

**Keller Group plc
Full Year Results for the year ended 31 December 2010**

Keller Group plc (“Keller” or “the Group”), the international ground engineering specialist, is pleased to announce its full year results for the year ended 31 December 2010.

Results summary:		
	2010	2009
Revenue	£1,068.9m	£1,037.9m
Operating profit*	£43.3m	£77.3m
Profit before tax*	£39.6m	£74.7m
Earnings per share*	44.0p	78.8p
Cash generated from operations	£70.3m	£123.2m
Total dividend per share	22.8p	21.75p

** stated before a £21.8m goodwill impairment charge, but after redundancy and other reorganisation charges of £3.8m*

Highlights include:

- Further delivery on our strategy of geographic diversification, with 38% of 2010 revenue from Australia and developing markets, up from 13% five years ago
- Total revenue from Australia and developing markets of £404m (2009: £276m), with record revenue from Australia, Poland and all of our Asian businesses
- Acquisitions in Australia and the US mark further progress in the Group’s long-term growth strategy
- £70.3m of cash generated from operations, reflecting strong focus on cash collection and working capital
- Year-end net debt of £94.0m (1.1x EBITDA); following refinancing in December, committed facilities now £240m, with substantial covenant headroom
- Total dividend of 22.8p per share (2009: 21.75p), a 5% increase, maintaining Keller’s track record of increasing the dividend every year since flotation
- Order book up 13% on last year

Justin Atkinson, Keller Chief Executive said:

“Keller faced many challenges in 2010, particularly in the US and much of Western Europe, where construction markets remained depressed. However, 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.”

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*A presentation for analysts will be held at 9.30am at The London Stock Exchange,
10 Paternoster Square, London, EC4M 7LS*

*A live audio webcast will be available from 9.30 am and, on demand, from 2.00 pm at
<http://www.keller.co.uk/keller/investor/result-centre/latest-results/>*

Print resolution images are available for the media to download from www.vismedia.co.uk

Notes to Editors:

Keller is the world's largest independent ground engineering specialist, providing technically advanced and cost-effective foundation solutions to the construction industry. With 2010 revenue of £1.1 billion, Keller is a member of the FTSE-250. It has around 6,000 staff world-wide, with offices in around 40 countries on five continents.

Keller is the market leader in the US and Australia; it has prime positions in most established European markets; and a strong and growing profile in many developing markets.

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 markets¹, 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.

Results²

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 debt³

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 1.9x² (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.

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

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

³ Net debt is cash and short-term deposits less total loans and borrowings.

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.

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

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.

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.

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 year⁴, 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.

Operations

US

Results summary: *	2010	2009
Revenue	£425.2m	£467.0m
Operating profit	£6.9m	£32.2m
Operating margin	1.6%	6.9%

**2010 results are stated before goodwill impairment*

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%.

⁴ The US Census Bureau of the Department of Commerce, 1 February 2010.

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.

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.

Continental Europe, Middle East & Asia (CEMEA)

Results summary: *	2010	2009
Revenue	£400.3m	£386.4m
Operating profit	£22.4m	£33.6m
Operating margin	5.6%	8.7%

**2010 results are stated before goodwill impairment*

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.

Australia

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

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.

UK

Results summary:		
	2010	2009
Revenue	£49.6m	£57.6m
Operating (loss)/profit	(£2.5m)	£0.5m
Operating margin	(5.0%)	0.9%

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.

Keller - more than the sum of its parts

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

We have a fundamental belief that we can best serve our construction markets with a regional structure through which we are fully aligned with our customers. Overlaying this structure are common goals, shared interests and 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.

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 results⁵

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.

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.

⁵ Before goodwill impairment.

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.

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.

Principal risks and uncertainties

The main areas of uncertainty facing the Group relate to market cycles, acquisitions, technical risk and people. These also represent the Group's greatest opportunities.

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.

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.

Technical risk

It is in the nature of our business that we continually assess and manage technical, and other operational, risks. The controls we have in place, particularly at the crucial stage of bidding for contracts, are set out in the Internal Control section of our Corporate Governance Report in the Annual Report and Accounts. Given the Group's relatively small average contract value (less than £200,000), it is unlikely that any one contract is able to materially affect the financial position of the Group.

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. The approach to training and developing employees is discussed in our Social Responsibility Report in the Annual Report and Accounts.

Forward-looking statements

This announcement 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.

Directors' responsibilities in respect of the financial statements

- (a) 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 of the Group; and
- (b) the management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of its principal risks and uncertainties.

Signed on behalf of the Board

J R Atkinson Chief Executive
J W G Hind Finance Director

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
Revenue	3	1,068.9	-	1,068.9	1,037.9
Operating costs		(1,025.6)	(21.8)	(1,047.4)	(960.6)
Operating profit		43.3	(21.8)	21.5	77.3
Finance income		3.3	-	3.3	3.7
Finance costs		(7.0)	-	(7.0)	(6.3)
Profit before taxation		39.6	(21.8)	17.8	74.7
Taxation		(11.0)	4.7	(6.3)	(22.6)
Profit for the period		28.6	(17.1)	11.5	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
		28.6	(17.1)	11.5	52.1
Earnings per share before goodwill impairment					
Basic earnings per share	5			44.0p	78.8p
Diluted earnings per share	5			43.2p	77.4p
Earnings per share					
Basic earnings per share	5			17.3p	78.8p
Diluted earnings per share	5			17.0p	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
Profit for the period		28.6	(17.1)	11.5	52.1
Other comprehensive income					
Exchange differences on translation of foreign operations		12.0	-	12.0	(14.5)
Net investment hedge (losses)/gains		(0.3)	-	(0.3)	6.1
Cash flow hedge (losses) /gains taken to equity		(3.0)	-	(3.0)	11.3
Cash flow hedge transfers to income statement		3.0	-	3.0	(11.3)
Actuarial losses on defined benefit pension schemes		(1.3)	-	(1.3)	(7.9)
Tax on actuarial losses on defined benefit pension schemes		0.3	-	0.3	2.2
Other comprehensive income for the period, net of tax		10.7	-	10.7	(14.1)
Total comprehensive income for the period		39.3	(17.1)	22.2	38.0
Attributable to:					
Equity holders of the parent		39.3	(17.1)	22.2	37.2
Minority interests		-	-	-	0.8
		39.3	(17.1)	22.2	38.0

Consolidated balance sheet

As at 31 December 2010

	Note	2010 £m	2009 £m
ASSETS			
Non-current assets			
Intangible assets		106.8	119.1
Property, plant and equipment		275.0	264.4
Deferred tax assets		10.0	8.1
Other assets		16.1	12.7
		407.9	404.3
Current assets			
Inventories		32.9	37.4
Trade and other receivables		334.6	299.9
Current tax assets		6.2	5.9
Cash and cash equivalents		41.4	35.3
		415.1	378.5
Total assets	3	823.0	782.8
LIABILITIES			
Current liabilities			
Loans and borrowings		(25.9)	(7.9)
Current tax liabilities		(7.1)	(9.0)
Trade and other payables		(260.8)	(252.3)
Provisions		(9.1)	(6.3)
		(302.9)	(275.5)
Non-current liabilities			
Loans and borrowings		(109.5)	(106.2)
Retirement benefit liabilities		(20.1)	(20.2)
Deferred tax liabilities		(18.4)	(19.6)
Provisions		(4.5)	(4.2)
Other liabilities		(36.8)	(33.8)
		(189.3)	(184.0)
Total liabilities	3	(492.2)	(459.5)
NET ASSETS		330.8	323.3
EQUITY			
Share capital		6.6	6.6
Share premium account		38.0	38.0
Capital redemption reserve		7.6	7.6
Translation reserve		48.4	36.4
Retained earnings		220.1	224.1
Equity attributable to equity holders of the parent		320.7	312.7
Minority interests		10.1	10.6
Total equity		330.8	323.3

Consolidated statement of changes in equity

For the year ended 31 December 2010

	Share capital	Share premium account	Capital redemption reserve	Translation reserve	Hedging reserve	Retained earnings	Attributable to equity holders of parent	Minority interests	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m	£m
At 1 January 2009	6.6	37.6	7.6	43.9	-	194.0	289.7	12.9	302.6
Profit for the period	-	-	-	-	-	50.4	50.4	1.7	52.1
Other comprehensive income									
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
Other comprehensive income for the period, net of tax	-	-	-	(7.5)	-	(5.7)	(13.2)	(0.9)	(14.1)
Total comprehensive income for the period	-	-	-	(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
Profit for the period	-	-	-	-	-	11.2	11.2	0.3	11.5
Other comprehensive income									
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
Other comprehensive income for the period, net of tax	-	-	-	12.0	-	(1.0)	11.0	(0.3)	10.7
Total comprehensive income for the period	-	-	-	12.0	-	10.2	22.2	-	22.2
Dividends	-	-	-	-	-	(14.2)	(14.2)	(0.7)	(14.9)
Share capital issued	-	-	-	-	-	-	-	0.2	0.2
At 31 December 2010	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

	2010 £m	2009 £m
Cash flows from operating activities		
Operating profit	21.5	77.3
Goodwill impairment	21.8	-
Operating profit before goodwill impairment	43.3	77.3
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)
Operating cash flows before movements in working capital	90.5	112.4
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
Cash generated from operations	70.3	123.2
Interest paid	(4.5)	(4.8)
Income tax paid	(10.2)	(30.0)
Net cash inflow from operating activities	55.6	88.4
Cash flows from investing activities		
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)
Net cash outflow from investing activities	(51.8)	(70.7)
Cash flows from financing activities		
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)
Net cash inflow/(outflow) from financing activities	6.7	(29.9)
Net increase/(decrease) in cash and cash equivalents	10.5	(12.2)
Cash and cash equivalents at beginning of period	29.3	46.5
Effect of exchange rate fluctuations	(0.7)	(5.0)
Cash and cash equivalents at end of period	39.1	29.3

1. Basis of preparation

The Group's 2010 results have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the EU.

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2010 or 2009 but is derived from the 2010 accounts. Statutory accounts for 2009 have been delivered to the Registrar of Companies. Those for 2010, prepared under IFRS as adopted by the EU, will be delivered to the Registrar of Companies and made available on the Company's website at www.keller.co.uk in April 2011. The auditors have reported on those accounts; their reports were (i) unqualified, (ii) did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their reports and (iii) did not contain statements under section 498(2) or (3) of the Companies Act 2006.

2. Foreign currencies

The exchange rates used in respect of principal currencies are:

	Average for period		Period end	
	2010	2009	2010	2009
US dollar	1.55	1.57	1.55	1.59
Euro	1.17	1.12	1.17	1.11
Australian dollar	1.68	1.99	1.52	1.78

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 Revenue £m	2010 Operating profit before goodwill impairment £m	2010 Goodwill impairment £m	2010 Operating profit Total £m	2009 Revenue £m	2009 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 ¹	400.3	22.4	(8.3)	14.1	386.4	33.6
Australia	193.8	19.1	-	19.1	126.9	16.6
	1,068.9	45.9	(21.8)	24.1	1,037.9	82.9
Central items and eliminations	-	(2.6)	-	(2.6)	-	(5.6)
	1,068.9	43.3	(21.8)	21.5	1,037.9	77.3

	2010 Segment assets £m	2010 Segment liabilities £m	2010 Capital employed £m	2010 Capital additions £m	2010 Depreciation and amortisation £m	2010 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 ¹	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
	760.2	(288.2)	472.0	46.7	41.7	381.3
Central items and eliminations ²	62.8	(204.0)	(141.2)	0.3	-	0.5
	823.0	(492.2)	330.8	47.0	41.7	381.8

	2009 Segment assets £m	2009 Segment liabilities £m	2009 Capital employed £m	2009 Capital additions £m	2009 Depreciation and amortisation £m	2009 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 ¹	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
	729.0	(273.5)	455.5	74.3	35.9	383.3
Central items and eliminations ²	53.8	(186.0)	(132.2)	-	-	0.2
	782.8	(459.5)	323.3	74.3	35.9	383.5

¹ Continental Europe, Middle East and Asia.

² Central items includes net debt and tax balances.

The impact of acquisitions is detailed in note 4.

4. Acquisitions

Acquisition in 2010	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
Net assets acquired									
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.

Acquisition in 2009	Resource Piling			Total		
	Carrying amount £m	Fair value adjustment £m	Fair value £m	Carrying amount £m	Fair value adjustment £m	Fair value £m
Net assets acquired						
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.

5. Earnings per share

Basic and diluted earnings per share are calculated as follows:

	2010 Basic £m	2010 Diluted £m	2009 Basic £m	2009 Diluted £m
Earnings (after tax and minority interests), being net profits attributable to equity holders of the parent	11.2	11.2	50.4	50.4
	No. of shares Million	No. of shares Million	No. of shares Million	No. 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		2009	
	Pence	Pence	Pence	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).

6. Dividends payable to equity holders of the parent

Ordinary dividends on equity shares:

	2010 £m	2009 £m
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.

7. Capital and reserves

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. All shares issued in 2010 related to share options exercised in that period.

8. 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 López Jiménez, 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, will be set out in the audited part of the Directors' Remuneration Report of the Annual Report and Accounts.