

**Keller Group plc**  
**Full Year Results for the year ended 31 December 2011**

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 2011.

Results summary:		
	<b>2011</b>	2010
Revenue	<b>£1,154.3m</b>	£1,068.9m
EBITDA	<b>£71.4m</b>	£85.0m
Operating profit*	<b>£28.9m</b>	£43.3m
Profit before tax*	<b>£21.9m</b>	£39.6m
Earnings per share*	<b>24.8p</b>	44.0p
Cash generated from operations	<b>£54.8m</b>	£70.3m
Total dividend per share	<b>22.8p</b>	22.8p

*\* 2010 figures stated before a £21.8m goodwill impairment charge*

**Highlights include:**

- 2011 results in line with previous guidance, in a challenging year
- Year-end net debt better than expected at £102.5m (1.4x EBITDA)
- Recent major project awards, including:
  - £120m Wheatstone contract awarded in Australia, starting late 2012
  - £30m Vale contract awarded in Malaysia, starting March 2012
- All-time high order book up 40% on last year
  - up 10% excluding 2013/14 work
- Business improvement initiatives in progress

**Justin Atkinson, Keller Chief Executive said:**

“These results reflect tough market conditions which remained very challenging throughout 2011, with the uncertain macro-economic outlook impeding any significant recovery in our mature construction markets - principally the US and Western Europe - and overcapacity maintaining pressure on margins.

“Overall, whilst the business is expected to show steady improvement in 2012, the year will not be without further challenges, particularly given the economic uncertainty and a slow start to the year in Europe.

“However, with signs of strengthening demand in certain of our key markets, an increased number of larger projects in the order book and with the benefits of our Group-wide business improvement initiatives starting to come through, we are confident that 2012 will be a year of progress.”

**For further information, please contact:**

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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](http://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 2011 revenue of nearly £1.2 billion, Keller has around 6,000 staff world-wide.

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

## **Chairman's Statement**

### **Results<sup>1</sup>**

Group revenue increased by 8% to £1,154.3m (2010: £1,068.9m) and the operating profit was £28.9m (2010: £43.3m), resulting in an operating margin of 2.5%, compared with the previous year's 4.1%. Profit before tax was £21.9m (2010: £39.6m) and earnings per share were 24.8p (2010: 44.0p).

These results reflect tough market conditions which remained very challenging throughout 2011, with the uncertain macro-economic outlook impeding any significant recovery in our mature construction markets - principally the US and Western Europe - and overcapacity maintaining pressure on margins.

Against this backdrop, the Group has continued to take steps to reduce its fixed cost base. Actions taken in 2011 will deliver a further £5m of savings in 2012, bringing the total fixed overhead reduction in North America and Western Europe since 2009 to over £20m, a reduction of around 20%. Going forward, we will continue to keep costs under close scrutiny.

### **Cash flow and net debt<sup>2</sup>**

The Group continues to focus hard on maximising cash flow in these difficult times. Cash generated from operations was £54.8m (2010: £70.3m), which represented 77% of EBITDA (2010: 83%).

Whilst emphasising cash generation, we continue to make investments where they are necessary to develop the business and to secure future growth, which in 2011 included strategic capital expenditure for Asia and Australia. After net capital expenditure of £37.4m (2010: £28.6m), net debt at the end of the year stood at £102.5m (2010: £94.0m), which represents 1.4x EBITDA.

The financial position of the Group remains strong. There is comfortable headroom in the Group's main financing facilities, which run to 2015, and we continue to operate well within all of our financial covenants.

### **Dividends**

The Board has recommended a final dividend of 15.2p per share (2010: 15.2p per share), to be paid on 31 May 2012 to shareholders on the register at 4 May 2012. Together with the interim dividend paid of 7.6p, this brings the total dividend for the year to 22.8p (2010: 22.8p). This unchanged dividend reflects the Board's confidence in the Group's prospects. Dividend cover for the full year is 1.1x (2010: 1.9x).

### **Strategy**

During the year we undertook a review of the Group's business and strategy, facilitated by an independent third party and involving many of the Group's senior managers. This process, which was undertaken over a period of six months culminating in the fourth quarter, reaffirmed our overall strategy: to extend further our global leadership in specialist ground engineering through both organic growth and targeted acquisitions.

The review also highlighted certain areas where a concerted programme of initiatives, together with some internal changes, could deliver significant improvements to the Group's business and profitability. This programme focuses principally on: increasing our revenue and profit from large projects; further improvement of the Group's risk management; and accelerating our

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<sup>1</sup> 2010 results are stated before a £21.8m goodwill impairment charge.

<sup>2</sup> Net debt represents total loans and borrowings less cash and short-term deposits.

global transfer of technologies. The review also reinforced local or regional initiatives which were already in progress and on which we are redoubling our efforts.

To help maximise the benefits of Keller's global reach and technical capability, Dr Wolfgang Sondermann (formerly Managing Director, CEMEA) has been appointed to the new role of Director, Group Technology & Best Practice. A large part of this new role will be to drive the Group-wide initiatives to improve further our risk management and transfer of technology.

### **Employees**

2011 was another challenging year for many of our employees; and yet, from my visits to our operations around the Group I have seen first-hand their continued resolve and pride in the business, together with a willingness to explore new ways of working together more effectively. I would like to thank them for their contribution and wish all of them personal success in 2012.

### **Board**

In May 2011, Mr Richard Scholes stepped down as a Non-executive Director, having served for more than nine years on the Board. Mr Chris Girling joined the Board in February and took over as Audit Committee Chairman in May. His considerable experience of the construction sector and strategic strengths make him an excellent addition to the Keller Board. In August, Mr David Savage was appointed to the Board, bringing strong entrepreneurial skills and a track record in building contracting businesses in Asia and the Middle East.

### **Outlook**

After a period of stabilisation in 2011, certain recent data indicate that US construction markets may be turning the corner. However, the European debt crisis continues to weigh heavily and is expected to impede recovery in construction markets across Europe. Looking to Australia and our other developing markets, recent major contract awards indicate that our businesses in these regions will have a busy year.

For the Group as a whole, contract awards in recent months have been strong and, as a result, at the end of January 2012 our order book was at an all-time high level and 40% ahead of the previous year. This includes the £120m Wheatstone contract announced in January, most of which will be undertaken in 2013. Excluding work to be undertaken in 2013/14, the Group order book at the end of January was 10% ahead of the previous year.

Overall, whilst the business is expected to show steady improvement in 2012, the year will not be without further challenges, particularly given the economic uncertainty and a slow start to the year in Europe. However, with signs of strengthening demand in certain of our key markets, an increased number of larger contracts in the order book and with the benefits of our group-wide business improvement initiatives starting to come through, we are confident that 2012 will be a year of progress.

## **Operating Review**

### **Conditions in our major markets**

In 2011, many of our major global construction markets saw further decline and the debt crisis in Europe had a damaging effect on financial markets around the world. Generally, across our mature markets, investment in public infrastructure continued to reduce, as government austerity programmes gained traction. Continued weakness in privately-financed construction meant that the private sector was unable to take up the slack.

Although conditions in the US construction market overall remained difficult, there were signs that the market had stabilised. Overall, US construction expenditure reduced in the year by a further 2%. This compares with a fall of 10% in the corresponding period last year, indicating that, although expenditure continues to fall, the rate of reduction has slowed significantly. Private non-residential construction expenditure was up by 2% year-on-year<sup>3</sup> following two years of significant reduction, whereas residential construction was reasonably steady, picking up towards the end of the year. For the second consecutive year, however, US public infrastructure spending declined, with a 6% year-on-year reduction.

Within our principal European markets, Poland and Germany saw growth across most sectors. However, France continued to stagnate; the UK - particularly the housing and commercial sectors of the market - declined; and Spain contracted still further.

Elsewhere, in Australia the “two-speed” construction market continued to mirror the underlying economy, offering strong prospects for projects related to the resources sector, but weaker demand across the other sectors in the underlying market. Our Asian markets remained strong, but we saw little change in our Middle Eastern markets.

### **Changes to the Group’s reporting structure**

From January 2012, we have changed the reporting structure of the Group, with the UK business joining Europe, Middle East and Africa to form a new EMEA division and the Asian business forming a separate division. The resultant four reporting divisions of North America, EMEA, Asia and Australia are better aligned geographically and represent more closely the expected future revenue and profit contributions to the Group. The four divisional heads now sit on a new Group Executive Committee.

This Operating Review has been structured to reflect our new reporting structure; however, segmental analyses on both the new and old bases are shown in note 3 to the financial statements.

## **Operations**

### **North America**

Results summary: *		
	<b>2011</b>	2010
Revenue	<b>£471.1m</b>	£425.2m
Operating profit	<b>£12.0m</b>	£6.9m
Operating margin	<b>2.5%</b>	1.6%

*\*2010 results are stated before goodwill impairment*

Despite the further contraction in US construction markets, our total revenue from North America was up by 14% in local currency. However, the trading environment remains extremely competitive, keeping margins under pressure. At 2.5%, the operating margin was up on the previous year’s 1.6%, but well below the long-term average for our North American operations.

The full-year operating profit of £12.0m (2010: £6.9m) reflects an improving trend as the year progressed, with the second-half result up significantly on the same period in 2010. A large part of this improvement was at Suncoast, which continued to reduce its losses in the second half of the year.

<sup>3</sup> The North America Census Bureau of the Department of Commerce, 1 February 2012.

### ***Hayward Baker***

Hayward Baker fared best amongst our North American companies, reflecting the fact that, as a national player with the potential to work across 50 states, it is less susceptible to regional differences in market conditions.

Management is continuing to adapt Hayward Baker's operations to the challenging trading environment, following a change of company President in early 2011. Hayward Baker's under-performing western region was subsequently put under the management of Anderson, before the two were formally merged at the start of 2012. In the particularly tough market conditions that persist in the Western States, this should make the two businesses more competitive through a lower cost base and better utilisation of people and equipment. The integration is progressing well and will start to deliver tangible benefits as the year progresses.

One of Hayward Baker's longest-running contracts last year was in Southern California, where it undertook extensive soil mixing and jet grouting works for settlement control, liquefaction mitigation and slope stabilisation, in preparation for the construction of five new fuel storage tanks.<sup>4</sup> The involvement of Anderson, who provided pre-drilling services in advance of the soil-mixing, contributed to a successful outcome and illustrates the synergies between these two businesses.

### ***North American Piling Companies***

The North American piling companies had mixed fortunes, with certain regions served by Anderson and Case suffering from their exposure to the particularly difficult California and Florida markets. HJ Foundation, which has made significant strides over recent years in winning work outside of its South Florida home market, continued to demonstrate its excellent job execution, working both on its own and in several joint projects with Case and Hayward Baker.

Two of the main contributors to our second-half result were the large jobs for the extension to the Vogtle nuclear power plant at Augusta, in Georgia<sup>4</sup>, where Case provided bored piling; and the second phase of CFA piling works at the BP oil refinery at Whiting, Indiana<sup>4</sup>, executed jointly by Case and HJ Foundation.

We are encouraged by the progress made in McKinney in the second half of the year. Following actions taken to improve its results and prospects, including a management change in the southern region, the results have stabilised. With a good order intake in recent months, McKinney entered 2012 with a healthy order book, including several jobs for transmission lines – a growing sector which we have been targeting.

Since the year end, Case has implemented a new enterprise resource planning (ERP) system which will be progressively rolled-out across our other North American foundation companies throughout 2012. The new ERP system requires the standardisation of certain procedures and will facilitate further co-operation between, and optimisation of, our North American foundation companies.

### ***Suncoast***

The US residential market, having stabilised in the first half, ended 2011 on a fairly upbeat note, with housing starts at a level not seen since 2010 and a significant strengthening of the homebuilder housing market index.

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<sup>4</sup> Case Studies can be found on our website at <http://www.keller.co.uk/services.aspx>

As we expected, further cost-reduction measures taken in 2010 helped to produce a much improved 2011 result at Suncoast, which broke even, after a substantial loss in 2010. Since its peak in 2006, Suncoast has reduced its overheads by more than 50%, in line with the fall in its revenue. The 2011 improvement in performance was also helped by price increases introduced in late summer, which held up well despite competitive pressure.

**Europe, Middle East & Africa (EMEA)**

Results summary: *		
	<b>2011</b>	2010
Revenue	<b>£384.8m</b>	£357.8m
Operating profit	<b>£8.4m</b>	£8.1m
Operating margin	<b>2.2%</b>	2.3%

*\*2010 results are stated before goodwill impairment*

In local currency, revenue was up by 8% whilst operating profit was 4% above the previous year.

**Europe**

In general, our businesses within the more mature European markets faced very challenging conditions. The exception was Germany, where the construction market remained reasonably good across most sectors. Against this backdrop, our German company performed well, with a continued focus on productivity improvements and good contract selection. During the year, it extended its product offering with the addition of complete excavation pits. Having developed and acquired specific skills and expertise in this area, the business secured an excellent reference contract for an excavation at the German State Opera House in Berlin<sup>4</sup>.

France and Spain both implemented further downsizing, with management doing an excellent job of maintaining the alignment between overheads and revenues. Both subsidiaries also looked for selective opportunities outside of their domestic markets. Elsewhere, in Italy, one of our smaller European markets, we used our extensive experience of large-scale tunnel stabilisation projects on the Rome Metro extension<sup>4</sup>.

The UK business also further reduced its costs, with the closure of one office and the downsizing of another. Despite these actions, the business reported a loss, which was exacerbated by the impact of two legacy contracts. During the year the UK business was awarded contracts valued at £37m for the Victoria Station Upgrade project and £31m for the Crossrail project, which started as anticipated towards the end of 2011. Another Crossrail contract was for the largest-ever restricted access piling project awarded in the UK, at Lord Hill’s Bridge<sup>4</sup>. With the first phase of the contract - installing vertical piles - now complete, the more challenging second phase, which involves installing minipiles at up to 38-degree angles, is progressing well.

In Eastern Europe, our Polish subsidiary had a strong year, benefiting from an extremely buoyant civil engineering sector. However, the business started to slow somewhat towards the end of the year, as a number of its large projects drew to a close.

**Middle East**

The impact of the geopolitical issues in the Middle East and North Africa, which curbed our first-half profitability in these regions, continued to be felt through the second half. Whilst our business in Saudi Arabia fared well, the results for the region overall were disappointing. Since the year end, a new Managing Director has been appointed to manage our businesses in the region, as part of a planned management succession.

### ***Brazil***

Further progress was made in Brazil, where we have now almost completed a major contract at Porto do Sudeste, installing vibro stone columns for the foundations of a new iron ore storage facility<sup>4</sup>. We also undertook a related contract for ground improvement works for a new railway link, to connect the facility to the main rail network.

Having created a new market in vibro stone columns, we are now extending the range of technologies we can offer in Brazil. Last year we undertook our first off-shore sand compaction job in the region and in 2012 our range is being further expanded with the addition of driven piles.

### ***Asia***

Results summary:	2011	2010
Revenue	<b>£76.7m</b>	£92.1m
Operating profit	<b>£6.0m</b>	£11.8m
Operating margin	<b>7.8%</b>	12.8%

Overall, our key markets in Asia remained strong throughout the year and our companies there continued to perform well although, following an exceptional year in 2010, the results were held back by contract delays in India and a very competitive piling market in Singapore.

### ***Asean Region***

In Singapore, our ground improvement business demonstrated good project management and innovative solutions which fed through into strong results. A contract to create foundations for the Cogen Power Plant<sup>4</sup>, using sand compaction rather than a traditional piled solution, illustrates well these success factors.

Our Resource Piling business in Singapore struggled, with tight pricing in this highly competitive market impacting on margins. However, market activity picked up in the latter part of the year and accordingly, Resource Piling now has a much stronger order book.

The Group's emerging business in Vietnam was profitable and demonstrated high levels of safety, quality and project management.

In Malaysia, we had another busy year. Since the year end, Keller Malaysia has secured a circa £30m project to build the foundations for a major iron ore distribution facility in Lumut for Vale, for whom we have recently performed work in Brazil. Our scope involves treating an area of 200,000 m<sup>2</sup> with a system of vibro stone columns and bored piles, based on our re-design. Work is expected to commence in March and to be completed in the second quarter of next year.

### ***India***

In India, we experienced significant project delays on two large projects, which are indicative of the difficulties associated with working in this market. These delays, combined with severe floods in the third quarter, resulted in lower than expected sales volume.

Nonetheless, we are encouraged by the significant improvement in the piling and ground anchor capabilities of our Indian business, as it consistently achieves good results in this increasing component of their work.

Although market forecasts for India have been tempered somewhat to reflect reduced direct foreign investment and high inflation, our tender rates and the current order book remain good.

## Australia

Results summary:		
	<b>2011</b>	2010
Revenue	<b>£221.7m</b>	£193.8m
Operating profit	<b>£6.7m</b>	£19.1m
Operating margin	<b>3.0%</b>	9.9%

In Australia, the ‘two-speed’ construction market is ever more apparent, mirroring the underlying economy. Prospects for projects related to the resources sector continue to be very strong, whereas commercial construction and expenditure on infrastructure remain much weaker.

The end of the infrastructure boom in Queensland meant that 2011 was a challenging year for Piling Contractors, our Brisbane-based business which is largely reliant on the infrastructure market. This was compounded by some difficult jobs as well as by costs incurred in connection with possible work in New Zealand. As a result, Piling Contractors made a loss in the year. Actions were taken both to refocus the business and management and to reduce its cost base by A\$4m (£2.6m), with an associated one-off cost of about A\$2m (£1.3m). Encouragingly, Piling Contractors’ results have since improved, as the benefits of the actions taken are now showing through in their results.

Our other Australian businesses all performed well, with notable contract successes including minefill works for the new Hunter Expressway<sup>4</sup> undertaken jointly by KGE and Piling Contractors and the second stage of ground improvement works for Newcastle Coal Infrastructure Group’s latest Newcastle coal terminal<sup>4</sup>, undertaken by KGE. In addition, Vibro-Pile performed well on a number of smaller contracts in the Melbourne area.

Following its successful completion of remedial works at Milson’s Point wharf, Waterway Constructions was recently awarded a further Sydney wharf upgrade programme. This is in addition to an A\$86m (£57m) design and construct contract for a materials offloading facility at a liquid natural gas project, being undertaken as a 50:50 joint venture with a local civil construction company, which got underway at the start of 2012. Together, these major contracts mean that Waterway Constructions is well placed for 2012.

Since the year end, Keller Australia has secured a project worth in excess of A\$180m (£120m) to install the foundations for the Wheatstone LNG Plant to be located at Onslow, Western Australia. The scope of work includes the procurement, installation and testing of approximately 20,000 piles for the onshore main plant facilities. Undertaking a project of this scale will require the collective resources of the Group’s Australian businesses, which have a strong track record of successful collaboration on large and complex projects. Preparatory work is now underway, with full production beginning in late 2012 and running through to mid-2014.

## **Financial review**

### **Income Statement**

#### **Trading results**

The Group's total revenue in 2011 was £1,154.3m, an increase of 8% on 2010. Stripping out the effects of acquisitions and foreign exchange movements, 2011 revenue was 7% up on 2010, almost wholly due to a 13% increase in like-for-like revenue in North America.

EBITDA was £71.4m, compared to £85.0m in 2010 and operating profit was £28.9m, down from £43.3m in 2010. The Group operating margin fell from 4.1% to 2.5%, largely as a result of the depressed state of the Group's more established markets.

In North America, which represented 41% of Group revenue, the US dollar-denominated operating profit was up over 80% year-on-year, albeit from a low base. This was largely due to a substantial improvement in the result at Suncoast, which broke even in 2011 after recording a significant loss in 2010, although there was also an increase in the profit earned by the Group's North American foundation contracting businesses. EMEA's result was similar to the previous year, while the Asian and Australian results were behind 2010. The Asian result was impacted by a keenly competitive piling market in Singapore and significant project delays in India. In Australia, an expected reduction in profitability as a result of there being fewer large projects in the year was exacerbated by a very disappointing result at Piling Contractors, which recorded a loss for the year. Actions taken in the second half of 2011 have now restored Piling Contractors to profitability.

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

#### **Net finance costs**

Net finance costs increased to £7.0m in 2011 from £3.7m in 2010. This increase mainly reflects the increased cost of borrowing under the Group's £170m revolving credit facility agreed in December 2010 and higher non-cash items required to be included in net finance costs under IFRS.

#### **Tax**

The Group's underlying effective tax rate was 25%, down from 28% in 2010, as a higher proportion of the Group's profit was derived from lower tax countries.

#### **Earnings and dividends**

Earnings per share (EPS) before goodwill impairment decreased to 24.8p (2010: 44.0p). The Board has recommended a final dividend of 15.2p per share, which brings the total dividend to be paid out of 2011 profits to 22.8p, the same as last year. The 2011 dividend is covered 1.1 times by earnings.

#### **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 £54.8m, representing 77% of EBITDA. Year-end working capital was £119.8m, £13.1m or 12% more than at the end of 2010. Stripping out the impact of currency movements, year-end working capital increased by 8%, consistent with the

8% increase in revenue. Capital expenditure, net of disposals, was £37.4m, which compares to depreciation of £41.0m.

### **Financing**

As at 31 December 2011, net debt amounted to £102.5m (2010: £94.0m). Based on net assets of £326.8m, year-end gearing was 31%, up slightly from 28% at the beginning of the year.

The Group's term debt and committed facilities mainly comprise a US\$70.0m private placement, repayable in October 2014, and a £170.0m syndicated revolving credit facility expiring in April 2015. At the year end, the Group also had other committed and uncommitted borrowing facilities totalling £92.6m. The Group therefore has sufficient available financing to support its long-term 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 well within its covenant limits, as is illustrated in the table below:

Test	Covenant limit	Current position*
Net debt: EBITDA	< 3x	1.8x
EBITDA interest cover	> 4x	15x
Net worth	> £200m	£326.8m

\*Calculated in accordance with the covenant, with letters of credit included as net debt and certain adjustments to net interest

### **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 finalisation of the next actuarial valuation, which is as at April 2011. This valuation is largely complete and, based on work to date, there are not expected to be any material changes to either the absolute deficit or the level of contributions going forward.

The 2011 year-end IAS 19 valuation of the UK scheme showed assets of £32.2m, liabilities of £38.0m and a pre-tax deficit of £5.8m.

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 £11.9m at 31 December 2011. 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 2011, 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, its diversity, both geographically and in terms of end markets, and by taking out credit insurance in many of the countries in which the Group operates. No individual customer represented more than 5% of revenue in 2011.

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.

## Consolidated income statement

For the year ended 31 December 2011

	Note	2011 £m	2010 Before goodwill impairment £m	2010 Goodwill impairment £m	2010 Total £m
<b>Revenue</b>	3	<b>1,154.3</b>	1,068.9	-	1,068.9
Operating costs		<b>(1,125.4)</b>	(1,025.6)	(21.8)	(1,047.4)
<b>Operating profit</b>	3	<b>28.9</b>	43.3	(21.8)	21.5
Finance income		<b>2.1</b>	3.3	-	3.3
Finance costs		<b>(9.1)</b>	(7.0)	-	(7.0)
<b>Profit before taxation</b>		<b>21.9</b>	39.6	(21.8)	17.8
Taxation		<b>(5.5)</b>	(11.0)	4.7	(6.3)
<b>Profit for the period</b>		<b>16.4</b>	28.6	(17.1)	11.5
<b>Attributable to:</b>					
Equity holders of the parent		<b>15.9</b>	28.3	(17.1)	11.2
Minority interests		<b>0.5</b>	0.3	-	0.3
		<b>16.4</b>	28.6	(17.1)	11.5
<b>Earnings per share before goodwill impairment</b>					
Basic earnings per share	5	<b>24.8p</b>			44.0p
Diluted earnings per share	5	<b>24.4p</b>			43.2p
<b>Earnings per share</b>					
Basic earnings per share	5	<b>24.8p</b>			17.3p
Diluted earnings per share	5	<b>24.4p</b>			17.0p

## Consolidated statement of comprehensive income

For the year ended 31 December 2011

	Note	2011 £m	2010 Before goodwill impairment £m	2010 Goodwill impairment £m	2010 Total £m
<b>Profit for the period</b>		<b>16.4</b>	28.6	(17.1)	11.5
<b>Other comprehensive income</b>					
Exchange differences on translation of foreign operations		<b>(6.3)</b>	12.0	-	12.0
Net investment hedge gains/(losses)		<b>0.3</b>	(0.3)	-	(0.3)
Cash flow hedge losses taken to equity		-	(3.0)	-	(3.0)
Cash flow hedge transfers to income statement		-	3.0	-	3.0
Actuarial gains/(losses) on defined benefit pension schemes		<b>1.1</b>	(1.3)	-	(1.3)
Tax on actuarial (gains)/losses on defined benefit pension schemes		<b>(0.3)</b>	0.3	-	0.3
<b>Other comprehensive income for the period, net of tax</b>		<b>(5.2)</b>	10.7	-	10.7
<b>Total comprehensive income for the period</b>		<b>11.2</b>	39.3	(17.1)	22.2
<b>Attributable to:</b>					
Equity holders of the parent		<b>10.9</b>	39.3	(17.1)	22.2
Minority interests		<b>0.3</b>	-	-	-
		<b>11.2</b>	39.3	(17.1)	22.2

# Consolidated balance sheet

As at 31 December 2011

	Note	2011 £m	2010 £m
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets		100.6	106.8
Property, plant and equipment		266.1	275.0
Deferred tax assets		6.7	10.0
Other assets		15.8	16.1
		<b>389.2</b>	<b>407.9</b>
<b>Current assets</b>			
Inventories		37.3	32.9
Trade and other receivables		334.7	334.6
Current tax assets		10.5	6.2
Cash and cash equivalents		50.0	41.4
		<b>432.5</b>	<b>415.1</b>
<b>Total assets</b>	3	<b>821.7</b>	<b>823.0</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Loans and borrowings		(8.4)	(25.9)
Current tax liabilities		(6.8)	(7.1)
Trade and other payables		(252.2)	(260.8)
Provisions		(9.7)	(9.1)
		<b>(277.1)</b>	<b>(302.9)</b>
<b>Non-current liabilities</b>			
Loans and borrowings		(144.1)	(109.5)
Retirement benefit liabilities		(17.7)	(20.1)
Deferred tax liabilities		(22.5)	(18.4)
Provisions		(4.0)	(4.5)
Other liabilities		(29.5)	(36.8)
		<b>(217.8)</b>	<b>(189.3)</b>
<b>Total liabilities</b>	3	<b>(494.9)</b>	<b>(492.2)</b>
<b>NET ASSETS</b>		<b>326.8</b>	<b>330.8</b>
<b>EQUITY</b>			
Share capital		6.6	6.6
Share premium account		38.1	38.0
Capital redemption reserve		7.6	7.6
Translation reserve		42.6	48.4
Retained earnings		222.7	220.1
<b>Equity attributable to equity holders of the parent</b>		<b>317.6</b>	<b>320.7</b>
Minority interests		9.2	10.1
<b>Total equity</b>		<b>326.8</b>	<b>330.8</b>

## Consolidated statement of changes in equity

For the year ended 31 December 2011

	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 2010	6.6	38.0	7.6	36.4	-	224.1	<b>312.7</b>	10.6	<b>323.3</b>
<b>Profit for the period</b>	-	-	-	-	-	11.2	<b>11.2</b>	0.3	<b>11.5</b>
<b>Other comprehensive income</b>									
Exchange differences on translation of foreign operations	-	-	-	12.3	-	-	<b>12.3</b>	(0.3)	<b>12.0</b>
Net investment hedge losses	-	-	-	(0.3)	-	-	<b>(0.3)</b>	-	<b>(0.3)</b>
Cash flow hedge losses taken to equity	-	-	-	-	(3.0)	-	<b>(3.0)</b>	-	<b>(3.0)</b>
Cash flow hedge transfers to income statement	-	-	-	-	3.0	-	<b>3.0</b>	-	<b>3.0</b>
Actuarial losses on defined benefit pension schemes	-	-	-	-	-	(1.3)	<b>(1.3)</b>	-	<b>(1.3)</b>
Tax on actuarial losses on defined benefit pension schemes	-	-	-	-	-	0.3	<b>0.3</b>	-	<b>0.3</b>
<b>Other comprehensive income for the period, net of tax</b>	-	-	-	12.0	-	(1.0)	<b>11.0</b>	(0.3)	<b>10.7</b>
<b>Total comprehensive income for the period</b>	-	-	-	12.0	-	10.2	<b>22.2</b>	-	<b>22.2</b>
Dividends	-	-	-	-	-	(14.2)	<b>(14.2)</b>	(0.7)	<b>(14.9)</b>
Share capital issued	-	-	-	-	-	-	-	0.2	<b>0.2</b>
At 31 December 2010 and 1 January 2011	6.6	38.0	7.6	48.4	-	220.1	<b>320.7</b>	10.1	<b>330.8</b>
<b>Profit for the period</b>	-	-	-	-	-	15.9	<b>15.9</b>	0.5	<b>16.4</b>
<b>Other comprehensive income</b>									
Exchange differences on translation of foreign operations	-	-	-	(6.1)	-	-	<b>(6.1)</b>	(0.2)	<b>(6.3)</b>
Net investment hedge gains	-	-	-	0.3	-	-	<b>0.3</b>	-	<b>0.3</b>
Actuarial gains on defined benefit pension schemes	-	-	-	-	-	1.1	<b>1.1</b>	-	<b>1.1</b>
Tax on actuarial gains on defined benefit pension schemes	-	-	-	-	-	(0.3)	<b>(0.3)</b>	-	<b>(0.3)</b>
<b>Other comprehensive income for the period, net of tax</b>	-	-	-	(5.8)	-	0.8	<b>(5.0)</b>	(0.2)	<b>(5.2)</b>
<b>Total comprehensive income for the period</b>	-	-	-	(5.8)	-	16.7	<b>10.9</b>	0.3	<b>11.2</b>
Dividends	-	-	-	-	-	(14.7)	<b>(14.7)</b>	(1.1)	<b>(15.8)</b>
Share-based payments	-	-	-	-	-	0.6	<b>0.6</b>	-	<b>0.6</b>
Share capital issued	-	0.1	-	-	-	-	<b>0.1</b>	-	<b>0.1</b>
Acquisition of minority interest	-	-	-	-	-	-	-	(0.1)	<b>(0.1)</b>
<b>At 31 December 2011</b>	6.6	38.1	7.6	42.6	-	222.7	<b>317.6</b>	9.2	<b>326.8</b>

## Consolidated cash flow statement

For the year ended 31 December 2011

	2011 £m	2010 £m
<b>Cash flows from operating activities</b>		
Operating profit	28.9	21.5
Goodwill impairment	-	21.8
<b>Operating profit before goodwill impairment</b>	<b>28.9</b>	<b>43.3</b>
Depreciation of property, plant and equipment	41.0	40.0
Amortisation of intangible assets	1.5	1.7
Profit on sale of property, plant and equipment	(0.3)	(0.5)
Other non-cash movements	3.2	5.8
Foreign exchange losses	-	0.2
<b>Operating cash flows before movements in working capital</b>	<b>74.3</b>	<b>90.5</b>
(Increase)/decrease in inventories	(5.0)	5.2
Increase in trade and other receivables	(5.2)	(23.8)
(Decrease)/increase in trade and other payables	(5.1)	2.2
Change in provisions, retirement benefit and other non-current liabilities	(4.2)	(3.8)
<b>Cash generated from operations</b>	<b>54.8</b>	<b>70.3</b>
Interest paid	(5.7)	(4.5)
Income tax paid	(3.8)	(10.2)
<b>Net cash inflow from operating activities</b>	<b>45.3</b>	<b>55.6</b>
<b>Cash flows from investing activities</b>		
Interest received	0.6	0.5
Proceeds from sale of property, plant and equipment	1.9	1.0
Acquisition of subsidiaries, net of cash acquired	(0.2)	(23.4)
Acquisition of property, plant and equipment	(37.7)	(28.2)
Acquisition of intangible assets	(1.6)	(1.4)
Acquisition of other non-current assets	(0.1)	(0.3)
<b>Net cash outflow from investing activities</b>	<b>(37.1)</b>	<b>(51.8)</b>
<b>Cash flows from financing activities</b>		
Proceeds from the issue of share capital	0.1	0.2
New borrowings	54.1	99.5
Repayment of borrowings	(40.3)	(76.8)
Payment of finance lease liabilities	(0.7)	(1.3)
Dividends paid	(15.8)	(14.9)
<b>Net cash (outflow)/inflow from financing activities</b>	<b>(2.6)</b>	<b>6.7</b>
<b>Net increase in cash and cash equivalents</b>	<b>5.6</b>	<b>10.5</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>39.1</b>	<b>29.3</b>
Effect of exchange rate fluctuations	(1.4)	(0.7)
<b>Cash and cash equivalents at end of period</b>	<b>43.3</b>	<b>39.1</b>

## 1. Basis of preparation

The Group's 2011 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 2011 or 2010 but is derived from the 2011 accounts. Statutory accounts for 2010 have been delivered to the Registrar of Companies. Those for 2011, 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](http://www.keller.co.uk) in April 2012. 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	
	2011	2010	2011	2010
US dollar	<b>1.60</b>	1.55	<b>1.55</b>	1.55
Euro	<b>1.15</b>	1.17	<b>1.19</b>	1.17
Australian dollar	<b>1.55</b>	1.68	<b>1.52</b>	1.52

## 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.

	2011	2011	2010	2010	2010	2010
	Revenue £m	Operating profit £m	Revenue £m	Operating profit before goodwill impairment £m	Goodwill impairment £m	Operating profit Total £m
UK	<b>53.6</b>	<b>(3.7)</b>	49.6	(2.5)	-	(2.5)
North America	<b>471.1</b>	<b>12.0</b>	425.2	6.9	(13.5)	(6.6)
CEMEA <sup>1</sup>	<b>407.9</b>	<b>18.1</b>	400.3	22.4	(8.3)	14.1
Australia	<b>221.7</b>	<b>6.7</b>	193.8	19.1	-	19.1
	<b>1,154.3</b>	<b>33.1</b>	1,068.9	45.9	(21.8)	24.1
Central items and eliminations	-	<b>(4.2)</b>	-	(2.6)	-	(2.6)
	<b>1,154.3</b>	<b>28.9</b>	1,068.9	43.3	(21.8)	21.5

	2011	2011	2011	2011	2011	2011
	Segment assets £m	Segment liabilities £m	Capital employed £m	Capital additions £m	Depreciation and amortisation £m	Tangible and intangible assets £m
UK	<b>39.2</b>	<b>(16.2)</b>	<b>23.0</b>	<b>2.3</b>	<b>1.7</b>	<b>22.2</b>
North America	<b>306.0</b>	<b>(101.5)</b>	<b>204.5</b>	<b>8.9</b>	<b>12.5</b>	<b>133.7</b>
CEMEA <sup>1</sup>	<b>280.4</b>	<b>(111.1)</b>	<b>169.3</b>	<b>18.5</b>	<b>19.9</b>	<b>139.4</b>
Australia	<b>124.5</b>	<b>(41.0)</b>	<b>83.5</b>	<b>9.9</b>	<b>8.2</b>	<b>71.1</b>
	<b>750.1</b>	<b>(269.8)</b>	<b>480.3</b>	<b>39.6</b>	<b>42.3</b>	<b>366.4</b>
Central items and eliminations <sup>2</sup>	<b>71.6</b>	<b>(225.1)</b>	<b>(153.5)</b>	<b>(0.3)</b>	<b>0.2</b>	<b>0.3</b>
	<b>821.7</b>	<b>(494.9)</b>	<b>326.8</b>	<b>39.3</b>	<b>42.5</b>	<b>366.7</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
North America	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
	760.2	(288.2)	472.0	46.7	41.7	381.3
Central items and eliminations <sup>2</sup>	62.8	(204.0)	(141.2)	0.3	-	0.5
	823.0	(492.2)	330.8	47.0	41.7	381.8

<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.

The Group changed its divisional management structure with effect from 1 January 2012. This has resulted in identifying a new reportable segment, Asia. This was previously reported within the CEMEA segment. In addition the UK segment has been merged with the CEMEA segment, which has now been renamed as Europe, Middle East and Africa ('EMEA'). Although this change is effective 1 January 2012, additional disclosures have been set out in these Financial Statements below which reflect this structure, with the comparative information being restated.

	2011	2011	2010	2010	2010	2010
	Revenue	Operating	Restated	Restated	Restated	Restated
	£m	profit	Revenue	Operating	Goodwill	Operating
		£m	£m	profit	impairment	profit
				before		Total
				goodwill		£m
				impairment		
				£m		
North America	471.1	12.0	425.2	6.9	(13.5)	(6.6)
EMEA <sup>3</sup>	384.8	8.4	357.8	8.1	(8.3)	(0.2)
Asia	76.7	6.0	92.1	11.8	-	11.8
Australia	221.7	6.7	193.8	19.1	-	19.1
	<b>1,154.3</b>	<b>33.1</b>	1,068.9	45.9	(21.8)	24.1
Central items and eliminations	-	(4.2)	-	(2.6)	-	(2.6)
	<b>1,154.3</b>	<b>28.9</b>	1,068.9	43.3	(21.8)	21.5

	2011	2011	2011	2011	2011	2011
	Segment	Segment	Capital	Capital	Depreciation	Tangible
	assets	liabilities	employed	additions	and	and
	£m	£m	£m	£m	amortisation	intangible
					£m	assets
						£m
North America	306.0	(101.5)	204.5	8.9	12.5	133.7
EMEA <sup>3</sup>	252.9	(113.3)	139.6	13.6	17.3	122.0
Asia	66.7	(14.0)	52.7	7.2	4.3	39.6
Australia	124.5	(41.0)	83.5	9.9	8.2	71.1
	<b>750.1</b>	<b>(269.8)</b>	<b>480.3</b>	<b>39.6</b>	<b>42.3</b>	<b>366.4</b>
Central items and eliminations <sup>4</sup>	71.6	(225.1)	(153.5)	(0.3)	0.2	0.3
	<b>821.7</b>	<b>(494.9)</b>	<b>326.8</b>	<b>39.3</b>	<b>42.5</b>	<b>366.7</b>

	2010	2010	2010	2010	2010	2010
	Restated	Restated	Restated	Restated	Restated	Restated
	Segment	Segment	Capital	Capital	Depreciation	Tangible and
	assets	liabilities	employed	additions	and	intangible
	£m	£m	£m	£m	amortisation	assets
					£m	£m
North America	291.8	(98.2)	193.6	6.0	13.1	137.9
EMEA <sup>3</sup>	264.0	(118.4)	145.6	10.0	16.8	128.1
Asia	82.1	(26.4)	55.7	6.2	5.2	45.3
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 <sup>4</sup>	62.8	(204.0)	(141.2)	0.3	-	0.5
	823.0	(492.2)	330.8	47.0	41.7	381.8

<sup>3</sup> Europe, Middle East and Africa.

<sup>4</sup> Central items includes net debt and tax balances.

#### 4. Acquisitions

There were no acquisitions in the year. Acquisitions in 2010 were as follows:

Acquisitions 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
<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. Acquisition costs of £0.4m (A\$0.7m) were charged to other operating charges.

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 in 2010 would have been £1,090.1m and total net profit in 2010 would have been £13.1m.

## 5. Earnings per share

Basic and diluted earnings per share are calculated as follows:

	2011 Basic £m	2011 Diluted £m	2010 Basic £m	2010 Diluted £m
Earnings (after tax and minority interests), being net profits attributable to equity holders of the parent	15.9	15.9	11.2	11.2
	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	64.3	64.3	64.2	64.2
Add: weighted average of shares under option during the year	-	1.0	-	1.0
Adjusted weighted average of ordinary shares in issue	64.3	65.3	64.2	65.2
	2011		2010	
	Pence	Pence	Pence	Pence
Earnings per share	24.8p	24.4p	17.3p	17.0p

Earnings per share of 24.8p (2010: 17.3p) was calculated based on earnings of £15.9m (2010: £11.2m) and the weighted average number of ordinary shares in issue during the year of 64.3 million (2010: 64.2 million).

Diluted earnings per share of 24.4p (2010: 17.0p) was calculated based on earnings of £15.9m (2010: £11.2m) and the adjusted weighted average number of ordinary shares in issue during the year of 65.3 million (2010: 65.2 million).

Earnings per share before goodwill impairment of 24.8p (2010: 44.0p) was calculated based on earnings of £15.9m (2010: £28.3m) and the weighted average number of ordinary shares in issue during the year of 64.3 million (2010: 64.2 million).

Diluted earnings per share before goodwill impairment of 24.4p (2010: 43.2p) was calculated based on earnings of £15.9m (2010: £28.3m) and the adjusted weighted average number of ordinary shares in issue during the year of 65.3 million (2010: 65.2 million).

## 6. Dividends payable to equity holders of the parent

Ordinary dividends on equity shares:

	2011 £m	2010 £m
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 December 2010 of 15.2p per share (2009: nil)	9.8	-
Second interim dividend for the year ended 31 December 2009 of 14.5p per share in lieu of a final dividend	-	9.3
Interim dividend for the year ended 31 December 2011 of 7.6p (2010: 7.6p) per share	4.9	4.9
	14.7	14.2

The Board have recommended a final dividend for the year ended 31 December 2011 of £9.8m, representing 15.2p (2010: 15.2p) per share. The proposed dividend is subject to approval by shareholders at the AGM on 18 May 2012 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.

The total number of shares held in Treasury was 2.2m (2010: 2.2m). All shares issued related to share options exercised.

## 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 £2.3m (2010: £3.3m) for GTCEISU Construcción, S.A., a connected person of Mr López Jiménez, a Director of the Company. An amount of £1.8m (2010: £2.3m) is included in trade and other receivables in respect of amounts outstanding as at 31 December 2011.

During the year the Group made purchases from GTCEISU Construcción, S.A. with a total value of £3.5m (2010: £3.6m). An amount of £1.0m (2010: £2.8m) is included in trade and other payables in respect of amounts outstanding as at 31 December 2011.

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 below in aggregate for each of the relevant categories specified in IAS 24 – Related Party Disclosures.

	<b>2011</b>	2010
	<b>£m</b>	£m
Short-term employee benefits	<b>2.1</b>	1.9
Post-employment benefits	<b>0.2</b>	0.2
	<b>2.3</b>	2.1