

Registration number: 01463191

Kier International (Investments) Limited

Annual Report and Financial Statements

for the Year Ended 30 June 2018



Kier International (Investments) Limited

Contents

	Page(s)
Company Information	1
Strategic Report	2 to 7
Directors' Report	8 to 10
Statement of Directors' Responsibilities	11
Independent Auditors' Report	12 to 14
Income Statement	15
Statement of Comprehensive Income	16
Statement of Financial Position	17
Statement of Changes in Equity	18
Notes to the Financial Statements	19 to 29

Kier International (Investments) Limited

Company Information

Directors Anita Suzanne Harris
Marcus Jones

Company secretary Beth Melges

Registered office Tempsford Hall
Sandy
Bedfordshire
SG19 2BD

Independent Auditors PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

Kier International (Investments) Limited

Strategic Report for the Year Ended 30 June 2018

The directors present their strategic report for Kier International (Investments) Limited (the "Company") for the year ended 30 June 2018.

Fair review of the business

The Company is a member of the Kier Group plc ("Kier") group of companies (the "Kier Group" and the "Group").

The principal activity of the Company is an investment holding company.

The Company is a holding company for the overseas incorporated construction subsidiaries of the Kier Group and the Company carries on no trade in its own right.

During the year the following provisions were made for insolvent subsidiaries:

- amounts (written back)/ written off intercompany receivables was £(7,333,168) (2017: £1,691,089),
- amounts (written back)/ provided for losses in subsidiaries was £(24,139,609) (2017: £61,458,273), and
- amounts (written back)/ written off against investments in subsidiaries was £(243,323) (2017: £(1,192,394))

Accumulated losses for the company at the year end was £76,192,234 (2017: £119,183,921). The company is also reliant on the ongoing financial support of Kier Limited in order to meet its liabilities.

Corporate responsibility

The Kier Group attaches great importance to its corporate responsibility, as evidenced by the corporate responsibility section in the Kier Group plc 2018 Annual Report and in its Corporate Responsibility Report for 2018, which is available at www.kier.co.uk. As a member of the Kier Group, the Company abides by the same principles.

Principal risks and uncertainties

The Company is party to the Kier Risk Management and Internal Control systems. This requires each company within the group to:

- identify risks and record them in a risk register;
- diagnose and qualify the risks as to their likelihood and impact, record the controls established and monitor their effectiveness;
- develop a plan to mitigate the likelihood and impact of the identified risks;
- regularly review the risk registers and action plans; and
- report key issues upwards to Kier Group plc.

The principal risks and uncertainties of the Company, including financial risk and management, are consistent with the principal risks of the Kier Group and are not managed separately.

Accordingly, the principal risks and uncertainties of the Group, which include those of the Company, are disclosed on pages 38 to 43 of Kier Group plc's Annual Report for the year ended 30 June 2018.

The Company's financial risk management policies can be found on page 3 of the financial statements.

Kier International (Investments) Limited

Strategic Report for the Year Ended 30 June 2018 (continued)

Safety, health and sustainability

- The safety of those on the Group's sites is of paramount importance to Kier as are the Group's obligations with respect to the health and wellbeing of its employees and the environment.
- The Kier Group Safety, Health and Environment Committee, continues to drive improvements in the management of safety, health and environment ('SHE') risk throughout the business.

The role of the Committee includes:

- Reviewing the Group's strategy with respect to SHE matters and challenging management to implement it;
- Encouraging management's commitment and accountability with respect to managing the Group's SHE risks;
- Reviewing and, as necessary, approving material Group-wide SHE initiatives, policies and procedures;
- Receiving reports on any major SHE incidents and challenging management to communicate the lessons learned from those incidents across the Group; and
- Monitoring and challenging management on the Group's performance against SHE targets.

For further information on Kier Group's activities with regards to SHE matters, please see the Kier Group plc 2018 Annual Report (available at www.kier.co.uk).

Regulation

The Company's operations are subject to increased scrutiny, regulation and oversight due to external factors (for example, corporate failures, the Grenfell Tower fire and Brexit).

The UK construction and services sectors have recently experienced a significant increase in the level of public focus under which they operate. We expect that scrutiny to increase, particularly for major suppliers to the public sector.

These sectors are also subject to increasing regulation and reporting requirements, including new regulations relating to building standards, payments to suppliers and the gender pay gap.

Failure to manage effectively the increased scrutiny and oversight and/or comply with new regulations could result in:

- the loss of business;
- the failure to win new business;
- increased operating costs;
- the Company defending material claims; and
- reputational damage.

The key mitigations and controls in place to safeguard against these risks are as follows:

- Regular engagement with government and government agencies with respect to the Company's performance and other matters of interest;
- Close monitoring and planning of the impact of new legislation and regulations;
- Establishing strategies and policies to ensure compliance with regulatory requirements; and
- Collaborative engagement with our clients and subcontractors.

Kier International (Investments) Limited

Strategic Report for the Year Ended 30 June 2018 (continued)

Funding

The Company relies on Kier Group borrowing and bonding facilities. Without these, revenue and profit would reduce.

Political, market or lender sentiment may affect the Kier Group's available funding, thereby reducing its liquidity and restricting its ability to invest and deliver plans for future growth.

The Kier Group has a number of committed and uncommitted facilities available to meet its funding needs. Any or all of these facilities could be reduced or removed.

A reduction in or removal of the Kier Group's principal financing facilities could result in the Company experiencing:

- a slowdown of investment for future growth;
- reduced profit as a result of the inability to fund growth opportunities; and
- the loss of confidence by stakeholders (for example, clients, subcontractors and employees).

The key mitigations and controls in place to safeguard against these risks are as follows:

- Focus on cash forecasting and working capital management to generate positive cash flow;
- Maintenance of appropriate levels of committed bank facilities;
- Maintenance of appropriate bank and surety bonding facilities;
- Collaborative engagement with banks, lenders and sureties; and
- Continue to identify appropriate alternative funding structures.

Market and sector performance

Delivery of the Company's strategy depends on the economic performance of the UK, in particular, and the markets and sectors in which the Company operates.

A downturn in the Company's markets and/or unsuccessful allocation of investment capital could result in:

- a failure to meet the Company's financial targets;
- a failure of one or more of the Company's businesses;
- an increase in the competition for new work; and
- a decrease in stakeholder confidence in the Company.

The Company will continue to evaluate market performance, including the impact of macro-economic factors and the associated market risk of specific events (for example, Brexit) in order to safeguard against these risks.

Kier International (Investments) Limited

Strategic Report for the Year Ended 30 June 2018 (continued)

Operating model

The Company needs to maintain and evolve its operating model so as to build and sustain the long-term confidence of its key stakeholders, deliver sector-leading customer experience and maximise the opportunities for growth. The Company needs to maintain an efficient operating model.

Failure to do so could result in:

- business failure;
- the failure to deliver growth and profitability;
- the failure to remain competitive;
- the failure to reduce costs; and
- the failure to meet the expectations of stakeholders (for example, clients, subcontractors and employees).

In order to safeguard against these risks the Company will continue to monitor the long-term prospects, opportunities and risks associated with its key markets and adapt the operating model accordingly.

Contract management

Effective contract management is central to the Company's business model. Each contract requires careful and effective management, according to a number of factors, including type of work, location, length of contract and form of contract.

Failure to manage contracts effectively could result in:

- a failure to meet the Company's financial targets;
- the Company incurring losses;
- the Company failing to win new work;
- reputational damage to the Company; and
- a loss of confidence of stakeholders (for example, clients, subcontractors and employees).

The key mitigations and controls in place to safeguard against these risks are as follows:

- Continued use of metrics to provide early warnings of under-performing contracts;
- Completion of the review of the Kier Group's contract risk governance framework; and
- The Kier Group's continued focus on supply-chain procurement.

Pre-contract governance

Effective pre-contract governance is essential to ensure that the Company understands the risks associated with projects and has in place appropriate plans to mitigate those risks.

A failure in the Company's pre-contract controls could result in:

- poorly performing contracts;
- the Company incurring losses;
- the failure to meet a client's expectations on cost and quality;
- claims and litigation against the Company;
- a failure to meet the Company's financial targets; and
- the Company failing to win new work.

The key mitigations and controls in place to safeguard against these risks are as follows:

- Continue to assess contract risk through the Kier Group's standing orders, commercial standards and screening assessment matrix;
- Continue to focus on selective tendering; and
- Share lessons learned across the Kier Group.

Kier International (Investments) Limited

Strategic Report for the Year Ended 30 June 2018 (continued)

People

The Company recognises the importance of a clear people strategy to the delivery of its overall strategy and the need to identify, retain and motivate people with the right skills, experience and behaviours. In particular, the Company recognises the benefits of a diverse workforce which is representative of society.

Failure to deliver the Company's people strategy could result in:

- the failure to deliver a specific business need or contract requirement;
- reputational damage, to both the corporate and the employee brand;
- the failure to develop future leaders;
- the over-reliance on key staff; and
- a failure to meet the Company's financial targets.

The key mitigations and controls in place to safeguard against these risks are as follows:

- Continue to progress internal targets on gender-diversity at all levels;
- Continue to focus on skills development and retention plans for critical skills and the talent pipeline; and
- Embed visible leadership of the balanced business agenda and engagement actions so as to create a fully inclusive work environment.

Innovation

The Company operates in an increasingly dynamic and changing environment. To exploit the opportunities that this presents, the Company seeks to embrace innovation and capitalise on technological advancements.

Failure to do so may result in:

- a failure to maintain the Company's market position;
- the failure to reduce cost or increase the speed of delivery for clients;
- the failure to provide visibility of performance; and
- the failure to attract and retain staff.

The key mitigations and controls in place to safeguard against these risks are as follows:

- Ensure that employees have access to online innovation and idea-sharing platforms;
- Further develop the Company's partnerships with clients and third party organisations to progress its innovation agenda; and
- Monitor, and respond to, prospective market disruptors.

Cyber-security

Cyber-attack and data loss is a risk to all organisations and individuals. The Company is at risk because it handles sensitive information of a personal, confidential and commercial nature, its business operations depend upon IT systems and it has an increasing profile with clients, suppliers and other stakeholders.

Failure to manage the cyber-security risk may result in:

- business interruptions and operational delay;
- the loss of data, resulting in confidentiality breaches, financial loss and reputational damage; and
- fines from regulatory authorities.

The key mitigations and controls in place to safeguard against these risks are as follows:

- Continue to strengthen the Kier Group's dedicated cyber-security team;
- Consider outsourcing elements of the Kier Group's IT systems where it is appropriate to do so; and
- Continue to test information security alongside recognised UK and International standards (for example, ISO27001).

Kier International (Investments) Limited


Strategic Report for the Year Ended 30 June 2018 (continued)

Brexit

The UK government is currently negotiating the terms of the UK's future relationship with the EU. The Kier Group has established a senior level 'Brexit Taskforce' to consider the potential effect of Brexit on the Group, which will be influenced by the outcome of the negotiations between the UK Government and the European Commission.

The Group has identified potential risks relating to the supply chain, the workforce and the supply and cost of materials, in particular. The Group is developing contingency plans against a range of scenarios, including one in which the UK leaves the EU without an agreement and, potentially, without a transition period. The Group is monitoring developments and will amend and update these plans accordingly.

Approved by the Board on 29 March 2019 and signed on its behalf by:


.....
Anita Suzanne Harris
Director

Kier International (Investments) Limited

Directors' Report for the Year Ended 30 June 2018

The directors of Kier International (Investments) Limited (the "Company") present their report and the audited financial statements for the year ended 30 June 2018.

Directors of the Company

The directors who held office during the year and up to the date of signing these financial statements were as follows:

Anita Suzanne Harris

Bethan Melges (resigned 25 August 2017)

Marcus Jones (appointed 25 August 2017)

Financial instruments

Objectives and policies

The Board is responsible for the Company's system of risk management and internal controls and for ensuring that significant risks are identified and appropriately managed. The Board has delegated the review of the effectiveness of the Company's risk management processes to the Kier Group Risk Management and Audit Committee ("RMAC"), including the systems established to identify, assess, manage and monitor risk. The risks faced by the Company are reviewed by the RMAC on a quarterly basis.

The nature of the industries and the business environment in which the Company operates are inherently risky. Although it is recognised that it is not possible to eliminate all such risks and uncertainties, the Company has well-established risk management and internal control systems to manage them.

On behalf of the Board, the RMAC identifies the risks that it considers most likely, without effective mitigation, to have an impact on the Company and its strategic priorities. If emerging risks are identified in between these annual reviews, these are incorporated immediately into the risk management process.

Price risk, credit risk, liquidity risk and cash flow risk

The Company relies on Kier Group borrowing facilities. Cash flow is forecast regularly to provide up-to-date and accurate information on the Company's current cash position and its future requirements. The Kier Group borrowing facilities have been recently renegotiated and extended.

There are foreign currency risks arising from our international operations in different currencies. Currency exposure to international assets is managed through inter-company balances and borrowings, so that assets denominated in foreign currencies are matched, as far as possible, by liabilities. Where there may be further exposure to currency fluctuations, forward exchange contracts may be completed to buy and sell foreign currency.

Employees

The Group recognises the benefits of a diverse workforce which is representative of society. Kier's Shaping Your World campaign and Balanced Business Network ('BBN'), an internal Kier forum, are both key contributors to attracting a more diverse range of people. The BBN plays a key role in making Kier a place that anyone can work in, by promoting an inclusive environment where people can feel confident about bringing their whole selves to work and driving action to deliver real change. The diversity of the workforce remains a priority for Kier and stretching targets have been set to improve this.

Kier International (Investments) Limited

Directors' Report for the Year Ended 30 June 2018 (continued)

Employment of disabled persons

The companies in the Group are equal opportunities employers. The Group considers applications for employment from disabled persons (having regard to their particular aptitudes and abilities) and encourages and assists, whenever practicable, the recruitment, training, career development and promotion of disabled people and the retention of, and appropriate training for, those who become disabled during their employment.

Further information on the Group's people and communities policy is set out in the Corporate Responsibility Report for 2018 which is available at www.kier.co.uk.

Employee involvement

The Group provides information to employees through newsletters, video addresses, the Group's intranet, social media and formal and informal meetings with various groups of employees and management. The Group also conducts engagement surveys to obtain feedback on matters of importance to employees. The Group operates Sharesave Schemes for eligible employees and a Share Incentive Plan for all employees, which includes a share-matching element.

Safety, health and environment

The safety of those on the Group's sites is of paramount importance to Kier as are the Group's obligations with respect to the health and wellbeing of its employees and the environment.

The Kier Group Safety, Health and Environment Committee, continues to drive improvements in the management of safety, health and environment ('SHE') risk throughout the business.

The role of the Committee includes:

- Reviewing the Group's strategy with respect to SHE matters and challenging management to implement it;
- Encouraging management's commitment and accountability with respect to managing the Group's SHE risks;
- Reviewing and, as necessary, approving material Group-wide SHE initiatives, policies and procedures;
- Receiving reports on any major SHE incidents and challenging management to communicate the lessons learned from those incidents across the Group; and
- Monitoring and challenging management on the Group's performance against SHE targets.

For further information on Kier Group's activities with regards to SHE matters, please see the Kier Group plc 2018 Annual Report (available at www.kier.co.uk).

Future developments

The Company continues to support the overseas business of the Kier Group plc. However, following a strategic review of the Kier Group, Kier is winding down its activities in the Caribbean and Hong Kong in the foreseeable future.

Going concern

The financial statements have been prepared on a going concern basis which the directors believe to be appropriate for the following reasons. The Company is dependent for its working capital on funds provided to it by Kier Limited, an intermediate holding company of the Company. Kier Limited has provided the Company with an undertaking that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as they are needed by the Company and in particular will not seek repayment of the amounts currently made available. This should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for repayment.

Kier International (Investments) Limited

Directors' Report for the Year Ended 30 June 2018 (continued)

Directors' liability insurance

The articles of association of the Company entitle the directors of the Company, to the extent permitted by the Companies Act 2006 and other applicable legislation, to be indemnified out of the assets of the Company in the event that they suffer any expenses in connection with certain proceedings relating to the execution of their duties as directors of the Company.

In addition, Kier maintains insurance for the directors and officers of companies within the Kier Group to cover certain losses or liabilities to which they may be exposed due to their office.

Disclosure of information to the auditors

Each of the persons who are directors at the time when the Directors' Report is approved has confirmed that:

- so far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Reappointment of auditors

The Company's auditor, PricewaterhouseCoopers LLP, have expressed their willingness to continue in office and a resolution for their re-appointment will be proposed to shareholders.

Approved by the Board on 29 Mar 2019 and signed on its behalf by:

Anita
Anita Suzanne Harris
Director

Kier International (Investments) Limited

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors of the ultimate parent company are responsible for the maintenance and integrity of the ultimate parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Kier International (Investments) Limited

Independent Auditors' Report to the Members of Kier International (Investments) Limited

Report on the audit of the financial statements

Opinion

In our opinion, Kier International (Investments) Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 30 June 2018; the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity for the year then ended; and the Notes to the Financial Statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

Kier International (Investments) Limited

Independent Auditors' Report to the Members of Kier International (Investments) Limited (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 June 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 11, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the financial statements and the audit

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Kier International (Investments) Limited

Independent Auditors' Report to the Members of Kier International (Investments) Limited (continued)

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

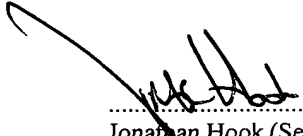
Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.


Jonathan Hook (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

Date: 29/3/19

Kier International (Investments) Limited

Income Statement for the Year Ended 30 June 2018

	Note	2018 £	2017 £
Revenue		-	-
Other profits/ (losses)	4	40,522,420	(62,196,886)
Profit on disposal of joint venture	8	2,492,409	-
Operating profit/(loss)		<u>43,014,829</u>	<u>(62,196,886)</u>
Profit/(loss) before tax		43,014,829	(62,196,886)
Income tax expense	7	<u>(23,142)</u>	<u>-</u>
Profit/(loss) for the year		<u><u>42,991,687</u></u>	<u><u>(62,196,886)</u></u>

The above results were derived from continuing operations.

The notes on pages 19 to 29 form an integral part of these financial statements.

Kier International (Investments) Limited

Statement of Comprehensive Income for the Year Ended 30 June 2018

	2018	2017
	£	£
Profit/(loss) for the financial year	<u>42,991,687</u>	<u>(62,196,886)</u>
Total comprehensive income/(expense) for the year	<u><u>42,991,687</u></u>	<u><u>(62,196,886)</u></u>

The notes on pages 19 to 29 form an integral part of these financial statements.

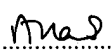
Kier International (Investments) Limited

(Registration number: 01463191)

Statement of Financial Position as at 30 June 2018

	Note	2018 £	2017 £
Assets			
Non-current assets			
Investments	8	2,205,356	1,978,390
Deferred tax assets	7	-	886,760
		2,205,356	2,865,150
Current assets			
Trade and other receivables	9	10,692,502	4,713,010
Total assets		<u>12,897,858</u>	<u>7,578,160</u>
Current liabilities			
Trade and other payables	12	-	(12,697,675)
Corporation tax liability		(23,142)	(875,414)
Provisions	11	<u>(89,066,850)</u>	<u>(113,188,892)</u>
		<u>(89,089,992)</u>	<u>(126,761,981)</u>
Net liabilities		<u>(76,192,134)</u>	<u>(119,183,821)</u>
Equity			
Called up share capital	10	100	100
Accumulated losses		<u>(76,192,234)</u>	<u>(119,183,921)</u>
Total equity		<u>(76,192,134)</u>	<u>(119,183,821)</u>

The financial statements on pages 15 to 29 were approved by the Board of Directors on 29 Mar 2019 and signed on its behalf by:



 Anita Suzanne Harris
 Director

Kier International (Investments) Limited

Statement of Changes in Equity for the Year Ended 30 June 2018

	Share capital £	Accumulated losses £	Total £
At 1 July 2017	100	(119,183,921)	(119,183,821)
Profit for the year	-	42,991,687	42,991,687
Total comprehensive expense	-	42,991,687	42,991,687
At 30 June 2018	100	(76,192,234)	(76,192,134)

	Share capital £	Accumulated losses £	Total £
At 1 July 2016	100	(56,987,035)	(56,986,935)
Loss for the year	-	(62,196,886)	(62,196,886)
Total comprehensive expense	-	(62,196,886)	(62,196,886)
At 30 June 2017	100	(119,183,921)	(119,183,821)

The notes on pages 19 to 29 form an integral part of these financial statements.

Kier International (Investments) Limited

Notes to the Financial Statements for the Year Ended 30 June 2018

1 General information

The Company is a private company limited by share capital incorporated and domiciled in the United Kingdom, and registered in England.

The address of its registered office is:

Tempsford Hall
Sandy
Bedfordshire
SG19 2BD

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ('FRS101') and the Companies Act 2006, as applicable to companies using FRS101.

The financial statements have been prepared under the historical cost convention.

The company is wholly-owned subsidiary of Kier Group plc and is included in the consolidated financial statements of Kier Group plc which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006.

Kier International (Investments) Limited

Notes to the Financial Statements for the Year Ended 30 June 2018 (continued)

2 Accounting policies (continued)

Summary of disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS101:

IAS 7: Complete exemption from preparing a cash flow statement and related notes;

IAS 8: The listing of new or revised standards that have not been adopted (and information about their likely impact) has been omitted;

IFRS 7: Complete exemption from all of the disclosure requirements of IFRS 7, Financial Instruments, other than for those instruments where these disclosures are still required to comply with the law;

IFRS 13: Complete exemption from all of the disclosure requirements of IFRS 13, Fair value measurement;

IAS 24: Exemption from disclosure of related party transactions entered into between two or more members of a group, provided that any subsidiary party to the transaction is wholly owned by such a member; and

IAS 24: Exemption from disclosure of compensation for key management personnel and amounts incurred by an entity for the provision of key management personnel services that are provided by a separate management entity.

Foreign exchange

Exchange differences are recognised in the statement of comprehensive income, in the period in which they arise. The differences arise primarily from:

Restatement of exchange differences on the entities foreign investments.

Restatement of foreign currency bank balances at the period closing rate.

Kier International (Investments) Limited

Notes to the Financial Statements for the Year Ended 30 June 2018 (continued)

2 Accounting policies (continued)

Going concern

The financial statements have been prepared on a going concern basis which the directors believe to be appropriate for the following reasons. The Company is dependent for its working capital on funds provided to it by Kier Limited, an independent holding company of the Company. Kier Limited has provided the Company with an undertaking that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as they are needed by the Company and in particular will not seek repayment of the amounts currently made available. This should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for repayment.

Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

Kier International (Investments) Limited

Notes to the Financial Statements for the Year Ended 30 June 2018 (continued)

2 Accounting policies (continued)

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a separate entity and has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans contributions are paid to publicly or privately administered pension insurance plans on a mandatory or contractual basis. The contributions are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as an asset.

3 Critical accounting judgements and key sources of estimation uncertainty

Impairment

The impairment of intercompany balances is reviewed at each accounting period. Where the recovery of such balances is deemed to be unlikely the portion deemed as unrecoverable is written down through the income statement.

Kier International (Investments) Limited

Notes to the Financial Statements for the Year Ended 30 June 2018 (continued)

4 Other profits/ (losses)

	2018	2017
	£	£
Amounts written back/ (written off) against investments in subsidiaries	243,323	1,192,394
Amounts written back/ (written off) intercompany receivables	7,333,168	(1,691,089)
Amounts written back/(provided) for losses in subsidiaries	24,139,609	(61,458,273)
Tax credit / (charge) relating to UK tax resident subsidiaries	8,806,320	-
Tax charge treated as dividend	-	(239,918)
Total other profit /(losses)	40,522,420	(62,196,886)

The Company makes full provision for the negative net assets in the balance sheets of its subsidiaries. The provision is allocated first against the fixed asset investment and then against intercompany receivables. Where those assets are insufficient to cover the provision, the residual amount is treated as a provision in the Company's balance sheet.

Owing to a reduction in the net liabilities of one of the subsidiaries, it has been possible to release part of the provision for diminution in investments in subsidiaries in the year.

The tax credit due to UK tax resident subsidiaries is from Kier Group for losses surrendered. The tax is not recognised in the local accounts of the subsidiaries and is due to be paid to Kier International (Investments) Limited by other Group companies.

5 Directors' remuneration

None of the directors received remuneration for their services as the services supplied to the Company were considered to be incidental to those supplied to the holding companies.

The monthly average number of persons employed by the Company during the year, excluding directors, was nil (2017: nil).

6 Auditors' remuneration

There is no direct charge for auditors' remuneration in the financial statements of the Company in the current or preceding year. The auditors' remuneration for the statutory audit is covered by another Group company. It is neither practical nor meaningful to allocate these fees between group companies and therefore disclosures are not made with reference to the amount of fees paid in respect of the Company.

Kier International (Investments) Limited

Notes to the Financial Statements for the Year Ended 30 June 2018 (continued)

7 Corporation tax

Tax charged/(credited) in the income statement

2018
£

Current taxation

UK corporation tax adjustment to prior periods

23,142

Deferred tax

Origination and reversal of timing differences

886,760

Amounts included in other profits/ (losses) (note 4)

(886,760)

Nil

Total tax

23,142

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2017 - higher than the standard rate of corporation tax in the UK) of 19% (2017 - 19.75%).

The differences are reconciled below:

	2018 £	2017 £
Profit/(loss) before tax	43,014,829	(62,196,886)
Corporation tax at standard rate	8,172,817	(12,283,885)
Increase in current tax from adjustment for prior periods	23,142	-
Other tax effects for reconciliation between accounting profit and tax expense/(income)	(8,172,817)	12,283,885
Total tax charge	<u>23,142</u>	<u>-</u>

Other tax effects for reconciliation between accounting profit and tax expense/ (income) relate to provision for amounts written off in respect to losses arising in subsidiaries companies.

The deferred tax balance as at the year end has been recognised at 17.0% which is the enacted corporation tax rate that will be effective from 1 April 2020.

Kier International (Investments) Limited

Notes to the Financial Statements for the Year Ended 30 June 2018 (continued)

7 Corporation tax (continued)

Deferred tax

Deferred tax movement during the year:

	At 1 July 2017 £	Recognised in income £	At 30 June 2018 £
Other items	<u>886,760</u>	<u>(886,760)</u>	<u>-</u>

Deferred tax movement during the prior year:

	At 1 July 2016 £	Recognised in income £	At 30 June 2017 £
Other items	<u>251,264</u>	<u>635,496</u>	<u>886,760</u>

The amounts recognised in income are analysed in Note 4. UK tax is not recognised in the statutory financial statements of subsidiaries registered in the United Arab Emirates or Caribbean. Therefore, these UK tax-resident companies' taxes, including deferred tax, is held in the books of Kier International (Investments) Limited and the tax charge is included in the tax charge / credit within other profits/ losses (Note 4).

8 Investments

Subsidiaries

Cost or valuation

At 1 July 2017	8,726,522
At 30 June 2018	<u>8,726,522</u>

Provision

At 1 July 2017	6,748,132
Impairment/(release of impairment) in year	<u>(226,966)</u>
At 30 June 2018	<u>6,521,166</u>

Carrying amount

At 30 June 2018	<u>2,205,356</u>
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Details of the subsidiaries as at 30 June 2018 are as follows:

Kier International (Investments) Limited

Notes to the Financial Statements for the Year Ended 30 June 2018 (continued)

8 Investments (continued)

Name of subsidiary	Principal activity	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held	
			2018	2017
Kier Dubai LLC	Construction	United Arab Emirates	49%	/ 49%
		3	100%	100%
Kier Construction LLC *	Construction	United Arab Emirates	49%	/ 49%
		6	100%	100%
Kier Construction SA	Construction	Haiti	100%	/ 100%
		2	100%	100%
Kier Construction Limited *	Construction	St Kitts and Nevis	100%	/ 100%
		1	100%	100%
Saudi Kier Construction Limited *	Construction	Saudi Arabia	10%	/ 10%
		4	100%	100%
Kier Malaysia SDN BHD (in liquidation)	Dormant	Malaysia	100%	/ 100%
		5	100%	100%

* indicates direct investment of Kier Infrastructure and Overseas Limited, the Company's parent company.

Joint ventures

Details of the joint ventures as at 30 June 2018 are as follows:

Name of Joint-ventures	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2018	2017
Rathenraw Limited (dissolved 19th Aug 2017)	Dormant	7 Northern Ireland	50%	50% / 50%

Kier International (Investments) Limited

Notes to the Financial Statements for the Year Ended 30 June 2018 (continued)

8 Investments (continued).

	2018 £	2017 £
Profit on disposal of joint venture	2,492,409	-

The Company's 50% investment in Saudi Comedat Company Limited was disposed for £4.6m. The net profit on disposal was £2.5m.

Details of registered offices

- 1 c/o Grant Thornton, Cnr Bank Street and West Independence Sq Street, Basseterre, Saint Kitts and Nevis
- 2 151 Angle Avenue, Jean Paul II et Impasse Duverger, Turgeau, Port-au-Prince, Republic of Haiti
- 3 Unit 1501, P.O. Box 24461, Thuraya Tower, TECOM, Dubai, United Arab Emirates
- 4 P0 Box 677 4th Floor ATCO Building King Khaled Road Dammam 31421 KSA United Arab Emirates
- 5 7-5, Jalan 8/146, Bandar Tasik Selatan, 57000 Sg.Besi, Kuala Lumpur, Malaysia
- 6 Unit 896, P0 Box: 61967 Level 0\$, Aya Business Center, Al Gaith Tower, Hamdan Street, Abu Dhabi, United Arab Emirates
- 7 c/o Pinsent Masons LLP 1 Lanyon Place Belfast BT1 3LP UK

9 Trade and other receivables

	2018 £	2017 £
Trade receivables	-	4,713,010
Receivables from group companies	10,692,502	-
	<u>10,692,502</u>	<u>4,713,010</u>

Amounts receivable from group companies are short term and interest free amounts which are repayable on demand.

10 Share capital

Allotted, called up and fully paid shares

	No.	2018 £	No.	2017 £
Ordinary of £1 each	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

Kier International (Investments) Limited

11 Other provisions to the Financial Statements for the Year Ended 30 June 2018 (continued)

	Other provisions £	Total £
At 1 July 2017	113,188,892	113,188,892
Increase in provision for losses in subsidiaries	(24,139,609)	(24,139,609)
Increase (decrease) from transfers and other changes	17,567	17,567
At 30 June 2018	<u>89,066,850</u>	<u>89,066,850</u>

For further explanation of the provision see note 4.

12 Trade and other payables

	2018 £	2017 £
Current		
Accrued expenses	-	4,316
Amounts due to group companies	-	12,693,359
Total current trade and other payables	<u>-</u>	<u>12,697,675</u>

Amounts payable to group companies represent short term and interest free amounts which are repayable on demand.

During the year the Company wrote back its intercompany balances by £7,333,168 (2017: written down by (£1,691,089))

13 Contingent liabilities

There are contingent liabilities in respect of guarantees and claims under contracting and other agreements, including joint arrangements, entered into in the normal course of business. The Company is party to cross guarantees in respect of group banking arrangements in which the Kier Group has no net liability.

Kier International (Investments) Limited

Notes to the Financial Statements for the Year Ended 30 June 2018 (continued)

14 Parent of group in whose consolidated financial statements the company is consolidated

The name of the parent of the group in whose consolidated financial statements the company's financial statements are consolidated is Kier Group plc.

These financial statements are available upon request from Companies House and at www.kier.co.uk.

15 Parent and ultimate parent undertaking

The company's immediate parent is Kier International Limited.

The ultimate parent is Kier Group plc.

The most senior parent entity producing publicly available financial statements is Kier Group plc. These financial statements are available upon request from Companies House, Crown Way, Cardiff

The ultimate controlling party is Kier Group plc.

Kier Group plc post balance sheet event

Under the terms of a fully underwritten rights issue, ordinary shareholders of Kier Group plc on the register at the close of business on 30 November 2018 were offered 64,455,707 new ordinary shares of 1 pence each on the basis of 33 new ordinary shares for every existing 50 ordinary shares held. The new shares were fully subscribed on 20 December 2018, resulting in proceeds on issue of £249.9m, net of expenses of £13.7m.

Relationship between entity and parents

The parent of the largest group in which these financial statements are consolidated is Kier Group plc, incorporated in England.

The address of Kier Group plc is:
Tempsford Hall, Sandy, Bedfordshire, SG19 2BD

Copies of the financial statements for this company can be obtained from Companies House, Crown Way, Cardiff where they will be available to the public, and at www.kier.co.uk.

The parent of the smallest group in which these financial statements are consolidated is Kier Limited, incorporated in England.

The address of Kier Limited is:
Tempsford Hall, Sandy, Bedfordshire, SG19 2BD

Copies of the financial statements for this company can be obtained from Companies House, Crown Way, Cardiff where they will be available to the public, and at www.kier.co.uk.