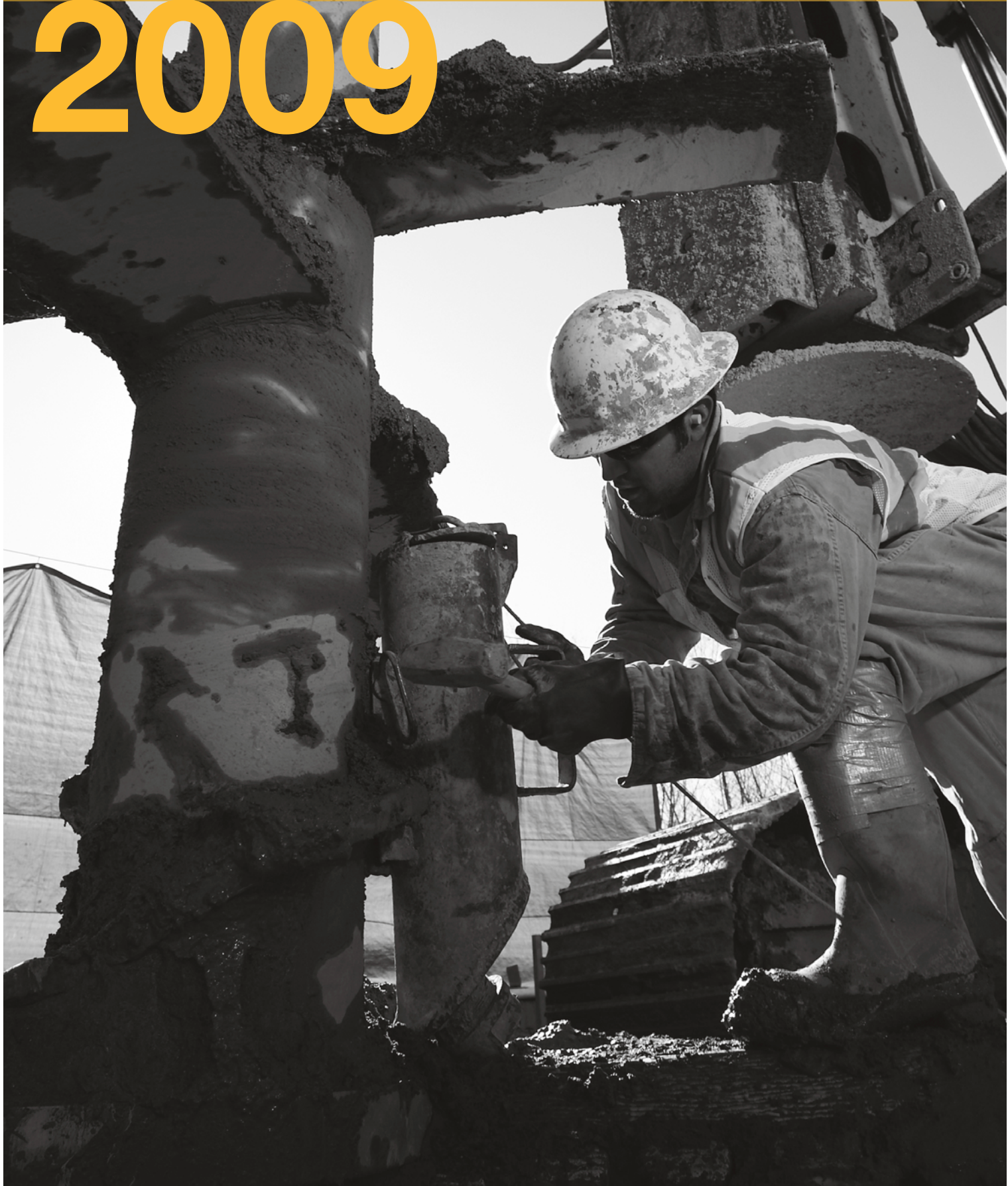




2009

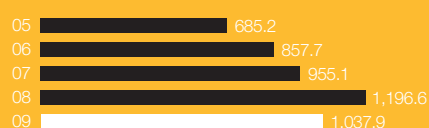


We are the world's largest independent ground engineering contractor, renowned for providing technically advanced and cost-effective foundation solutions. Our reputation is built on engineering excellence and a commitment to continual innovation.

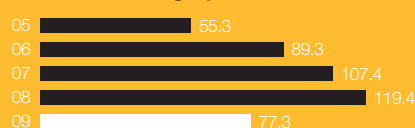
We have unrivalled coverage in Europe, North America and Australia and a growing presence in the Middle East and Asia.

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

Revenue from continuing operations £m



Operating profit from continuing operations £m



Earnings per share from continuing operations pence



Keller at a glance

Keller is a broadly-based business by: geographies and products; customers and end markets; and individual contracts. We combine the benefits of global scale, financing and technologies with strong local reputations and relationships.



US

Keller is the market leader in the US, where it has had a presence for over 25 years. Today, Keller operates from locations spanning the country under the names: Hayward Baker, Suncoast, Case, McKinney, Anderson and HJ.

Revenue (2008: £532.1m)

£467.0m

Operating profit (2008: £52.1m)

£32.2m



CEMEA

Keller has branches or subsidiaries in around 30 countries in Continental Europe, the Middle East and Asia, mainly trading under the Keller brand. Our principal markets within CEMEA are shown in the revenue pie chart on the facing page.

Revenue (2008: £442.2m)

£386.4m

Operating profit (2008: £49.9m)

£33.6m



Australia

We are the leading foundation specialist in Australia, where Frankipile, Vibro-Pile and Piling Contractors offer a wide range of piling services. Keller Ground Engineering offers specialist ground improvement and geotechnical solutions.

Revenue (2008: £137.1m)

£126.9m

Operating profit (2008: £19.4m)

£16.6m



UK

In the UK, we operate as Keller Foundations, Keller Geotechnique, Phi Group and Colcrete Eurodrill. Together, these businesses have a national presence, offering an extensive range of ground engineering solutions.

Revenue (2008: £85.2m)

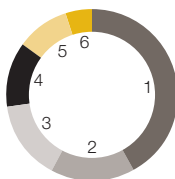
£57.6m

Operating profit (2008: £2.7m)

£0.5m

Revenue by business unit

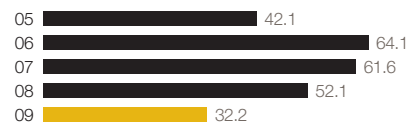
- 1 Hayward Baker 42%
- 2 Suncoast 16%
- 3 Case 15%
- 4 McKinney 12%
- 5 Anderson 10%
- 6 HJ 5%



Revenue £m



Operating profit £m

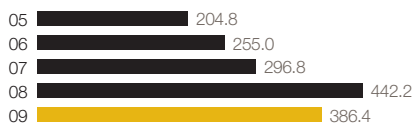


Revenue by business unit

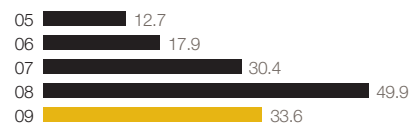
- 1 Eastern Europe 20%
- 2 Germany 17%
- 3 France 13%
- 4 Spain 13%
- 5 Other 11%
- 6 Austria 10%
- 7 Middle East 9%
- 8 Asia 7%



Revenue £m

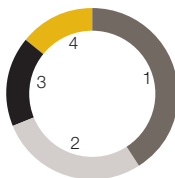


Operating profit £m

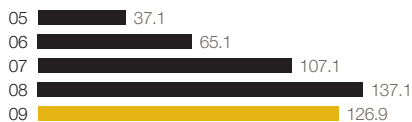


Revenue by business unit

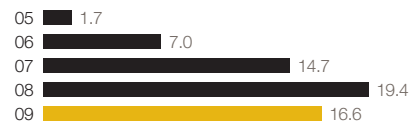
- 1 Piling Contractors 41%
- 2 Frankpile 28%
- 3 Vibro-Pile 17%
- 4 Keller Ground Engineering 14%



Revenue £m

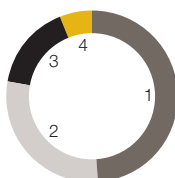


Operating profit £m

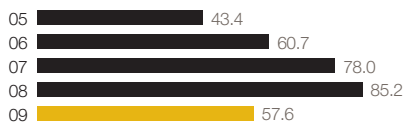


Revenue by business unit

- 1 Keller Geotechnique 49%
- 2 Keller Foundations 29%
- 3 Phi Group 16%
- 4 Colcrete Eurodrill 6%



Revenue £m



Operating profit £m



Year at a glance

We hope that this glance across the year will provide some insight into the various dimensions of our business and the many ingredients which went into our 2009 performance.



January

Road and rail projects accounted for much of our work in 2009. Olden, our 2008 US acquisition, secured a contract from the Texas Department of Transport to provide temporary shoring and permanent tiebacks along Highway 14 and Loop 12. Their work formed part of a project to widen and improve existing traffic lanes and to accommodate expansion of light rail through the area (pictured above left).

February

A contract to install continuous flight auger foundations, undertaken by Case and HJ, got underway in Indiana, US. Our works formed part of a major modernisation project at the Whiting Oil Refinery, the fourth largest refinery in the US. This was one of several successful partnerships between these two businesses, illustrating the value of sharing expertise and resources to tackle large and complex jobs.

March

The first module of the 2009 Keller Academy held in Graz, Austria, offered young engineers from across Europe the opportunity to come together for two weeks of practical instruction in Keller's geotechnical techniques. The Academy, comprising two modules developed by and for Keller, is proving to be a unique way of supplementing the technical knowledge of recently-graduated engineers with practical, Keller-specific experience.

April

Between the months of February and June, Keller Grundbau was engaged in filling tunnels and cavities from disused mine shafts beneath an area of Germany's Dortmund Zoo. As our operatives went about their work, involving extensive drilling and injecting around 5,000 m³ of binder into the voids, they attracted an unlikely audience from the zoo's resident kangaroo and llama populations (pictured above right).

May

The award of a contract for the Khalifa Port site in Abu Dhabi was an opportunity to put to work our twin-rigged S-700 vibrators. This Keller-designed equipment, built in our German facility, was used to improve the silty sand reclamation fill, using two different vibro techniques. The Port is expected to replace Abu Dhabi's largest existing port, Mina Zayed, by 2012.

June

Work commenced at the Florida Power & Light solar power plant in Florida, US where HJ installed continuous flight auger piling to support solar panel columns. With HJ's most senior general superintendent, Al Cover (pictured far right on facing page) on the job, there was a high degree of confidence that the contract would be delivered on time and to budget. Al and his team did not disappoint.



July

31 July was a significant date for Keller, marking the retirement of the Company's Chairman, Dr Michael West, whose outstanding contribution to the Group over 45 years is described on page 6. As souvenirs of the business, Justin Atkinson, Chief Executive, presented Dr West (pictured above, left), with two unique pieces of artwork crafted from original Keller components dating back to the 1950s.

August

A jet grouting contract to reinforce the ground below new LNG tanks for a major oil company at Arzew in Algeria got underway in the summer. Employing a double-jet system, a technique which had not previously been used in the country, field operatives from our Algerian business were supported by experienced teams sent from the UK, Germany and France – together, a truly international brigade.

September

Passers-by on London, UK's Northumberland Avenue one late September morning may have spotted this Keller Geotechnique rig raised high above the city's skyline (pictured above, middle). Sites are seldom more restricted than at the new Corinthia Hotel, with its 1850s facade hiding cramped corridors leading to a central courtyard, from which the structure was to be underpinned. Installing seven rigs at this confined location called for creative planning.

October

We welcomed into the Group the management and employees of Singapore-based Resource Piling, with this autumn acquisition which added critical mass to our operations in the region. Resource is a specialist foundation contractor with particular expertise in large diameter bored piling in soft clays. With an excellent local reputation, Resource has worked on some of Singapore's most prestigious projects.

November

Engineers from around the Group gathered in Germany to attend the Group's deep soil mixing (DSM) conference, a two-day event which enabled product specialists to share their experiences and review best practice. Like many of the technologies that we transfer between our markets, DSM is progressively gaining wider acceptance around the world, as the range of applications for which it is suitable expands.

December

The end of the year marked the driving of our final pile at the Gateway Duplication contract which, at a value of A\$110m, is thought to be the largest-ever foundations contract in Australia. All four of our local companies were engaged in this highly successful project, which spanned a period of 22 months, creating an important precedent for future partnerships between our Australian companies.

Chairman's statement

In 2010 we celebrate 150 years of services to the construction industry. Whilst much has changed, our belief in innovation and engineering excellence have remained constant. We are proud of our past and excited about our future.



Dr Michael West

After more than 45 years' service to Keller, Dr Michael West retired as Chairman in July 2009.

Having joined in 1964, Mike led the management buyout of Keller in 1990 and the Company's flotation in 1994, becoming Chairman a year later.

Following the flotation, he presided over the impressive growth of the Group from a business with revenues of just under one hundred and fifty million pounds, to one turning over in excess of one billion pounds, with enviable margins.

Mike's pivotal role in the creation and development of the Keller Group has been such that words cannot easily capture his part in its success. Were it not for his far-sighted vision and the courage, determination and skill to turn the vision into reality, the Keller Group would not exist today.

He has left behind a very strong legacy for which, on behalf of shareholders, the Board and employees, I thank him.



In my first statement to shareholders since becoming your Chairman, I am pleased to report a resilient set of results for 2009, delivered against the most severe downturn in global construction seen in my lifetime and the harsh trading environment that has ensued in many of our markets.

Results¹

Group revenue reduced by 13% to £1,037.9m (2008: £1,196.6m). The operating margin, at 7.4%, was down from the previous year's excellent 10.0%, resulting in an operating profit of £77.3m (2008: £119.4m). Profit before tax was £74.7m (2008: £113.2m) and earnings per share were 78.8p (2008: 111.1p).

Cash flow and net debt²

Cash generated from continuing operations was £123.2m (2008: £143.5m), which represented 109% of EBITDA (2008: 99%). 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. After significantly reduced net capital expenditure of £35.5m (2008: £66.6m) and expenditure on acquisitions of £34.7m (2008: £14.1m), net debt at the end of the year stood at £78.8m (2008: £84.6m).

The Group has significant committed facilities and we are operating well within all the associated financial covenants.

Dividends

The Board has declared a second interim dividend of 14.5p per share in lieu of a final dividend (2008 final: 13.8p per share). This, together with the first interim dividend paid of 7.25p, brings the total dividend for the year to 21.75p, an increase of 5% on the previous year's 20.7p. Dividend cover for the year is 3.6 times (2008: 5.4 times). The second interim dividend will be paid on 1 April 2010 to shareholders on the register at 12 March 2010.



01

Acquired Suncoast (US) leading post-tension cable company

02

Acquired McKinney (US)

Acquired 51% of Keller-Terra (Spain)

Group revenue exceeded £500m

05

Acquired Donaldson (US)

06

Acquired Phi (UK)

Acquired Piling Contractors (Australia)

Acquired Anderson Drilling (US)

07

Acquired Systems Geotechnique (UK)

Acquired HJ Foundation (US)

08

Acquired Olden (US)

Acquired Boreta (Czech Republic)

Group revenue exceeded £1bn

09

Acquired Resource Holdings (Singapore)

2010

150

years of service

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

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:

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

Key developments in 2009 in furtherance of this strategy included:

- acquiring Resource Holdings Limited in Singapore in October, which brought critical mass to the Group's operations in South East Asia and added further momentum to our move into heavy foundations in the region;
- strengthening our businesses through the deployment of more people and equipment in India, Egypt and Algeria; and
- extending our range of technologies in some of our more established regions, such as the introduction of wick drains in the US, pre-cast piles in Poland and the further expansion of soil mixing in many regions.

Sustainability

Over the past year, much of the Board's focus has inevitably been on cash generation and ensuring that our cost base remains aligned with our trading environment, both of which will remain at the top of our agenda. However, we have also concentrated on other issues which underpin the long-term health of the business, such as succession planning, health and safety and environmental management. By developing common frameworks for these areas of management, which provide for a consistency of approach and aim to bring all our businesses up to the standard of the best, we are confident that we will build on our strong track record in these disciplines, to support the long-term sustainability of the Group.

People

At the Annual General Meeting in May 2010, Dr Kevin Bond will be retiring as a Director, following nine years' service on the Board. Kevin has always brought an independent viewpoint

and willingness to challenge, which he has combined with his exceptionally supportive style. These things, together with his experience and knowledge, will be missed by us all and I wish him well.

It has been a most demanding year for the Group and for its employees, throughout which they have demonstrated their continued support and commitment. On behalf of shareholders and the Board, I would like to take this opportunity to thank them for all their efforts.

Outlook

Clearly, 2010 will be another challenging year, not helped by the impact of the severe weather in the northern hemisphere in the first two months, which has greatly restricted our output. As a Group, we have not yet seen a sustained upturn in orders and this is reflected in our order book, which is 14% below the same time last year on a constant currency basis.

Looking to our markets, commercial construction in the developed world is likely to contract further, particularly in the US, which will increase the downward pressure on our margins. However, government spending in most parts of the world is expected to remain at a relatively high level and we expect to see some benefit from US stimulus spending in the second half. The underlying fundamentals in Australia and our developing markets³ remain strong.

The Group is in a very sound financial position, which we will safeguard through our constant focus on cash generation and costs. From this position of strength, we expect to continue to grow in those markets which offer good opportunities. In more mature markets, the actions taken to protect our profitability mean that we will emerge from the downturn even stronger and ready to seize the advantage, as these regions recover.

Roy Franklin OBE

2 March 2010

¹ 2008 comparators relate to revenue, operating margin, operating profit, profit before tax and earnings per share from continuing operations. There were no discontinued operations in 2009.

² Net debt is cash and short-term deposits less total loans and borrowings, as shown in note 24 to the consolidated financial statements.

³ Our markets in Eastern Europe, North Africa, the Middle East & Asia.

Operating review

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



“£275m (26%) of our 2009 revenue came from Australia and our developing markets, more than four times the level in 2004.”

The Group's 2009 results held up well, given that most of our markets were severely depressed throughout the year. Despite a general shortage of contract awards, resulting in intense competition and tighter pricing, good overall contract performance and our firm cost control mitigated the impact on the Group's operating margin.

A strong feature underpinning these results is the ongoing re-balancing of the Group, which over several years has resulted in improved geographical diversification and increased exposure to higher growth markets. As a consequence, £275m (26%) of our 2009 revenue came from Australia and our developing markets, more than four times the level in 2004.

Conditions in our major markets

Generally, across the world we witnessed a sharp reduction in privately-financed construction, whilst investment in public infrastructure remained relatively strong. This was reflected in our revenue, with infrastructure and public buildings accounting for 47% of our 2009 revenue, compared to 35% in 2008.

In the US, which remains our largest market and where we are market leader, non-residential construction expenditure was down by 5% on the previous year¹, despite modest growth in public infrastructure spending and, within the private sector, strong growth in investment in power and manufacturing. However, expenditure in the office, commercial and leisure sector was down by 26%. This is expected to reduce further in 2010, as the full impact of the much sharper fall in building starts in this sector feeds through into construction spend as a whole. The residential sector continued to contract, with housing starts falling by a further 39% in the year, although the second half showed an improvement on the first six months. Taken as a whole, US construction expenditure reduced in the year by approximately 12%.

Within our principal European markets: demand in Poland remained strong; Austria and Germany were flat; whilst France, the UK and, in particular, Spain continued to contract.

Elsewhere, construction activity in our markets in the Middle East was significantly down on 2008, whereas Australia and our Asian markets remained robust.

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

Strategy, positioning and market drivers

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

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

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

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

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

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

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

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

US

The result also benefited from jobs as diverse as further work on the levees at New Orleans, soil mixing for new bridge abutments in Utah, vibro replacement and compaction grouting for a large power plant expansion in Florida and jet grouting for a new transit tunnel in New York City.

US

In local currency, revenue from our US operations as a whole was down by 26%, whilst operating profit reduced by 48%, mainly reflecting a loss at Suncoast and pressure on margins across the US foundation businesses. In sterling terms, overall revenue was 12% lower, whilst operating profit was down by 38%.

Hayward Baker

Overall, Hayward Baker had a satisfactory year, responding well to the challenges presented by the sharp downturn in commercial work. With offices in 15 states and a wide range of techniques at its disposal, the business is closely tuned into local market conditions and able to respond accordingly. This is reflected in the variety of work Hayward Baker undertook during the year: from a design and construct sheet piling and soil mixing contract for a new shipyard in Louisiana, to a vibro stone column contract for a new hospital in California. The result also benefited from jobs as diverse as further work on the levees at New Orleans, soil mixing for new bridge abutments in Utah, vibro replacement and compaction grouting for a large power plant expansion in Florida and jet grouting for a new transit tunnel in New York City.

The ability to offer a particularly wide range of solutions has long been one of the hallmarks of this business and in 2009 Hayward Baker added to its product offering wick drains – vertical drains which are used for accelerating the consolidation of compressible soils. The company's first wick drain project was for an extension to an oil refinery in Washington, where an underlying layer of clay needed to be consolidated before construction could begin. Hayward Baker installed 348,000 linear feet of wick drains to depths of up to 80 feet. The job was a success and the precursor to several more contracts using this technique during the year.

Further progress was made in integrating Olden, the business acquired by Hayward Baker in October 2008 which, as expected, is proving to be a good fit. Olden's value-engineering capability has secured several important jobs, such as a large contract for the Texas Department of Transport to install temporary shoring, shotcrete facia and tiebacks for a major road widening scheme.

Case, McKinney, Anderson and HJ

Amongst our US piling businesses, strong performances were delivered by Case and Anderson, despite activity levels slowing down somewhat towards the end of the year. McKinney had a satisfactory year, whilst HJ did well to remain profitable, given the sharp fall off in demand for privately-funded projects in its Florida home market. In all of these businesses, the headcount has been reduced to reflect the lower activity levels.

All four have managed to increase their exposure to the growing power and renewable energy sectors, from which 27% of their combined revenue in 2009 was derived, approximately double the level in 2008. In addition, HJ worked with the other US businesses in continuing the expansion of continuous flight augur piling outside of Florida.

Power generation

HJ installs continuous flight augur piles to support solar panel columns for the Florida Power & Light solar power plant in Florida, US.

“The world will need greatly increased energy supply in the next 20 years, especially cleanly-generated electricity.”

World Nuclear Association,
September 2009

45%

projected growth in energy demand from 2006 to 2030

World Nuclear Association,
September 2009



Flood defence

Hayward Baker undertakes critical drilling and grouting work on the Wolf Creek Dam in Kentucky, US, part of a dam safety programme being undertaken by the US Army Corps of Engineers.

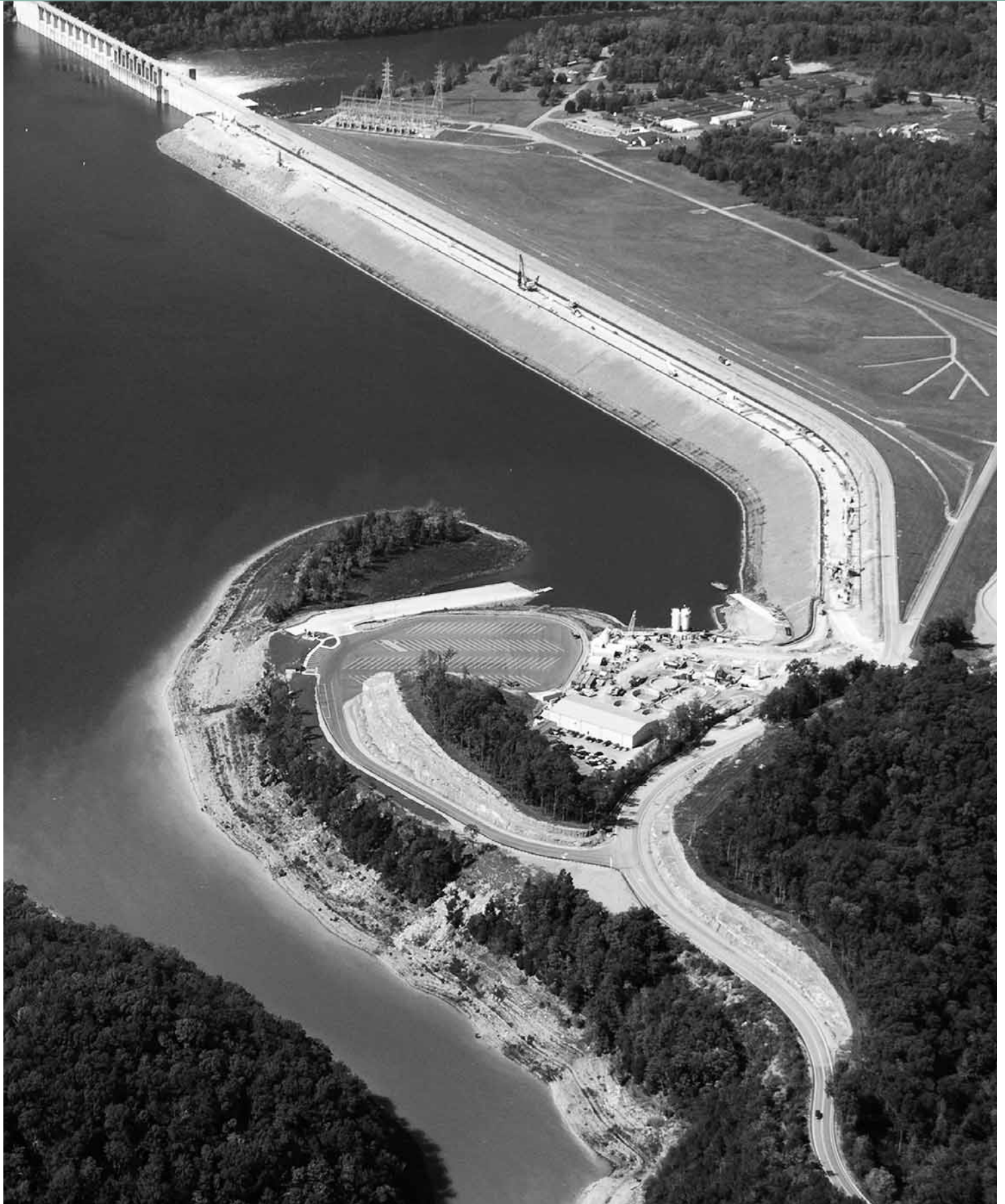
“The impact of climate change and urban development could more than triple the number of people around the world exposed to coastal flooding by 2070.”

OECD, December 2007

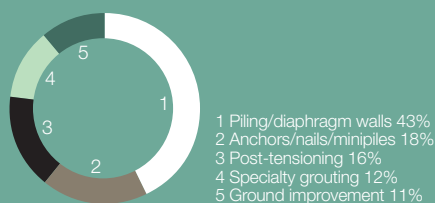
\$14bn (US\$)

budgeted by the US Government to shore up Louisiana’s flood defences since Hurricane Katrina

guardian.co.uk, June 2009



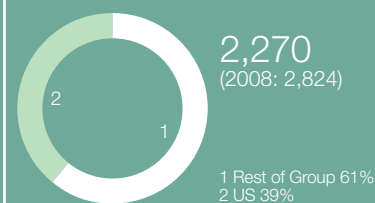
Revenue by type of service



Revenue by end market



Employees



The result for these businesses benefited from some large contracts, several of which were undertaken by two subsidiaries in partnership. These included the installation of foundations for the Populus to Ben Lomond Power Line in Utah (undertaken by Anderson); the Virginia City Power Plant (Case); the Edwardsport Power Plant in Indiana (Case and McKinney); the BP Refinery in Indiana (Case and HJ); a solar power plant in Florida (HJ); and a project to widen an existing 10-lane freeway in Arizona (Case).

This Arizona contract is one of many successful jobs performed by Case outside of its depressed Chicago home market. A more geographically-balanced business has resulted from the development of its regional offices such that, for the first time ever, the Arizona regional office generated more revenue than Chicago.

Suncoast

With no significant signs of improvement in the residential market as yet, and a further decline in demand for high-rise products, volume and prices have remained under pressure. As a result, further cost cutting measures have been taken, with headcount reduced by a further 25% in the year to below 400. With these measures and continuous improvements in efficiency over recent years, Suncoast is well placed to grow revenues and restore margins as the US housing market recovers over time.

Operations – US

Highlights

- Excellent cash management
- Increased exposure to growing power and energy sectors
- Good co-operation on large and complex jobs
- Strong results from Anderson and Case

Priorities for 2010

- Further exploit large, multi-product project capability
- Continue expansion of product range
- Focus on cash generation and cost control
- Continue to improve safety and environmental performance

Results summary and KPIs

| Revenue | |
|------------------|---------|
| 2009 | £467.0m |
| 2008 | £532.1m |
| Operating profit | |
| 2009 | £32.2m |
| 2008 | £52.1m |
| Operating margin | |
| 2009 | 6.9% |
| 2008 | 9.8% |

Our growth compared with the growth of construction markets

2009

| | |
|--------------|-------------|
| over 1-year | -26% (-12%) |
| over 3-years | -16% (-20%) |

| | |
|--------------|-----------|
| over 1-year | 5% (-7%) |
| over 3-years | 36% (-3%) |

Definition and method of calculation

Year-on-year sales growth (including acquisitions) in local currency compared with growth in the total US construction market (in brackets)¹.

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

Return on net operating assets

| | |
|------|-----|
| 2009 | 14% |
| 2008 | 25% |

Definition and method of calculation

Operating profit expressed as a percentage of net operating assets² (including goodwill acquired through acquisitions).

Staff turnover

Foundation contracting businesses

| | |
|------|----|
| 2009 | 3% |
| 2008 | 8% |

Suncoast

| | |
|------|-----|
| 2009 | 12% |
| 2008 | 18% |

Definition and method of calculation

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

¹ Data published by the US Census Bureau of the Department of Commerce on 1 February 2010.

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

Continental Europe, Middle East & Asia (CEMEA)

In Germany, despite a stagnant market and tight pricing, we recorded our best operating margin for many years, reflecting a process of continuous improvement in our technical and business processes.

Continental Europe, Middle East & Asia (CEMEA)

In local currency, revenue was down some 22% and operating profit was 40% below the previous year. Translated into sterling, revenue was 13% behind the previous year and operating profit was down by 33%.

Continental Europe

Overall, our businesses within the more mature Continental European markets gave another solid performance.

In Germany, despite a stagnant market and tight pricing, we recorded our best operating margin for many years, reflecting a process of continuous improvement in our technical and business processes. Similarly, in Austria, notwithstanding a shortage of major projects and highly competitive pricing, a very good result was achieved through a sharp focus on value-engineered designs and excellent logistics, enabling small to medium sized sites to be better managed.

Keller France, which has traditionally had limited exposure to the infrastructure sector, saw a sharp reduction in its domestic market, which resulted in some ongoing streamlining measures. However, good opportunities were to be found in the energy sector in North Africa, such as involvement in the construction of new LNG tanks for a major oil company at Arzew in Algeria. Here, a field team comprising operators from Algeria, UK, Germany and France worked together on a large jet grouting contract, with successful results likely to lead to further work at the same site during 2010.

In Spain, where the construction market is estimated to have shrunk by 22% in 2009 following a contraction of around 13% the previous year², decisive management actions ensured that the business remained profitable; however, with a further market reduction expected in 2010 as spending on public infrastructure slows, the business will face further challenges in the near term.

In Europe's developing markets, our Polish business once again stood out for its strong performance. It benefitted in particular from heavy demand associated with road infrastructure upgrades, such as the A1 motorway between Pyrzowice and Piekary Slaskie, where we are installing around 39,000 linear metres of wet deep soil mixed columns. In 2009, Keller Polska added to its broad product range with the introduction of pre-cast piling, enabling it to provide a packaged solution comprising continuous

flight augur piles, vibro stone columns and deep soil mixing in addition to around 800 pre-cast displacement piles, for the construction of a new road bridge over the Vistula River in Warsaw.

The integration of the Group's small 2008 acquisition in the Czech Republic, Boreta, has progressed to plan and good co-operation has been established between Boreta and Keller's existing Czech business.

Middle East

Whilst our Middle Eastern markets remained generally quiet for most of last year, in recent weeks we have seen early signs of the markets stirring.

In the UAE, although there was little construction activity in Dubai, several opportunities arose in neighbouring Abu Dhabi, such as the development of the Khalifa Port, where we used vibro techniques to improve reclaimed land for the construction of a new container terminal.

Elsewhere in the region, our operations in Bahrain and Saudi Arabia were relatively quiet, although high levels of tendering activity throughout last year are now gradually being reflected in contract awards. In Egypt, where we have a long-established business, we built up our resources during 2009 to take advantage of an expected growth in demand.

² Euroconstruct Country Report, November 2009.

Road and rail

Keller Austria undertakes a package of works for a new light underground tunnel in the city of Linz, Austria. A combination of jet grouting, temporary anchors, shotcrete, nailing and bored piling is used on the retaining walls for the tunnel portal.

“The EIB has decided to provide at least EUR 75bn for trans-European transport projects in the period 2004–2013.”

European Investment Bank, 2010

33%

of Poland's 300,000 km road network requires major overhaul

PricewaterhouseCoopers –
Investing in Poland 2008



Developing markets

The acquisition of Singapore-based Resource Piling significantly increases the Group's operations in South East Asia and adds further momentum to our move into heavy foundations in these attractive growth markets.

"In many emerging and developing economies, activity is expected to be relatively vigorous, largely driven by buoyant internal demand."

6%

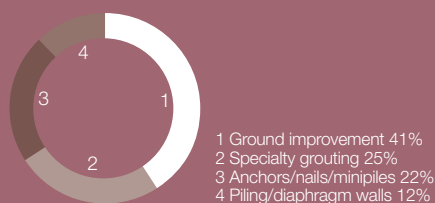
2010 annual growth forecast for emerging and developing economies

IMF, World Economic Outlook, January 2010

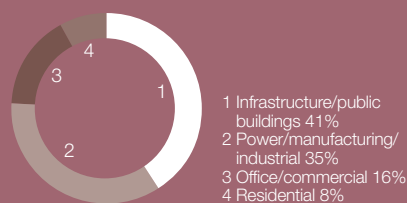
IMF, World Economic Outlook, January 2010



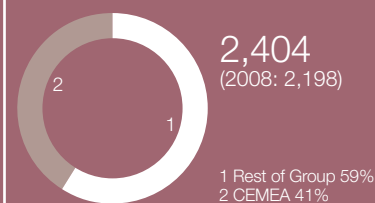
Revenue by type of service



Revenue by end market



Employees



Asia

An excellent result was delivered by our Asian business. Malaysia contributed strongly to this result, performing well on several large road and rail infrastructure projects, including the ongoing Ipoh to Padang Besar railway.

Further progress was made on building up our capacity and extending our product range in India where, during the year, we added anchors, dry vibro replacement, vibro compaction and piling services. Successful contracts employing these techniques included: temporary ground anchors for a multi-level underground car park in New Delhi; vibro stone columns for a gas-fired power plant, also in New Delhi; and piling together with stone columns for a new power plant at Anpara.

After a somewhat subdued first half, activity in our Singapore business picked up in the fourth quarter. 2009 saw our established ground improvement business introduce vibro concrete columns to the Singapore market, broadening the range of ground improvement techniques on offer in the region.

In October we announced the acquisition of Resource Holdings Limited ('Resource Piling'), a Singapore-based piling contractor, for an initial cash and debt-free payment of £27.1m, plus further payments based on future profits. Resource Piling has particular expertise in large diameter bored piling in soft clays.

This acquisition significantly strengthens the Group's existing operations in Singapore. By adding piling to our product range, it enables us to offer packaged solutions which combine Keller's existing ground improvement techniques with Resource Piling's piling products. The acquisition will also assist us in growing our heavy foundations capability in South East Asia. A collaborative relationship has already been established, with Resource Piling and Keller pooling their resources on certain piling activities in India and identifying joint tendering opportunities in Singapore and Vietnam.

Operations – CEMEA

Highlights

- Excellent results from developing markets
- October acquisition of Singapore-based Resource Piling
- Best margin for many years in Germany
- Spain still profitable despite sharp market contraction

Priorities for 2010

- Continue to drive growth in developing markets
- Develop synergies from Resource Piling acquisition
- Focus on cash generation and cost control
- Continue to improve safety and environmental performance

Results summary and KPIs Revenue

| | |
|------|---------|
| 2009 | £386.4m |
| 2008 | £442.2m |

Operating profit

| | |
|------|--------|
| 2009 | £33.6m |
| 2008 | £49.9m |

Operating margin

| | |
|------|-------|
| 2009 | 8.7% |
| 2008 | 11.3% |

¹ Estimates of real annual growth plus estimated change in construction prices published by Euroconstruct in November 2009.

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

Our growth compared with the growth of construction markets

2009

| | | |
|---------|--------------|-----------|
| Austria | over 1-year | -13% (0%) |
| | over 3-years | 21% (13%) |

| | | |
|--------|--------------|------------|
| France | over 1-year | -19% (-5%) |
| | over 3-years | -7% (7%) |

| | | |
|---------|--------------|------------|
| Germany | over 1-year | -24% (0%) |
| | over 3-years | -16% (13%) |

| | | |
|--------|--------------|------------|
| Poland | over 1-year | -13% (3%) |
| | over 3-years | 121% (47%) |

| | | |
|-------|--------------|-------------|
| Spain | over 1-year | -10% (-22%) |
| | over 3-years | -20% (-27%) |

2008

| | | |
|---------|--------------|------------|
| Austria | over 1-year | 41% (6%) |
| | over 3-years | 110% (20%) |

| | | |
|--------|--------------|-----------|
| France | over 1-year | 16% (5%) |
| | over 3-years | 59% (26%) |

| | | |
|---------|--------------|-----------|
| Germany | over 1-year | 12% (6%) |
| | over 3-years | 37% (20%) |

| | | |
|--------|--------------|------------|
| Poland | over 1-year | 61% (15%) |
| | over 3-years | 350% (64%) |

| | | |
|-------|--------------|-------------|
| Spain | over 1-year | -22% (-13%) |
| | over 3-years | 4% (6%) |

Definition and method of calculation

Year-on-year sales growth (including acquisitions) in local currency in Austria, France, Germany, Poland and Spain compared with absolute growth (defined as real growth plus estimated price inflation) in these major European construction markets (in brackets)¹.

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

Return on net operating assets

| | |
|------|-----|
| 2009 | 13% |
| 2008 | 38% |

Definition and method of calculation

Operating profit expressed as a percentage of net operating assets² (including goodwill acquired through acquisitions).

Staff turnover

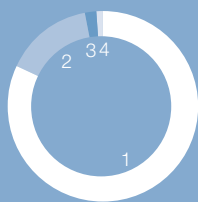
| | |
|------|-----|
| 2009 | 13% |
| 2008 | 12% |

Definition and method of calculation

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

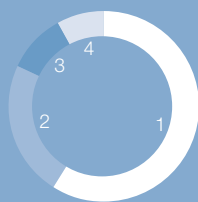
Australia

Revenue by type of service



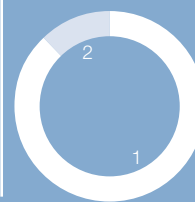
- 1 Piling/diaphragm walls 82%
- 2 Specialty grouting 15%
- 3 Ground improvement 2%
- 4 Anchors/nails/minipiles 1%

Revenue by end market



- 1 Infrastructure/public buildings 59%
- 2 Power/manufacturing/industrial 23%
- 3 Office/commercial 10%
- 4 Residential 8%

Employees



728
(2008: 700)

- 1 Rest of Group 88%
- 2 Australia 12%

Australia

Our Australian business had another very strong year although, as expected, not reaching the exceptional level seen in 2008. In local currency, revenue was down by 16% and operating profit by 22% whilst in sterling terms, revenue and operating profit reduced by 7% and 14% respectively.

Although investment in public infrastructure and construction for the resources sector continued strongly throughout the year, commercial construction remained weak, particularly in Victoria. Vibro-Pile, which has had the most exposure to this market, did a good job of diversifying into the infrastructure sector, where it performed well. Frankipile, which has also traditionally served the commercial market, derived a substantial part of its 2009 revenue from the resources sector, particularly in Western Australia. Piling Contractors had an excellent second half, as several of its large infrastructure projects ramped up. For Keller Ground Engineering, 2009 was a year of further market penetration with its specialist ground improvement techniques.

As we have seen elsewhere in the Group, growing co-operation between Keller companies, which has enabled them to offer packaged solutions and to take on large and complex contracts, has been an important driver of growth. Two such contracts in 2009 were for heavy foundations work on the Brisbane Airport Link project, where Keller Ground Engineering, Vibro-Pile and Piling Contractors have been engaged, and a mine bulk infill project in Queensland, where Keller Ground Engineering and Piling Contractors are working together, with significant engineering support from other parts of the Keller Group.



Vibro-Pile works at Australia's Monash Freeway upgrade project.

Operations – Australia

Highlights

- Good performance on large infrastructure projects
- Another excellent operating margin
- Further market penetration with geotechnical solutions
- Co-operation between our businesses continues to develop

Priorities for 2010

- Take full advantage of a growing market
- Exploit shared opportunities for our businesses in the region
- Focus on cash generation and cost control
- Continue to improve safety and environmental performance

Results summary and KPIs

Revenue

| | |
|------|---------|
| 2009 | £126.9m |
| 2008 | £137.1m |

Operating profit

| | |
|------|--------|
| 2009 | £16.6m |
| 2008 | £19.4m |

Operating margin

| | |
|------|-------|
| 2009 | 13.1% |
| 2008 | 14.2% |

Our growth compared with the growth of construction markets

2009

| | |
|--------------|-----------|
| over 1-year | -16% (9%) |
| over 3-years | 58% (25%) |

2008

| | |
|--------------|------------|
| over 1-year | 17% (7%) |
| over 3-years | 238% (23%) |

Definition and method of calculation

Year-on-year sales growth (including acquisitions) in local currency compared with growth in Australia's construction market (in brackets)¹.

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

Return on net operating assets

| | |
|------|-----|
| 2009 | 42% |
| 2008 | 68% |

Definition and method of calculation

Operating profit expressed as a percentage of net operating assets² (including goodwill acquired through acquisitions).

Staff turnover

| | |
|------|----|
| 2009 | 2% |
| 2008 | 2% |

Definition and method of calculation

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

¹ Data published by Australian Bureau of Statistics in September 2009.

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

Large scale projects

The Ipswich Minefill project in Queensland, Australia involves filling voids containing flood water and methane gases.

A sophisticated water monitoring process and vast batching plant were purpose designed for this project, which has had significant technical input from other parts of Keller.

“As at October 2009, the value of advanced minerals and energy projects was a record \$112.5 billion, an increase of 40 per cent from April 2009.”

Australian Bureau of Agricultural and Resource Economics (ABARE), October 2009

\$43bn (A\$)

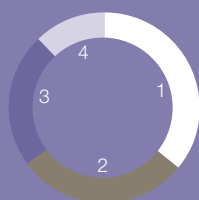
Budget for Gorgon LNG, Australia's largest single resources project

ABARE, October 2009



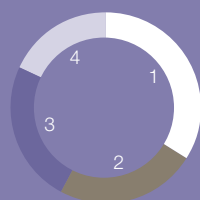
UK

Revenue by type of service



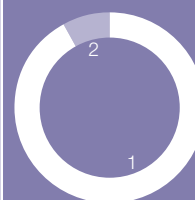
1 Anchors/nails/minipiles 36%
2 Piling/diaphragm walls 29%
3 Specialty grouting 23%
4 Ground improvement 12%

Revenue by end market



1 Infrastructure/public buildings 34%
2 Office/commercial 24%
3 Power/manufacturing/industrial 24%
4 Residential 18%

Employees



475
(2008: 628)

1 Rest of Group 92%
2 UK 8%

UK

Market conditions in the UK remained very challenging, with the housing and commercial sectors, which together used to account for much of the revenue from the UK business, being particularly weak.

Against this backdrop, the business reported revenue of £57.6m (2008: £85.2m) and operating profit of £0.5m (2008: £2.7m). After reporting an operating loss of £0.4m at the half year, it is pleasing to note that the business made a profit in the second half, reflecting the significant cost reductions, including a 20% reduction in headcount, implemented in the first half of the year.

In order to increase the exposure to larger projects, which were the mainstay of UK construction activity in 2009, the independent companies which made up Keller UK have been restructured and refocused to facilitate greater co-operation and sharing of resources and to better position the business to win more major projects. This has already started to bear fruit, being reflected in several of the larger contracts undertaken in 2009, including work on the M1 and M74 upgrade projects, and the recent award of a piling contract at London's Tottenham Court Road tube station, as part of the Crossrail project.

Justin Atkinson

2 March 2010

Operations – UK

Highlights

- H2 recovery driven by H1 cost reductions
- Individual businesses restructured and refocused
- Now better positioned to win more major contracts
- Good performance on M1 and M74 upgrade projects

Priorities for 2010

- Further increase exposure to major projects
- Build on growing co-operation with Keller in Continental Europe
- Focus on cash generation and cost control
- Continue to improve safety and environmental performance

Results summary and KPIs

Revenue

| | |
|------|--------|
| 2009 | £57.6m |
| 2008 | £85.2m |

Operating profit

| | |
|------|-------|
| 2009 | £0.5m |
| 2008 | £2.7m |

Operating margin

| | |
|------|------|
| 2009 | 0.9% |
| 2008 | 3.2% |

Our growth compared with the growth of construction markets

2009

| | |
|--------------|-------------|
| over 1-year | -32% (-16%) |
| over 3-years | -5% (-11%) |

2008

| | |
|--------------|-----------|
| over 1-year | 9% (0%) |
| over 3-years | 96% (11%) |

Definition and method of calculation

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

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

Return on net operating assets

| | |
|------|----|
| 2009 | 2% |
| 2008 | 9% |

Definition and method of calculation

Operating profit expressed as a percentage of net operating assets² (including goodwill acquired through acquisitions).

Staff turnover

| | |
|------|----|
| 2009 | 7% |
| 2008 | 7% |

Definition and method of calculation

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

¹ Estimates of real annual growth plus estimated change in construction prices published by Euroconstruct in November 2009.

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

Marginal land

The regeneration of the Lower Lea Valley in the UK, including the development of the Olympic Park, has generated a significant amount of work for our UK business over the years. Here, Keller Foundations installs piling, in front of the Olympic main stadium.

“...with increasing pressures on our limited land space and a long industrial past that has left us with a significant legacy of soil pollution, ...it is vital that we recycle our brownfield land, and make it suitable for its new use.”

Huw Irranca-Davies, Minister at the UK's Department for Environment, Food & Rural Affairs (Defra) September 2009

60%

UK Government target for new homes to be built on brownfield sites by 2010

Defra, September 2009



Financial review

2009 was a challenging year for Keller but, despite reduced revenue and profits, the Group continued to generate excellent operating cash flows.



“In 2009, the Group continued its excellent record of converting profits into cash. Net cash inflow from operations was £123.2m, representing 109% of EBITDA.”

Comparisons of sterling-denominated headline numbers with 2008 are made difficult by currency movements. Overseas revenue, profits and cash flows are translated using average foreign exchange rates. The average US dollar exchange rate against sterling was US\$1.57, 16% stronger than in 2008, whilst the average euro exchange rate against sterling strengthened 11% from €1.26 to €1.12. The impact on the Group's consolidated assets and liabilities, which are translated at year-end exchange rates, was somewhat less pronounced as both the US dollar and the euro weakened against sterling by around 9% between the beginning and end of 2009.

Results

Trading results¹

Group revenue decreased by 13% in the year to £1,037.9m, reflecting reduced volumes in many of the Group's main markets, partially offset by currency benefits and a small contribution from acquisitions. Stripping out the effects of acquisitions and foreign exchange movements, the Group's 2009 revenue was 26% down on 2008. EBITDA was £113.2m, compared to £144.3m in 2008 and operating profit was £77.3m, down from £119.4m in 2008. Adjusting for the effects of acquisitions and currency movements, the Group's operating profit was down 45% on 2008. This reflects a combination of the lower revenue and the fall in operating margin to 7.4% from the record highs of the last few years (2008: 10.0%), as a result of the depressed state of most of our markets.

In the US, the Group's largest market, the US dollar-denominated operating profit was down 48% year-on-year, reflecting continued deterioration in the residential and commercial construction markets. The decline in CEMEA's constant-currency results was less marked, with CEMEA overtaking the US as the division making the largest contribution to the Group's profits. Profits in Australia were again strong, although below the excellent result achieved in 2008. In the UK, profits were down, reflecting the continued downturn in the UK construction market.

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

Net finance costs

Net finance costs decreased from £6.2m in 2008 to £2.6m in 2009. This decrease is due to non-cash items included in net finance costs under IFRS. The net interest payable on the Group's net debt reduced by £0.5m to £2.8m, with the effect of lower interest rates being offset by the impact of weaker sterling on the translation of non-sterling denominated interest.

Tax

The Group's underlying effective tax rate was 30%, down from 32% in 2008, as a higher proportion of the Group's profit was derived from lower tax countries. This lower rate is expected to be maintained in the short term.

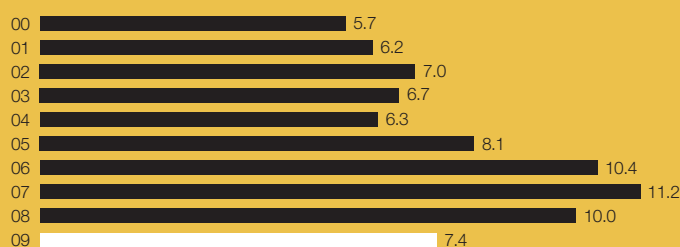
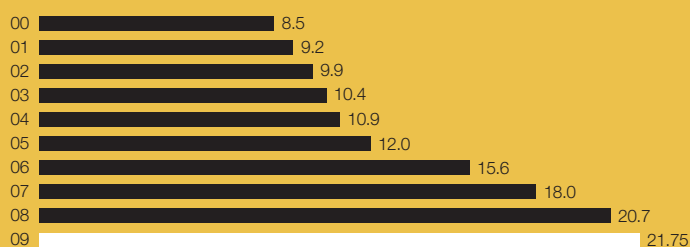
Earnings and dividends

Earnings per share (EPS) from continuing operations decreased by 29% to 78.8p (2008: 111.1p). The Board has declared a second interim dividend of 14.5p per share in lieu of a final dividend, which brings the total dividend paid out of 2009 profits to 21.75p, a 5% increase on last year. The 2009 dividend is covered 3.6 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 will therefore continue to focus on maximising cash generation and minimising the Group's investment in working capital. In 2009, the Group continued its excellent record of converting profits into cash. Net cash inflow from operations was £123.2m, representing 109% of EBITDA. Year-end working capital was £85.0m, £7.2m less than at the end of 2008. Stripping out the impact of currency

¹ 2008 comparators relate to results from continuing operations. There were no discontinued operations in 2009.

Operating margin from continuing operations %**Dividend per share pence**

movements and acquisitions, year-end working capital was down on 2008 by £13.0m. As planned, capital expenditure, net of disposals, decreased substantially to £35.5m, less than half of the 2008 spend using like-for-like exchange rates.

The Group spent £34.7m in cash on acquisitions in the year, including net debt assumed. Of this amount, £27.1m was the initial consideration for Resource Piling, a business based in Singapore and acquired in October 2009, and the vast majority of the remainder related to deferred consideration in respect of the 2005 acquisition of Donaldson. We expect to make further payments for Resource Piling based on its profits up to 31 March 2013. At the year end, a total of £10.0m has been accrued as deferred consideration for Resource Piling, the majority of which is not expected to be payable until 2013. There is no other significant deferred consideration due in respect of acquisitions.

Financing

As at 31 December 2009, year-end net debt amounted to £78.8m (2008: £84.6m). Based on net assets of £323.3m, year-end gearing was 24%, down slightly from 28% at the beginning of the year.

The Group's debt and committed facilities mainly comprise a US\$100m private placement, repayable US\$30m in 2011 and US\$70m in 2014, an £80m syndicated revolving credit facility expiring in 2011 and a £65m syndicated revolving credit facility expiring in July 2010. This last facility is undrawn. The Group's lenders remain very supportive and we plan to refinance our main bank facilities within the next twelve months.

At the year end, the Group also had other committed and uncommitted borrowing facilities totalling around £72m. The Group therefore has sufficient available financing to support our strategy of growth, both through organic means and targeted, bolt-on acquisitions.

The major 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 | 0.7x |
| EBITDA interest cover | > 4x | 43x |
| Net worth | > £78m | £323m |

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 2009 year-end IAS 19 valuation of the UK scheme showed assets of £27.8m, liabilities of £36.4m and a pre-tax deficit of £8.6m.

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 £11.6m at 31 December 2009. 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 US dollar-denominated, in order to provide a hedge against the Group's US dollar-denominated 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.

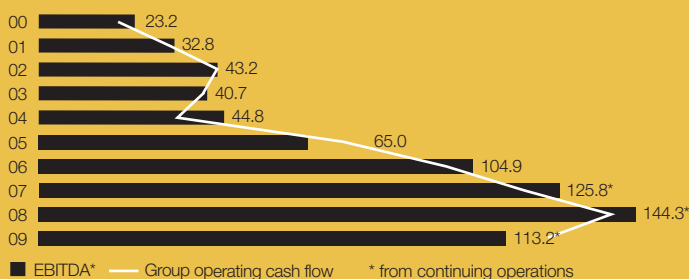
Financial review

Continued

Investing for growth



Cash flow history-profits = cash



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 2009, virtually all the Group's third-party borrowings bear interest at floating rates.

Credit risk

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

As a result, no customer represented more than 5% of revenue in 2009. The counterparty risk on bank and cash balances is managed by limiting the aggregate amount of exposure to any one institution by reference to their credit rating and by regular reviews of these ratings.

James Hind

2 March 2010

Principal risks and uncertainties

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

Market cycles

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

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. (KPI: return on net operating assets.)

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, is set out in the Internal Control section of our Corporate Governance Report. 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 results of the Group. Our ability to manage technical risks will generally be reflected in our profitability. (KPI: operating margin.)

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. (KPI: staff turnover.)

Social responsibility

Effective management of health and safety, environmental, ethical and other social risks is fundamental to the Board's duty of care to the Group's stakeholders, as well as being important to Keller's corporate reputation and profitability.



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

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

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

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

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

Our workplace and people

Keller Safety Framework

As a Group, we have a broad geographic footprint and operate across a range of diverse business cultures. During the second half of 2009, we reviewed how safety is managed across the Group, with the intention of raising the safety performance of all our businesses up to the standard of the best, through a process of continuous improvement.

As a result of this review, we have adopted the Keller Safety Framework. This is a system which links together different aspects of our safety management, including our Safety Goal, Principles, Policy and Minimum Standards.

The Keller Safety Framework is being rolled out during 2010. Most of our businesses already have well developed safety management systems and for these businesses, meeting the Minimum Standards will not require great change. Where existing systems are less advanced, these standards will provide the basis for the creation and implementation of an enhanced management system, which should be in place by the end of 2010.

Safety performance in 2009

It is with great regret that we have to report a fatal accident at one of our US sites in 2009. The accident involved an employee of McKinney, who was struck a fatal blow when a component fell from a third party-owned and operated crane. Following this tragic event, Job Hazard Analysis (site forms which are used to identify potential hazards on sites and how to control them) have been revised, to emphasise crane safety and body positioning. In follow-up training to all employees, an emphasis has been placed on increasing situational awareness at job sites.

Social responsibility

Continued

Keller uses the accident frequency rate (AFR) and accident incident rate (AIR) to track the safety performance of its businesses, where AFR is the number of accidents per 100,000 hours worked and AIR is the number of accidents per 100,000 employees and where 'accidents' comprise fatalities, major injuries (as defined by the Health & Safety Executive in the UK) and injuries involving more than three days' absence. The AFRs and AIRs for 2009 in the table below show that two of our divisions, Australia and the US, improved their safety performance year on year, whilst two others, CEMEA and UK, saw a deterioration in their safety performance. We expect that the new Keller Safety Framework will help all four divisions to improve their safety performance in 2010.

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

| | 2009 | | 2008 | |
|-----------|-------------|--------------|------|-------|
| | AFR | AIR | AFR | AIR |
| US | 0.39 | 749 | 0.42 | 830 |
| CEMEA | 1.56 | 3,499 | 1.04 | 2,489 |
| Australia | 0.31 | 684 | 1.23 | 2,688 |
| UK | 0.88 | 1,764 | 0.60 | 1,192 |

Excludes Resource Piling, Singapore (acquired October 2009).

Comparisons with industry standards

US

The common safety measure used in the US construction industry is the experience modification rating (EMR). The lower the score, the better the safety record. In 2009, the EMR for the US foundation contracting businesses rose slightly to 0.73 (2008: 0.66), although it still compares favourably with the industry standard rating of 1.00.

An alternative safety measure used in the US is the total Recordable Injury Rate (RIR). The 2009 RIRs for our US businesses are shown on the facing page, alongside the industry average for 2008 (the most recent) published by the Bureau of Labor Statistics. All our US businesses have a lower (better) RIR than the most recently published industry average.

CEMEA

Finding relevant industry average statistics for the territories in which CEMEA operates is difficult, given the lack of up-to-date published information. The most recent relevant data published

by EuroStat shows an EU-average rate of over-3-day injuries per 100,000 workers across the construction industry of 5,239 for 2007. The 2007 rates (and 2009 in black) of our European business units are shown on the facing page.

Australia

In Australia, the closest available industry comparator is the construction industry Incident Rate published by the National Occupational Health & Safety Commission. The preliminary rate for 2006/07, the most recent available, is 2,210. This rate only reflects occurrences resulting in absence of one week or more, whereas the significantly better 2009 AIR for Keller Australia of 684 reflects a broader category of incidents.

UK

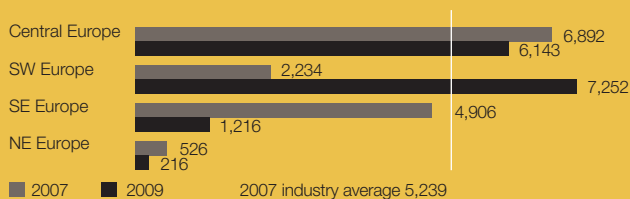
The 2009 average AIR for members of the Federation of Piling Specialists, the most appropriate comparator group for our UK business, was 1,031 (2008: 1,308) indicating that Keller UK's safety performance in 2009, based on an AIR of 1,764 (2008: 1,192), was worse than the average for its sector of the industry. The UK management team is committed to continuous improvement in safety and is actively leading a programme to ensure that this improvement is delivered in 2010.

Being a responsible employer

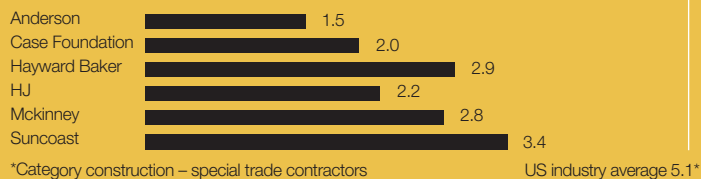
As a Group, we try to provide fair employment opportunity to all irrespective of gender, creed, ethnic origin, nationality, sexual orientation, age or disability, whilst not offending, or being insensitive to, the traditions and cultures of countries in which we operate. We believe in treating all employees with dignity and respect and do not tolerate any form of harassment, discrimination or bullying. We are committed to advancement based on merit and the importance of providing training and development opportunities to enable employees to increase their contribution to the Group.

Businesses within the Group communicate regularly with all their employees using a number of forums and media channels. These include company newsletters, consultative councils, suggestion schemes, electronic messaging as well as informal, company-wide social events. We encourage a two-way dialogue with all employees and provide channels for feedback and comment on the Group's activities.

3-day injuries per 100,000 workers



Business RIR to industry average



All companies in the Group undertake a wide range of technical training, such as the 'Drivers' Licence' qualification for equipment operators and the Keller Academy for the training of young engineers in Europe.

The Group also undertakes significant non-technical management training using different management development programmes, including learning modules for local managers, strategic development programmes and executive programmes for the senior management teams.

Our environment

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

Developing a Group environmental programme

Over the past two years, we have been developing a common framework for the management of both risks and opportunities that are generated by the increased focus on the environment. It is important that such a framework reflects the different drivers – economic and socio-political – that determine where on the spectrum of environmental best practice the different regions in which we operate are positioned. Whilst, as with safety, our ultimate goal is to raise the overall standard to that of the best-performing businesses, we recognise that this may take some time, particularly in those regions where environmental credentials are not as high up on the agenda of government bodies, regulators, customers, suppliers and the general public as they are, for example, in parts of Western Europe.

We have adopted an Environmental Policy which reflects the credentials of our most environmentally progressive businesses. We expect all of our businesses to aspire to these credentials and to ensure that they become embedded in their business processes as soon as is reasonably practicable. The policy can be found on our website at www.keller.co.uk.

Towards the end of 2008, we identified the following initial environmental objectives, some of which we anticipated would be met in 2009, whilst others were expected to take up to three years to achieve:

1. Develop an energy reduction plan.
2. Provide environmental awareness training.
3. Appoint environmental champions.
4. Communicate how we meet our customers' environmental needs.
5. Implement an environmental compliance programme.

Progress against initial objectives

The first of these objectives is, surprisingly, proving to be the most challenging, in terms of establishing reliable baseline data on our energy consumption from which to identify improvement opportunities and to measure progress. In businesses representing around half of the Group, we measured our 2009 consumption of fuel used in principal offices, workshops and in our motor vehicle fleet (excluding plant and equipment). Since the start of 2010 this has been rolled out to the rest of the Group and extended to include the fuel used to operate our plant and equipment on site. Our expectation is that this will enable us to start reporting on our carbon footprint next year.

Tree-planting at a site in Anpara, India, initiated by our employees.



Social responsibility

Continued

Hayward Baker works at the Dalles Lock and Dam, spanning the Columbia River in Oregon, US.



Notwithstanding the challenge of obtaining complete and reliable data, many of our businesses have introduced energy-saving initiatives, such as: 'switch it off' campaigns; progressively replacing the motor vehicle fleet with more energy efficient vehicles; 'right sizing' equipment, such that no more than the required level of power is used; and post-project reviews of fuel consumption on large jobs to identify energy efficiency opportunities.

The second objective – to provide environmental awareness training – was again taken forward in 2009 by businesses representing around half of the Group. Collectively, these businesses set themselves a target of training 31% of their employees in 2009, against which they achieved a level of 18%, through initial presentations to management, engineers and site-based personnel, followed up by regular environmental bulletins. This is starting to be reflected in employee-initiated actions, such as a tree-planting initiative recently undertaken by our employees at a site in Anpara, India.

The objective to appoint environmental champions was met, with a network of 17 people appointed in 2009, who will be important catalysts for further progress against these objectives in 2010. Periodic web-based 'meetings' of these individuals are designed to maintain momentum by providing tools and support and sharing knowledge and best practice.

Communicating how we meet our customers' environmental needs has been achieved to varying degrees and in different ways around the Group. For example, Keller France has published its 'Guide des Chantiers Verts', which describes all the measures taken by the company to reduce environmental nuisance, such as noise, water pollution and waste. In Malaysia, our business succeeded in getting our dry bottom feed vibro replacement

technique registered as a 'green' technology with the Malaysian trade organisation, which will enable public sector customers to continue using this technique in areas of environmental sensitivity.

In the UK, we have trialled the use of carbon calculators for our works and have increased the use of low-carbon materials in our products, such as crushed glass in stone columns. Whilst striving to reduce the carbon footprint of our products, we recognise that we cannot eliminate it completely. We have therefore offered customers the opportunity to offset the residual CO₂ from our work for a nominal payment, which goes towards supporting low carbon sustainable developments, mainly in the third world, such as hydroelectric power and improving farming techniques to reduce deforestation. Our first contract to be offset was for a school in Coventry, for which our customer achieved a BREEAM rating.

As to the final objective – to implement an environmental compliance programme – for most of our businesses, this meant reinforcing, or formalising, processes which were already in place. Standard tools, such as regulatory compliance training material, inspection checklists, waste management plans and spill prevention and response plans, have been provided and adapted as required to meet local requirements. Collectively, those businesses which set targets for 2009 aimed to inspect 22% of their sites during the year, against which 14% was achieved.

Products and services with environmental benefits

In addition to trying to reduce their own operational environmental impacts, our businesses offer a variety of techniques and services which can help their customers to meet their environmental needs. These can be grouped in the following three categories:

Retired mineworkers visit the Ipswich Minefill project in Queensland, Australia.



Environmental benefits of Keller products and services

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

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

We are also looking into ways of reducing the amount of carbon content in our foundations solutions, such as increasing the proportion of recycled materials used, reducing our energy consumption where this is an option and increasing our use of locally sourced materials. As efficient operations, our businesses have been doing these things for years and therefore, there is limited scope for further improvement. However, we continue to focus on these issues.

Products to stabilise the natural environment

Some Keller products are designed specifically to stabilise ground environmental conditions. For example, we continue to work on a significant number of land reclamation schemes, such as the new Khalifa Port in Abu Dhabi and the Port of Felixstowe in the UK,

where we are compacting nearly 750,000m³ of dredged sand to reclaim more land for the port authority. Dam remediation work also makes up a significant part of our work and in the US, we worked on a large number of dams during the course of 2009. Other schemes to improve ground environmental conditions in which we are regularly engaged include slope stabilisation, decontamination or containment of contamination and the preparation of brownfield sites.

Products for the environmental management and renewable energy sectors

Keller ground improvement products and services are often supplied to renewable energy sectors, including wind energy and biofuel companies, and so are enabling the development of third parties' environmentally beneficial technologies.

Our marketplace

Group companies take a leadership role within their industry by providing employees, customers, suppliers and potential employees with technical papers, seminars, field trips and site visits. Staff from companies throughout the Group maintain close contact with partner universities in order to share best practice and provide examples of their leading edge engineering.

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

Our communities

Companies within the Keller Group often play an important role in their communities. While much of our work is undertaken in remote areas, away from local populations, our companies support their employees when they engage with community groups and local charities. This brings direct benefits to the business, in terms of employee satisfaction and development, as well as to the communities with which they work.

For example, engagement with the local community has been an important feature of our work at the Ipswich Minefill project in Brisbane, Australia, where we have been filling the cavities of disused mines to stabilise the surrounding area, including a key stretch of motorway. The retired mineworkers at Ipswich are highly respected in their local community and our project team was delighted to be able to organise for them a tour of the site and presentation about the project.

The Board



1 Justin Atkinson
Chief Executive

Joined the Group in 1990. Group Financial Controller from 1995–99. Appointed Finance Director in 1999, Chief Operating Officer in 2003 and Chief Executive in 2004. Member of the Nomination Committee. Age 49.



2 James Hind
Finance Director

Joined the Group in 2003 from D S Smith plc, where he was Group Financial Controller. Previously with Coopers & Lybrand, including two years in their New York office advising on mergers and acquisitions. Age 45.



3 Bob Rubright
Managing Director
North America

Joined the Group in 1984 with the Hayward Baker acquisition. Appointed President, Hayward Baker in 1994 and President, Keller Foundations Inc. in 1998. Appointed to the Board in 2003. Age 58.



4 Dr Wolfgang Sondermann
Managing Director
CEMEA

Joined the Group in 1986. Appointed Deputy Managing Director, CEMEA in 1998 and Managing Director in 2001. Appointed to the Board in 2003. Age 59.

5 Roy Franklin OBE
Non-executive Chairman

Appointed to the Board in 2007 and as Chairman on 1 August 2009. Mr Franklin is a Non-executive Director of Norwegian-listed StatoilHydro ASA and Australian-listed Santos Ltd. Formerly Chief Executive of Paladin Resources plc and Group Managing Director of Clyde Petroleum plc, following various senior management posts at BP. Chairman of the Nomination Committee. Age 56.

6 Pedro López Jiménez
Non-executive Director

Appointed to the Board in 2003. Mr López Jiménez is Chairman of GTCEISU Construcción, S.A., Vice-Chairman of Dragados, S.A. and Board Executive Member of ACS Actividades de Construcción y Servicios, S.A. He was Secretary of State for Public Works and Urban Development in the Spanish Government between 1977 and 1979, Chairman of ENDESA between 1979 and 1982 and Chairman of UNION FENOSA between 2005 and 2009. Age 67.

7 Gerry Brown
Non-executive Director

Appointed to the Board in 2001 and became Senior Independent Director on 1 February 2008. Chairman of the Remuneration Committee and a member of the Audit and Nomination Committees. Mr Brown is Chairman of Biocompatibles plc, Quintiles Transnational Europe and NFT Distribution Holdings. He is also a Non-executive Director of Forth Ports plc. His executive career included directorships with Exel Logistics plc, TDG plc and Tibbett & Britten plc. Age 65.

8 Richard Scholes
Non-executive Director

Appointed to the Board in 2002. Chairman of the Audit Committee since October 2007 and a member of the Remuneration and Nomination Committees. Mr Scholes was a Director at Dresdner Kleinwort from 1986 to 2001. He is a Non-executive Director of Chaucer Holdings Plc and Marshalls plc. Age 64.

9 Dr Kevin Bond
Non-executive Director

Reappointed to the Board in 2003. Member of the Remuneration, Audit and Nomination Committees. Non-executive Director of Keller from 1999 until 2002, when he was appointed Director of the Police Standards Unit. Chief Executive of Kelda plc from 1995 to 2000, then Managing Director of the European Division of Earth Technologies Inc. until September 2002. Chairman of M2 Training Limited and a Non-executive Director of Thames Estuary Airport Company Limited. Age 59.



Directors' report

The Directors present their report, together with the audited accounts for the year ended 31 December 2009.

Business review and principal activities

The Group's principal activity is specialist ground engineering.

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

- the Group's progress and future prospects, including discussion of the Group's markets and competitive environment and the main trends and factors likely to affect the future development, performance and position of the Group's business is given on pages 6 to 24 and
- environmental matters, employee, social and community issues may be found on pages 25 to 29.

Principal risks and uncertainties and key performance indicators

The key business risks and uncertainties affecting the Group relate to market cycles, acquisitions, technical risk and people. These are explained more fully in the Operating Review, where the key performance indicators, measuring success in managing these risks, are also shown.

The Group is geographically diverse and is managed as a series of local businesses, which, in the Board's opinion, gives it a relatively low risk profile. There are no contractual arrangements which, individually, are critical to the business of the Group.

Results and dividends

The results for the year, showing a profit before taxation of £74.7m (2008: £113.2m), are set out on page 46.

The Board has declared a second interim dividend of 14.5p per share in lieu of a final dividend (2008 final dividend: 13.8p per share) to be paid on 1 April 2010, to members on the register at the close of business on 12 March 2010. A first interim dividend of 7.25p per share was paid on 2 November 2009 making a total dividend for the year of 21.75p (2008: 20.7p) which will amount to £14.3m (2008: £13.3m).

Directors

The rules governing the election and re-election of directors may be found in the Corporate Governance Report on page 41. The powers of directors of the Company are as set out in the Company's articles of association.

The names and biographical details of the Directors who hold office at the date of this report are given on pages 30 and 31. All served throughout the year. In addition, Dr Michael West served on the Board as Chairman until he retired on 31 July 2009.

The interests of the Directors in the share capital of the Company are shown in the Remuneration Report on page 38. Directors' conflicts of interest are discussed in the Corporate Governance Report on page 41.

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

Retirement and re-election

Mr James Hind and Dr Wolfgang Sondermann will retire by rotation at the Annual General Meeting and will offer themselves for re-election. Dr Kevin Bond, who has now served for nine years on the Board, will also retire by rotation, but will not stand for re-election.

Share capital and substantial shareholdings

The structure of the Company's share capital, including the rights and obligations attaching to shares, is given in note 25 to the consolidated financial statements.

Details of shares allotted by the Company during the year appear in note 25 to the consolidated financial statements.

At 2 March 2010, the Company had been notified in accordance with the Disclosure and Transparency Rules of the Financial Services Authority of the following interests in its issued ordinary share capital:

| Company | Number of shares held | Total voting rights |
|---------------------------------------|-----------------------|---------------------|
| BlackRock Inc ¹ | 8,485,029 | 13.2% |
| GTCEISU Construcción, S.A. | 3,691,985 | 5.6% |
| Legal & General Investment Management | 3,293,866 | 5.1% |
| J P Morgan Chase & Co. | 3,094,999 | 4.8% |
| ODDO Asset Management | 1,946,736 | 3.0% |

¹ Including Financial Instruments with similar economic effect to Qualifying Financial Instruments

Research and development

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

Corporate governance

This is the subject of a separate report on pages 40 to 43 which details the Company's compliance with the Combined Code. The Remuneration Report is set out on pages 34 to 39.

Social responsibility

The Group's approach to employee involvement, equal opportunities, health and safety and the environment is set out in the Social Responsibility Report on pages 25 to 29.

Management of financial risks

The Group's financial risk management objectives and policies are discussed in the Financial Review on pages 23 and 24.

Going concern

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

Further information regarding the financial position of the Company, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 22 to 24. In addition, note 24 to the financial statements describes the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

Payments to suppliers

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

At 31 December 2009 the Group had 58 days' (2008: 63 days') purchases outstanding.

Political and charitable contributions

No contributions were made to any political party during the year. Donations made by the Group in the UK for charitable purposes were £70,300 (2008: £2,000) with charitable donations of £145,818 (2008: £108,000) made by the Group as a whole.

Annual General Meeting

The full wording of the resolutions to be tabled at the forthcoming Annual General Meeting is set out in the Notice of Annual General Meeting on page 78.

Disclosure of information to auditors

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

Auditors

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

On behalf of the Board

Jackie Holman

Secretary
2 March 2010

Remuneration report

Introduction

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

The Regulations require the Auditors to report to the Company's members on the 'auditable part' of the Remuneration Report and to state whether, in their opinion, that part of the report has been properly prepared in accordance with the Act. The report has therefore been divided into separate sections for unaudited and audited information. Within the unaudited section, the report deals with the remuneration policy which is to be followed from 1 January 2010.

Unaudited information Remuneration Committee

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

Committee members

E G F Brown (Chairman)
Dr K Bond
R A Franklin (until 1 August 2009)
R T Scholes

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

No member of the Committee has any personal financial interest (other than as a shareholder), conflict of interest arising from cross-directorships or day-to-day involvement in running the business. Mr Franklin stood down as a member of the Committee upon his appointment as Chairman of the Company and, as discussed in the Corporate Governance Report on pages 40 to 43, the Board considers all members of the Remuneration Committee to be Independent Directors. Given their diverse backgrounds, the Board believes that the members of the Committee are able to offer an informed and balanced view on executive remuneration issues.

The frequency of, and attendance at, meetings of the Committee during the year is shown in the Corporate Governance Report on page 41.

In determining the Executive Directors' remuneration for 2010, the Committee has consulted Mr Franklin, the Chairman, and Mr Atkinson, the Chief Executive, about its proposals, except (in the case of Mr Atkinson) in relation to his own remuneration. No Executive Director is involved in determining his own remuneration.

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

Remuneration policy and arrangements

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

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

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

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

This remuneration policy is expected to apply to the 2010 financial year and to subsequent financial years. The details of the component parts of the remuneration package for Executive Directors are set out below.

Elements of remuneration

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

(i) Basic salary

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

Given the ongoing difficult trading environment and the need to reduce headcount and freeze pay in many of the Group's businesses, the Executive Directors elected to have no salary increases for the year commencing 1 January 2010.

(ii) Performance-related annual bonus

The maximum annual cash bonuses for Executive Directors are set by the Committee and are subject to stretching financial performance targets designed to enhance shareholder value and to individual performance against objectives set by the Committee. The performance-related bonuses are not pensionable.

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

The 2010 bonus for Mr Atkinson and Mr Hind will be linked to the achievement of:

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

The 2010 bonus for Mr Rubright and Dr Sonderrmann will be linked to the achievement of:

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

Actual financial performance targets for 2010 are considered to be commercially sensitive and accordingly they are not disclosed in this report.

(iii) Long-term incentive arrangements

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

Under the Performance Share Plan, approved by shareholders in 2004, performance share awards may be granted each year to selected senior managers. The rules limit annual awards to 100% of an executive's basic annual salary, unless the Committee determines that exceptional circumstances exist, e.g. to facilitate the recruitment or retention of a key executive, in which case an award may be granted up to 200% of the relevant executive's basic annual salary. After having considered carefully the grant levels, taking account of the share price and the performance conditions (which are proposed to be unchanged, as described below), grants will be made to Executive Directors in 2010 over shares worth 100% of salary.

Performance share awards are released to executives after three years, subject to demanding performance conditions being met. Currently, 50% of a performance share award is conditional on targets based on growth in EPS and the remaining 50% is based on relative total shareholder return (TSR) against companies comprising the FTSE All-Share Index. Under this approach, in order for awards to vest in full, there must be strong financial performance as well as stock market outperformance, thereby aligning the interests of Executive Directors with those of shareholders.

The Committee has considered carefully the range of growth targets for awards in 2010 and has decided to retain the same targets as have been adopted since 2007.

The following EPS growth targets will apply for awards granted in 2010:

For half of the shares subject to a performance share award

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

Earnings per share, for the purposes of the performance condition, is earnings per share before amortisation and impairment of intangible assets and exceptional items, as disclosed in the Company's annual report and accounts.

For awards granted in 2010, TSR performance will once again be compared to the companies comprising the FTSE All-Share Index (as it has been for awards granted since 2007).

For half of shares subject to a performance share award

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

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

The Committee expects that performance share awards granted since March 2007, and to be granted for the foreseeable future, will be satisfied by shares purchased in the market, either specifically to satisfy these awards or shares previously purchased and held in treasury.

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

Remuneration report

Continued

(iv) Pension arrangements

Mr Atkinson and Dr West are both members of the Keller Group Pension Scheme (the Scheme). The Scheme provides a pension based upon a percentage of final salary and pensions for dependants on death in service or following retirement. Dr West retired from his executive role in 1997 and is currently receiving a pension under the Scheme.

The table on page 38 shows Mr Atkinson's accrued Scheme benefits. The Scheme closed to future benefit accrual with effect from 31 March 2006, since when Mr Atkinson has received a salary supplement in lieu of a Company contribution to an alternative pension arrangement. The salary supplement is not taken into account in determining bonuses or any other form of remuneration.

Dr Sondermann is a member of the defined benefit pension arrangements established by Keller Grundbau GmbH. Dr Sondermann's accrued benefits under these arrangements are included in the table on page 38.

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

(v) Other benefits

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

Service contracts

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

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

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

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

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

The Board may allow Executive Directors to accept external appointments, provided that the Company retains any related remuneration. In accordance with the Code, the Board will not agree to a full-time executive taking on more than one non-executive directorship, nor the chairmanship of any company. None of the Executive Directors held external appointments during 2009.

During the year, £19,000 was paid to Mr M W C Martin, a former Director of the Company, for services provided to Group companies.

Non-executive Directors

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

| Director | Date of engagement letter |
|-------------------|---|
| Dr K Bond | 24 November 2003 (renewed January 2007 and October 2009) |
| E G F Brown | 18 January 2002 |
| R A Franklin | 28 July 2009 |
| P J López Jiménez | 21 January 2003 |
| R T Scholes | 8 February 2002 |

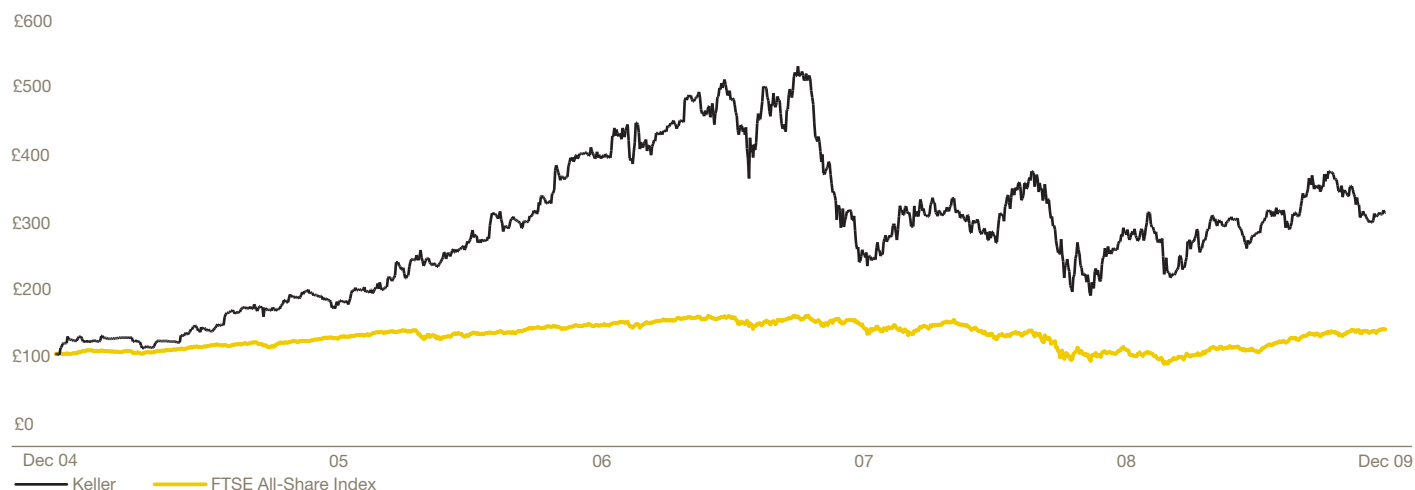
The determination of the Non-executive Directors' remuneration, including that of the Chairman, has been delegated by the Board to the Executive Directors, who are guided by independent surveys of fees paid to non-executive directors of similar companies. The fees paid to Non-executive Directors in the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

As with the Executive Directors, the Non-executive Directors have also elected to receive no increase in their fees for 2010.

Relative performance

The following graph shows the Company's performance, measured by TSR, compared with the performance of the FTSE All-Share Index. This index has been selected because it best reflects the Company's international nature and size. The graph looks at the value, by the end of 2009, of £100 invested in Keller on 31 December 2004 compared with the value of £100 invested in the FTSE All-Share Index.

Total Shareholder Return



Audited information

Directors' emoluments for the year ended 31 December 2009

| | Basic salary 2009 £000 | Fees 2009 £000 | Benefits 2009 £000 | Annual bonus 2009 £000 | Other 2009 £000 | Total emoluments 2009 £000 | Total emoluments 2008 £000 |
|----------------------|------------------------------|----------------------|--------------------------|------------------------------|-----------------------|----------------------------------|----------------------------------|
| Executive | | | | | | | |
| J R Atkinson | 410 | – | 16 | 258 | 123 | 807 | 852 |
| J W G Hind | 295 | – | 11 | 186 | – | 492 | 477 |
| R M Rubright | 379 | – | 11 | 265 | – | 655 | 434 |
| Dr W Sondermann | 341 | – | 13 | 136 | – | 490 | 674 |
| Non-executive | | | | | | | |
| Dr K Bond | – | 40 | – | – | – | 40 | 38 |
| E G F Brown | – | 47 | – | – | – | 47 | 44 |
| R A Franklin | – | 83 | – | – | – | 83 | 38 |
| P J López Jiménez | – | 40 | – | – | – | 40 | 38 |
| K F Payne | – | – | – | – | – | – | 3 |
| R T Scholes | – | 47 | – | – | – | 47 | 46 |
| Dr J M West | – | 76 | 15 | – | – | 91 | 138 |
| | 1,425 | 333 | 66 | 845 | 123 | 2,792 | 2,782 |

The column headed 'Other' in the table above shows a salary supplement of £123,000 paid to Mr Atkinson in lieu of a Company pension contribution in 2009 (2008: £119,000) following the closure of the Scheme to future benefit accrual on 31 March 2006.

The emoluments shown in the table above for Mr Franklin reflect seven months' service as a Non-executive Director and five months' service as Chairman. The emoluments for Dr West reflect seven months' service as Chairman until his retirement on 31 July 2009. Mr Franklin was appointed as Chairman at an annual fee of £142,500.

A maximum annual cash bonus of 150% of basic annual salary was set for the Executive Directors for the year ended 31 December 2009. The 2009 bonus targets for Mr Atkinson and Mr Hind were linked to the achievement of Group EPS, PBT and average net debt targets (up to 120% of salary); and to personal, task-based objectives (up to 30% of salary). The 2009 bonus targets for Mr Rubright and Dr Sondermann were linked to the achievement of Group EPS and PBT targets (up to 20% of salary); to divisional operating profit and average net debt targets (up to 100% of salary); and to personal, task-based objectives (up to 30% of salary).

The baselines for the 2009 Group financial performance targets at which no bonus was payable (as adjusted for actual 2009 exchange rates) were PBT of £70m, EPS of 70p and average net debt of £92m. The financial performance targets attracting maximum bonus are considered commercially sensitive and are not, therefore, disclosed.

No deferred bonuses were awarded for 2009.

Remuneration report

Continued

Directors' shareholdings

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

| Director | At 31 December 2009 Ordinary shares | At 31 December 2008 Ordinary shares |
|--------------------|--|--|
| J R Atkinson | 195,083 | 101,467 |
| Dr K Bond | – | – |
| E G F Brown | 24,840 | 24,840 |
| R A Franklin | 6,000 | 6,000 |
| J W G Hind | 62,422 | 38,880 |
| P J López Jiménez* | 3,691,985 | 3,691,985 |
| R M Rubright | 102,000 | 58,000 |
| R T Scholes | 7,000 | 7,000 |
| Dr W Sondermann | 85,000 | 60,000 |

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

There have been no changes in Directors' shareholdings between the end of the financial year and 2 March 2010.

Directors' pension rights

In 2009, a pension of £164,000 (2008: £162,000) was paid to Dr West, who retired from his executive role in 1997.

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

| Director | 2009 £000 | 2008 £000 |
|-----------------|--------------|--------------|
| J W G Hind | 53 | 47 |
| R M Rubright | 56 | 43 |
| Dr W Sondermann | 57 | 44 |
| Total | 166 | 134 |

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

| Director | Transfer value of accrued benefit at beginning of year £000 | Transfer value of accrued benefit at end of year £000 | Increase in transfer value during the year less member contributions £000 | Accrued pension at end of year £000 | Increase in accrued pension including inflation £000 | Increase in accrued pension excluding inflation £000 | Transfer value of increase in accrued pension excluding inflation less member contributions £000 |
|-----------------|--|--|--|--|---|---|---|
| J R Atkinson | 1,260 | 1,642 | 382 | 97 | 6 | – | – |
| Dr W Sondermann | 60 | 70 | 10 | 5 | – | – | 2 |

Directors' interests in 2001 Option Plans and 2004 Performance Share Plan

| | Options held at 1 January 2009 | Options granted during the year | Options exercised during the year | Options held at 31 December 2009 | Exercise price | Date from which exercisable | Expiry date |
|-------------------------------|--------------------------------|---------------------------------|-----------------------------------|----------------------------------|----------------|-----------------------------|-------------|
| J R Atkinson | | | | | | | |
| Unapproved Plan | | | | | | | |
| 13 March 2003 | 72,521 | – | 72,521 | – | 251.0p | 13/03/06 | 12/03/13 |
| Approved Plan | | | | | | | |
| 13 March 2003 | 2,479 | – | 2,479 | – | 251.0p | 13/03/06 | 12/03/13 |
| Performance Share Plan | | | | | | | |
| 7 March 2006 | 60,000 | – | 60,000 | – | 100.0p* | 07/03/09 | 06/09/09 |
| 2 March 2007 | 41,713 | – | – | 41,713 | 100.0p* | 02/03/10 | 01/09/10 |
| 6 March 2008 | 58,594 | – | – | 58,594 | 100.0p* | 06/03/11 | 05/09/11 |
| 5 March 2009 | – | 82,495 | – | 82,495 | 100.0p* | 05/03/12 | 05/09/12 |
| J W G Hind | | | | | | | |
| Performance Share Plan | | | | | | | |
| 7 March 2006 | 40,000 | – | 40,000 | – | 100.0p* | 07/03/09 | 06/09/09 |
| 2 March 2007 | 27,475 | – | – | 27,475 | 100.0p* | 02/03/10 | 01/09/10 |
| 6 March 2008 | 38,594 | – | – | 38,594 | 100.0p* | 06/03/11 | 05/09/11 |
| 5 March 2009 | – | 59,356 | – | 59,356 | 100.0p* | 05/03/12 | 05/09/12 |
| R M Rubright | | | | | | | |
| Unapproved Plan | | | | | | | |
| 14 May 2001 | 20,000 | – | 20,000 | – | 231.5p | 14/05/04 | 13/05/11 |
| 13 March 2003 | 50,000 | – | 50,000 | – | 251.0p | 13/03/06 | 12/03/13 |
| Performance Share Plan | | | | | | | |
| 7 March 2006 | 40,000 | – | 40,000 | – | 100.0p* | 07/03/09 | 06/09/09 |
| 2 March 2007 | 32,200 | – | – | 32,200 | 100.0p* | 02/03/10 | 01/09/10 |
| 6 March 2008 | 41,921 | – | – | 41,921 | 100.0p* | 06/03/11 | 05/09/11 |
| 5 March 2009 | – | 72,557 | – | 72,557 | 100.0p* | 05/03/12 | 05/09/12 |
| Dr W Sondermann | | | | | | | |
| Performance Share Plan | | | | | | | |
| 7 March 2006 | 40,000 | – | 40,000 | – | 100.0p* | 07/03/09 | 06/09/09 |
| 2 March 2007 | 25,955 | – | – | 25,955 | 100.0p* | 02/03/10 | 01/09/10 |
| 6 March 2008 | 37,716 | – | – | 37,716 | 100.0p* | 06/03/11 | 05/09/11 |
| 5 March 2009 | – | 59,124 | – | 59,124 | 100.0p* | 05/03/12 | 05/09/12 |

No options lapsed during the year.

* All awards under the Performance Share Plan have an exercise price of 100.0p per exercise.

The market value of the shares on the dates of grant were: 7 March 2006: 445.0p; 2 March 2007: 881.0p; 6 March 2008: 696.0p; and 5 March 2009: 523.0p.

On 24 April 2009, when the market value of the shares was 569.9p, Mr Atkinson exercised options over 135,000 shares and Mr Hind, Mr Rubright and Dr Sondermann each exercised options over 40,000 shares. In addition, Mr Rubright exercised options over 70,000 shares on 20 October 2009 when the market value of the shares was 769.0p. The aggregate gains on options exercised by Directors during the year were as follows: Mr Atkinson: £581,114; Mr Hind: £227,959; Mr Rubright: £594,459 and Dr Sondermann: £227,959.

The 2007, 2008 and 2009 awards are subject to two performance conditions. 50% of each award is subject to a performance condition requiring EPS growth of at least RPI + 4% p.a. over the performance period (for 30% of that half of the award to vest), rising to full vesting of that half of the award if EPS growth equals or exceeds RPI + 9% p.a. over the performance period (with straight-line vesting in between those points). The other half of each award is subject to a performance condition measuring the total shareholder return (TSR) performance of the Company over the performance period against the TSR performance of the companies comprising the FTSE All-Share Index. 30% of this half of the award will vest for median performance, rising to full vesting of this half of the award for upper quintile performance or better (with straight-line vesting in between these points).

In the three-year performance period ended 31 December 2009 EPS growth was negative, whereas TSR ranked number 217 out of 592 companies in the FTSE All-share Index, the TSR comparator group for the 2007 grant. Accordingly, 31% of the performance share awards granted on 2 March 2007 are exercisable from 2 March 2010.

The market value of the shares at 31 December 2009 was 647.5p and the range during the year was 445.7p to 781.5p.

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

On behalf of the Board**E G F Brown**

Chairman

Remuneration Committee

2 March 2010

Corporate governance

The Company is committed to maintaining high standards of corporate governance. The Board recognises that it is accountable to the Company's shareholders for corporate governance and this statement describes how the Company has applied the principles of the June 2008 Combined Code as set out at <http://www.frc.org.uk/corporate/combinedcode.cfm> (the Code). Throughout the year to 31 December 2009, save as otherwise explained in the paragraph headed 'Compliance with the Code' on page 42, the Board believes that the Company was in compliance with the provisions of the Code.

The Board

The Group is controlled through its Board of Directors. The Board's main roles are: to create value for shareholders; to provide entrepreneurial leadership of the Group; to approve the Group's strategic objectives; and to ensure that the necessary financial and other resources are made available to enable those objectives to be met. The Board has a schedule of matters reserved for its approval which is kept under review.

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

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

The roles of the Chairman and Chief Executive

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

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

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

The Chief Executive is responsible for the following matters:

- formulating strategy proposals for the Board;
- formulating annual and medium-term plans charting how this strategy will be delivered;

- apprising the Board of all matters which materially affect the Group and its performance, including any significantly underperforming business activities; and
- leadership of executive management to enable the Group's businesses to deliver the requirements of shareholders:
 - ensuring adequate, well-motivated and incentivised management resources;
 - ensuring succession planning; and
 - ensuring appropriate business processes.

Directors and Directors' independence

The Board currently comprises the Chairman, four other Non-executive Directors and four Executive Directors. The names of the Directors at the date of this report, together with their biographical details, are set out on pages 30 and 31. All these Directors served throughout the year. In addition, Dr Michael West served as Chairman of the Board until he retired on 31 July 2009.

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

Mr Franklin was independent at the time of his appointment as Chairman on 1 August 2009.

The Non-executive Directors constructively challenge and help to develop proposals on strategy and bring strong independent judgement, knowledge and experience to the Board's deliberations. Mr Brown is the Senior Independent Director.

There is an agreed procedure for individual Directors to obtain independent professional advice and all Directors have unrestricted access to the Company Secretary and Chairman. The Company Secretary is responsible for advising the Board, through the Chairman, on all governance matters.

The Chairman has other professional commitments, as detailed on page 31.

The Board had eight scheduled meetings during the year. A table showing attendance at these meetings, and at meetings of Board Committees, is set out on page 41. All Directors receive Board papers well in advance of meetings and it is usual for Directors who cannot attend a given meeting to discuss the business of the meeting in advance with the Chairman or the Senior Independent Director, in order to have input into the Board's deliberations.

As part of our policy of holding at least one Board meeting a year at an operational location, one of the Board meetings in 2009 was held in Australia, giving the Board an opportunity to visit job sites, to receive presentations on the region's markets and prospects and to meet some of the Group's senior managers.

In addition, during the year the Chairman met with the Non-executive Directors without the Executive Directors present and there was regular informal contact between the Directors.

Directors' conflicts of interests

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

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

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

Professional development

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

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

Performance evaluation and re-election

Following a thorough evaluation of the Board and its Committees in 2008 with facilitation by independent consultants, the Board did not conduct a formal review in 2009, although the Audit Committee did conduct a review of its effectiveness during the year. Having considered the question, the Board concluded that it was appropriate to defer the next Board evaluation until the new Chairman had been in post for an appropriate period and he will lead this process during 2010.

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

Relations with shareholders

Throughout the year, the Company regularly meets with and makes presentations to institutional investors in the UK, Continental Europe and the US. These include meetings following the announcement of the annual and interim results with the Company's largest institutional shareholders on an individual basis. Following his appointment as Chairman, Mr Franklin is available on request to meet with shareholders and the Senior Independent Director, Mr Brown, is also available should shareholders have concerns which contact through the channels of Chairman, Chief Executive or Finance Director have not resolved. All major shareholders have the opportunity on request to meet new Non-executive Directors on appointment. On a regular basis, the Board is apprised of the views of the investment community through the circulation of brokers' research notes and feedback from analysts and investors, supplemented by occasional investor perception surveys.

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

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

Board committees

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

| | Scheduled Board meetings (8) | Remuneration Committee meetings (2) | Audit Committee meetings (4) | Nomination Committee meetings (2) |
|---|---------------------------------|--|---------------------------------|--------------------------------------|
| R A Franklin (Chairman since 1/8/09) | 8 | 1 | 3 | 1 |
| J M West (Chairman until 31/7/09) | 3 | n/a | n/a | 1 |
| J R Atkinson (Chief Executive) | 8 | n/a | n/a | 2 |
| J W G Hind (Finance Director) | 8 | n/a | n/a | n/a |
| R M Rubright (Executive Director) | 8 | n/a | n/a | n/a |
| Dr W Sondermann (Executive Director) | 8 | n/a | n/a | n/a |
| Dr K Bond (Non-executive Director) | 7 | 2 | 3 | 2 |
| E G F Brown (Non-executive Director) | 7 | 2 | 3 | 2 |
| P J López Jiménez (Non-executive Director) | 6 | n/a | n/a | n/a |
| R T Scholes (Non-executive Director) | 8 | 2 | 4 | 2 |

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

Corporate governance

Continued

Committee terms of reference

The terms of reference for the Remuneration, Audit and Nomination Committees are kept under regular review and are available on the Company's website.

Remuneration Committee

The Remuneration Committee was chaired throughout the year by Mr Brown, an Independent Non-executive Director. The other members during the year, all of whom were also Independent Non-executive Directors during the period of their membership, are shown on page 34.

This Committee is responsible for agreeing with the Board the framework and policy for the remuneration of the Group's executive management and for determining the remuneration packages of the Executive Directors. The Directors' Remuneration Report is set out on pages 34 to 39.

Nomination Committee

The Nomination Committee is chaired by the Chairman of the Board, except to the extent that it deals with succession to the chairmanship of the Board, in which case the Senior Independent Director assumes this role. The other members during the year were Dr West until his retirement on 31 July 2009, Mr Atkinson, Dr Bond, Mr Brown, Mr Franklin, and Mr Scholes. The Nomination Committee's role is to monitor the composition and balance of the Board and recommend to the Board the appointment of new Directors. Where appointments to the Board are under consideration, the Committee will normally employ external search consultants, except where exceptional internal candidates have already been identified.

The Committee met twice during the year: once to conclude its deliberations regarding the Board Chairman's succession and once to consider the overall composition of the Board.

Audit Committee

The Audit Committee is chaired by Mr Scholes, who is a Chartered Accountant. The other members during the year were Dr Bond, Mr Brown and Mr Franklin, who stood down as a member upon his appointment as Chairman of the Board on 1 August 2009. All members of the Committee are Independent Non-executive Directors. The Board has satisfied itself that at least one member of the Committee has recent and relevant financial experience.

This Committee usually meets four times a year, with the Company's external Auditors (the Auditors) in attendance. At least twice a year, the Committee meets privately with the Auditors. The Committee assists the Board in observing its responsibility for ensuring that the Group's financial systems provide accurate and up-to-date information on its financial position and that the Group's published financial statements represent a true and fair reflection of this position. It also reviews annually the Group's systems of internal control and the processes for monitoring and evaluating the risks facing the Group.

Since the start of 2009, the Audit Committee has discharged its responsibilities by:

- reviewing the scope and results of the audit, its cost-effectiveness and the independence and objectivity of the Auditors;
- reviewing and approving the Auditors' engagement letter and audit fee;

- reviewing an annual report on the Group's system of internal control and its effectiveness and receiving regular updates on key risk areas of financial control;
- reviewing the Group's draft financial statements prior to Board approval and reviewing the Auditors' reports thereon;
- reviewing the Group's whistle-blowing policy and monitoring the procedures in place for employees to be able to raise matters of possible impropriety;
- reviewing the Group's policy on the employment of former employees of the Auditors;
- reviewing the Group's policy on employment of the Auditors for non-audit services;
- reviewing the Committee's terms of reference and evaluating its effectiveness;
- reviewing the need for an internal audit function; and
- approving a rolling three-year programme of independent reviews of aspects of the Group's operations and financial controls and receiving reports on all reviews carried out during the year.

In considering the need for an internal audit function, the Committee took account of the Group's broad geographic spread and cultural diversity, recognising that the Group's key risks lie in its tendering processes and in the operational controls over the performance of work, which a traditional, finance-focused internal audit function would not be capable of addressing effectively. The Committee remained of the view that the existing structured programme of independent reviews was the best way of addressing the Group's key risks and that these should be continued and developed.

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

Any work awarded to the external Auditors, other than audit or tax compliance, with a value in excess of £50,000 requires the specific approval of the Committee. Where the Committee perceives that the independence of the Auditors could be compromised, the work will not be awarded to them. Details of the amounts paid to the external Auditors during the year for audit and other services are set out in the notes to the consolidated financial statements.

Compliance with the Code

The Board believes that the Company was compliant with the Code throughout the year, save in the following respect.

The Company has not, throughout the full year, met the requirement of the Code for at least half the board, excluding the chairman, to comprise independent non-executive directors. As previously stated, whilst under the Code Mr López Jiménez is not deemed to be independent of management, the Board considers him to be independent in character and judgement.

Further, since his appointment as Chairman of the Board on 1 August 2009, Mr Franklin is no longer deemed to be independent under the Code.

Internal control

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

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

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

(a) Risk identification and evaluation

Managers are responsible for the identification and evaluation of significant risks applicable to their areas of business, together with the design and operation of suitable internal controls. These risks may be associated with a variety of internal or external sources including market cycles, acquisitions, people, technical risks such as engineering and project management, control breakdowns, disruptions in information systems, natural catastrophe and regulatory requirements. The identified risks, and the controls in place to manage them, are subject to continual reassessment. The Audit Committee formally reviews this process once every two years.

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

(b) Authorisation procedures

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

(c) Management of project risk

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

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

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

(d) Budgeting and forecasting

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

(e) Financial reporting

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

(f) Cash control

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

(g) Investments and capital expenditure

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

(h) Independent reviews

The Group has a structured programme of independent, outsourced reviews, covering tendering, operational processes and internal financial controls. The intention is to conduct an independent review of all material business units at least once every three to four years. This programme is approved and monitored by the Audit Committee, which reviews the findings of each such exercise.

(i) Self-certification

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

The management of financial risks is described in the Financial Review on pages 23 and 24 and the management of the principal risks and uncertainties facing the Group is described on page 24.

Statement of Directors' responsibilities

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

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

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

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of their profit or loss for that period. In preparing each of the Group and Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRS as adopted by the EU;
- for the Company financial statements, state whether the applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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

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

We confirm that to the best of our knowledge:

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

Signed on behalf of the Board

J R Atkinson Chief Executive
J W G Hind Finance Director

Independent Auditors' report to the members of Keller Group plc

Independent Auditors' report to the members of Keller Group plc

We have audited the financial statements of Keller Group plc for the year ended 31 December 2009 set out on pages 46 to 76. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the Company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

Respective responsibilities of Directors and Auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 44, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UKP

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2009, and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the Company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Statement set out on pages 40 to 43 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

- Under the Companies Act 2006 we are required to report to you if, in our opinion:
 - adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
 - the Company financial statements and part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
 - certain disclosures of Directors' remuneration specified by law are not made; or
 - we have not received all the information and explanations we require for our audit; or
 - a Corporate Governance Statement has not been prepared by the Company.
- Under the Listing Rules we are required to review:
 - the Directors' Statement set out on page 33, relating to going concern; and
 - the part of the Corporate Governance Statement on pages 40 to 43 relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Andrew Marshall (Senior Statutory Auditor)

for and on behalf of
KPMG Audit Plc, Statutory Auditor
Chartered Accountants
8 Salisbury Square
London, EC4Y 8BB
2 March 2010

Consolidated income statement

For the year ended 31 December 2009

| | Note | 2009 £m | 2008 £m |
|---|------|----------------|------------|
| Continuing operations | | | |
| Revenue | 3 | 1,037.9 | 1,196.6 |
| Operating costs | 6 | (960.6) | (1,077.2) |
| Operating profit | 3 | 77.3 | 119.4 |
| Finance income | 8 | 3.7 | 2.0 |
| Finance costs | 9 | (6.3) | (8.2) |
| Profit before taxation | | 74.7 | 113.2 |
| Taxation | 10 | (22.6) | (35.9) |
| Profit for the period from continuing operations | | 52.1 | 77.3 |
| Discontinued operation | | | |
| Loss from discontinued operation net of taxation | 5 | – | (1.7) |
| Profit for the period | | 52.1 | 75.6 |
| Attributable to: | | | |
| Equity holders of the parent | | 50.4 | 70.8 |
| Minority interests | | 1.7 | 4.8 |
| | | 52.1 | 75.6 |
| Earnings per share from continuing operations | | | |
| Basic earnings per share | 12 | 78.8p | 111.1p |
| Diluted earnings per share | 12 | 77.4p | 109.2p |
| Earnings per share | | | |
| Basic earnings per share | 12 | 78.8p | 108.6p |
| Diluted earnings per share | 12 | 77.4p | 106.7p |

Consolidated statement of comprehensive income

For the year ended 31 December 2009

| | Note | 2009 £m | 2008 £m |
|--|------|---------------|------------|
| Profit for the period | | 52.1 | 75.6 |
| Other comprehensive income | | | |
| Exchange differences on translation of foreign operations | | (14.5) | 66.1 |
| Net investment hedge gains/(losses) | 24 | 6.1 | (19.0) |
| Cash flow hedge gains/(losses) taken to equity | 24 | 11.3 | (35.1) |
| Cash flow hedge transfers to income statement | 24 | (11.3) | 35.1 |
| Actuarial (losses)/gains on defined benefit pension schemes | 30 | (7.9) | 1.6 |
| Tax on actuarial losses/(gains) on defined benefit pension schemes | 10 | 2.2 | (0.5) |
| Other comprehensive income for the period, net of tax | | (14.1) | 48.2 |
| Total comprehensive income for the period | | 38.0 | 123.8 |
| Attributable to: | | | |
| Equity holders of the parent | | 37.2 | 115.9 |
| Minority interests | | 0.8 | 7.9 |
| | | 38.0 | 123.8 |

Consolidated balance sheet

As at 31 December 2009

| | Note | 2009 £m | 2008 £m |
|--|------|----------------|------------|
| Assets | | | |
| Non-current assets | | | |
| Intangible assets | 13 | 119.1 | 111.8 |
| Property, plant and equipment | 14 | 264.4 | 254.7 |
| Deferred tax assets | 10 | 8.1 | 7.7 |
| Other assets | 15 | 12.7 | 12.5 |
| | | 404.3 | 386.7 |
| Current assets | | | |
| Inventories | 17 | 37.4 | 50.9 |
| Trade and other receivables | 18 | 299.9 | 364.4 |
| Current tax assets | | 5.9 | 2.3 |
| Cash and cash equivalents | 20 | 35.3 | 48.6 |
| | | 378.5 | 466.2 |
| Total assets | 3 | 782.8 | 852.9 |
| Liabilities | | | |
| Current liabilities | | | |
| Loans and borrowings | 24 | (7.9) | (4.8) |
| Current tax liabilities | | (9.0) | (15.1) |
| Trade and other payables | 21 | (252.3) | (323.1) |
| Provisions | 22 | (6.3) | (8.4) |
| | | (275.5) | (351.4) |
| Non-current liabilities | | | |
| Loans and borrowings | 24 | (106.2) | (128.4) |
| Retirement benefit liabilities | 30 | (20.2) | (13.6) |
| Deferred tax liabilities | 10 | (19.6) | (16.5) |
| Provisions | 22 | (4.2) | (4.4) |
| Other liabilities | 23 | (33.8) | (36.0) |
| | | (184.0) | (198.9) |
| Total liabilities | 3 | (459.5) | (550.3) |
| Net assets | 3 | 323.3 | 302.6 |
| Equity | | | |
| Share capital | 25 | 6.6 | 6.6 |
| Share premium account | | 38.0 | 37.6 |
| Capital redemption reserve | 25 | 7.6 | 7.6 |
| Translation reserve | | 36.4 | 43.9 |
| Retained earnings | | 224.1 | 194.0 |
| Equity attributable to equity holders of the parent | | 312.7 | 289.7 |
| Minority interests | | 10.6 | 12.9 |
| Total equity | | 323.3 | 302.6 |

These financial statements were approved by the Board of Directors and authorised for issue on 2 March 2010. They were signed on its behalf by:

R A Franklin Chairman
J W G Hind Finance Director

Consolidated statement of changes in equity

For the year ended 31 December 2009

| | Share capital £m | Share premium account £m | Capital redemption reserve £m | Translation reserve £m | Hedging reserve £m | Retained earnings £m | Attributable to equity holders of the parent £m | Minority interest £m | Total equity £m |
|--|---------------------|--------------------------------|--|------------------------------|--------------------------|----------------------------|---|----------------------------|-----------------------|
| At 1 January 2008 | 6.6 | 37.6 | 7.6 | (0.1) | – | 150.6 | 202.3 | 9.2 | 211.5 |
| Profit for the period | – | – | – | – | – | 70.8 | 70.8 | 4.8 | 75.6 |
| Other comprehensive income | | | | | | | | | |
| Exchange differences on translation of foreign operations | – | – | – | 63.0 | – | – | 63.0 | 3.1 | 66.1 |
| Net investment hedge losses | – | – | – | (19.0) | – | – | (19.0) | – | (19.0) |
| Cash flow hedge losses taken to equity | – | – | – | – | (35.1) | – | (35.1) | – | (35.1) |
| Cash flow hedge transfers to income statement | – | – | – | – | 35.1 | – | 35.1 | – | 35.1 |
| Actuarial gains on defined benefit pension schemes | – | – | – | – | – | 1.6 | 1.6 | – | 1.6 |
| Tax on actuarial gains on defined benefit pension schemes | – | – | – | – | – | (0.5) | (0.5) | – | (0.5) |
| Other comprehensive income for the period, net of tax | – | – | – | 44.0 | – | 1.1 | 45.1 | 3.1 | 48.2 |
| Total comprehensive income for the period | | | | | | | | | |
| | – | – | – | 44.0 | – | 71.9 | 115.9 | 7.9 | 123.8 |
| Dividends | – | – | – | – | – | (12.3) | (12.3) | (4.2) | (16.5) |
| Share-based payments | – | – | – | – | – | 1.3 | 1.3 | – | 1.3 |
| Shares repurchased | – | – | – | – | – | (17.5) | (17.5) | – | (17.5) |
| At 31 December 2008 and 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 | 6.6 | 38.0 | 7.6 | 36.4 | – | 224.1 | 312.7 | 10.6 | 323.3 |

Consolidated cash flow statement

For the year ended 31 December 2009

| | Note | 2009 £000 | 2008 £000 |
|--|------|---------------|---------------|
| Cash flows from operating activities | | | |
| Operating profit from continuing operations | | 77.3 | 119.4 |
| Operating loss from discontinued operation | | – | (2.7) |
| | | 77.3 | 116.7 |
| Depreciation of property, plant and equipment | | 34.4 | 24.2 |
| Amortisation of intangible assets | | 1.5 | 0.7 |
| (Profit)/loss on sale of property, plant and equipment | | (1.2) | 0.3 |
| Other non-cash movements | | 0.5 | 1.3 |
| Foreign exchange gains | | (0.1) | (1.2) |
| Operating cash flows before movements in working capital | | 112.4 | 142.0 |
| Decrease/(increase) in inventories | | 10.2 | (12.4) |
| Decrease in trade and other receivables | | 50.2 | 0.1 |
| (Decrease)/increase in trade and other payables | | (52.5) | 11.0 |
| Change in provisions, retirement benefit and other non-current liabilities | | 2.9 | (2.3) |
| Cash generated from operations | | 123.2 | 138.4 |
| Interest paid | | (4.8) | (4.7) |
| Income tax paid | | (30.0) | (27.9) |
| Net cash inflow from operating activities | | 88.4 | 105.8 |
| Cash flows from investing activities | | | |
| Interest received | | 0.3 | 0.6 |
| Proceeds from sale of property, plant and equipment | | 4.5 | 3.0 |
| Acquisition of subsidiaries, net of cash acquired | | (34.7) | (14.1) |
| Acquisition of property, plant and equipment | | (39.3) | (68.2) |
| Acquisition of intangible assets | | (0.7) | (1.4) |
| Acquisition of other non-current assets | | (0.8) | (1.7) |
| Net cash outflow from investing activities | | (70.7) | (81.8) |
| Cash flows from financing activities | | | |
| Proceeds from the issue of share capital | | 0.4 | – |
| Repurchase of own shares | | (1.6) | (17.5) |
| New borrowings | | 7.0 | 25.3 |
| Repayment of borrowings | | (12.7) | (6.6) |
| Payment of finance lease liabilities | | (5.6) | (2.0) |
| Dividends paid | | (17.4) | (15.9) |
| Net cash outflow from financing activities | | (29.9) | (16.7) |
| Net (decrease)/increase in cash and cash equivalents | | (12.2) | 7.3 |
| Cash and cash equivalents at beginning of period | | 46.5 | 26.1 |
| Effect of exchange rate fluctuations | | (5.0) | 13.1 |
| Cash and cash equivalents at end of period | 20 | 29.3 | 46.5 |

Notes to the consolidated financial statements

1 General information

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

2 Principal accounting policies

a) Statement of compliance

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

The Company has elected to prepare its parent company financial statements in accordance with UK GAAP; these are presented on pages 71 to 76.

b) Basis of preparation

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

The Company has adopted the following standard, interpretations and amendments to standards with effect from 1 January 2009: IFRS 8 Operating Segments; IFRIC 15 Agreements for the Construction of Real Estate; IFRIC 16 Hedges of a Net Investment in a Foreign Operation (as endorsed by the EU); amendments to IAS 1 Presentation of Financial Statements – A Revised Presentation; amendment to IFRS 2 Share-Based Payment – Vesting Conditions and Cancellations; amendments to IFRS 7 Financial Instruments and Disclosures – Improving Disclosures about Financial Instruments; amendment to IAS 23 Borrowing Costs; amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures – Reclassifications of Financial Instruments and amendments to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items. The adoption of this standard, these interpretations and amendments to standards did not have a material impact on the consolidated financial statements. IAS 1 Presentation of Financial Statements (revised) required the Company to present a consolidated statement of changes in equity as a separate financial statement. The accounting policy under IFRS 8 Operating Segments is further detailed in note w. The Company did not adopt the following revision and amendments to standards which were available for optional early adoption: revised IFRS 3 Business Combinations and amendments to IAS 27 Consolidated and Separate Financial Statements. The Company does not expect the adoption of the above revision and amendments to standard to have a material impact on the consolidated financial statements.

c) Basis of consolidation

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

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

d) Jointly controlled operations

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

e) Revenue recognition

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

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

In the nature of the Group's business, the results for the year include adjustments to the outcome of construction contracts, including jointly controlled operations, completed in prior years arising from claims from customers or third parties and claims on customers or third parties for variations to the original contract.

Provision against claims from customers or third parties is made in the year in which the Group becomes aware that a claim may arise. Income from claims on customers or third parties is not recognised until the outcome can be reliably measured.

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

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

2 Principal accounting policies continued

f) Leases

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

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

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

g) Foreign currencies

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

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

The exchange rates used in respect of principal currencies are:

| | 2009 | 2008 |
|---------------------------------------|-------------|------|
| US dollar: average for period | 1.57 | 1.86 |
| US dollar: period end | 1.59 | 1.45 |
| Euro: average for period | 1.12 | 1.26 |
| Euro: period end | 1.11 | 1.03 |
| Australian dollar: average for period | 1.99 | 2.19 |
| Australian dollar: period end | 1.78 | 2.10 |

h) Interest income and expense

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

i) Employee benefit costs

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

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

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

j) Taxation

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

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

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

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

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

k) Property, plant and equipment

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

l) Depreciation

Depreciation is not provided on freehold land.

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

The rates of depreciation used are:

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

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

Notes to the consolidated financial statements

Continued

2 Principal accounting policies continued

m) Goodwill and other intangible assets

Goodwill

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

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

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

Other intangible assets

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

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

n) Impairment of assets excluding goodwill

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

o) Capital work in progress

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

p) Inventories

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

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

q) Financial instruments

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

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

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

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

Hedges are accounted for as follows:

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

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

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

r) Trade receivables

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

2 Principal accounting policies continued

s) Trade payables

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

t) Provisions

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

u) Financial guarantees

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

v) Share-based payment

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

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

w) Segmental reporting

The Group has adopted IFRS 8 Operating Segments with effect from 1 January 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Operating Decision Maker to allocate resources to the segments and to assess their performance. The Group determines the Chief Operating Decision Maker to be the Board of Directors.

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

x) Dividends

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

y) Accounting estimates and judgements

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

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

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

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

Note 30 sets out the principal assumptions underlying the valuation of the Group's defined benefit liabilities which include the discount rate, expected return on assets, rate of inflation and mortality rates. These assumptions were set on the advice of the relevant schemes' actuaries having regard to current market conditions, past history and factors specific to the schemes. A reduction in the discount rate of 0.1% would increase the deficit in the schemes by £0.6m whilst a reduction in the inflation assumption of 0.1% would decrease the deficit by £0.7m.

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

As explained in note 13, goodwill has been assessed for impairment by comparing its carrying value with the present value of the discounted cash flows expected to be generated by the relevant cash generating units. Principal areas of uncertainty in respect of valuations are around forecast cash flows and the discount rate. The discount rates used are based on the weighted average cost of capital of comparable entities, adjusted as necessary to reflect the financing and risk associated with the asset being tested.

Notes to the consolidated financial statements

Continued

3 Segmental analysis

As described in note 2, the Group has adopted IFRS 8 Operating Segments with effect from 1 January 2009. The Group continues to be 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. The adoption of IFRS 8 has not resulted in changes to the composition of the operating segments or the definition of segment measures previously reported. Where there is disclosure of additional measures, comparative information is also shown.

| | 2009 Revenue £m | 2009 Operating profit £m | 2008 Revenue £m | 2008 Operating profit £m |
|--------------------------------|-----------------------|-----------------------------------|-----------------------|-----------------------------------|
| UK | 57.6 | 0.5 | 85.2 | 2.7 |
| US | 467.0 | 32.2 | 532.1 | 52.1 |
| CEMEA ¹ | 386.4 | 33.6 | 442.2 | 49.9 |
| Australia | 126.9 | 16.6 | 137.1 | 19.4 |
| | 1,037.9 | 82.9 | 1,196.6 | 124.1 |
| Central items and eliminations | – | (5.6) | – | (4.7) |
| Continuing operations | 1,037.9 | 77.3 | 1,196.6 | 119.4 |

| | 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 |

| | 2008 Segment assets £m | 2008 Segment liabilities £m | 2008 Capital employed £m | 2008 Capital additions £m | 2008 Depreciation and amortisation £m | 2008 Tangible and intangible assets £m |
|---|---------------------------------|--------------------------------------|-----------------------------------|------------------------------------|---|--|
| UK | 47.2 | (24.0) | 23.2 | 4.2 | 1.6 | 25.5 |
| US | 367.4 | (116.8) | 250.6 | 23.9 | 9.8 | 176.6 |
| CEMEA ¹ | 315.5 | (172.1) | 143.4 | 43.2 | 10.2 | 131.5 |
| Australia | 58.5 | (25.6) | 32.9 | 8.9 | 3.3 | 32.7 |
| | 788.6 | (338.5) | 450.1 | 80.2 | 24.9 | 366.3 |
| Central items and eliminations ² | 64.3 | (211.8) | (147.5) | – | – | 0.2 |
| | 852.9 | (550.3) | 302.6 | 80.2 | 24.9 | 366.5 |

¹ Continental Europe, Middle East and Asia.

² Central items includes net debt and tax balances.

4 Acquisitions**Acquisitions 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 would have been £1,072.5m and total net profit would have been £58.7m.

| | Olden | | | Boreta | | | 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 |
| Acquisitions in 2008 | | | | | | | | | |
| Net assets acquired | | | | | | | | | |
| Intangible assets | – | 0.5 | 0.5 | – | 0.5 | 0.5 | – | 1.0 | 1.0 |
| Property, plant and equipment | 4.0 | 0.8 | 4.8 | 1.0 | – | 1.0 | 5.0 | 0.8 | 5.8 |
| Cash and cash equivalents | 0.8 | – | 0.8 | 1.4 | – | 1.4 | 2.2 | – | 2.2 |
| Other assets | 4.9 | (0.1) | 4.8 | 2.4 | – | 2.4 | 7.3 | (0.1) | 7.2 |
| Loans and borrowings | (1.5) | – | (1.5) | (0.5) | – | (0.5) | (2.0) | – | (2.0) |
| Other liabilities | (2.6) | (0.5) | (3.1) | (0.6) | (0.1) | (0.7) | (3.2) | (0.6) | (3.8) |
| | 5.6 | 0.7 | 6.3 | 3.7 | 0.4 | 4.1 | 9.3 | 1.1 | 10.4 |
| Goodwill | | | – | | | 3.5 | | | 3.5 |
| Total consideration | | | 6.3 | | | 7.6 | | | 13.9 |
| Satisfied by: | | | | | | | | | |
| Initial cash consideration | | | 6.1 | | | 6.5 | | | 12.6 |
| Deferred consideration | | | 0.2 | | | 1.1 | | | 1.3 |
| | | | 6.3 | | | 7.6 | | | 13.9 |

On 31 October 2008 the Group acquired 100% of the share capital of Craig Olden Inc. ('Olden'). The fair value of the intangible assets acquired represents the fair value of non-compete undertakings and backlog at the date of acquisition. In the period to 31 December 2008 Olden contributed £0.5m (US\$0.9m) to the net profit of the Group.

On 11 November 2008 the Group acquired 100% of the share capital of Boreta Spol. sr.o. ('Boreta'). 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. The fair value of the intangible assets acquired represents the fair value of non-compete undertakings and backlog at the date of acquisition. In the period to 31 December 2008 Boreta contributed £nil to the net profit of the Group.

Had both acquisitions taken place on 1 January 2008, total Group revenue from continuing operations for 2008 would have been £1,219.3m and total net profit from continuing operations would have been £79.5m.

Notes to the consolidated financial statements

Continued

5 Discontinued operation

The Board announced its decision to withdraw from Makers on 20 August 2007. By 31 December 2007 substantially all of the business had been disposed of. There were no discontinued operations in 2009.

Losses attributable to the discontinued operation during 2008 were as follows:

| | 2008 £m |
|--|--------------|
| Results of discontinued operation | |
| Revenue | 1.0 |
| Operating costs | (3.7) |
| Operating loss | (2.7) |
| Net finance costs | (0.1) |
| Loss before taxation | (2.8) |
| Taxation | 1.1 |
| Loss for the period | (1.7) |
| Basic loss per share (pence) | (2.5) |
| Diluted loss per share (pence) | (2.5) |

Cash flows from discontinued operation

| | |
|------------------------------------|-------|
| Net cash from operating activities | (3.2) |
| Net cash from investing activities | 0.2 |
| Net cash from financing activities | 4.0 |
| | 1.0 |

6 Operating costs

| | Note | 2009 £m | 2008 £m |
|--|------|--------------|------------|
| Raw materials and consumables | | 337.2 | 443.0 |
| Staff costs | 7 | 275.4 | 264.4 |
| Other operating charges | | 312.1 | 344.9 |
| Amortisation of intangibles | | 1.5 | 0.7 |
| Depreciation: | | | |
| Owned property, plant and equipment | | 33.9 | 23.7 |
| Property, plant and equipment held under finance leases | | 0.5 | 0.5 |
| | | 960.6 | 1,077.2 |
| Other operating charges include: | | | |
| Net foreign exchange gains | | (0.1) | (1.2) |
| Fees payable to the Company's auditors for the audit of the Company's annual accounts | | 0.1 | 0.1 |
| Fees payable to the Company's auditors and its associates for other services: | | | |
| The audit of the Company's subsidiaries pursuant to legislation | | 0.9 | 0.9 |
| Tax services | | 0.4 | 0.3 |
| Services relating to information technology | | 0.1 | – |
| Services relating to corporate finance transactions entered into or proposed to be entered into by or on behalf of the Group | | 0.1 | – |

7 Employees

The aggregate staff costs of the Group were:

| | 2009 £m | 2008 £m |
|------------------------|--------------|------------|
| Wages and salaries | 240.1 | 229.0 |
| Social security costs | 30.0 | 29.8 |
| Other pension costs | 5.3 | 6.4 |
| | 275.4 | 265.2 |
| Continuing operations | 275.4 | 264.4 |
| Discontinued operation | – | 0.8 |
| | 275.4 | 265.2 |

These costs include Directors' remuneration. Disclosures on Directors' remuneration, required by the Companies Act 2006 and those specified for audit by the Financial Services Authority are on pages 34 to 39 within the Directors' Remuneration Report and form part of these financial statements.

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

| | 2009 Number | 2008 Number |
|-----------|----------------|----------------|
| UK | 475 | 628 |
| US | 2,270 | 2,824 |
| CEMEA | 2,404 | 2,198 |
| Australia | 728 | 700 |
| | 5,877 | 6,350 |

8 Finance income

| | 2009 £m | 2008 £m |
|--|------------|------------|
| Bank and other interest receivable | 0.2 | 0.5 |
| Expected return on pension scheme assets | 1.4 | 1.5 |
| Other finance income | 2.1 | – |
| | 3.7 | 2.0 |

9 Finance costs

| | 2009 £m | 2008 £m |
|---|------------|------------|
| Interest payable on bank loans and overdrafts | 1.2 | 2.6 |
| Interest payable on other loans | 1.6 | 1.0 |
| Interest payable on finance leases | 0.2 | 0.2 |
| Pension interest cost | 2.4 | 1.9 |
| Other finance costs | 0.9 | 2.5 |
| | 6.3 | 8.2 |

10 Taxation

| | 2009 £m | 2008 £m |
|-----------------------------|-------------|------------|
| Current tax expense | | |
| Current year | 19.5 | 30.6 |
| Prior years | (0.6) | (3.1) |
| Total current tax | 18.9 | 27.5 |
| Deferred tax expense | | |
| Current year | 5.3 | 6.7 |
| Prior years | (1.6) | 1.7 |
| Total deferred tax | 3.7 | 8.4 |
| | 22.6 | 35.9 |

Notes to the consolidated financial statements

Continued

10 Taxation continued

UK corporation tax is calculated at 28.0% (2008: 28.5%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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

| | 2009 % | 2008 % |
|--|--------------|-----------|
| UK corporation tax rate of 28.0% (2008: 28.5%) | 28.0 | 28.5 |
| Tax charged overseas at rates other than 28.0% (2008: 28.5%) | 1.0 | 0.7 |
| Tax losses carried forward | 1.1 | 0.4 |
| Permanent differences | 2.9 | 3.3 |
| Adjustment to tax charge in respect of previous periods | (2.7) | (1.2) |
| Effective tax rate from continuing operations | 30.3 | 31.7 |

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

| | Unused tax losses £m | Accelerated capital allowances £m | Retirement benefit obligations £m | Other temporary differences £m | Total £m |
|---|-------------------------------|--|--|---|--------------|
| At 1 January 2008 | (5.1) | 12.6 | (1.6) | (9.7) | (3.8) |
| Charge to the income statement | 1.3 | 6.1 | 0.3 | 0.7 | 8.4 |
| Charge to equity | – | – | 0.5 | – | 0.5 |
| Acquired with new subsidiaries | – | 0.8 | – | (0.1) | 0.7 |
| Exchange differences | 0.1 | 5.3 | – | (2.4) | 3.0 |
| At 31 December 2008 and 1 January 2009 | (3.7) | 24.8 | (0.8) | (11.5) | 8.8 |
| (Credit)/charge to the income statement | (0.4) | 3.5 | 0.4 | 0.2 | 3.7 |
| Credit to equity | – | – | (2.2) | – | (2.2) |
| Acquired with new subsidiaries | – | 0.6 | (0.1) | 2.2 | 2.7 |
| Exchange differences | 0.4 | (1.9) | – | – | (1.5) |
| Reclassification | – | (0.7) | (0.5) | 1.2 | – |
| At 31 December 2009 | (3.7) | 26.3 | (3.2) | (7.9) | 11.5 |

The following is the analysis of the deferred tax balances for financial reporting:

| | 2009 £m | 2008 £m |
|--------------------------|--------------|------------|
| Deferred tax liabilities | 19.6 | 16.5 |
| Deferred tax assets | (8.1) | (7.7) |
| | 11.5 | 8.8 |

At the balance sheet date, the Group had unused tax losses of £4.1m (2008: £1.8m) available for offset against future profits, on which no deferred tax asset has been recognised. These losses may be carried forward indefinitely.

11 Dividends paid

Ordinary dividends on equity shares:

| | 2009 £m | 2008 £m |
|--|-------------|------------|
| Amounts recognised as distributions to equity holders in the period: | | |
| Interim dividend for the year ended 31 December 2009 of 7.25p (2008: 6.9p) per share | 4.7 | 4.4 |
| Final dividend for the year ended 31 December 2008 of 13.8p (2007: 12.0p) per share | 8.8 | 7.9 |
| | 13.5 | 12.3 |

The Board has declared a second interim dividend for the year ended 31 December 2009 of £9.3m, representing 14.5p (2008: 13.8p) per share, in lieu of a final dividend. The dividend was approved by the Board on 26 February 2010 and has not been included as a liability in these financial statements.

12 Earnings per share

Basic and diluted earnings per share from continuing operations are calculated as follows:

| | 2009 Basic £m | 2009 Diluted £m | 2008 Basic £m | 2008 Diluted £m |
|---|---------------------|-----------------------|---------------------|-----------------------|
| Earnings (after tax and minority interests), being net profits attributable to equity holders of the parent | 50.4 | 50.4 | 72.5 | 72.5 |

| | Number of shares Million | Number of shares Million | Number of shares Million | Number of shares Million |
|---|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Weighted average of ordinary shares in issue during the year | 64.0 | 64.0 | 65.2 | 65.2 |
| Add: weighted average of shares under option during the year | – | 1.1 | – | 1.2 |
| 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) | – | (0.1) |
| Adjusted weighted average of ordinary shares in issue | 64.0 | 65.1 | 65.2 | 66.4 |

| | 2009 Pence | 2009 Pence | 2008 Pence | 2008 Pence |
|---|---------------|---------------|---------------|---------------|
| Earnings per share from continuing operations | 78.8p | 77.4p | 111.1 | 109.2 |

Total earnings per share from continuing and discontinued operations of 78.8p (2008: 108.6p) was calculated based on earnings of £50.4m (2008: £70.8m) and the weighted average number of ordinary shares in issue during the year of 64.0 million (2008: 65.2 million). Total diluted earnings per share from continuing and discontinued operations of 77.4p (2008: 106.7p) was calculated based on earnings of £50.4m (2008: £70.8m) and the adjusted weighted average number of ordinary shares in issue during the year of 65.1 million (2008: 66.4 million).

Loss per share from discontinued operation of nil (2008: 2.5p) was calculated based on a loss of £nil (2008: £1.7m) and the weighted average number of ordinary shares in issue during the year of 64.0 million (2008: 65.2 million).

Diluted loss per share from discontinued operation of nil (2008: 2.5p) was calculated based on a loss of £nil (2008: £1.7m) and the adjusted weighted average number of ordinary shares in issue during the year of 65.1 million (2008: 66.4 million).

| | Goodwill £m | Other intangible assets £m | Total £m |
|--|----------------|-------------------------------------|-------------|
| 13 Intangible assets | | | |
| Cost | | | |
| At 1 January 2008 | 79.0 | 5.7 | 84.7 |
| Acquired with subsidiaries | – | 1.0 | 1.0 |
| Additions | 3.9 | 1.4 | 5.3 |
| Exchange differences | 24.9 | 2.1 | 27.0 |
| At 31 December 2008 and 1 January 2009 | 107.8 | 10.2 | 118.0 |
| Acquired with subsidiaries | – | 2.6 | 2.6 |
| Additions | 13.6 | 0.7 | 14.3 |
| Exchange differences | (7.9) | (0.5) | (8.4) |
| At 31 December 2009 | 113.5 | 13.0 | 126.5 |

Accumulated amortisation and impairment

| | | | |
|--|---|-------|-------|
| At 1 January 2008 | – | 3.9 | 3.9 |
| Amortisation charge for the year | – | 0.7 | 0.7 |
| Exchange differences | – | 1.6 | 1.6 |
| At 31 December 2008 and 1 January 2009 | – | 6.2 | 6.2 |
| Amortisation charge for the year | – | 1.5 | 1.5 |
| Exchange differences | – | (0.3) | (0.3) |
| At 31 December 2009 | – | 7.4 | 7.4 |

Carrying amount

| | | | |
|--|-------|-----|-------|
| At 31 December 2009 | 113.5 | 5.6 | 119.1 |
| At 31 December 2008 and 1 January 2009 | 107.8 | 4.0 | 111.8 |
| At 1 January 2008 | 79.0 | 1.8 | 80.8 |

Notes to the consolidated financial statements

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13 Intangible assets continued

For impairment testing purposes goodwill has been allocated to sixteen separate cash generating units 'CGUs'. Of these, the carrying amount of goodwill allocated to three individual CGUs (Suncoast, HJ Foundations and Resource Piling) is significant in comparison to the total carrying amount of goodwill and comprises 63% of the total. The carrying amounts allocated to a further four CGUs, taken together, comprise a further 25% of the total. The relevant CGUs and the carrying amount of the goodwill allocated to each are as set out below:

| Cash Generating Unit | Operating segment | 2009 £m | 2008 £m |
|----------------------|-------------------|--------------|--------------|
| Suncoast | US | 40.2 | 44.1 |
| HJ Foundation | US | 17.4 | 19.0 |
| Resource Piling | CEMEA (Singapore) | 13.4 | – |
| Hayward Baker | US | 8.7 | 9.5 |
| Keller-Terra | CEMEA (Spain) | 8.0 | 8.6 |
| Keller Geotechnique | UK | 6.7 | 6.7 |
| Phi | UK | 5.2 | 5.2 |
| Other | Various | 13.9 | 14.7 |
| | | 113.5 | 107.8 |

The recoverable amount of the goodwill allocated to each CGU has been determined based on a value in use calculation. The calculations all use cash flow projections based on financial budgets and forecasts approved by management covering a five year period. Keller's businesses operate in cyclical markets and are expected to continue to face challenging market conditions for the foreseeable future. The most important factors in the value in use calculations, however, are the forecast revenues and gross margin in five years' time and the discount rates applied to future cash flows. The key assumptions underlying the cash flow forecasts are therefore the extent of the revenue recovery in the forecast five year period and the gross margins assumed at the end of the period. The discount rates used in the value in use calculations are based on the weighted average cost of capital of companies comparable to the relevant CGUs.

Most of the forecast cash flows used to derive values in use anticipate a slight decline in sales and profitability in 2010 from the levels of 2009. In all cases, it is assumed that revenues and profits recover over time to no better than a mid-cycle position by no later than year five (2014). Management consider all the forecast improvements in sales, margins and profits to be reasonably achievable given the expected recovery, over time, in market conditions and the historic trading results of the relevant CGUs. Cash flows beyond 2014 have been extrapolated using a steady growth rate of between 2% and 3% (2008: 3%), which does not exceed the long term average growth rates for the markets in which the relevant CGUs operate.

The macroeconomic assumptions underlying all the forecasts therefore are for a gradual recovery to more normal market conditions by 2014. Clearly, in the unlikely event that these assumptions prove significantly over optimistic and the relevant countries experience a severe and prolonged depression, such that demand for the Group's products is materially below long term historic levels for a significant number of years, this would adversely impact the forecast cash flows and more than likely lead to impairments of goodwill. The extent of such impairments however is impossible to predict at this stage. If, as management consider probable, the medium term macroeconomic background assumed proves not to be significantly over optimistic, management believes that any reasonably possible change in the

key assumptions on which the recoverable amounts of the CGUs identified above are based would not cause any of their carrying amounts to exceed their recoverable amounts.

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

Suncoast

The value in use of Suncoast has been determined using a pre-tax discount rate of 17.4% (2008: 16.0%). Suncoast's revenues are primarily linked to US residential construction spend and the forecast cash flows assume a gradual recovery in US residential beginning in 2010. Revenues forecast for 2014 (and then forecast forward at a growth rate of 3% per annum) are consistent with national US housing starts of around 1.5 million in that year, a level which third party forecasts generally assume to be the average annual requirement for new homes in the US based on expected demographic trends. Gross margins are forecast to recover over time to a level below that earned in the five years prior to the recent recession, despite considerable operational improvements at Suncoast in recent years.

HJ Foundation

The value in use of HJ Foundations has been determined using a pre-tax discount rate of 18.0% (2008: 18.7%). HJ, which was acquired by Keller in October 2007, has historically derived its revenues solely from southern Florida, a construction market which has declined substantially over the last three years following a boom period. The forecast cash flows assume a gradual recovery in the south Florida market from 2011 and that HJ continues to grow its sales elsewhere in Florida and other parts of the US, consistent with the strategy underlying the acquisition. However, the revenues from southern Florida forecast for 2014 (and then forecast forward at a growth rate of 3% per annum) are less than half those achieved in the boom of 2005 and 2006. Management consider the forecast 2014 revenues from other geographical markets reasonably achievable given progress to date and the ability to leverage off the wider Keller US network. Gross margins are forecast to recover over time to a level consistent with other Keller US piling companies.

Resource Piling

The value in use of Resource Piling, which was acquired by Keller in October 2009, has been determined using a pre-tax discount rate of 13.3%. The forecast cash flows assume sales over the next five years in line with those achieved by the business over the past two years with forecast growth at 3% thereafter. Forecast margins are consistent with the historic average for the business, but less than those earned in the two years immediately preceding acquisition.

Hayward Baker (US), Keller-Terra (Spain), Keller Geotechnique and Phi (both UK)

All these businesses are more geographically diverse than HJ and have revenues more broadly spread across construction markets as a whole than Suncoast. Their values in use have been determined using pre-tax discount rates of between 15.3% and 17.4%. For all four, the forecast cash flows are based on the same key assumptions about macroeconomic conditions; they assume decreases in sales and profits in 2010, reflecting more difficult expected conditions in their respective markets. Sales and profits are then forecast to recover gradually from 2011. The forecast sales growth to 2014 is based on external forecasts for the relevant construction markets, adjusted in the case of Keller-Terra and Phi for moderate market share gains on the assumption that their main products continue to increase their penetration of the overall foundation market. Forecast gross margins are in all cases consistent with or below the average normalised margins of the last five years.

14 Property, plant and equipment

| | Land and buildings £m | Plant, machinery and vehicles £m | Capital work in progress £m | Total £m |
|--|-----------------------------|---|--------------------------------------|---------------|
| Cost | | | | |
| At 1 January 2008 | 29.4 | 232.8 | 3.0 | 265.2 |
| Additions | 2.0 | 65.3 | 0.9 | 68.2 |
| Acquired with subsidiaries | 0.9 | 4.8 | – | 5.7 |
| Disposals | (0.2) | (7.8) | – | (8.0) |
| Reclassification | – | 0.1 | (0.1) | – |
| Exchange differences | 9.2 | 77.7 | 0.7 | 87.6 |
| At 31 December 2008 and 1 January 2009 | 41.3 | 372.9 | 4.5 | 418.7 |
| Additions | 1.0 | 37.0 | 1.3 | 39.3 |
| Acquired with subsidiaries | 0.5 | 17.6 | – | 18.1 |
| Disposals | (0.1) | (14.3) | – | (14.4) |
| Reclassification | – | 2.7 | (2.7) | – |
| Exchange differences | (2.6) | (15.6) | (0.1) | (18.3) |
| At 31 December 2009 | 40.1 | 400.3 | 3.0 | 443.4 |
| Accumulated depreciation | | | | |
| At 1 January 2008 | 4.6 | 104.8 | – | 109.4 |
| Charge for the year | 0.6 | 23.6 | – | 24.2 |
| Disposals | – | (4.7) | – | (4.7) |
| Exchange differences | 1.3 | 33.8 | – | 35.1 |
| At 31 December 2008 and 1 January 2009 | 6.5 | 157.5 | – | 164.0 |
| Charge for the year | 0.7 | 33.7 | – | 34.4 |
| Disposals | (0.1) | (11.0) | – | (11.1) |
| Exchange differences | (0.4) | (7.9) | – | (8.3) |
| At 31 December 2009 | 6.7 | 172.3 | – | 179.0 |
| Carrying amount | | | | |
| At 31 December 2009 | 33.4 | 228.0 | 3.0 | 264.4 |
| At 31 December 2008 and 1 January 2009 | 34.8 | 215.4 | 4.5 | 254.7 |
| At 1 January 2008 | 24.8 | 128.0 | 3.0 | 155.8 |

The net book value of plant, machinery and vehicles includes £5.0m (2008: £6.8m) in respect of assets held under finance leases.

15 Other non-current assets

| | 2009 £m | 2008 £m |
|--|-------------|------------|
| Fair value of derivative financial instruments | 3.0 | 5.3 |
| Other assets | 9.7 | 7.2 |
| | 12.7 | 12.5 |

Notes to the consolidated financial statements

Continued

16 Investments

The Company's principal operating subsidiary undertakings at 31 December 2009 were as follows:

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

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

| | 2009 £m | 2008 £m |
|-------------------------------|-------------|-------------|
| 17 Inventories | | |
| Raw materials and consumables | 25.3 | 26.5 |
| Work in progress | 2.1 | 1.5 |
| Finished goods | 10.0 | 22.9 |
| | 37.4 | 50.9 |

| | 2009 £m | 2008 £m |
|---------------------------------------|--------------|--------------|
| 18 Trade and other receivables | | |
| Trade receivables | 246.3 | 309.1 |
| Construction work in progress | 23.4 | 24.1 |
| Other receivables | 22.0 | 20.6 |
| Prepayments | 8.2 | 10.6 |
| | 299.9 | 364.4 |

Trade receivables are shown net of an allowance for doubtful debts.

| | 2009 £m | 2008 £m |
|--|-------------|-------------|
| The movement in the provision for bad and doubtful debt is as follows: | | |
| At 1 January | 40.6 | 22.5 |
| (Credit)/charge to the income statement | (3.5) | 9.6 |
| Exchange differences | (2.7) | 8.5 |
| At 31 December | 34.4 | 40.6 |

| | 2009 £m | 2008 £m |
|---|-------------|--------------|
| The ageing of trade receivables that were past due but not impaired was as follows: | | |
| Overdue by less than 30 days | 39.0 | 57.0 |
| Overdue by between 31 and 90 days | 26.3 | 44.3 |
| Overdue by more than 90 days | 18.2 | 16.4 |
| | 83.5 | 117.7 |

19 Construction contracts

| | 2009 £m | 2008 £m |
|--|--------------|------------|
| Construction contracts in progress at balance sheet date: | | |
| Aggregate amount of costs incurred and recognised profits (less recognised losses) to date | 322.4 | 331.3 |
| Retentions withheld by customers | 53.5 | 64.8 |
| Advances received | 0.5 | 0.7 |

Construction contract revenue recognised in the year in accordance with IAS 11 totalled £962.1m (2008: £1,087.6m).

20 Cash and cash equivalents

| | 2009 £m | 2008 £m |
|---|--------------|------------|
| Bank balances | 34.7 | 47.5 |
| Short-term deposits | 0.6 | 1.1 |
| Cash and cash equivalents in the balance sheet | 35.3 | 48.6 |
| Bank overdrafts | (6.0) | (2.1) |
| Cash and cash equivalents in the cash flow statement | 29.3 | 46.5 |

21 Trade and other payables

| | 2009 £m | 2008 £m |
|---|--------------|------------|
| Trade payables | 108.7 | 149.8 |
| Other taxes and social security payable | 12.3 | 11.3 |
| Other payables | 95.4 | 115.2 |
| Accruals | 35.9 | 46.8 |
| | 252.3 | 323.1 |

22 Provisions

| | Employee provisions £m | Restructuring provisions £m | Other provisions £m | Total £m |
|-------------------------------|------------------------------|-----------------------------------|---------------------------|--------------|
| At 1 January 2009 | 8.7 | 0.1 | 4.0 | 12.8 |
| Charge for the year | 1.2 | – | – | 1.2 |
| Applied | (1.2) | (0.1) | – | (1.3) |
| Reversed unused | – | – | (1.3) | (1.3) |
| Exchange differences | (0.6) | – | (0.3) | (0.9) |
| At 31 December 2009 | 8.1 | – | 2.4 | 10.5 |
| To be settled within one year | 3.9 | – | 2.4 | 6.3 |
| To be settled after one year | 4.2 | – | – | 4.2 |
| At 31 December 2009 | 8.1 | – | 2.4 | 10.5 |

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

23 Other non-current liabilities

| | 2009 £m | 2008 £m |
|--|-------------|------------|
| Fair value of derivative financial instruments | 17.1 | 27.5 |
| Other liabilities | 16.7 | 8.5 |
| | 33.8 | 36.0 |

Notes to the consolidated financial statements

Continued

24 Financial instruments

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

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

Credit risk

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

The Group has stringent procedures to manage counterparty risk and the assessment of customer credit risk is embedded in the contract tendering processes. Customer credit risk is mitigated by the Group's relatively small average contract size and its diversity, both geographically and in terms of end markets. As a result, no customer represented more than 5% of sales in 2009. The counterparty risk on bank and cash balances is managed by limiting the aggregate amount of exposure to any such institution by reference to their credit rating and by regular review of these ratings. The ageing of trade receivables that were past due but not impaired is shown in note 18.

Currency risk

The Group faces currency risk principally on its net assets, of which a large proportion is in currencies other than sterling. The Group aims to reduce the impact that retranslation of these net assets might have on the consolidated balance sheet, by matching the currency of its borrowings, where possible, with the currency of its assets. The majority of the Group's borrowings are US dollar-denominated, in order to provide a hedge against the Group's US dollar denominated 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.

At 31 December 2009, the fair value of foreign exchange forward contracts outstanding was £0.4m (2008: £nil).

Interest rate risk

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

Liquidity risk and capital management

The Group's capital structure is kept under constant review, taking account of the need for, availability and cost of various sources of finance. The capital structure of the Group consists of net debt, as disclosed in note 24, and equity attributable to equity holders of the parent as shown in the consolidated balance sheet. The Group maintains a balance between certainty of funding and a flexible, cost effective financing structure with all main borrowings being from committed facilities. The Group's policy continues to be to ensure that its capital structure is appropriate to support this balance and the Group's operations.

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

The Group's debt and committed facilities mainly comprise a US\$100m private placement, repayable US\$30m in 2011 and US\$70m in 2014, an £80m syndicated revolving credit facility expiring in 2011 and a £65m syndicated revolving credit facility expiring in 2010. These facilities are subject to certain covenants linked to the Group's financing structure, specifically regarding the ratios of debt and interest to profit. The Group has complied with these covenants throughout the period.

At the year end, the Group also had other committed and uncommitted borrowing facilities totalling £72.2m (2008: £79.5m) to support local requirements.

Hedging

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

The US private placement loans are accounted for on an amortised cost basis, adjusted for the impact of hedge accounting (as described below), and retranslated at the spot exchange rate at each period end. The carrying value of the private placement liabilities at 31 December 2009 was £66.6m (2008: £76.1m).

The US\$100m fixed rate private placement liabilities have been swapped into floating rates, US\$75m by means of US dollar interest rate swaps and US\$25m through a dollar euro cross-currency and interest rate swap (together, 'the 2004 swaps'). The 2004 swaps have the same maturity as the private placement loans. The fair value of the 2004 swaps at 31 December 2009 represented an asset of £3.0m (2008: £5.3m) which is included in other non-current assets and a liability of £1.5m (2008: £nil) which is included in other non-current liabilities.

The US\$75m 2004 interest rate swaps have been designated as fair value hedges of the Group's exposure to changes in the fair value of US\$75m of the US private placement loans arising from changes in US interest rates. The US\$ leg of the 2004 cross currency interest rate swap has been designated a fair value hedge of the Group's exposure to changes in fair value of US\$25m of the private placement loans arising from changes in sterling dollar exchange rates and US interest rates. The effective portion of the change in fair value of these hedging instruments during the year, a loss of £4.8m (2008: £11.8m gain), has been taken to the income statement along with the equal and opposite movement in fair value of the corresponding hedged items.

US\$75m of the private placement liabilities, together with the euro leg of the 2004 cross currency interest rate swap, are designated as net investment hedges of the Group's dollar and euro-denominated net assets. The effective portion of the change in fair value of these hedging instruments during the year, a gain of £6.1m (2008: £19.0m loss), has been taken to the translation reserve through other comprehensive income along with the foreign exchange gains and losses arising on retranslation of the dollar- and euro-denominated assets they hedge.

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

24 Financial instruments continued

exposure to the variability of cash flows on the intra-group debt resulting from changes in foreign exchange rates. The fair value of the 2006 swaps at 31 December 2009 represented a liability of £15.6m (2008: £27.5m) included in other non-current liabilities. The effective portion of changes in the fair value of the 2006 swaps, a gain of £11.3m (2008: £35.1m loss), has been taken to the hedging reserve and fully recycled through the income statement during the year.

All hedges are tested for effectiveness every six months using the cumulative dollar offset method. All hedging relationships remained effective during the year. The ineffective portion of the movement in the fair value of the hedging instruments was £0.6m gain (2008: £0.5m loss).

Effective interest rates and maturity analysis

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

| | 2009 Effective interest rate % | 2009 Due within 1–2 years £m | 2009 Due within 2–5 years £m | 2009 Due after more than 5 years £m | 2009 Total non- current £m | 2009 Due within 1 year £m | 2009 Total £m |
|-----------------------------------|---|---------------------------------------|---------------------------------------|--|-------------------------------------|------------------------------------|---------------------|
| Bank overdrafts | 1.9 | – | – | – | – | (6.0) | (6.0) |
| Bank loans* | 1.9 | (38.9) | – | – | (38.9) | (0.6) | (39.5) |
| Other loans | 3.4 | (19.7) | (46.7) | – | (66.4) | – | (66.4) |
| Obligations under finance leases* | 4.0 | (0.7) | (0.2) | – | (0.9) | (1.3) | (2.2) |
| Total loans and borrowings | | (59.3) | (46.9) | – | (106.2) | (7.9) | (114.1) |
| Bank balances | 0.2 | – | – | – | – | 34.7 | 34.7 |
| Short-term deposits* | 5.4 | – | – | – | – | 0.6 | 0.6 |
| Net debt | | (59.3) | (46.9) | – | (106.2) | 27.4 | (78.8) |
| Derivative financial instruments | | 1.0 | 0.4 | (15.5) | (14.1) | 0.6 | (13.5) |

| | 2008 Effective interest rate % | 2008 Due within 1–2 years £m | 2008 Due within 2–5 years £m | 2008 Due after more than 5 years £m | 2008 Total non- current £m | 2008 Due within 1 year £m | 2008 Total £m |
|-----------------------------------|---|---------------------------------------|---------------------------------------|--|-------------------------------------|------------------------------------|---------------------|
| Bank overdrafts | 5.9 | – | – | – | – | (2.1) | (2.1) |
| Bank loans* | 4.6 | (0.3) | (49.9) | – | (50.2) | (0.8) | (51.0) |
| Other loans | 5.2 | – | (22.1) | (54.0) | (76.1) | – | (76.1) |
| Obligations under finance leases* | 4.6 | (1.3) | (0.8) | – | (2.1) | (1.9) | (4.0) |
| Total loans and borrowings | | (1.6) | (72.8) | (54.0) | (128.4) | (4.8) | (133.2) |
| Bank balances | 3.4 | – | – | – | – | 47.5 | 47.5 |
| Short-term deposits* | 3.1 | – | – | – | – | 1.1 | 1.1 |
| Net debt | | (1.6) | (72.8) | (54.0) | (128.4) | 43.8 | (84.6) |
| Derivative financial instruments | | 0.6 | 1.2 | (24.0) | (22.2) | – | (22.2) |

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

In addition, there were non-interest-earning financial liabilities comprising trade and other payables of £216.4m (2008: £276.3m) which were payable within one year.

The Group had unutilised committed banking facilities of £88.4m at 31 December 2009 (2008: £77.4m). This mainly comprises the Group's £65m facility which expires on 23 July 2010 and the unutilised portions of the Group's £80m revolving credit facility which expires on 20 June 2011. In addition, the Group had unutilised uncommitted facilities totalling £34.2m at 31 December 2009 (2008: £42.7m). All of these borrowing facilities are unsecured.

Future obligations under finance leases totalled £2.3m (2008: £4.3m), including interest of £0.1m (2008: £0.3m).

Fair values

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

Derivatives

The fair value of interest rate and cross currency swaps is calculated based on discounted expected future principal and interest cash flows. In 2009 and in 2008, the valuation methods of all of the Group's derivative financial instruments carried at fair value are categorised as Level 2. Level 2 is defined as inputs, other than quoted prices (unadjusted) in active markets for identical assets or liabilities, that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices).

Interest-bearing loans and borrowings

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

Trade and other payables and receivables and construction work in progress

For payables and receivables with a remaining life of one year or less, the carrying amount is deemed to reflect the fair value. All other payables and receivables are discounted to determine their fair value.

Notes to the consolidated financial statements

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24 Financial instruments continued

Interest rate and currency profile

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

| | 2009 Sterling | 2009 USD | 2009 Euro | 2009 AUD | 2009 Total |
|--|------------------|-------------|--------------|-------------|---------------|
| Weighted average fixed debt interest rate | 7.0% | – | 1.7% | – | n/a |
| Weighted average fixed debt period (years) | 2.0 | – | 3.0 | – | n/a |
| | 2009 £m | 2009 £m | 2009 £m | 2009 £m | 2009 £m |
| Fixed rate financial liabilities | (0.2) | – | (2.0) | – | (2.2) |
| Floating rate financial liabilities | (22.8) | (48.4) | (36.2) | (4.5) | (111.9) |
| Financial assets | 2.0 | 7.0 | 25.0 | 1.3 | 35.3 |
| Net debt | (21.0) | (41.4) | (13.2) | (3.2) | (78.8) |
| | 2008 Sterling | 2008 USD | 2008 Euro | 2008 AUD | 2008 Total |
| Weighted average fixed debt interest rate | 7.0% | 8.0% | 3.5% | – | n/a |
| Weighted average fixed debt period (years) | 4.0 | 1.0 | 2.0 | – | n/a |
| | 2008 £m | 2008 £m | 2008 £m | 2008 £m | 2008 £m |
| Fixed rate financial liabilities | (0.5) | (0.5) | (3.5) | – | (4.5) |
| Floating rate financial liabilities | (22.7) | (73.7) | (32.1) | (0.2) | (128.7) |
| Financial assets | 1.2 | 5.8 | 39.5 | 2.1 | 48.6 |
| Net debt | (22.0) | (68.4) | 3.9 | 1.9 | (84.6) |

Sensitivity analysis

At 31 December 2009, it is estimated that a general increase of one percentage point in interest rates would decrease the Group's profit before taxation by approximately £1.0m (2008: £0.9m). The impact of interest rate swaps has been included in this calculation.

It is estimated that a general increase of ten percentage points in the value of sterling against other principal foreign currencies would have decreased the Group's profit before taxation by approximately £8m for the year ended 31 December 2009 (2008: £11m). This sensitivity relates to the impact of retranslation of foreign earnings only. The impact on the Group's earnings of currency transaction exchange risk is not significant.

25 Share capital and reserves

Authorised

Equity share capital:

80,000,000 ordinary shares of 10p each (2008: 80,000,000)

2009
£m

2008
£m

8.0

8.0

Allotted, called up and fully paid

Equity share capital:

66,468,235 ordinary shares of 10p each (2008: 66,318,235)

6.6

6.6

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

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

During the period, the Company repurchased nil (2008: 2.2 million) shares, all of which are held in Treasury. In addition, the Company purchased a further 330,000 shares (2008: 325,000) specifically to satisfy Performance Share Plan awards. The average cost of purchased shares was £4.81 (2008: £6.81).

26 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 £9.0m (2008: £9.7m) for GTCEISU Construcción, S.A., a connected person of Mr López Jiménez, a Director of the Company. An amount of £6.9m (2008: £8.0m) is included in trade and other receivables in respect of amounts outstanding as at 31 December 2009.

During the year the Group made purchases from GTCEISU Construcción, S.A. with a total value of £6.0m (2008: £5.6m). An amount of £3.8m (2008: £4.1m) is included in trade and other payables in respect of amounts outstanding as at 31 December 2009.

All amounts outstanding from related parties are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

The remuneration of the Directors, who are the key management personnel and related parties of the Group, is set out in the audited part of the Directors' Remuneration Report on pages 34 to 39.

27 Operating lease arrangements

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

| | 2009 | 2009 | 2009 | 2008 | 2008 | 2008 |
|--|--------------------------------------|---|---------------------|-----------------------------|---|-------------|
| | Land and buildings £m | Plant, machinery and vehicles £m | Total £m | Land and buildings £m | Plant, machinery and vehicles £m | Total £m |
| Payable within one year | 6.0 | 5.4 | 11.4 | 6.5 | 10.0 | 16.5 |
| Payable between one and five years inclusive | 13.8 | 4.9 | 18.7 | 15.0 | 7.4 | 22.4 |
| Payable in over five years | 5.4 | 0.2 | 5.6 | 7.7 | 0.4 | 8.1 |
| | 25.2 | 10.5 | 35.7 | 29.2 | 17.8 | 47.0 |

28 Contingent liabilities

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

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

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

At 31 December 2009 the Group had discounted bills of exchange and standby letters of credit outstanding totalling £23.5m (2008: £17.7m).

Notes to the consolidated financial statements

Continued

29 Share-based payments

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

Details of the terms and conditions of the current share option plans are set out in the Directors' Remuneration Report on pages 34 to 39.

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

| | 2001 Plans Options | 2001 Plans Weighted average exercise price | Performance Share Plan Options |
|--|-----------------------|--|--------------------------------------|
| Outstanding at 1 January 2008 | 228,500 | 247.0p | 892,342 |
| Granted during 2008 | – | – | 271,574 |
| Forfeited during 2008 | (7,500) | 238.0p | – |
| Exercised during 2008 | (14,000) | 248.2p | (320,500) |
| Outstanding at 31 December 2008 and 1 January 2009 | 207,000 | 247.2p | 843,416 |
| Granted during 2009 | – | – | 388,527 |
| Exercised during 2009 | (150,000) | 248.4p | (346,250) |
| Outstanding at 31 December 2009 | 57,000 | 244.2p | 885,693 |
| Exercisable at 1 January 2008 | 228,500 | 247.0p | 21,250 |
| Exercisable at 31 December 2008 and 1 January 2009 | 207,000 | 247.2p | 21,250 |
| Exercisable at 31 December 2009 | 57,000 | 244.2p | 8,750 |

Exercises occurred throughout the year. The average share price during the year was 627.6p.

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

The inputs into the stochastic model are as follows:

| | 2009 | 2008 |
|---------------------------------|----------------|---------|
| Weighted average share price | 523.0p | 696.0p |
| Weighted average exercise price | 0.0p | 0.0p |
| Expected volatility | 47.1% | 38.2% |
| Expected life | 3 years | 3 years |
| Risk free rate | 1.63% | 3.95% |
| Expected dividend yield | 3.96% | 2.59% |

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

The Group recognised total expenses (included in operating costs) of £0.5m (2008: £1.3m) related to equity-settled, share-based payment transactions.

30 Retirement benefit liabilities

The Group operates several pension schemes in the UK and overseas.

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

The Group has two UK defined contribution retirement benefit schemes. There were no contributions outstanding in respect of these schemes at 31 December 2009 (2008: £nil). The total UK defined contribution pension charge for the year was £0.6m (2008: £0.7m).

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

The Group operates a defined contribution scheme for employees in the US, where the Group is required to match employee contributions up to a certain level in accordance with the scheme rules. The total US pension charge for the year was £2.1m (2008: £2.4m).

In Australia there is a defined contribution scheme where the Group is required to ensure that a prescribed level of superannuation support of an employee's notional base earnings is made. This prescribed level of support is currently 9% (2008: 9%). The total Australian pension charge for the year was £1.9m (2008: £1.8m).

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

| | The Keller Group Pension Scheme (UK) Year ended 31 December 2009 £m | The Keller Group Pension Scheme (UK) Year ended 31 December 2008 £m | German and Austrian Schemes Year ended 31 December 2009 £m | German and Austrian Schemes Year ended 31 December 2008 £m |
|---|--|---|---|--|
| Present value of the scheme liabilities | (36.4) | (28.6) | (11.6) | (11.3) |
| Present value of assets | 27.8 | 26.3 | – | – |
| Deficit in the scheme | (8.6) | (2.3) | (11.6) | (11.3) |

| | 31 December 2009 % | 31 December 2008 % | 31 December 2009 % | 31 December 2008 % |
|---|-----------------------------------|--------------------------|-----------------------------------|--------------------------|
| The value of the scheme liabilities has been determined by the actuary using the following assumptions: | | | | |
| Discount rate | 5.7 | 6.7 | 5.3 | 6.0 |
| Expected return on scheme assets | 5.1 | 5.2 | n/a | n/a |
| Rate of increase in salaries | n/a | n/a | – | – |
| Rate of increase in pensions in payment | 3.5 | 3.1 | 1.5 | 1.5 |
| Rate of increase in pensions in deferment | 3.5 | 3.1 | 1.5 | 1.5 |
| Rate of inflation | 3.5 | 3.1 | 1.5 | 1.5 |
| Mortality table: | | | | |
| Pensioners | ** | ** | * | * |
| Non-pensioners | ** | ** | * | * |

* Richttafeln 2005 G.

** 130% PNA00 mc min 1%

| | Value as at 31 December 2009 £m | Value as at 31 December 2008 £m | Value as at 31 December 2009 £m | Value as at 31 December 2008 £m |
|--|--|--|--|--|
| The assets of the schemes were as follows: | | | | |
| Equities | 18.6 | 16.4 | n/a | n/a |
| Bonds | 9.2 | 9.9 | n/a | n/a |
| | 27.8 | 26.3 | n/a | n/a |

Notes to the consolidated financial statements

Continued

| | The Keller Group Pension Scheme (UK) Year ended 31 December 2009 £m | The Keller Group Pension Scheme (UK) Year ended 31 December 2008 £m | German and Austrian Schemes Year ended 31 December 2009 £m | German and Austrian Schemes Year ended 31 December 2008 £m |
|--|---|---|--|--|
| 30 Retirement benefit liabilities continued | | | | |
| Changes in scheme liabilities | | | | |
| Opening balance | (28.6) | (31.4) | (11.3) | (9.3) |
| Current service cost | - | - | (0.8) | (0.4) |
| Interest cost | (1.9) | (1.8) | (0.5) | (0.3) |
| Benefits paid | 1.2 | 0.9 | 0.8 | 0.8 |
| Exchange differences | - | - | 0.8 | (2.8) |
| Actuarial (losses)/gains | (7.1) | 3.7 | (0.6) | 0.7 |
| Closing balance | (36.4) | (28.6) | (11.6) | (11.3) |
| Changes in scheme assets | | | | |
| Opening balance | 26.3 | 26.8 | - | - |
| Expected return on scheme assets | 1.4 | 1.7 | - | - |
| Employer contributions | 1.5 | 1.4 | - | - |
| Benefits paid | (1.2) | (0.9) | - | - |
| Actuarial losses | (0.2) | (2.7) | - | - |
| Closing balance | 27.8 | 26.3 | - | - |
| Actual return on scheme assets | (0.1) | (1.0) | - | - |
| Statement of comprehensive income (SOCl) | | | | |
| Actuarial losses from assets | (0.2) | (2.7) | - | - |
| Actuarial (losses)/gains from liabilities | (7.1) | 3.7 | (0.6) | 0.7 |
| Net actuarial (losses)/gains | (7.3) | 1.0 | (0.6) | 0.7 |
| Cumulative actuarial losses | (12.3) | (5.0) | (0.6) | - |
| Expense/(income) recognised in the income statement | | | | |
| Current service cost | - | - | 0.8 | 0.4 |
| Operating costs | - | - | 0.8 | 0.4 |
| Interest cost | 1.9 | 1.8 | 0.5 | 0.3 |
| Expected return on assets | (1.4) | (1.7) | - | - |
| Expense recognised in the income statement | 0.5 | 0.1 | 1.3 | 0.7 |
| Movements in the balance sheet liability | | | | |
| Net liability at start of year | 2.3 | 4.6 | 11.3 | 9.3 |
| Expense recognised in the income statement | 0.5 | 0.1 | 1.3 | 0.7 |
| Contributions | (1.5) | (1.4) | - | - |
| Benefits paid | - | - | (0.8) | (0.8) |
| Exchange differences | - | - | (0.8) | 2.8 |
| Actuarial losses/(gains) recognised in SOCl | 7.3 | (1.0) | 0.6 | (0.7) |
| Net liability at end of year | 8.6 | 2.3 | 11.6 | 11.3 |

The expected return on the average value of the assets over the year was calculated using the long-term average rate of return expected over the remaining term of the scheme's liabilities. The contributions expected to be paid during 2010 are £1.5m.

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

| | 2009 £m | 2008 £m | 2007 £m | 2006 £m | 2005 £m |
|--|------------|------------|------------|------------|------------|
| Present value of defined benefit obligations | (48.0) | (39.9) | (40.7) | (41.4) | (40.3) |
| Fair value of scheme assets | 27.8 | 26.3 | 26.8 | 25.7 | 19.8 |
| Deficit in the schemes | (20.2) | (13.6) | (13.9) | (15.7) | (20.5) |
| Experience adjustments on scheme liabilities | (7.7) | 4.4 | 2.8 | (0.3) | (7.7) |
| Experience adjustments on scheme assets | (0.2) | (2.7) | (0.8) | 0.2 | 1.8 |

Company balance sheet

as at 31 December 2009

| | Note | 2009 £m | 2008 £m |
|---|------|--------------|------------|
| Fixed assets | | | |
| Tangible fixed assets | 4 | 0.2 | 0.2 |
| Investments | 5 | 120.0 | 119.8 |
| Deferred tax assets | 6 | 2.9 | 2.6 |
| | | 123.1 | 122.6 |
| Current assets | | | |
| Debtors* | 7 | 235.1 | 244.4 |
| Creditors: amounts falling due within one year | 8 | (5.5) | (22.9) |
| Net current assets* | | 229.6 | 221.5 |
| Total assets less current liabilities | | 352.7 | 344.1 |
| Creditors: amounts falling due after more than one year | 9 | (127.5) | (139.5) |
| Retirement benefits | 14 | (1.0) | (0.3) |
| Net assets | | 224.2 | 204.3 |
| Capital and reserves | | | |
| Called up share capital | 10 | 6.6 | 6.6 |
| Share premium account | 12 | 38.0 | 37.6 |
| Capital redemption reserve | 12 | 7.6 | 7.6 |
| Profit and loss account | 12 | 172.0 | 152.5 |
| Shareholders' funds | 11 | 224.2 | 204.3 |

* Debtors and net current assets include debtors recoverable after more than one year of £233.1m (2008: £233.8m).

These financial statements were approved by the Board of Directors and authorised for issue on 2 March 2010.
They were signed on its behalf by:

R A Franklin Chairman
J W G Hind Finance Director

Notes to the Company financial statements

1 Significant accounting policies

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

The Company has taken the exception granted under SI 2005/2417 not to disclose non-audit fees paid to its auditors. The following accounting policies have been applied consistently. The principal accounting policies adopted under UK GAAP are the same as the Group's accounting policies under International Financial Reporting Standards except for those listed below:

a) Basis of accounting

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

b) Retirement benefits

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

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

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

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

c) Investments

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

d) Deferred taxation

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

e) Tangible fixed assets

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

2 Employees

The Company has no employees other than the Directors. Directors' remuneration and details of their share-based payments are disclosed in the Directors' Remuneration Report on pages 34 to 39.

3 Dividends paid

Ordinary dividends paid on equity shares are disclosed in note 11 to the consolidated financial statements.

| 4 Tangible fixed assets | Leasehold improvements £m | Total £m |
|---|---------------------------------|---------------------|
| Cost | | |
| At 1 January 2009 and 31 December 2009 | 0.3 | 0.3 |
| Accumulated depreciation | | |
| At 1 January 2009 and 31 December 2009 | (0.1) | (0.1) |
| Carrying amount | | |
| At 1 January 2009 and 31 December 2009 | 0.2 | 0.2 |

5 Investments

The Company's principal investments are disclosed in note 16 to the consolidated financial statements.

6 Deferred tax

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

| | Unrelieved losses £m | Other timing differences £m | Total £m |
|--|----------------------------|--------------------------------------|---------------------|
| At 1 January 2009 | 2.2 | 0.4 | 2.6 |
| Credit/(charge) to the profit and loss account | 0.6 | (0.3) | 0.3 |
| At 31 December 2009 | 2.8 | 0.1 | 2.9 |

7 Debtors

| | 2009 £m | 2008 £m |
|---|--------------------|------------|
| Amounts owed by subsidiary undertakings | 231.5 | 239.0 |
| Other debtors | 3.6 | 5.4 |
| | 235.1 | 244.4 |
| Included in the above are amounts falling due after more than one year in respect of: | | |
| Amounts owed by subsidiary undertakings | 230.1 | 228.5 |
| Other debtors | 3.0 | 5.3 |
| | 233.1 | 233.8 |

Notes to the Company financial statements

Continued

| 8 Creditors: amounts falling due within one year | 2009 £m | 2008 £m |
|---|--------------------|------------|
| Overdrafts | 0.6 | 2.4 |
| Amounts owed to subsidiary undertakings | 1.1 | 16.4 |
| Other creditors | 3.1 | 3.4 |
| Accruals | 0.7 | 0.7 |
| | 5.5 | 22.9 |

| 9 Creditors: amounts falling due after more than one year | 2009 £m | 2008 £m |
|--|--------------------|------------|
| Bank loans | 21.7 | 26.8 |
| Other loans | 66.4 | 76.0 |
| Other creditors | 17.3 | 27.7 |
| Amounts owed to subsidiary undertakings | 22.1 | 9.0 |
| | 127.5 | 139.5 |

Bank and other loans are repayable as follows:

| | | |
|----------------------------|-------------|-------|
| Between two and five years | 41.4 | 48.7 |
| In five years or more | 46.7 | 54.1 |
| | 88.1 | 102.8 |

The Company had unutilised committed banking facilities of £82.7m at 31 December 2009 (2008: £78.4m). These comprise the unutilised portion of the Company's £80m revolving credit facility which expires in June 2011 and the Group's £65m facility which expires in July 2010. The £65m facility was unutilised at 31 December 2009.

10 Share capital

Details of the Company's share capital are given in note 25 to the consolidated financial statements.

| 11 Reconciliation of movements in shareholders' funds | 2009 £m | 2008 £m |
|--|--------------------|------------|
| Profit for the financial year | 35.0 | 27.9 |
| Actuarial (losses)/gains on defined benefit pension scheme (net of deferred tax) | (0.9) | 0.1 |
| Dividends | (13.5) | (12.3) |
| Issue of new shares | 0.4 | – |
| Share-based payments | 0.5 | 1.3 |
| Shares repurchased | (1.6) | (17.5) |
| Net movements in shareholders' funds | 19.9 | (0.5) |
| Shareholders' funds at 1 January | 204.3 | 204.8 |
| Shareholders' funds at 31 December | 224.2 | 204.3 |

All shares issued relate to share options that were exercised.

| 12 Reserves | Share premium account £m | Capital redemption reserve £m | Profit and loss account £m | Total £m |
|--|-----------------------------------|--|-------------------------------------|---------------------|
| At 1 January 2009 | 37.6 | 7.6 | 152.5 | 197.7 |
| Profit for the financial year | – | – | 35.0 | 35.0 |
| Actuarial loss on defined benefit pension scheme (net of deferred tax) | – | – | (0.9) | (0.9) |
| Dividends | – | – | (13.5) | (13.5) |
| Issue of new shares | 0.4 | – | – | 0.4 |
| Share-based payments | – | – | 0.5 | 0.5 |
| Shares repurchased | – | – | (1.6) | (1.6) |
| At 31 December 2009 | 38.0 | 7.6 | 172.0 | 217.6 |

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

13 Share-based payments

Details of the Company's share option plans are given in note 29 to the consolidated financial statements.

14 Retirement benefit schemes

In the UK, the Company participates in the Keller Group Pension Scheme, a defined benefit scheme, details of which are given in note 31 to the consolidated financial statements. The Company's share of the present value of the assets of the scheme at the date of the last actuarial valuation on 5 April 2008 was £4.3m and the actuarial valuation showed a funding level of 77%. The next actuarial valuation will be carried out as at 5 April 2011.

Details of the actuarial methods and assumptions, as well as steps taken to address the deficit in the scheme, are given in note 30 to the consolidated financial statements.

There were no contributions outstanding in respect of the defined contribution schemes at 31 December 2009 (2008: £nil).

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

| | 2009 £m | 2008 £m |
|---|--------------------|------------|
| Present value of the scheme liabilities | (5.8) | (4.6) |
| Present value of assets | 4.4 | 4.2 |
| Deficit in the scheme | (1.4) | (0.4) |
| Related deferred tax asset at 28% (2008: 28%) | 0.4 | 0.1 |
| Net pension liability | (1.0) | (0.3) |
| | | |
| The assets of the scheme were as follows: | 2009 £m | 2008 £m |
| Equities | 3.0 | 2.6 |
| Bonds | 1.4 | 1.6 |
| | 4.4 | 4.2 |

Notes to the Company financial statements

Continued

| 14 Retirement benefit schemes continued | 2009 £m | 2008 £m |
|---|------------|------------|
| Changes in scheme liabilities | | |
| Opening balance | (4.6) | (5.0) |
| Interest cost | (0.3) | (0.3) |
| Benefits paid | 0.2 | 0.1 |
| Actuarial (losses)/gains | (1.1) | 0.6 |
| Closing balance | (5.8) | (4.6) |
| Changes in scheme assets | | |
| Opening balance | 4.2 | 4.3 |
| Expected return on scheme assets | 0.2 | 0.2 |
| Employer contributions | 0.3 | 0.2 |
| Benefits paid | (0.2) | (0.1) |
| Actuarial losses | (0.1) | (0.4) |
| Closing balance | 4.4 | 4.2 |
| Actual return on scheme assets | - | (0.2) |
| Statement of total recognised gains and losses (STRGL) | | |
| Actuarial losses from assets | (0.1) | (0.4) |
| Actuarial (losses)/gains from liabilities | (1.1) | 0.6 |
| Net actuarial gains | (1.2) | 0.2 |
| Cumulative actuarial losses | (1.2) | - |
| Expense recognised in the profit and loss account | | |
| Interest cost | 0.3 | 0.3 |
| Expected return on assets | (0.2) | (0.2) |
| Expense recognised in the profit and loss account | 0.1 | 0.1 |
| Movements in the balance sheet liability | | |
| Net liability at start of year | 0.4 | 0.7 |
| Expense recognised in the profit and loss account | 0.1 | 0.1 |
| Contributions | (0.3) | (0.2) |
| Actuarial losses/(gains) recognised in STRGL | 1.2 | (0.2) |
| Net liability at end of year | 1.4 | 0.4 |

The expected return on the average value of the assets over the year was calculated using the long-term average rate of return expected over the remaining term of the scheme's liabilities. The contributions expected to be paid during 2010 are £0.2m.

| The history of experience adjustments on scheme assets and liabilities is as follows: | 2009 £m | 2008 £m | 2007 £m | 2006 £m | 2005 £m |
|---|------------|------------|------------|------------|------------|
| Present value of defined benefit obligations | (5.8) | (4.6) | (5.0) | (5.2) | (5.1) |
| Fair value of scheme assets | 4.4 | 4.2 | 4.3 | 4.1 | 3.2 |
| Deficit in the scheme | (1.4) | (0.4) | (0.7) | (1.1) | (1.9) |
| Experience adjustments on scheme liabilities | (1.1) | 0.6 | 0.3 | - | 1.7 |
| Experience adjustments on scheme assets | (0.1) | (0.4) | (0.1) | - | (1.7) |

Financial record

| | 2005 £m | 2006 £m | 2007 £m | 2008 £m | 2009 £m |
|---|------------|------------|------------|------------|----------------|
| Consolidated Income Statement | | | | | |
| Continuing operations | | | | | |
| Revenue | 685.2 | 857.7 | 955.1 | 1,196.6 | 1,037.9 |
| Operating profit before amortisation of intangible assets | 55.4 | 91.7 | 108.4 | 120.1 | 78.8 |
| Amortisation of intangible assets | (0.1) | (2.4) | (1.0) | (0.7) | (1.5) |
| Operating profit | 55.3 | 89.3 | 107.4 | 119.4 | 77.3 |
| Finance income | 1.2 | 1.9 | 2.5 | 2.0 | 3.7 |
| Finance costs | (5.8) | (7.5) | (6.7) | (8.2) | (6.3) |
| Profit before taxation | 50.7 | 83.7 | 103.2 | 113.2 | 74.7 |
| Taxation – underlying | (20.4) | (30.7) | (35.9) | (35.9) | (22.6) |
| Taxation – one-off tax credit | – | 3.8 | – | – | – |
| Profit for the period from continuing operations | 30.3 | 56.8 | 67.3 | 77.3 | 52.1 |
| Discontinued operation | | | | | |
| Profit/(loss) from discontinued operation net of taxation | (1.3) | – | (10.5) | (1.7) | – |
| Profit for the period | 29.0 | 56.8 | 56.8 | 75.6 | 52.1 |
| Attributable to: | | | | | |
| Equity holders of the parent | 27.3 | 55.7 | 54.0 | 70.8 | 50.4 |
| Equity minority interests | 1.7 | 1.1 | 2.8 | 4.8 | 1.7 |
| | 29.0 | 56.8 | 56.8 | 75.6 | 52.1 |
| Consolidated Balance Sheet | | | | | |
| Property, plant and equipment | 90.4 | 114.6 | 155.8 | 254.7 | 264.4 |
| Intangible and other non-current assets | 55.7 | 66.3 | 94.5 | 124.3 | 131.8 |
| Other net operating assets | 49.7 | 52.9 | 50.2 | 89.0 | 79.3 |
| Net debt | (40.9) | (38.6) | (54.5) | (84.6) | (78.8) |
| Other net liabilities | (37.7) | (36.1) | (34.5) | (80.8) | (73.4) |
| Net assets | 117.2 | 159.1 | 211.5 | 302.6 | 323.3 |
| Minority interests | (6.1) | (6.7) | (9.2) | (12.9) | (10.6) |
| Equity attributable to equity holders of the parent | 111.1 | 152.4 | 202.3 | 289.7 | 312.7 |

Notice of Annual General Meeting

Notice is hereby given that the 2010 annual general meeting of Keller Group plc (incorporated and registered in England and Wales with company number 02442580) (the "Company") will be held at the offices of RBS Hoare Govett Limited, 250 Bishopsgate, London EC2M 4AA on 17 May 2010 at 11.00 am for the following purposes:

To consider and, if thought fit, to pass the following resolutions of which resolutions 1-5 inclusive and 7 will be proposed as ordinary resolutions and resolutions 6 and 8-10 inclusive will be proposed as special resolutions. In accordance with the Company's articles of association, resolutions 1, 3-5 inclusive and 7-9 inclusive shall be ordinary business and resolutions 2, 6 and 10 shall be special business.

1. To receive the Company's annual accounts for the year ended 31 December 2009, together with the reports of the directors of the Company ("Directors") and the auditors thereon.
2. To approve the report on Directors' remuneration for the year ended 31 December 2009.
3. To re-elect as a Director Mr James Hind, who retires by rotation.
4. To re-elect as a Director Dr Wolfgang Sondermann, who retires by rotation.
5. To re-appoint KPMG Audit Plc as auditors of the Company and to authorise the Directors to fix their remuneration.
6. THAT:
 - (i) the articles of association of the Company be amended by deleting all the provisions of the Company's memorandum of association which, by virtue of section 28 of the Companies Act 2006 (the "Act"), are to be treated as provisions of the Company's articles of association; and
 - (ii) the articles of association produced to the meeting and initialled by the Chairman for the purpose of identification be adopted as the new articles of association of the Company in substitution for, and to the exclusion of, the existing articles of association.
7. THAT the Directors be and are hereby generally and unconditionally authorised in accordance with section 551 of the Act to exercise all the powers of the Company to allot Relevant Securities:
 - (i) comprising equity securities (as defined in section 560(1) of the Act) up to an aggregate nominal amount of £4,431,549 (such amount to be reduced by the aggregate nominal amount of Relevant Securities allotted pursuant to paragraph (ii) of this resolution) in connection with a rights issue (as defined in the Listing Rules published by the Financial Services Authority):
 - (a) to holders of ordinary shares in the capital of the Company in proportion (as nearly as practicable) to the respective numbers of ordinary shares held by them; and
 - (b) to holders of other equity securities in the capital of the Company, as required by the rights of those securities or, subject to such rights, as the Directors otherwise consider necessary,

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

- (ii) otherwise than pursuant to paragraph (i) of this resolution, up to an aggregate nominal amount of £2,215,774 (such amount to be reduced by the aggregate nominal amount of Relevant Securities allotted pursuant to paragraph (i) of this resolution in excess of £2,215,774,

provided that (unless previously revoked, varied or renewed) these authorities shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution or on 17 August 2011 (whichever is the earlier), save that, in each case, the Company shall be entitled to make any offer or agreement before the expiry of the authority which would or might require Relevant Securities to be allotted after such expiry and the Directors shall be entitled to allot Relevant Securities pursuant to any such offer or agreement as if the authority had not expired.

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

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

8. THAT, subject to the passing of resolution 7 above, the Directors be and are hereby generally empowered pursuant to section 570 and section 573 of the Act to allot equity securities (within the meaning of section 560 of the Act) for cash and to sell ordinary shares held by the Company as treasury shares for cash pursuant to the authorities conferred by resolution 7 as if section 561(1) of the Act did not apply to any such allotment or sale, provided that this power shall be limited to:
 - (i) in respect of the authority conferred by resolution 7(i), the allotment of equity securities or sale of treasury shares in connection with a rights issue (as defined in the Listing Rules published by the Financial Services Authority):
 - (a) to holders of ordinary shares in the capital of the Company in proportion (as nearly as practicable) to the respective numbers of ordinary shares held by them; and
 - (b) to holders of other equity securities in the capital of the Company, as required by the rights of those securities or, subject to such rights, as the Directors otherwise consider necessary,

but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates or any legal or practical problems under the laws of any territory or the requirements of any regulatory body or stock exchange; and
 - (ii) the allotment of equity securities (whether by way of a rights issue, open offer or otherwise) or sale of treasury shares pursuant to the authority granted by paragraph (ii) of resolution 7 (in each case, otherwise than pursuant to paragraph (i) of this resolution) up to an aggregate nominal amount of £332,366;

and (unless previously revoked, varied or renewed) this authority shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution or on 17 August 2011 (whichever is the earlier), save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted (or treasury shares to be sold) for cash after such expiry and the Directors may allot equity securities or sell treasury shares for cash pursuant to any such offer or agreement as if the power conferred hereby had not expired.

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

9. THAT, pursuant to section 701 of the Act, the Company be and is hereby granted general and unconditional authority to make market purchases (within the meaning of Section 693(4) of the Act) of up to in aggregate 6,647,324 of its own ordinary shares of 10p each in the capital of the Company ("Ordinary Shares") (representing 10% of the Company's issued Ordinary Share capital at the date of this notice) provided that:

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

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

10. THAT a general meeting of the Company (other than an annual general meeting) may be called on not less than 14 days' notice.

By order of the Board
Jackie Holman
Secretary
2 March 2010

Registered office:
Capital House, 25 Chapel Street
London NW1 5DH

Notes

1. Resolution 1 – Accounts and reports

A public company is required to lay its annual accounts and report at a general meeting under the Companies Act 2006 (the "Act"). The accounts, the report of the directors and the report of the Company's auditors on the accounts are contained within the annual report and accounts.

2. Resolution 2 – Directors' remuneration

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

3. Resolutions 3 and 4 – Re-election of Directors

The Company's articles of association require that at every annual general meeting one third of the Directors who are subject to retirement by rotation or, if their number is not three or a multiple of three, the number nearest to but not exceeding one-third shall retire from office. Mr James Hind and Dr Wolfgang Sondermann will retire by rotation and offer themselves for re-election. Dr Kevin Bond, who has now served for nine years as a Director, will also retire by rotation, but will not stand for re-election.

4. Resolution 5 – Re-appointment of auditors and auditors' remuneration

Under the Act, the auditors of a company must be re-appointed at each general meeting at which accounts are presented. Resolution 5 proposes the re-appointment of the Company's existing auditors, KPMG Audit Plc, for a further year. Under the Act, the remuneration of an auditor must be fixed by the shareholders by ordinary resolution or in such manner as the shareholders by ordinary resolution determine. Resolution 5 gives authority to the Directors to determine the auditors' remuneration.

5. Resolution 6 – Adoption of new articles of association of the Company

This resolution proposes that new articles of association ("New Articles") of the Company be adopted in order to update the Company's existing articles of association ("Existing Articles") primarily to take account of the implementation of the last parts of the Act. In addition to reflecting the provisions of the Act, the New Articles also contain a number of changes that generally update the Existing Articles bringing the provisions into line with market practice and otherwise modernising the language. The proposed New Articles, together with a comparison document which shows the changes made to the Existing Articles, are available for inspection on the Company's website (www.keller.co.uk).

The key changes introduced by the New Articles are set out below. Other changes, which are of a minor, technical or clarifying nature and also some more minor changes which merely reflect changes made by the 2006 Act or conform the language of the New Articles with that used in the model articles for public companies produced by the Department for Business, Innovation and Skills, have not been noted below.

(1) Memorandum of association

The provisions regulating the operations of the Company are currently set out in the Company's Memorandum of Association (the "Memorandum") and in the Existing Articles. The Memorandum contains, among other things, the objects clause which sets out the scope of the activities the Company is authorised to undertake.

The Act significantly reduces the constitutional significance of a company's memorandum. The Act provides that a memorandum will only record the names of the subscribers and the number of

Notice of Annual General Meeting

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shares each subscriber has agreed to take in a company. Under the Act the objects clause and all other provisions which are contained in a company's memorandum for existing companies at 1 October 2009, are deemed to be contained in a company's articles of association, although a company can remove these provisions by special resolution. Further, the Act states that unless a company's articles provide otherwise, a company's objects are unrestricted. This abolishes the need for companies to have objects clauses. For this reason the Company is proposing to remove its objects clause together with all other provisions of the Memorandum which, by virtue of the Act, would be treated as forming part of the New Articles. Resolution 6(i) confirms the removal of these provisions for the Company.

As the effect of this resolution will be to remove the statement currently in the Memorandum regarding limited liability, the New Articles also contain an express statement regarding the limited liability of the shareholders of the Company.

(2) Authorised share capital

The concept of authorised share capital has been abolished by the Act. References to "authorised share capital" and "unissued shares" have therefore been deleted in the New Articles.

(3) Redeemable shares

Under the Companies Act 1985 (the "1985 Act"), if a company wished to issue redeemable shares it had to include in its articles the terms and manner of redemption. Section 685 of the Act enables directors to determine such matters instead provided they are so authorised by the articles of a company. Article 5 of the New Articles now provides such an authorisation.

(4) Authority to purchase own shares, consolidate and sub-divide shares, and reduce share capital

Under the 1985 Act, a company required specific enabling provisions in its articles to purchase its own shares, to consolidate or sub-divide its shares and to reduce its share capital or other undistributable reserves as well as shareholder authority to undertake the relevant action. The Existing Articles include these enabling provisions. Under the Act a company will only require shareholder authority to do any of these things and it is no longer necessary for a company's articles to contain enabling provisions. Such provisions have therefore been deleted (for example, articles 52, 53 and 56 of the New Articles have been deleted).

(5) Fractions

Article 50 of the New Articles provides that where any member's entitlement to net proceeds of sale of fractional entitlements is less than £5.00, such proceeds may be paid to the Company or distributed to a charity. The reference to distribution of the proceeds to a charity is a new provision contained in the New Articles.

(6) Transfer of shares

The Act provides that if the directors of a company refuse to register a transfer of shares then, in addition to sending the purported transferee notice of refusal, the directors must also give reasons for the refusal and any further information about such reasons that the purported transferee may reasonably request. The New Articles have therefore been amended in this regard.

(7) Uncertificated securities

The Act contains a power to make regulations relating to uncertificated shares, which envisages replacement of the Uncertificated Securities Regulations 2001. References to the "Regulations" have therefore been deleted in the New Articles and a generic description of the rules relating to uncertificated securities has been included.

(8) Registration of share allotments and transfers

Sections 115(2) and 554 of the Act require that share allotments and transfers are registered as soon as practicable. The last sentence of article 39 of the Existing Articles together with article 41 in its entirety have therefore been deleted.

(9) Requirement to hold an annual general meeting

Under section 336 of the Act, a public company is required to hold its annual general meeting within six months of the end of the financial year, to coincide with reduced filing periods for a public company's accounts. Rather than set this out (currently article 57 in the Existing Articles), the New Articles are silent so that the default position set out in section 336 of the Act now applies.

(10) General meetings: notice periods

- (i) Section 307(2) of the Act provides that annual general meetings of public companies require 21 clear days' notice and all other general meetings require 14 clear days' notice. The articles may specify longer periods of notice, and in the Existing Articles this is 20 working days' notice for annual general meetings and 14 clear days' notice for other general meetings (article 60 of the Existing Articles). This article has been deleted so that the default position set out in section 307(2) of the Act now applies.
- (ii) See note 8 below regarding resolution 10, which is required in order for the Company to call a meeting other than an annual general meeting on 14 clear days' notice.

(11) General meetings: consent to short notice

Sections 307(4) – (6) and section 337(2) of the Act provide that for a public company annual general meeting to be held on short notice, all members entitled to attend and vote must agree. For any other public company general meeting the default position for consent to short notice is a majority in number of the members who together hold not less than 95 per cent. in nominal value of the shares carrying the right to attend and vote (excluding treasury shares). Practice is for articles to be silent on this. Therefore, Article 62 of the Existing Articles has been deleted.

(12) General meetings: contents of notice

Sections 311, 325 and 327 of the Act (in relation to annual general meetings) specify what must be contained in a notice of general meeting. Practice is to delete the equivalent provisions to avoid duplication. Article 60.1 of the Existing Articles has therefore been deleted.

(13) Special business at an annual general meeting

It is no longer necessary to specify what may or may not be special business at an annual general meeting. Accordingly, article 66 of the Existing Articles has been deleted.

(14) Borrowing powers

The articles have been updated to include reference to IFRS terminology (for example, article 112 in the New Articles refers to "retained earnings" rather than "profit and loss account").

(15) Vacation of office by director

The articles have been updated to reflect the slightly different provisions in the model articles for public companies which apply when the office of a director is vacated by reason of ill health (see article 117 in the New Articles).

(16) Notice of board meetings

In certain circumstances it is not necessary under the Existing Articles for a Director to receive notice of board meetings if he is absent from the United Kingdom. This provision has been removed as modern communications mean that there may be no particular obstacle to giving notice to a Director who is abroad.

(17) Use of seals

A company previously required authority in its articles to have an official seal for use abroad but since 1 October 2009 such authority is no longer required. Accordingly, the relevant authorisation has been removed in the New Articles.

The New Articles provide an alternative option for execution of documents (other than share certificates). Under the New Articles, when the seal is affixed to a document it may be signed by any person authorised by the Directors for that purpose whereas previously the requirement was for signature by either one Director and the Company secretary or by two Directors.

(18) Electronic communications

The Existing Articles already contain provisions relating to electronic communications but a number of small refinements have been made to ensure that the New Articles are in line with the current terminology.

6. Resolutions 7 and 8 – Authority to allot shares and disapplication of pre-emption rights

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

Under resolution 7(i), the Directors will be able to issue new shares up to a nominal amount of £4,431,549, which is equal to approximately two-thirds of the Company's issued ordinary share capital as at 2 March 2010, to existing shareholders in proportion to their holdings in connection with a rights issue (as defined in the Listing Rules published by the Financial Services Authority). This amount shall be reduced to the extent that any shares are allotted under the authority granted by resolution 7(ii).

Additionally, resolution 7(ii) will give the Directors the authority to issue shares up to a nominal amount of £2,215,774, which is equal to approximately one-third of the Company's issued ordinary share capital at 2 March 2010. This amount shall be reduced to the extent that any shares are allotted pursuant to the authority granted by resolution 7(i) in excess of £2,215,774.

Under resolution 8(i), the Directors will be able to issue shares for cash, other than to existing shareholders in proportion to their existing holdings, in connection with a rights issue (as defined in the Listing Rules published by the Financial Services Authority).

Under resolution 8(ii), the Directors will be able to issue shares for cash, other than to existing shareholders in proportion to their existing holdings, up to a maximum nominal amount of £332,366, representing approximately 5% of the Company's issued ordinary share capital at 2 March 2010. This is intended to ensure that existing shareholders are provided with an element of protection.

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

The authority sought by resolutions 7 and 8 will expire at the conclusion of the next annual general meeting following the passing of these resolutions, but could be varied or withdrawn by agreement of shareholders at an intervening general meeting.

7. Resolution 9 – Purchase of the Company's own shares

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

8. Resolution 10 – Calling a general meeting on 14 days' notice

This resolution is intended to allow the Company to take advantage of an opt-out in the EU Shareholder Rights Directive (Directive 2007/36/EC), which will allow the Company to retain a 14-day notice period for Company meetings other than annual general meetings. Under the Directive, listed companies must provide 21 days' notice of a general meeting, unless the Company offers the facility for shareholders to vote by electronic means that is accessible to all shareholders, and shareholders have approved the holding of general meetings on 14 clear days' notice. Passing resolution 10 will mean that the Company can call a meeting other than an annual general meeting on 14 clear days' notice, provided that it offers the facility for shareholders to vote by electronic means at any such meeting.

9. Record date

Only those shareholders registered in the register of members of the Company as at 6.00 pm on 15 May 2010 or, in the event that the meeting is adjourned, in the register of members as at 6.00 pm on the date that is two days before the time of any adjourned meeting, shall be entitled to attend or vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries in the register of members after 6.00 pm on 15 May 2010 or, in the event that the meeting is adjourned, after 6.00 pm on the date that is two days before the time of any adjourned meeting shall be disregarded in determining the rights of any person to attend or vote at the meeting.

10. Proxies

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

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Ordinary Shares of which he is the holder. All forms of proxy should be returned together in the same envelope. Shareholders can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form. The right of a shareholder under section 324 of the Act to appoint a proxy does not apply to a person nominated to enjoy information rights under section 146 of the Act.

10b A form of proxy is enclosed. To be valid, it must be completed, signed and sent to the offices of the Company's registrars, Equiniti Limited, at Aspect House, Spencer Road, Lancing, West Sussex BN99 6ZL so as to arrive no later than 11.00 am on 15 May 2010 (or, in the event that the meeting is adjourned, no later than 48 hours before the time of any adjourned meeting).

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

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the issuer's agent ID RA19 by no later than 11.00 am on 15 May 2010. No such message received through the CREST network after this time will be accepted. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the registrars are able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

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

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

11. Nominated Persons

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

12. Multiple corporate representatives

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

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

13. Website publication of audit concerns

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

Any such request must:

- (a) identify the statement to which it relates, by either setting out the statement in full or, if supporting a statement requested by another shareholder, clearly identifying the statement which is being supported;
- (b) comply with the requirements set out in note 14 below; and
- (c) be received by the Company at least one week before the meeting.

Where the Company is required to publish such a statement on its website:

- (i) it may not require the shareholders making the request to pay any expenses incurred by the Company in complying with the request;
- (ii) it must forward the statement to the Company's auditors no later than the time when it makes the statement available on the website; and
- (iii) the statement may be dealt with as part of the business of the meeting.

14. Methods of making requests

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

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

15. Questions

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

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

16. Issued share capital

As at 2 March 2010, being the latest practicable date prior to the publication of this document, the Company's issued share capital consists of 66,473,235 Ordinary Shares, carrying one vote each. As the Company holds 2,229,750 Ordinary Shares in treasury, in respect of which it cannot exercise any votes, the total voting rights in the Company as at 2 March 2010 are 64,243,485.

17. Information available on the Company's website

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

18. Documents available for inspection

Copies of all the Directors' service contracts, letters of appointment or memoranda of the terms thereof; the register of interests of Directors in the share capital of the Company; the memorandum and the Existing Articles and proposed New Articles (together with a comparison document showing the changes between the two) will be available for inspection at the registered office of the Company during usual business hours on any weekday (Saturdays and public holidays excluded) from the date of this notice until the date of the annual general meeting and will be available for inspection at the place of the annual general meeting for at least 15 minutes prior to and during the meeting.

19. Communications with the Company

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

- (a) calling our shareholder helpline on 0871 600 3987; calls to this number are charged at 8p per minute from a BT landline; other telephony costs may vary. The Equiniti overseas helpline number is +44 121 415 7047; or
- (b) writing to the Company's Registrar at Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA

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

Directors' biographical details are set out on pages 30 and 31.

Principal offices

UK

Keller Foundations

Oxford Road
Ryton-on-Dunsmore
Coventry CV8 3EG
T 02476 511266
F 02476 305230

Keller Geotechnique

Thorpe Arch Trading Estate
Wetherby
West Yorkshire LS23 7FS
T 01937 541118
F 01937 541371

Phi Group

Harcourt House
Royal Crescent
Cheltenham GL50 3DA
T 01242 707 600
F 01242 254 342

Australia

Frankipile Australia Pty Ltd

Level 1
4 Burbank Place
Baulkham Hills
New South Wales 2153
T 612 8866 1100
F 612 8866 1101

Vibro-Pile (Aust.) Pty Ltd

540 Springvale Road
Glen Waverley
Mulgrave
Victoria 3170
T 613 9590 2600
F 613 9561 7189

Keller Ground Engineering Pty Ltd

Level 1
4 Burbank Place
Baulkham Hills
New South Wales 2153
T 612 8866 1155
F 612 8866 1151

Piling Contractors Pty Ltd

5 Jacque Court
PO Box 346
Lawnton
Queensland 4501
T 617 3285 5900
F 617 3285 5745

US

Hayward Baker Inc

1130 Annapolis Road
Odenton
Maryland 21113
T 1410 551 8200
F 1410 551 1900

Case Foundation Company

PO Box 40
1325 West Lake Street
Roselle
Illinois 60172
T 1630 529 2911
F 1630 529 2995

Suncoast Post-Tension L.P.

509 N. Sam Houston Pkway E
Suite 300
Houston
Texas 77060
T 1281 445 8886
F 1281 445 9633

McKinney Drilling Company

1130 Annapolis Road
Suite 103
Odenton
Maryland 21113
T 1410 874 1235
F 1410 551 1236

Anderson Drilling

10303 Channel Road
Lakeside
California 92040
T 1619 443 3891
F 1619 443 0724

H J Foundation Company

8275 NW 80 Street
Miami
Florida 33166
T 1305 592 8181

Continental Europe

Keller Grundbau GmbH

Kaiserleistrasse 44
D-63006 Offenbach
Germany
T 4969 80510
F 4969 8051244

Keller Fondations Spéciales

2 rue Denis Papin
CS 69224 Duttlenheim
67129 Molsheim Cedex
France
T 33 388 599200
F 33 388 599590

Keller Grundbau Ges.mbh

Mariahilfer Strasse 127a
A-1151 Vienna
Austria
T 431 8923526
F 431 8923711

Keller-Terra S.L.

Miguel Yuste, 45BIS
E-28037 Madrid
Spain
T 34 91 423 75 61
F 34 91 423 75 01

Keller Polska Sp. zo.o

ul. Poznańska 172
PL-05-850
Ozarów Mazowiecki
Poland
T 48 22 733 8270
F 48 22 733 8280

Middle East

Keller Turki Co. Ltd

Dammam 31421
PO Box 718
Saudi Arabia
T 966 3833 3997
F 966 3833 5325

Keller Grundbau GmbH

UAE Region
Office No. 407
Grosvenor Tower
Shaikh Zayed Road
PO Box 111323
Dubai, UAE
T 971 4329 8089
F 971 4329 8099

Asia

Keller (Malaysia) Sdn. Bhd.

B-5-10 Plaza Dwtasik
Bandar Sri Permaisuri
56000 Kuala Lumpur
Malaysia
T 603 91733198
F 603 91733196

Keller Foundations (SE Asia) Pte Ltd

18 Boon Lay Way
#04-103 Tradehub 21
Singapore 60 99 66
T 65 6316 8500
F 65 6316 8652

Resource Piling Pte Ltd

No. 1 Upper Aljunied Link
#06-02 Joo Seng Warehouse
Singapore 367901
T 65 6382 3400
F 65 6281 7720

Keller Ground Engineering India Pvt. Ltd

First Floor, Eastern Wing,
Economist House
S-15, First Cross Road
Industrial Estate
Guindy, Chennai – 600 032
India
T 91 44 2250 1850
F 91 44 2250 1852

Secretary and advisers

Company secretary

J F Holman

Registered office

Capital House
25 Chapel Street
London NW1 5DH

Registered number

2442580

Joint brokers

RBS Hoare Govett
250 Bishopsgate
London EC2M 4AA

Investec Investment Banking
2 Gresham Street
London EC2V 7QP

Auditors

KPMG Audit Plc
Chartered Accountants
8 Salisbury Square
London EC4Y 8BB

Principal bankers

Lloyds TSB Bank plc
25 Gresham Street
London EC2V 7HN

Legal advisers

DLA Piper UK LLP
3 Noble Street
London EC2V 7EE

Financial public relations advisers

Smithfield Consultants
10 Aldersgate Street
London EC1A 4HJ

Registrars

Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA

Keller Group plc
Capital House
25 Chapel Street
London NW1 5DH
T 020 7616 7575
www.keller.co.uk