO THE ACCOUNTS
(CONTINUED)

11. Debtors

	1997		1996	
	Group £000	Company £000	Group £000	Company £000
Amounts falling due within one year:				
Trade debtors	9,796	1,701	10,973	1,749
Amounts recoverable on contracts	2,500	595	2,770	161
Amounts due from subsidiary undertakings	-	5,376	-	5,786
Amounts due from other group undertakings	12	12	-	-
Dividends receivable from subsidiary undertakings	-	2,050	-	-
Other debtors	1,944	822	1,443	827
Prepayments and accrued income	408	109	692	128
Corporation tax - group relief	100	354	-	-
Other taxes and social security	182	182	137	135
Overseas taxation	-	-	19	2
	<hr/>	<hr/>	<hr/>	<hr/>
	14,942	11,201	16,034	8,788
	<hr/>	<hr/>	<hr/>	<hr/>
Amounts falling due after more than one year:				
Amounts recoverable on contracts	995	-	2,031	280
Other debtors	8	-	33	-
Deferred tax	-	6	-	103
	<hr/>	<hr/>	<hr/>	<hr/>
	1,003	6	2,064	383
	<hr/>	<hr/>	<hr/>	<hr/>

12. Cash at bank and in hand

Cash at bank includes £1,460,000 (1995: £6,458,000) being the Group's share of cash held by joint ventures.

13. Creditors

	1997		1996	
	Group £000	Company £000	Group £000	Company £000
Amounts falling due within one year:				
Bank loans and overdrafts	3,445	4,617	396	1,025
Trade creditors	9,701	1,286	8,733	2,366
Advance payments on contracts	1,427	-	2,045	164
Amounts due to subsidiary undertakings	-	5,757	-	2,833
Amounts due to other group undertakings	84	84	988	988
Other creditors	309	189	455	141
Corporation tax	-	-	1,148	1,400
Overseas tax	532	1	282	1
Other taxes and social security	111	3	110	6
Accruals and deferred income	5,933	1,804	15,914	3,488
Proposed dividend	700	700	1,706	1,706
	<hr/>	<hr/>	<hr/>	<hr/>
	22,242	14,441	31,777	14,118
	<hr/>	<hr/>	<hr/>	<hr/>

NOTES TO THE ACCOUNTS
(CONTINUED)

13. Creditors - continued

	1997		1996	
	Group £000	Company £000	Group £000	Company £000
Amounts falling due after more than one year:				
Trade creditors	100	-	294	-
	<hr/>	<hr/>	<hr/>	<hr/>

Accruals and deferred income include advance payments and balances related to work in progress which the directors do not consider will have a cash effect within the normal trade credit period.

14. Provisions for liabilities and charges: deferred taxation

	1997		1996	
	Group £000	Company £000	Group £000	Company £000
Balance at 1 July 1996	108	(103)	(234)	(220)
Transfer (to)/from profit and loss account	(78)	97	342	117
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 30 June 1997	30	(6)	108	(103)
	<hr/>	<hr/>	<hr/>	<hr/>

All of the above items relate to accelerated capital allowances and are classified under provisions or debtors (see note 11).

15. Called up share capital

	1997 £000	1996 £000
Ordinary shares of £1 each:		
Authorised	500	500
	<hr/>	<hr/>
Allotted, called up and fully paid	500	500
	<hr/>	<hr/>

NOTES TO THE ACCOUNTS
(CONTINUED)

16. Profit and loss account

	1997	
	Group £000	Company £000
As at 1 July 1996	4,231	979
Retained profit for the financial year	362	4
Currency translation	(201)	-
	<hr/>	<hr/>
At 30 June 1997	4,392	983
	<hr/>	<hr/>

17. Reconciliation of movement in shareholders' funds

	1997		1996	
	Group £'000	Company £'000	Group £000	Company £000
Profit for the financial year	1,062	704	3,100	2,619
Dividends	(700)	(700)	(2,206)	(2,206)
Currency translation	(201)	-	42	-
	<hr/>	<hr/>	<hr/>	<hr/>
Net movement in shareholders' funds	161	4	936	413
Shareholders' funds at 1 July 1996	4,731	1,479	3,795	1,066
	<hr/>	<hr/>	<hr/>	<hr/>
Shareholders' funds at 30 June 1997	4,892	1,483	4,731	1,479
	<hr/>	<hr/>	<hr/>	<hr/>

18. Contingent liabilities

There are contingent liabilities in respect of guarantees and claims under contracting and other agreements, including joint ventures, entered into in the normal course of business.

The Company is party to cross guarantees in respect of group banking arrangements under which the Kier Group has no net liability.

19. Commitments

The Company has given a commitment to provide continuing support to certain of its subsidiaries.

NOTES TO THE ACCOUNTS
(CONTINUED)

20. Transactions with related parties

Sale of goods and services to related parties

	£000
Construction services and materials	208
Staff and associated costs	1,547
Management services	332
Plant Hire	45
	<hr/>
	2,132
	<hr/>

Trade balances owed to joint ventures at 30 June 1997 were £3,537.

Details of the transacting related parties are set out in note 22.

21. Ultimate holding company

The Company is a wholly-owned subsidiary of Tempsford Holdings Limited. The ultimate holding company is Kier Group plc. The parent of the largest group for which group accounts have been drawn up is Kier Group plc and the parent of the smallest group for which accounts, including the Company, have been drawn up is Kier International Limited. Both these parent companies are registered in England and copies of their accounts will be filed with Companies House, Crown Way, Cardiff where they will be available to the public.

22. Principal subsidiary companies and joint ventures

Subsidiary companies	Country of Incorporation (operations if different)	Percentage Interest
KI (Investments) Limited	England	100
Kier Hong Kong Limited	England (Hong Kong)	100
Kier Caribbean Limited	England (Jamaica, St Lucia)	100
Kier Overseas (Two) Limited	England (Suriname)	100
Kier Overseas (Four) Limited	England (Egypt)	100
Kier Overseas (Five) Limited	England (Jordan)	100
Kier Overseas (Eight) Limited	England (Gambia)	100
Kier Overseas (Fourteen) Limited	England (Barbados)	100
Kier Overseas (Fifteen) Limited	England (Lesotho)	100
Kier Overseas (Sixteen) Limited	England (Saudi Arabia)	100
Kier Overseas (Twenty Three) Limited	England (Thailand)	100
Kier Overseas (Twenty Seven) Limited	England (Belize)	100
Caribbean Construction Company Limited	Jamaica	99.8
Kier Saudi Arabia Limited	Saudi Arabia	40
Kier (Malaysia) Sdn Bhd	Malaysia	100
Kier Dubai LLC	United Arab Emirates	49

The Company's investment in the above companies comprises ordinary shares only.

Joint Ventures	Country of Operation	Percentage Interest
Kier/SFK Joint Venture	Hong Kong	50
Kier/SFK/CFC Joint Venture	Hong Kong	40
Kier/PPC Joint Venture	Malaysia	40
Highlands Water Venture	Lesotho	8
Kier CCC (Tembladora) Joint Venture	Trinidad	50
Kier CCC (Paranam) Joint Venture	Suriname	50

AUDITORS' REPORT TO THE MEMBERS OF KIER INTERNATIONAL LIMITED

We have audited the accounts on pages 3 to 16.

Respective responsibilities of directors and auditors

As described in the Directors' Report on page 2 the Company's directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company and the Group as at 30 June 1997 and of the profit of the Company and the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG
Chartered Accountants
Registered Auditors

London
7 October 1997