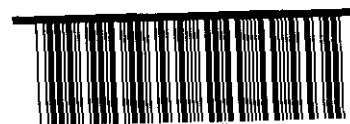


Kier Group plc

annual report and accounts
for the year ended 30 June 2001

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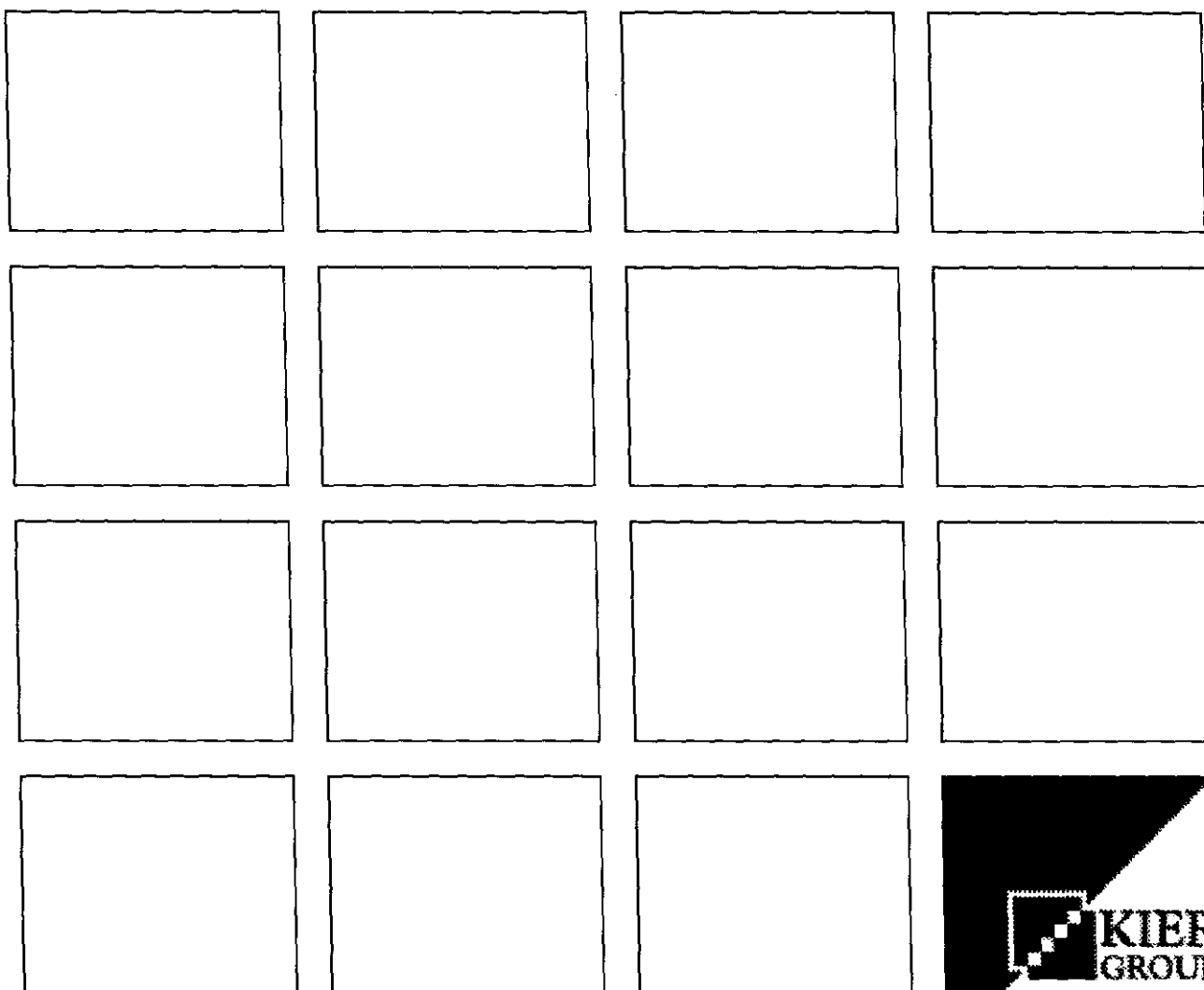
building success



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COMPANIES HOUSE

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In 2001 Kier Group achieved significant organic growth in its two main markets construction and homes; generated substantial additional cash; and achieved important milestones in its two younger businesses: support services and infrastructure investment.

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TURNOVER

£1,251.1m

INCREASE 20.9%

PROFIT BEFORE TAX

£21.9m

INCREASE 23.7%

EARNINGS PER SHARE

48.0p

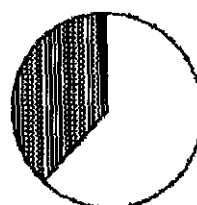
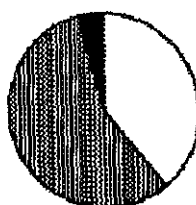
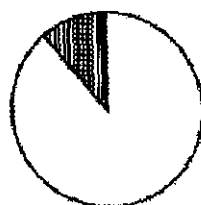
INCREASE 20.6%

CONTRIBUTION BY OPERATING SECTOR TO...

TURNOVER

OPERATING PROFIT

PROFIT BEFORE TAX



□ CONSTRUCTION & SERVICES
▨ HOMES & PROPERTY
■ INFRASTRUCTURE INVESTMENT

HIGHLIGHTS

25% COMPOUND ANNUAL GROWTH IN EARNINGS PER SHARE
OVER FIVE YEARS

15% DIVIDEND GROWTH FOR FOURTH SUCCESSIVE YEAR

FURTHER ACQUISITION IN HOMES FUNDED FROM
CONSTRUCTION CASH FLOW

FIRST INVESTMENT RETURNS FROM PFI PROGRAMME

the Kier Group

structure

CONSTRUCTION & SERVICES OPERATING SEGMENT

KIER REGIONAL

MID-RANGE CONSTRUCTION CONTRACTS BY LOCALLY
MANAGED BUSINESS UNITS ACROSS THE UK.

KIER NATIONAL

MAJOR CIVIL ENGINEERING, MINING AND BUILDING
PROJECTS IN THE UK AND OVERSEAS.

KIER SUPPORT SERVICES

OUTSOURCING OF MANAGED SERVICES, FM SERVICES FOR
PFI AND PPP PROJECTS, BUILDING MAINTENANCE FOR
COMMERCIAL CLIENTS, LOCAL AUTHORITIES AND OTHER
SOCIAL LANDLORDS.

HOMES & PROPERTY OPERATING SEGMENT

KIER RESIDENTIAL

HIGH QUALITY PRIVATE HOUSEBUILDING.

KIER COMMERCIAL

INVESTMENT AND DEVELOPMENT.

INFRASTRUCTURE INVESTMENT OPERATING SEGMENT

KIER PROJECT INVESTMENT PROMOTES AND MANAGES
THE GROUP'S INTEREST IN THE PRIVATE FINANCE
INITIATIVE, CREATING CONCESSION HOLDING BUSINESSES
IN HEALTHCARE, EDUCATION AND OTHER LOCAL SERVICES.

TOTAL TURNOVER

£1,251.1m

TURNOVER

£732.4m

KIER LONDON
KIER NORTHERN
KIER NORTH WEST
KIER SCOTLAND
KIER SOUTHERN
KIER WESTERN

FRENCH KIER ANGLIA
IEI BUILDING SERVICES
ENGINEERS
MARRIOTT CONSTRUCTION
MOSS CONSTRUCTION
WALLIS

TURNOVER

£329.1m

KIER CONSTRUCTION
CIVIL ENGINEERING
RAIL
MINING

KIER BUILD
MAJOR BUILDING PROJECTS
KIER INTERNATIONAL
KIER PLANT

TURNOVER

£59.8m

CAXTON INTEGRATED SERVICES
FM MANAGED SERVICES
PFI SERVICE PROVISION
BUILDING MAINTENANCE

TURNOVER

£110.4m

BELLWINCH HOMES
TWIGDEN HOMES
KIER HOMES
ALLISON HOMES
KIER LAND

TURNOVER

£15.7m

KIER VENTURES
KIER PROPERTY

TURNOVER

£3.7m

KIER PROJECT INVESTMENT
H DGH
BAGLAN MOOR HEALTHCARE
PROSPECT HEALTHCARE
INFORMATION RESOURCES (BOURNEMOUTH)

board members

Continuing

EXECUTIVE DIRECTORS

COLIN BUSBY

Aged 57, has been chairman and chief executive since leading the employee buyout in 1992. His service with the Group began in 1969 and he held senior appointments in the international and UK construction divisions between 1978 and 1992. He is chairman of the Nomination Committee.

DUNCAN BRAND

Aged 60, joined the Group in 1970 and has held both financial and general management positions in a number of the Group's divisions. He has been finance director since 1992. He is retiring from the Board at the forthcoming AGM.

DAVID HOMER

Aged 55, has extensive experience of the residential development sector, including eight years as a regional managing director with a major national housebuilder. He joined Kier Group in 1994 as managing director of Twigden Homes, and was appointed to the Board in 1996 with responsibility for residential development.

JOHN DODDS

Aged 56, has been with the Group since 1970, working much of the time overseas, particularly in Africa and Hong Kong. He also spent a period controlling major civil engineering in the UK and since the buyout has been the director responsible for major projects, mining and international contracting. He is also responsible for the Group's Infrastructure Investment activities.

DEENA MATTAR

Aged 36, was appointed to the Kier Group Board as an executive director in September 2001. Deena joined Kier in 1998 from KPMG where she developed an in-depth knowledge of construction and of Kier Group. Since 1998 Deena held the role of finance director of Kier National, the Group's major building and civil engineering projects arm. When Duncan Brand retires in November 2001, Deena will become Group finance director.

MARTIN SCARTH

Aged 58, joined the Group in 1966 and has held management positions in a number of the regional construction offices. A divisional director since 1988, he has since the buyout been the director responsible for regional contracting and support services.

our commitment...

INDEPENDENT NON-EXECUTIVE DIRECTORS

PETER BERRY

Aged 57, is executive chairman of The Crown Agents for Oversea Governments and Administrations Limited. He is also chairman of Martin Currie Portfolio Investment Trust plc and a non-executive director of Henderson TR Pacific Investment Trust PLC. He was appointed to the Board in 1997 and is senior independent director, chairman of the Remuneration Committee and a member of the Audit and Nomination Committees.

PETER WARRY

Aged 52, is chairman of Victrex PLC and a non-executive director of BSS Group PLC and of the Office of the Rail Regulator. Previously he was an executive director of British Energy PLC and chief executive of its English generating company. He was appointed to the Board in 1998 and is a member of the Audit, Nomination and Remuneration Committees.

SIMON LEATHES

Aged 53, is vice chairman for support services at Barclays Capital, the investment banking division of Barclays PLC. He previously held senior appointments at Lend Lease Corporation, Hambros PLC and SG Warburg Group plc. He was appointed to the Board in March 2001 and is chairman of the Audit Committee and a member of the Nomination and Remuneration Committees.

chairman's statement

BUILDING SUCCESS

2001 has been another very successful year for the Kier Group, with turnover, profits and earnings per share all continuing to grow by over 20% p.a. Our strategy of building on the strength of our construction operation and leveraging up the returns through the complementary strength of our housebuilding, has again demonstrated its value. Since Kier's flotation on the London Stock Exchange five years ago, earnings per share have grown at 25% p.a. compound as a result of this integrated strategy, and we are now recording the ninth consecutive increase in profit since the Group's formation through an employee buyout in 1992.

As further evidence of our commitment to this strategy Kier Group acquired Allison Homes in September 2001, a regional housebuilder operating in the Eastern Counties of England. This acquisition, for cash of £16.6m and loans and overdrafts of £12.7m, significantly increases the coverage of Kier's existing Homes division and brings with it an excellent holding of development land providing opportunity both in the immediate future and in the longer term.

I am also pleased to report that both our newer business areas, Support Services and Infrastructure Investment, are continuing to develop positively and will increasingly contribute to shareholder value.

THE DIRECTORS EXPRESS THEIR THANKS TO ALL
KIER'S EMPLOYEES FOR THEIR MAGNIFICENT
EFFORTS WHICH SECURED FOR US THE TITLE
'MAJOR CONTRACTOR OF THE YEAR' IN THE
'BUILDING' MAGAZINE AWARDS

...to building...

RESULTS

On a 20.9% increase in turnover to £1,251.1m (2000: £1,034.8m) Kier achieved operating profits of £21.9m compared to £15.6m last year, an increase of 40.4%. Profit before tax at £21.9m is increased by 23.7% (2000: £17.7m) and earnings per share at 48.0p rose by 20.6% (2000: 39.8p). On a like-for-like basis, before prior year profits from sale of investments, profit before tax increased by 27.3% and earnings per share by 25.3%.

We are proposing a final dividend on the Ordinary Shares of 8.4p (2000: 7.3p) totalling 12.3p for the year, an increase of 15.0% over last year (2000: 10.7p). The dividend will be paid on 11 December 2001 to shareholders on the register on 5 October and there will be a scrip alternative.

Construction cash flow was again very strong, with Group year end net cash of £58.1m (2000: £40.4m), whilst shareholders' funds increased by 29.9% to £57.8m (2000: £44.5m). The pre-tax return on average shareholders' funds was 42.7% having exceeded 40% for four consecutive years.

CONSTRUCTION & SERVICES

CONSTRUCTION IN THE UK

Kier Regional's success in continuing to grow its share of the mid-range construction market (mainly contracts up to £15m) was outstanding, with turnover 22.6% ahead at £732.4m. This business, with its 27 regional offices serving all the key areas in the UK, has become the 'contractor of choice' to a growing number of construction's major client bodies. We have seen the negotiated and partnered proportion of the workload steadily increasing in recent years, and it now represents half of all orders. While this trend is expected to continue, we retain our commitment to the competitively tendered market, which daily gives us direct confirmation of current pricing levels and brings transparency to our dealings with clients.

Kier National's UK workload in the major contract sector has grown considerably, particularly in building. The civil engineering workload

has also increased with the start of several contracts, including two on the Channel Tunnel Rail Link (in East London and north of Kings Cross). The highlight of the year has been the commissioning and handover of Scotland's first major PFI hospital at Hairmyres, East Kilbride, with its 352 in-patient and 52 day-care beds. This brand new first class medical facility was delivered to the National Health Service three months early, within budget, and procured without any call on public funds.

SUPPORT SERVICES

This area has seen rapid progress in the year, with organic growth continuing in facilities management while building maintenance activities have been greatly boosted by the successful outsourcing of London Borough of Islington's building services. This has resulted in a 63.8% turnover increase to £59.8m. To focus our resources and sharpen our presence in these markets we have created a new branded operating division. Caxton Integrated Services will lead our further penetration of the three principal outsourced service markets we have targeted: managed services for occupiers of commercial and industrial premises; long term commitments for FM services to PFI and PPP projects; and large scale building maintenance contracts, typically for local authorities and other social landlords. Each of these markets offers excellent growth prospects for the foreseeable future and also complements our other operating activities in regional construction and PFI project investment. Our medium term target remains that of bringing turnover in this division up to £150m p.a.

OVERSEAS CONSTRUCTION

We have been pursuing our strategy to change the risk profile of our international construction operations, focusing on negotiated and target cost contracts with established clients and avoiding open tender markets. This is leading to significant improvements in returns, particularly from the Caribbean and the Americas; however, the legacy of major contracts on unremunerative terms has been felt in the Far East, leading to a further but smaller operating loss of £0.9m (2000: £1.2m). As these contracts are worked out, we expect overseas turnover to reduce and the results to complete their recovery.

WE HAVE BECOME THE 'CONTRACTOR OF CHOICE' TO A GROWING NUMBER OF CONSTRUCTION'S MAJOR CLIENT BODIES.

chairman's statement

continued

...an integrated

CONSTRUCTION & SERVICES: RESULTS FOR THE YEAR

Overall, Construction & Services has delivered a 70.8% increase in operating profit to £11.1m (2000: £6.5m) on a 19.6% increase in turnover to £1,121.3m (2000: £937.4m), and an enhancement of the operating margin to 1% (2000: 0.7%). Margin improvement remains a prime objective for Kier and is expected to continue. Cash generation is also critical to our Construction performance and this year's result has been exceptional. Interest credited to Construction & Services on its cash balance rose to £8.1m (2000: £7.0m) providing overall pre-tax margins of 1.7% (2000: 1.4%).

HOMES & PROPERTY

KIER RESIDENTIAL

The results of our progressive increases in working capital for Kier Residential over recent years can be seen in the 35% growth in both house sales (2001: £110.4m, 2000: £81.6m) and operating profit (2001: £14.4m, 2000: £10.7m). 733 houses were sold (2000: 573) at an average selling price of £150,500 (2000: £142,300), with increases in each of our three operating regions. It was particularly pleasing to sell over 100 houses in Scotland in only the third year of that operation. We have acquired a good spread of sites for the new year, with 2353 plots owned and controlled at the year end (2000: 2127 plots). The acquisition of Allison Homes brings a further 949 such plots into the division. We believe the current round of consolidation among the national housebuilders will both provide further opportunities in the land market and allow us to emphasise the attractions in the sales market of our strategy of building strong local brands in selected regions.

Allison Homes, trading in the eastern counties of England from its base in Spalding, Lincolnshire adds a fourth brand to our collection, which already comprises Twigden Homes operating from St. Neots in Cambridgeshire, Bellwinch Homes in the South East and Kier Homes in Scotland.

KIER COMMERCIAL

We continue to generate annual returns of up to £2m from our commercial property operations through a combination of development profit and rental income.

We completed and sold a large distribution depot leased to GDA Hotpoint (developed in joint venture) retaining a 20% long term interest in the investment to yield an annual rent of £240,000. Our joint venture with Norwich Union at Waltham Abbey has commenced construction of the large distribution facility for J Sainsbury alongside the M25. We are also well advanced on construction of a pre-let office in Cheltenham for Marlborough Stirling plc. Future projects are likely to include a 90,000 sq.ft. pre-let office for Government on the Crown Estate in Whitehall, where we are preferred developer.

This activity, which frequently interacts with our other operations, particularly Construction and Residential, forms an important part of our overall strategy to offer an integrated range of property, construction and development services to a wide customer base in both the public and private sectors.

HOMES & PROPERTY: RESULTS FOR THE YEAR

The segment increased turnover by 29.5% to £126.1m (2000: £97.4m) and operating profit by 22.7% to £16.2m (2000: £13.2m), a very satisfactory result for shareholders.

INFRASTRUCTURE INVESTMENT

Our portfolio of PFI projects, in which we typically hold a 50% stake, is taking shape. In the healthcare sector one major hospital is now operational while two others are currently under construction. In the local services sector, we have a stake in a library project under construction and believe we are about to close financially our first schools project. Over the next two years, as these projects become operational, our total committed investment will be £9.2m, with an expected long term average yield in excess of 15%. There is a pipeline of further projects where we are shortlisted from which we expect to add further committed schemes to the portfolio. Now that our first investment is operational, we have disclosed details of its results separately under a new segmental heading 'Infrastructure Investment'.

I AM CONFIDENT THAT THE INTEGRATED BUSINESS MODEL WE HAVE CREATED WILL CONTINUE TO DRIVE UP RETURNS.

business.

KIER PEOPLE

In the last three years we have taken Group turnover from £750m to £1.25bn through organic growth of existing businesses. Such a progression has set huge challenges to management and staff throughout the Group. Kier people have responded with enthusiasm and their skill, energy and professionalism have ensured that profit and cash flow have followed the same curve. The directors express their thanks to all Kier's employees for their magnificent efforts over the past year – efforts which also secured for us the title 'Major Contractor of the Year' in the 'Building' magazine awards for the third time in four years.

We continue to place great emphasis on recruiting the best from the universities each year, and on a very broad programme of training, to ensure we retain our distinctive character in the market as our workforce continues to grow.

BOARD OF DIRECTORS

Graham Corbett retired from the Board last November when he took up his appointment as chairman of the Postal Services Commission: we were pleased to appoint Simon Leathes as a non-executive director in March. His experience in the industry and knowledge of the City are already contributing significantly in the Boardroom.

I must pay tribute to our finance director, Duncan Brand, who will not be offering himself for re-election at the Annual General Meeting having reached retirement age. Duncan has served Kier with great distinction for over 30 years and has been a member of the Board since the employee buyout in 1992. A stalwart, his experience and knowledge, as well as his enduring humour, have contributed immeasurably to the Board and he has been instrumental in guiding the advancement of the Group into its present form. I personally would like to thank Duncan for his contribution and wish him well for his retirement; he will be greatly missed by all.

In September we appointed Deena Mattar as an executive director. Deena, who joined us from KPMG in 1998, will become Finance Director of the Group following our AGM in November, when Duncan will retire from the Board. In her time at KPMG Deena specialised in the Construction sector where she accumulated her knowledge of the industry. She also played a part in all our major transactions, including the 1992 employee buyout and the 1996 flotation.

PROSPECTS

There is no doubt that demand is strong in both the construction and homes markets. At £1.2bn our Construction & Services order book is at record levels and housing sales have continued at a healthy rate in the normally quieter summer months. Allison Homes represents a significant increase in our residential operations and will maintain our growth in this sector.

The prospects for further growth in the current year are encouraging, and I am confident that the integrated business model we have created will continue to drive up returns.

In the medium and longer term, some of our markets may be affected by any worldwide economic slowdown. We fully expect that renewal of the UK's public services, whether in the form of private or publicly funded schemes, will ensure continuing demand for Construction & Services. For housing it remains our view that the market, although subject to some cyclical and regional fluctuations, will maintain a level of activity to support the further expansion of our Homes division. We are also moving ahead with the development of Support Services, Infrastructure Investment and Commercial Property, and will continue to 'build success' from our integrated and complementary businesses.



C R W BUSBY
CHAIRMAN

financial review

ACQUISITIONS

On 12 September 2001 Kier Group plc announced the acquisition of the business of Allison Homes for cash. Although this acquisition has no effect on the results reported for the year ended 30 June 2001, it will add to profits and earnings per share from the first year of inclusion within the Kier Group consolidated results and will increase the net operating assets in Homes to approximately £130m.

The consideration, payable wholly in cash, is £16.6m, representing the value of the net assets acquired. £12.8m was paid on 12 September 2001 with the balance due in five instalments by April 2003. In addition we are assuming bank overdrafts of £9.3m and sundry loans totalling £3.4m. Our bank facilities are being enhanced by a further £15m of revolving, committed loans.

In the year to 30 June 2001 Swallow Homes Limited, trading as Allison Homes, reported profit before tax of £2.1m from 184 house sales at an average price of £120,100.

TURNOVER, ORDERS AND LAND BANK

The Group turnover, including share of joint ventures, increased by 20.9% to £1.25bn due to growth in all business segments.

The Construction & Services segment increased by 19.6% to £1,121.3m. Within Construction & Services, Kier Regional's turnover at £732.4m was up by 22.6%, Kier National at £329.1m was 8.5% ahead of last year and Support Services at £59.8m increased by 63.8%. In all areas the growth was achieved organically with the growth in Support Services being chiefly attributable to a ten year contract which commenced in October 2000 for the London Borough of Islington.

Order intake was strong across the whole segment and at 30 June 2001 confirmed orders in hand stood at £1.2bn compared with just over a billion the year before. In addition to this a strong order pipeline includes awards that are waiting to be confirmed which will place Construction & Services in good stead for the coming year.

Turnover in Homes & Property increased by 29.5% to £126.1m as a consequence of the growth in both Residential and Commercial Property. Kier Residential's turnover of £110.4m was up 24.0% on last year representing 733 units sold at an average value of £150,500 (200: 573 houses sold at £142,300). Land buying was successful in the three regions in which we trade with 2,353 plots owned and controlled at 30 June 2001 (2000: 2,127) at an average price of £39,600 (2000: £34,900). The acquisition of Allison Homes has added a further 949 plots to our land bank, together with a further 3,000 plots of strategic land which is controlled and allocated in local plans and approximately 3,000 further plots, controlled and waiting allocation. From this base sales expansion in 2002 is anticipated, confirmed by the value of forward orders at the end of August which were ahead of the same time last year.

In Commercial Property, turnover of £15.7m (2000: £8.4m) was achieved on the sale of two developments.

This year's analysis includes, for the first time, a new segment, 'Infrastructure Investment'. This represents the returns from our PFI

THE PRE TAX RETURN ON AVERAGE SHAREHOLDERS' FUNDS IS 42.7% AND HAS NOW EXCEEDED 40% FOR FOUR YEARS IN A ROW.

investments in PFI concession companies. In April our first PFI project became operational when Hairmyres Hospital was completed and occupied. In the last two months of the financial year, it provided joint venture turnover of £3.7m (2000: nil).

OPERATING PROFIT, MARGINS AND RETURNS ON CAPITAL

Group operating profit, including share of joint ventures, was £21.9m, up 40.4% on last year's profit of £15.6m.

In Construction & Services a 70.8% increase was achieved at £11.1m (2000: £6.5m). The margin on turnover reached our short-term target of 1% (2000: 0.7%) after including an operating loss of £0.9m (2000: £1.2m) in overseas construction. Margins on UK construction improved from 0.9% to 1.2%.

Homes & Property contributed operating profit of £16.2m (2000: £13.2m), an increase of 22.7%. Kier Residential's operating margin was steady at 13% and in Commercial Property it was 11.5% (2000: 17.9%). Return on average capital employed was 15.0% (2000: 14.2%) in Residential.

Infrastructure Investment contributed operating profit of £0.9m (2000: nil), representing our share of the operating income of the Hairmyres Hospital concession company.

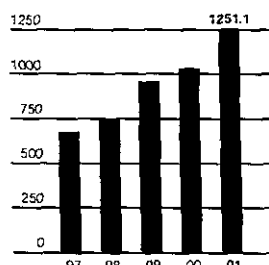
Centre costs of £6.3m (2000: £4.1m) comprised net costs of PFI and 'best value' promotion activities and start up costs of £1.8m (2000: £0.6m), a provision for the estimated costs of the Long Term Incentive Plans of £1.3m (2000: £0.7m) and corporate overheads of £3.2m (2000: £2.8m).

PROFIT BEFORE TAX, TAXATION AND PROFIT AFTER TAX

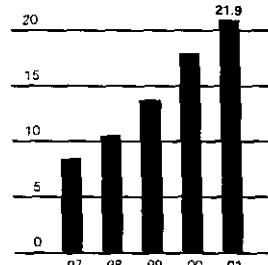
Profit before tax of £21.9m was 23.7% ahead of 2000's £17.7m. On a 'like-for-like' basis, excluding the profit on sale of fixed asset investments from last year's result, growth in profit before tax is 27.3%. This year's result includes £0.2m of net income relating to our investment in Hairmyres Hospital for its first two months of operation.

The tax charge for the year of £5.9m represents an effective rate of 27.0% as compared with 2000's 26.0% and the full UK Corporation Tax rate of 30%. The tax charge has benefited from brought forward trading losses in subsidiaries acquired in 1998 and from brought forward capital losses. We expect the effective tax rate to remain below the full UK Corporation Tax rate for a number of years. Profit after tax at £16.0m is 22.1% above 2000's £13.1m.

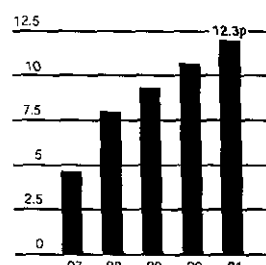
Turnover (£m)



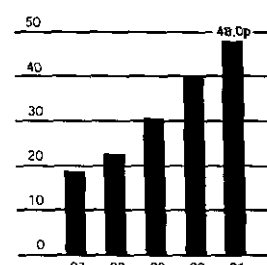
Profit before tax (£m)



Dividend per share (p)



Earnings per share (p)



DIVIDEND

The proposed final dividend of 8.4p (2000: 7.3p) makes 12.3p (2000: 10.7p) for the year, an increase of 15%. This is the fourth year in a row the dividend has increased by 15% or more. The dividend is 3.9 times covered by current earnings.

SHAREHOLDERS' FUNDS AND SHARE CAPITAL

Retained profit of £11.9m, together with the proceeds from the issue of 498,000 new shares, 1.5% of all shares in issue, have increased shareholders' funds by 29.9% to £57.8m (2000: £44.5m). The pre-tax return on average shareholders' funds is 42.7% and has now exceeded 40% for four years in a row.

Of the new shares 221,000 were issued in lieu of dividends and the remainder to satisfy options maturing under the 1997 Sharesave Scheme and the Performance Related Option Scheme.

EARNINGS PER SHARE

Basic earnings per share (undiluted) of 48.0p represents a 20.6% increase on 2000 and continues the 25% compound growth in earnings since Kier Group's flotation in 1996.

Earnings per share adjusted to exclude last year's profit on sale of fixed asset investments is 25.3% above that for 2000.

CASH FLOW, FACILITIES AND FOREIGN CURRENCY EXPOSURES

Net cash inflow for the year was £17.7m (2000: outflow of £1.8m). It arose after an inflow from operating activities of £38.5m (2000: £8.1m). A further £14.9m was invested in stocks with land and work in progress (excluding Allison Homes) of £123.3m (2000: £118.8m). Net capital expenditure and financial investment was £15.1m (2000: £3.6m). The increase relates to: expenditure on plant, as dictated by contract requirements; the purchase of an investment property developed in joint venture and the subsequent sale of 80% interest in the property; and further investment in PFI concession companies.

The Group's liquid position is affected by seasonal, monthly and contract specific cycles, particularly in connection with the larger contracts undertaken by Kier National. The net balance at 30 June 2001 of £58.1m (2000: £40.4m) represented the highest balance during the year and also included £23.3m of cash held by joint arrangements (2000: £22.8m). Joint arrangements are contracts undertaken jointly with other contractors and the related cash balances, which are held in joint bank accounts, are not available for general Group purposes. The acquisition of Allison Homes for cash on 12 September 2001 has further reduced the free cash available to the Group.

To deal with cyclical cash movements the Group maintains a range of bank facilities which were increased during the year from £30m to £50m, £15m of which are overdraft facilities and £35m of which are committed revolving credit facilities, all on an unsecured basis. A further £15m of unsecured, three year committed facilities are being made available by the banks following the acquisition of Allison Homes.

There are foreign currency risks arising from overseas operations. The Group has a number of overseas branches and subsidiaries operating in a variety of countries and currencies. Currency exposure to overseas assets is hedged through inter company balances and borrowings such that assets denominated in foreign currencies are matched, as far as possible, by liabilities. In addition, where there may be further exposure to foreign currency fluctuations, forward exchange contracts are entered into to buy or sell the foreign currency as required.

PENSION SCHEMES

DEFINED BENEFIT

These financial statements are the first to comply with the new standard 'FRS 17 - Retirement Benefits': after consideration, we have decided to follow the transitional arrangements set out in Paragraph 94 of the Standard rather than the full early adoption encouraged in Paragraph 95, as we feel there is as yet little understanding of the radical changes to financial statements that result from FRS 17. Accordingly, the pension charge has been calculated in accordance with SSAP 24, and, as in previous years, corresponds to the contributions paid by the Group during the period.

DEFINED CONTRIBUTION

The Group has reviewed its strategy for providing pension benefits to all its employees to reflect the evolving nature of the Group's businesses and also 'stakeholder' legislation.

As a result of this review, it is introducing from October 2001, a range of defined contribution arrangements to apply to all new employees as well as current employees not presently eligible for membership of the existing defined benefit scheme. The new arrangements are not expected to reduce the cost of pension provision, which is rightly a significant item of expense for the Group, but to ensure better control over future pension costs than is possible with a defined benefit scheme.

D V BRAND
FINANCE DIRECTOR

Kier Regional

KIER LONDON
KIER NORTHERN
KIER NORTH WEST
KIER SCOTLAND
KIER SOUTHERN
KIER WESTERN

FRENCH KIER ANGLIA
IEI BUILDING SERVICES
ENGINEERS
MARRIOTT CONSTRUCTION
MOSS CONSTRUCTION
WALLIS

PERFORMANCE

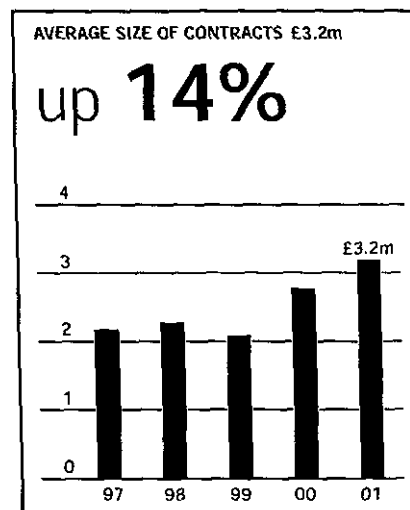
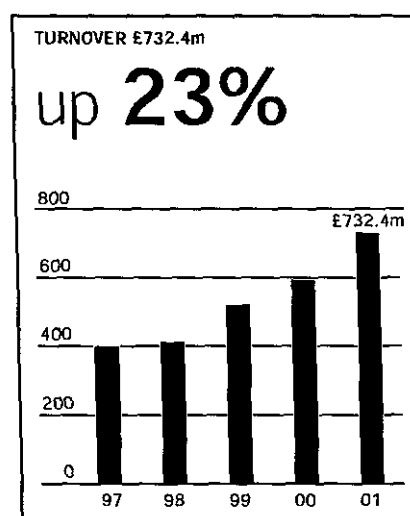
- Turnover continues to grow, up 23% to £732m.
- Average size of contracts enlarged to £3.2m from £2.8m.
- Proportion of negotiated contracts increased to 50% of the total and design & build to 49%.
- Operating margin improved to 1%.
- Our strong cash flow continues to aid business confidence.

OUR SUCCESS REGIME

- Our comprehensive UK coverage from 27 offices continues to attract both national and local clients. We continue to meet local business needs with a local service.
- Our partnering and key account relationships continue to flourish with the addition of LivingWell, Morrison and Waitrose.
- Our management of the business within the capacity and capability of staff resources.
- Our safety record is consistently well below HSE national incidence rate.

OBJECTIVES FOR THE YEAR AHEAD

- To meet Major Contractors Group safety targets and improve our safety awareness.
- To continue to grow operating margins.
- To invest in public sector procurement initiatives for example Procure 21, Best Value and MoD Prime Contracting along with developing associated supply chains.
- To strengthen design management to maximise returns.
- To increase public sector work.



average contract size up...

(picture page)

TURNOVER**£732.4m****AVERAGE CONTRACT SIZE****£3.2m****KIER LONDON****LOUGHTON, TOTTENHAM**

The relationship with City & West End Developments has been strengthened following the negotiation of an £8m new build office development at 110-116 The Strand. Work has commenced on a new £30m distribution centre for J Sainsbury adjacent to the M25 at Waltham Point. Preferred Contractor status has been achieved for London Underground Limited and the framework agreement is in place with Infracore BCV Limited which should provide significant opportunities during the coming year. A specialist team has been established to service the needs of the housing association market across London through formal partnering arrangements.

KIER NORTHERN**BOSTON SPA, DURHAM, CARLISLE**

Retail and leisure projects have featured strongly in another successful year. Work is well under way on the second phase of the Birstall Retail Park for Pillar Properties with third phase negotiations currently in progress. Three projects have been completed for LivingWell Health Clubs under the company's formal partnering arrangement and work on a new £11m 123 bedroom hotel at Thorpe Park for Shire Inns is progressing well. A major car ferry terminal project for Associated British Ports in Hull is now operational despite design challenges. The Durham and Carlisle offices have seen a number of larger projects completed during the year including Morrisons Killingworth Shopping Centre, North Tyneside (£14m), West Cumbria College (£7m) and Whitehaven Harbour Renaissance, Cumbria (£6m).

KIER NORTH WEST (FORMERLY MOSS NORTHERN)**LIVERPOOL, MANCHESTER**

Kier North West had a successful year during which the business changed its name to raise its profile for major projects in Greater Manchester. Recent projects include the construction of a new leisure centre for Knowsley Metropolitan Borough Council, the Department of Music for the University of Liverpool and a major refurbishment of Piccadilly Plaza in the centre of Manchester. During the year, two Kier North West projects have won awards. The new National Wildflower Centre in Merseyside won a 2001 RIBA award for Architecture and was shortlisted for the Stirling Prize. The Museum of Science and Industry in Manchester was voted 'Overall Best Building' in the Manchester Society of Architects 2001 Design Awards.

KIER SCOTLAND**GLASGOW**

The company continues to focus on providing traditional building skills across all sectors throughout the central belt of Scotland. The relationship with Hilton continues to thrive with further partnered work being carried out during the year at Perth and Inverness. The multi-screen high rise cinema for UGC in the centre of Glasgow was handed over for fit out and other projects completed include a new sorting office for Consignia and a new paediatric centre in the Gorbals, Glasgow. Projects currently on site include the £2m North Edinburgh Arts Centre and a new £5m office development for East Renfrewshire Council at Barrhead.

KIER SOUTHERN**MAPLE CROSS, HAVANT (HENRY JONES),****SOUTHAMPTON (BRAZIER CONSTRUCTION, KIER PARTNERSHIP)**

Retail work, particularly for Tesco Stores, commercial developments for Welbeck Land, MEPC, and Rolls Royce Pension Fund provide highlights of the workload for our office at Maple Cross. The public sector is expected to become more significant with educational and prison service contracts recently secured. Henry Jones projects include the David Lloyd Leisure Centre at Port Solent, Hampshire, Bournemouth Library under a PFI contract and various phases for Countryside Properties in Chertsey. Brazier's projects along the South Coast include Weymouth College, a £7m apartment block in Bournemouth for Redrow Homes and the Cancer Sciences research building at Southampton University. Kier Partnership, which specialises in the social housing sector, is continuing to grow and is building an excellent reputation in its market. The 51 unit Barnwood School project, a housing forum Egan demonstration project, is a typical example.

KIER WESTERN**BRISTOL, PLYMOUTH, TRURO, NEWPORT**

Commercial and retail projects have provided the backbone of this year's record turnover in the South West and Wales. The largest current project is at Lemon Quay in Truro, for the £16m shell and core contract for JS Developments. This is in addition to a number of contracts secured by the company under a strategic alliance with J Sainsbury amounting to some £40m. Education has also featured prominently with projects for the University of Exeter, Centre for Islamic Studies and the University of Cardiff. The Bristol office has strengthened its position through projects secured with Bristol & England Properties at Bristol Business Park, and further contracts for the provision and fit out of new switching centres for Orange.

**OUR COMPREHENSIVE UK COVERAGE
FROM 27 OFFICES CONTINUES TO
ATTRACT BOTH NATIONAL AND LOCAL
CLIENTS.**

FRENCH KIER ANGLIA

WISBECH, WITHAM, NORWICH

The Wisbech office has further established itself in the Defence sector winning three consecutive projects at RAF Lakenheath Hospital amounting to £19m. There have also been further projects for Tesco Stores at Holbeach and Oakham. Norwich office has again increased its share of the market in the east of the region including work for Virgin Direct and Norwich City Football Club. The Witham office continues to work in the health sector including a design and construct contract for a new £12m ward block at Basildon Hospital. This year has seen a further increase in workload in Cambridge with projects for the University and Cambridgeshire County Council.

IEI BUILDING SERVICES ENGINEERS

BASINGSTOKE

The continuing relationship with key clients Arlington Properties and Slough Estates remains the cornerstone of the Group's successful design and install mechanical & electrical services business. Significant growth has been achieved during the year and some progress has been made to widen the existing client base. Recent awards include an appointment as M&E advisors for the redevelopment of the Child Medical Research facility at Great Ormond Street Hospital and the design and installation of services to a 600,000 sq ft refrigerated warehouse for Waitrose. IEI's service and maintenance division recently took on maintenance of 260 buildings for Sussex Police, adding to its impressive portfolio of clients.

MARRIOTT CONSTRUCTION

RUSHDEN, NOTTINGHAM

The business achieved a record level of turnover of which 60% was negotiated and included an increased volume in design and build. Negotiated projects include a 224 bedroom Marriott Hotel in Leicester for Whitbread Plc, health clubs at Luton and Tamworth for Hilton, further works at Fosse Park, Leicester for Pillar and a second office development for Capital & Counties in Cambridge. The award of these projects, together with a £6m call centre in Wellingborough for Systemax Europe Ltd adds up to a healthy order book for the year ahead.

MOSS CONSTRUCTION

CHELTENHAM, BIRMINGHAM, NEWBURY

Negotiated contracts provide 66% of the secured workload, much of it repeat business, with Arlington, MEPC, Zurich, Ashtenne, Countryside and Frogmore Developments. For Arlington at Oxford Business Park four projects are under construction, totalling £27m. The Newbury office has continued its excellent relationship with MEPC at their Milton Park development in Abingdon and two further projects at South Marston in Swindon. Birmingham office consolidated its position with the award of several high profile projects, notably Salvage Wharf, a £7m development featuring a new hotel, office refurbishment, restaurant facilities and new link bridges to the prestigious Mailbox development.

WALLIS

BROMLEY, MAIDSTONE, CRAWLEY (LONGLEY)

The core of the Bromley office awards is provided by high quality refurbishment and fit out projects in Central London, notably the conversion of the Public Records Office into a learning resources centre for Kings College. Other projects were for the Royal Horticultural Society, the Woolwich Arsenal and the India High Commission together with the refurbishment of three floors of the BT Tower. The Maidstone and Crawley offices grew considerably in the year and carried out seven projects for key client Tesco Stores Plc. Expansion into the Sussex area is proving successful with projects at Glyndebourne Opera House and Eastbourne College. A landmark during the year was achieved when Wallis celebrated 100 years at Maidstone.

Kier National

KIER CONSTRUCTION
CIVIL ENGINEERING
RAIL
MINING

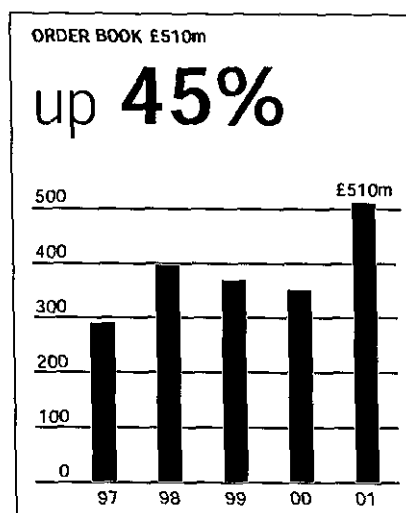
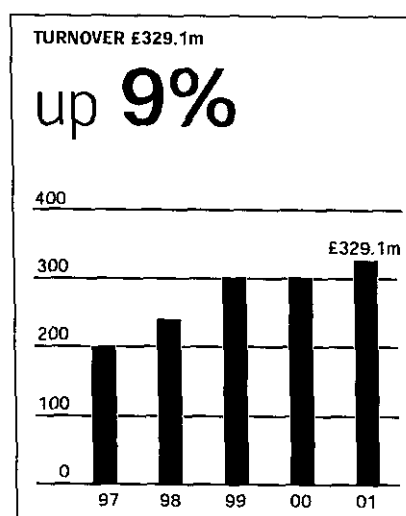
KIER BUILD
MAJOR BUILDING PROJECTS
KIER INTERNATIONAL
KIER PLANT

Performance:

- Steady turnover growth – increased contract values underpins this.
- Enhanced operating margin – continually improving risk management has led to margin growth.
- Improved risk profile – workload includes a higher proportion of low risk, target cost civil engineering work and an increasing amount of negotiated work.
- A continued buoyant UK building market – strong order book and order pipeline.
- Further investment in people – Kier Construction awarded 'Investor in People', Kier Build working towards this award.

The future:

- Client relationships – long term client relationships are fundamental to our success and include Arlington, Castlemore, Defence Estates and Devonport Management Limited in the UK. Overseas they include Alcoa and the Jordan Phosphate Mining Company.
- Strong order book – the order book of £510m places us well for the year ahead.
- People – our core asset. We will continue to innovate to ensure our teams realise their full potential.
- Risk management – our aim is to continue to improve risk management through a clear understanding of clients' requirements, increased negotiated work and open book contracts.
- Overseas – we shall focus on a number of clients and seek new work on a negotiated basis.



record order book...

TURNOVER**£329.1m****ORDER BOOK****£510.0m****KIER CONSTRUCTION****CIVIL ENGINEERING, RAIL, MINING & PLANT**

Kier Construction has had a good year, particularly for contract awards in the civil engineering sector. Our first contract awarded on the Channel Tunnel Rail Link last year is making excellent progress. We have since been awarded two further contracts on this project for Union Railways: Contract 250, awarded in joint venture with Nuttall and Weyss & Freytag consisting of the construction of twin 7.5 metre diameter tunnels (5.3 km long); and Contract 103 in joint venture with Nuttall, comprising civil works on the Kings Cross railway lands and a complex network of structures and connections to other railways in the area. Both these contracts are under way and will continue to August 2004 and December 2005 respectively. These contracts highlight the extensive rail capability built up by the division over the last decade, an area in which we expect to see further growth in the future.

A further £36m of work was awarded during the year at Devonport reflecting our long association with Devonport Management Limited. Other contract awards include the remediation of old gas works and core infrastructure at Gallions Reach in Beckton for property developer Castlemore Securities and the redevelopment of existing power and steam supplies at Southampton General Hospital for a combined heat and power plant project. Work on Scotland's largest wind farm for Scottish Power is now nearing completion and work completed during the year includes two power stations at Damhead Creek and Shoreham.

Our Mining division's contract at Gasswater continued to make progress with 1.4m tonnes of coal extracted to the end of June 2001.

Kier Plant had another successful year providing mainly cranes, telehandlers and accommodation units to other Kier Group companies as well as externally. The fleet now numbers 60 tower cranes, 42 telehandlers and 1,650 accommodation units.

Reflecting the importance of its staff, Kier Construction achieved 'Investor in People' status this year and is focussed on developing the full potential from its teams.

KIER BUILD**MAJOR BUILDING PROJECTS**

Kier Build successfully completed three major projects during the year: Grenfell Island at Maidenhead, a £29m retail development for property developer Castlemore Securities; a £13m office scheme at Borehamwood for Capital & Counties and the £67m Hairmyres Hospital at East Kilbride, one of Kier's PFI investment projects. The hospital was completed and occupied in March 2001 – three months early.

The awards reported upon last year, namely Kinnaird House, an office block in Pall Mall for Haselmere Estates, and Northcliffe House, an office development in the old Daily Mail building off Fleet Street for Hilstone Corporation, are nearing completion. The reconstruction of Mons Barracks Aldershot for Defence Estates continues to make progress.

Significant contract awards during the year will ensure continued turnover growth. These include further works on the Paragon complex for TAG McLaren; a £58m development at Hatfield for Arlington Securities, a £35m project to provide new office and manufacturing space for Matra BAe Dynamics on their existing site at Stevenage; and Kier Build's second PFI hospital project, valued at £25m, in Reading for West Berkshire Primary Care Services NHS Trust. Other projects due to commence later this year include a £64m major retail development in Bournemouth for Castlemore Securities and a £39m office development in the heart of Birmingham for Richardson Barberry.

**KIER CONSTRUCTION AWARDED
'INVESTOR IN PEOPLE', KIER BUILD
WORKING TOWARDS THIS AWARD.**

KIER INTERNATIONAL

Kier International has had another disappointing year, with further losses albeit reduced from last year. The operating loss reported this year results from a tunnelling contract in Hong Kong which experienced unexpected difficulty but which is now virtually complete. In general, other contracts within Kier International performed well and the risk profile in this business is now much reduced.

A small number of new contracts have been awarded during the year (none through competitive tendering) reflecting Kier International's withdrawal from competitively tendered overseas construction projects. It will concentrate instead on key clients and negotiated opportunities. As a result overseas turnover will fall from the present peak of £101.7m.

In Hong Kong, work continues on three rail contracts; one for Mass Transit Railway Corporation; which is almost complete, and two major stations in joint venture for Kowloon Canton Railway Corporation. These contracts were awarded prior to July 1999.

In India work on a power project for Marubeni was completed during the year. The other Indian contract on which we reported last year, in joint venture with Besix, at Dabhol for our client Enron attracted a great deal of attention during the year. Due to a dispute, Enron terminated its contract with the Maharashtra State Power Corporation. Our contract with Lingtec, a subsidiary of Enron, is currently suspended and Lingtec have instructed us to demobilise.

Our project for the Romanian Government in joint venture with Mivan is well under way. Our business in the Caribbean and Central America is performing well, being heavily focused on lower risk plant maintenance and development for Alcoa and its associates in joint venture with CCC Group Inc of San Antonio. The new work awarded during the year is predominantly of this type.

Our joint venture in Jordan mining phosphate for the Jordan Phosphate Mining Company progressed well, providing us with a satisfactory result for the year.

Kier Support Services

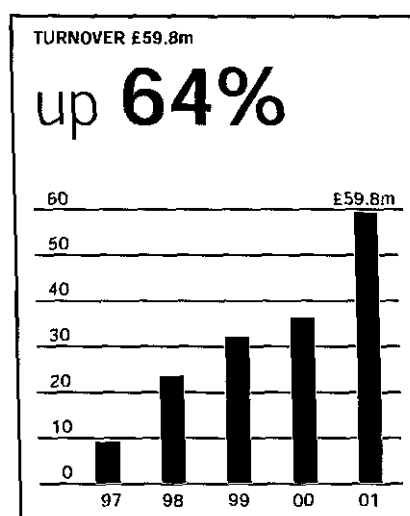
CAXTON INTEGRATED SERVICES
FM MANAGED SERVICES
PFI SERVICE PROVISION
BUILDING MAINTENANCE

This year has seen further significant expansion of the support services division. Caxton Islington has been successfully integrated into the existing structure and divisional turnover has increased by 64% to £59.8m.

Our growth in both the public and private sector continues and we are encouraged by further successes in the PFI arena.

As part of our continuing development in the support services market, Caxton Integrated Services was created to manage our increased penetration in the three principal business areas we have identified as both strongly growing and strategically important to Kier:

- FM Managed Services
- PFI Service Provision
- Building Maintenance.



seeking long term business...

(picture page)

TURNOVER

£59.8m

ORDER BOOK

£294.4m

CAXTON INTEGRATED SERVICES

BUILDING MAINTENANCE

Major contract awards during the year at Brighton Council and the London Borough of Hillingdon maintained our strong position in the public sector repair and maintenance market.

We provide building maintenance and repair services across the London and South East region working alongside the London Boroughs of Camden, Richmond and Ealing. Our work with housing associations involves long term relationships with Orbit and London & Quadrant Housing.

A workforce of 90 direct and 175 subcontract employees supported by selected service partners, provides the flexibility to respond quickly and effectively to the needs of our clients and their customers. The introduction of a new control centre offering 24 hour, seven day response is a further commitment to improving customer service and, coupled with the planned implementation of new IT systems, will provide a sound basis for further expansion of this business.

Caxton Islington, the Group's ten year joint venture with the London Borough of Islington, started operations in October. A seamless transfer of over 500 employees was accompanied by the introduction of a 24 hour building maintenance service. Several of the transferring staff have already benefited from the Group's approach to promoting from within, and apprenticeship and adult improver schemes are in the pipeline to ensure a steady stream of new recruits to support the growth plans.

Our Hygiene and Cleaning services provide environmental support to 39 schools and 90 public buildings within London. Over 280 directly employed staff provide this service, which will be quality assured in the year ahead.

Innovative service solutions are becoming the Company's hallmark and a demonstrable commitment to providing quality services to customers is at the heart of our partnering approach. Regular dialogue with tenants' associations and Islington Council ensures services to some 30,000 tenants are maintained at a high standard and problems are resolved promptly.

The Company was pleased to finish its first trading period with news that it had gained a RoSPA Quality Standard Award, no mean feat for such a young team, demonstrating the continuing commitment to looking after the health and safety of employees as well as customers.

INNOVATIVE SERVICE SOLUTIONS ARE BECOMING THE COMPANY'S HALLMARK AND A COMMITMENT TO PROVIDING QUALITY SERVICES IS AT THE HEART OF OUR PARTNERING APPROACH.

CAXTON INTEGRATED SERVICES

FM MANAGED SERVICES

Caxton Facilities Management continued to expand throughout the financial year adding prestigious clients to an impressive client base and retaining major existing clients, including BAE Systems, Health & Safety Executive, DEFRA (previously MAFF), CEFAS and Legal & General.

We have demonstrated our position at the forefront of innovative facilities management by being appointed as the FM provider for the unique FM and Research Vessels Management contract for CEFAS at Lowestoft, Burnham-on-Crouch and Weymouth, the first FM contract of its kind involving FM aboard vessels run by CEFAS. Additional new contracts awarded include TXU Energi (was Eastern Electricity), Grosvenor Waterside, Hostmark, Welsh Development Agency South East and South West Regions.

We have been successful in being awarded a five year extension of our contract with Vauxhall Motors for provision of total FM services.

CAXTON INTEGRATED SERVICES

PFI SERVICE PROVISION

Caxton Integrated Services also continued to develop contracts through the government's Private Finance Initiative with new opportunities being pursued within the health, education and local authority sectors. Farnham Local Care Centre worth £0.23m per annum and Brighton Library worth £0.15m per annum are nearing financial close. These will further supplement Caxton's existing PFI successes, the first of which is due to start in September 2001. We see this market as providing an ideal opportunity in developing long term facilities management contracts and sustained turnover.

The Neath/Port Talbot Hospital for Bro Morgannwg NHS Trust, where services will be provided worth £3.7m per annum, is currently in construction and will come on stream in December 2002. Servicing at Bournemouth Library, under construction by Kier Regional, will start in February 2002 and is worth £0.18m per annum. From September 2001, we will provide soft and hard FM services at Pembroke Dock Community School worth £0.13m per annum. Construction commenced in July 2001 in respect of Redbridge Schools providing FM Services which are to commence in January 2003 with a value of £0.12m per annum. All these contracts will run for the length of the PFI concession, generally 30 years.

As preferred bidder, we expect to be appointed as facilities management provider to Tendring Primary Schools in Essex. This 32 year contract, commencing in October 2001, will see the company take responsibility for premises related services to 12 schools in the locality.

Several more preferred status projects are being worked on and our teams have considerable appetite for this long term income source.

Kier Residential

TWIGDEN HOMES
BELLWINCH HOMES
KIER HOMES

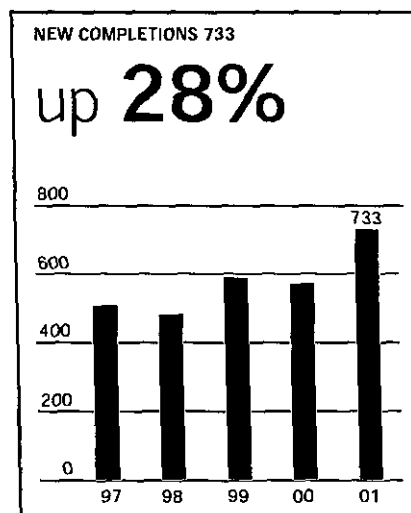
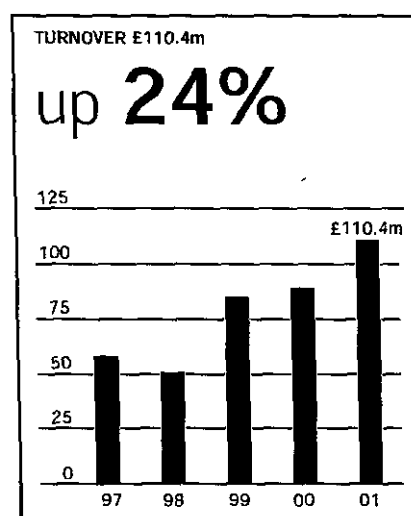
ALLISON HOMES
KIER LAND

Kier Residential successfully expanded its business with volume up 28% on last year from 573 to 733 completions. This, together with an increase in average selling prices from £142,300 to £150,500, has led to a 35% increase in turnover from house sales. Profit margins were maintained at 13% providing a strong increase in operating profit during the year.

£40m was invested in new land during the year and at the year end we held a forward land bank of 2,353 plots owned and controlled with planning permission (2000: 2,127 plots).

On 12 September 2001, we announced the acquisition of the business of Allison Homes, a regional housebuilder based in Spalding, Lincolnshire, operating throughout Lincolnshire and the East Midlands adjacent to Twigden Homes' operational area. The acquisition adds a fourth brand to the three already well established brands in Kier Residential, thus significantly increasing its trading base.

Allison Homes has an excellent holding of development land, providing opportunity both in the immediate future and in the longer term. This comprises 949 current plots with planning permission together with strategic land interests containing approximately 3,000 plots already allocated for residential development in local plans and a further 3,000 plots awaiting allocation.



investment yields results...

(picture page)

TURNOVER

£110.4m

NEW COMPLETIONS UP 28% TO

733 homes

RECENT SUCCESSES

Twigden Homes achieved an increase in new homes completions to 369, from 273 in the previous year, with the new house type designs proving very popular. The strategic site at Royston in Hertfordshire of some 350 new homes traded well throughout the year with the 100th completion taking place on the 30 June 2001. Nine development sites were acquired in the year. Included in these was a site at St Ives in Cambridgeshire where Twigden has returned for the eighth time having built over 800 homes there.

Bellwinch Homes has been active in the land market with 12 new development sites now under way. These include 90 new homes at Chafford Hundred, an area where the Bellwinch name is already well known, and 50 new homes in Swindon. Bellwinch Homes' land bank includes developments in Hampshire, Buckinghamshire, East and West Sussex, Kent, Berkshire, Dorset, Hertfordshire, Essex, Middlesex, Surrey and London.

Through Bellwinch Homes and Twigden Homes, Kier Residential has continued to benefit from trading at Waltham Abbey following the major investment by Kier Group in this mixed use site.

In Scotland, Kier Homes has enjoyed rapid growth with an increase in unit sales of 50% in the year. In its largest venture to date, in consortium with two other house builders, Kier Homes has acquired land with planning permission for 1,000 new homes in West Craigs, Hamilton.

With developments now well under way in Balloch, Renfrew, Erskine and East Kilbride, the company is expanding towards Edinburgh with its forthcoming development of 106 new homes at Heritage Green, Livingston. Kier Homes, in its third year of operation, is becoming recognised as a major player in new homes in Scotland.

Standard house designs are rarely used within Kier Residential developments as homes are individually designed to complement the existing surrounding architecture and landscape. For example, Bellwinch has recently launched the 'Poundbury' range comprising 11 new designs for the start of its exciting new development in Weymouth. Meanwhile, the new development in Sovereign Harbour, Eastbourne will enjoy a 'nautical feel' incorporating new designs to enhance the stunning views over the harbour and coastline.

NICHE MARKETS

Through an understanding of its customers' requirements, Kier Residential is able to provide sites in locations that appeal to specific purchasers. An example of this is Twigden Homes' development at The Mews, Eynesbury where individually designed courtyards with gated access and private landscaping provides seclusion and privacy combined with exclusivity.

The first time buyer market is also buoyant. Buying 'off plan', particularly with smaller homes, has remained very popular, with many purchasers being extremely keen to secure the new home of their choice at an early stage of development.

**THE ACQUISITION OF ALLISON HOMES
ADDS A FOURTH BRAND TO THE THREE
ALREADY WELL ESTABLISHED BRANDS
IN KIER RESIDENTIAL.**

WORKING TOWARDS THE FUTURE

Investment in people remains a high priority and we are already recruiting and training our next generation of award winners. With the need for skilled labour at an all time high we established a programme of directly recruited apprentices. We will sponsor them through college on a part time basis to achieve an NVQ over three years. This plan is expected to be repeated annually in order to provide a continuous source of tradespeople for the future.

Kier Residential is committed to progressing the use of IT throughout the business and investment in new technology continues. Further enhancements to the already successful website are nearing completion.

RECOGNITION OF QUALITY

Our commitment to meeting the needs of our customers has been recognised with the government's first independent National Customer Satisfaction Survey of the housebuilding industry. Kier Residential achieved an 'above industry average' rating in every sector, from 'construction and finish' through to 'after sales service'.

Bellwinch Homes also finished in the top five in its class in the Daily Express British House Builder Awards. Kier Residential's commitment to quality has been further recognised with Bellwinch's recent achievement of ISO 9001 status. This award for quality management has worldwide recognition and has, to date, been achieved by only three per cent of British businesses.

Meanwhile, further raising our profile as a high quality housebuilder, three Twigden Homes and two Bellwinch Homes site managers were awarded NHBC quality awards in this year's 'Pride in the Job' awards, four for the second time and one for the fourth time.

Kier Residential's commitment to occupational safety is also illustrated with gold, silver and bronze RoSPA safety awards for consistent safety performance.

ENVIRONMENTALLY AWARE

The Group's environmental policy means that we are committed to minimising the effects of our development on the environment. Currently 45% of Residential's land bank is on brownfield land. Issues involving sea defences, the environmental agency, green belt hedge protection and also the protection of house martins, badgers and bats have been successfully resolved on different developments during the year.

Kier Commercial Property

KIER VENTURES
KIER PROPERTY

The two principal current development sites progressed well during the year, both contributing significantly to profit. During this year, the company will have either completed or commenced works on over one million sq ft of commercial space.

over one million sq.ft...

TURNOVER

£15.8m

COMMERCIAL PROPERTY

At Waltham Point, where Kier is in joint venture with Norwich Union Life and Pensions Limited, planning permission was received for a 700,000sq ft distribution centre pre-let to J Sainsbury. Kier London is carrying out construction with completion expected in late 2002.

As part of the overall Waltham Point scheme, a planning application has been made to facilitate the creation of a number of seed-bed units. These units will provide opportunities for local businesses to locate in a high quality environment, creating additional employment within the community.

The 320,000sq ft General Domestic Appliances distribution centre at Warth Park was completed during the year with the tenant taking occupation in December. As the main UK distributor for Hotpoint, Creda and Canon domestic appliances, the company will take advantage of its close proximity to the A14. Kier Property, our property investment company, has retained the freehold interest in this development together with a percentage of the rental income. Further opportunities to develop this 75 acre joint venture site in Northamptonshire continue to evolve, with an encouraging level of enquiries.

During the year the recently opened Birmingham office recorded its first success when software company, Marlborough Stirling exchanged contracts for a 70,000sq ft office scheme in Cheltenham. Moss Construction is carrying out construction with completion due early in the new year. The development has been forward sold to an overseas investor.

More recently Kier Ventures has been awarded preferred bidder status for a 90,000sq ft office development in Whitehall by The Crown Estate. The building will be let to the Department of the Environment, Food and Rural Affairs (DEFRA) upon completion. Construction will be carried out by Kier Build and is expected to start within the next financial year.

Kier Commercial continues to seek to grow its business and is actively pursuing several interesting opportunities to expand its portfolio.

Kier Infrastructure Investment

The Group's involvement in the Private Finance Initiative is led by Kier Project Investment. The advantage of this initiative from the Government's perspective is that the private sector provides the finance, reducing public sector borrowing. Private sector business skills manage the services and the risk passes to the party best able to manage it. Whilst the Initiative has taken time to develop we firmly believe that it will now demonstrate an improvement in service levels and more efficient, better run operations.

In summary our key objectives for PFI are as follows:

- to provide a portfolio of infrastructure investments yielding returns in the mid teens and providing a long term income stream;
- to provide a flow of negotiated construction and support services contracts for Kier's operating divisions; and
- to provide opportunities for land acquisitions.

We shall continue to pursue opportunities that meet these criteria.

PORTFOLIO OF PROJECTS			
	OPERATIONAL	CONSTRUCTION PHASE	PREFERRED BIDDER
HAIRMYRES HOSPITAL	●		
BAGLAN MOOR HOSPITAL		●	
BOURNEMOUTH LIBRARY		●	
WEST BERKSHIRE HOSPITAL		●	
TENDRING SCHOOLS			●
BLACKBURN HOSPITAL			●
DERBY HOSPITAL			●
GREENWICH CARE HOMES			●
ENFIELD			●
ISLINGTON HOUSING			●

first investment returns...

INVESTMENTS

£9.2m

FIRST PFI HOSPITAL OPERATIONAL AND PRODUCING INVESTMENT RETURNS.

INFRASTRUCTURE INVESTMENT

Our investment in PFI has doubled over the last year, in terms of numbers of concessions, with the award of two major projects, Bournemouth Library and a hospital in Reading, Berkshire. A schools project, on which we are preferred bidder, is expected to achieve financial close shortly.

The addition of these projects increases our committed investment in equity and loan stock to £9m with favourable returns anticipated over the concession periods of up to 30 years.

We are shortlisted on five other projects.

CURRENT INVESTMENTS

HEALTH

At Hairmyres Hospital in East Kilbride, Kier Build completed construction of the 461 bed hospital for Lanarkshire Acute Hospitals NHS Trust. The hospital, our first PFI project to commence operation, was occupied in April 2001, three months ahead of programme, and our investment is now producing returns.

In South Wales, construction of our second PFI hospital, for Bro Morgannwg NHS Trust, is progressing steadily. Completion of the hospital is expected in November 2002 at which point Caxton Facilities Management will provide non-clinical support services over the 27.5 year term.

Our third PFI concession in health was awarded in May 2001 for West Berkshire Primary Care Services NHS Trust. The consortium, in which we hold a 50% stake, is to provide a 203 bed mental health unit, constructed by Kier Build, for a period of 32 years.

LOCAL AUTHORITIES

Earlier this financial year we achieved financial close on Bournemouth Library, our first award in the local authority sector. Kier holds 50% of the equity in the consortium which has been granted a 30 year concession to provide a new library and retail complex. Kier Regional is in the process of constructing the library and Caxton Facilities Management will maintain and service it for the concession period.

PROSPECTS

A number of opportunities are being progressed, including our first schools concession for Essex County Council which is near to achieving financial close. Our concession, for 30 years, involves the construction and refurbishment of 12 schools by Kier Regional, maintained and serviced by Caxton Integrated Services.

Other projects on which we are shortlisted include health and education.

Now that our first investment is operational and producing returns, we expect steady year on year growth in the returns as further projects are completed.

key policies and services

Kier Engineering Services

Kier Engineering Services, the Group's in house engineering department, supports Kier Group companies and joint ventures both at home and abroad. Its well qualified staff work on many assignments for Kier companies in the UK and overseas. Many of these are for temporary works vital to Kier sites everywhere. Examples include temporary works in the UK on the CTRL contracts for Kier Construction, at Bournemouth Library for Kier Regional and overseas in Hong Kong at Mei Foo and Tseun Wan stations and for our project in Dabhol in India.

Kier Engineering Services also carries out permanent works designs for industrial, commercial and residential projects as well as bridges and marine works. A notable example is the redesign of a large part of the Channel Tunnel Rail Link Contract 250. This project is now under construction and the redesign is returning significant savings both to the client and to the joint venture of which Kier Construction is part.

Training and development is another important role of Kier Engineering Services which provides design training to graduate engineers who are seconded to the department from other parts of the Group.

Health & Safety

Kier Group remains committed to improving the occupational health and safety of our employees and subcontractors.

Kier has signed the Health and Safety Charter sponsored by the Major Contractors' Group (MCG) of which it is a member. The Charter will be the catalyst for improvements in Health and Safety for all in our supply chains. The targets set in the Charter are ambitious but we believe achievable and the drive and commitment from the chairman and directors will ensure that Kier is at the forefront of this initiative to improve safety within our industry.

Under the Charter, the member companies of the MCG have committed to operating construction sites that provide a working

environment that is both safe and free from health hazards for everybody within the construction industry and for members of the public. This also includes:

- a target reduction of 10% year on year in the incidence rate of all reportable accidents and incidents per 100,000 workers until 2010.
- a fully qualified workforce by the end of 2003.
- a site specific induction process before anyone is allowed to work on site.
- ensuring that all workers will be consulted on Health and Safety matters in a three tier system based on project, work gang and individual workers.
- holding best practice workshops on Health and Safety practices and setting up a system to disseminate lessons learnt.
- publishing an annual report of members' collective safety performance.

Kier Group already conforms to much of the initiative's practices and is developing an action plan to meet all aspects of the Charter.

Kier Group's 'Accident Incidence Rate' (a measure of frequency of reportable accidents per 100,000 employees, including subcontractors) was 816 as of 30 June 2001. The Accident Incident Rate for MCG members collectively was 1077, and the HSE Accident Incident Rate for all employers for the year was 1220.

Our support of the 'Working Well Together' campaign has continued throughout the year. In recognition of this support and commitment Kier Group was awarded three of the four awards presented at the first HSE Annual Awards.

Our efforts to improve standards of Health and Safety throughout the construction industry have been recognised by clients, RoSPA and The British Safety Council in addition to HSE. We have received seven gold, one silver, two bronze, and one merit from RoSPA and eleven National Certificates from the British Safety Council.

We are committed to improving safety standards in our industry.

Kier and the Environment

Throughout the year the Group has continued to develop its environmental management in line with stated aims and objectives.

In accordance with the Kier Group Environmental Policy the individual operating companies and their divisions have developed and issued their own environmental policies. Each Board has appointed a director and a manager to implement its policy and demonstrate commitment to environmental improvement within its market sector.

Last year the operating companies completed the Kier Group environment survey. The results of the survey enabled current environmental management practice within the Group to be assessed.

A summary report was published earlier this year and issued to the operating companies highlighting where opportunities for future improvement can be made. We will establish a central database which will record the progress being made by individual businesses measured against specific environmental targets.

Kier Group continues to support external initiatives for environmental improvement including research into both waste minimisation and contaminated land assessment. Kier Residential continues to develop its approach to energy minimisation by keeping ahead of Government policy on thermal insulation on its housing projects.

In recognition of the impact construction can have on the world in which we live, Kier Group has refocused many of its core activities to enhance the environment and to help create a sustainable future. In the industrial sector we are actively involved in the construction and development of both onshore and offshore wind farms and other forms of renewable energy. We are also investing in highly efficient embedded CHP solutions for our clients. Remediation and re-use of brownfield sites now form a growing part of our business from housebuilding to major infrastructure projects.

Training and development of Kier people

Investment in the training and development of our entire workforce is now at record levels. We provide development programmes from supervisor to senior levels which support the role and responsibilities at each stage. Detailed individual feedback on manager performance is obtained through 360 degree appraisal, which includes client feedback. Courses open to the Group draw together delegates from different companies, opening lines of communication, sharing ideas and best practice; all of which enable us to preserve and develop the Kier culture. Technical training ensures that we maintain our reputation for excellence in all areas of construction activity, facilities management and residential development.

Recruitment of the best young people remains a priority, especially as the number of those entering construction degree courses continues to decline. Despite having to recruit from a shrinking pool of talent in a buoyant market our targets have been met, confirming once again our reputation as an 'employer of choice'. 70 students, twice as many as last year, have been taken on for work experience during their degree and 60 graduates have been selected to join Kier. We achieve this through close contacts with construction departments in universities supported by Kier sponsorship of students and degree course activities. A six year post-graduate training scheme leads to professional membership of a construction institution and gives early management development to the graduate.

Each year many school leavers join us and we support their study by day release. Contacts with schools and careers teachers, as well as national advertising help us to attract good quality candidates in all parts of the country.

As a major contractor we are committed to a fully qualified workforce by the end of 2003. By this date our own entire site workforce as well as the subcontractors we employ will carry cards which confirm their competence in both safety and the technical/management aspects of their work. This initiative is yet another indication of Kier's commitment to provide its staff with career development and its customers with an effective trained workforce.

awards and achievements

THE BUILDING AWARDS MAJOR CONTRACTOR OF THE YEAR

The Building Awards, established by 'Building' magazine in 1995, have become the construction industry's premier award. They highlight the industry's top performers and pay tribute to innovation, efficiency and best practice across the sector.

2001

2001 saw Kier Group scoop the prestigious 'Major Contractor of the Year' title for the third time in the last four years.

What the judges said: "A fine example of people who own a business and run it very well indeed."

1999

What the judges said: "Very professional with a strong people culture. It was their attention to clients' needs and impressive range of projects that put them ahead of the pack."

1998

What the judges said: "Good culture and high integrity, everyone is committed."

STRUCTURAL STEEL DESIGN AWARDS

The Structural Steel Design Awards recognise high standards in steel construction. The objective of the scheme is to promote the use of steel and its potential in terms of efficient cost, effectiveness, aesthetics and innovation. Kier Build was awarded a Structural Steel Design Award for its work at the Wellcome Wing at the Science Museum.

NHBC PRIDE IN THE JOB AWARDS

The National House Building Council's Pride in the Job Awards recognise the excellent work of site managers around the country. Awards are received by managers who achieve the highest standard of on-site management. Brian Clarke of Twigden Homes received a Quality Award.

NATURAL STONE AWARDS

The Natural Stone Awards promote the use of natural stone in building and encourage the restoration of buildings in natural stone. Awards are given to recognised buildings with an excellent overall quality of work. Kier Western was awarded a Natural Stone Award for its work on the Cavendish Lodge in Bath. The judges said: "The quality of workmanship and obvious size control throughout is a pleasure to see."

RoSPA (ROYAL SOCIETY FOR THE PREVENTION OF ACCIDENTS)

The RoSPA award marks the most outstanding performance in health and safety by a company or organisation. Marriott Construction was awarded a Merit Award in recognition of a very high standard of health and safety at work over the past year. RoSPA awards were also won by Twigden Homes, Bellwinch Homes, Caxton, Kier Southern, Kier Western, Moss Construction and Kier Construction.

CHAIRMAN'S ENVIRONMENT AWARD

This award recognises clear commitment to environmental management and an understanding of the importance of managing the environment in a sympathetic way. Kier Construction won this award in 1999 because the team regarded noise, dust and waste management issues and developed a working certified management system (ISO 14001) for the Brighton Station regeneration project.

BRITISH COUNCIL FOR OFFICES AWARD

The British Council for Offices Award defines excellence in office space. This award provides public recognition for top quality design and functionality and a benchmark for excellence. IEI Building Services Engineers won this award for outstanding work on Durrington Bridge House, Worthing, West Sussex.

CONSIDERATE CONSTRUCTORS AWARD

The City of Westminster holds annual Considerate Constructors Award Schemes for companies operating in London. Kier London was awarded an 'excellent' award for considerate contracting for its project at South Street. The award was presented to works supervisor Colin Nightingale and Mark Pengelly by Lord Mayor Councillor Alex Segal JP and Mr C Vickers, chairman of CBI.

INVESTORS IN PEOPLE

Investors in People is a national quality standard which sets a level of good practice for improving an organisation's performance through its people. Marriott was awarded Investor in People status at a ceremony in the Kettering Park Hotel. Karen Brady, chairman of Birmingham City FC, presented the award. Brazier and Kier Construction have also been awarded Investor in People status.

CHELTENHAM CIVIC AWARDS

This commendation is made by Cheltenham Borough Council in association with Cheltenham Civic Society in recognition of the environmental contribution made to the Borough of Cheltenham. Moss Construction won Cheltenham Civic Awards for excellent work on the Montpellier Apartments, Imperial Square, as well as student accommodation for Cheltenham & Gloucester College of Higher Accommodation.

Our strategy of building on the strength of our construction operation and leveraging up the returns through the complementary strength of our housebuilding arm has again demonstrated its value.

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Directors' report

The directors present their annual report and audited financial statements for the year ended 30 June 2001.

Principal Activities and Business Review

The Group's principal activities are construction, support services, residential and commercial development and infrastructure project investment.

A review of the Group's business and progress is given within the Chairman's Statement, Financial Review and Review of Operations on pages 6 to 35.

Results and Dividends

The Group profit for the year after taxation was £16.0m (2000: £13.1m).

An interim dividend of 3.9p per share (2000: 3.4p) amounting to £1.3m (2000: £1.1m) was paid on 16 May 2001. The directors propose a final dividend of 8.4p per share (2000: 7.3p per share) amounting to £2.8m (2000: £2.4m) payable on 11 December 2001 to shareholders on the Register of Members at the close of business on 5 October 2001.

Share Capital

Details of shares allotted by the Company during the year appear in note 18 to the financial statements.

Directors

The directors of the Company during the year are shown on pages 4 and 5. Mr P G Corbett retired as non-executive director on 25 November 2000 and Mr S W Leathes was appointed a non-executive director on 12 March 2001. Miss D E Mattar was appointed a director on 12 September 2001.

At the forthcoming Annual General Meeting resolutions will be proposed for the re-election of Mr C R W Busby, Mr S W Leathes, Miss D E Mattar and Mr P T Warry as directors of the Company. At that date, the unexpired term of the contracts of employment with the Company of Mr Busby and Miss Mattar will be twelve months. Messrs Leathes and Warry do not have service contracts. Mr D V Brand will be retiring by rotation as a director at the forthcoming Annual General Meeting and will not be seeking re-election.

Service Agreements

The executive directors of the Company have twelve month rolling term contracts and are permitted to hold external appointments only with the approval of the Board of Directors.

Remuneration Policy

The remuneration policy in respect of executive directors is to ensure that individual remuneration reflects the performance of the Company, the performance of each director, and the interests of the shareholders; and that the overall remuneration package enables the Company to attract and retain high calibre executives. In each case, the emphasis is on performance over the longer term. The Remuneration Committee consults external advisers and also consults a number of surveys which analyse levels of remuneration in broadly comparable companies.

Directors' report

Directors' Emoluments

The value of all emoluments receivable by each director in respect of the year ended 30 June 2001 was as follows:

	Salary & fees £000	Benefits £000	Bonus £000	2001 £000	Total 2000 £000
C R W Busby	269	14	25	308	283
P F Berry	23	—	—	23	20
D V Brand	212	9	17	238	194
P G Corbett	11	—	—	11	20
J Dodds	182	8	17	207	193
D Homer	172	10	17	199	182
S W Leathes	7	—	—	7	—
M P W Scarth	192	10	18	220	204
P T Warry	24	—	—	24	20
	1,092	51	94	1,237	1,116

A bonus is paid to executive directors at a percentage of annualised basic salary (not exceeding 10%) if Group pre-tax profit attains a pre-set target.

Benefits comprise the provision of a motor car, fuel and private medical insurance.

Mr Berry's remuneration is paid to The Crown Agents for Oversea Governments and Administrations Limited.

Directors' Pensions

Executive directors participate in the Kier Group Pension Scheme which is a defined benefit scheme. The main terms and parameters of the scheme are disclosed in note 6 to the financial statements. Only the basic remuneration excluding any conditional payments is pensionable. Pension benefits earned by the directors during the year are disclosed below.

	Increase in accrued pension over the year £000	Transfer value of increase in accrued pension £000	Accumulated total accrued pension at year end £000
C R W Busby	16	212	168
D V Brand	6	93	134
J Dodds	8	101	107
D Homer (see below)	2	25	54
M P W Scarth	8	105	124

The increase in a member's accrued benefit over the year shown above makes allowance for the annual inflationary increase applicable to the accrued benefit as at 30 June 2000.

Transfer values have been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11 less directors' contributions.

Members of the Scheme have the option to pay Additional Voluntary Contributions; neither the contributions nor the resulting benefits are included in the above table.

The accumulated total accrued pension of the Chairman, who is the highest paid director, as at 30 June 2001 was £168,000 (2000: £130,000).

The Company operates a funded unapproved retirement benefit scheme ('FURBS') for the benefit of Mr Homer. As Mr Homer joined the Company after 1 June 1989 his benefits from the Kier Group Pension Scheme are based on a capped annual salary in accordance with Inland Revenue requirements, currently £95,400. During the year the Company contributed £52,051 (2000: £48,375) to the FURBS, a defined contribution scheme. The amounts payable on retirement from the FURBS are not included in the table set out above.

Directors' report

Directors' Interests and Share Options

The directors of the Company are shown below. They had the following beneficial interest (including interests of dependent family members) in the Ordinary Shares of the Company:

	30 June 2001	1 July 2000 or later date of appointment
C R W Busby (chairman)	601,011	630,385
P F Berry (non-executive)	5,000	3,800
D V Brand	494,300	494,095
J Dodds	545,919	550,364
D Homer	57,301	57,301
S W Leathes (non-executive)	—	—
M P W Scarth	400,120	396,191
P T Warry (non-executive)	6,903	6,656

In addition, at 11 September 2001, the executive directors, as potential beneficiaries of the Kier Group 1999 Employee Benefit Trust, are deemed along with all other UK employees to have an interest in 450,000 (2000: 200,000) Ordinary Shares with a nominal value of £4,500, (2000: £2,000) representing 1.3 % of the called up Share Capital of the Company, held by the trust.

At 11 September 2001 the following directors had acquired beneficial interests in further Ordinary Shares: Mr C R W Busby, 6 shares; Mr M P W Scarth, 6 shares. There had been no changes in the interests of the other directors since 30 June 2001.

The directors held the following Sharesave Scheme Options over the Ordinary Shares of the Company:

	Date of grant grant	Exercise price	30 June 2001	1 July 2000
C R W Busby	16 May 2000	250p	651	651
M P W Scarth	16 May 2000	250p	651	651

The Sharesave Scheme Options are exercisable from 1 July 2003.

The directors held the following Performance Related Options over the Ordinary Shares of the Company:

	Date of grant	Exercise price	1 July 2000	Exercised	Cancelled	30 June 2001
C R W Busby	5 Dec 1996	170p	17,647	14,823	2,824	—
	6 Dec 1996	170p	58,823	49,411	9,412	—
	14 Oct 1998	189.5p	8,000	—	—	8,000
D V Brand	5 Dec 1996	170p	17,647	—	—	17,647
	6 Dec 1996	170p	58,823	—	—	58,823
	14 Oct 1998	189.5p	8,000	—	—	8,000
J Dodds	5 Dec 1996	170p	17,647	14,823	2,824	—
	6 Dec 1996	170p	58,823	49,411	9,412	—
	14 Oct 1998	189.5p	8,000	—	—	8,000
D Homer	5 Dec 1996	170p	17,647	—	—	17,647
	6 Dec 1996	170p	58,823	—	—	58,823
	14 Oct 1998	189.5p	8,000	—	—	8,000
M P W Scarth	5 Dec 1996	170p	17,647	14,823	2,824	—
	6 Dec 1996	170p	58,823	49,411	9,412	—
	14 Oct 1998	189.5p	8,000	—	—	8,000

Directors' report

The closing mid-market price of the Ordinary Shares at the date of exercise of the options was 499p. The market price at 30 June 2001 was 476.5p and the range during the year was 247.5p to 501.5p. The aggregate gain made by the directors on the exercise of the share options in the year was £633,990 (2000: £3,234) including £211,330 (2000: £1,045) made by the highest paid director.

Performance Related Options become exercisable in full between three years and ten years after the date they were granted subject to the Company's total shareholder return over any three year period ending on the anniversary of the date of grant outperforming 75% of a peer group of 20 selected companies in the building and construction sector. Options do not become exercisable if the Company remains below the median position of the peer group. If the Company reaches but does not exceed the median position, 50 per cent of the shares could be acquired on exercise of the options; between median and next quartile the amounts exercisable are pro rated. Based on total shareholder return over the three year period ended December 2000 directors were entitled to acquire 84% of the shares over which they were granted options in 1996.

Long Term Incentive Plan

Awards under the Kier Group 1999 Long Term Incentive Plan include the following awards made to executive directors of the Company who were not within two years of their normal retirement date in the form of a deferred right to acquire at no cost the following maximum number of Ordinary Shares in the Company:

	2000	2001	Cumulative total
C R W Busby	41,459	51,210	92,669
J Dodds	28,524	34,450	62,974
D Homer	28,192	34,078	62,270
M P W Scarth	30,182	36,312	66,494

No shares conditionally awarded under the Plan were vested during the year.

The awards are subject to the Company achieving the following adjusted earnings per share growth targets:

- the directors will receive 100% of the award if earnings per share have increased by at least 25% per annum compound (the 'Maximum Target') over a three year period ending on 30 June 2002, in respect of awards made during the year ended 30 June 2000, and 30 June 2003 for awards made during the year ended 30 June 2001.
- no awards will vest unless earnings per share over the same period have increased by at least 7.5% per annum compound (the 'Base Target') at which point 25% of the award will vest.
- the proportion of the awards which will vest for performance between the Base Target and the Maximum Target will be calculated on a straight line basis.

Substantial Shareholdings

At 11 September 2001 the Company had been notified by Standard Life Investments Limited that it held an 8.4% interest in the Ordinary Share Capital of the Company.

Employees

The companies in the Group are equal opportunity employers. The Group provides relevant information on matters of concern to employees through newsletters and formal and informal meetings with local management. The Company operates a Sharesave Scheme for all eligible employees and makes available a dealing service to enable employees to buy and sell its shares with a minimum of formality and on attractive commission terms. The Group 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.

Directors' report 2000/2001

Combined Code

A statement on Corporate Governance is set out on pages 42 to 43.

Going Concern Basis

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Donations

Group donations to charity in the United Kingdom were £21,000 (2000: £26,000). No political donations were made (2000: nil).

Policy on Payment of Creditors

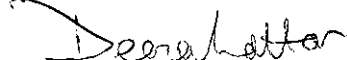
The Group agrees payments with its suppliers and subcontractors on an individual contract basis rather than following a standard code. The policy is to abide by these agreed terms whenever it is satisfied that the suppliers or subcontractors have provided the goods or services in accordance with the contract terms and conditions. The aggregate amount owed to trade creditors by the Company at the end of the year was nil.

Subsidiary trading companies within the Group, acting in accordance with the above policy, exhibit creditor days averaging 38 (2000: 42) in respect of suppliers of invoiced goods and services and 21 (2000: 24) in respect of certified amounts due to subcontractors. These figures exclude amounts not currently due for payment but included within trade creditors.

Auditors

A resolution for the reappointment of the auditors, KPMG Audit Plc, will be proposed at the Annual General Meeting.

By Order of the Board



D E Mattar
Secretary

12 September 2001
Tempsford Hall
Sandy
Bedfordshire
SG19 2BD

Corporate governance

The Code

The Board recognises the importance of high standards of corporate conduct and is committed to managing the Group's operations in accordance with the best principles of corporate governance as contained within Section 1 of the Combined Code issued by the Committee on Corporate Governance and has complied with the Code throughout the year.

Board of Directors

The Board of Kier Group plc comprises six executive and three independent non-executive directors.

The roles of chairman and chief executive are held by one director. The Board considers this arrangement provides effective leadership and is appropriate for the governance of Kier Group plc in view of the balanced nature of the Board, which has a strong and independent non-executive element, including a recognised senior member, and a well established and experienced executive element. This, coupled with clear board procedures for decision making, ensures that there is no undue concentration of power in any one individual.

The senior independent director nominated by the Board for the purposes of Provision A.2.1 of the Combined Code, prior to his retirement on 25 November 2000, was Mr P G Corbett, Mr P F Berry was appointed from that date.

The Board meets monthly and has responsibility for the strategic and financial policies of the Group including monitoring and reviewing business performance.

The Board has a formal schedule of matters specifically reserved to it for decision. All directors have access to the advice and services of the company secretary. The Board is able to seek independent professional advice if necessary at the Company's expense. Training is available for new directors and subsequently as necessary. All directors are subject to election by shareholders at the first AGM following their appointment, and to re-election thereafter at intervals of no more than three years.

Audit Committee

The Audit Committee comprises the three non-executive directors under the chairmanship of Mr S W Leathes. The Committee meets generally three times a year and will usually request the attendance of the Group finance director.

The Committee's objects are to keep under review the company's accounting and financial policies and controls to satisfy itself that appropriate audit arrangements are in force and relationships with external auditors are properly managed and to oversee the integrity of the financial statements and other information published by the Company.

Remuneration Committee

The Remuneration Committee comprises the three non-executive directors under the chairmanship of Mr P F Berry.

The Remuneration Committee makes recommendations to the Board on the Company's framework of executive remuneration and determines on its behalf specific remuneration packages for each of the executive directors.

Nomination Committee

The Nomination Committee comprises the chairman and the non-executive directors. It is responsible for monitoring the composition and balance of the Board and making recommendations to the Board on new Board appointments.

Internal Control

The Combined Code has introduced a requirement that the directors review the effectiveness of the Group's system of internal control. This extends the directors' review to cover all controls – including operational, compliance and risk management – as well as financial controls. Last year the Institute of Chartered Accountants in England & Wales published its guidance on the new requirements. The directors are satisfied that procedures are in place to ensure that the Group complies with this guidance.

The Board of Directors has overall responsibility for the Group's system of internal control. However, such a system is designed to manage rather than eliminate the risks of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement. In reviewing the effectiveness of internal controls which have been developed and refined over many years the directors have considered the key risks and exposures within the Group.

Corporate governance continued

The principal controls are:

- an established management structure operating throughout the Group;
- clearly defined operating guidelines and procedures with authorisation limits set at appropriate levels;
- a comprehensive budgeting system which is regularly reviewed and updated;
- regular comparison of actual results against latest forecasts; and
- a system of self-examination and self-certification of controls by subsidiaries.

The Board receives regular reports from all operating units to monitor their performance and all directors are properly briefed on issues arising at Board meetings.

During the course of the year members of the Board visit all companies and monitor the control framework of each business. The Audit Committee reviews the appropriateness and effectiveness of internal controls.

Relations with Shareholders

The Board uses the Annual General Meeting (AGM) to communicate with private investors and encourages their attendance and participation in the AGM. The Group also maintains a regular dialogue with institutional investors to assist in the understanding of the Group's objectives. The Kier website (www.kier.co.uk) is also maintained to aid communication with investors, employees, customers, suppliers and the general public.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements 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 financial statements 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 financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for the maintenance of proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have 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.

Report of the auditors, KPMG Audit Plc, to the members of Kier Group plc

We have audited the financial statements on pages 46 to 65.

Respective Responsibilities of Directors and Auditors

The directors are responsible for preparing the Annual Report. As described on page 44 this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority, and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you, if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by Law of the Listing Rules regarding Directors' remuneration and transactions with the Group is not disclosed.

We review whether the statement on pages 42 and 43 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

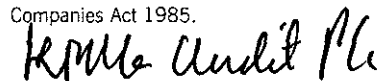
Basis of Audit Opinion

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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, 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 financial statements 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 financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 30 June 2001 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG Audit Plc

Chartered Accountants

Registered Auditor

London

12 September 2001

Consolidated profit and loss account

for the year ended 30 June 2001

	Notes	2001 £m	2000 £m
Turnover – Continuing operations			
Group and share of joint ventures	2	1,251.1	1,034.8
Less share of joint ventures turnover		(18.7)	(8.3)
Group turnover		1,232.4	1,026.5
Cost of sales		(1,156.3)	(966.4)
Gross profit		76.1	60.1
Administrative expenses		(56.2)	(44.9)
Operating profit – Continuing operations – Group		19.9	15.2
Share of operating profit – joint ventures		2.0	0.4
Total operating profit: Group and share of joint ventures	2	21.9	15.6
Profit on disposal of fixed asset investment		–	0.5
Income from investments		–	0.3
Net interest receivable – Group	3	1.0	1.3
Net interest payable – joint ventures		(1.0)	–
Profit on ordinary activities before taxation	2	21.9	17.7
Taxation on profit on ordinary activities	7	(5.9)	(4.6)
Profit for the year		16.0	13.1
Dividends	8	(4.1)	(3.5)
Retained profit for the Group and its share of joint ventures	19	11.9	9.6
Earnings per Ordinary Share	9		
– basic		48.0p	39.8p
– diluted		47.1p	39.3p
Adjusted Earnings per Ordinary Share (excluding profit on sale of fixed asset investment)	9		
– basic		48.0p	38.3p
– diluted		47.1p	37.8p

All items in the profit and loss account relate to operations continuing as at 30 June 2001.

Company balance sheet

at 30 June 2001

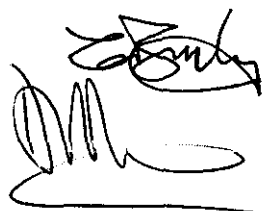
	Notes	2001 £m	2000 £m
Fixed assets			
Investment in subsidiary undertakings	11	54.6	54.6
Investment in own shares	11	1.1	0.6
		55.7	55.2
Current assets			
Debtors	13	10.2	4.6
Cash at bank and in hand		43.0	20.5
		53.2	25.1
Current liabilities			
Creditors – amounts falling due within one year	14	(70.0)	(41.4)
Net current liabilities		(16.8)	(16.3)
Total assets less current liabilities		38.9	38.9
Creditors – amounts falling due after more than one year	14	(13.8)	(15.0)
Net assets		25.1	23.9
Capital and reserves			
Called up share capital	18	0.3	0.3
Share premium account	19	12.0	10.8
Merger relief reserve	19	1.2	1.2
Capital redemption reserve	19	2.7	2.7
Profit and loss account	19	8.9	8.9
Equity shareholders' funds		25.1	23.9

The financial statements were approved by the board of directors on 12 September 2001 and were signed on its behalf by:

C R W Busby

D V Brand

Directors



Consolidated balance sheet

at 30 June 2001

	Notes	2001 £m	2000 £m
Fixed assets			
Tangible assets	10	46.3	43.6
Investments	11		
Investments in joint ventures			
Share of gross assets		86.2	57.8
Share of gross liabilities		(78.9)	(55.2)
		7.3	2.6
Investment in own shares	11	1.1	0.6
		8.4	3.2
		54.7	46.8
Current assets			
Stock	12	164.4	149.5
Debtors due within one year	13	201.8	175.3
Debtors due after more than one year	13	11.3	11.8
Short term investments		–	0.8
Cash at bank and in hand		60.9	47.4
		438.4	384.8
Current liabilities			
Creditors – amounts falling due within one year	14	(416.8)	(373.4)
Net current assets		21.6	11.4
Total assets less current liabilities		76.3	58.2
Creditors – amounts falling due after more than one year	14	(12.8)	(8.6)
Provisions for liabilities and charges	15	(5.7)	(5.1)
Net assets		57.8	44.5
Capital and reserves			
Called up share capital	18	0.3	0.3
Share premium account	19	12.0	10.8
Capital redemption reserve	19	2.7	2.7
Profit and loss account	19	42.8	30.7
Equity shareholders' funds		57.8	44.5

Consolidated cash flow statement

for the year ended 30 June 2001

	Notes	2001 £m	2000 £m
Net cash inflow from operating activities	20	38.5	8.1
Returns on investments and servicing of finance			
Interest received		3.6	4.2
Interest paid		(2.2)	(4.0)
Income from investments		-	0.3
Income from joint ventures		0.9	-
		2.3	0.5
Taxation			
UK corporation tax paid		(4.7)	(3.7)
Overseas tax paid		(0.3)	(0.7)
		(5.0)	(4.4)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(24.5)	(6.6)
Sale of tangible fixed assets		13.8	1.5
Sale of fixed asset investment		-	1.5
Investment in joint ventures		(4.4)	-
		(15.1)	(3.6)
Financing			
Issue of ordinary share capital		0.4	1.2
Purchase of own shares		(0.5)	(0.6)
		(0.1)	0.6
Equity dividends paid		(2.9)	(3.0)
Cash inflow/(outflow) before use of liquid resources		17.7	(1.8)
Management of liquid resources			
Net decrease/(increase) in short term bank deposits		17.6	(16.2)
Sale/(purchase) of short term investment		0.8	(0.2)
		18.4	(16.4)
Increase/(decrease) in cash during the year		36.1	(18.2)
Reconciliation of net cash flow to movement in net funds			
Increase/(decrease) in cash during the year		36.1	(18.2)
Cash (inflow)/outflow from movement in liquid resources		(18.4)	16.4
Movement in net funds in the year	20	17.7	(1.8)
Net funds at 1 July		40.4	42.2
Net funds at 30 June		58.1	40.4

Consolidated statement of total recognised gains and losses

for the year ended 30 June 2001

	2001 £m	2000 £m
Profit for the year	16.0	13.1
Currency translation	0.2	—
Total recognised gains and losses for the year	16.2	13.1

Reconciliation of movements in shareholders' funds

for the year ended 30 June 2001

	Group		Company	
	2001 £m	2000 £m	2001 £m	2000 £m
Shareholders' funds at 1 July	44.5	33.5	23.9	22.7
Issue of shares				
Share premium	1.2	1.4	1.2	1.4
Total recognised gains and losses for the year	16.2	13.1	4.1	3.3
Dividends	(4.1)	(3.5)	(4.1)	(3.5)
Shareholders' funds at 30 June	57.8	44.5	25.1	23.9

Notes to the financial statements

1 Accounting policies

Convention

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards. The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements. The notes to the accounts include memorandum amounts disclosed in accordance with the transitional provisions of FRS 17 'Retirement Benefits'.

Consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings. The results of subsidiary undertakings acquired or disposed of during the year are included from or up to the date of acquisition or disposal. On the acquisition of a subsidiary undertaking fair values are attributed to the net assets acquired. Purchased goodwill arising on acquisition is now capitalised and amortised over its useful economic life in accordance with FRS 10. On disposal of a business any associated goodwill that has been written off will be reversed.

As permitted by section 230 of the Companies Act 1985, a separate profit and loss account dealing with the results of the Company has not been presented.

Turnover

Turnover arises from increases in valuations on contracts, the sale of houses, land, commercial property and goods and services provided, and excludes intra group trading and value added tax.

Profits

Profit on contracts is calculated in accordance with accounting standards and industry practice and may not relate to turnover.

The principal estimation technique used by the Group in attributing profit on contracts to a particular accounting period is the preparation of forecasts on a contract by contract basis. These focus on costs to complete and enable an assessment to be made of the final outturn on each contract. Consistent contract review procedures are in place in respect of contract forecasting.

The general principles for profit recognition are:

- Profit in respect of short term contracts is recognised when the contract is completed.
- Profit in respect of long term contracts is recognised on a percentage of completion basis when the contract's ultimate outcome can be foreseen with reasonable certainty.
- Provision is made for losses incurred or foreseen in bringing the contract to completion as soon as they become apparent.
- Claims receivable are recognised as income when received or certified for payment except that, in preparing contract forecasts to completion, a prudent and reasonable evaluation of claims receivable may be included to mitigate foreseeable losses.

Profits in respect of house sales are taken at the time of legal completion of the sale. Profits in respect of land sales and land exchanges are taken on the unconditional exchange of contract.

Tangible fixed assets

Land is not depreciated. In accordance with FRS 15 'Tangible Fixed Assets', for freehold buildings and other assets, depreciation is provided in order to write off the cost less residual value over the estimated lives of the assets. The rates of depreciation are as follows:

Freehold property	- 2% to 4% per annum
Leasehold property	- over the term of the lease
Plant, vehicles and fixtures	- 10% to 33% per annum

Leased assets

Assets acquired under finance leases are capitalised and appropriately depreciated and the capital element of outstanding lease rentals is included in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Notes to the financial statements continued

1 Accounting policies continued

Stock

Stock and work in progress is stated at the lower of cost, which includes attributable overheads, and net realisable value.

Deferred taxation

Deferred taxation is provided at expected future corporation tax rates in respect of timing differences between profits computed for taxation and accounts purposes unless it is probable that the taxation will not become payable in the foreseeable future.

No provision is made in respect of tax liabilities which would arise if properties were sold in their existing state at their book values unless it is intended to dispose of those assets.

Joint arrangements and joint ventures

Interests in joint arrangements are accounted for by recognising the Group's share of assets and liabilities, profits, losses and cash flows, measured according to the terms of the arrangement. Interests in joint ventures are accounted for under the gross equity method.

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

Pension costs

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 roll in the light of current actuarial assumptions.

Variations from regular costs are spread over the average remaining service lives of current employees in the pension schemes.

Notes to the financial statements continued

2 Turnover, profit and segmental information

Segmental analysis of the results is shown below:

	Turnover		Operating profit		Profit before tax	
	2001 £m	2000 £m	2001 £m	2000 £m	2001 £m	2000 £m
Construction & Services	1,121.3	937.4	11.1	6.5	19.2	13.5
Homes & Property	126.1	97.4	16.2	13.2	11.2	10.0
Infrastructure Investment	3.7	-	0.9	-	0.2	-
Corporate Overhead/Finance	-	-	(6.3)	(4.1)	(8.7)	(5.8)
	1,251.1	1,034.8	21.9	15.6	21.9	17.7

	Net operating assets		Net assets	
	2001 £m	2000 £m	2001 £m	2000 £m
Construction & Services	(110.3)	(98.8)	56.7	52.4
Homes & Property	103.0	100.2	30.8	25.0
Infrastructure Investment	5.5	1.0	-	-
Corporate Overhead/Finance	1.5	1.7	(29.7)	(32.9)
	(0.3)	4.1	57.8	44.5

Geographical analysis of the results is as follows:

	Turnover		Operating profit		Profit before tax	
	2001 £m	2000 £m	2001 £m	2000 £m	2001 £m	2000 £m
United Kingdom	1,149.4	944.7	22.8	16.8	23.0	19.4
Rest of World	101.7	90.1	(0.9)	(1.2)	(1.1)	(1.7)
	1,251.1	1,034.8	21.9	15.6	21.9	17.7

	Net operating assets		Net assets	
	2001 £m	2000 £m	2001 £m	2000 £m
United Kingdom	(8.9)	6.2	57.1	43.1
Rest of World	8.6	(2.1)	0.7	1.4
	(0.3)	4.1	57.8	44.5

The above analysis of turnover shows the geographical segments from which the products or services are supplied and is not materially different from the geographical segments to which products or services are supplied.

Net operating assets represent net assets excluding cash, bank overdrafts and interest bearing inter-company loans (see note 14).

Notes to the financial statements continued

2 Turnover, profit and segmental information continued

Profit on ordinary activities before taxation is stated after charging:

	2001 £m	2000 £m
Remuneration of auditors – audit fees	0.5	0.5
– other fees	0.2	0.1
Hire of plant and machinery	25.3	23.4
Operating lease rentals:		
Land and buildings	1.2	0.8
Plant and machinery	6.4	5.6
Depreciation of tangible fixed assets	7.6	7.8

Remuneration of the auditors in respect of the Company for audit amounted to £3,800 (2000: £3,700).

3 Net interest receivable – Group

	2001 £m	2000 £m
Interest receivable	1.9	1.9
Interest payable on bank loans, overdrafts and other loans repayable within five years	(0.9)	(0.6)
	1.0	1.3

4 Information relating to employees

	2001 No	2000 No
Average number of persons employed during the year including executive directors was:		
United Kingdom	5,036	4,343
Rest of World	1,647	2,008
	6,683	6,351
	£m	£m
Group staff costs are as follows:		
United Kingdom	140.4	118.2
Rest of World	11.7	14.3
	152.1	132.5
Wages and salaries	131.5	114.9
Social security costs	10.3	8.8
Other pension costs (note 6)	10.3	8.8
	152.1	132.5

Notes to the financial statements continued

5 Information relating to directors

Information relating to directors' emoluments, pension entitlements, share options and long term incentive plan interests appears in the Directors' Report on pages 37 to 40.

6 Pensions

a) SSAP 24 Pension costs

The principal UK pension scheme is the Kier Group Pension Scheme which is a defined benefit scheme. The assets of the Scheme are held under trust separately from those of the Group and invested directly on the advice of independent professional investment managers. Pension costs are assessed on the advice of an independent qualified actuary using the projected unit method and the following main assumptions:

- pension liabilities will be discounted at the rates of 6.8% per annum pre-retirement and 5.5% per annum post-retirement;
- salary increases will be 4.3% to 4.8% per annum;
- present and future pensions will increase at either 2.7% (Limited Price Indexation) or at rates set in the Scheme rules; and
- assets will be taken at market value (less an asset allocation adjustment of £10m).

The same method and assumptions (excluding the asset allocation adjustment) were used for the regular actuarial valuation of the Scheme as at 1 April 2000 which showed that the market value of the Scheme's assets was £309.0m and that this represented 103% of the value of the benefits which had accrued to members, after allowing for projected future increases in salaries.

The surplus of £10m was carried forward as a margin against adverse future experience in the Scheme. In accordance with the recommendation of the actuary, the Company contributed to the Scheme at the rate of 14% of Protected Pay over the year to 30 June 2001.

The contributions paid during the year, and the pension charge, amounted to £9.8m (2000: £8.6m).

Contributions are also made in respect of former members of the Kier Group Retirement Benefit Scheme, to an industry-wide scheme and in respect of employees who are members of a Local Government Pension Scheme. The pension costs for these have been taken as the actual contributions paid over the year.

b) FRS 17 Retirement Benefits

The valuation used for FRS 17 disclosure has been based on the most recent actuarial valuation at 1 April 2000 updated by an independent qualified actuary to take account of the requirements of FRS 17 in order to assess the liabilities of the scheme at 30 June 2001. Scheme assets are stated at their market value at 30 June 2001. The memorandum amounts are disclosed below.

The financial assumptions used to calculate scheme liabilities under FRS 17 are:

Rate of general increases in salaries	4.1%
Rate of increase to pensions in payment liable for Limited Price Indexation	2.6%
Discount rate	6.0%
Inflation rate	2.6%

Notes to the financial statements

6 Pensions continued

The assets in the scheme and the expected rate of return were:

	Long term rate of return expected at 30 June 2001 %	Value at 30 June 2001 £m
Equities	8.00	195.2
Corporate Bonds	6.25	52.0
Government Bonds	5.25	61.0
Total market value of assets		308.2
Present value of scheme liabilities		(332.5)
Deficit in the scheme		(24.3)
Related deferred tax asset		7.3
Net pension liability		(17.0)

7 Taxation

	2001 £m	2000 £m
UK corporation tax at 30%	5.3	4.2
Overseas taxation	0.3	0.2
Joint venture taxation	0.3	0.1
Deferred tax	—	0.1
	5.9	4.6

8 Dividends

	2001 £m	2000 £m
Ordinary Shares		
Paid 3.9 pence (2000: 3.4 pence)	1.3	1.1
Proposed 8.4 pence (2000: 7.3 pence)	2.8	2.4
	4.1	3.5

9 Earnings per share

Earnings per share is calculated as follows:

	2001		2000	
	Basic £m	Diluted £m	Basic £m	Diluted £m
Profit after tax	16.0	16.0	13.1	13.1
Less: profit on disposal of fixed asset investment	—	—	(0.5)	(0.5)
Adjusted profit after tax	16.0	16.0	12.6	12.6

Notes to the financial statements continued

9 Earnings per share continued

	2001		2000	
	Basic million	Diluted million	Basic million	Diluted million
Weighted average number of shares	33.2	33.2	32.9	32.9
Weighted average number of unexercised options – dilutive effect	–	0.4	–	0.3
Weighted average impact of LTIP	–	0.2	–	0.1
Weighted average number of shares used for EPS	33.2	33.8	32.9	33.3
	pence	pence	pence	pence
Earnings per share	48.0	47.1	39.8	39.3
Adjusted earnings per share (after excluding profit on sale of fixed asset investment)	48.0	47.1	38.3	37.8

10 Tangible fixed assets

Group	Land and buildings £m	Plant vehicles & fixtures £m	Total £m
Cost			
At 1 July 2000	19.3	61.0	80.3
Additions	15.5	9.0	24.5
Disposals	(12.8)	(6.4)	(19.2)
Currency realignments	–	0.7	0.7
At 30 June 2001	22.0	64.3	86.3
Accumulated depreciation			
At 1 July 2000	0.5	36.2	36.7
Charge for the year	0.3	7.3	7.6
Disposals	–	(4.8)	(4.8)
Currency realignments	–	0.5	0.5
At 30 June 2001	0.8	39.2	40.0
Net book value			
At 30 June 2001	21.2	25.1	46.3
At 30 June 2000	18.8	24.8	43.6

The net book value of land and buildings comprises freeholds of £20.4m (2000: £17.9m), and long leaseholds of £0.7m (2000: £0.9m). The net book value of fixed assets includes an amount of £0.5m (2000: £0.5m) in respect of assets held under finance leases on which there is accumulated depreciation of £2.7m (2000: £3.5m).

The net book value of land and buildings includes investment properties carried at £3.3m (2000: £0.8m). An officer of a subsidiary of the Company has valued the investment properties at 30 June 2001 concluding that there is no material difference between the carrying value and the open market value of the properties.

Notes to the financial statements continued

11 Investments

	Group		Company	
	2001 £m	2000 £m	2001 £m	2000 £m
<i>Interest in subsidiary undertakings</i>				
At 1 July	–	–	54.6	54.1
Additions	–	–	–	0.5
Disposals	–	–	–	–
At 30 June	–	–	54.6	54.6
<i>Interest in joint ventures</i>				
At 1 July	2.6	2.2	–	–
Acquired during year	4.4	–	–	–
Share of retained profit	0.7	0.4	–	–
Unrealised profit	0.3	–	–	–
Dividends received	(0.9)	–	–	–
Currency alignment	0.2	–	–	–
At 30 June	7.3	2.6	–	–
Own shares held by the Kier Group 1999 Employee Benefit Trust	1.1	0.6	1.1	0.6
Total investments	8.4	3.2	55.7	55.2

Details of the Group's principal operating subsidiaries are given on page 63. Details of the Group's interest in joint ventures are given on page 65.

During the year the Kier Group 1999 Employee Benefit Trust acquired a further 200,000 Ordinary Shares in Kier Group at a cost of £0.5m (2000: 200,000 Ordinary Shares at a cost of £0.6m).

12 Stock

	Group	
	2001 £m	2000 £m
Raw materials and consumables	1.5	0.7
Long term contract balances	32.4	25.4
Land and work in progress held for development	123.4	118.8
Other work in progress	7.1	4.6
	164.4	149.5

Long term contract balances and other work in progress is stated net of payments receivable on account of £7.0m (2000: £6.3m).

Notes to the financial statements continued

13 Debtors

	Group		Company	
	2001 £m	2000 £m	2001 £m	2000 £m
Amounts falling due within one year:				
Trade debtors	168.8	144.2	-	-
Amounts recoverable on contracts	19.4	16.6	-	-
Amounts due from subsidiary undertakings	-	-	8.4	2.6
Other debtors	5.7	6.2	1.3	1.1
Prepayments and accrued income	3.6	2.9	-	-
Corporation tax	-	-	0.5	0.9
Other taxation	4.3	5.4	-	-
	201.8	175.3	10.2	4.6
Amounts falling due after one year:				
Trade debtors	1.3	1.1	-	-
Amounts recoverable on contracts	10.0	10.7	-	-
	11.3	11.8	-	-
Total debtors	213.1	187.1	10.2	4.6

14 Creditors

	Group		Company	
	2001 £m	2000 £m	2001 £m	2000 £m
Amounts falling due within one year:				
Bank loans and overdrafts	2.8	7.8	44.4	15.3
Payments received on account	9.1	6.4	-	-
Trade creditors	278.8	258.8	-	-
Amounts due to subsidiary undertakings	-	-	20.5	21.2
Proposed dividend	2.8	2.4	2.8	2.4
Corporation tax	3.5	2.6	-	-
Other taxation and social security costs	14.1	10.2	-	-
Other creditors	8.5	7.2	2.3	1.3
Accruals and deferred income	97.2	78.0	-	1.2
	416.8	373.4	70.0	41.4
Amounts falling due after more than one year:				
Trade creditors	7.8	8.1	-	-
Amounts due to subsidiary undertakings	-	-	13.8	15.0
Accruals and deferred income	5.0	0.5	-	-
	12.8	8.6	13.8	15.0

The amount of £13.8m (2000: £15.0m) due to subsidiary undertakings relates to loans which were made to the Company in accordance with the provisions of Sections 151 to 158 of the Companies Act 1985. The loans bear interest at 1% over bank base rate and are fully repayable by 3 July 2006.

Notes to the financial statements continued

15 Provisions for liabilities and charges

Group	Deferred tax £m	Provisions for contract losses £m	Total £m
At 1 July 2000	1.9	3.2	5.1
Profit and loss account	–	0.6	0.6
At 30 June 2001	1.9	3.8	5.7

Deferred taxation in respect of capital allowances and short term timing differences is fully provided as follows:

	2001 £m	2000 £m
Capital allowances	1.4	1.6
Short term timing differences	0.5	0.3
	1.9	1.9

16 Obligations under leasing agreements

The annual instalments under non-cancellable operating leases entered into by the Group are set out below:

	Land and buildings 2001 £m	2000 £m	Plant and machinery 2001 £m	2000 £m
Operating leases expiring:				
Within one year	–	–	0.8	0.7
Between one and five years	0.6	0.3	5.2	4.0
In five years or more	0.7	0.5	0.5	0.1
	1.3	0.8	6.5	4.8

17 Financial instruments

The Group has no financial assets or liabilities with a maturity date of greater than one year. There is no difference between the carrying value and the fair value of the Group's aggregate short term financial assets and liabilities.

As at 30 June 2001, the Group has short term financial assets and liabilities denominated in the following currencies:

	Financial assets £m	2001 Financial liabilities £m	Aggregate £m	Financial assets £m	2000 Financial liabilities £m	Aggregate £m
Currency						
Sterling	46.6	(2.8)	43.8	24.4	(3.1)	21.3
US Dollar	2.9	–	2.9	7.4	(4.3)	3.1
Hong Kong Dollar	9.9	–	9.9	13.3	(0.4)	12.9
Other	1.5	–	1.5	2.3	–	2.3
Total	60.9	(2.8)	58.1	47.4	(7.8)	39.6
					Book value £m	Fair value £m
Forward rate contracts						
Euro (Eur 16.6m) forward sale					–	0.1

Notes to the financial statements continued

18 Share capital

The share capital of the Company comprises:

	2001		2000	
	No	£m	No	£m
Ordinary Shares of 1p each				
Authorised	45,000,000	0.4	45,000,000	0.4
Issued and fully paid	33,944,436	0.3	33,446,741	0.3

During the year 497,695 Ordinary Shares were issued at a total premium of £1.2m.

As at 30 June 2001 there were options outstanding to subscribe for Ordinary Shares as follows:

	No	Period exercisable	Option price
Sharesave	37,552	2000	170p
Sharesave	651,429	2003	250p
Performance related	405,872	1999-2006	170p
Performance related	12,000	2001-2008	250p
Performance related	94,831	2001-2008	189.5p

Long Term Incentive Plan

At 30 June 2001 the Kier Group 1999 Employee Benefit Trust had acquired 400,000 Ordinary Shares in Kier Group plc at a cost of £1.1m. The market value of these shares as at 30 June 2001 was £1.9m. The dividends on these shares have been waived. All of the above shares have been conditionally awarded to employees, subject to the Group achieving prescribed earnings per share growth targets. The cost of the Kier Group 1999 Long Term Incentive Plan is based on the book value of shares already purchased for the award and on the fair value at the date on which the award was made for the shares still to be purchased. This cost is recognised based on a reasonable expectation of the extent to which performance criteria will be met and is accounted for over the three year period to which the performance targets relate.

19 Reserves

The movement on reserves is as follows:

Group	Share premium £m	Merger relief reserve £m	Capital redemption reserve £m	Profit & loss £m
At 1 July 2000	10.8	-	2.7	30.7
Issue of shares	1.2	-	-	-
Profit for the year	-	-	-	16.0
Currency translation	-	-	-	0.2
Dividends	-	-	-	(4.1)
At 30 June 2001	12.0	-	2.7	42.8

The cumulative amount charged to profit and loss reserve in respect of goodwill is £9.1m (2000: £9.1m).

Company	Share premium £m	Merger relief reserve £m	Capital redemption reserve £m	Profit & loss £m
At 1 July 2000	10.8	1.2	2.7	8.9
Issue of shares	1.2	-	-	-
Profit for the year	-	-	-	4.1
Dividends	-	-	-	(4.1)
At 30 June 2001	12.0	1.2	2.7	8.9

Notes to the financial statements continued

20 Cash flow notes

Reconciliation of operating profit to operating cash flows

	2001 £m	2000 £m
Group operating profit	19.9	15.2
Depreciation charges	7.6	7.8
(Increase) in stocks	(14.9)	(33.8)
(Increase) in debtors	(27.3)	(17.3)
Increase in creditors	52.6	36.7
Increase/(decrease) in provisions	0.6	(0.5)
Net cash inflow from operating activities	38.5	8.1

Analysis of changes in net funds

	1 July 2000 £m	Movement £m	30 June 2001 £m
Cash at bank and in hand	19.5	31.1	50.6
Bank overdrafts	(7.8)	5.0	(2.8)
Short term bank deposits	27.9	(17.6)	10.3
Short term investment	0.8	(0.8)	-
	40.4	17.7	58.1

Net funds include £23.3m (2000: £22.8m) being the Group's share of cash and liquid resources held by joint arrangements.

21 Capital commitments

Group	2001 £m	2000 £m
Contracted for but not provided in the accounts	1.4	1.3

22 Transactions with related parties

Sales of goods and services to joint arrangements and joint ventures

	2001 £m	2000 £m
Construction services and materials	31.0	29.5
Staff and associated costs	6.0	3.8
Management services	1.5	0.6
	38.5	33.9
Purchase of property	14.9	-

Amounts due from related parties was £1.0m (2000: £2.4m) from H DGH Limited, £0.9m (2000: nil) from Prospect Healthcare Limited and £0.7m (2000: £1.1m) from Kier Besix joint arrangement.

23 Contingent liabilities

There are contingent liabilities in respect of performance bonds, guarantees and claims under contracting and other agreements, including joint arrangements and joint ventures, entered into in the normal course of business, and commitments to support subsidiaries.

24 Post Balance Sheet Events

On 12 September 2001 the Group announced the acquisition for cash of £16.6m and loans and overdrafts of £12.7m, of the business of Allison Homes, a regional housebuilder based in Spalding, Lincolnshire, operating throughout Lincolnshire and East Midlands adjacent to Twigden Homes' operational area.

Principal operating subsidiaries

Construction & Services

Kier Regional Limited	Kier London Kier Northern Kier North West Kier Scotland Kier Southern Kier Western French Kier Anglia IEI Building Services Engineers Marriott Construction Moss Construction Wallis
Kier National Limited	Kier Construction Limited Kier Build Limited Kier International Limited Kier Plant Limited
Caxton Integrated Services Limited	Caxton Facilities Management Limited FM Contract Services Limited Caxton Islington Limited

Homes & Property

Kier Residential Limited	Twigden Homes Limited Bellwinch Homes Limited Kier Homes Limited Kier Land Limited Allison Homes Eastern Limited
Commercial Property	Kier Ventures Limited Kier Property Limited

Infrastructure Investment

Kier Project Investment Limited

Group Services

Kier Limited
Kier Engineering Services

NOTES:

- i Each company is registered in England and Wales and, with the exception of Kier International Limited, operates principally within the United Kingdom. Kier International Limited operates principally in the Far East, Middle East, India, the Caribbean and Romania.
- ii The ordinary share capital of each company is wholly owned. Kier Group plc holds directly all the shares of Kier Limited and Kier Residential Limited. The shares of the other companies are held by subsidiary undertakings.
- iii A full list of the Group's subsidiaries is included in the Company's Annual Return.

Principal joint arrangements and joint ventures

Joint arrangements

Building and/or civil engineering construction

The following joint arrangements, in which the Group participation is between 33% and 63%, operate in England:

Kier/Hochtief	a joint arrangement between Kier Construction Limited and Hochtief (UK) Construction Ltd
Miller/Kier	a joint arrangement between Miller Civil Engineering Services Limited and Kier Construction Limited
Norwest/Kier/ Campenon Bernard	a joint arrangement between Norwest Holst Construction Limited, Kier Construction Limited and Campenon Bernard SGE
Kier/CHE	two joint arrangements between Kier Build Limited and Carillion Construction Limited (trading as Crown House Engineering)
Kier/Nuttall	a joint arrangement between Kier Construction Limited and Edmund Nuttall Limited
Nuttall/Wayss Freytag/Kier	a joint arrangement between Edmund Nuttall Limited, Wayss & Freytag Ingenieurbau AG and Kier Construction Limited
Kier/Iddec	a joint arrangement between Kier Construction Limited and Iddec Limited

The following joint arrangements, in which the Group participation is between 40% and 51%, operate overseas, in the territory indicated:

Hong Kong	
Hyundai/Kier	a joint arrangement between Kier Hong Kong Limited and Hyundai Engineering & Construction Co Limited
Kier/Zen	a joint arrangement between Kier Hong Kong Limited and Zen Pacific Limited
India	
Besix/Kier	a joint arrangement between Kier International Limited and Besix SA
Suriname	
Kier/CCC	a joint arrangement between Kier International Limited and Commercial Contracting Company of San Antonio Inc
Jamaica	
Kier/CCC	a joint arrangement between Kier International Limited and Commercial Contracting Company of San Antonio Inc
Mexico	
Kier/CCC	a joint arrangement between Kier International Limited and CCC Group Inc
Romania	
Mivan/Kier	a joint arrangement between Kier International Limited and Mivan Limited
Commercial Property Development	The Group has a 25% participation in a joint arrangement in England between Kier Ventures Limited and Norwich Union Life and Pensions Limited

Principal joint arrangements and joint ventures

Joint ventures	Interest held
Long term concession holding under the Private Finance Initiative	
H DGH Holdings Limited	50%
Baglan Moor Holdings Limited	25%
Information Resources (Bournemouth) Limited	50%
Prospect Healthcare Limited	50%
International construction and contract mining	
Incorporated and operating in the Hashemite Kingdom of Jordan	
The Jordan Economic Development and Trading Company Limited	50%
Commercial property development	
Kier Warth Limited	50%

NOTES:

- i The terms 'joint arrangement' and 'joint venture' are defined by FRS 9 (issued by the Accounting Standards Board). Joint arrangements are contracted agreements to co-operate on a specific project which is an extension of the Group's existing business. Joint ventures are ongoing businesses carrying on their own trade.
- ii Except where otherwise stated the companies are incorporated and operate in the United Kingdom.

Group principal businesses

Kier Regional

Tempsford Hall
Sandy
Bedfordshire
SG19 2BD

M P W Scarth *Chairman*
R W Side *MD*
S M Atkinson
C R W Busby
P P J Cullen
M J Desmond
J S French
R J C Turner

Kier London

188 High Road
Loughton
Essex
IG10 1DH

S M Atkinson *Chairman*
G C Lindsey-Smith *MD*
D R Avery
P J Everard
G Garvie
N W Meixner
C J Riley

Kier Northern

Lyndon House
198 High Street
Boston Spa
West Yorkshire
LS23 6BT

M P W Scarth *Chairman*
S A Tilley *MD*
M A Ashton
J M Gray
W Kay
P A Sloane

Kier North West

Yardley Road
Knowsley Industrial Park
Liverpool
L33 7ST

R W Side *Chairman*
L Wilkinson *MD*
M A Ashton
D Jenkins
A Mills
P A Sloane

Kier Scotland

Cathkin House
15 Woodside Terrace
Glasgow
G3 7XH

P P J Cullen *Chairman & MD*
J McMenamin
M M Rooke

Kier Southern

Maple Lodge Close
Maple Cross
Rickmansworth
Herts
WD3 2SJ

S M Atkinson *Chairman*
J J Armitage *MD*
D M Brown
G C Burridge
P H Durrigan
N Elliott
N A Meek
M Mintram
M W Orr
G D Willoughby
J D Yates

Kier Western

The Old Mill
Chapel Lane
Warmley
Bristol
BS15 4NG

J S French *Chairman & MD*
G E Knowles
R A Moretti
J Prosper
B J Sheen
S B Tyson
P R Young

French Kier Anglia

53 South Brink
Wisbech
Cambridgeshire
PE14 0RA

R W Side *Chairman*
J R Bradley *MD*
R W Kidger
B J Painter
C J Riley
J C Simson

IEI Building Services Engineers

Greytown House
11-19 Wote Street
Basingstoke
Hampshire
RG21 7NE

J S French *Chairman*
R P Manning *MD*
D W Stiff

Marriott Construction

Marriott House
Rushden
Northamptonshire
NN10 6EA

J S French *Chairman*
R W Murphy *MD*
G Clark
P Hawes
J S Henke
M M Rooke

Moss Construction

96 Leckhampton Road
Cheltenham
Gloucestershire
GL53 0BP

P P J Cullen *Chairman & MD*
R C Butler
B D Clarke
B E Laenen
K A Marrant
M M Rooke

Wallis

47 Homesdale Road
Bromley
Kent
BR2 9TN

S M Atkinson *Chairman*
M Wright *MD*
R H Bush
A R Chilcott
J R Gilbert
F Hill
G J Mountier

Caxton Facilities Management

Conway House
St Mellons Business Park
Fortran Road
St Mellon
Cardiff
CF3 0LT

M P W Scarth *Chairman*
C S Porton *MD*
M Davies
P C Owen

Caxton Integrated Services

Tempsford Hall
Sandy
Bedfordshire
SG19 2BD

M P W Scarth *Chairman & MD*
D E Angus
P D Farnan
K J McCarthy
C S Porton
I P Woods

Caxton Islington

Ashburton Grove
Holloway
London
N7 7AA

M P W Scarth *Chairman*
D E Angus *MD*
J Nelson
J Slater
T C Tatham
C Thomas

FM Contract Services

Thames Road
Crayfield
Kent
DA1 5Q3

M P W Scarth *Chairman*
P D Farnan *MD*
P W Hayday
T P Knights
K J McCarthy

Group principal businesses *continued*

Kier National

Tempsford Hall
Sandy
Bedfordshire
SG19 2BD

J Dodds *Chairman*
G A Shennan *MD*
C R W Busby
R Gorringe
R A Haller
R V Sallis
M P Sheffield
P J Staniland

Kier International

Tempsford Hall
Sandy
Bedfordshire
SG19 2BD

G A Shennan *Chairman*
R A Haller *MD*
D J Durey
N W Hammond
D J Myers
D Rainford

Kier Build

Tempsford Hall
Sandy
Bedfordshire
SG19 2BD

G A Shennan *Chairman*
R V Sallis *MD*
T P Davies
M Dobson
J H Fozzard
W G Merry
M R Whiteley
C Willats

Kier Construction

Tempsford Hall
Sandy
Bedfordshire
SG19 2BD

G A Shennan *Chairman*
M P Sheffield *MD*
G R Burn
B M Diggins
P H Gray
N A Pates
A W Saul
T W Tagg

Kier Plant

Tempsford Hall
Sandy
Bedfordshire
SG19 2BD

G A Shennan *Chairman*
A E Arnaud *MD*
G R Burn

Kier Engineering Services

Tempsford Hall
Sandy
Bedfordshire
SG19 2BD

C R W Busby *Chairman*
R A Haller *MD*
J Dodds
M P W Scarth

Kier Residential

The Shrubby
Church Street
St Neots
Cambridgeshire
PE19 2BU

C R W Busby *Chairman*
D Homer *MD*
K Dixon
R W Gregory
R P Page
W R Reid

Twigden Homes

The Shrubby
Church Street
St Neots
Cambridgeshire
PE19 2BU

D Homer *Chairman*
K Dixon *MD*
G D Baker
R W Gregory
J G Hodgetts
A E Page
A P Walkerdine
A B Walsh

Bellwinch Homes

Malcolm House
Empire Way
Wembley
Middlesex
HA9 0LW

D Homer *Chairman*
R P Page *MD*
R W Gregory
D F Lomas
J McCormack
S J Whitehead

Kier Homes

Trojan House
Pegasus Avenue
Phoenix Business Park
Linwood Road
Paisley
PA1 2BH

D Homer *Chairman*
W R Reid *MD*
D Cope
A Duffy
R W Gregory

Allison Homes

Swallow House
Banbury Close
West Elloe Avenue
Spalding
Lincolnshire
PE11 2BS

D Homer *Chairman*
R W Gregory *MD*
P Adams
S W Robinson
A West

Kier Land

The Shrubby
Church Street
St Neots
Cambridgeshire
PE19 2BU

D Homer *Chairman*
K Dixon *MD*
R W Gregory
I J Mitchell

Kier Ventures

Tempsford Hall
Sandy
Bedfordshire
SG19 2BD

C R W Busby *Chairman*
R W Simkin *MD*
J A J Byrne
I P Woods

Kier Property

Tempsford Hall
Sandy
Bedfordshire
SG19 2BD

C R W Busby *Chairman*
R W Simkin *MD*
J A J Byrne
I P Woods

Kier Project Investment

Tempsford Hall
Sandy
Bedfordshire
SG19 2BD

J Dodds *Chairman*
I M Lawson *MD*
G Barnes
C R W Busby
D E Mattar
J A N Tibbitts
J A Young

Financial record

Year ending 30 June	2001 £m	2000 £m	1999 £m	1998 £m	1997 £m
Turnover: Group and share of joint ventures	1,251.1	1,034.8	962.9	749.6	677.2
Group operating profit	19.9	15.2	10.9	7.5	6.9
Joint ventures – share of operating profit	2.0	0.4	1.7	0.8	–
Total net interest receivable	–	1.3	1.2	2.5	1.7
Other income	–	0.8	–	–	–
Profit before tax	21.9	17.7	13.8	10.8	8.6
Taxation	(5.9)	(4.6)	(3.9)	(3.6)	(2.9)
Profit after tax	16.0	13.1	9.9	7.2	5.7
Dividends	(4.1)	(3.5)	(3.0)	(2.6)	(1.7)
Retained profit for the year	11.9	9.6	6.9	4.6	4.0
Earnings per Ordinary Share					
– undiluted	48.0p	39.8p	30.6p	22.7p	18.7p
Dividend per Ordinary Share	12.3p	10.7p	9.3p	8.0p	4.6p
At 30 June	2001 £m	2000 £m	1999 £m	1998 £m	1997 £m
Shareholders' funds	57.8	44.5	33.5	25.8	27.6
Assets per Ordinary Share	170.3p	133.1p	102.5p	80.1p	87.2p

Corporate information

Directors

C R W Busby FCA FCI0B *Chairman*
D V Brand MA FCA
J Dodds
D Homer
D E Mattar BSc FCA
M P W Scarth MICE MCIOB
P F Berry CMG MA
S W Leathes MA FCA
P T Warry MA LLB

D E Mattar *Secretary*

Headquarters and

Registered Office

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Tel 01767 640111

www.kier.co.uk

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England 2708030

Auditors

KPMG Audit Plc
8 Salisbury Square
London EC4Y 8BB

Bankers

Royal Bank of Scotland plc
135 Bishopsgate
London EC2M 3UR

Barclays Bank plc
54 Lombard Street
London EC3V 9EX

Registrars

Capita IRG plc
Bourne House
34 Beckenham Road
Beckenham
Kent BR3 4TU

Stockbrokers

ING Barings Charterhouse Securities
60 London Wall
London EC2M 5TQ

Financial calendar

24 November 2001	Annual General Meeting
11 December 2001	Payment of final dividend for 2000/2001
March 2002	Announcement of results for the half year and interim dividend
May 2002	Payment of interim dividend
September 2002	Announcement of preliminary full year results and final dividend for 2001/2002

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