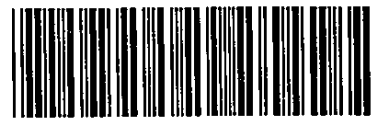




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**Keller Group plc**  
Annual Report and Accounts 2010

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#### **Forward-looking statements**

This report contains forward looking statements. These have been made by the Directors in good faith based on the information available to them up to the time of their approval of this report. The Directors can give no assurance that these expectations will prove to have been correct. Due to the inherent uncertainties, including both economic and business risk factors underlying such forward-looking information, actual results may differ materially from those expressed or implied by these forward-looking statements. Except as required by law or regulation, the Directors undertake no obligation to update any forward looking statements whether as a result of new information, future events or otherwise.

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We are the world's largest independent ground engineering contractor, renowned for providing technically advanced and cost-effective foundation solutions. Our reputation is built on engineering excellence and a commitment to continual innovation.

Our services are used across the construction sector in infrastructure, industrial, commercial, residential and environmental projects.

We have unrivalled coverage in Europe, North America and Australia and a growing presence in Asia and the Middle East.

We have permanent operations in around 40 countries, over 6,000 employees and a combined turnover in excess of £1 billion.

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# Our businesses

## United States

We are the market leader in the US, where we have had a market presence for over 25 years. Today we operate from locations spanning the country. **Hayward Baker** offers extensive ground engineering solutions, **Case, McKinney, Anderson** and **HJ** are heavy foundation specialists, and **Suncoast** provides post-tension cable systems.

## CEMEA

We have operations in over 30 countries in **Continental Europe**, the **Middle East** and **Asia (CEMEA)**. These businesses operate as **Keller** in most regions, but also as **Resource Piling** in Singapore, **LCM** in Sweden and **Boreta** in the Czech Republic. They are supported by a facility in Germany which designs and manufactures our specialist plant.

## Australia

**Frankipile, Vibro-Pile** and **Piling Contractors** offer a range of piling services. **Keller Ground Engineering** offers specialist ground improvement and geotechnical solutions. **Waterway Constructions** ('Waterway') specialises in foundations for, and the maintenance of, wharves, jetties and other marine structures.

### Revenue

£425.2m

(2009 £467.0m)

### Operating profit\*

£6.9m

(2009 £32.2m)

### Revenue

£400.3m

(2009 £386.4m)

### Operating profit\*

£22.4m

(2009 £33.6m)

### Revenue

£193.8m

(2009 £126.9m)

### Operating profit

£19.1m

(2009 £16.6m)

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## Our services

### United Kingdom

In the UK, Keller operates as **Keller Foundations**, **Keller Geotechnique**, **Phi Group** and **Colcrete-Eurodrill** which, together, have a national presence offering a wide range of ground engineering solutions

#### Revenue

**£49.6m**

(2009 £57.6m)

#### Operating (loss)/profit

**(£2.5m)**

(2009 £0.5m)

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### Piling and Earth retention

Piling involves the installation of structural elements to transfer foundation loads through weak soils to stronger underlying ground. Keller offers a wide range of piling and earth retention systems including diaphragm walls and marine piles. Piles may be preformed and driven into the ground or cast in situ. Keller has installed piles underpinning many major building and civil engineering projects around the world.

### Specialty grouting

Specialty grouting strengthens target areas in the ground and controls ground water flow through rocks and soils by reducing their permeability.

It is applicable to both new construction projects and to repair and maintenance work. Other applications include excavation support, settlement control and geo-environmental services to protect adjacent ground from contamination.

### Anchors, Nails and Minipiles

Anchors, nails and minipiles can provide temporary or permanent solutions for a wide range of stability or support problems and are often used to underpin or stabilise buildings, slopes and embankments.

### Ground improvement

Ground improvement techniques are used to prepare the ground for new construction projects and to reduce the risk of liquefaction in areas of seismic activity.

Keller was the first to develop methods and equipment for the successful deep compaction of soil in the 1930s and has continued to develop the equipment and widen its application. Common soil stabilisation techniques include a combination of vibro-compaction with stone, concrete or lime columns as well as soil mixing and injection systems, which have been used by Keller to improve many thousands of sites around the world.

### Post-tension concrete

Post-tension cable systems are used to reinforce concrete foundations and structural spans, enhancing their load-bearing capacity by applying a compressive force to the concrete, once set. Suncoast's post-tension systems are used in foundation slabs for single family homes and, in the commercial high-rise sector, in concrete structural spans and beams.

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## Chairman's statement

Keller faced many challenges in 2010, particularly in the US and much of Western Europe, where construction markets remained depressed. This solid set of results is therefore testament to the Group's strategy and to the strong operational capability of our businesses.

The Group's geographic profile has long been a key strength and we have continued to pursue a strategy of geographic diversification in recent years. The success of this strategy is reflected in these results, which show further progress in Australia and our developing markets<sup>1</sup>, partially offsetting the impact of the severe market and trading conditions in the US and Western Europe. Overall, £404m (38%) of our 2010 revenue came from Australia and our developing markets, up from £90m (13%) five years ago.

### Results<sup>2</sup>

Group revenue increased by 3% to £1,068.9m (2009: £1,037.9m). The operating margin at this low point in the cycle was 4.1%, compared with the previous year's 7.4%, resulting in an operating profit of £43.3m (2009: £77.3m). Profit before tax was £39.6m (2009: £74.7m) and earnings per share were 44.0p (2009: 78.8p).

### Cash flow and net debt<sup>3</sup>

Cash generated from operations was £70.3m (2009: £123.2m), which represented 83% of EBITDA (2009: 109%). This continued the Group's consistent track record of converting profits into cash and reflects our strong focus on cash collection and the minimisation of working capital.

Despite current market conditions, we have not lost sight of the long term, and continue to invest organically in our growth markets and in acquisitions. After net capital expenditure of £28.6m (2009: £35.5m) and expenditure on acquisitions of £23.4m (2009: £34.7m), net debt at the end of the year stood at £94.0m (2009: £78.8m), which represents 1.1x EBITDA.

Towards the end of the year, the Group completed the refinancing of its main central banking facilities, replacing £145m of committed facilities due to expire in the summer of 2011 with a new £170m revolving credit facility, expiring in April 2015. With these extended facilities, the financial position of the Group remains very healthy and we continue to operate well within the associated financial covenants.

### Dividends

The Board has recommended a final dividend of 15.2p per share (2009 second interim: 14.5p per share). This, together with the interim dividend paid of 7.6p, brings the total dividend for the year to 22.8p, an increase of 5% on the previous year's 21.75p. Dividend cover for the year is 1.9x (2009: 3.6x). The final dividend will be paid on 27 May 2011 to shareholders on the register at 6 May 2011.

This maintains our record of increasing the dividend each year since the Company's flotation in 1994, through market cycles.

### Strategy

We remain focused on our strategy to extend further our global leadership in specialist ground engineering through both organic growth and targeted acquisitions. There are three key elements to our strategy:

- expansion into new, higher growth geographic regions,
- acquisition and development of new technologies and methods, and
- transfer of technologies and methods within our current geographic regions.

Good strategic progress was made in the year, including:

- the strengthening of our businesses through the deployment of more resources in regions which offer good growth opportunities, such as India and Brazil,
- completion of two acquisitions: Waterway Constructions (Waterway), a Sydney-based near-shore marine piling contractor, and Nilex, the leading wick drain contractor in the US, both of which add to the Group's wide range of technologies, and
- the extension of our range of technologies in some of our more established regions, such as the transfer of Getec monitoring systems from Germany to the UK and the introduction of grouted stone columns in Singapore.

<sup>1</sup> Our markets in Eastern Europe, North Africa, the Middle East, Asia and Brazil.

<sup>2</sup> 2010 results are stated before a £21.8m goodwill impairment charge, but after redundancy and other reorganisation charges of £3.8m.

<sup>3</sup> Net debt is cash and short-term deposits less total loans and borrowings.

### Employees

2010 was a challenging year for management and employees alike. In the face of these challenges, our employees once again showed tremendous resolve, commitment and goodwill. I would like to thank them for their contribution and wish all of them personal success in 2011.

### Board and Governance

After nine years on the Board, Richard Scholes will be stepping down at the Annual General Meeting in May. As a Non-executive Director and, since 2008, as Chairman of the Audit Committee, Richard has consistently given us the benefit of his experience and wisdom. We have valued his contribution to Keller and offer him our best wishes for the future.

I am very pleased to welcome our most recent appointee to the Board. Chris Girling, whose appointment was announced on 14 February and is effective from today. Chris brings very relevant construction experience which, together with his financial expertise, complements the strengths of other Board members and I am confident that he will make a strong contribution. Chris will become Chairman of the Audit Committee when Richard stands down at the Annual General Meeting.

Ruth Cairnie joined the Board on 1 June and in a short space of time has demonstrated commitment to the role, sound judgement and a good understanding of the key drivers of this business.

In the Corporate Governance Report, we report more fully on our governance structures and compliance, but it is appropriate here to touch on two aspects of corporate governance: my intentions with regard to board composition and the UK Corporate Governance Code published in June 2010, which I refer to here as the 'new Code'.

We recognise the value in periodically refreshing the Board and this is reflected in the changes we have made over the past 12 months. However, this needs to be balanced with the requirement for continuity and maintaining a thorough understanding on the Board of the Group's business. Accordingly, whilst it is my intention over the next few years to move to a position of compliance with the requirement for at least as many independent as non-independent directors, this will be achieved at a pace which does not put the continuity or effectiveness of the Board at risk.

The new Code applies to Keller from 1 January 2011 and we will formally report against it in our 2011 Annual Report, although we have already reflected many of its provisions in our report for 2010. One of the additional provisions of the new Code is that all directors should be subject to annual election by shareholders. I am conscious of the concerns expressed by some of our shareholders that this practice may lead to short-termism. Accordingly, I do not propose that we adopt this course of action at our coming Annual General Meeting, but that we monitor developments and take further soundings from our shareholders, before deciding on our course for the following year. I do not anticipate that we will have any difficulty complying with any other aspects of the new Code.

### Outlook

For the Group as a whole, contract awards in the second half of 2010 continued to be ahead of the same period in 2009. As a result, at the end of January 2011 our order book was 13% ahead of the previous year.

In the US and Western Europe, our markets most severely impacted by the global recession, most construction markets have stabilised and in some we are beginning to see early signs of moderate growth. However, the medium term looks set to remain challenging, as the full impact of government austerity programmes is felt. Therefore, whilst we expect 2011 to be a year of modest but steady recovery, we do not anticipate a rapid return to pre-recession levels of construction spend. Overcapacity remains an issue, particularly in the US, and it will therefore take time for any revenue growth to feed through into higher margins.

The current unrest in the Middle East and North Africa will inevitably impact on our businesses in these markets, albeit that they are relatively small. Looking to Australia and our other developing markets, however, the fundamentals remain strong and we will continue to expand our position in these markets in order to take full advantage of the growth opportunities which they offer.

Our combination of strengths, including the breadth of our product offering, excellent operational capabilities and a strong balance sheet to support our ambitions, have served us well in the past and will underpin our delivery of sustained long-term growth in the future.

**Roy Franklin OBE**  
28 February 2011

## Our business model

### Our strengths

This review of our 2010 performance reflects our key strengths, the combination of which sets us apart as a business

- **Global Scale** – International footprint and financial strength
- **Local Focus** – Excellent service
- **Wide Range** – Flexible and cost effective technologies
- **Broad Base** – Diverse customer base and end markets
- **Co-operation** – Added value through working together
- **Shared Values** – Performance delivered safely and with integrity
- **Deep Experience** – Huge knowledge base
- **Growth Credentials** – Organic and acquisition growth record

We have a fundamental belief that we can best serve our local construction markets with a regional structure through which we are fully aligned with our customers. Overlaying this structure are common goals, shared interests and excellent working relationships which drive the pooling of expertise and resources and the transfer of technologies. These things, in turn, create synergies, making Keller Group more than the sum of its parts

### Our strategy, positioning and market drivers

Our strategy is to extend further our global leadership in specialist ground engineering through both organic growth and targeted acquisitions. There are three key elements to our strategy

- expansion into new, higher growth geographic regions,
- acquisition and development of new technologies and methods, and
- transfer of technologies and methods within our current geographic regions

We will continue to focus on those sectors where the barriers to entry are highest and where we have capabilities which give us a clear competitive advantage

- bigger and more sophisticated foundation systems, often requiring specialist equipment,
- foundations for safety- and quality-critical environments, and
- bespoke solutions with a high design content

Throughout the world, we expect the growth in specialist ground engineering to exceed the growth in general construction, driven over the medium to long term by such trends as

- increasing land shortage, driving a need to use brownfield and marginal land,
- climate change, triggering more river and dam flood protection projects,
- the prevalence of very large-scale development projects,
- the need for investment in energy capacity, and
- the renewal of outdated road and rail infrastructure

In our developing markets, additional drivers, such as population growth, urbanisation, rapid industrialisation and increased overseas trade, are expected to sustain high levels of investment across the whole construction sector over the medium to long term and we continue to strengthen our position in these regions

By focusing on what we do best, we are confident that we will maintain our track record of out-performing our markets over the medium to long term

### Our markets and competition

Local	National (regional in larger countries such as US, Australia)	International
<b>Competition</b> Local competition is highly fragmented comprising many small businesses, often family-owned, with limited equipment capacity and few (or single) product lines	<b>Competition</b> In Europe, competition is often owned by general contractors. In the US and Australia, these services are usually outsourced. Independent national competitors tend to be privately owned	<b>Competition</b> Few competitors can claim to have a truly global capability, strong financial credentials and the ability to offer a full product range
<b>Types of project</b> Standard foundations for small to medium structures, where ground conditions are relatively straightforward	<b>Types of project</b> As local markets, plus foundations for larger structures and complex solutions for more difficult ground conditions	<b>Types of project</b> Very large scale, requiring capacity or expertise which may not be available in-country. Often direct foreign investment, where funders or clients choose to use contractors with whom they have worked in other parts of the world
<b>Keller's advantage in this segment</b> Our regional structure and agile organisation enables us to compete with local players for small-to-medium sized contracts  We typically undertake around 7,000 contracts each year, of which around 85% have a value of less than £250,000	<b>Keller's advantage in this segment</b> We have a wide network of subsidiary companies and branch offices employing local people with knowledge of <ul style="list-style-type: none"> <li>• national building codes</li> <li>• local language and business culture</li> <li>• local ground conditions</li> </ul>	<b>Keller's advantage in this segment</b> Largest independent operator with a global presence  Able to follow known customers into new geographic markets  Can pool resources and expertise from around the globe



### Principal risks and uncertainties

The main areas of uncertainty facing the Group relate to tendering and management of contracts, market cycles, acquisitions and people. These also represent the Group's greatest opportunities and how we manage these risks is a key differentiator between Keller and similar businesses.

#### Market cycles

Whilst our business will always be subject to economic cycles, market risk is reduced by the diversity of our markets, both in terms of geography and market segment. It is also partially offset by opportunities for consolidation in our highly fragmented markets. Typically, even where we are the clear leader, we still have a relatively small share of the market. Our ability to exploit these opportunities through bolt-on acquisitions is reflected in our track record of growing sales, and doing so profitably, across market cycles.

#### Tendering and management of contracts

It is in the nature of our business that we continually assess and manage technical, and other operational, risks. Some of the controls we have in place, particularly at the crucial stage of tendering of contracts, are set out in the table opposite. Given the Group's relatively small average contract value (less than £200,000), it is unlikely that any one contract will materially affect the results of the Group. Our ability to manage technical risks will generally be reflected in our profitability.

#### Acquisitions

We recognise the risks associated with acquisitions and our approach to buying businesses aims to manage these to acceptable levels. First, we try to get to know a target company, often working in joint venture, to understand the operational and cultural differences and potential synergies. This is followed by a robust due diligence process, most of which is undertaken by our own managers, and we then develop a clear integration plan which takes account of the unique character of the target company.

#### People

The risk of losing, or not being able to attract, good people is key. We pride ourselves in having some of the best professional and skilled people in the industry, who are motivated by our culture and the opportunities for career growth.

### Risk Market cycles

#### 2010 KPIs

- Our growth compared with the growth of our main construction markets\*
- Increase in revenue from Australia and developing markets 46%

\* See individual KPIs for US, Austria, France, Germany, Poland, Spain, Australia and UK on pages 9, 11, 12 and 13.

#### Controls

- Strategy of geographic diversification
  - operations in around 40 countries
  - growing presence in Australia and developing markets
- Broad customer base
- Services used across all industry segments: infrastructure, industrial, commercial, residential and environmental

### Risk Tendering and management of contracts

#### 2010 KPI

- Operating margin 4.1%

#### Controls

- Risk-based tender approval process, with clear delegations of authority
- Independent review of tenders
- Formal and informal training for staff in the typical risk issues they may face when tendering for jobs, negotiating contracts and executing work
- Legal review of unusual or onerous contract terms
- Project staff selected on the basis of their skills, experience of a particular type of project and their workload
- Establishment of 'centres of excellence'
- Pre-job meetings undertaken on site
- Formal daily reports generated and reviewed for each contract in progress. Weekly cost reports produced for all projects and reviewed by next level management
- Periodic reviews of poorly performing contracts to establish lessons learned with the results communicated to all relevant staff

### Risk Acquisitions

#### 2010 KPI

Return on net operating assets 9%

#### Controls\*

- Target companies are usually well known to Keller, and the operational and cultural differences and potential synergies are well understood
- Robust due diligence process, mostly undertaken by own management
- Clear integration plan, reflecting the unique character of the target company

### Risk People

#### 2010 KPI

Staff turnover rate 12%

#### Controls

- Excellent training and development opportunities
- Opportunities for career growth
- Good engagement and two-way communications
- Employees treated with dignity and respect

## Operating review

The Group's 2010 results reflect the sharpest decline in global construction in decades, which persisted throughout most of last year. Trading conditions in our mature markets remained very tough, although good overall contract performance, firm cost control and an increased contribution from our developing markets all helped to lessen the impact.

### Conditions in our major markets

Generally, across our mature markets we witnessed further weakness in privately-financed construction, compounded by a decline in investment in public infrastructure, as many governments started to rein in their spending.

In the US, non-residential construction expenditure was down by 14% on the previous year<sup>1</sup>, with a marked slowdown in investment across most sectors. As anticipated, there was further significant shrinkage in the office, commercial and leisure sector, where construction spend was more than 50% down on the 2008 peak. 2010 also saw the first decline in US public infrastructure spending in at least 20 years, with a year-on-year reduction of 3%, mainly reflecting reductions in spending at the state level. Residential construction benefited temporarily from tax credits for first-time home buyers, but following their removal at the end of April, housing starts reverted to historic lows. Overall, US construction expenditure reduced in the year by a further 10%.

Within our principal European markets, Poland and Germany saw reasonable growth across most sectors, whereas the more modest growth in the UK was mainly civil engineering related. In France and Spain, construction expenditure continued to decline.

Elsewhere, demand in Australia and our Asian markets remained strong, whilst we saw no significant improvement in construction activity in our markets in the Middle East.

## US

In local currency, total revenue from our US operations as a whole was down by 10% on 2009, although the second-half revenue was slightly ahead year-on-year. The operating margin for the full year decreased from 6.9% to 1.6%. These results reflect a combination of the impact of the adverse weather conditions in the first quarter, severe pressure on margins across the US foundation businesses and, as anticipated, a loss at Suncoast. Excluding the loss at Suncoast, the operating margin was 3.3% (2009: 9.1%). In sterling terms, overall revenue was 9% lower, whilst operating profit was down by 79%.

### Hayward Baker

Despite the severity of the market decline, it has been surprising that so little capacity has exited the US market. For Hayward Baker, as for the Group's other US foundation contracting businesses, this has contributed to further downward pressure on its historically strong margins. However, the selective targeting of contracts and a tight control of costs resulted in a solid performance in 2010, albeit well below that of previous years.

Hayward Baker remains the largest and most geographically diverse of our six US businesses. Importantly, throughout this challenging period, Hayward Baker's market leading position and its reputation for innovative and creative designs have not been impaired. These strengths are reflected in some of the technically challenging projects worked on during the year, including a large tunnelling project in New York City, where deep jet grouting is being undertaken in preparation for the construction of four new rail tunnels.

In the second half, work began on a soil mixing contract at the Louisiana Offshore Oil Port ('LOOP') – a deepwater port in the Gulf of Mexico, where Hayward Baker has worked several times over the past eight years. The company's ability to design an alternative solution with a reduced programme time was key to winning this contract, in the face of strong competition.

Work also got underway at Thornton Quarry, a grouting project in the Chicago area associated with a package of reservoir and related tunnel upgrades, which involves installing a 3,000 metre double row grout curtain. As with the LOOP project, work at Thornton Quarry is expected to continue throughout much of 2011.

Good progress was made in the second half in integrating the wick drain business of Nilex, which Hayward Baker bought in June 2010. Prior to the acquisition, Nilex had worked on numerous Hayward Baker projects and this successful past relationship helped to ensure a smooth transition into the Group.

<sup>1</sup> The US Census Bureau of the Department of Commerce: 1 February 2011

### Case, McKinney, Anderson and HJ

Amongst our US piling businesses, McKinney and Case stood out for their very strong performance last year. Anderson and HJ both struggled to counteract the very tough conditions prevailing in California and Florida, their respective home markets. One of the key contributors to McKinney's good result was its work on the Hemlock Semiconductor project in Tennessee, where it was one of several foundation contractors who together installed over 3,000 caissons for a large solar panel facility. Whilst contracts such as this can make the difference between a good and an excellent result for McKinney, the sound execution of many smaller contracts which make up their base workload, together with careful management of their costs, is key to their success.

Case and McKinney worked together on a contract at the site for the new United States Homeland Security Headquarters complex in Washington DC, installing concrete shear pins to stabilise the hillside and protect the site from a potential future slide. Through excellent project management, they succeeded in meeting the customer's challenging deadline, completing the job by the end of the year.

### Suncoast

A temporary uplift in the residential market in the early months of the year was not sustained, as housing starts fell off again following the withdrawal of tax credits for first-time home buyers at the end of April. Furthermore, 2010 brought no improvement in demand for Suncoast's high-rise products. With volume and prices already under pressure, the situation was exacerbated by increases in the cost of steel strand. The continuous process of adapting the business to its very tough trading environment included a further 25% reduction in headcount in the year, resulting in redundancy and other reorganisation costs of £1.2m and an agreement with the remaining workforce to cut wages and salaries by 10%.

The 2011 results will benefit from these and other actions taken to reduce costs in the second half of last year. The business now has an extremely tight overhead structure, but has nevertheless maintained the capability to take advantage of any market improvement. With the current level of annual housing starts at less than 600,000 running so far below the long-term average of around 1,500,000, some market improvement remains a realistic prospect in the short to medium term.

### Results summary and KPIs

<b>Revenue</b>	
2010	£425.2m
2009	£467.0m
<b>Operating profit*</b>	
2010	£6.9m
2009	£32.2m
<b>Operating margin*</b>	
2010	1.6%
2009	6.9%

\* 2010 results are stated before goodwill impairment

### Our growth compared with the growth of our markets

<b>2010</b>	
over 1 year	-10% (-10%)
over 3 years	-30% (-29%)
<b>2009</b>	
over 1 year	-26% (-15%)
over 3 years	-16% (-22%)

**Definition and method of calculation**  
Year on year sales growth (including acquisitions) in local currency compared with growth in the total US construction market (in brackets)<sup>1</sup>

As our work occurs at the start of the construction cycle, our revenue is a leading indicator for the construction market, whereas market comparators are based on the lagging indicator, construction put in place.

### Return on net operating assets

2010	3%
2009	14%

**Definition and method of calculation**  
Operating profit expressed as a percentage of average net operating assets<sup>2</sup> (including goodwill acquired through acquisitions)

### Staff turnover

Foundation contracting businesses

2010	7%
2009	3%

### Suncoast

2010	11%
2009	12%

**Definition and method of calculation**  
The number of managerial, professional and technical staff leaving the division in the period, expressed as a percentage of employees in this category.

<sup>1</sup> Data published by the US Census Bureau of the Department of Commerce on 1 February 2011.

<sup>2</sup> Net operating assets excludes net debt, tax balances, deferred consideration and net defined benefit pension liabilities.

## Continental Europe, Middle East & Asia (CEMEA)

In local currency, revenue was up by approximately 8% whilst operating profit was 30% below the previous year. Translated into sterling, revenue was 4% higher than the previous year and operating profit was down by 33%.

### Continental Europe

Overall, our businesses within the more mature Continental European markets showed resilience, despite challenging market conditions and extremely adverse weather in the first few months of the year.

Germany was one of the few construction markets in the region to experience growth in 2010, although major public infrastructure projects continued to suffer delays and, in the private sector, where the available work mainly comprised smaller contracts, prices continued to be driven down by intense competition, as was our experience elsewhere on the continent. Against this backdrop, our German, and indeed our Austrian, businesses held up well, often using the wide range of technologies at their disposal to submit winning alternative design proposals. For example, a redesign of works at Austria's Klagenfurt railway station resulted in the execution of a packaged solution using sheet piles, jet grouting, anchors and a grouted slab.

France and Spain saw further deterioration in their markets – in the case of Spain, for the third consecutive year, resulting in total construction expenditure almost halving since the end of 2007. In both countries, our businesses were subject to restructuring, which resulted in around £1.3m of redundancy and other reorganisation costs in the final quarter of last year. With planned public spending cuts, these markets will remain difficult for some time and management will continue to adapt the businesses as necessary.

Our Polish business was once again the best performer in Europe. It continued to benefit from the country's programme of major road and rail infrastructure upgrades, which accounted for around 65% of its 2010 revenue. An important contributor was a contract to install vibro stone columns and jet grouting for a new section of the A4 motorway. The business also worked on the A1 and A2 motorways, where it provided a range of different techniques including ground improvement, piling and soil nails, reflecting its ability to offer the full range of ground engineering solutions.

### Middle East

Activity in our Middle Eastern businesses remained fairly subdued. However, we continued to trade profitably, despite the delayed start of several major projects causing us to rely on much smaller contracts than we have become accustomed to in this region in recent years. During the year, plans were laid for extending our operations into Oman and Qatar, where construction activity is set to ramp up in the coming years.

As well as its operations in the UAE and Saudi Arabia, the Group has small businesses in Egypt and Bahrain. It is too soon to predict the impact on our businesses of the current unrest in this region.

### Asia

An excellent result was delivered by our Asian business, with a particularly pleasing contribution from India, where revenue and profit both increased almost three-fold in the year, albeit from a small base. Good progress was made on extending our product range and building up our capacity in India, where the headcount at the end of the year stood at over 300, compared with around 150 a year earlier. We were also able to deploy a substantially larger plant and equipment fleet by focusing our investment in this region, as well as transferring under-utilised equipment from the Middle East.

One of the largest contracts undertaken by our Indian business last year was for a new fuel refinery at Paradip, in the State of Orissa, which is being constructed on reclaimed land and where we undertook over 500,000 linear metres of vibro replacement over a six-month period. Mid-year, we also successfully completed a contract for a new petrochemical terminal in Chennai, with a complete solution comprising both the piling and the foundation slab. A second contract for the same client is now well underway.

In this rapidly developing market, we are targeting those contracts where we have a particular competitive advantage – either our design and build capability or advanced techniques and specialist equipment which are not generally available in the local market. As in our other high-growth regions, we are concentrating on strengthening our business infrastructure in line with the growth in revenue, to ensure that our best practice approaches to safety, risk control and quality, which our clients value highly, are not compromised as activity levels step up.

2010 was a busy year in Singapore for both Keller Singapore and Resource Piling, our October 2009 acquisition. Good co-operation has developed between the two companies, as reflected in an upcoming joint venture project to install foundations for a new power plant on Jurong Island. This is a region where Keller has done much work in the past, including vibro compaction to densify reclamation sandfill for roads, tank farms and a hydrogen plant extension. A deep soil mixing contract to stabilise excavation slopes for the construction of Singapore's Punggol Waterway was another important contributor to the Asian result.

Our Malaysian business also performed well, with the ongoing Ipoh to Padang Besar railway project making up a significant part of our workload there. This business was also instrumental in supporting our new subsidiary in Vietnam, which undertook its first contract, installing stone columns in very soft clay to provide a stable platform for a new petrochemical complex at Vung Tau. After a successful start, a further package of work was awarded by the same client and is progressing well.

### Brazil

Good progress was made in building up our Brazilian business, where we established our credentials with a major ground improvement contract for an international customer. Since then, the Group has set up a joint venture with a local partner in the Rio de Janeiro area, where we expect to see ample opportunities in ground improvement as the development of this region accelerates.

In August, a large contract got underway at Porto do Sudeste, one of several major port systems being developed in this region of Brazil. We are installing around 250,000 linear metres of stone columns to create the foundations for new iron ore storage facilities, with completion expected in the first half of 2011. With Keller employees from Germany, Austria and Portugal on site, this is a good example of how international co-operation benefits individual companies within the Group.

### Results summary and KPIs

<b>Revenue</b>	
2010	£400.3m
2009	£386.4m

### Operating profit\*

2010	£22.4m
2009	£33.6m

### Operating margin\*

2010	5.6%
2009	8.7%

2010 results are stated before goodwill impairment

### Our growth compared with the growth of our markets

<b>2010</b>			
<b>Austria</b>	over 1 year	-10% (0%)	
	over 3 years	11% (4%)	
<b>France</b>	over 1 year	-42% (-3%)	
	over 3 years	-45% (-9%)	
<b>Germany</b>	over 1 year	-18% (5%)	
	over 3 years	-19% (10%)	
<b>Poland</b>	over 1 year	15% (4%)	
	over 3 years	61% (23%)	
<b>Spain</b>	over 1 year	-25% (-14%)	
	over 3 years	-48% (-45%)	
<b>2009</b>			
<b>Austria</b>	over 1 year	-13% (-3%)	
	over 3 years	21% (9%)	
<b>France</b>	over 1 year	-19% (-10%)	
	over 3 years	-7% (2%)	
<b>Germany</b>	over 1 year	-12% (0%)	
	over 3 years	-16% (13%)	
<b>Poland</b>	over 1 year	-13% (3%)	
	over 3 years	121% (48%)	
<b>Spain</b>	over 1 year	-10% (-24%)	
	over 3 years	-20% (-30%)	

### Definition and method of calculation

Year on year sales growth (including acquisitions) in local currency in Austria, France, Germany, Poland and Spain compared with absolute growth (defined as real growth plus estimated price inflation) in these major European construction markets (in brackets)

As our work occurs at the start of the construction cycle, our revenue is a leading indicator for the construction market, whereas market comparators are based on the lagging indicator, construction put in place.

### Return on net operating assets

2010	11%
2009	13%

### Definition and method of calculation

Operating profit expressed as a percentage of average net operating assets<sup>2</sup> (including goodwill acquired through acquisitions)

### Staff turnover

2010	15%
2009	13%

### Definition and method of calculation

The number of managerial, professional and technical staff leaving the division in the period, expressed as a percentage of employees in this category.

<sup>1</sup> Estimates of real annual growth plus estimated change in construction prices published by Euroconstruct in December 2010.

<sup>2</sup> Net operating assets excludes net debt, tax balances, deferred consideration and net defined benefit pension liabilities.

## Australia

Whilst the Australian construction market continued to grow in 2010, the rate of growth was below that of the two previous years, with demand softening particularly in the second half. Although we believe that 2011 will see a temporary lull in this market, the fundamentals remain good, with several large resource-related projects scheduled for commencement in 2012.

Our Australian business had another very strong year, despite operations being hampered towards the end of the year by extreme weather on the east coast, which continued into January of this year. In local currency, revenue was up by 29% and operating profit was broadly flat. In sterling terms, revenue and operating profit were up by 53% and 15% respectively. The operating margin at 9.9% was very strong, albeit below the previous year's exceptional level.

Good progress was made in the integration of Waterway, the near-shore marine piling contractor acquired by the Group in June 2010. Opportunities to work with one or more of the Group's other Australian companies to provide combined packages of land and near-shore marine foundation solutions continue to be identified and developed.

An important contributor to the year's result was the Ipswich Mine Fill project in Queensland, involving the in-filling of abandoned coal mines beneath the widened Ipswich motorway, most of which was performed in 2010. This A\$56m project harnessed the Group's capabilities and experience worldwide. Building on this success, the business has since been awarded a contract for similar, but smaller, works in a former mining area in the Hunter Valley, which will be performed in 2011.

Another example of one successful job leading to another was a ground improvement contract for a coal export terminal to facilitate its coal handling facility upgrade. With the first stage of the terminal now operational, last year we conducted trials using dynamic replacement and mass dry soil mixing solutions for the second stage works, for which we have since received an order. Keller Australia worked closely on the designs for this work with colleagues in Asia, where considerable experience in deep soil mixing techniques has been acquired in recent years.

### Results summary and KPIs

Revenue	
2010	£193.8m
2009	£126.9m
Operating profit	
2010	£19.1m
2009	£16.6m
Operating margin	
2010	9.9%
2009	13.1%

### Our growth compared with the growth of our markets

2010	
over 1 year	29% (6%)
over 3 years	27% (25%)
2009	
over 1 year	-16% (9%)
over 3 years	58% (25%)

**Definition and method of calculation**  
Year-on-year sales growth (including acquisitions) in local currency compared with growth in Australia's construction market (in brackets).

As our work occurs at the start of the construction cycle, our revenue is a leading indicator for the construction market, whereas market comparators are based on the lagging indicator: construction put in place.

### Return on net operating assets

2010	31%
2009	42%

**Definition and method of calculation**  
Operating profit expressed as a percentage of average net operating assets (including goodwill acquired through acquisitions).

### Staff turnover

2010	10%
2009	2%

**Definition and method of calculation**  
The number of managerial, professional and technical staff leaving the division in the period, expressed as a percentage of employees in this category.

<sup>1</sup> Data published by Australian Bureau of Statistics in September 2010.

<sup>2</sup> Net operating assets excludes net debt, tax balances, deferred consideration and net defined benefit pension liabilities.

## UK

Market conditions in the UK continued to be very challenging, particularly in the housing and commercial sectors, which together have historically accounted for much of the revenue of our UK business and where we continue to await signs of recovery

Despite actions taken in the first half to reduce overheads and operating costs, these were not sufficient to offset the impact on the full-year results of a significant reduction in volume in the second half. Accordingly, the business reported an operating loss of £2.5m (2009 profit £0.5m) on revenue of £49.6m (2009 £57.6m). Further restructuring was undertaken in the second half, resulting in a total restructuring cost of £1.0m for the full year.

Over the last year, management has focused on re-positioning the business in order to increase its participation in major civil engineering work, thereby reducing its reliance on the depressed housing and commercial sectors.

This strategy is now starting to yield benefits. During the year, the business was involved in a major piling contract at London's Tottenham Court Road tube station, which is a precursor to the wider Crossrail development. The project is running smoothly and continues into 2011. The business has also commenced its early involvement in the provision of specialist geotechnical and monitoring services for sections of the tunnelling works for the Crossrail project, which will employ the Getec monitoring systems developed by Keller in Germany and recently introduced into the UK. This, together with substantial work as part of the upgrade of London's Victoria Railway Station, which will also involve support from our German business, is due to start in the second half of 2011.

**Justin Atkinson**  
28 February 2011

### Results summary and KPIs

Revenue	
2010	£49.6m
2009	£57.6m
Operating (loss)/profit	
2010	(£2.5m)
2009	£0.5m
Operating margin	
2010	-5%
2009	0.9%

### Our growth compared with the growth of our markets

2010	
over 1 year	-14% (1%)
over 3 years	-36% (-10%)
2009	
over 1 year	-32% (-13%)
over 3 years	-5% (-14%)

#### Definition and method of calculation

Year on-year sales growth (including acquisitions) compared with absolute growth (defined as real growth plus estimated price inflation) in the total UK construction market (in brackets)<sup>1</sup>

As our work occurs at the start of the construction cycle, our revenue is a leading indicator for the construction market, whereas market comparators are based on the lagging indicator - construction put in place.

### Return on net operating assets

2010	-9%
2009	2%

#### Definition and method of calculation

Operating profit expressed as a percentage of average net operating assets<sup>2</sup> (including goodwill acquired through acquisitions)

### Staff turnover

2010	10%
2009	7%

#### Definition and method of calculation

The number of managerial, professional and technical staff leaving the division in the period, expressed as a percentage of employees in this category.

<sup>1</sup> Estimates of real annual growth plus estimated change in construction prices published by Euroconstruct in December 2010.  
<sup>2</sup> Net operating assets excludes net debt, tax balances, deferred consideration and net defined benefit pension liabilities.

## Financial review

2010 was another challenging year for Keller with very difficult market conditions in the US and Western Europe, markets which still represent about 60% of the Group's revenue

### Results

#### Trading results<sup>1</sup>

The Group's total revenue in 2010 was £1,068.9m, an increase of 3% on 2009. Stripping out the effects of acquisitions and foreign exchange movements, however, 2010 revenue was 6% down on 2009. This reflects significant reductions from the US and Western Europe, partly offset by good growth in Australia and the Group's developing markets.

EBITDA was £85.0m, compared to £113.2m in 2009 and operating profit was £43.3m, down from £77.3m in 2009. Adjusting for the effects of acquisitions and currency movements, the Group's operating profit was down 54%. This reflects a reduction in the Group operating margin from 7.4% to 4.1%, mainly as a result of the depressed state of the Group's more established markets. The reported 2010 profit is stated after £3.8m of one-off redundancy and other reorganisation costs, incurred mainly at Suncoast in the US, in the UK and in Spain and France.

In the US, which represented 40% of Group revenue, the US dollar-denominated operating profit was down nearly 80% year-on-year, reflecting a further significant contraction in the US non-residential construction market and the residential market remaining depressed. The decline in CEMEA's constant-currency results was less marked, as the improved results from the Group's developing markets mitigated a significant reduction in CEMEA's profits earned in Western Europe. Reported profits from Australia increased by 15%, helped by a stronger Australian dollar and the acquisition of Waterway in June 2010. The UK reported a loss, stated after £1.0m of reorganisation costs.

The Group's trading results are discussed more fully in the Chairman's Statement and the Operating Review.

#### Impairment of goodwill

The 2010 results include a £21.8m non-cash exceptional charge in respect of the impairment of goodwill. Virtually all of this relates to the Group's investments in Suncoast in the US and Keller-Terra in Spain. Suncoast sells mainly to the US residential market and this market and the construction market in Spain are, of all the Group's markets, the two which have been most severely impacted by the global recession. The impairment charge includes all of the £7.6m goodwill in respect of Keller-Terra and £13.5m, or about one-third, of the total Suncoast goodwill.

<sup>1</sup> Before goodwill impairment

#### Net finance costs

Net finance costs increased to £3.7m in 2010 from £2.6m in 2009. This increase is due to non-cash items included in net finance costs under IFRS. The net interest payable on the Group's net debt increased marginally to £3.1m, with the benefit of lower average interest rates being offset by higher average borrowings.

#### Tax

The Group's underlying effective tax rate was 28%, down from 30% in 2009, as a higher proportion of the Group's profit was derived from lower tax countries. This lower rate is expected to be maintained in the short term.

#### Earnings and dividends

Earnings per share (EPS) before goodwill impairment decreased by 44% to 44.0p (2009: 78.8p). Basic EPS, stated after goodwill impairment, was 17.3p (2009: 78.8p). The Board has recommended a final dividend of 15.2p per share, which brings the total dividend to be paid out of 2010 profits to 22.8p, a 5% increase on last year. The 2010 dividend is covered 1.9 times by earnings before goodwill impairment.

#### Cash flow

The Group has always placed a high priority on cash generation. The current economic environment is inevitably putting pressure on working capital in certain locations and we continue to focus on maximising cash generation and minimising the Group's investment in working capital. Net cash inflow from operations was £70.3m, representing 83% of EBITDA. Year-end working capital was £106.7m, £21.7m more than at the end of 2009. Stripping out the impact of currency movements and acquisitions, year-end working capital increased by £14.9m or 18%, as a result of the fourth quarter's revenue being significantly higher than the fourth quarter in 2009. As expected, capital expenditure, net of disposals, was reduced by around 20% to £28.6m, which compares to depreciation of £40.0m.

The Group spent £23.4m in cash on acquisitions in the year, including net debt assumed. Of this amount, £16.8m was the initial consideration for Waterway, a near-shore marine piling business based in Australia and £4.6m was spent on acquiring Nilex, a US wick drain business, both of which were acquired in June 2010. The remaining £2.0m was deferred consideration. At the year end, a total of £7.1m was accrued as deferred consideration, mainly payable in 2013 in respect of Resource Piling, a business based in Singapore which was acquired in 2009.

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### Financing

As at 31 December 2010, year-end net debt amounted to £94.0m (2009: £78.8m). Based on net assets of £330.8m, year-end gearing was 28%, up slightly from 24% at the beginning of the year.

In December 2010, the Group completed the refinancing of its main banking facilities. The Group's debt and committed facilities now mainly comprise a US\$100m private placement, repayable US\$30m in October 2011 and US\$70m in October 2014, and a new £170m syndicated revolving credit facility expiring in April 2015. At the year end, the Group also had other committed and uncommitted borrowing facilities totalling around £43m. The Group therefore has sufficient available financing to support its strategy of growth, both through organic means and targeted, bolt-on acquisitions.

The most significant covenants in respect of our main borrowing facilities relate to the ratio of net debt to EBITDA, EBITDA interest cover and the Group's net worth. The Group is operating very comfortably within its covenant limits, as is illustrated in the table below.

Test	Covenant limit	Current position
Net debt / EBITDA	< 3x	1.5x*
EBITDA interest cover	> 4x	23x
Net worth	> £200m	£331m

\* Calculated in accordance with the covenant, with letters of credit included as net debt.

### Capital structure

The Group's capital structure is kept under constant review, taking account of the need for, availability and cost of various sources of finance.

### Pensions

The Group has defined benefit pension arrangements in the UK, Germany and Austria. The Group closed its UK defined benefit scheme for future benefit accrual with effect from 31 March 2006 and existing active members transferred to a new defined contribution arrangement. The last actuarial valuation of the UK scheme was as at 5 April 2008, when the market value of the scheme's assets was £26.9m and the scheme was 77% funded on an ongoing basis. The level of contributions, currently set at £1.5m a year, will be reviewed at the next actuarial valuation, which will be as at April 2011.

The 2010 year-end IAS 19 valuation of the UK scheme showed assets of £30.6m, liabilities of £38.0m and a pre-tax deficit of £7.4m.

In Germany and Austria, the defined benefit arrangements only apply to certain employees who joined the Group prior to 1998. There are no segregated funds to cover these defined benefit

obligations and the respective liabilities are included on the Group balance sheet. These totalled £12.7m at 31 December 2010. All other pension arrangements in the Group are of a defined contribution nature.

### Management of financial risks

#### Currency risk

The Group faces currency risk principally on its net assets, most of which are in currencies other than sterling. The Group aims to reduce the impact that retranslation of these assets might have on the balance sheet by matching the currency of its borrowings, where possible, with the currency of its assets. The majority of the Group's borrowings are held in US dollars, euros and Australian dollars, in order to provide a hedge against these currency net assets.

The Group manages its currency flows to minimise currency transaction exchange risk. Forward contracts and other derivative financial instruments are used to hedge significant individual transactions. The majority of such currency flows within the Group relate to repatriation of profits and intra-Group loan repayments. The Group's foreign exchange cover is executed primarily in the UK.

The Group does not trade in financial instruments, nor does it engage in speculative derivative transactions.

#### Interest rate risk

Interest rate risk is managed by mixing fixed and floating rate borrowings depending upon the purpose and term of the financing. As at 31 December 2010, virtually all the Group's third-party borrowings bore interest at floating rates.

#### Credit risk

The Group's principal financial assets are trade and other receivables, bank and cash balances and a limited number of investments and derivatives held to hedge certain of the Group's liabilities. These represent the Group's maximum exposure to credit risk in relation to financial assets. The Group has stringent procedures to manage counterparty risk and the assessment of customer credit risk is embedded in the contract tendering processes. Customer credit risk is mitigated by the Group's relatively small average contract size and its diversity, both geographically and in terms of end markets.

As a result, no customer represented more than 5% of revenue in 2010. The counterparty risk on bank and cash balances is managed by limiting the aggregate amount of exposure to any one institution by reference to their credit rating and by regular reviews of these ratings.

**James Hind**  
28 February 2011

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## The Board

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**1 Justin Atkinson**  
**Chief Executive**

Joined the Group in 1990. Group Financial Controller from 1995–99. Appointed Finance Director in 1999, Chief Operating Officer in 2003 and Chief Executive in 2004. Member of the Nomination Committee. Age 50.

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**2 James Hind**  
**Finance Director**

Joined the Group in 2003 from D S Smith plc, where he was Group Financial Controller. Previously with Coopers & Lybrand, including two years in their New York office advising on mergers and acquisitions. Age 46.

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**3 Bob Rubright**  
**Managing Director**  
**North America**

Joined the Group in 1984 with the Hayward Baker acquisition. Appointed President, Hayward Baker in 1994 and President, Keller Foundations Inc. in 1998. Appointed to the Board in 2003. Age 59.

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**4 Dr -Ing Wolfgang Sondermann**  
**Managing Director**  
**CEMEA**

Joined the Group in 1986. Appointed Deputy Managing Director, CEMEA in 1998 and Managing Director in 2001. Appointed to the Board in 2003. Age 60.

**5 Roy Franklin OBE****Non-executive Chairman**

Appointed to the Board in 2007 and as Chairman on 1 August 2009. Mr Franklin is a Non-executive Director of Norwegian-listed Statoil ASA and Australian-listed companies Santos Ltd and Boart Longyear Ltd. Formerly Chief Executive of Paladin Resources plc and Group Managing Director of Clyde Petroleum plc, following various senior management posts at BP. Chairman of the Nomination Committee. Age 57.

**6 Pedro López Jimenez****Non-executive Director**

Appointed to the Board in 2003. Mr Lopez Jimenez is Chairman of GTCEISU Construcción, S.A., Vice-Chairman of Dragados, S.A. and Board Executive Member of ACS Actividades de Construcción y Servicios, S.A. He was Secretary of State for Public Works and Urban Development in the Spanish Government between 1977 and 1979, Chairman of ENDESA between 1979 and 1982 and Chairman of UNION FENOSA between 2005 and 2009. Age 68.

**7 Gerry Brown****Non-executive Director**

Appointed to the Board in 2001 and became Senior Independent Director on 1 February 2008. Chairman of the Remuneration Committee and a member of the Audit and Nomination Committees. Mr Brown is Chairman of NovaQuest Capital and NFT Distribution Holdings. He is also Senior Independent Director of Forth Ports plc. His executive career included directorships with Exel Logistics plc, TDG plc and Tibbitt & Britten plc. Age 66.

**8 Richard Scholes****Non-executive Director**

Appointed to the Board in 2002. Chairman of the Audit Committee since October 2007 and a member of the Remuneration and Nomination Committees. Mr Scholes was a Director at Kleinwort Benson and its successors from 1986 to 2001. He is a Non-executive Director of Chaucer Holdings Plc. Age 65.

**9 Ruth Cairnie****Non-executive Director**

Appointed to the Board and as a member of the Audit, Remuneration and Nomination Committees on 1 June 2010. Ms Cairnie is Vice President of the Global Commercial Fuels business of Royal Dutch Shell Plc. Her current role follows a number of senior international roles within Shell, including serving on the boards of Shell Pakistan Ltd and joint venture companies in Germany and Thailand. Age 57.

**10 Chris Girling****Non-executive Director**

Appointed to the Board and as a member of the Audit, Remuneration and Nomination Committees on 28 February 2011. Mr Girling is a Non-executive Director of Elementis plc and Arco Limited and the independent Chairman Trustee for Slaughter and May's pension fund. Formerly Group Finance Director of Carillion plc. Age 57.

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## Social responsibility

### Overview

The Board recognises that its responsibilities extend beyond financial results and related matters. Effective management of health and safety, environmental, ethical and other social risks (described together here as 'social risk') is fundamental to the Board's duty of care to our stakeholders, as well as being important to our corporate reputation and profitability.

The Board's role is to provide effective leadership, establish overall policy for the Group, and monitor the performance of the operating companies in relation to social risk, whilst the Chief Executive is ultimately accountable for the Group's social responsibility. Within each of our businesses, line managers are charged with delivering performance safely and with integrity, supporting Group policy, and providing leadership within their business. All employees are responsible for following Group policy with the support, direction and commitment of line management.

Our Code of Business Conduct, which can be found on our website, comprises the guiding principles which govern our attitude to social risk and which promote honesty, fairness and integrity in our relationships with (i) employees, (ii) customers, suppliers and competitors, and (iii) the community/environment.

During the course of 2011, we will roll out a Business Conduct Compliance Programme, which will integrate our Code of Business Conduct with existing policies and procedures, including those on competition, equal opportunities and whistle-blowing and will include anti-bribery and corruption guidelines.

The rest of this report is organised under four headings, representing the main areas where our business impacts on others and where we recognise our responsibilities to society:

- Our workplace and people
- Our environment
- Our marketplace
- Our communities

### Our workplace and people Keller Safety Framework

The construction industry presents significant safety challenges, particularly in some of our emerging markets, where the safety culture within the industry, and indeed in society at large, is less well developed than in our mature markets. In order to have a consistent approach across the Group and to raise the safety performance of all our businesses to the standard of the best, we have developed a safety framework, which we call our 'Think Safe, Work Safe, Go Home Safe' programme. This is a system which links together different aspects of our safety management including our Safety Goal, Principles, Policy and Minimum Standards. Management of every business or operation is responsible for following the Safety Principles and implementing and maintaining the Minimum Safety Standards.

There is still a sense within some parts of our industry that workplace accidents are inevitable and therefore, establishing belief in our ultimate goal of zero injuries and an acceptance that all accidents are preventable requires a change of mindset. We see our safety programme as an ongoing process of changing attitudes and firmly establishing the principle that we are all responsible for correcting unsafe work conditions or unsafe behaviour, if necessary, at the expense of productivity.

During 2010 a new Safety, Health & Environment Committee was formed, to promote continuous improvement in our health, safety and environmental performance. The Committee, which meets twice a year, is chaired by the Chief Executive and also comprises the Group Finance Director and the heads of the Group's four operating divisions.

### Safety performance in 2010

Despite our endeavours, it is with great regret that we must report two fatal accidents involving employees at Keller worksites during 2010: one in Spain in July and another in the US in November. These deaths, which had a profound impact on work colleagues and had resonance all around the Group, are the reason why we have to be relentless in our efforts to eliminate work-related accidents. Both have been the subject of detailed internal investigations, one of which is ongoing. As with all serious incident investigations, our policy is to share any lessons learned with other Group businesses and, where applicable, for these to be acted upon in a timely way.

Turning to our safety statistics for 2010, Keller uses the accident frequency rate (AFR) and accident incident rate (AIR) to track safety performance, where AFR is the number of accidents per 100,000 hours worked and AIR is the number of accidents per 100,000 employees and where 'accidents' comprise fatalities, major injuries (as defined by the Health & Safety Executive in the UK) and injuries involving more than three days' absence. The AFRs and AIRs for 2010 in the table below show that all divisions improved their safety performance by these measures year-on-year.

**Changes in the annual Accident Frequency Rate (AFR) and Accident Incident Rate (AIR)**

	2010		2009	
	AFR	AIR	AFR	AIR
US	0.17	354	0.39	749
CEMEA	1.07	2,475	1.56	3,499
Australia	0.22	491	0.31	684
UK	0.76	1,519	0.88	1,764

Excludes Waterway and Nilex acquired June 2010

### Comparisons with industry standards

#### US

The common safety measure used in the US construction industry is the experience modification rating (EMR). The lower the score, the better the safety record. In 2010, the EMR for KFI was 0.77, which continues to compare well with the industry standard rating of 1.00.

An alternative safety measure used in the US is the total Recordable Injury Rate (RIR). The 2010 RIRs for our US businesses are shown below, alongside the industry average for 2009 (the most recent), published by the Bureau of Labor Statistics. All of our US businesses have a lower (better) RIR than the most recently published industry average.

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#### Australia

In Australia, the closest available industry comparator is the construction industry incident rate published at [www.safeworkaustralia.gov.au](http://www.safeworkaustralia.gov.au). The preliminary data for 2008/09, the most recent available, shows a rate of 2,180. This rate only reflects occurrences resulting in absence of one week or more, whereas the significantly better 2010 AIR for Keller Australia of 491 reflects a broader category of incidents.

#### UK

The 2010 average AIR for members of the Federation of Piling Specialists, the most appropriate comparator group for Keller in the UK, was 911, indicating that our UK safety performance in 2010, based on an AIR of 1,519, was worse than the average for our sector of the industry. However, we are encouraged that the AIR rating of our UK business did improve year-on-year (from 1,764 in 2009) and that performance further improved in the second half of 2010, in which only one of an annual total of six reported accidents occurred. We believe that management's sharp focus on safety in this business will underpin further and sustained improvement.

#### CEMEA

Eurostat (the statistical office of the European Communities) is working on a programme to give consistency to workplace injury statistics in the European Union. While work towards producing statistics on non-fatal injuries that are comparable across Europe is progressing, such statistics are not yet available. Similar issues arise with regard to national comparator data for our Middle East and Asia regions. In view of this, we are currently unable to provide industry average statistics for the region.

### 2010 Performance against safety objectives

For 2010, we set two Group-wide safety objectives: (i) to roll out the 'Think Safe, Work Safe, Go Home Safe' programme, and (ii) for the businesses to carry out a baseline assessment of their health and safety arrangements and performance.

The new safety programme has been communicated to employees through written communications and local briefing sessions and now forms part of our regular employee induction. All four divisions have undertaken baseline assessments, although one of the four divisions has yet to carry out these assessments at the business level, which it will do during 2011.

### 2011 Safety objectives

Group-wide safety objectives for 2011, relating to senior managers' site safety tours and improved near-miss reporting, have been set. In addition, individual objectives have been set for each of our divisions, some examples of which are shown in the box below.

#### Examples of divisional safety objectives for 2011

- **US** – review and update the New Hire Safety Orientation programme
- **US** – introduce safety newsletters and weekly safety updates throughout all six businesses
- **CEMEA** – improved near-miss reporting and analysis
- **CEMEA** – improved networking of health and safety professionals
- **Australia** – four businesses to achieve AS 4801 – Occupational Health and Safety Management Systems (Waterway already has this accreditation)
- **Australia** – introduction of Safety Awards, with external assessment
- **UK** – improve effectiveness of Safety Coaches
- **UK** – improve effectiveness of Directors' Safety Tours

### Being a responsible employer

As a Group, we aim to provide fair employment opportunity to all irrespective of gender, creed, ethnic origin, nationality, sexual orientation, age or disability, whilst not offending, or being insensitive to, the traditions and cultures of countries in which we operate. We believe in treating all employees with dignity and respect and do not tolerate any form of harassment, discrimination or bullying.

Our businesses communicate regularly with their employees using a number of forums and media channels which provide employees with an opportunity to express their views. These include company newsletters, consultative councils, suggestion schemes, electronic messaging as well as informal, company-wide social events.

## Social responsibility

Continued

We are committed to advancement based on merit and the importance of providing training and development opportunities which enable employees to reach their highest potential and increase their contribution to the Group. In addition to technical and competency based training, management training programmes operate in all divisions. For example, Keller UK, which has been an 'Investors in People' employer since 2005, has recently expanded its successful management development programme called 'Keller Futures' to include three management leadership modules specifically aimed at improving skills, competencies and behaviours of site supervisors, engineers and middle managers.

At the Group level, we run a strategic development programme, through which every two years some 20 to 25 senior managers from around the Group participate in three modules, each lasting one week.

### Engaging with employees

- The 'Keller Academy' trains young engineers from across Continental Europe in Keller's specialist products and techniques and this model has recently been replicated in the Far East
- Keller Austria runs an annual ski competition – the Keller Cup – for colleagues from Group companies across Europe and their families
- In the UK, we recently introduced routine health screening for all employees and have the promotion of healthier lifestyles as one of our future goals
- A number of our businesses provide employee assistance programmes, which provide professional counselling and referral services and are available to employees and their immediate families. They can seek assistance for a range of problems including addiction, financial or psychological concerns
- In Germany, an annual social event for current and retired employees and their families provides an opportunity for a regular open exchange of views

### Our environment

Environmental management is an essential part of our approach to good business management, particularly as our construction-related activities have direct environmental impacts. Costs of waste disposal, energy and construction materials are expected to continue to increase over the long term, so managing our environmental inputs and outputs is also integral to reducing site operational costs and increasing efficiency.

### Group environmental programme

Over the past two years, we have developed a common framework for the management of both risks and opportunities that are generated by the increased focus on the environment. It is important that such a framework reflects the different drivers – economic and socio-political – that determine where on the spectrum of environmental best practice the different regions in which we operate are positioned. Whilst, as with safety, our ultimate goal is to raise the overall standard to that of the best-performing businesses, we know that this will take time.

Our Environmental Policy reflects the credentials of our most environmentally progressive businesses. We expect all of our businesses to aspire to these credentials and to ensure that they become embedded in their business processes as soon as is reasonably practicable. The policy can be found on our website ([www.keller.co.uk](http://www.keller.co.uk)).

Two years ago, we identified five initial environmental objectives, some of which we anticipated would be met by the end of 2010, whilst others were expected to take up to three years to achieve. The progress made to date is summarised in the table below.

Objective	Progress made
<b>Develop an energy reduction plan</b>	Measurement and reporting of energy used in principal office and workshop buildings, motor vehicle fleet and operational plant and equipment was established in 2010. Some coverage and data quality issues remain to be resolved and accordingly, specific reduction targets will not be set until later this year, when we have more confidence in the robustness of the data. In the meantime, various energy-saving initiatives are underway around the Group, some of which are summarised on the next page.  Although we are not yet in a position to publish information on the carbon footprint of the whole Group, we have calculated the carbon footprint based on Scope 1 and Scope 2 emissions only for Keller UK, using emissions factors published by the UK's Department for the Environment, Food and Rural Affairs in September 2009 – see the box on page 21. Over time, we will extend the scope of this reporting to include other Group operations.
<b>Provide environmental awareness training</b>	Just under 40% of employees have now received environmental awareness training.
<b>Appoint environmental champions</b>	Environmental champions appointed in all divisions.
<b>Communicate how we meet our customers' environmental needs</b>	Our businesses in the UK, Australia and parts of CEMEA have made substantial progress in communicating through brochures and websites how they can help their customers with their environmental agendas. One example is 'Sustainability and Keller Ltd' – a booklet published last year, which sets out what sustainability means for our UK business.
<b>Implement an environmental compliance programme</b>	All of our businesses have well developed environmental management systems and, outside of the US, all have rolling programmes of environmental inspections of sites and workshops.

### Energy saving initiatives around the Group

- Electronic monitoring devices, to record fuel efficiency of individual items of plant, are fitted to all of our new vibro equipment and are being gradually retrofitted to older equipment in Germany
- CEMEA division is conducting post-project reviews of fuel consumption on large jobs to identify energy efficiency opportunities
- Several of our businesses have introduced auto shut-off to eliminate engine idling across our heavy equipment, others regularly run 'switch it off' campaigns
- We have a policy of 'right sizing' equipment, such that no more than the required level of power is used
- Suncoast has installed on a proportion of its motor fleet an on-board monitoring device designed to reduce fuel consumption
- Most businesses have reduced their average motor fleet age and introduced more efficient and cleaner engine technology
- By replacing personal company cars with a car and fuel allowance, Hayward Baker believes that it has reduced both its direct and indirect vehicle fuel consumption

### Keller UK Carbon footprint – Scope 1 and 2 emissions

We have estimated the Scope 1 and 2 absolute tonnes equivalent CO<sub>2</sub> for our UK operations as shown below

We are not subject to the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme in the UK, as our energy usage falls well below the scheme's threshold

	CO <sub>2</sub> e (tonnes)		kWh	
	2010	2009	2010	2009
<b>Scope 1 – direct emissions</b>				
Fossil fuel use on-site	65	63	351,069	342,919
Owned road vehicles	1,357	1,527	5,367,267	6,035,643
<b>Scope 2 – indirect emissions 'electricity and imports'</b>				
Electricity	432	401	793,934	737,033
<b>Total</b>	<b>1,854</b>	<b>1,991</b>	<b>6,512,270</b>	<b>7,115,595</b>
Absolute tonnes equivalent CO <sub>2</sub> per £m of revenue	37	35		

### 2011 Environmental objectives

Individual objectives have been set by division and some examples of these are shown in the box below

#### Examples of divisional environmental objectives for 2011

- **CEMEA** – improved quarterly environmental reporting
- **CEMEA and Australia** – energy reduction programmes to be agreed for individual businesses
- **Australia** – four businesses to achieve ISO 14000 – Environmental Management Systems (Waterway already has this accreditation)
- **UK** – achieve a 10% reduction in greenhouse gas emissions by 2012 as measured at our fixed installations
- **UK** – reduce use of potable water by 10% by 2012 at our depots and offices, encourage the use of grey water on site
- **UK** – reduce dust and noise through improvements in site methods and machinery

### Products and services with environmental benefits

In addition to trying to reduce our own operational environmental impacts, our businesses offer a variety of techniques and services which can help their customers to meet their environmental needs

In most of the regions where we work, we offer our customers a choice between traditional foundations and more sustainable alternatives. Many of our ground engineering techniques have lower environmental impacts than the more traditional foundation techniques with which they compete. For example, our stone columns, using only inert stone, are generally considered to be environmentally friendly alternatives to the steel or concrete products for which they are often substitutes.

Apart from stone columns, we commonly use other displacement systems, such as driven cast in situ piling and dynamic compaction, which create no spoil and therefore eliminate transport movements to and from landfill sites. The soft-facing reinforcing systems offered by our Phi business as an alternative to sheet piling also reduce the need to remove soil and replace with expensive filling. Instead, softwood timber can be used to create steeper retaining walls, enabling greater land use. All Phi's timber is from a renewable material source, with a lower carbon footprint than sheet piling.

## Social responsibility

Continued

We are also looking into ways of reducing the amount of carbon content in our foundations solutions, such as increasing the proportion of recycled materials used, reducing our energy consumption where this is an option and increasing our use of locally sourced materials. Our UK business has made further progress in finding alternative aggregate sources for its vibro replacement products, having recently used crushed concrete, recycled glass and bottom waste incinerator 'ash', and now uses recycled aggregates in over 50% of its vibro foundations. It has also been providing support through the provision of equipment to Novacem, a spin out company from Imperial College, London, which has developed a carbon negative cement solution.

### Carbon calculators and carbon offset

In the UK, for some time we have been offering customers calculations of the embodied carbon associated with our solutions and the ability to offset embedded carbon through the JP Morgan Climate Care scheme. This scheme supports low carbon sustainable developments, such as hydroelectric power, improved farming and techniques to reduce deforestation.

We hope to progressively extend this offering to more customers of Group companies and, to ensure a consistency of approach, our Carbon Committee has developed Group guidelines for calculating greenhouse gas emissions emitted by Keller products.

### Products to stabilise the natural environment and for the environmental sector

Some Keller products are designed specifically to stabilise ground environmental conditions, such as techniques for slope stabilisation, decontamination or containment of contamination and the preparation of brownfield sites. We also continue to work on a significant number of land reclamation and dam remediation schemes.

In addition, Keller ground improvement products and services are often supplied to the environmental sector, such as wind energy and biofuel companies, and so are enabling the development of third parties' environmentally beneficial technologies.

### Our marketplace

Group companies take a leadership role within their industry by providing employees, customers, suppliers and potential employees with technical papers, seminars, field trips and site visits. Staff from companies throughout the Group maintain close contact with partner universities in order to share best practice and provide examples of their leading edge engineering. For example, Hayward Baker is partnering with three US universities to assist in the development of rational design methods for using ground improvement for liquefaction remediation.

Many of our senior managers play key roles in the geotechnical construction industry's professional associations and activities around the world, getting involved in writing building codes, specifications, guidelines, and industry-wide safety initiatives.

### Our communities

Companies within the Keller Group often play an important role in their communities, typically by supporting their employees when they engage with community groups and local charities. The benefit of these activities is twofold: for the business there is benefit in terms of company profile and employee satisfaction and development, then there is also the direct benefit to the communities concerned. See the box below for some recent examples of what we have been doing.

### Community actions

- 2010 presented an unusual opportunity for McKinney to provide charitable support, when they were approached to supply a drilling hammer to help in the rescue effort to release 33 trapped Chilean mine workers at the San Jose mine near Copiapo, in Chile.
- In the UK, support of local charities is given through our regional offices. Future goals include a matching scheme, to support the charitable efforts of employees, and the designation of 'Work in the Community' days, when employees can give up some of their time to support worthwhile projects.
- When flooding in the Brisbane area brought some of Keller Australia's sites to a standstill early in 2011, instead of staying at home, a number of our employees volunteered to help in the clean-up effort.



# Directors' report

Company number 2442580

The Directors present their report, together with the audited accounts for the year ended 31 December 2010

## Business review and principal activities

The Group's principal activity is specialist ground engineering

In accordance with section 417 of the Companies Act 2006, the Directors are required to produce a business review in this report. The information which fulfils this requirement can be found in the sections set out below and is incorporated by reference into this report. A review of

- the Group's progress and future prospects, including discussion of the Group's markets and competitive environment and the main trends and factors likely to affect the future development, performance and position of the Group's business is given on pages 4 to 15, and
- environmental matters, employee, social and community issues may be found on pages 18 to 22

## Risks and key performance indicators

The key business risks and uncertainties affecting the Group relate to market cycles, the tendering and management of contracts, acquisitions, and people. These are explained more fully on page 7, where the key performance indicators, measuring success in managing these risks, are also shown.

The Group is geographically diverse and is managed as a series of local businesses. In the Board's opinion, the Group's business model helps to balance the risks intrinsic in the business. For example, the Group typically works in around 40 countries, undertaking approximately 7,000 contracts a year, and accordingly, it is not dependent on any one individual contract or customer.

The Group's financial risk management objectives and policies are discussed in the Financial Review on page 15.

## Results and dividends

The results for the year, showing a profit before taxation of £39.6m (2009: £74.7m), are set out on page 38.

The Directors recommend a final dividend of 15.2p per share to be paid on 27 May 2011, to members on the register at the close of business on 6 May 2011. An interim dividend of 7.6p per share was paid on 1 November 2010. The total dividend for the year of 22.8p (2009: 21.75p) will amount to £15.0m (2009: £14.3m).

## Directors

The rules governing the election and re-election of directors may be found in the Corporate Governance Report on page 32. The powers of Directors of the Company are as set out in the Company's articles of association.

The names and biographical details of the Directors who hold office at the date of this report are given on pages 16 and 17. All served throughout the year with the exception of Ms Ruth Cairnie and Mr Chris Girling, who joined the Board on 1 June 2010 and 28 February 2011 respectively.

The interests of the Directors in the share capital of the Company are shown in the Remuneration Report on page 29. Directors' conflicts of interest are discussed in the Corporate Governance Report on page 32.

The Company's articles of association indemnify the Directors out of the assets of the Company in the event that they suffer any loss or liability in the execution of their duties as Directors, subject to the provisions of the Companies Act 2006.

## Retirement and re-election

Mr Justin Atkinson and Mr Gerry Brown will retire by rotation at the Annual General Meeting and will offer themselves for re-election. Mr Richard Scholes who has now served for more than nine years on the Board will retire and will not stand for re-election. In addition, Ms Ruth Cairnie and Mr Chris Girling, who have been appointed since the last Annual General Meeting, will offer themselves for election for the first time.

## Share capital and substantial shareholdings

The structure of the Company's share capital, including the rights and obligations attaching to shares, is given in note 24 to the consolidated financial statements.

Details of shares allotted by the Company during the year appear in note 24 to the consolidated financial statements.

At 28 February 2011, the Company had been notified in accordance with the Disclosure and Transparency Rules of the Financial Services Authority of the following interests in its issued ordinary share capital:

Company	Number of shares held	Percentage of the Company's total voting rights
BlackRock Inc*	7,080,046	11.0%
GTCEISU Construcción, S A	3,691,985	5.6%
Baile Gifford & Co	3,251,556	5.1%
Schroders plc	3,197,991	4.9%
Legal & General Group plc	2,603,680	4.0%
Aviva plc and its subsidiaries	2,337,236	3.6%

\* Including Financial Instruments with similar economic effect to Qualifying Financial Instruments

## Directors' report

Continued

### Research and development

The Group continues to have in-house design, development and manufacturing facilities, where staff work closely with site engineers to develop new and more effective methods of solving problems of ground conditions and behaviour. Most of the specialised ground improvement equipment we use is designed and built by us and, where applicable, the development costs are included in the cost of the equipment.

### Corporate governance

This is the subject of a separate report on pages 31 to 35 which details the Company's compliance with the June 2008 Combined Code. The Remuneration Report is set out on pages 25 to 30.

### Social responsibility

The Group's approach to employee involvement, equal opportunities, health and safety and the environment is set out in the Social Responsibility Report on pages 18 to 22.

### Going concern

The Group is in a very sound financial position, having continued its consistent track record of converting profits into cash. It has significant committed facilities and is operating well within all the associated financial covenants. Accordingly, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing the annual financial statements.

Further information regarding the financial position of the Company, its cash flows, liquidity position and borrowing facilities is given in the Financial Review on pages 14 to 15. In addition, note 23 to the financial statements describes the Company's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposures to credit risk and liquidity risk.

### Payments to suppliers

The Group's policy, in relation to all of its suppliers, is to settle terms of payment when agreeing the terms of the transaction and to abide by those terms, providing that it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. The Group does not follow any code or statement on payment practice.

At 31 December 2010 the Group had 64 days' (2009: 58 days') purchases outstanding.

### Political and charitable contributions

No contributions were made to any political party during the year. Donations made by the Group in the UK for charitable purposes were £5,000 (2009: £70,000) with charitable donations of £109,000 (2009: £146,000) made by the Group as a whole.

### Annual General Meeting

The full wording of the resolutions to be tabled at the forthcoming Annual General Meeting is set out in the Notice of Annual General Meeting on page 70.

### Disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's Auditors are unaware, and each Director has taken all the steps that he or she ought to have taken as a Director to make him or herself aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

### Auditors

In accordance with section 489 of the Companies Act 2006, a resolution for the reappointment of KPMG Audit Plc as Auditors to the Company is to be proposed at the forthcoming Annual General Meeting.

### On behalf of the Board

Jackie Holman

Secretary

28 February 2011



# Remuneration report

## Introduction

In preparing this report, the Committee has complied with the Companies Act 2006 (the 'Act') and the June 2008 Combined Code as set out at [www.frc.org.uk/corporate/ukcgcode/cfm](http://www.frc.org.uk/corporate/ukcgcode/cfm) (the 'Code'). A resolution to approve the report will be proposed at the forthcoming Annual General Meeting of the Company.

The Regulations require the Auditors to report to the Company's members on the 'auditable part' of the Remuneration Report and to state whether, in their opinion, that part of the report has been properly prepared in accordance with the Act. The report has therefore been divided into separate sections for unaudited and audited information. Within the unaudited section, the report deals with the remuneration policy which is to be followed from 1 January 2011.

## Unaudited information Remuneration Committee

The Company has established a Remuneration Committee (the 'Committee') in accordance with the recommendations of the Code. The names of members of the Committee during the year are given below. The Committee was chaired by Mr Brown and all members served on the Committee throughout the year, except where indicated.

### Committee members

E G F Brown (Chairman)  
Dr K Bond (until 17 May 2010)  
R Cairnie (from 1 June 2010)  
R T Scholes

The Committee's terms of reference are available on the Group's website ([www.keller.co.uk](http://www.keller.co.uk)) and on request from the Company Secretary. The principal function of the Committee is to agree the framework and policy for the remuneration of the Group's senior management and to determine, on behalf of the Board, the remuneration packages of the Executive Directors. The Committee is also responsible for monitoring the level and structure of remuneration for senior management and for annually reviewing and noting remuneration trends across the Group. As more than 90% of the workforce is based outside the UK, remuneration packages for the Group's senior management will vary according to local market norms and conditions.

No member of the Committee has any personal financial interest (other than as a shareholder), conflict of interest arising from cross-directorships or day-to-day involvement in running the business. Apart from Dr Bond, who was not deemed to be independent under the Code in his last few months on the Board, having served for more than nine years, all other members of the Committee were independent throughout the period of their membership. Given their diverse backgrounds, the Board believes that the members of the Committee are able to offer an informed and balanced view on executive remuneration issues.

The frequency of, and attendance at, meetings of the Committee during the year is shown in the Corporate Governance Report.

In determining the Executive Directors' remuneration for 2011, the Committee has consulted Mr Franklin, the Chairman, and Mr Atkinson, the Chief Executive, about its proposals, except (in the case of Mr Atkinson) in relation to his own remuneration. No Executive Director is involved in determining his own remuneration.

During the year, the Committee has received advice on Executive Directors' remuneration from Hewitt New Bridge Street ('HNBS'), who were appointed by the Committee and who have also advised the Company on the valuation of share-based payments.

## Remuneration policy and arrangements

The objective of the remuneration policy is to attract, retain and motivate Executive Directors and senior executives of the highest calibre to further the Company's interests and to optimise long-term shareholder value creation. The remuneration policy also seeks to ensure that members of the Group's senior management are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company.

Executive Directors are assessed individually so that their remuneration is directly related to their performance over time.

The Committee has adopted the principle that basic salary should be set broadly in line with the median for executives in a role of comparable standing and that Executive Directors should be able to achieve total remuneration at the market upper quartile level when justified by superior performance.

An appropriate balance is maintained between fixed remuneration and variable (performance-related) remuneration. Fixed remuneration is made up of basic salary, pension and other benefits. Variable remuneration is made up of an appropriate mix of short-term and long-term incentives (further details of which are given below). At 'target' performance (i.e. assuming that 50% of salary is payable under the annual bonus and that 55% of the performance share awards vest), 51% of the package for each of the Executive Directors, excluding pension and other benefits, comprises variable elements. Assuming performance-linked elements pay out in full, the proportion of the variable elements increases to 71% of the total package, excluding pension and other benefits.

Benchmarking of remuneration is not carried out annually, but is a tool used occasionally by the Committee to ensure that remuneration remains competitive. The last exercise to benchmark the remuneration of all Executive Directors was undertaken in 2007 and the remuneration of the Finance Director was subsequently re-assessed in 2009. Other than where benchmarking reveals a significant misalignment with market rates, Executive Directors' basic salaries increase broadly in line with salary increases across the Group, although there may be regional differences reflecting local market and trading conditions.

This remuneration policy is expected to apply to the 2011 financial year and to subsequent years. The details of the component parts of the remuneration package for Executive Directors are set out below.

## Elements of remuneration

There are five main elements of the remuneration package for Executive Directors and selected senior managers: basic salary, performance-related annual bonus, long-term incentive arrangements, pension arrangements and other benefits. Only basic salary is pensionable.

### (i) Basic salary

Salaries for Executive Directors are determined by the Committee before the start of each year and when an individual changes position or responsibility.

## Remuneration report

Continued

The Executive Directors elected to have no salary increases in 2010. For the year commencing 1 January 2011, their basic salary increases range from 2.0% to 2.5%.

### (ii) Performance-related annual bonus

The maximum annual cash bonuses for Executive Directors are set by the Committee and are subject to (i) stretching financial performance targets designed to enhance shareholder value, and (ii) individual performance against objectives set by the Committee, most of which are specifically linked to strategy. The performance-related bonuses are not pensionable.

In line with the principle that Executive Directors should be able to achieve total remuneration at the market upper quartile level when justified by superior performance, the maximum bonus potential is 150% of basic annual salary. Bonus representing up to 100% of salary will only become payable in full where very strong financial performance has been delivered. Any bonus earned in excess of 100% of salary will only become payable for exceptional performance and will be deferred for a period of three years. The deferred element of the bonus will be satisfied in cash, subject to continued employment over the deferral period. The amount of cash payable will be adjusted in line with movements in the Company's share price over the three-year period commencing on the last day of the year to which the bonus relates.

The 2011 bonus for Mr Atkinson and Mr Hind will be linked to the achievement of

- Group earnings per share ('EPS'), profit before tax ('PBT') and average net debt targets, and
- personal, task-based objectives

The 2011 bonus for Mr Rubright and Dr Sondermann will be linked to the achievement of

- divisional operating profit and average net debt targets,
- Group EPS and PBT targets, and
- personal, task-based objectives

Actual financial performance targets for 2011 are considered to be commercially sensitive and accordingly they are not disclosed in this report.

### (iii) Long-term incentive arrangements

The Company's long-term incentive arrangements are intended to encourage Executive Directors and selected senior managers to focus on long-term, strategic corporate objectives and to further align the interests of management and shareholders.

Under the Performance Share Plan, approved by shareholders in 2004, performance share awards may be granted each year to selected senior managers. The rules limit annual awards to 100% of an executive's basic annual salary, unless the Committee determines that exceptional circumstances exist, e.g. to facilitate the recruitment or retention of a key executive, in which case an award may be granted up to 200% of the relevant executive's basic annual salary. After having considered carefully the grant levels, taking account of the share price and the performance conditions (which are proposed to be unchanged, as described below), grants will be made to Executive Directors in 2011 over shares worth 100% of salary.

Performance share awards are released to executives after three years, subject to demanding performance conditions being met. Currently, 50% of a performance share award is conditional on

targets based on growth in EPS and the remaining 50% is based on relative total shareholder return ('TSR') against companies comprising the FTSE All-Share Index. Under this approach, in order for awards to vest in full, there must be very strong financial performance as well as stock market outperformance, thereby aligning the interests of Executive Directors with those of shareholders.

The Committee has considered carefully the range of growth targets for awards in 2011 and has decided to retain the same targets as have been adopted since 2007.

The following EPS growth targets will apply for awards granted in 2011.

For half of the shares subject to a performance share award

EPS growth (average over 3 years)	Proportion of shares that vest
Less than RPI + 4% pa	0%
RPI + 4% pa	30%
RPI + 9% pa	100%
Between RPI + 4% pa and RPI + 9% pa	Between 30% and 100% on a straight line basis

Earnings per share, for the purposes of the performance condition, is earnings per share before amortisation and impairment of intangible assets and exceptional items, as calculated from the Company's Annual Report and Accounts.

For awards granted in 2011, TSR performance will once again be compared to the companies comprising the FTSE All-Share Index (as it has been for awards granted since 2007).

For half of shares subject to a performance share award

Relative TSR (after 3 years)	Proportion of shares that vest
Below median ranking	0%
Median ranking	30%
Upper quintile ranking	100%
Between median and upper quintile ranking	Between 30% and 100% on a straight line basis

Performance is measured over a single three-year period, with the return at the end of the period being the average over the last three months of the performance period. To the extent that the targets are not achieved, the award lapses. At the end of the performance period, TSR calculations are independently performed for the Committee by HNBS.

The Committee expects that performance share awards granted since March 2008, and to be granted for the foreseeable future, will be satisfied by shares purchased in the market, either specifically to satisfy these awards or shares previously purchased and held in treasury.

Since 2001, the Group has had an Inland Revenue approved executive share option plan and an unapproved executive share option plan (the '2001 Plans'). No options have been granted under the 2001 Plans since 2003 and the Committee has no current intention of granting further options under these Plans, which will effectively expire in May 2011.

**(iv) Pension arrangements**

Mr Atkinson is a member of the Keller Group Pension Scheme (the 'Scheme'). The Scheme provides a pension based upon a percentage of final salary and pensions for dependants on death in service or following retirement.

The table on page 29 shows Mr Atkinson's accrued Scheme benefits. The Scheme closed to future benefit accrual with effect from 31 March 2006, since when Mr Atkinson has received a salary supplement in lieu of a Company contribution to an alternative pension arrangement. The salary supplement is not taken into account in determining bonuses or any other form of remuneration.

Dr Sondermann is a member of the defined benefit pension arrangements established by Keller Grundbau GmbH. Dr Sondermann's accrued benefits under these arrangements are included in the table on page 29.

Dr Sondermann is also a member of a defined contribution scheme, as are Mr Hind and Mr Rubright.

**(v) Other benefits**

Other benefits for Executive Directors comprise a car and payment of its operating expenses, or car allowance, private health care, life assurance, and long-term disability insurance.

**Service contracts**

In accordance with general market practice, it is the Company's policy that Executive Directors should have contracts with an indefinite term providing for a maximum of one year's notice. However, it may be necessary occasionally to offer longer initial notice periods to attract new directors, provided that the notice period shall reduce to one year after the initial period.

Service contracts between the Company (or other companies in the Group\*) and individuals who served as Executive Directors at any time during the year are summarised below.

Director	Date of service contract	Notice period
J R Atkinson	11 October 1999	12 months
J W G Hind	16 May 2003	12 months
R M Rubright	8 August 1977	12 months
	(modified by a memorandum of employment dated 12 May 2003)	
Dr W Sondermann	12 February 1998	12 months
	(modified by a memorandum of employment dated 5 March 2004)	

Mr Rubright's service contract is with Hayward Baker Inc.  
Dr Sondermann's service contract is with Keller Holding GmbH.

In the event of early termination, the Executive Directors' contracts provide for compensation up to a maximum of basic annual salary plus the fair value of benefits to which they are contractually entitled for the unexpired portion of the notice period. The Company seeks to apply the principle of mitigation in the payment of compensation on the termination of the service agreement of any Executive Director. There are no special provisions for payments to Executive Directors on a change of control.

The Board may allow Executive Directors to accept external appointments, however, in accordance with the Code, the Board will not agree to a full-time executive taking on more than one non-executive directorship, nor the chairmanship of any company. None of the Executive Directors held external appointments during 2010.

During the year, £20,000 was paid to Mr M W C Martin, a former Director of the Company, for services provided to Group companies.

**Non-executive Directors**

All Non-executive Directors have specific terms of engagement, the dates of which are set out below. For Non-executive Directors appointed before 1 October 2003, the initial appointment period is 12 months and thereafter the appointment is subject to three months' notice by either party. Subsequent appointments are for an initial three-year period, and thereafter are subject to review by the Nomination Committee, unless terminated by either party on three months' notice. There are no provisions for compensation payable in the event of early termination.

Director	Date of engagement letter
Dr K Bond (retired May 2010)	24 November 2003 (renewed January 2007 and October 2009)
E G F Brown	18 January 2002
R Cairnie	8 April 2010
R A Franklin	17 July 2007 (and 28 July 2009 re appointment as Chairman)
C F Girling	11 February 2011
P J Lopez Jimenez	21 January 2003
R T Scholes	8 February 2002

The determination of the Non-executive Directors' remuneration, including that of the Chairman, has been delegated by the Board to the Executive Directors, who are guided by independent surveys of fees paid to non-executive directors of similar companies. The fees paid to Non-executive Directors in the year, shown on the following page, are inclusive of the additional work performed for the Company in respect of membership of the Board Committees and reflect the time commitment and responsibilities of their roles. Non-executive Directors cannot participate in any of the Company's short- or long-term incentive arrangements.

As with the Executive Directors, the Non-executive Directors also elected to receive no increase in their fees for 2010. Their 2011 fees have increased by approximately 2.5%.

**Relative performance**

The following graph shows the Company's performance, measured by TSR, compared with the performance of the FTSE All-Share Index. This index has been selected because it best reflects the Company's international nature and size. The graph looks at the value, by the end of 2010, of £100 invested in Keller on 31 December 2005 compared with the value of £100 invested in the FTSE All-Share Index.

# Remuneration report

Continued

## Total Shareholder Return

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FROM HERE**

### Audited information

#### Directors' emoluments for the year ended 31 December 2010

	Basic salary 2010 £000	Fees 2010 £000	Benefits 2010 £000	Annual bonus 2010 £000	Other 2010 £000	Total emoluments 2010 £000	Total emoluments 2009 £000
<b>Executive</b>							
J R Atkinson	410	–	17	±	123	550	807
J W G Hind	295	–	11	±	–	306	492
R M Rubright	384	–	18	±	–	402	655
Dr W Sondermann	326	–	12	±	–	338	490
<b>Non-executive</b>							
Dr K Bond	–	17	–	–	–	17	40
E G F Brown	–	47	–	–	–	47	47
R Cairnie	–	23	–	–	–	23	–
R A Franklin	–	143	–	–	–	143	83
P J Lopez Jimenez	–	40	–	–	–	40	40
R T Scholes	–	47	–	–	–	47	47
Dr J M West (retired July 2009)	–	–	–	–	–	–	91
	<b>1,415</b>	<b>317</b>	<b>58</b>	<b>–</b>	<b>123</b>	<b>1,913</b>	<b>2,792</b>

The Executive Directors waived their entitlement to bonuses for 2010 – see below

Mr Rubright and Dr Sondermann are paid in US dollars and euros respectively and the differences between their 2009 and 2010 basic salaries arise solely on the translation of their salaries into sterling

The column headed 'Other' in the table above shows a salary supplement of £123,000 paid to Mr Atkinson in lieu of a Company pension contribution in 2010 (2009 £123,000) following the closure of the Scheme to future benefit accrual on 31 March 2006

A maximum annual cash bonus of 150% of basic annual salary was set for the Executive Directors for the year ended 31 December 2010. The 2010 bonus targets for Mr Atkinson and Mr Hind were linked to the achievement of Group EPS, PBT and average net debt targets (up to 130% of salary), and to personal, task-based objectives (up to 20% of salary). The 2010 bonus targets for Mr Rubright and Dr Sondermann were linked to the achievement of Group EPS and PBT targets (up to 20% of salary), to divisional operating profit and average net debt targets (up to 110% of salary), and to personal, task-based objectives (up to 20% of salary). The baselines for the 2010 Group financial performance targets at which no bonus was payable (as adjusted for actual 2010 exchange rates) were PBT of £48m, EPS of 53p and average net debt of £92m. The financial performance targets attracting maximum bonus are considered commercially sensitive and are not, therefore, disclosed.

The Executive Directors waived their entitlement to bonuses for 2010 in the following amounts: Mr Atkinson £69,700, Mr Hind £50,200, Mr Rubright £76,800, and Dr Sondermann £35,900.

**Directors' shareholdings**

The interests in the issued ordinary share capital of the Company of Directors holding office at the end of the year were

Director	At 31 December 2010		
	At 31 December 2010 Ordinary shares	At 31 December 2009 Ordinary shares	Shareholdings of Executive Directors as % of basic salary
J R Atkinson	202,693	195,083	311%
E G F Brown	24,840	24,840	n/a
R Cairnie	–	–	n/a
R A Franklin	6,000	6,000	n/a
J W G Hind	67,434	62,422	144%
P J López Jiménez*	3,691,985	3,691,985	n/a
R M Rubright	107,000	102,000	175%
R T Scholes	10,000	7,000	n/a
Dr W Sondermann	90,000	85,000	170%

\*Shares are registered in the name of GTCEISU Construcción, S A, a connected person of Mr López Jiménez

There is no formal shareholding requirement. However, all the Executive Directors have a meaningful shareholding in the Company, aligning their interests with those of shareholders, as indicated in the table above, which is based on a share price of 630p. There have been no changes in Directors' shareholdings between the end of the financial year and 28 February 2011.

**Directors' pension rights**

Company pension contributions for Directors to defined contribution schemes were as follows

Director	2010 £000	2009 £000
J W G Hind	53	53
R M Rubright	58	56
Dr W Sondermann	55	57
Total	166	166

The changes during the year in the accrued pension entitlements of Mr Atkinson under the Scheme and of Dr Sondermann under the defined benefit pension arrangements operated by Keller Grundbau GmbH are shown in the table below. The amount shown as accrued pension at the end of the year is that which would be paid annually on retirement, based on service to the end of the year.

Director	Transfer value of accrued benefit at beginning of year £000	Transfer value of accrued benefit at end of year £000	Increase in transfer value during the year less member contributions £000	Accrued pension at end of year £000	(Decrease)/ increase in accrued pension including inflation £000	Increase in accrued pension excluding inflation £000	Transfer value of increase in accrued pension excluding inflation less member contributions £000
J R Atkinson	1,642	1,791	149	95	(2)	0	0
Dr W Sondermann	67	86	19	5	1	1	2

# Remuneration report

Continued

## Directors' interests in the Performance Share Plan

	Awards held at 1 January 2010	Awards granted during the year	Awards exercised during the year	Awards lapsed during the year	Awards held at 31 December 2010	Exercise Price (per exercise)	Date from which exercisable	Expiry date
<b>J R Atkinson</b>								
2 March 2007	41,713	–	12,931	28,782	–	100 Op	02/03/10	01/09/10
6 March 2008	58,594	–	–	–	58,594	100 Op	06/03/11	05/09/11
5 March 2009	82,495	–	–	–	82,495	100 Op	05/03/12	04/09/12
5 March 2010	–	62,232	–	–	62,232	100 Op	05/03/13	04/09/13
<b>J W G Hind</b>								
2 March 2007	27,475	–	8,517	18,958	–	100 Op	02/03/10	01/09/10
6 March 2008	38,594	–	–	–	38,594	100 Op	06/03/11	05/09/11
5 March 2009	59,356	–	–	–	59,356	100 Op	05/03/12	04/09/12
5 March 2010	–	44,776	–	–	44,776	100 Op	05/03/13	04/09/13
<b>R M Rubright</b>								
2 March 2007	32,200	–	9,982	22,218	–	100 Op	02/03/10	01/09/10
6 March 2008	41,921	–	–	–	41,921	100 Op	06/03/11	05/09/11
5 March 2009	72,557	–	–	–	72,557	100 Op	05/03/12	04/09/12
5 March 2010	–	54,734	–	–	54,734	100 Op	05/03/13	04/09/13
<b>Dr W Sondermann</b>								
2 March 2007	25,955	–	8,046	17,909	–	100 Op	02/03/10	01/09/10
6 March 2008	37,716	–	–	–	37,716	100 Op	06/03/11	05/09/11
5 March 2009	59,124	–	–	–	59,124	100 Op	05/03/12	04/09/12
5 March 2010	–	50,419	–	–	50,419	100 Op	05/03/13	04/09/13

The market value of the shares on the dates of grant were 2 March 2007 881 Op, 6 March 2008 696 Op, 5 March 2009 523 Op, and 5 March 2010 655 5p

On 3 March 2010, when the market value of the shares was 664 5p, Mr Atkinson exercised an award over 12,931 shares and Mr Hind and Dr Sondermann exercised awards over 8,517 and 8,046 shares respectively. In addition, Mr Rubright exercised an award over 9,982 shares on 9 March 2010 when the market value of the shares was 664 Op. The pre-tax gains on awards exercised by Directors during the year were as follows: Mr Atkinson £85,925 (2009 £581,114), Mr Hind £56,594 (2009 £227,959), Mr Rubright £66,279 (2009 £594,459), and Dr Sondermann £53,465 (2009 £227,959).

The 2008, 2009 and 2010 awards are subject to two performance conditions linked to EPS and TSR, as detailed on page 26.

In the three-year performance period ended 31 December 2010 EPS growth was negative, whereas TSR ranked number 420 out of 584 companies in the FTSE All-share Index, the TSR comparator group for the 2008 grant. Accordingly, none of the performance share awards granted on 6 March 2008 are exercisable.

The market value of the shares at 31 December 2010 was 630 Op and the range during the year was 515 Op to 784 5p.

There have been no variations to the terms and conditions or performance criteria for share options or performance share awards granted to Executive Directors during the financial year.

## On behalf of the Board

**E G F Brown**  
Chairman  
Remuneration Committee  
28 February 2011





## Corporate governance

The Company is committed to maintaining high standards of corporate governance. The Board recognises that it is accountable to the Company's shareholders for corporate governance and this statement describes how the Company has applied the principles of the June 2008 Combined Code as set out at [www.frc.org.uk/corporate/ukcgcode.cfm](http://www.frc.org.uk/corporate/ukcgcode.cfm) (the 'Code'). Throughout the year to 31 December 2010, save as otherwise explained in the paragraph headed 'Compliance with the Code' on page 34, the Board believes that the Company was in compliance with the provisions of the Code.

### The Board

The Group is controlled through its Board of Directors. The Board's main roles are to create value for shareholders, to provide entrepreneurial leadership of the Group, to approve the Group's strategic objectives, and to ensure that the necessary financial and other resources are made available to enable those objectives to be met. The Board has a schedule of matters reserved for its approval, which it last reviewed in February 2010.

Specific responsibilities of the Board include setting Group strategy and approving the annual budget, reviewing operational and financial performance, approving major acquisitions, divestments and capital expenditure, reviewing the Group's systems of internal controls and risk management, ensuring that appropriate management development and succession plans are in place, providing leadership for, and reviewing the Group's performance in, environmental, health and safety matters, approving appointments to the Board, and approving policies relating to Directors' remuneration and Directors' contracts.

Board papers and other relevant information are circulated to the Directors in a timely manner in preparation for Board and Board Committee meetings. This information is supplemented by information specifically requested by the Directors from time to time.

### The roles of the Chairman and Chief Executive

There is a clear division of responsibilities between Mr Franklin as Non-executive Chairman and Mr Atkinson who, as Chief Executive, is the Director ultimately responsible for the running of the Group's business.

The Chairman is responsible for the following matters pertaining to the leadership of the Board:

- ensuring appropriate Board composition,
- ensuring effective Board processes,
- setting the Board's agenda,
- ensuring that Directors are properly briefed in order to take a full and constructive part in Board and Board Committee discussions,
- ensuring effective communication with shareholders, and
- ensuring constructive relations between Executive and Non-executive Directors.

The Chief Executive is responsible for the following matters:

- formulating strategy proposals for the Board,
- formulating annual and medium-term plans charting how this strategy will be delivered,
- apprising the Board of all matters which materially affect the Group and its performance, including any significantly underperforming business activities, and

- leadership of executive management to enable the Group's businesses to deliver the requirements of shareholders
- ensuring adequate, well-motivated and incentivised management resources,
- ensuring succession planning, and
- ensuring appropriate business processes.

### Directors and Directors' independence

The Board currently comprises the Chairman, five other Non-executive Directors and four Executive Directors. The names of the Directors at the date of this report, together with their biographical details, are set out on pages 16 and 17. All of these Directors served throughout the year with the exception of Ms Cairnie and Mr Girling who joined the Board on 1 June 2010 and 28 February 2011 respectively. In addition, Dr Bond served on the Board until May 2010.

The Non-executive Directors constructively challenge and help to develop proposals on strategy and bring strong independent judgement, knowledge and experience to the Board's deliberations. During the year the Chairman met with the Non-executive Directors without the Executive Directors present and there was regular informal contact between the Directors.

Mr Franklin was independent at the time of his appointment as Chairman on 1 August 2009. His other professional commitments are as detailed on page 17.

Mr Lopez Jimenez is associated with GTCEISU Construcción, S.A. (GTCEISU), which is a 49% shareholder in Keller-Terra S.L. and a 5.6% shareholder in Keller Group plc. Whilst the Board considers Mr Lopez Jimenez to be independent in character and judgement, he is not deemed to be independent of management under the Code, in view of GTCEISU's shareholding in Keller Group plc.

Dr Bond, who stood down in May 2010, had served on the Board for more than nine years and, accordingly, in his last few months on the Board was not deemed to be independent of management under the Code.

The Board considers all the other Non-executive Directors to have been independent of management throughout the year.

Looking beyond 2010, Mr Brown and Mr Scholes, having both now served on the Board for more than nine years, are no longer deemed independent under the Code, although the Board is of the view that their objectivity and willingness to challenge management have not been compromised in any way by their tenure on the Board. After his long association with the Company, during which time he has made an important contribution, Mr Scholes will stand down at the next Annual General Meeting and will be succeeded as Chairman of the Audit Committee by Mr Girling.

Mr Brown will retire by rotation and will stand for re-election. If he is re-elected, it is the Board's intention that, in the interest of continuity, he should remain, until May 2012 at the latest, as Senior Independent Director and Chairman of the Remuneration Committee, both senior roles which he has performed with commitment and diligence. As the process of refreshing the Board continues and more recently appointed Non-executive Directors gain a deeper knowledge of the Group, it is anticipated that these senior roles will be taken on by others.

## Corporate governance

Continued

There is an agreed procedure for any Director of the Company (whether executive or non-executive), both individually and collectively, to obtain independent professional advice. This procedure was reviewed by the Board and updated during the year. All Directors have unrestricted access to the Company Secretary and Chairman. The Company Secretary is responsible for advising the Board, through the Chairman, on all governance matters.

The Board had eight scheduled meetings during the year. A table showing attendance at these meetings, and at meetings of Board Committees, is set out on page 33. All Directors receive Board papers well in advance of meetings and it is usual for Directors who cannot attend a given meeting to discuss the business of the meeting in advance with the Chairman or the Senior Independent Director, in order to have input to the Board's deliberations.

As part of our policy of holding at least one Board meeting a year at an operational location, one of the Board meetings in 2010 was held in France and was combined with a visit to the Group's joint venture operation in Spain. This gave the Board an opportunity to receive presentations on the regions' markets and prospects and to meet some of the Group's senior managers.

### Directors' conflicts of interests

Section 175 of the Companies Act 2006 provides that directors have a statutory duty to avoid a situation in which they have, or can have, an interest that conflicts, or possibly may conflict, with the interests of the company. During the year, the Board conducted its annual review of the interests of the Directors which, with the exception referred to below, did not present any conflicts or potential conflicts with the Company.

The Board again reviewed Mr López Jiménez's interest as Chairman and a shareholder in GTCEISU Construcción, S.A. (GTCEISU). In 2002, GTCEISU and Keller created Keller-Terra S.L. – a joint venture for the development of the business in Spain, which is 51% owned by the Group.

As at the previous review, the Board recognised that the co-operation between Keller and GTCEISU and Mr López Jiménez's subsequent appointment brought clear benefits to the Company in terms of business development, industry knowledge and expertise. Mr López Jiménez's other interests in the ground engineering sector were well known to the Board at the time of his appointment. Accordingly, the Board concluded that it continued to be in the best interests of the Company to retain the services of Mr López Jiménez as a Director of the Company and, in accordance with the authority granted by shareholders at the Company's 2008 Annual General Meeting, the Board authorised the potential conflict presented by his interest in GTCEISU, subject to certain conditions and to continued annual reviews.

### Professional development

On appointment, Directors are provided with induction training and information about the Group, the role of the Board and the matters reserved for its decision, the terms of reference and membership of the Board Committees and the latest financial information about the Group. This is supplemented by visits to key locations and meetings with certain senior executives to develop the Directors' understanding of the business. During the year, the induction process for new Directors was reviewed and updated.

Throughout their period of office, Non-executive Directors are continually updated on the Group's business, its markets, social responsibility matters and other changes affecting the Group and the industry in which it operates, including changes to the legal and governance environment and the obligations on themselves as Directors.

### Performance evaluation and re-election

During the year, Mr Brown, as Senior Independent Director, led an evaluation of the performance of the Chairman. He conducted this process through a series of interviews with other Board members and the Secretary, followed by a feedback session with the Chairman.

A formal evaluation of the effectiveness of the Board and individual Directors was led by the Chairman, who held one to one meetings with all Directors. These meetings gave the Chairman an opportunity to give specific feedback to Directors and were followed by a report back to, and discussion by, the full Board. Following this process, the Chairman has confirmed that the Directors standing for election at this year's Annual General Meeting continue to perform effectively and to demonstrate commitment to their roles.

All Directors are subject to election by shareholders at the first Annual General Meeting following their appointment and, subject to satisfactory performance evaluation where appropriate, to re-election thereafter at intervals of no more than three years.

### Relations with shareholders

Throughout the year, the Chief Executive and Finance Director regularly meet with and make presentations to institutional investors in the UK, Continental Europe and the US. These include meetings following the announcement of the annual and interim results with the Company's largest institutional shareholders on an individual basis. All major shareholders have the opportunity on request to meet the Chairman, the Senior Independent Director or, on appointment, any new Non-executive Directors. On a regular basis, the Board is apprised of the views of the investment community through the circulation of brokers' research notes and feedback from analysts and investors, supplemented by occasional investor perception surveys.

The Annual General Meeting is normally attended by all the Directors and shareholders are invited to ask questions during the meeting and to meet with Directors after the formal proceedings have ended. The Notice of the Annual General Meeting, detailing all proposed resolutions, is posted to shareholders at least 20 working days prior to the meeting.

The Group maintains a corporate website, [www.keller.co.uk](http://www.keller.co.uk), containing a wide range of information of interest to investors, including presentations to institutional investors and analysts. The website is updated with all formal communications to the investment community immediately following their release through a recognised news service.

### Board committees

The number of full Board and Committee meetings attended by each Director during the year was as follows

	Scheduled Board meetings (8)	Remuneration Committee meetings (3)	Audit Committee meetings (4)	Nomination Committee meetings (2)
R A Franklin (Chairman)	8	n/a	n/a	2
J R Atkinson (Chief Executive)	8	n/a	n/a	2
J W G Hind (Finance Director)	8	n/a	n/a	n/a
R M Rubright (Executive Director)	8	n/a	n/a	n/a
Dr W Sondermann (Executive Director)	8	n/a	n/a	n/a
Dr K Bond (Non-executive Director until 17/5/10)	3	2	1	1
E G F Brown (Non-executive Director)	8	3	4	2
P J Lopez Jimenez (Non-executive Director)	7	n/a	n/a	n/a
R T Scholes (Non-executive Director)	8	3	4	2
R Cairnie (Non-executive Director since 1/6/10)	5	1	2	1

Figures in brackets indicate the maximum number of scheduled meetings in the period

### Committee terms of reference

The terms of reference for the Remuneration, Audit and Nomination Committees were reviewed and, where appropriate, updated during the year. They are available on the Company's website ([www.keller.co.uk](http://www.keller.co.uk)) and on request from the Company Secretary.

Cross membership ensures that decisions of the three committees are consistent and, where appropriate, integrated.

### Remuneration Committee

The names of members of the Committee during the year are given below. The Committee was chaired by Mr Brown and all members served on the Committee throughout the year, except where indicated.

#### Committee members

E G F Brown (Chairman)  
Dr K Bond (until 17 May 2010)  
R Cairnie (from 1 June 2010)  
R T Scholes

Apart from Dr Bond, who had served for more than nine years and was not, therefore, deemed to be independent under the Code in his last few months on the Board, all other members of the Committee were independent throughout the period of their membership.

This Committee is responsible for agreeing with the Board the framework and policy for the remuneration of the Group's executive management and for determining the remuneration packages of the Executive Directors. The Directors' Remuneration Report is set out on pages 25 to 30.

### Nomination Committee

The Nomination Committee is chaired by the Chairman of the Board, except to the extent that it deals with succession to the chairmanship of the Board, in which case the Senior Independent Director assumes this role. The names of members of the Committee during the year are given below. All members served on the Committee throughout the year, except where indicated.

#### Committee members

R A Franklin (Chairman)  
J R Atkinson  
Dr K Bond (until 17 May 2010)  
E G F Brown  
R Cairnie (from 1 June 2010)  
R T Scholes

The Nomination Committee's role is to monitor the composition and balance of the Board and recommend to the Board the appointment of new Directors. Where appointments to the Board are under consideration, the Committee will normally employ external search consultants, except where exceptional internal candidates have already been identified.

The Committee met twice during the year to consider the overall composition of the Board.

### Audit Committee

The Audit Committee is chaired by Mr Scholes, who is a Chartered Accountant. The names of members of the Committee during the year are given below. All served on the Committee throughout the year except where indicated and all, apart from Dr Bond in his last few months on the Board, were independent according to the Code. The Board has satisfied itself that at least one member of the Committee has recent and relevant financial experience.

#### Committee members

R T Scholes (Chairman)  
Dr K Bond (until 17 May 2010)  
E G F Brown  
R Cairnie (from 1 June 2010)

This Committee assists the Board in observing its responsibility for ensuring that the Group's financial systems provide accurate and up-to-date information on its financial position and that the Group's published financial statements represent a true and fair reflection of this position. It also reviews annually the Group's systems of internal control and the processes for monitoring and evaluating the risks facing the Group.

This Committee met four times during the year, with the Company's external Auditors (the 'Auditors') in attendance and on three of these occasions, the Committee met privately with the Auditors without management being present. During the year, the Audit Committee discharged its responsibilities by

- reviewing the scope and results of the audit, its cost-effectiveness and the independence and objectivity of the Auditors,
- reviewing and approving the Auditors' engagement letter and audit fee,
- reviewing an annual report on the Group's system of internal control and its effectiveness and receiving updates on key risk areas of financial control,
- reviewing the Group's draft financial statements prior to Board approval and reviewing the Auditors' reports thereon,

## Corporate governance

Continued

- reviewing the Group's whistle-blowing policy and monitoring the procedures in place for employees to be able to raise matters of possible impropriety,
- reviewing the Group's policy on the employment of former employees of the Auditors,
- reviewing the Group's policy on employment of the Auditors for non-audit services,
- reviewing the Committee's terms of reference and evaluating its effectiveness,
- reviewing the need for an internal audit function, and
- approving a rolling three-year programme of independent reviews of aspects of the Group's operations and financial controls and receiving reports on all reviews carried out during the year

A number of policy changes were made following reviews by the Audit Committee. For example, the threshold above which any work awarded to the Auditors, other than audit or tax compliance, requires the specific approval of the Committee, which had not changed since the policy was first introduced in 2003, was raised from £50,000 to £100,000. The proviso that, where the Committee perceives that the independence of the Auditors could be compromised the work will not be awarded to them, was reaffirmed. Details of the amounts paid to the Auditors during the year for audit and other services are set out in the notes to the consolidated financial statements.

In reviewing the need for an internal audit function, the Committee considered the principle of having a structured programme of independent reviews carried out by an outsourced provider rather than an internal audit department and concluded that this was still the best approach. This conclusion was reached having regard to the Group's broad geographic spread, its cultural diversity and the nature of its key risks. Following a comprehensive selection process involving the Chairman of the Audit Committee, PricewaterhouseCoopers were appointed in July as the sole provider of outsourced reviews. They attended one meeting of the Audit Committee in 2010, at which their internal audit plan for 2011 was approved and in future they will present their reports to the Committee twice yearly.

The Committee's annual evaluation of the Auditors focused on the calibre of the audit firm (including reputation, presence in the industry, size, resources and geographic spread), its quality control processes, the quality of the team assigned to the audit, the audit scope, fee and audit communications, and the governance and independence of the audit firm.

### Compliance with the Code

The Board believes that the Company was compliant with the Code throughout the year, save in respect of the requirement for at least half the board, excluding the chairman, to comprise independent non-executive directors. This is discussed in the paragraph headed 'Directors and Directors' independence' above and in the Chairman's Statement.

### Internal control

The Board is ultimately responsible for the Group's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and can provide only reasonable, not absolute, assurance against material misstatement or loss.

The Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group, which has been in place for the year under review and up to the date of approval of the Annual Report and Accounts. This process is regularly reviewed by the Board and accords with the guidance.

The principal elements of the internal control framework are as follows:

#### (a) Risk identification and evaluation

Managers are responsible for the identification and evaluation of significant risks applicable to their areas of business, together with the design and operation of suitable internal controls. These risks may be associated with a variety of internal or external sources including market cycles, acquisitions, people, technical risks such as engineering and project management, health and safety risks, control breakdowns, disruptions in information systems, natural catastrophe and regulatory requirements. The identified risks, and the controls in place to manage them, are subject to continual reassessment. The process was formally reviewed by the Board during the year and in future this review will be conducted annually.

The Chief Executive reports to the Board on significant changes in the business and the external environment that affect significant risks. The Finance Director provides the Board with monthly financial information which includes key performance and risk indicators.

#### (b) Authorisation procedures

Documented authorisation procedures provide for an auditable trail of accountability. These procedures are relevant across Group operations and provide for successive assurances to be given at increasingly higher levels of management and, finally, to the Board.

#### (c) Management of project risk

Project risk is managed throughout the life of a contract from the bidding stage to completion.

Detailed risk analyses covering technical, operational and financial issues are performed as part of the bidding process. Authority limits applicable to the approval of bids relate both to the specific risks associated with the contract and to total value being bid by Keller, or any joint venture to which Keller is a party. Any bids involving an unusually high degree of technical or commercial risk, for example those using a new technology or in a territory where we have not previously worked, must be approved at a senior level within the operating company.

On average, our contracts will have a duration of around six weeks but larger contracts may extend over several months. The performance of contracts is monitored and reported by most business units on a weekly basis. In addition, thorough reviews are carried out by senior managers on any poorly performing jobs and full cost-to-complete assessments are routinely carried out on extended duration contracts.

Further detail on the management of project risk is provided in the section headed 'Principal risks and uncertainties' on page 7.

**(d) Budgeting and forecasting**

There is a comprehensive budgeting system with an annual budget approved by the Board. This budget includes monthly profit and loss accounts, balance sheets and cash flows. In addition, detailed quarterly forecasts are prepared for the two subsequent years. Forecasts for the full year are updated during the year.

**(e) Financial reporting**

Detailed monthly management accounts are prepared which compare profit and loss accounts, balance sheets, cash flows and other information with budget and prior year, and significant variances are investigated.

**(f) Cash control**

Each business reports its cash position weekly. Regular cash forecasts are prepared to monitor the Group's short- and medium-term cash positions and to control immediate borrowing requirements.

**(g) Investments and capital expenditure**

All significant investment decisions, including capital expenditure, are referred to the appropriate divisional or Group authority level.

**(h) Independent reviews**

The Group has a structured programme of independent, outsourced reviews, covering tendering, operational processes and internal financial controls. The intention is to conduct an independent review of all material business units at least once every three to four years. As discussed in the section headed 'Audit Committee', since July 2010 this programme has been undertaken by PricewaterhouseCoopers. The programme is approved and monitored by the Audit Committee, which reviews the findings of each such exercise.

**(i) Self-certification**

Once a year, managers are asked to confirm the adequacy of the systems of internal financial and non-financial controls for which they are responsible, and their compliance with Group policies, local laws and regulations, and to report any control weaknesses identified in the past year.

The management of financial risks is described in the Financial Review and the management of the principal risks and uncertainties facing the Group is described in the Operating Review.

## Statement of Directors' responsibilities

### Statement of Directors' responsibilities in respect of the Directors' Report and the Financial Statements

The Directors are responsible for preparing the Annual Report and the Group and Company financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare Group and Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and applicable law and they have elected to prepare the Company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of their profit or loss for that period. In preparing each of the Group and Company 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,
- for the Group financial statements, state whether they have been prepared in accordance with IFRS as adopted by the EU,
- for the Company financial statements, state whether the applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Company financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business

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

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

We confirm that to the best of our knowledge

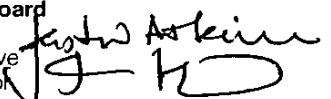
- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation as a whole, and
- the Directors' Report, including content contained by reference, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face

Signed on behalf of the Board

J R Atkinson Chief Executive

J W G Hind Finance Director

28 February 2011



# Independent Auditors' report to the members of Keller Group plc

We have audited the financial statements of Keller Group plc for the year ended 31 December 2010 set out on pages 38 to 68. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of Directors and Auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 36, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

## Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

## Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2010 and of the Group's profit for the year then ended,
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU,
- the parent company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice,
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006, and, as regards the Group financial statements, Article 4 of the IAS Regulation.

## Opinion on other matters prescribed by the Companies Act 2006

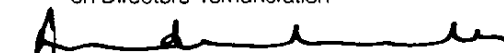
In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006, and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements, and
- the information given in the Corporate Governance Statement set out on pages 31 to 35 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

## Matters on which we are required to report by exception

We have nothing to report in respect of the following:

- Under the Companies Act 2006 we are required to report to you if, in our opinion:
  - adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
  - the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns, or
  - certain disclosures of Directors' remuneration specified by law are not made, or
  - we have not received all the information and explanations we require for our audit, or
  - a Corporate Governance Statement has not been prepared by the Company.
- Under the Listing Rules we are required to review:
  - the Directors' statement, set out on page 24, in relation to going concern, and
  - the part of the Corporate Governance Statement on pages 31 to 35 relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review, and
  - certain elements of the report to shareholders by the Board on Directors' remuneration.



**Andrew Marshall (Senior Statutory Auditor)**

for and on behalf of  
KPMG Audit Plc, Statutory Auditor  
Chartered Accountants  
15 Canada Square  
London, E14 5GL  
28 February 2011

## Consolidated income statement

For the year ended 31 December 2010

	Note	2010 Before goodwill impairment £m	2010 Goodwill impairment £m	2010 Total £m	2009 £m
<b>Revenue</b>	3	<b>1,068 9</b>	<b>-</b>	<b>1,068 9</b>	1,037 9
Operating costs	5	(1,025 6)	(21 8)	(1,047 4)	(960 6)
<b>Operating profit</b>	3	<b>43 3</b>	<b>(21 8)</b>	<b>21 5</b>	77 3
Finance income	7	3 3	-	3 3	3 7
Finance costs	8	(7 0)	-	(7 0)	(6 3)
<b>Profit before taxation</b>		<b>39 6</b>	<b>(21 8)</b>	<b>17 8</b>	74 7
Taxation	9	(11 0)	4 7	(6 3)	(22 6)
<b>Profit for the period</b>		<b>28 6</b>	<b>(17 1)</b>	<b>11 5</b>	52 1
Attributable to					
Equity holders of the parent		28 3	(17 1)	11 2	50 4
Minority interests		0 3	-	0 3	1 7
		<b>28 6</b>	<b>(17.1)</b>	<b>11 5</b>	52 1
<b>Earnings per share before goodwill impairment</b>					
Basic earnings per share	11			<b>44.0p</b>	78 8p
Diluted earnings per share	11			<b>43 2p</b>	77 4p
<b>Earnings per share</b>					
Basic earnings per share	11			<b>17 3p</b>	78 8p
Diluted earnings per share	11			<b>17 0p</b>	77 4p

## Consolidated statement of comprehensive income

For the year ended 31 December 2010

	Note	2010 Before goodwill impairment £m	2010 Goodwill impairment £m	2010 Total £m	2009 £m
<b>Profit for the period</b>		<b>28 6</b>	<b>(17.1)</b>	<b>11 5</b>	52 1
<b>Other comprehensive income</b>					
Exchange differences on translation of foreign operations		12 0	-	12 0	(14 5)
Net investment hedge (losses)/gains	23	(0 3)	-	(0 3)	6 1
Cash flow hedge (losses)/gains taken to equity	23	(3 0)	-	(3 0)	11 3
Cash flow hedge transfers to income statement	23	3 0	-	3 0	(11 3)
Actuarial losses on defined benefit pension schemes	29	(1 3)	-	(1 3)	(7 9)
Tax on actuarial losses on defined benefit pension schemes	9	0 3	-	0 3	2 2
<b>Other comprehensive income for the period, net of tax</b>		<b>10 7</b>	<b>-</b>	<b>10 7</b>	(14 1)
<b>Total comprehensive income for the period</b>		<b>39 3</b>	<b>(17 1)</b>	<b>22 2</b>	38 0
Attributable to					
Equity holders of the parent		39 3	(17.1)	22 2	37 2
Minority interests		-	-	-	0 8
		<b>39 3</b>	<b>(17.1)</b>	<b>22 2</b>	38 0



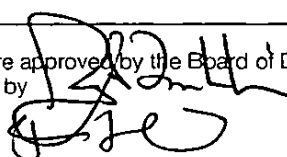
# Consolidated balance sheet

As at 31 December 2010

	Note	2010 £m	2009 £m
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	12	106 8	119 1
Property, plant and equipment	13	275 0	264 4
Deferred tax assets	9	10 0	8 1
Other assets	14	16 1	12 7
		<b>407 9</b>	<b>404 3</b>
<b>Current assets</b>			
Inventories	16	32.9	37 4
Trade and other receivables	17	334.6	299 9
Current tax assets		6 2	5 9
Cash and cash equivalents	19	41 4	35 3
		<b>415 1</b>	<b>378 5</b>
<b>Total assets</b>	3	<b>823 0</b>	<b>782 8</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Loans and borrowings	23	(25 9)	(7 9)
Current tax liabilities		(7 1)	(9 0)
Trade and other payables	20	(260 8)	(252 3)
Provisions	21	(9 1)	(6 3)
		<b>(302 9)</b>	<b>(275 5)</b>
<b>Non-current liabilities</b>			
Loans and borrowings	23	(109 5)	(106 2)
Retirement benefit liabilities	29	(20 1)	(20 2)
Deferred tax liabilities	9	(18 4)	(19 6)
Provisions	21	(4 5)	(4 2)
Other liabilities	22	(36 8)	(33 8)
		<b>(189 3)</b>	<b>(184 0)</b>
<b>Total liabilities</b>	3	<b>(492 2)</b>	<b>(459 5)</b>
<b>Net assets</b>	3	<b>330 8</b>	<b>323 3</b>
<b>Equity</b>			
Share capital	24	6 6	6 6
Share premium account		38 0	38 0
Capital redemption reserve	24	7 6	7 6
Translation reserve		48 4	36 4
Retained earnings		220 1	224 1
<b>Equity attributable to equity holders of the parent</b>		<b>320 7</b>	<b>312 7</b>
Minority interests		10 1	10 6
<b>Total equity</b>		<b>330 8</b>	<b>323 3</b>

These financial statements were approved by the Board of Directors and authorised for issue on 28 February 2011  
They were signed on its behalf by

**R A Franklin** Chairman  
**J W G Hind** Finance Director



## Consolidated statement of changes in equity

For the year ended 31 December 2010

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Translation reserve £m	Hedging reserve £m	Retained earnings £m	Attributable to equity holders of the parent £m	Minority interests £m	Total equity £m
At 1 January 2009	6.6	37.6	7.6	43.9	–	194.0	289.7	12.9	302.6
<b>Profit for the period</b>	–	–	–	–	–	50.4	50.4	1.7	52.1
<b>Other comprehensive income</b>									
Exchange differences on translation of foreign operations	–	–	–	(13.6)	–	–	(13.6)	(0.9)	(14.5)
Net investment hedge gains	–	–	–	6.1	–	–	6.1	–	6.1
Cash flow hedge gains taken to equity	–	–	–	–	11.3	–	11.3	–	11.3
Cash flow hedge transfers to income statement	–	–	–	–	(11.3)	–	(11.3)	–	(11.3)
Actuarial losses on defined benefit pension schemes	–	–	–	–	–	(7.9)	(7.9)	–	(7.9)
Tax on actuarial losses on defined benefit pension schemes	–	–	–	–	–	2.2	2.2	–	2.2
<b>Other comprehensive income for the period, net of tax</b>	–	–	–	(7.5)	–	(5.7)	(13.2)	(0.9)	(14.1)
<b>Total comprehensive income for the period</b>	–	–	–	(7.5)	–	44.7	37.2	0.8	38.0
Dividends	–	–	–	–	–	(13.5)	(13.5)	(3.1)	(16.6)
Share-based payments	–	–	–	–	–	0.5	0.5	–	0.5
Share capital issued	–	0.4	–	–	–	–	0.4	–	0.4
Shares repurchased	–	–	–	–	–	(1.6)	(1.6)	–	(1.6)
At 31 December 2009 and 1 January 2010	6.6	38.0	7.6	36.4	–	224.1	312.7	10.6	323.3
<b>Profit for the period</b>	–	–	–	–	–	11.2	11.2	0.3	11.5
<b>Other comprehensive income</b>									
Exchange differences on translation of foreign operations	–	–	–	12.3	–	–	12.3	(0.3)	12.0
Net investment hedge losses	–	–	–	(0.3)	–	–	(0.3)	–	(0.3)
Cash flow hedge losses taken to equity	–	–	–	–	(3.0)	–	(3.0)	–	(3.0)
Cash flow hedge transfers to income statement	–	–	–	–	3.0	–	3.0	–	3.0
Actuarial losses on defined benefit pension schemes	–	–	–	–	–	(1.3)	(1.3)	–	(1.3)
Tax on actuarial losses on defined benefit pension schemes	–	–	–	–	–	0.3	0.3	–	0.3
<b>Other comprehensive income for the period, net of tax</b>	–	–	–	12.0	–	(1.0)	11.0	(0.3)	10.7
<b>Total comprehensive income for the period</b>	–	–	–	12.0	–	10.2	22.2	–	22.2
Dividends	–	–	–	–	–	(14.2)	(14.2)	(0.7)	(14.9)
Share capital issued	–	–	–	–	–	–	–	0.2	0.2
<b>At 31 December 2010</b>	6.6	38.0	7.6	48.4	–	220.1	320.7	10.1	330.8

# Consolidated cash flow statement

For the year ended 31 December 2010

	Note	2010 £m	2009 £m
<b>Cash flows from operating activities</b>			
Operating profit		21.5	77.3
Goodwill impairment		21.8	–
<b>Operating profit before goodwill impairment</b>		<b>43.3</b>	<b>77.3</b>
Depreciation of property, plant and equipment		40.0	34.4
Amortisation of intangible assets		1.7	1.5
Profit on sale of property, plant and equipment		(0.5)	(1.2)
Other non-cash movements		5.8	0.5
Foreign exchange losses/(gains)		0.2	(0.1)
<b>Operating cash flows before movements in working capital</b>		<b>90.5</b>	<b>112.4</b>
Decrease in inventories		5.2	10.2
(Increase)/decrease in trade and other receivables		(23.8)	50.2
Increase/(decrease) in trade and other payables		2.2	(52.5)
Change in provisions, retirement benefit and other non-current liabilities		(3.8)	2.9
<b>Cash generated from operations</b>		<b>70.3</b>	<b>123.2</b>
Interest paid		(4.5)	(4.8)
Income tax paid		(10.2)	(30.0)
<b>Net cash inflow from operating activities</b>		<b>55.6</b>	<b>88.4</b>
<b>Cash flows from investing activities</b>			
Interest received		0.5	0.3
Proceeds from sale of property, plant and equipment		1.0	4.5
Acquisition of subsidiaries, net of cash acquired		(23.4)	(34.7)
Acquisition of property, plant and equipment		(28.2)	(39.3)
Acquisition of intangible assets		(1.4)	(0.7)
Acquisition of other non-current assets		(0.3)	(0.8)
<b>Net cash outflow from investing activities</b>		<b>(51.8)</b>	<b>(70.7)</b>
<b>Cash flows from financing activities</b>			
Proceeds from the issue of share capital		0.2	0.4
Repurchase of own shares		–	(1.6)
New borrowings		99.5	7.0
Repayment of borrowings		(76.8)	(12.7)
Payment of finance lease liabilities		(1.3)	(5.6)
Dividends paid		(14.9)	(17.4)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>6.7</b>	<b>(29.9)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>10.5</b>	<b>(12.2)</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>29.3</b>	<b>46.5</b>
Effect of exchange rate fluctuations		(0.7)	(5.0)
<b>Cash and cash equivalents at end of period</b>	19	<b>39.1</b>	<b>29.3</b>

## Notes to the consolidated financial statements

### 1 General information

Keller Group plc ('the parent' or 'the Company') is a company incorporated in the United Kingdom. The consolidated financial statements are presented in pounds sterling (rounded to the nearest hundred thousand), the functional currency of the parent. Foreign operations are included in accordance with the policies set out in note 2.

### 2 Principal accounting policies

#### a) Statement of compliance

The consolidated financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU.

The Company has elected to prepare its parent company financial statements in accordance with UK GAAP, these are presented on pages 63 to 68.

#### b) Basis of preparation

The financial statements are prepared on the historical cost basis except that derivative financial instruments are stated at their fair value. The carrying value of hedged items are re-measured to fair value in respect of the hedged risk. Except as noted below, these accounting policies have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by subsidiaries.

The Company has adopted the following revision and amendments to standards with effect from 1 January 2010: IFRS 3 Business Combinations, IAS 27 Consolidated and Separate Financial Statements, and IFRS 2 Group Cash-settled Share-based Payment Transactions. The adoption of this revision and amendments did not have a material impact on the consolidated financial statements. IFRS 3 (revised) may have a significant impact on future operating profits due to the requirement to take any differences between actual and originally estimated contingent payments relating to acquisitions made after 1 January 2010 into the income statement, following the measurement period.

In order to provide further clarity of disclosure, impairment of goodwill has been presented separately in the Consolidated Income Statement and in the respective notes.

The consolidated financial statements are prepared on a going concern basis as set out in the Directors' report on page 24.

#### c) Basis of consolidation

The consolidated financial statements consolidate the accounts of the parent and its subsidiary undertakings (collectively 'the Group') made up to 31 December each year. Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Where subsidiary undertakings were acquired or sold during the year, the accounts include the results for the part of the year for which they were subsidiary undertakings using the acquisition method of accounting. Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

#### d) Jointly controlled operations

From time to time the Group undertakes contracts jointly with other parties. These fall under the category of jointly controlled operations as defined by IAS 31. In accordance with IAS 31, the Group accounts for its own share of sales, profits, assets, liabilities and cash flows measured according to the terms of the agreements covering the jointly controlled operations.

#### e) Revenue recognition

Revenue represents the fair value of work done on construction contracts performed during the year on behalf of customers or the value of goods or services delivered to customers. In accordance with IAS 11, contract revenue and expenses are recognised in proportion to the stage of completion of the contract as soon as the outcome of a construction contract can be estimated reliably.

The fair value of work done is based upon estimates of the final expected outcome of contracts and the proportion of work which has been completed.

In the nature of the Group's business, the results for the year include adjustments to the outcome of construction contracts, including jointly controlled operations, completed in prior years arising from claims from customers or third parties and claims on customers or third parties for variations to the original contract. Provision against claims from customers or third parties is made in the year in which the Group becomes aware that a claim may arise. Income from claims on customers or third parties is not recognised until the outcome can be reliably measured and it is probable that the Group will receive the economic benefits.

Where it is probable that a loss will arise on a contract, full provision for this loss is made when the Group becomes aware that a loss may arise.

Revenue in respect of goods and services is recognised as the goods and services are delivered.

## 2 Principal accounting policies continued

### f) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Property, plant and equipment acquired under finance leases are capitalised in the balance sheet at the lower of fair value or present value of minimum lease payments and depreciated in accordance with the Group's accounting policy. The capital element of the leasing commitment is included as obligations under finance leases. The rentals payable are apportioned between interest, which is charged to the income statement, and capital, which reduces the outstanding obligation.

Amounts payable under operating leases are charged to contract work in progress or operating costs on a straight line basis over the lease term.

### g) Foreign currencies

Balance sheet items in foreign currencies are translated into sterling at closing rates of exchange at the balance sheet date. Income statements and cash flows of overseas subsidiary undertakings are translated into sterling at average rates of exchange for the year.

Exchange differences arising from the retranslation of opening net assets and income statements at closing and average rates of exchange respectively are dealt with in other comprehensive income, along with changes in fair values of associated net investment hedges. All other exchange differences are charged to the income statement.

The exchange rates used in respect of principal currencies are

	2010	2009
US dollar average for period	1 55	1 57
US dollar period end	1 55	1 59
Euro average for period	1 17	1 12
Euro period end	1 17	1 11
Australian dollar average for period	1 68	1 99
Australian dollar period end	1.52	1 78

### h) Interest income and expense

All interest income and expense is recognised in the income statement in the period in which it is incurred using the effective interest method.

### i) Employee benefit costs

The Group operates a number of defined benefit pension arrangements, and also makes payments into defined contribution schemes for employees.

The liability in respect of defined benefit schemes is the present value of the defined benefit obligations at the balance sheet date, calculated using the projected unit credit method, less the fair value of the schemes' assets. The Group has taken the option to apply the requirements of IAS 19 (revised), recognising the current service cost and interest on scheme liabilities in the income statement, and actuarial gains and losses in full in the period in which they occur in equity.

Payments to defined contribution schemes are accounted for on an accruals basis.

### j) Taxation

The tax expense represents the sum of the tax currently payable and the deferred tax charge.

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

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Full provision is made for deferred tax on temporary differences in line with IAS 12 Income Taxes. Deferred tax assets are recognised when it is considered likely that they will be utilised against future taxable profits.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity or to other comprehensive income, in which case the related deferred tax is also dealt with in equity or in other comprehensive income.

### k) Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment.

### l) Depreciation

Depreciation is not provided on freehold land.

Depreciation is provided to write off the cost less the estimated residual value of property, plant and equipment by reference to their estimated useful lives using the straight line method.

The rates of depreciation used are

Buildings	2%
Long life plant and equipment	8%
Short life plant and equipment	12%
Motor vehicles	25%
Computers	33%

The cost of leased properties is depreciated by equal instalments over the period of the lease or 50 years, whichever is the shorter.

## Notes to the consolidated financial statements

Continued

### 2 Principal accounting policies continued

#### m) Business combinations

The Group accounts for business combinations in accordance with IFRS 3 Business Combinations (2008) using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

For acquisitions on or after 1 January 2010, costs related to the acquisition are expensed as incurred. Any contingent consideration payable is recognised at fair value at the acquisition date with subsequent changes to the fair value being recognised in profit or loss after the measurement period. For acquisitions before 1 January 2010, transaction costs were capitalised as part of the cost of the acquisition. Any contingent consideration payable was recognised at fair value at the acquisition date with subsequent changes to the fair value being recognised in the balance sheet as an adjustment to goodwill.

#### n) Goodwill and other intangible assets

##### Goodwill

Goodwill arising on consolidation, representing the difference between the fair value of the purchase consideration and the fair value of the identifiable net assets of the subsidiary undertaking at the date of acquisition, is capitalised as an intangible asset.

The fair value of identifiable net assets in excess of the fair value of purchase consideration is credited to the income statement in the year of acquisition.

Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is reviewed for impairment annually and whenever there is an indication that the goodwill may be impaired in accordance with IAS 36, with any impairment losses being recognised immediately in the income statement. Goodwill arising prior to 1 January 1998 was taken directly to equity in the year in which it arose. Such goodwill has not been reinstated on the balance sheet.

##### Other intangible assets

Intangible assets, other than goodwill, include purchased licences, patents, trademarks, customer contracts and non-compete undertakings. Intangible assets are capitalised at cost and amortised on a straight line basis over their useful economic lives from the date that they are available for use and are stated at cost less accumulated amortisation and impairment losses. Useful economic lives do not exceed five years.

Intangible assets acquired in a business combination are accounted for initially at fair value.

#### o) Impairment of assets excluding goodwill

At each balance sheet date the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

#### p) Capital work in progress

Capital work in progress represents expenditure on property, plant and equipment in the course of construction. Transfers are made to other property, plant and equipment categories when the assets are available for use.

#### q) Inventories

Inventories are measured at the lower of cost and estimated net realisable value with due allowance being made for obsolete or slow-moving items.

Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition.

#### r) Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes party to the contractual provisions of the instrument.

Derivative financial instruments are accounted for in accordance with IAS 39 and recognised initially at fair value.

The Group uses currency and interest rate swaps to manage financial risk. Interest charges and financial liabilities are stated after taking account of these swaps.

The Group uses these swaps and other hedges to mitigate exposures to both foreign currency and interest rates.

Hedges are accounted for as follows:

**Cash flow hedges** The effective part of any gain or loss on the hedging instrument is recognised directly in the hedging reserve. Any ineffective portion of the hedge is recognised immediately in the income statement. The associated cumulative gain or loss is removed from equity and recognised in the income statement in the same period or periods during which the hedged forecast transaction affects profit or loss.

**Fair value hedges** Changes in the fair value of the derivative are recognised immediately in the income statement. The carrying value of the hedged item is adjusted by the change in fair value that is attributable to the risk being hedged and any gains or losses on remeasurement are recognised immediately in the income statement.

**Net investment hedges** The effective portion of the change in fair value of the hedging instrument is recognised directly in the translation reserve. Any ineffectiveness is recognised immediately in the income statement.

#### s) Trade receivables

Trade receivables do not carry any interest, are initially recognised at fair value and are carried at amortised cost as reduced by appropriate allowances for estimated irrecoverable amounts.

## 2 Principal accounting policies continued

### t) Trade payables

Trade payables are not interest bearing, are initially recognised at fair value and are carried at amortised cost

### u) Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event and where it is probable that an outflow will be required to settle the obligation

### v) Financial guarantees

Where Group companies enter into financial guarantee contracts to guarantee the indebtedness or obligations of other companies within the Group, these are considered to be insurance arrangements, and accounted for as such. In this respect, the guarantee contract is treated as a contingent liability until such time as it becomes probable that the guarantor will be required to make a payment under the guarantee

### w) Share-based payment

Charges for employee services received in exchange for share-based payment have been made for all options granted after 7 November 2002, that had not vested by 1 January 2005, in accordance with IFRS 2

Options granted under the Group's employee share schemes are equity settled. The fair value of such options has been calculated using a stochastic model, based upon publicly available market data, and is charged to the income statement over the performance period with a corresponding increase in equity

### x) Segmental reporting

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Operating Decision Maker to allocate resources to the segments and to assess their performance. The Group determines the Chief Operating Decision Maker to be the Board of Directors

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Segment assets are defined as property, plant and equipment, intangible assets, inventories and trade and other receivables. Segment liabilities are defined as trade and other payables, retirement benefit liabilities, provisions and other liabilities. The accounting policies of the operating segments are the same as the Group's accounting policies

### y) Dividends

Interim dividends are recorded in the Group's consolidated financial statements when paid. Final dividends are recorded in the Group's consolidated financial statements in the period in which they receive shareholder approval

### z) Accounting estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that and prior periods, or in the period of the revision and future periods if the revision affects both current and future periods

The key estimates and judgements in drawing up the Group's consolidated financial statements are in connection with construction contracts in progress, claims on construction contracts, the valuation of pension liabilities, fair values of net assets acquired in business combinations and goodwill impairment tests

The Group's approach to estimates and judgements relating to construction contracts and claims is set out in e) above. The main factors considered when making those estimates and judgements include the likely outcome of negotiations of variations, expectations regarding the recovery of any cost over-runs, the likelihood of successful claims by or against the Group, including the potential for liquidated damages, and the extent to which any claims against the Group are covered by insurance

Note 29 sets out the principal assumptions underlying the valuation of the Group's defined benefit liabilities which include the discount rate, expected return on assets, rate of inflation and mortality rates. These assumptions were set on the advice of the relevant schemes' actuaries having regard to current market conditions, past history and factors specific to the schemes. A reduction in the discount rate of 0.1% would increase the deficit in the schemes by £0.7m whilst a reduction in the inflation assumption of 0.1% would decrease the deficit by £0.6m

Key uncertainties in estimating the fair value of net assets acquired in business combinations include the market value of tangible assets and the identification and measurement of separable intangible assets

As explained in note 12, goodwill has been assessed for impairment by comparing its carrying value with the present value of the discounted cash flows expected to be generated by the relevant cash generating units. Principal areas of uncertainty in respect of valuations are around forecast cash flows and the discount rate. The discount rates used are based on the weighted average cost of capital of comparable entities, adjusted as necessary to reflect the financing and risk associated with the asset being tested

## Notes to the consolidated financial statements

Continued

### 3 Segmental analysis

The Group is managed as four geographical divisions and has only one major product or service – specialist ground engineering services. This is reflected in the Group's management structure and in the segment information reviewed by the Chief Operating Decision Maker.

	2010	2010	2010	2010	2009	2009
	Revenue £m	Operating profit before goodwill impairment £m	Goodwill impairment £m	Operating profit Total £m	Revenue £m	Operating profit £m
UK	49.6	(2.5)	–	(2.5)	57.6	0.5
US	425.2	6.9	(13.5)	(6.6)	467.0	32.2
CEMEA <sup>1</sup>	400.3	22.4	(8.3)	14.1	386.4	33.6
Australia	193.8	19.1	–	19.1	126.9	16.6
	<b>1,068.9</b>	<b>45.9</b>	<b>(21.8)</b>	<b>24.1</b>	<b>1,037.9</b>	<b>82.9</b>
Central items and eliminations	–	(2.6)	–	(2.6)	–	(5.6)
	<b>1,068.9</b>	<b>43.3</b>	<b>(21.8)</b>	<b>21.5</b>	<b>1,037.9</b>	<b>77.3</b>

	2010	2010	2010	2010	2010	2010
	Segment assets £m	Segment liabilities £m	Capital employed £m	Capital additions £m	Depreciation and amortisation £m	Tangible and intangible assets £m
UK	37.0	(14.1)	22.9	0.3	1.9	21.8
US	291.8	(98.2)	193.6	6.0	13.1	137.9
CEMEA <sup>1</sup>	309.1	(130.7)	178.4	15.9	20.1	151.6
Australia	122.3	(45.2)	77.1	24.5	6.6	70.0
	<b>760.2</b>	<b>(288.2)</b>	<b>472.0</b>	<b>46.7</b>	<b>41.7</b>	<b>381.3</b>
Central items and eliminations <sup>2</sup>	62.8	(204.0)	(141.2)	0.3	–	0.5
	<b>823.0</b>	<b>(492.2)</b>	<b>330.8</b>	<b>47.0</b>	<b>41.7</b>	<b>381.8</b>

	2009	2009	2009	2009	2009	2009
	Segment assets £m	Segment liabilities £m	Capital employed £m	Capital additions £m	Depreciation and amortisation £m	Tangible and intangible assets £m
UK	38.3	(17.6)	20.7	0.4	1.8	23.5
US	290.7	(85.8)	204.9	7.6	13.3	154.8
CEMEA <sup>1</sup>	330.3	(144.5)	185.8	58.5	16.3	162.7
Australia	69.7	(25.6)	44.1	7.8	4.5	42.3
	<b>729.0</b>	<b>(273.5)</b>	<b>455.5</b>	<b>74.3</b>	<b>35.9</b>	<b>383.3</b>
Central items and eliminations <sup>2</sup>	53.8	(186.0)	(132.2)	–	–	0.2
	<b>782.8</b>	<b>(459.5)</b>	<b>323.3</b>	<b>74.3</b>	<b>35.9</b>	<b>383.5</b>

<sup>1</sup> Continental Europe, Middle East and Asia

<sup>2</sup> Central items includes net debt and tax balances

The impact of acquisitions is detailed in note 4



#### 4 Acquisitions

	Waterway			Nilex			Total		
	Carrying amount £m	Fair value adjustment £m	Fair value £m	Carrying amount £m	Fair value adjustment £m	Fair value £m	Carrying amount £m	Fair value adjustment £m	Fair value £m
<b>Acquisitions in 2010</b>									
<b>Net assets acquired</b>									
Intangible assets	-	0.5	0.5	-	0.2	0.2	-	0.7	0.7
Property, plant and equipment	7.9	2.8	10.7	1.3	-	1.3	9.2	2.8	12.0
Cash and cash equivalents	9.1	-	9.1	-	-	-	9.1	-	9.1
Receivables	2.3	-	2.3	3.6	-	3.6	5.9	-	5.9
Other assets	0.5	-	0.5	0.6	-	0.6	1.1	-	1.1
Loans and borrowings	(4.8)	-	(4.8)	-	-	-	(4.8)	-	(4.8)
Other liabilities	(4.5)	-	(4.5)	(1.1)	-	(1.1)	(5.6)	-	(5.6)
	10.5	3.3	13.8	4.4	0.2	4.6	14.9	3.5	18.4
Goodwill			7.9			-			7.9
Total consideration			21.7			4.6			26.3
Satisfied by									
Initial cash consideration			21.1			4.6			25.7
Contingent consideration			0.6			-			0.6
			21.7			4.6			26.3

On 10 June 2010 the Group acquired 100% of the share capital of Waterfront Services Pty Limited, Australia, with subsidiaries, trading as Waterway Constructions ('Waterway'). The provisional fair value of the intangible assets acquired represents the fair value of customer contracts at the date of acquisition. The goodwill arising on acquisition is attributable to the knowledge and expertise of the assembled workforce and the operating synergies that arise from the Group's strengthened market position. Contingent consideration of up to £10.9m (A\$16.5m) is payable based on total earnings before interest and tax in the three year-period to 30 June 2013.

On 14 June 2010 the Group acquired selected assets and businesses of Nilex Construction LLC and other entities (collectively 'Nilex'), the leading wick drain contractor in the United States. Contingent consideration of up to £0.6m (\$1.0m) is payable based on total earnings before interest and tax in the two-year period to 30 June 2012.

The fair value of the total receivables in both acquisitions is not materially different from the gross contractual amounts receivable and is expected to be recovered in full. In the period to 31 December 2010 Waterway and Nilex contributed £24.1m to turnover and £1.0m to the net profit of the Group. Had both acquisitions taken place on 1 January 2010, total Group revenue would have been £1,090.1m and total net profit would have been £13.1m.

	Resource Piling			Total		
	Carrying amount £m	Fair value adjustment £m	Fair value £m	Carrying amount £m	Fair value adjustment £m	Fair value £m
<b>Acquisitions in 2009</b>						
<b>Net assets acquired</b>						
Intangible assets	-	2.7	2.7	-	2.7	2.7
Property, plant and equipment	13.3	5.5	18.8	13.3	5.5	18.8
Cash and cash equivalents	5.8	-	5.8	5.8	-	5.8
Other assets	10.0	3.8	13.8	10.0	3.8	13.8
Loans and borrowings	(3.8)	-	(3.8)	(3.8)	-	(3.8)
Other liabilities	(9.8)	(2.0)	(11.8)	(9.8)	(2.0)	(11.8)
	15.5	10.0	25.5	15.5	10.0	25.5
Goodwill			13.6			13.6
Total consideration			39.1			39.1
Satisfied by						
Initial cash consideration			29.1			29.1
Deferred consideration			10.0			10.0
			39.1			39.1

On 11 October 2009 the Group acquired 100% of the share capital of Resource Holdings Limited with subsidiaries, collectively 'Resource Piling'. The fair value of the intangible assets acquired represents the fair value of customer contracts at the date of acquisition. The goodwill arising on acquisition is attributable to the knowledge and expertise of the assembled workforce and the operating synergies that arise from the Group's strengthened market position. In the period to 31 December 2009 Resource Piling contributed (£0.4m) (SGD 1.0m) to the net profit of the Group. Had this acquisition taken place on 1 January 2009, total Group revenue in the period to 31 December 2009 would have been £1,072.5m and total net profit in the period to 31 December 2009 would have been £58.7m.

## Notes to the consolidated financial statements

Continued

### 5 Operating costs

	Note	2010 £m	2009 £m
Raw materials and consumables		<b>323 7</b>	337 2
Staff costs	6	<b>294 2</b>	275 4
Other operating charges		<b>366 0</b>	312 1
Amortisation of intangibles		<b>1 7</b>	1 5
Impairment of goodwill		<b>21 8</b>	–
Depreciation			
Owned property, plant and equipment		<b>39 4</b>	33 9
Property, plant and equipment held under finance leases		<b>0 6</b>	0 5
		<b>1,047 4</b>	960 6
Other operating charges include			
Net foreign exchange losses/(gains)		<b>0 2</b>	(0 1)
Fees payable to the Company's auditors for the audit of the Company's annual accounts		<b>0 1</b>	0 1
Fees payable to the Company's auditors and its associates for other services			
The audit of the Company's subsidiaries pursuant to legislation		<b>0 9</b>	0 9
Tax services		<b>0 2</b>	0 4
Services relating to information technology		<b>–</b>	0 1
Services relating to corporate finance transactions entered into or proposed to be entered into by or on behalf of the Group		<b>0 1</b>	0 1

### 6 Employees

	2010 £m	2009 £m
The aggregate staff costs of the Group were		
Wages and salaries	<b>257.4</b>	240 1
Social security costs	<b>30 2</b>	30 0
Other pension costs	<b>6 6</b>	5 3
	<b>294 2</b>	275 4

These costs include Directors' remuneration. Disclosures on Directors' remuneration, required by the Companies Act 2006 and those specified for audit by the Financial Services Authority are on pages 25 to 30 within the Directors' Remuneration Report and form part of these financial statements.

The average number of persons, including Directors, employed by the Group during the year was

	2010 Number	2009 Number
UK	<b>395</b>	475
US	<b>2,288</b>	2,270
CEMEA	<b>2,961</b>	2,404
Australia	<b>837</b>	728
	<b>6,481</b>	5,877

### 7 Finance income

	2010 £m	2009 £m
Bank and other interest receivable	<b>0 3</b>	0 2
Expected return on pension scheme assets	<b>1 4</b>	1 4
Other finance income	<b>1 6</b>	2 1
	<b>3 3</b>	3 7

**8 Finance costs**

	2010 £m	2009 £m
Interest payable on bank loans and overdrafts	1.8	1.2
Interest payable on other loans	1.5	1.6
Interest payable on finance leases	0.1	0.2
Pension interest cost	2.6	2.4
Other finance costs	1.0	0.9
	<b>7.0</b>	<b>6.3</b>

**9 Taxation**

	2010 £m	2009 £m
<b>Current tax expense</b>		
Current year	10.6	19.5
Prior years	(1.6)	(0.6)
Total current tax	9.0	18.9
<b>Deferred tax expense</b>		
Current year	(3.5)	5.3
Prior years	0.8	(1.6)
Total deferred tax	(2.7)	3.7
	<b>6.3</b>	<b>22.6</b>

UK corporation tax is calculated at 28.0% (2009: 28.0%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The effective tax rate can be reconciled to the UK corporation tax rate of 28.0% as follows:

	2010 %	2009 %
UK corporation tax rate of 28.0% (2009: 28.0%)	28.0	28.0
Tax charged overseas at rates other than 28.0% (2009: 28.0%)	(4.4)	1.0
Tax losses carried forward	(0.6)	1.1
Permanent differences	6.8	2.9
Adjustment to tax charge in respect of previous periods	(2.0)	(2.7)
Effective tax rate from ordinary activities	27.8	30.3
Impact of goodwill impairment	7.6	–
Effective tax rate	<b>35.4</b>	<b>30.3</b>

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting periods:

	Unused tax losses £m	Accelerated capital allowances £m	Retirement benefit obligations £m	Other temporary differences £m	Total £m
At 1 January 2009	(3.7)	24.8	(0.8)	(11.5)	<b>8.8</b>
(Credit)/charge to the income statement	(0.4)	3.5	0.4	0.2	<b>3.7</b>
Credit to equity	–	–	(2.2)	–	<b>(2.2)</b>
Acquired with new subsidiaries	–	0.6	(0.1)	2.2	<b>2.7</b>
Exchange differences	0.4	(1.9)	–	–	<b>(1.5)</b>
Reclassification	–	(0.7)	(0.5)	1.2	<b>–</b>
At 31 December 2009 and 1 January 2010	(3.7)	26.3	(3.2)	(7.9)	<b>11.5</b>
(Credit)/charge to the income statement	0.5	2.1	1.1	(6.4)	<b>(2.7)</b>
Credit to equity	–	–	(0.3)	–	<b>(0.3)</b>
Acquired with new subsidiaries	–	–	–	(0.7)	<b>(0.7)</b>
Exchange differences	0.3	1.4	(0.2)	(0.9)	<b>0.6</b>
Reclassification	–	1.3	–	(1.3)	<b>–</b>
<b>At 31 December 2010</b>	<b>(2.9)</b>	<b>31.1</b>	<b>(2.6)</b>	<b>(17.2)</b>	<b>8.4</b>

## Notes to the consolidated financial statements

Continued

### 9 Taxation continued

	2010 £m	2009 £m
The following is the analysis of the deferred tax balances for financial reporting		
Deferred tax liabilities	18.4	19.6
Deferred tax assets	(10.0)	(8.1)
	8.4	11.5

At the balance sheet date, the Group had unused tax losses of £14.1m (2009 £4.1m) available for offset against future profits, on which no deferred tax asset has been recognised. These losses may be carried forward indefinitely.

### 10 Dividends payable to equity holders of the parent

	2010 £m	2009 £m
Ordinary dividends on equity shares		
Amounts recognised as distributions to equity holders in the period		
Final dividend for the year ended 31 December 2008 of 13.8p per share	–	8.8
Second interim dividend for the year ended 31 December 2009 of 14.5p (2008 nil) per share in lieu of a final dividend	9.3	–
Interim dividend for the year ended 31 December 2010 of 7.6p (2009 7.25p) per share	4.9	4.7
	14.2	13.5

The Board have recommended a final dividend for the year ended 31 December 2010 of £10.1m, representing 15.2p (2009 a second interim dividend of 14.5p) per share. The proposed dividend is subject to approval by shareholders at the Annual General Meeting on 17 May 2011 and has not been included as a liability in these financial statements.

### 11 Earnings per share

	2010 Basic £m	2010 Diluted £m	2009 Basic £m	2009 Diluted £m
Basic and diluted earnings per share are calculated as follows				
Earnings (after tax and minority interests), being net profits attributable to equity holders of the parent	11.2	11.2	50.4	50.4
	Number of shares Million	Number of shares Million	Number of shares Million	Number of shares Million
Weighted average of ordinary shares in issue during the year	64.2	64.2	64.0	64.0
Add weighted average of shares under option during the year	–	1.0	–	1.1
Add weighted average of own shares held (excluding treasury shares)	–	0.1	–	0.1
Subtract number of shares assumed issued at fair value during the year	–	–	–	(0.1)
Adjusted weighted average of ordinary shares in issue	64.2	65.3	64.0	65.1
	2010 Pence	2010 Pence	2009 Pence	2009 Pence
Earnings per share	17.3p	17.0p	78.8p	77.4p

Earnings per share of 17.3p (2009 78.8p) was calculated based on earnings of £11.2m (2009 £50.4m) and the weighted average number of ordinary shares in issue during the year of 64.2 million (2009 64.0 million).

Diluted earnings per share of 17.0p (2009 77.4p) was calculated based on earnings of £11.2m (2009 £50.4m) and the adjusted weighted average number of ordinary shares in issue during the year of 65.3 million (2009 65.1 million).

Earnings per share before goodwill impairment of 44.0p (2009 78.8p) was calculated based on earnings of £28.3m (2009 £50.4m) and the weighted average number of ordinary shares in issue during the year of 64.2 million (2009 64.0 million).

Diluted earnings per share before goodwill impairment of 43.2p (2009 77.4p) was calculated based on earnings of £28.3m (2009 £50.4m) and the adjusted weighted average number of ordinary shares in issue during the year of 65.3 million (2009 65.1 million).

## 12 Intangible assets

	Goodwill £m	Other intangible assets £m	Total £m
<b>Cost</b>			
At 1 January 2009	107.8	10.2	118.0
Acquired with subsidiaries	–	2.6	2.6
Additions	13.6	0.7	14.3
Exchange differences	(7.9)	(0.5)	(8.4)
At 31 December 2009 and 1 January 2010	113.5	13.0	126.5
Acquired with subsidiaries	–	0.7	0.7
Additions	6.3	(0.2)	6.1
Exchange differences	4.3	0.5	4.8
<b>At 31 December 2010</b>	<b>124.1</b>	<b>14.0</b>	<b>138.1</b>
<b>Accumulated amortisation and impairment</b>			
At 1 January 2009	–	6.2	6.2
Amortisation charge for the year	–	1.5	1.5
Exchange differences	–	(0.3)	(0.3)
At 31 December 2009 and 1 January 2010	–	7.4	7.4
Amortisation charge for the year	–	1.7	1.7
Impairment charge for the year	21.8	–	21.8
Exchange differences	0.1	0.3	0.4
<b>At 31 December 2010</b>	<b>21.9</b>	<b>9.4</b>	<b>31.3</b>
<b>Carrying amount</b>			
<b>At 31 December 2010</b>	<b>102.2</b>	<b>4.6</b>	<b>106.8</b>
At 31 December 2009 and 1 January 2010	113.5	5.6	119.1
At 1 January 2009	107.8	4.0	111.8

For impairment testing purposes goodwill has been allocated to 16 separate cash generating units ('CGUs'). Of these, the carrying amount of goodwill allocated to four individual CGUs (Suncoast, HJ Foundations, Resource Piling and Keller Limited) is significant in comparison to the total carrying amount of goodwill and comprises 70% of the total. The carrying amounts allocated to two further CGUs, taken together, comprise a further 18% of the total. The relevant CGUs and the carrying amount of the goodwill allocated to each are as set out below, together with the pre-tax discount rate and medium-term growth rate used in their value in use calculations described on page 52.

Cash Generating Unit	Geographical Segment	2010 Carrying value £m	2010 Pre-tax discount rate %	2010 Forecast nominal growth rate %	2009 Carrying Value £m	2009 Pre-tax discount rate %	2009 Forecast nominal growth rate %
Suncoast	US	27.7	15.3	4.0	40.2	17.4	3.0
HJ Foundations	US	17.9	17.1	3.0	17.4	18.0	3.0
Resource Piling	CEMEA (Singapore)	14.1	13.2	3.0	13.4	13.3	3.0
Keller Limited	UK	12.1	13.7	2.0	12.1*	15.3	2.0
Waterway	Australia	9.2	15.7	3.0	–	–	–
Hayward Baker	US	8.9	14.2	3.0	8.7	16.3	3.0
Keller-Terra	CEMEA (Spain)	–	17.1	4.0	8.0	15.7	3.0
Other	Various	12.3			13.7		
		<b>102.2</b>			<b>113.5</b>		

Previously disclosed as Keller Geotechnique £6.7m, Phi £5.2m and Other £0.2m

## Notes to the consolidated financial statements

Continued

### 12 Intangible assets continued

The recoverable amount of the goodwill allocated to each CGU has been determined based on a value in use calculation. The calculations all use cash flow projections based on financial budgets and forecasts approved by management covering a five year period.

Keller's businesses operate in cyclical markets, many of which are expected to continue to face challenging conditions for the foreseeable future. The most important factors in the value in use calculations, however, are the forecast revenues and gross margin in five years' time and the discount rates applied to future cash flows. The key assumptions underlying the cash flow forecasts are therefore the extent of the revenue recovery in the forecast five year period and the gross margins assumed at the end of the period. The discount rates used in the value in use calculations are based on the weighted average cost of capital of companies comparable to the relevant CGUs.

Most of the forecast cash flows used to derive values in use anticipate an improvement in sales and profitability in 2011 from the levels of 2010. In all cases, it is assumed that revenues and profits recover over time to no better than a mid-cycle position by no later than year five (2015). For Suncoast and Keller-Terra, however, whose markets have experienced the most severe downturn, market conditions in 2015 are forecast to still be significantly below historic mid-cycle conditions, as a result of which the goodwill in respect of these two CGUs has been impaired by \$21.0m (£13.6m) and €8.9m (£7.6m) respectively. Management considers all the forecast improvements in sales, margins and profits to be reasonably achievable given the expected recovery, over time, in market conditions and the historic trading results of the relevant CGUs. Cash flows beyond 2015 have been extrapolated using a steady growth rate of between 2% and 4% (shown in the table above), which does not exceed the long-term average growth rates for the markets in which the relevant CGUs operate.

The macroeconomic assumptions underlying most of the forecasts of the other CGUs are for a gradual recovery to more normal, mid-cycle, market conditions by 2015. Clearly, in the event that this assumption proves significantly over optimistic and the relevant countries experience a severe and prolonged depression, such that demand for the Group's products is materially below long-term historic levels for a significant number of years, this would adversely impact the forecast cash flows and more than likely lead to impairments of goodwill. The extent of such impairments however is impossible to predict at this stage. If, as management considers probable, the medium-term macroeconomic background assumed proves not to be significantly over optimistic, management believes that any reasonably possible change in the key assumptions on which the recoverable amounts of the CGUs identified above are based would not cause any of their carrying amounts to exceed their recoverable amounts.

Additional specific information relating to the value in use calculations for CGUs with significant goodwill are as follows:

#### Suncoast (US)

Suncoast's revenues are primarily linked to US residential construction spend and the forecast cash flows assume the slight increase in US residential seen during 2010 is the beginning of a gradual recovery. Revenues forecast for 2015 are consistent with national US housing starts of around 1.2 million in that year, still well below the level of 1.5 million which third party forecasts generally assume to be the average annual requirement for new homes in the US based on expected demographic trends. Whilst

gross margins are forecast to recover over time the forecast recovery is to a level some way below that earned in the five years prior to the recent recession, despite considerable operational improvements at Suncoast in recent years.

#### HJ Foundation (US)

The forecast cash flows assume that HJ continues to grow its sales outside its traditional south Florida market. Revenues from south Florida forecast for 2015 are less than half those achieved in the boom of 2005 and 2006. Management considers the forecast 2015 revenues from other geographical markets reasonably achievable given progress to date and the ability to leverage off the wider Keller US network. Gross margins are forecast to recover over time to a level consistent with other Keller US piling companies.

#### Keller Limited (UK)

During 2010 all our UK businesses, including Keller Geotechnique and Phi, were integrated into a single CGU. Keller Limited. The forecast cash flows assume that sales will be boosted by significant one-off infrastructure work over the next three years. The general UK construction market is forecast to recover slowly over time. Forecast margins are consistent with the historic average for the business.

#### Resource Piling (Singapore)

The forecast cash flows of Resource Piling, which was acquired by Keller in October 2009, assume sales over the next five years in line with those achieved by the business over the past two years. Forecast margins are consistent with the historic average for the business, but less than those earned in the two years immediately preceding acquisition.

#### Waterway (Australia)

The forecast cash flows of Waterway, which was acquired by Keller in June 2010, assume growth in sales over the next five years slightly above that achieved by the business over the past three years, reflecting Waterways' enhanced ability to participate in larger contracts and outside its traditional geographic markets as a result of being part of the Keller Group, consistent with the strategy underlying the acquisition. Forecast margins are consistent with the historic average for the business.

#### Hayward Baker (US)

This business is more geographically diverse than HJ and has revenue more broadly spread across construction markets as a whole than Suncoast. The forecast cash flows assume a gradual recovery in sales and profits from 2011. The forecast sales growth to 2015 is based on external forecasts for the relevant construction markets. Gross margins are forecast to return over time to levels consistent with the average normalised margins of the last five years, although margin recovery is forecast to lag revenue recovery.

#### Keller-Terra (Spain)

Forecast cash flows assume a further decrease in revenue in 2011, reflecting continued deterioration in the Spanish market. Revenues and profits are then forecast to recover gradually from 2012 but to levels well below those seen in the boom of 2006 and 2007. Forecast margins show a slight improvement in 2011 as a result of the restructuring undertaken in 2010 and then gradually recover to a level somewhat below the average normalised margin of the last five years.

**13 Property, plant and equipment**

	Land and buildings £m	Plant machinery and vehicles £m	Capital work in progress £m	Total £m
<b>Cost</b>				
At 1 January 2009	41.3	372.9	4.5	<b>418.7</b>
Additions	1.0	37.0	1.3	<b>39.3</b>
Acquired with subsidiaries	0.5	17.6	–	<b>18.1</b>
Disposals	(0.1)	(14.3)	–	<b>(14.4)</b>
Reclassification	–	2.7	(2.7)	<b>–</b>
Exchange differences	(2.6)	(15.6)	(0.1)	<b>(18.3)</b>
At 31 December 2009 and 1 January 2010	40.1	400.3	3.0	<b>443.4</b>
Additions	0.7	27.5	–	<b>28.2</b>
Acquired with subsidiaries	–	12.0	–	<b>12.0</b>
Disposals	–	(3.8)	–	<b>(3.8)</b>
Reclassification	–	2.0	(2.0)	<b>–</b>
Exchange differences	(0.4)	13.2	(0.1)	<b>12.7</b>
<b>At 31 December 2010</b>	<b>40.4</b>	<b>451.2</b>	<b>0.9</b>	<b>492.5</b>
<b>Accumulated depreciation</b>				
At 1 January 2009	6.5	157.5	–	<b>164.0</b>
Charge for the year	0.7	33.7	–	<b>34.4</b>
Disposals	(0.1)	(11.0)	–	<b>(11.1)</b>
Exchange differences	(0.4)	(7.9)	–	<b>(8.3)</b>
At 31 December 2009 and 1 January 2010	6.7	172.3	–	<b>179.0</b>
Charge for the year	1.0	39.0	–	<b>40.0</b>
Disposals	–	(3.3)	–	<b>(3.3)</b>
Exchange differences	0.1	1.7	–	<b>1.8</b>
<b>At 31 December 2010</b>	<b>7.8</b>	<b>209.7</b>	<b>–</b>	<b>217.5</b>
<b>Carrying amount</b>				
<b>At 31 December 2010</b>	<b>32.6</b>	<b>241.5</b>	<b>0.9</b>	<b>275.0</b>
At 31 December 2009 and 1 January 2010	33.4	228.0	3.0	<b>264.4</b>
At 1 January 2009	34.8	215.4	4.5	<b>254.7</b>

The net book value of plant, machinery and vehicles includes £3.8m (2009: £5.0m) in respect of assets held under finance leases.

**14 Other non-current assets**

	2010 £m	2009 £m
Fair value of derivative financial instruments	<b>3.3</b>	3.0
Other assets	<b>12.8</b>	9.7
	<b>16.1</b>	12.7

## Notes to the consolidated financial statements

Continued

### 15 Investments

The Company's principal operating subsidiary undertakings at 31 December 2010 were as follows

Subsidiary undertaking	Country of incorporation	Subsidiary undertaking	Country of incorporation
Keller Limited	UK	Keller Fondazione S r l	Italy
Hayward Baker Inc	USA	Keller Polska Sp z o o	Poland
Case Foundation Company	USA	Boreta spol sr o	Czech Republic
Case Atlantic Company	USA	Keller Ground Engineering India Private Ltd	India
McKinney Drilling Company	USA	Keller (Malaysia) Sdn Bhd	Malaysia
Suncoast Post-Tension L P	USA	Keller Foundations (South East Asia) Pte Ltd	Singapore
SJA Inc	USA	Resource Piling Pte Ltd	Singapore
HJ Foundation Company	USA	Keller Turki Company Ltd	Saudi Arabia
Craig Olden Inc	USA	Frankipile Australia Pty Ltd	Australia
Keller Grundbau GmbH	Germany	Vibro-Pile (Aust ) Pty Ltd	Australia
Keller Fondations Speciales SAS	France	Piling Contractors Pty Ltd	Australia
Keller Grundbau Ges mbH	Austria	Waterfront Services Pty Limited	Australia
Keller-Terra S L	Spain	Keller Ground Engineering Pty Ltd	Australia
Lime Column Method AB	Sweden		

Each of the above subsidiary undertakings is directly or indirectly wholly owned by the Company apart from Keller-Terra S L which is 51% owned by Keller Holdings Ltd and Keller Turki Company Ltd which is 65% owned by Keller Grundbau GmbH. Keller Limited is held directly by the Company. All other shareholdings are held by intermediate subsidiary undertakings. All companies are engaged in the principal activities of the Group, as defined in the Directors' Report.

### 16 Inventories

	2010 £m	2009 £m
Raw materials and consumables	23 0	25 3
Work in progress	0 1	2 1
Finished goods	9 8	10 0
	<b>32 9</b>	<b>37 4</b>

### 17 Trade and other receivables

	2010 £m	2009 £m
Trade receivables	270 9	246 3
Construction work in progress	34 5	23 4
Other receivables	18 8	22 0
Prepayments	10 4	8 2
	<b>334 6</b>	<b>299 9</b>

Trade receivables are shown net of an allowance for doubtful debts

	2010 £m	2009 £m
The movement in the provision for bad and doubtful debt is as follows		
At 1 January	34 4	40 6
Credit to the income statement	(7 6)	(3 5)
Exchange differences	0 3	(2 7)
<b>At 31 December</b>	<b>27 1</b>	<b>34 4</b>

	2010 £m	2009 £m
The ageing of trade receivables that were past due but not impaired was as follows		
Overdue by less than 30 days	47 6	39 0
Overdue by between 31 and 90 days	23 3	26 3
Overdue by more than 90 days	20 9	18 2
	<b>91 8</b>	<b>83 5</b>



**18 Construction contracts**

	2010 £m	2009 £m
Construction contracts in progress at balance sheet date		
Aggregate amount of costs incurred and recognised profits (less recognised losses) to date	<b>404.9</b>	322.4
Retentions withheld by customers	<b>52.2</b>	53.5
Advances received	<b>2.3</b>	0.5

Construction contract revenue recognised in the year in accordance with IAS 11 totalled £1,001.6m (2009: £962.1m)

**19 Cash and cash equivalents**

	2010 £m	2009 £m
Bank balances	<b>39.3</b>	34.7
Short-term deposits	<b>2.1</b>	0.6
<b>Cash and cash equivalents in the balance sheet</b>	<b>41.4</b>	35.3
Bank overdrafts	<b>(2.3)</b>	(6.0)
<b>Cash and cash equivalents in the cash flow statement</b>	<b>39.1</b>	29.3

**20 Trade and other payables**

	2010 £m	2009 £m
Trade payables	<b>123.2</b>	108.7
Other taxes and social security payable	<b>9.0</b>	12.3
Other payables	<b>98.3</b>	95.4
Accruals	<b>30.3</b>	35.9
	<b>260.8</b>	252.3

**21 Provisions**

	Employee provisions £m	Restructuring provisions £m	Other provisions £m	Total £m
At 1 January 2010	8.1	–	2.4	<b>10.5</b>
Charge for the year	1.8	1.8	0.5	<b>4.1</b>
Applied	(1.1)	(0.5)	–	<b>(1.6)</b>
Exchange differences	0.5	0.1	–	<b>0.6</b>
<b>At 31 December 2010</b>	<b>9.3</b>	<b>1.4</b>	<b>2.9</b>	<b>13.6</b>
To be settled within one year	5.1	1.1	2.9	<b>9.1</b>
To be settled after one year	4.2	0.3	–	<b>4.5</b>
<b>At 31 December 2010</b>	<b>9.3</b>	<b>1.4</b>	<b>2.9</b>	<b>13.6</b>

Employee provisions comprise obligations to employees other than retirement or post retirement obligations. Other provisions are in respect of legal and other disputes in various Group companies. The majority of provisions are expected to be utilised within five years.

**22 Other non-current liabilities**

	2010 £m	2009 £m
Fair value of derivative financial instruments	<b>18.7</b>	17.1
Other liabilities	<b>18.1</b>	16.7
	<b>36.8</b>	33.8

## Notes to the consolidated financial statements

Continued

### 23 Financial instruments

Exposure to credit, interest rate and currency risks arise in the normal course of the Group's business. Derivative financial instruments are used to hedge exposure to fluctuations in foreign exchange and interest rates.

The Group does not trade in financial instruments nor does it engage in speculative derivative transactions.

#### Credit risk

The Group's principal financial assets are trade and other receivables and bank and cash balances. These represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group has stringent procedures to manage counterparty risk and the assessment of customer credit risk is embedded in the contract tendering processes. Customer credit risk is mitigated by the Group's relatively small average contract size and its diversity, both geographically and in terms of end markets. As a result, no customer represented more than 5% of sales in 2010. The counterparty risk on bank and cash balances is managed by limiting the aggregate amount of exposure to any such institution by reference to their credit rating and by regular review of these ratings. The ageing of trade receivables that were past due but not impaired is shown in note 17.

#### Currency risk

The Group faces currency risk principally on its net assets, of which a large proportion is in currencies other than sterling. The Group aims to reduce the impact that retranslation of these net assets might have on the consolidated balance sheet, by matching the currency of its borrowings, where possible, with the currency of its assets.

The Group manages its currency flows to minimise currency transaction exchange risk. Forward contracts and other derivative financial instruments are used as appropriate to hedge significant individual transactions. The majority of such currency flows within the Group relate to repatriation of profits and intra-group loan payments. The Group's foreign exchange cover is executed primarily in the UK.

At 31 December 2010, the fair value of foreign exchange forward contracts outstanding was £nil (2009: £0.4m).

#### Interest rate risk

Interest rate risk is managed by mixing fixed and floating rate borrowings depending upon the purpose of the financing.

#### Liquidity risk and capital management

The Group's capital structure is kept under constant review, taking account of the need for, availability and cost of various sources of finance. The capital structure of the Group consists of net debt, as shown on page 57, and equity attributable to equity holders of the parent as shown in the consolidated balance sheet. The Group maintains a balance between certainty of funding and a flexible, cost effective financing structure with all main borrowings being from committed facilities. The Group's policy continues to be to ensure that its capital structure is appropriate to support this balance and the Group's operations.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group's debt and committed facilities mainly comprise a US\$100m private placement, repayable US\$30m in 2011 and US\$70m in 2014 and a £170m syndicated revolving credit facility expiring in 2015. These facilities are subject to certain covenants linked to the Group's financing structure, specifically regarding the ratios of debt and interest to profit. The Group has complied with these covenants throughout the period.

At the year end, the Group also had other committed and uncommitted borrowing facilities totalling £44.2m (2009: £72.2m) to support local requirements.

#### Hedging

In October 2004 US\$100m was raised through a private placement with US institutions. The proceeds of the issue of US\$30m 5.05% notes due 2011 and US\$70m 5.48% notes due 2014 were used to refinance existing debt.

The US private placement loans are accounted for on an amortised cost basis, adjusted for the impact of hedge accounting (as described below), and retranslated at the spot exchange rate at each period end. The carrying value of the private placement liabilities at 31 December 2010 was £69.3m (2009: £66.6m).

The US\$100m fixed rate private placement liabilities have been swapped into floating rates, US\$75m by means of US dollar interest rate swaps and US\$25m through a dollar euro cross-currency and interest rate swap (together, 'the 2004 swaps'). The 2004 swaps have the same maturity as the private placement loans. The fair value of the 2004 swaps at 31 December 2010 represented an asset of £4.0m (2009: £3.0m) which is included in other non-current assets and a liability of £nil (2009: £1.5m) which is included in other non-current liabilities.

The US\$75m 2004 interest rate swaps have been designated as fair value hedges of the Group's exposure to changes in the fair value of US\$75m of the US private placement loans arising from changes in US interest rates. The US\$ leg of the 2004 cross currency interest rate swap has been designated a fair value hedge of the Group's exposure to changes in fair value of US\$25m of the private placement loans arising from changes in sterling dollar exchange rates and US interest rates. The effective portion of the change in fair value of these hedging instruments during the year, a gain of £1.6m (2009: £4.8m loss), has been taken to the income statement along with the equal and opposite movement in fair value of the corresponding hedged items.

US\$75m of the private placement liabilities, together with the euro leg of the 2004 cross currency interest rate swap, are designated as net investment hedges of the Group's dollar and euro-denominated net assets. The effective portion of the change in fair value of these hedging instruments during the year, a loss of £0.3m (2009: £6.1m gain), has been taken to the translation reserve through other comprehensive income along with the foreign exchange gains and losses arising on retranslation of the dollar- and euro-denominated assets they hedge.

In June 2006 US\$185m of floating rate intra-group debt was swapped into sterling floating rates by means of dollar sterling cross currency interest rate swaps ('the 2006 swaps'). The 2006 swaps have the same maturity as the intra-group debt and have been designated as cash flow hedges of the Company's exposure to the variability of cash flows on the intra-group debt resulting from changes in foreign exchange rates.

### 23 Financial instruments continued

The fair value of the 2006 swaps at 31 December 2010 represented a liability of £18.6m (2009 £15.6m) included in other non-current liabilities. The effective portion of changes in the fair value of the 2006 swaps, a loss of £3.0m (2009 £11.3m gain), has been taken to the hedging reserve and fully recycled through the income statement during the year.

All hedges are tested for effectiveness every six months using the cumulative dollar offset method. All hedging relationships remained effective during the year. The ineffective portion of the movement in the fair value of the hedging instruments was £nil (2009 £0.6m gain).

#### Effective interest rates and maturity analysis

In respect of interest-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they mature. The undiscounted cash flows of these financial instruments are not materially different from their carrying values.

	2010 Effective interest rate %	2010 Due within 1-2 years £m	2010 Due within 2-5 years £m	2010 Due after more than 5 years £m	2010 Total non- current £m	2010 Due within 1 year £m	2010 Total £m
Bank overdrafts	3.8	-	-	-	-	(2.3)	(2.3)
Bank loans*	2.3	(0.2)	(59.7)	-	(59.9)	(3.0)	(62.9)
Other loans	1.7	-	(49.4)	-	(49.4)	(19.8)	(69.2)
Obligations under finance leases*	3.9	(0.2)	-	-	(0.2)	(0.8)	(1.0)
Total loans and borrowings		(0.4)	(109.1)	-	(109.5)	(25.9)	(135.4)
Bank balances	0.1	-	-	-	-	39.3	39.3
Short-term deposits*	3.0	-	-	-	-	2.1	2.1
Net debt		(0.4)	(109.1)	-	(109.5)	15.5	(94.0)
Derivative financial instruments		-	3.2	(18.6)	(15.4)	0.7	(14.7)
	2009 Effective interest rate %	2009 Due within 1-2 years £m	2009 Due within 2-5 years £m	2009 Due after more than 5 years £m	2009 Total non- current £m	2009 Due within 1 year £m	2009 Total £m
Bank overdrafts	1.9	-	-	-	-	(6.0)	(6.0)
Bank loans*	1.9	(38.9)	-	-	(38.9)	(0.6)	(39.5)
Other loans	3.4	(19.7)	(46.7)	-	(66.4)	-	(66.4)
Obligations under finance leases*	4.0	(0.7)	(0.2)	-	(0.9)	(1.3)	(2.2)
Total loans and borrowings		(59.3)	(46.9)	-	(106.2)	(7.9)	(114.1)
Bank balances	0.2	-	-	-	-	34.7	34.7
Short-term deposits*	5.4	-	-	-	-	0.6	0.6
Net debt		(59.3)	(46.9)	-	(106.2)	27.4	(78.8)
Derivative financial instruments		1.0	0.4	(15.5)	(14.1)	0.6	(13.5)

\*These include assets/liabilities bearing interest at a fixed rate.

In addition, there were non-interest-earning financial liabilities comprising trade and other payables of £230.5m (2009 £216.4m) which were payable within one year.

The Group had unutilised committed banking facilities of £78.3m at 31 December 2010 (2009 £88.4m). This mainly comprised the unutilised portion of the Group's £170m facility which expires on 16 April 2015. In addition, the Group had unutilised uncommitted facilities totalling £36.3m at 31 December 2010 (2009 £34.2m). All of these borrowing facilities are unsecured.

Future obligations under finance leases totalled £2.3m (2009 £2.3m), including interest of £0.1m (2009 £0.1m).

#### Fair values

The fair values of the Group's financial assets and liabilities are not materially different from their carrying values. The following summarises the major methods and assumptions used in estimating the fair values of financial instruments.

#### Derivatives

The fair value of interest rate and cross currency swaps is calculated based on discounted expected future principal and interest cash flows. In 2010 and in 2009, the valuation methods of all of the Group's derivative financial instruments carried at fair value are categorised as Level 2. Level 2 is defined as inputs, other than quoted prices (unadjusted) in active markets for identical assets or liabilities, that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices).

#### Interest-bearing loans and borrowings

Fair value is calculated based on discounted expected future principal and interest cash flows.

## Notes to the consolidated financial statements

Continued

### 23 Financial instruments continued

#### Trade and other payables and receivables and construction work in progress

For payables and receivables with a remaining life of one year or less, the carrying amount is deemed to reflect the fair value

All other payables and receivables are discounted to determine their fair value

#### Interest rate and currency profile

The profile of the Group's financial assets and financial liabilities after taking account of swaps was as follows

	2010 Sterling	2010 USD	2010 Euro	2010 AUD	2010 Total
Weighted average fixed debt interest rate	7.0%	–	3.6%	–	n/a
Weighted average fixed debt period (years)	1.0	–	3.0	–	n/a
	2010 £m	2010 £m	2010 £m	2010 £m	2010 £m
Fixed rate financial liabilities	(0.1)	–	(0.9)	–	(1.0)
Floating rate financial liabilities	(19.5)	(53.0)	(45.5)	(16.4)	(134.4)
Financial assets	–	7.4	29.0	5.0	41.4
Net debt	(19.6)	(45.6)	(17.4)	(11.4)	(94.0)
	2009 Sterling	2009 USD	2009 Euro	2009 AUD	2009 Total
Weighted average fixed debt interest rate	7.0%	–	1.7%	–	n/a
Weighted average fixed debt period (years)	2.0	–	3.0	–	n/a
	2009 £m	2009 £m	2009 £m	2009 £m	2009 £m
Fixed rate financial liabilities	(0.2)	–	(2.0)	–	(2.2)
Floating rate financial liabilities	(22.8)	(48.4)	(36.2)	(4.5)	(111.9)
Financial assets	2.0	7.0	25.0	1.3	35.3
Net debt	(21.0)	(41.4)	(13.2)	(3.2)	(78.8)

#### Sensitivity analysis

At 31 December 2010, it is estimated that a general increase of one percentage point in interest rates would decrease the Group's profit before taxation by approximately £1.2m (2009 £1.0m). The impact of interest rate swaps has been included in this calculation.

It is estimated that a general increase of ten percentage points in the value of sterling against other principal foreign currencies would have decreased the Group's profit before taxation by approximately £2.2m for the year ended 31 December 2010 (2009 £8m). This sensitivity relates to the impact of retranslation of foreign earnings only. The impact on the Group's earnings of currency transaction exchange risk is not significant.

### 24 Share capital and reserves

	2010 £m	2009 £m
<b>Allotted, called up and fully paid</b>		
Equity share capital		
66,473,235 ordinary shares of 10p each (2009 66,468,235)	6.6	6.6

The Company has one class of ordinary shares, which carries no rights to fixed income. There are no restrictions on the transfer of these shares. All shares issued in the year related to share options that were exercised.

The capital redemption reserve is a non-distributable reserve created when the Company's shares were redeemed or purchased other than from the proceeds of a fresh issue of shares.

During 2009, the Company repurchased 330,000 shares specifically to satisfy Performance Share Plan awards, all of which are held in Treasury. The average cost of purchased shares in 2009 was £4.81.

## 25 Related party transactions

Transactions between the parent, jointly controlled operations and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note

During the year the Group undertook various contracts with a total value of £3.3m (2009: £9.0m) for GTCEISU Construcción, S.A., a connected person of Mr Lopez Jimenez, a Director of the Company. An amount of £2.3m (2009: £6.9m) is included in trade and other receivables in respect of amounts outstanding as at 31 December 2010.

During the year the Group made purchases from GTCEISU Construcción, S.A. with a total value of £3.6m (2009: £6.0m). An amount of £2.8m (2009: £3.8m) is included in trade and other payables in respect of amounts outstanding as at 31 December 2010.

Related party transactions were made on an arms-length basis. All amounts outstanding from related parties are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

The remuneration of the Directors, who are the key management personnel and related parties of the Group, is set out in the audited part of the Directors' Remuneration Report on pages 25 to 30.

## 26 Operating lease arrangements

At the balance sheet date the Group's total commitments for future minimum lease payments under non-cancellable operating leases were as follows:

	2010 Land and buildings £m	2010 Plant, machinery and vehicles £m	2010 Total £m	2009 Land and buildings £m	2009 Plant, machinery and vehicles £m	2009 Total £m
Payable within one year	7.3	4.5	11.8	6.0	5.4	11.4
Payable between one and five years inclusive	14.4	4.8	19.2	13.8	4.9	18.7
Payable in over five years	4.2	0.1	4.3	5.4	0.2	5.6
	<b>25.9</b>	<b>9.4</b>	<b>35.3</b>	<b>25.2</b>	<b>10.5</b>	<b>35.7</b>

## 27 Contingent liabilities

The Group has entered into bonds in the normal course of business relating to contract tenders, advance payments, contract performance and the release of retentions.

The Company and certain of its subsidiary undertakings have entered into a number of guarantees, the effects of which are to guarantee or cross guarantee certain bank borrowings of other Group companies.

There are claims arising in the normal course of trading, which involve or may involve litigation. All amounts which the Directors consider will become payable on account of such claims have been fully accrued in these accounts.

At 31 December 2010 the Group had discounted bills of exchange and standby letters of credit outstanding totalling £30.6m (2009: £23.5m).

## Notes to the consolidated financial statements

Continued

### 28 Share-based payments

The Group has two share option plans, the 2001 Plans and the Performance Share Plan

Details of the terms and conditions of the current share option plans are set out in the Directors' Remuneration Report on pages 25 to 30

The recognition and measurement principles in IFRS 2 have not been applied to options granted before 7 November 2002 in accordance with the transitional provisions in IFRS 1 and IFRS 2. Under the 2001 Plans, the option price is the average of the share price for the three days preceding the date of grant. Under the Performance Share Plan, all awards have an exercise price of £1 per exercise. Options outstanding are as follows

	2001 Plans Options	2001 Plans Weighted average exercise price	Performance Share Plan Options
Outstanding at 1 January 2009	207,000	247 2p	843,416
Granted during 2009	–	–	388,527
Exercised during 2009	(150,000)	248 4p	(346,250)
Outstanding at 31 December 2009 and 1 January 2010	57,000	244 2p	885,693
Granted during 2010	–	–	326,681
Forfeited during 2010	(12,000)	–	(5,000)
Lapsed during 2010	–	–	(149,619)
Exercised during 2010	(5,000)	251 0p	(67,223)
<b>Outstanding at 31 December 2010</b>	<b>40,000</b>	<b>243 7p</b>	<b>990,532</b>
Exercisable at 1 January 2009	207,000	247 2p	21,250
Exercisable at 31 December 2009 and 1 January 2010	57,000	244 2p	8,750
<b>Exercisable at 31 December 2010</b>	<b>40,000</b>	<b>243 7p</b>	<b>3,750</b>

Exercises occurred throughout the year. The average share price during the year was 613 5p.

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on a stochastic model. The contractual life of the option is used as an input into this model, with expectations of early exercise being incorporated into the model.

The inputs into the stochastic model are as follows

	2010	2009
Weighted average share price	<b>662 0p</b>	523 0p
Weighted average exercise price	<b>0 0p</b>	0 0p
Expected volatility	<b>48 0%</b>	47 1%
Expected life	<b>3 years</b>	3 years
Risk free rate	<b>1 83%</b>	1 63%
Expected dividend yield	<b>3 18%</b>	3 96%

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous six years, adjusted for any expected changes to future volatility due to publicly available information.

The Group recognised total expenses (included in operating costs) of £nil (2009 £0.5m) related to equity-settled, share-based payment transactions.

## 29 Retirement benefit liabilities

The Group operates several pension schemes in the UK and overseas

In the UK, the Group operates the Keller Group Pension Scheme, a defined benefit scheme, which has been closed to new members since 1999 and was closed to all future benefit accrual with effect from 31 March 2006. Under the scheme employees are normally entitled to retirement benefits on attainment of a retirement age of 65.

The Group has two UK defined contribution retirement benefit schemes. There were no contributions outstanding in respect of these schemes at 31 December 2010 (2009: £nil). The total UK defined contribution pension charge for the year was £0.8m (2009: £0.6m).

The Group also has defined benefit retirement obligations in Germany and Austria. These obligations are funded on the Group's balance sheet.

The Group operates a defined contribution scheme for employees in the US, where the Group is required to match employee contributions up to a certain level in accordance with the scheme rules. The total US pension charge for the year was £1.9m (2009: £2.1m).

In Australia there is a defined contribution scheme where the Group is required to ensure that a prescribed level of superannuation support of an employee's notional base earnings is made. This prescribed level of support is currently 9% (2009: 9%). The total Australian pension charge for the year was £2.7m (2009: £1.9m).

Details of the Group's defined benefit schemes are as follows:

	<b>The Keller Group Pension Scheme (UK) Year ended 31 December 2010 £m</b>	<b>The Keller Group Pension Scheme (UK) Year ended 31 December 2009 £m</b>	<b>German and Austrian Schemes Year ended 31 December 2010 £m</b>	<b>German and Austrian Schemes Year ended 31 December 2009 £m</b>
Present value of the scheme liabilities	(38.0)	(36.4)	(12.7)	(11.6)
Present value of assets	30.6	27.8	-	-
Deficit in the scheme	(7.4)	(8.6)	(12.7)	(11.6)

The value of the scheme liabilities has been determined by the actuary using the following assumptions:

	<b>31 December 2010 %</b>	<b>31 December 2009 %</b>	<b>31 December 2010 %</b>	<b>31 December 2009 %</b>
Discount rate	5.4	5.7	4.1	5.3
Expected return on scheme assets	5.0	5.1	n/a	n/a
Rate of increase in salaries	n/a	n/a	-	-
Rate of increase in pensions in payment	3.5	3.5	2.0	1.5
Rate of increase in pensions in deferment	3.0	3.5	2.0	1.5
Rate of inflation	3.5	3.5	2.0	1.5
Mortality table				
Pensioners	**	**	*	*
Non-pensioners	**	**	*	*

Richttafel 2005 G

130% PNA00 mc min 1%

	<b>Value as at 31 December 2010 £m</b>	<b>Value as at 31 December 2009 £m</b>	<b>Value as at 31 December 2010 £m</b>	<b>Value as at 31 December 2009 £m</b>
The assets of the schemes were as follows				
Equities	20.7	18.6	n/a	n/a
Bonds	9.9	9.2	n/a	n/a
	30.6	27.8	n/a	n/a

For the valuation of the Keller Group Pension Scheme (UK) at 31 December 2010, the revaluation in deferment assumption was based on CPI rather than RPI which was used previously. The impact of this change was to decrease the net pension liability by £1.0m.

# Notes to the consolidated financial statements

Continued

## 29 Retirement benefit liabilities continued

	The Keller Group Pension Scheme (UK) Year ended 31 December 2010 £m	The Keller Group Pension Scheme (UK) Year ended 31 December 2009 £m	German and Austrian Schemes Year ended 31 December 2010 £m	German and Austrian Schemes Year ended 31 December 2009 £m
<b>Changes in scheme liabilities</b>				
Opening balance	(36 4)	(28 6)	(11 6)	(11 3)
Current service cost	–	–	(0 2)	(0 8)
Interest cost	(2 1)	(1 9)	(0 5)	(0 5)
Benefits paid	1 4	1 2	0 7	0 8
Exchange differences	–	–	0 6	0 8
Actuarial losses	(0 9)	(7 1)	(1 7)	(0 6)
Closing balance	(38 0)	(36 4)	(12 7)	(11 6)
<b>Changes in scheme assets</b>				
Opening balance	27 8	26 3	–	–
Expected return on scheme assets	1 4	1 4	–	–
Employer contributions	1 5	1 5	–	–
Benefits paid	(1 4)	(1 2)	–	–
Actuarial gains/(losses)	1 3	(0 2)	–	–
Closing balance	30 6	27 8	–	–
Actual return on scheme assets	2 7	(0 1)	–	–
<b>Statement of comprehensive income (SOCl)</b>				
Actuarial gains/(losses) from assets	1 3	(0 2)	–	–
Actuarial losses from liabilities	(0 9)	(7 1)	(1 7)	(0 6)
Net actuarial gains/(losses)	0 4	(7 3)	(1 7)	(0 6)
Cumulative actuarial losses	(11 9)	(12 3)	(2 3)	(0 6)
<b>Expense/(income) recognised in the income statement</b>				
Current service cost	–	–	0 2	0 8
Operating costs	–	–	0 2	0 8
Interest cost	2 1	1 9	0 5	0 5
Expected return on assets	(1 4)	(1 4)	–	–
Expense recognised in the income statement	0 7	0 5	0 7	1 3
<b>Movements in the balance sheet liability</b>				
Net liability at start of year	8 6	2 3	11 6	11 3
Expense recognised in the income statement	0 7	0 5	0 7	1 3
Contributions	(1 5)	(1 5)	–	–
Benefits paid	–	–	(0 7)	(0 8)
Exchange differences	–	–	(0 6)	(0 8)
Actuarial losses/(gains) recognised in SOCl	(0 4)	7 3	1 7	0 6
Net liability at end of year	7 4	8 6	12 7	11 6

The expected return on the average value of the assets over the year was calculated using the long-term average rate of return expected over the remaining term of the scheme's liabilities. The contributions expected to be paid during 2011 are £1.5m.

The history of experience adjustments on scheme assets and liabilities for all the Group's defined benefit pension schemes is as follows:

	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Present value of defined benefit obligations	(50 7)	(48 0)	(39 9)	(40 7)	(41 4)
Fair value of scheme assets	30 6	27 8	26 3	26 8	25 7
Deficit in the schemes	(20 1)	(20 2)	(13 6)	(13 9)	(15 7)
Experience adjustments on scheme liabilities	(2 6)	(7 7)	4 4	2 8	(0 3)
Experience adjustments on scheme assets	1 3	(0 2)	(2 7)	(0 8)	0 2

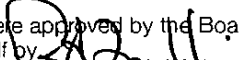


# Company balance sheet

as at 31 December 2010

	Note	2010 £m	2009 £m
<b>Fixed assets</b>			
Intangible assets	4	0 3	-
Tangible fixed assets	5	0 2	0 2
Investments	6	125 3	120 0
Deferred tax assets	7	-	2 9
		<b>125 8</b>	<b>123 1</b>
<b>Current assets</b>			
Debtors*	8	271 6	235 1
Cash and bank balances		4 6	-
Creditors amounts falling due within one year	9	(24 1)	(5 5)
<b>Net current assets*</b>		<b>252 1</b>	<b>229 6</b>
<b>Total assets less current liabilities</b>		<b>377 9</b>	<b>352 7</b>
Creditors amounts falling due after more than one year	10	(122 3)	(127 5)
Retirement benefits	16	(1 2)	(1 0)
<b>Net assets</b>		<b>254 4</b>	<b>224 2</b>
<b>Capital and reserves</b>			
Called up share capital	11	6 6	6 6
Share premium account	13	38 0	38 0
Capital redemption reserve	13	7 6	7 6
Profit and loss account	13	202 2	172 0
<b>Shareholders' funds</b>	12	<b>254 4</b>	<b>224 2</b>

\*Debtors and net current assets include debtors recoverable after more than one year of £267.5m (2009: £233.1m)

These financial statements were approved by the Board of Directors and authorised for issue on 28 February 2011.  
They were signed on its behalf by 

**R A Franklin** Chairman  
**J W G Hind** Finance Director 

## Notes to the Company financial statements

### 1 Significant accounting policies

These financial statements have been prepared under the historical cost convention in accordance with applicable accounting standards of UK Generally Accepted Accounting Practice

The Company has taken the exception granted under SI 2005/2417 not to disclose non-audit fees paid to its auditors

The following accounting policies have been applied consistently

The principal accounting policies adopted under UK GAAP are the same as the Group's accounting policies under International Financial Reporting Standards except for those listed below

#### a) Basis of accounting

No profit and loss account is presented for the Company as permitted by Section 408 of the Companies Act 2006

#### b) Retirement benefits

The Company operates a defined benefit pension scheme, and also makes payments into defined contribution schemes for employees

The liability in respect of the defined benefit scheme is the present value of the defined benefit obligations at the balance sheet date, calculated using the projected unit credit method, less the fair value of the scheme's assets

The Company has applied the requirements of FRS 17 recognising the current service cost and interest on scheme liabilities in the profit and loss account, and actuarial gains and losses in reserves

Payments to defined contribution schemes are accounted for on an accruals basis

#### c) Investments

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment

#### d) Deferred taxation

Except where otherwise required by FRS 19, full provision without discounting is made for all timing differences which have arisen but not reversed at the balance sheet date

#### e) Tangible fixed assets

Tangible fixed assets principally consist of leasehold improvements which are depreciated over the term of the lease

### 2 Employees

The Company has no employees other than the Directors. Directors' remuneration and details of their share-based payments are disclosed in the Directors' Remuneration Report on pages 25 to 30

### 3 Dividends paid

Ordinary dividends paid on equity shares are disclosed in note 10 to the consolidated financial statements

**4 Intangible assets**

	Development costs £m	Total £m
<b>Cost</b>		
At 1 January 2010	–	–
Additions	0.3	0.3
<b>At 31 December 2010</b>	<b>0.3</b>	<b>0.3</b>
<b>Carrying amount</b>		
At 1 January 2010	–	–
<b>At 31 December 2010</b>	<b>0.3</b>	<b>0.3</b>

**5 Tangible fixed assets**

	Leasehold improvements £m	Total £m
<b>Cost</b>		
At 1 January 2010 and 31 December 2010	0.3	0.3
<b>Accumulated depreciation</b>		
At 1 January 2010 and 31 December 2010	(0.1)	(0.1)
<b>Carrying amount</b>		
At 1 January 2010 and 31 December 2010	0.2	0.2

**6 Investments**

The Company's principal investments are disclosed in note 15 to the consolidated financial statements

**7 Deferred tax**

The following are the major deferred tax assets recognised by the Company and movements thereon during the current reporting period

	Unrelieved losses £m	Other timing differences £m	Total £m
At 1 January 2010	2.8	0.1	2.9
Charge to the profit and loss account	(2.8)	(0.1)	(2.9)
<b>At 31 December 2010</b>	<b>–</b>	<b>–</b>	<b>–</b>

**8 Debtors**

	2010 £m	2009 £m
Amounts owed by subsidiary undertakings	267.6	231.5
Other debtors	4.0	3.6
	<b>271.6</b>	<b>235.1</b>
Included in the above are amounts falling due after more than one year in respect of		
Amounts owed by subsidiary undertakings	264.2	230.1
Other debtors	3.3	3.0
	<b>267.5</b>	<b>233.1</b>

The majority of transactions with subsidiary undertakings are with subsidiaries that are 100% owned by the Group. The only exception to this is £30,334 (2009: £32,800) of costs that were recharged by the Company during the year to Keller-Terra S.L., which is 51% owned by the Group. £24,370 (2009: £18,014) of these costs are included in Amounts owed by subsidiary undertakings.

## Notes to the Company financial statements

Continued

### 9 Creditors' amounts falling due within one year

	2010 £m	2009 £m
Overdrafts	-	0.6
Other loans	19.9	-
Amounts owed to subsidiary undertakings	0.3	1.1
Other creditors	3.2	3.1
Accruals	0.7	0.7
	<b>24.1</b>	<b>5.5</b>

### 10 Creditors' amounts falling due after more than one year

	2010 £m	2009 £m
Bank loans	28.8	21.7
Other loans	47.3	66.4
Other creditors	18.7	17.3
Amounts owed to subsidiary undertakings	27.5	22.1
	<b>122.3</b>	<b>127.5</b>
Bank and other loans are repayable as follows		
Between two and five years	76.1	41.4
In five years or more	-	46.7
	<b>76.1</b>	<b>88.1</b>

The Company had unutilised committed banking facilities of £78.3m at 31 December 2010 (2009: £82.7m). This comprised the unutilised portion of the Company's £170m revolving credit facility which expires in April 2015.

### 11 Share capital

Details of the Company's share capital are given in note 24 to the consolidated financial statements.

### 12 Reconciliation of movements in shareholders' funds

	2010 £m	2009 £m
Profit for the financial year	44.4	35.0
Actuarial losses on defined benefit pension scheme (net of deferred tax)	-	(0.9)
Dividends	(14.2)	(13.5)
Issue of new shares	-	0.4
Share-based payments	-	0.5
Shares repurchased	-	(1.6)
<b>Net movements in shareholders' funds</b>	<b>30.2</b>	<b>19.9</b>
Shareholders' funds at 1 January	224.2	204.3
<b>Shareholders' funds at 31 December</b>	<b>254.4</b>	<b>224.2</b>

All shares issued relate to share options that were exercised.

### 13 Reserves

	Share premium account £m	Capital redemption reserve £m	Profit and loss account £m	Total £m
At 1 January 2010	38 0	7 6	172 0	<b>217 6</b>
Profit for the financial year	–	–	44 4	<b>44 4</b>
Dividends	–	–	(14 2)	<b>(14.2)</b>
<b>At 31 December 2010</b>	<b>38 0</b>	<b>7 6</b>	<b>202 2</b>	<b>247.8</b>

Of the profit and loss account reserve, an amount of £100.8m attributable to profits arising on an intra-group reorganisation is not distributable

### 14 Share-based payments

Details of the Company's share option plans are given in note 28 to the consolidated financial statements

### 15 Contingent liabilities

The Company and certain of its subsidiary undertakings have entered into a number of guarantees, the effects of which are to guarantee or cross guarantee certain bank borrowings of other Group companies. At 31 December 2010, the Company's liability in respect of this amounted to £67,760,280 (2009 £34,633,395), including standby letters of credit outstanding totalling £30.6m (2009 £23.5m). No amounts were paid or liabilities incurred relating to these guarantees during 2010 (2009 £nil).

### 16 Retirement benefit schemes

In the UK, the Company participates in the Keller Group Pension Scheme, a defined benefit scheme, details of which are given in note 29 to the consolidated financial statements. The Company's share of the present value of the assets of the scheme at the date of the last actuarial valuation on 5 April 2008 was £4.3m and the actuarial valuation showed a funding level of 77%. The next actuarial valuation will be carried out as at 5 April 2011.

Details of the actuarial methods and assumptions, as well as steps taken to address the deficit in the scheme, are given in note 29 to the consolidated financial statements.

There were no contributions outstanding in respect of the defined contribution schemes at 31 December 2010 (2009 £nil).

Details of the Company's share of the Keller Group Pension Scheme are as follows:

	2010 £m	2009 £m
Present value of the scheme liabilities	<b>(6 1)</b>	(5 8)
Present value of assets	<b>4 9</b>	4 4
Deficit in the scheme	<b>(1 2)</b>	(1 4)
Related deferred tax asset at 27% (2009 28%)	–	0 4
<b>Net pension liability</b>	<b>(1 2)</b>	(1 0)
The assets of the scheme were as follows		
	2010 £m	2009 £m
Equities	<b>3 3</b>	3 0
Bonds	<b>1 6</b>	1 4
	<b>4 9</b>	4 4

For the valuation at 31 December 2010, the revaluation in deferment assumption was based on CPI rather than RPI which was used previously. The impact of this change was to decrease the net pension liability by £0.2m.

# Notes to the Company financial statements

Continued

## 16 Retirement benefit schemes continued

	2010 £m	2009 £m
<b>Changes in scheme liabilities</b>		
Opening balance	(5 8)	(4 6)
Interest cost	(0 3)	(0 3)
Benefits paid	0 2	0 2
Actuarial losses	(0 2)	(1 1)
Closing balance	(6 1)	(5 8)
<b>Changes in scheme assets</b>		
Opening balance	4 4	4 2
Expected return on scheme assets	0 2	0 2
Employer contributions	0 3	0 3
Benefits paid	(0 2)	(0 2)
Actuarial gains/(losses)	0 2	(0 1)
Closing balance	4 9	4 4
Actual return on scheme assets	0 4	–
<b>Statement of total recognised gains and losses (STRGL)</b>		
Actuarial gains/(losses) from assets	0 2	(0 1)
Actuarial losses from liabilities	(0 2)	(1 1)
Net actuarial losses	–	(1 2)
Cumulative actuarial losses	(1 2)	(1 2)
<b>Expense recognised in the profit and loss account</b>		
Interest cost	0 3	0 3
Expected return on assets	(0 2)	(0 2)
Expense recognised in the profit and loss account	0 1	0 1
<b>Movements in the balance sheet liability</b>		
Net liability at start of year	1 4	0 4
Expense recognised in the profit and loss account	0 1	0 1
Contributions	(0 3)	(0 3)
Actuarial losses recognised in STRGL	–	1 2
Net liability at end of year	1 2	1 4

The expected return on the average value of the assets over the year was calculated using the long-term average rate of return expected over the remaining term of the scheme's liabilities. The contributions expected to be paid during 2011 are £0.2m

The history of experience adjustments on scheme assets and liabilities is as follows	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Present value of defined benefit obligations	(6 1)	(5 8)	(4 6)	(5 0)	(5 2)
Fair value of scheme assets	4 9	4 4	4 2	4 3	4 1
Deficit in the scheme	(1 2)	(1 4)	(0 4)	(0 7)	(1 1)
Experience adjustments on scheme liabilities	(0 2)	(1 1)	0 6	0 3	–
Experience adjustments on scheme assets	0 2	(0 1)	(0 4)	(0 1)	–

## Financial record

	2006 £m	2007 £m	2008 £m	2009 £m	2010 £m
<b>Consolidated Income Statement</b>					
<b>Continuing operations</b>					
Revenue	857.7	955.1	1,196.6	1,037.9	1,068.9
Operating profit before amortisation and impairment of intangible assets	91.7	108.4	120.1	78.8	45.0
Amortisation of intangible assets	(2.4)	(1.0)	(0.7)	(1.5)	(1.7)
Operating profit before impairment of intangible assets	89.3	107.4	119.4	77.3	43.3
Impairment of goodwill	–	–	–	–	(21.8)
Operating profit	89.3	107.4	119.4	77.3	21.5
Finance income	1.9	2.5	2.0	3.7	3.3
Finance costs	(7.5)	(6.7)	(8.2)	(6.3)	(7.0)
Profit before taxation	83.7	103.2	113.2	74.7	17.8
Taxation – underlying	(30.7)	(35.9)	(35.9)	(22.6)	(11.0)
Taxation – non-recurring	3.8	–	–	–	4.7
Profit for the period from continuing operations	56.8	67.3	77.3	52.1	11.5
<b>Discontinued operation</b>					
Loss from discontinued operation net of taxation	–	(10.5)	(1.7)	–	–
Profit for the period	56.8	56.8	75.6	52.1	11.5
Attributable to					
Equity holders of the parent	55.7	54.0	70.8	50.4	11.2
Equity minority interests	1.1	2.8	4.8	1.7	0.3
	56.8	56.8	75.6	52.1	11.5
<b>Consolidated Balance Sheet</b>					
Property, plant and equipment	114.6	155.8	254.7	264.4	275.0
Intangible and other non-current assets	66.3	94.5	124.3	131.8	122.9
Other net operating assets	52.9	50.2	89.0	79.3	92.2
Net debt	(38.6)	(54.5)	(84.6)	(78.8)	(94.0)
Other net liabilities	(36.1)	(34.5)	(80.8)	(73.4)	(65.3)
Net assets	159.1	211.5	302.6	323.3	330.8
Minority interests	(6.7)	(9.2)	(12.9)	(10.6)	(10.1)
Equity attributable to equity holders of the parent	152.4	202.3	289.7	312.7	320.7

## Notice of Annual General Meeting

Notice is hereby given that the 2011 Annual General Meeting of Keller Group plc (incorporated and registered in England and Wales with company number 02442580) (the 'Company') will be held at the offices of RBS Hoare Govett Limited, 250 Bishopsgate, London EC2M 4AA on 17 May 2011 at 11 00 am for the following purposes

To consider and, if thought fit, to pass the following resolutions of which resolutions 1- 9 inclusive will be proposed as ordinary resolutions and resolutions 10-12 inclusive will be proposed as special resolutions. In accordance with the Company's articles of association, resolutions 1, 2 and 4 -11 inclusive shall be ordinary business and resolutions 3 and 12 shall be special business

- 1 To receive the Company's annual accounts for the year ended 31 December 2010, together with the reports of the directors of the Company (the 'Directors') and the auditors thereon
- 2 To declare a final dividend of 15 2p per ordinary share, such dividend to be paid on 27 May 2011 to members on the register at the close of business on 6 May 2011
- 3 To approve the report on Directors' remuneration for the year ended 31 December 2010
- 4 To re-elect as a Director Mr Justin Atkinson, who retires by rotation
- 5 To re-elect as a Director Mr Gerry Brown, who retires by rotation
- 6 To elect as a Director Ms Ruth Cairnie, who has been appointed since the last Annual General Meeting
- 7 To elect as a Director Mr Chris Girling, who has been appointed since the last Annual General Meeting
- 8 To re-appoint KPMG Audit Plc as auditors of the Company and to authorise the Directors to fix their remuneration
- 9 THAT the Directors be and are hereby generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (the 'Act') to exercise all the powers of the Company to allot Relevant Securities
  - (i) comprising equity securities (as defined in section 560(1) of the Act) up to an aggregate nominal amount of £4,431,549 (such amount to be reduced by the aggregate nominal amount of Relevant Securities allotted pursuant to paragraph (ii) of this resolution) in connection with a rights issue (as defined in the Listing Rules published by the Financial Services Authority)
    - (a) to holders of Ordinary Shares in the capital of the Company in proportion (as nearly as practicable) to the respective numbers of Ordinary Shares held by them, and
    - (b) to holders of other equity securities in the capital of the Company, as required by the rights of those securities or, subject to such rights, as the Directors otherwise consider necessary,

but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates or any legal or practical problems under the laws of any territory or the requirements of any regulatory body or stock exchange, and

- (ii) otherwise than pursuant to paragraph (i) of this resolution, up to an aggregate nominal amount of £2,215,774 (such amount to be reduced by the aggregate nominal amount of Relevant Securities allotted pursuant to paragraph (i) of this resolution in excess of £2,215,774, provided that (unless previously revoked, varied or renewed) these authorities shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on 17 August 2012 (whichever is the earlier), save that, in each case, the Company shall be entitled to make any offer or agreement before the expiry of the authority which would or might require Relevant Securities to be allotted after such expiry and the Directors shall be entitled to allot Relevant Securities pursuant to any such offer or agreement as if the authority had not expired

In this resolution, 'Relevant Securities' means shares in the Company or rights to subscribe for or to convert any security into shares in the Company, a reference to the allotment of Relevant Securities includes the grant of such a right, and a reference to the nominal amount of a Relevant Security which is a right to subscribe for or to convert any security into shares in the Company is to the nominal amount of the shares which may be allotted pursuant to that right

All previous authorisations given by the Company in General Meeting or otherwise pursuant to section 551 of the Act are hereby revoked to the extent not previously exercised

- 10 THAT, subject to the passing of resolution 9 above, the Directors be and are hereby generally empowered pursuant to section 570 and section 573 of the Act to allot equity securities (within the meaning of section 560 of the Act) for cash and to sell Ordinary Shares held by the Company as treasury shares for cash pursuant to the authorities conferred by resolution 9 as if section 561(1) of the Act did not apply to any such allotment or sale, provided that this power shall be limited to
    - (i) in respect of the authority conferred by resolution 9(i), the allotment of equity securities or sale of treasury shares in connection with a rights issue (as defined in the Listing Rules published by the Financial Services Authority)
      - (a) to holders of Ordinary Shares in the capital of the Company in proportion (as nearly as practicable) to the respective numbers of Ordinary Shares held by them, and
      - (b) to holders of other equity securities in the capital of the Company, as required by the rights of those securities or, subject to such rights, as the Directors otherwise consider necessary,
- but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates or any legal or practical problems under the laws of any territory or the requirements of any regulatory body or stock exchange, and
- (ii) the allotment of equity securities (whether by way of a rights issue, open offer or otherwise) or sale of treasury shares pursuant to the authority granted by paragraph (ii) of resolution 9 (in each case, otherwise than pursuant to paragraph (i) of this resolution) up to an aggregate nominal amount of £332,366,



and (unless previously revoked, varied or renewed) this authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on 17 August 2012 (whichever is the earlier), save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted (or treasury shares to be sold) for cash after such expiry and the Directors may allot equity securities or sell treasury shares for cash pursuant to any such offer or agreement as if the power conferred hereby had not expired

All previous authorisations given by the Company in General Meeting or otherwise pursuant to section 570 and 573 of the Act are hereby revoked to the extent not previously exercised

11 THAT, pursuant to section 701 of the Act, the Company be and is hereby granted general and unconditional authority to make market purchases (within the meaning of Section 693(4) of the Act) of up to in aggregate 6,647,323 of its own Ordinary Shares of 10p each in the capital of the Company ('Ordinary Shares') (representing 10% of the Company's issued Ordinary Share capital at the date of this notice) provided that

- (i) the maximum price which may be paid for an Ordinary Share is the higher of (a) an amount equal to not more than 5% above the average of the middle market quotations for the Ordinary Shares taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the purchase is made (exclusive of expenses payable by the Company), and (b) an amount equal to the higher of the price of the last independent trade of an Ordinary Share and the highest current independent bid for an Ordinary Share on the trading venue where the purchase is carried out,
- (ii) the minimum price (exclusive of expenses) which may be paid for an Ordinary Share is 10p,

and (unless previously revoked, varied or renewed) the authority conferred by this resolution shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution, except that the Company may, before such expiry, enter into a contract for the purchase of its own shares under which such purchase would or may require to be completed or executed wholly or partly after the expiration of this authority and may make a purchase of Ordinary Shares pursuant to any such contract as if the said authority had not expired

12 THAT a General Meeting of the Company (other than an Annual General Meeting) may be called on not less than 14 days' notice

#### By order of the Board

<b>Jackie Holman</b> Secretary 28 February 2011	Registered office Capital House, 25 Chapel Street London NW1 5DH
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#### Notes

##### 1 Resolution 1 – Accounts and reports

A public company is required to lay its annual accounts and report at a General Meeting under the Companies Act 2006 (the 'Act'). The accounts, the report of the Directors and the report of the Company's auditors on the accounts are contained within the Annual Report and Accounts

##### 2 Resolution 3 – Directors' remuneration

Under the Act, officially listed companies are required to put an ordinary resolution to shareholders on the Directors' remuneration report at the General Meeting of the Company before which the accounts are laid

##### 3 Resolutions 4 and 5 – Re-election of Directors

The Company's articles of association require that at every Annual General Meeting one third of the Directors who are subject to retirement by rotation or, if their number is not three or a multiple of three, the number nearest to but not exceeding one-third shall retire from office. Mr Justin Atkinson will retire by rotation and will offer himself for re-election. Mr Gerry Brown, who has now served for nine years on the Board, will also retire and offer himself for re-election. Following performance evaluations, the Chairman has confirmed that both Directors' performance continues to be effective and they continue to demonstrate commitment to their roles

##### 4 Resolutions 6 and 7 – Election of Directors

The Company's articles of association require that any Director appointed since the previous Annual General Meeting shall stand for election by the members at the next Annual General Meeting. Accordingly, Ms Ruth Cairnie and Mr Chris Girling will seek election by the members, as unanimously recommended by the Board. Brief biographical details of all Directors standing for election are set out on pages 16 and 17 of the Company's Annual Report and Accounts for the financial year ended 31 December 2010

##### 5 Resolution 8 – Re-appointment of auditors and auditors' remuneration

Under the Act, the auditors of a company must be re-appointed at each General Meeting at which accounts are presented. Resolution 8 proposes the re-appointment of the Company's existing auditors, KPMG Audit Plc, for a further year. Under the Act, the remuneration of an auditor must be fixed by the shareholders by ordinary resolution or in such manner as the shareholders by ordinary resolution determine. Resolution 8 gives authority to the Directors to determine the auditors' remuneration

##### 6 Resolutions 9 and 10 – Authority to allot shares and disapplication of pre-emption rights

Under the Act, the Directors may only allot shares if authorised to do so under section 551 of the Act. Section 561 of the Act prevents allotments of equity securities for cash other than to existing shareholders in proportion to their existing holdings, unless the Directors are specifically authorised to do otherwise. This gives existing shareholders what are known as 'pre-emption rights'

Under resolution 9(i), the Directors will be able to issue new shares up to a nominal amount of £4,431,549, which is equal to approximately two-thirds of the Company's issued Ordinary Share capital as at 28 February 2011, to existing shareholders in proportion to their holdings in connection with a rights issue (as defined in the Listing Rules published by the Financial Services Authority). This amount shall be reduced to the extent that any shares are allotted under the authority granted by resolution 9(ii)

# Notice of Annual General Meeting

Continued

Additionally, resolution 9(ii) will give the Directors the authority to issue shares up to a nominal amount of £2,215,774, which is equal to approximately one-third of the Company's issued Ordinary Share capital at 28 February 2011. This amount shall be reduced to the extent that any shares are allotted pursuant to the authority granted by resolution 9(i) in excess of £2,215,774.

Under resolution 10(i), the Directors will be able to issue shares for cash, other than to existing shareholders in proportion to their existing holdings, in connection with a rights issue (as defined in the Listing Rules published by the Financial Services Authority).

Under resolution 10(ii), the Directors will be able to issue shares for cash, other than to existing shareholders in proportion to their existing holdings, up to a maximum nominal amount of £332,366, representing approximately 5% of the Company's issued Ordinary Share capital at 28 February 2011. This is intended to ensure that existing shareholders are provided with an element of protection.

The Board has no current plans to allot Ordinary Shares and does not intend to issue more than 7.5% of the issued share capital, other than in respect of a rights issue, in any three-year period.

The authority sought by resolutions 9 and 10 will expire at the conclusion of the next Annual General Meeting following the passing of these resolutions, but could be varied or withdrawn by agreement of shareholders at an intervening General Meeting.

## 7 Resolution 11 – Purchase of the Company's own shares

This resolution grants a limited authority to the Company to purchase through the market up to 10% of its issued share capital. The resolution specifies the maximum and minimum prices at which the Ordinary Shares may be bought at the date of the notice. The authority sought will expire at the conclusion of the next Annual General Meeting following the passing of this resolution.

## 8 Resolution 12 – Calling a General Meeting on 14 days' notice

This resolution is intended to allow the Company to take advantage of an opt-out in the EU Shareholder Rights Directive (Directive 2007/36/EC), which will allow the Company to retain a 14-day notice period for Company meetings other than Annual General Meetings. Under the Directive, listed companies must provide 21 days' notice of a General Meeting, unless the Company offers the facility for shareholders to vote by electronic means that is accessible to all shareholders, and shareholders have approved the holding of General Meetings on 14 clear days' notice. Passing resolution 12 will mean that the Company can call a meeting other than an Annual General Meeting on 14 clear days' notice, provided that it offers the facility for shareholders to vote by electronic means at any such meeting. The Company intends to use this authority in limited circumstances for time-sensitive matters and where a shorter notice period would, in the Board's opinion, be merited in the interests of shareholders as a whole.

## 9 Record date

Only those shareholders registered in the register of members of the Company as at 6.00 pm on 15 May 2011 or, in the event that the meeting is adjourned, in the register of members as at 6.00 pm on the date that is two days before the time of any adjourned meeting, shall be entitled to attend or vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries in the register of members after 6.00 pm on 15 May 2011 or, in the event that the meeting is adjourned, after 6.00 pm on the date that is two days before the time of any adjourned meeting shall be disregarded in determining the rights of any person to attend or vote at the meeting.

## 10 Proxies

10a A shareholder is entitled to appoint one or more persons as proxies to exercise all or any of his rights to attend, speak and vote at the meeting. A shareholder may appoint more than one proxy in relation to the meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by him. A proxy need not be a member of the Company. The appointment of a proxy will not preclude a shareholder from attending and voting in person at the meeting if he so wishes. To appoint more than one proxy shareholders will need to complete a separate proxy form for each proxy. Copies of additional proxy forms can be obtained from the Company's registrars, Equiniti Limited, by telephoning 0871 384 2264. Calls to this number are charged at 8p per minute from a BT landline. Other telephony costs may vary. The Equiniti overseas helpline number is +44 121 415 7047. Alternatively, shareholders may photocopy the form of proxy indicating on each copy the name of the proxy to be appointed and the number of shares in respect of which the proxy is appointed. A failure to specify the number of shares to which each proxy appointment relates or specifying a number in excess of those held by the shareholder may result in the proxy appointment being invalid. The total votes cast and in respect whereof abstention is recorded by a shareholder or his duly appointed proxies may not, in aggregate, exceed the total number of the votes exercisable by that shareholder in respect of Ordinary Shares of which he is the holder. All forms of proxy should be returned together in the same envelope. Shareholders can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form. The right of a shareholder under section 324 of the Act to appoint a proxy does not apply to a person nominated to enjoy information rights under section 146 of the Act.

10b A form of proxy is enclosed. To be valid, it must be completed, signed and sent to the offices of the Company's registrars, Equiniti Limited, at Aspect House, Spencer Road, Lancing, West Sussex BN99 6ZL so as to arrive no later than 11.00 am on 13 May 2011 (or, in the event that the meeting is adjourned, no later than 48 hours before the time of any adjourned meeting).

10c CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual on the Euroclear website ([www.euroclear.com/CREST](http://www.euroclear.com/CREST)) CREST personal members or other CREST sponsored members and those CREST members who have appointed (a) voting service provider(s), should refer to their CREST sponsor or voting service provider(s) who will be able to take the appropriate action on their behalf

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the issuer's agent ID RA19 by no later than 11:00 am on 13 May 2011. No such message received through the CREST network after this time will be accepted. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the registrars are able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

## 11 Nominated Persons

A copy of this notice has been sent for information only to persons who have been nominated by a member to enjoy information rights under section 146 of the Act (a 'Nominated Person'). The rights to appoint a proxy cannot be exercised by a Nominated Person, they can only be exercised by the member. However, a Nominated Person may have a right under an agreement between him and the member by whom he was nominated to be appointed as a proxy for the meeting or to have someone else so appointed. If a Nominated Person does not have such a right or does not wish to exercise it, he may have a right under such an agreement to give instructions to the member as to the exercise of voting rights. It is important for any Nominated Person to remember that his main contact in terms of his investment remains as it was (for example, the registered shareholder, or perhaps custodian or broker, who administers the investment on the Nominated Person's behalf). Therefore any changes or queries relating to a Nominated Person's personal details and holding (including any administration thereof) must continue to be directed to that Nominated Person's existing contact at his investment manager or custodian. The Company cannot guarantee dealing with matters that are directed to it in error. The only exception to this is where the Company, in exercising one of its powers under the Act, writes to a Nominated Person directly for a response.

## 12. Multiple corporate representatives

12a A member which is a corporation is entitled to appoint more than one corporate representative and all of those appointed can attend the meeting of the Company.

12b In accordance with the provisions of the Act, each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual member of the Company, provided that they do not do so in relation to the same shares. It is no longer necessary to nominate a designated corporate representative.

## 13 Website publication of audit concerns

A shareholder or shareholders having a right to vote at the meeting and holding at least 5% of the total voting rights of the Company (see note 16 below), or at least 100 shareholders having a right to vote at the meeting and holding, on average, at least £100 of paid up share capital, may require the Company to publish on its website a statement setting out any matter that such shareholders propose to raise at the meeting relating to either the audit of the Company's accounts (including the auditors' report and the conduct of the audit) that are to be laid before the meeting or any circumstances connected with an auditor of the Company ceasing to hold office since the last Annual General Meeting of the Company in accordance with section 527 of the Act.

# Notice of Annual General Meeting

Continued

Any such request must

- (a) identify the statement to which it relates, by either setting out the statement in full or, if supporting a statement requested by another shareholder, clearly identifying the statement which is being supported,
- (b) comply with the requirements set out in note 14 below, and
- (c) be received by the Company at least one week before the meeting. Where the Company is required to publish such a statement on its website
  - (i) it may not require the shareholders making the request to pay any expenses incurred by the Company in complying with the request,
  - (ii) it must forward the statement to the Company's auditors no later than the time when it makes the statement available on the website, and
  - (iii) the statement may be dealt with as part of the business of the meeting

## 14. Methods of making requests

Any request by a shareholder or shareholders to require the Company to publish audit concerns as set out in note 13 above

- (a) may be made either
  - (i) in hard copy, by sending it to The Secretary, Keller Group plc, 12th Floor, Capital House, 25 Chapel Street, London, NW1 5DH, or
  - (ii) in electronic form, by sending it to + 44 (0)20 7616 7576, marked for the attention of The Secretary or to [info@keller.co.uk](mailto:info@keller.co.uk) (please state 'Keller Group plc AGM' in the subject line of the email),
- (b) must state the full name(s) and address(es) of the shareholder(s), and
- (c) where the request is made in hard copy form (or by fax) must be signed by the shareholder(s)

## 15 Questions

Members have the right to ask questions at the meeting in accordance with section 319A of the Act. The Company must cause to be answered at the meeting any such question unless

- (a) to do so would interfere unduly with the preparation for the meeting or would involve the disclosure of confidential information,
- (b) the answer has already been given on a website in the form of an answer to a question, or
- (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered

## 16 Issued share capital

As at 28 February 2011, being the latest practicable date prior to the publication of this document, the Company's issued share capital consists of 66,473,235 Ordinary Shares, carrying one vote each. As the Company holds 2,162,527 Ordinary Shares in treasury, in respect of which it cannot exercise any votes, the total voting rights in the Company as at 28 February 2011 are 64,310,708.

## 17 Information available on the Company's website

The following information is, or will be, available on the Company's website ([www.keller.co.uk](http://www.keller.co.uk)), as required by section 311A of the Act: (i) the contents of this notice of the meeting, (ii) the total number of Ordinary Shares, in respect of which members are entitled to exercise voting rights at the meeting, (iii) the total voting rights that members are entitled to exercise at the meeting in respect of the Ordinary Shares, and (iv) any members' statements, members' resolutions or members' matters of business received by the Company after the date of this notice.

## 18 Documents available for inspection

Copies of all the Directors' service contracts, letters of appointment or memoranda of the terms thereof, the register of interests of Directors in the share capital of the Company, and the articles of association will be available for inspection at the registered office of the Company during usual business hours on any weekday (Saturdays and public holidays excluded) from the date of this notice until the date of the Annual General Meeting and will be available for inspection at the place of the Annual General Meeting for at least 15 minutes prior to and during the meeting.

## 19 Communications with the Company

Except as provided above, shareholders who wish to communicate with the Company in relation to the meeting should do so using the following means:

- (a) calling our shareholder helpline on 0871 384 2264, calls to this number are charged at 8p per minute from a BT landline, other telephony costs may vary. Lines are open from 8.30 am to 5.30 pm. The Equiniti overseas helpline number is +44 121 415 7047, or
- (b) writing to the Company's registrars at Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA.

No other methods of communication will be accepted. Any electronic communication sent by a shareholder to the Company or Equiniti Limited which is found to contain a virus will not be accepted by the Company, but every effort will be made by the Company to inform the shareholder of the rejected communication.

Directors' biographical details are set out on pages 16 and 17.

## Principal offices

### US

**Anderson Drilling**  
10303 Channel Road  
Lakeside  
California 92040  
Telephone +1 619 443 3891  
[www.andersondrilling.com](http://www.andersondrilling.com)

**Case Foundation Company**  
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[www.casefoundation.com](http://www.casefoundation.com)

**Hayward Baker Inc**  
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**H J Foundation**  
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**McKinney Drilling Company**  
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**Suncoast Post-Tension Ltd**  
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**Resource Piling Pte Ltd**  
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### Middle East

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**Keller Turki Co. Ltd**  
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### Australia

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**Vibro-Pile (Aust.) Pty Ltd**  
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[www.vibropile.com.au](http://www.vibropile.com.au)

**Waterway Constructions Pty Ltd**  
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[www.waterway.com.au](http://www.waterway.com.au)

## Secretary and advisers

**Company secretary**

J F Holman

**Registered office**

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London NW1 5DH

**Registered number**

2442580

**Joint brokers**

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**Auditors**

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Chartered Accountants  
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**Principal bankers**

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**Legal advisers**

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London EC2V 7EE

**Financial public relations advisers**

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Tenter House  
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London EC2 9AE

**Registrars**

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