

Keller Group plc
Annual Report
and Accounts 2011



Overview

- 02 Our businesses
- 03 Our services
- 04 Our business model
- 06 Principal risks and KPIs

Business Review

- 08 Chairman's statement
- 10 Operating review
 - North America
 - EMEA
 - Asia
 - Australia
- 15 Financial review
- 18 The Board
- 20 Social responsibility

Corporate Governance

- 27 Directors' report
- 29 Remuneration report
- 38 Corporate governance
- 43 Statement of Directors' responsibilities
- 44 Independent Auditor's report

Financial Statements

- 46 Consolidated financial statements
- 46 Consolidated income statement
- 46 Consolidated statement of comprehensive income
- 47 Consolidated balance sheet
- 48 Consolidated statement of changes in equity
- 49 Consolidated cash flow statement
- 50 Notes to the consolidated financial statements
- 72 Company financial statements
- 72 Company balance sheet
- 73 Notes to the Company financial statements
- 78 Financial record

Notice of Annual General Meeting

- 79 Notice of Annual General Meeting
- 84 Principal offices
- IBC Secretary and advisers

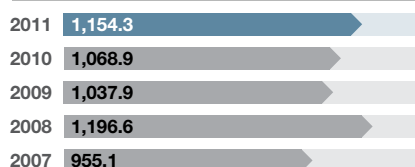
Keller Group plc

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

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

With over 6,000 employees and a combined turnover in excess of £1 billion, we have unrivalled coverage in Europe, North America and Australia and a growing presence in Asia and the Middle East.

Revenue from continuing operations £m



Operating profit from continuing operations £m*



Earnings per share from continuing operations pence*



* 2010 results are stated before goodwill impairment.

Our businesses

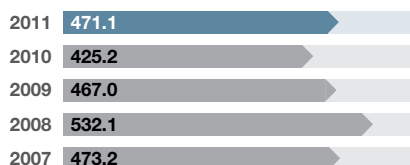
This overview of our four business areas reflects our new reporting structure from January 2012. The reasons for, and benefits of, changing the structure are explained on page 10 and you will find a segmental analysis of the results on both the old and new bases on pages 54 and 55.

North America

We are the market leader in **North America**, where we have had a market presence for over 25 years. Today, we operate from locations spanning the country. **Hayward Baker** offers extensive ground engineering solutions; **Case, McKinney** and **HJ** are heavy foundation specialists; and **Suncoast** provides post-tension cable systems. They are able to combine their expertise and resources to take on some of the country's most demanding projects.

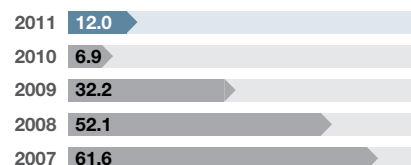
Revenue £m

£471.1m



Operating profit* £m

£12.0m



* 2010 results are stated before goodwill impairment.

EMEA

Our EMEA division has operations across **Europe**, the **Middle East** and **Africa**. Its results also include the contribution from our emerging business in Latin America. We operate as **Keller** in most regions, but also as **Phi Group** and **Colcrete-Eurodrill** in the UK, **LCM** in Sweden and **Boreta** in the Czech Republic. These businesses are supported by a facility in Germany, which designs and manufactures our specialist plant.

Revenue £m

£384.8m



Operating profit £m

£8.4m

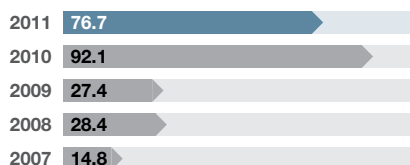


Asia

In recent years we have built up our presence in Asia, where we started life as a ground improvement specialist, but now offer a wide range of foundation services. We are well established in **Singapore**, **India** and **Malaysia**, with developing businesses in other parts of the Asean Region. In Asia we generally operate as **Keller**, although the **Resource Piling** name has been retained alongside the Keller brand in Singapore.

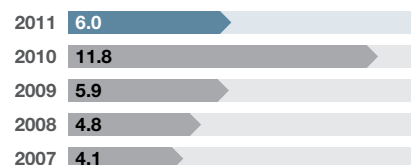
Revenue £m

£76.7m



Operating profit £m

£6.0m



Australia

Frankipile, Vibro-Pile and **Piling Contractors** offer a range of piling services. **Keller Ground Engineering** ("KGE") offers specialist ground improvement and geotechnical solutions. **Waterway Constructions** ("Waterway") specialises in foundations for, and the maintenance of, wharves, jetties and other marine structures. Although they specialise in different techniques, on very large projects they sometimes join forces, under the **Keller Australia** brand.

Revenue £m

£221.7m



Operating profit* £m

£6.7m

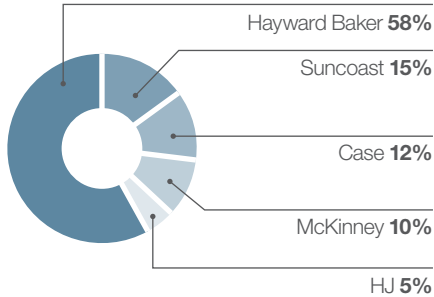


* 2010 results are stated before goodwill impairment.

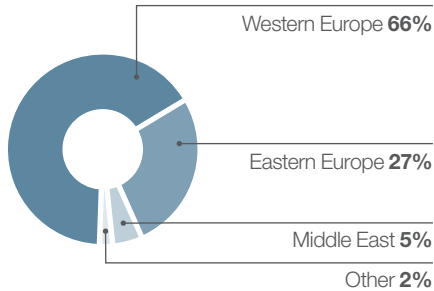
Our services

to find out more
please visit our website
www.keller.co.uk

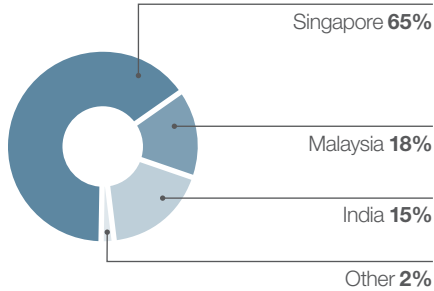
Revenue by business unit



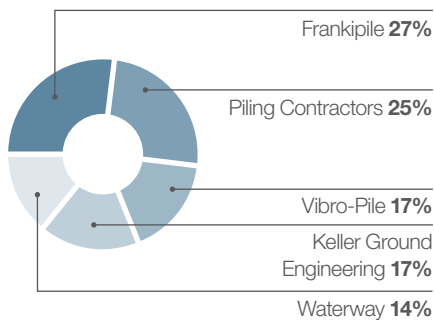
Revenue by region



Revenue by region



Revenue by business unit



Piling and earth retention

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

Specialty grouting

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

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

Anchors, nails and minipiles

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

Ground improvement

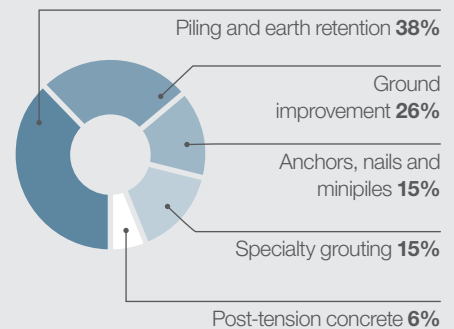
Ground improvement techniques are used to prepare the ground for new construction projects and to reduce the risk of liquefaction in areas of seismic activity.

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

Post-tension concrete

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

Approximate split of services



Our business model

Our strengths

This review of our 2011 performance reflects our key strengths, the combination of which sets us apart as a business:

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

Global Scale

International footprint and financial strength

Local Focus

Excellent service

Wide Range

Flexible and cost-effective technologies

Broad Base

Diverse customer base and end markets

Co-operation

Added value through working together

Shared Values

Performance delivered safely and with integrity

Deep Experience

Huge knowledge base

Growth Credentials

Organic and acquisition growth record

Strategy

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

Expansion

into new, higher growth geographic regions;

Acquisition and development

of new technologies and methods; and

Transfer of technologies

and methods within our current geographic regions.

Positioning

We value highly the customers in our day-to-day business and we constantly strive to meet their needs through the consistent execution of many small-to-medium sized contracts.

In addition, we will continue to grow our market share in 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.

Market drivers

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

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

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

Our markets and competition

Local

Competition

Local competition is highly fragmented comprising many small businesses, often family-owned, with limited equipment capacity and few (or single) product lines.

Types of project

Standard foundations for small to medium structures, where ground conditions are relatively straightforward.

Keller's advantage in this segment

Our regional structure and agile organisation enables us to compete with local players for small-to-medium sized contracts.

We typically work on around 5,000 contracts each year, of which around 85% have a value of less than £200,000.

National

(regional in larger countries such as the US and Australia)

Competition

In Europe, competition is often owned by general contractors. In the US and Australia, these services are usually outsourced. Independent national competitors tend to be privately owned.

Types of project

As local markets, plus foundations for larger structures and complex solutions for more difficult ground conditions.

Keller's advantage in this segment

We have a wide network of subsidiary companies and branch offices employing local people with knowledge of:

- national building codes
- local language and business culture
- local ground conditions.

International

Competition

Few competitors can claim to have a truly global capability, strong financial credentials and the ability to offer a full product range.

Types of project

Very large scale, requiring capacity or expertise which may not be available in-country. Often direct foreign investment, where funders or clients choose to use contractors with whom they have worked in other parts of the world.

Keller's advantage in this segment

- Largest independent operator with a global presence.
- Able to follow known customers into new geographic markets.
- Can pool resources and expertise from around the globe.

Principal risks and KPIs

Risk

Description

Market cycles

The Group's broad base helps to mitigate against the risk of downturn in our markets ▶

Whilst our business will always be subject to economic cycles, market risk is reduced by the diversity of our markets, both in terms of geography and market segment. It is also partially offset by opportunities for consolidation in our highly fragmented markets. Typically, even

where we are the clear leader, we still have a relatively small share of the market. Our ability to exploit these opportunities through bolt-on acquisitions is reflected in our track record of growing sales, and doing so profitably, across market cycles.

Tendering and management of projects

Project risk is managed throughout the life of a project from the tendering stage to completion ▶

It is in the nature of our business that we continually assess and manage technical, and other operational, risks. Some of the controls we have in place, particularly at the crucial stage of tendering of contracts, are set out in the table opposite. Given the

Group's relatively small average contract value (less than £200,000), it would be unusual for any one contract to materially affect the results of the Group. Our ability to manage technical risks will generally be reflected in our profitability.

Acquisitions

Our long-term growth track record is built on a combination of organic growth and acquisitions ▶

We recognise the risks associated with acquisitions and our approach to buying businesses aims to manage these to acceptable levels. First, we try to get to know a target company, often working in joint venture, to understand the operational and cultural differences and

potential synergies. This is followed by a robust due diligence process, most of which is undertaken by our own managers, and we then develop a clear integration plan which takes account of the unique character of the target company.

People

The accumulation of knowledge and experience is essential to helping our customers to find the best solution ▶

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.

KPIs

Controls

<p>Revenue growth compared with market growth</p> <p>Definition and method of calculation Year-on-year sales growth (including acquisitions) in local currency compared with growth in the total regional construction market.</p> <p>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'.</p>	<ul style="list-style-type: none"> • Strategy of geographic diversification: <ul style="list-style-type: none"> – operations in over 30 countries – growing presence in Australia and developing markets. • Broad customer base. • Services used across all industry segments: infrastructure, industrial, commercial, residential and environmental.
<p>Operating margin</p> <p>Operating profit before impairment of intangibles, expressed as a percentage of revenue.</p>	<ul style="list-style-type: none"> • Risk-based tender approval process, with clear delegations of authority. • Independent review of tenders. • Formal and informal training for staff in the typical risk issues they may face when tendering for jobs, negotiating contracts and executing work. • Legal review of unusual or onerous contract terms. • Project staff selected on the basis of their skills, experience of a particular type of project and their workload. • Establishment of 'centres of excellence'. • Pre-job meetings undertaken on site. • Formal daily reports generated and reviewed for each contract in progress. Weekly cost reports produced for all projects and reviewed by next level management. • Periodic reviews of poorly performing contracts to establish lessons learned with the results communicated to all relevant staff.
<p>Return on net operating assets</p> <p>Definition and method of calculations Operating profit before impairment of intangibles expressed as a percentage of average net operating assets (including goodwill acquired through acquisitions).</p> <p>Net operating assets excludes net debt, tax balances, deferred consideration and net defined benefit pension liabilities.</p>	<ul style="list-style-type: none"> • Target companies are usually well known to Keller; and the operational and cultural differences and potential synergies are well understood. • Robust due diligence process, mostly undertaken by own management. • Clear integration plan, reflecting the unique character of the target company.
<p>Staff turnover rate</p> <p>Definition and method of calculation The number of managerial, professional and technical staff leaving in the period, other than through redundancy or normal retirement, expressed as a percentage of employees in this category.</p>	<ul style="list-style-type: none"> • Excellent training and development opportunities. • Opportunities for career growth. • Good engagement and two-way communications. • Employees treated with dignity and respect.

Chairman's statement

From my visits to our operations around the Group, I have seen first-hand the resolve of our employees and their pride in the business, together with their willingness to explore new ways of working together more effectively.

Roy Franklin

Results¹

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

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

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

Cash flow and net debt²


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

Net debt: EBITDA

1.4x

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

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

 to find out more
please visit our website
www.keller.co.uk

¹ 2010 results are stated before a £21.8m goodwill impairment charge.

² Net debt represents total loans and borrowings less cash and short-term deposits.

Dividends

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

Total dividend per share

22.8p

Strategy

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

The review also highlighted certain areas where a concerted programme of initiatives, together with some internal changes, could deliver significant improvements to the Group's business and profitability. This programme focuses principally on: increasing our revenue and profit from large projects; further improvement of the Group's risk management; and accelerating our global transfer of technologies. The review also reinforced local or regional initiatives which were already in progress and on which we are redoubling our efforts.

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

Employees

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

Board and Governance

This year we formally report against the 2010 UK Corporate Governance Code in our corporate governance statement. As required by the Code, at our 2012 Annual General Meeting, all Directors will be standing for re-election (or first-time election, as the case may be). We also report on the externally-facilitated Board evaluation process that we undertook in 2011, which is also a requirement of the new Code. The only area where we currently do not comply with the Code is in relation to Board composition.

In my statement to shareholders in last year's Annual Report, I commented that the process of regularly refreshing the Board is one which we fully support, provided it is balanced with the requirement for continuity and maintaining a thorough understanding on the Board of the Group's business.

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

In order to comply with the Code's requirement for at least as many independent as non-independent directors, further changes are planned. In particular, Mr Gerry Brown is now no longer deemed to be independent, having served on the Board for more than nine years. We are in the process of finding a successor to Mr Brown as Senior Independent Director and we anticipate reporting further progress on this during the next few months.

Outlook

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

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

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

Roy Franklin

27 February 2012

Operating review

Our programme of business improvement initiatives should deliver significant improvements in the Group's business and profitability.

Justin Atkinson



to find out more
please visit our website
www.keller.co.uk

Conditions in our major markets

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

Although conditions in the US construction market overall remained difficult, there were signs that the market had stabilised. Overall, US construction expenditure reduced in the year by a further 2%. This compares with a fall of 10% in the corresponding period last year, indicating that, although expenditure continues to fall, the rate of reduction has slowed significantly. Private non-residential construction expenditure was up by 2% year-on-year¹ following two years of significant reduction, whereas residential construction was reasonably steady, picking up towards the end of the year. For the second consecutive year, however, US public infrastructure spending declined, with a 6% year-on-year reduction.

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

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

Changes to the Group's reporting structure

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

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

¹ The North America Census Bureau of the Department of Commerce, 1 February 2012.

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

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

Hayward Baker

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

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

One of Hayward Baker's longest-running contracts last year was in Southern California, where it undertook extensive soil mixing and jet grouting works for settlement control, liquefaction mitigation and slope stabilisation, in preparation for the construction of five new fuel storage tanks.² The involvement of Anderson, who provided pre-drilling services in advance of the soil-mixing, contributed to a successful outcome and illustrates the synergies between these two businesses.

North American piling companies

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

Two of the main contributors to our second-half result were the large jobs for the extension to the Vogtle nuclear power plant at Augusta, in Georgia,² where Case provided bored piling; and the second phase of CFA piling works at the BP oil refinery at Whiting, Indiana,² executed jointly by Case and HJ Foundation.

We are encouraged by the progress made in McKinney in the second half of the year. Following actions taken to improve its results and prospects, including a management change in the southern region, the results have stabilised.

With a good order intake in recent months, McKinney entered 2012 with a healthy order book, including several jobs for transmission lines – a growing sector which we have been targeting.

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

Suncoast

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

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

² Case studies can be found on our website at <http://www.keller.co.uk/services.aspx>

Results summary and KPIs

Revenue



Operating profit*

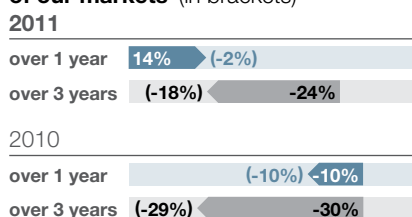


Operating margin*



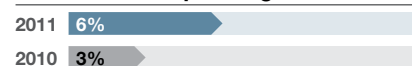
* 2010 results are stated before goodwill impairment. For definitions, see page 7.

Our growth compared with the growth of our markets¹ (in brackets)



¹ Market growth for the total US construction market, from data published by the US Census Bureau of the Department of Commerce, 1 February 2012.

Return on net operating assets



Staff turnover

Foundation contracting businesses



Suncoast



Europe, Middle East & Africa (EMEA)

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

Europe

In general, our businesses within the more mature European markets faced very challenging conditions. The exception was Germany, where the construction market remained reasonably good across most sectors. Against this backdrop, our German company performed well, with a continued focus on productivity improvements and good contract selection. During the year, it extended its product offering with the addition of complete excavation pits. Having developed and acquired specific skills and expertise in this area, the business secured an excellent reference contract for an excavation at the German State Opera House in Berlin.²

France and Spain both implemented further downsizing, with management doing an excellent job of maintaining the alignment between overheads and revenues. Both subsidiaries also looked for selective opportunities outside of their domestic markets. Elsewhere, in Italy, one of our smaller European markets, we used our extensive experience of large-scale tunnel stabilisation projects on the Rome Metro extension.²

The UK business also further reduced its costs, with the closure of one office and the downsizing of another. Despite these actions, the business reported a loss, which was exacerbated by the impact of two legacy contracts. During the year the UK business was awarded contracts valued at £37m for the Victoria Station Upgrade project and £31m for the Crossrail project, which started as anticipated towards the end of 2011. Another Crossrail contract was for the largest-ever restricted access piling project awarded in the UK, at Lord Hill's Bridge.² With the first phase of the contract – installing vertical piles – now complete, the more challenging second phase, which involves installing minipiles at up to 38-degree angles, is progressing well.

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

Middle East

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

Brazil

Further progress was made in Brazil, where we have now almost completed a major contract at Porto do Sudeste, installing vibro stone columns for the foundations of a new iron ore storage facility.² We also undertook a related contract for ground improvement works for a new railway link, to connect the facility to the main rail network.

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

² Case studies can be found on our website at <http://www.keller.co.uk/services.aspx>

Results summary and KPIs

Revenue



Operating profit*

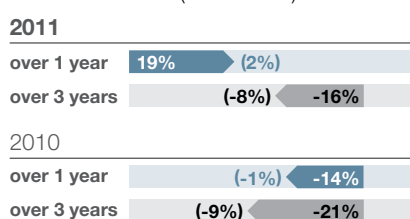


Operating margin*



* 2010 results are stated before goodwill impairment. For definitions, see page 7.

Our growth compared with the growth of our markets¹ (in brackets)



¹ Market growth in the construction markets in Austria, France, Germany, Poland, Spain and UK, (which together account for over 80% of revenue from EMEA) from estimates of real annual growth plus estimated change in construction prices published by Euroconstruct in November 2011.

Return on net operating assets



Staff turnover



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

ASEAN Region

In Singapore, our ground improvement business demonstrated good project management and innovative solutions which fed through into strong results. A contract to create foundations for the Cogen Power Plant,² using sand compaction rather than a traditional piled solution, illustrates well these success factors.

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

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

In Malaysia, we had another busy year. Since the year end, Keller Malaysia has secured a circa £30m project to build the foundations for a major iron ore distribution facility in Lumut for Vale, for whom we have recently performed work in Brazil. Our scope involves treating an area of 200,000 m² with a system of vibro stone columns and bored piles, based on our re-design. Work is expected to commence in March and to be completed in the second quarter of next year.

India

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

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

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

² Case studies can be found on our website at <http://www.keller.co.uk/services.aspx>

Results summary and KPIs

Revenue



Operating profit*



Operating margin*



* 2010 results are stated before goodwill impairment. For definitions, see page 7.

Our growth compared with the growth of our markets

There is insufficient reliable published data on the growth in our principal markets in Asia to enable us to report this KPI for our Asian division.

Return on net operating assets



Staff turnover



Australia

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

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

Our other Australian businesses all performed well, with notable contract successes including minefill works for the new Hunter Expressway² undertaken jointly by KGE and Piling Contractors and the second stage of ground improvement works for Newcastle Coal Infrastructure Group's latest Newcastle coal terminal,² undertaken by KGE. In addition, Vibro-Pile performed well on a number of smaller contracts in the Melbourne area.

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

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

Justin Atkinson
27 February 2012

² Case studies can be found on our website at <http://www.keller.co.uk/services.aspx>

Results summary and KPIs

Revenue



Operating profit*

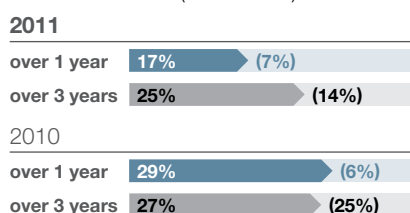


Operating margin*



* 2010 results are stated before goodwill impairment. For definitions, see page 7.

Our growth compared with the growth of our markets¹ (in brackets)



¹ Market growth for the total Australian construction market, from data published by the Australian Bureau of Statistics in September 2011.

Return on net operating assets



Staff turnover

Foundation contracting businesses



2011 was another challenging year for Keller with market conditions continuing to be very difficult in most of the Group's main markets.

James Hind

Results

Trading results

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

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

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

The Group's trading results are discussed more fully in the Chairman's statement and the operating review.

Net finance costs

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

Tax

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

Earnings and dividends

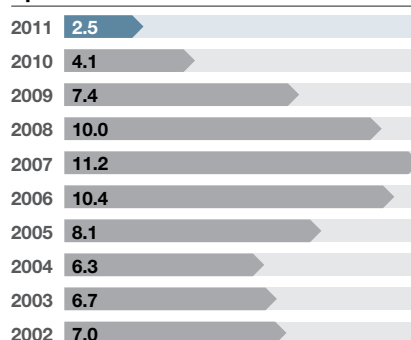
Earnings per share (EPS) before goodwill impairment decreased to 24.8p (2010: 44.0p). The Board has recommended a final dividend of 15.2p per share, which brings the total dividend to be paid out of 2011 profits to 22.8p, the same as last year. The 2011 dividend is covered 1.1 times by earnings.

Cash flow

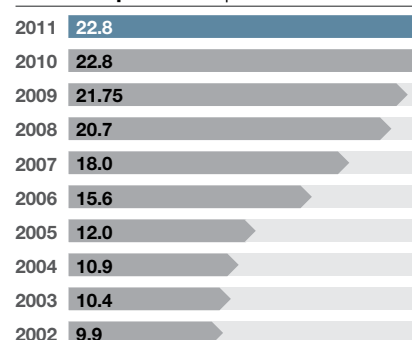
The Group has always placed a high priority on cash generation. The current economic environment is inevitably putting pressure on working capital in certain locations and we continue to focus on maximising cash generation and minimising the Group's investment in working capital.

to find out more
please visit our website
www.keller.co.uk

Operating margin from continuing operations %*



Dividend per share pence



* 2010 stated before goodwill impairment.

Financial review

continued

Net cash inflow from operations was £54.8m, representing 77% of EBITDA. Year-end working capital was £119.8m, £13.1m or 12% more than at the end of 2010. Stripping out the impact of currency movements, year-end working capital increased by 8%, consistent with the 8% increase in revenue. Capital expenditure, net of disposals, was £37.4m, which compares to depreciation of £41.0m.

Financing

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

The Group's term debt and committed facilities mainly comprise a US\$70.0m private placement, repayable in October 2014, and a £170.0m syndicated revolving credit facility expiring in April 2015. At the year end, the Group also had other committed and uncommitted borrowing facilities totalling £92.6m. The Group therefore has sufficient available financing to support its long-term strategy of growth, both through organic means and targeted, bolt-on acquisitions.

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

Capital structure

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

Pensions

The Group has defined benefit pension arrangements in the UK, Germany and Austria. The Group closed its UK defined benefit scheme for future benefit accrual with effect from 31 March 2006 and existing active members transferred to a new defined contribution arrangement. The last actuarial valuation of the UK scheme was as at 5 April 2008, when the market value of the scheme's assets was £26.9m and the scheme was 77% funded on an ongoing basis. The level of contributions, currently set at £1.5m a year, will be reviewed at the finalisation of the next actuarial valuation, which is as at April 2011. This valuation is largely complete and, based on work to date, there are not expected to be any material changes to either the absolute deficit or the level of contributions going forward.

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

In Germany and Austria, the defined benefit arrangements only apply to certain employees who joined the Group prior to 1998. There are no segregated funds to cover these defined benefit obligations and the respective liabilities are included on the Group balance sheet. These totalled £11.9m at 31 December 2011. All other pension arrangements in the Group are of a defined contribution nature.

Management of financial risks

Currency risk

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

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

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

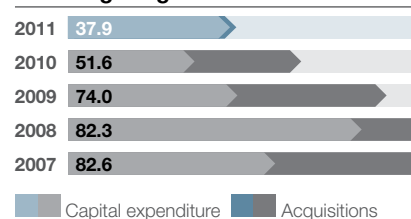
Interest rate risk

Interest rate risk is managed by mixing fixed and floating rate borrowings depending upon the purpose and term of the financing. As at 31 December 2011, virtually all the Group's third-party borrowings bore interest at floating rates.

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

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

Investing for growth



Credit risk

The Group's principal financial assets are trade and other receivables, bank and cash balances and a limited number of investments and derivatives held to hedge certain of the Group's liabilities. These represent the Group's maximum exposure to credit risk in relation to financial assets.

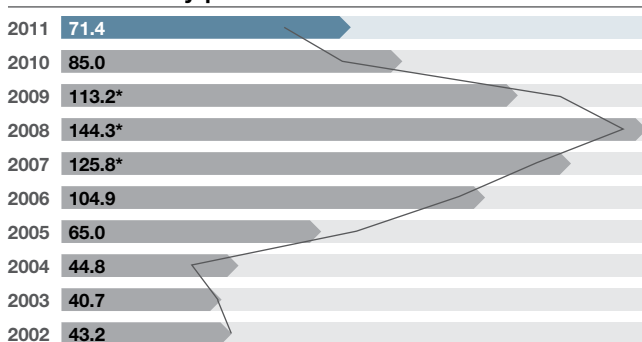
The Group has stringent procedures to manage counterparty risk and the assessment of customer credit risk is embedded in the contract tendering processes. Customer credit risk is mitigated by the Group's relatively small average contract size, its diversity, both geographically and in terms of end markets, and by taking out credit insurance in many of the countries in which the Group operates. No individual customer represented more than 5% of revenue in 2011.

The counterparty risk on bank and cash balances is managed by limiting the aggregate amount of exposure to any one institution by reference to their credit rating and by regular reviews of these ratings.

James Hind

27 February 2012

Cash flow history-profits = cash



■ EBITDA* — Group operating cash flow
* from continuing operations

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 51.

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 47.

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 60.

4 Dr Wolfgang Sondermann
Director, Global Technology & Best Practice

Joined the Group in 1986. Appointed Managing Director, CEMEA in 2001 and Director, Global Technology & Best Practice in January 2012. Appointed to the Board in 2003. Age 61.



5 Roy Franklin
Non-executive Chairman

Appointed to the Board in 2007 and as Chairman on 1 August 2009. Mr Franklin is a Non-executive Director of Norwegian-listed Statoil ASA and Australian-listed companies Santos Ltd and Boart Longyear Ltd. He is also an Advisory Board Member of Kerogen Capital and a Non-executive Director of privately held Cuadrilla Resources Holdings Limited. 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 58.

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, Non-executive Director of Hochtief Aktiengesellschaft and Executive Board 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 69.

7 Gerry Brown
Non-executive Director

Appointed to the Board in 2001 and became Senior Independent Director on 1 February 2008. Chairman of the Remuneration Committee and a member of the Audit and Nomination Committees. Mr Brown is Chairman of NovaQuest Capital and NFT Distribution Holdings. He was formerly Senior Independent Director of Forth Ports plc. His executive career included directorships with Exel Logistics plc, TDG plc and Tibbett & Britten plc. Age 67.

8 Ruth Cairnie
Non-executive Director

Appointed to the Board and as a member of the Audit, Remuneration and Nomination Committees on 1 June 2010. Ms Cairnie is Executive Vice President Strategy & Planning at Royal Dutch Shell Plc. Her current role follows a number of senior international roles within Shell, including Vice President of their Global Commercial Fuels business and serving on the boards of Shell Pakistan Ltd and joint venture companies in Germany and Thailand. Age 58.

9 Chris Girling
Non-executive Director

Appointed to the Board and as a member of the Audit, Remuneration and Nomination Committees on 28 February 2011, Mr Girling was appointed as Chairman of the Audit Committee in May 2011. He is a Non-executive Director of Elementis plc and Arco Limited and the independent Chairman Trustee for Slaughter and May's pension fund. Formerly Group Finance Director of Carillion plc. Age 58.

10 David Savage
Non-executive Director

Appointed to the Board and as a member of the Audit, Remuneration and Nomination Committees on 1 August 2011. Mr Savage is a Non-executive Director of Malaysian-listed Mudajaya Group Berhad, Stonehouse Constructions Limited, a privately-owned Singapore company, and Non-executive Chairman of Newbridge Capital Inc., a Canadian listed entity. Formerly Chief Operating Officer for Australian-listed Leighton Holdings Limited, following a number of senior roles within the Leighton Group, including that of Managing Director of Al Habtoor Leighton Group. Age 51.

Social responsibility

Our vision

There are four main areas where our business impacts on society and where we have responsibilities which extend beyond our financial performance:

01 Workplace and people

we want to be recognised as a responsible employer which people are proud to join.

02 Environment

we want to reduce the impact of our operations on the environment and help to meet our customers' environmental needs.

03 Marketplace

we want to continue to take a leadership role within our industry.

04 Communities

we want to value, and be valued by, the communities in which we work.

Overview

The Board recognises that its responsibilities extend beyond financial performance. Effective management of health and safety, environmental, ethical and other social risks (referred to together here as 'social risk') is a fundamental aspect of the Board's duty of care to the Group's stakeholders, as well as being important to our 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. The Chief Executive is ultimately accountable for the Group operating in a way that is socially responsible. Our line managers are charged with delivering performance safely and with integrity; supporting Group policy and providing leadership within their companies. All employees are responsible for following Group policy with the support, direction and commitment of line management.

Last year, we introduced our Business Conduct Programme, which aims to raise the level of awareness of Group policies with a 'business ethics' dimension, including those relating to safety; competition; the environment; equal opportunities; harassment; bribery, corruption and fraud; gifts and hospitality; price-sensitive information; and whistle-blowing.

The programme is being rolled out through a series of briefings, training sessions and all-employee communications and various compliance measures have been put in place to provide the Board with assurance that the policies are being put into practice.

Our Code of Business Conduct can be found on our website at www.keller.co.uk.



to find out more
please visit our website
www.keller.co.uk

01 Workplace and people

Our workplace and people Keller Safety Framework

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

Safety performance in 2011

It is bitterly disappointing that, in a year in which safety was higher than ever on our agenda, we must report four deaths resulting from work-related accidents. Three of these involved Keller employees and the fourth involved an employee of a sub-contractor. Such accidents are always felt profoundly by colleagues around the Group and they remind us of why we must be relentless in our efforts to eliminate work-related accidents.

Investigations into how these and other accidents occurred and how they might have been avoided invariably point to the importance of having a strong safety culture, in which individuals check their own behaviour and that of their colleagues and, in so doing, prevent the unsafe acts or unsafe conditions which lead to accidents.

We recognise that changing the safety culture starts at the top and in recent years we have focused increasingly on making our senior managers clearly accountable for safety. In 2011 more of our senior managers were involved in conducting site safety tours (where safety is the sole purpose of the visit) and this will be extended further in 2012. We have recently conducted Safety Leadership Workshops in all of our regions, focusing on the role of senior managers in leading safety tours, accident investigations and annual assessments against our Minimum Safety Standards. In 2012, all direct reports to the Chief Executive and their direct reports will have specific safety objectives linked to their bonus arrangements which, if not met, will reduce their bonus potential.

Last year, we also brought together 25 of our safety professionals from around the Group for a four-day conference in London to highlight the importance of safe behaviour as the key to improved safety performance; develop safety skills, tools and techniques; and improve the consistency in approach to safety management across the Group.

Turning to our safety statistics, we use the accident frequency rate (AFR) and accident incident rate (AIR) to track safety performance, where AFR is the number of accidents per 100,000 hours worked and AIR is the number of accidents per 100,000 employees and where 'accidents' comprise fatalities, major injuries (as defined by the Health & Safety Executive in the UK) and injuries involving more than three days' absence. The AFRs and AIRs for 2011 and 2010 are shown in the table below.

Reporting for 2012 will reflect our new divisional structure.

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

	2011		2010	
	AFR	AIR	AFR	AIR
US	0.38	797	0.17	354
CEMEA	1.02	2,031	1.07	2,475
Australia	0.35	785	0.22	491
UK	1.10	2,205	0.76	1,519

Excludes: Waterway, acquired June 2010

Social responsibility

continued

01 Workplace and people

continued

Comparisons with industry standards North America

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 2011, the EMR for the Group's US foundation companies was 0.8, compared with an industry standard rating of 1.0.

An alternative safety measure used in the US is the total Recordable Injury Rate (RIR). The 2011 RIRs for our US businesses are shown below, alongside the industry average for 2010 (the most recent), published by the Bureau of Labor Statistics.

EMEA

National comparator data relating to our principal markets in Western Europe (using the closest available comparators) are given in the table below.

Relevant and/or up-to-date national comparator data are not available for Australia or our Asian countries.

2011 Performance against safety objectives and 2012 targets

Last year, one of our objectives was to improve the reporting of near-misses as a leading safety indicator. Whilst the number of reported near-misses did not increase, the number of reported near-misses for which a full investigation was carried out and lessons learned disseminated did increase. In 2012 we will continue to encourage the reporting and investigation of near-misses, each of which we view as a safety improvement opportunity.

In 2010 we introduced a process for our businesses to assess their progress against our Minimum Safety Standards. Baseline assessments were carried out by each of the divisions; however, the process was largely subjective and there was some inconsistency of approach.

2012 Target

Each business unit to carry out a rigorous and documented safety assessment

In 2012, our safety professionals are updating the process to improve its objectivity, consistency and rigour, before further assessments are carried out in each business.

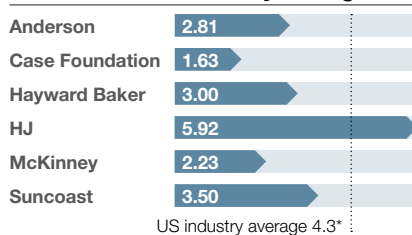
Last year, we aimed to involve more of our senior managers in site safety tours. We achieved this by extending the requirement to carry out safety tours to all of our North American companies and to those in Asia. (Anderson in the US and Keller in the UK already had established systems in place for safety tours.)

2012 Target

100% of senior managers' safety tours to be completed

In 2012, all direct reports of the Chief Executive and their direct reports are expected to undertake a number of site safety tours with findings and actions properly closed out and documented.

Business RIR to industry average



*Construction – special trade contractors

Country(ies)	Keller	Industry comparator	Explanation of industry data
Germany/ Netherlands/ Switzerland	AFR: 1.37	AFR: 4.16	Industry figure relates to accidents in Germany leading to three or more days' absence in 2010 derived from the annual report of industry professional body, BG BAU www.bgbau.de
	AIR: 2,736	AIR: 6,650	
UK	AIR: 2,205	AIR: 1,388	Industry figure is the 2011 average AIR for members of the Federation of Piling Specialists, the most appropriate comparator group for Keller in the UK.
France/Spain/ Portugal	AFR: 4.02	France AFR: 4.70	Industry figure for France relates to accidents leading to one or more days' absence in 2010 derived from the annual report of the French National Institute for Research and Safety (INRS) www.inrs.fr (no AIR published)
	AIR: 8,045	Spain AIR: 8,334	Industry figure for Spain relates to accidents leading to three or more days' absence in 2009 derived from the Ministry for Work and Immigration (no AFR published)

Being a responsible employer

Keller employs over 6,000 people worldwide, most of whom are working in front-line roles meeting with, and delivering for, our customers. We are only as good as our employees, which is why we want to be recognised as a responsible employer which people are proud to join.

As a Group, 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 creating a working environment in which every employee is employed and promoted solely on the basis of his or her merit and personal contribution. We aim to provide fair employment opportunity to all whilst not offending, or being insensitive to, the traditions and cultures of countries in which we operate. This is not only about “being fair”; it also makes sound business sense.

We believe that equal opportunity means hiring and retaining the best people, developing all employees to their potential and using their talents and resources to the full. Diversity of people, skills and abilities is a strength which will help us to achieve our best.

Gender diversity at the Board level is discussed in the corporate governance report on page 39. Below Board level, women represent 8% of our senior managers (being managing directors and their direct reports, or equivalent) and 6% of our engineers and contract managers. These numbers are not unusual for our industry. In 2012 we will be surveying our women managers to identify what they perceive as the barriers which may prevent some women from joining the Group or progressing within it and how they can best be supported to meet their career goals within Keller.

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

We are committed to providing training and development opportunities which enable employees to perform at their best and increase their contribution to the Group. In addition to technical and competency based training, management training programmes operate in all divisions. For example, Keller UK, which has been an ‘Investors in People’ employer since 2005, has a management development programme called ‘Keller Futures’ which includes management leadership modules specifically aimed at improving skills, competencies and behaviours of site supervisors, engineers and middle managers.

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

Keller Australia has adopted a similar programme which it is running for middle managers.

One of the ways in which we measure how well we are doing as an employer is to measure our staff turnover, which is referred to in the operating review.

Social responsibility

continued

02 Environment

Our environment

The Group's environmental policy focuses on two things:

- reducing the impact of our operations on the natural environment; and
- helping our customers to meet their environmental needs.

In our operations, we want to reduce our environmental impacts and eliminate environmental incidents by identifying, assessing and controlling environmental risks at our job sites and premises. We also want to find new ways of reducing our consumption of energy, water and high carbon content materials; and minimising our waste and harmful emissions. 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.

More generally, rig controller units, to record fuel efficiency of individual items of plant, and to raise the awareness of operators of how they can save fuel are now fitted to all of our new vibro equipment and approximately 100 rigs have been retrofitted with the devices.

In addition, the latest models of our own-built equipment (such as soil-mixing shuttles and vibrocats) are being designed with fuel saving and low emissions in mind.

Carbon footprint – Scope 1 and 2 emissions

We have estimated the Scope 1 and 2 absolute tonnes equivalent CO₂ for our UK business as shown here.

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

Performance against environmental objectives 2011

Region	2011 Objectives	Performance
CEMEA	– improved quarterly environmental reporting.	Scope and consistency of reporting improved in 2011
CEMEA and Australia	– energy reduction programmes to be agreed for individual businesses.	Energy improvement actions and opportunities identified
Australia	– four businesses to achieve ISO 14000 – Environmental Management Systems.	On track to achieve accreditation in 2012
UK	– achieve a 10% reduction in greenhouse gas emissions by 2012 as measured at our fixed installations.	On track: – at our fixed installations, we have moved from 650 tonnes per year to 550 tonnes of CO ₂ per year – in our car fleet, we have reduced fuel consumption from 600,000 to 420,000 litres per annum and our average CO ₂ per vehicle has reduced from 150 to 133 grammes per kilometre
UK	– reduce use of potable water by 10% by 2012 at our depots and offices; encourage the use of grey water on site.	On track: – our use of potable water has reduced by 35%
UK	– reduce dust and noise through improvements in site methods and machinery.	Introduced vibrex technique to several projects, thereby reducing noise associated with driven cast in situ piles Dust hood for cement mixers being tested Progressive reduction in average fleet age, with cleaner/quieter engine technology

Wherever we can, we want to work with our customers and the end users of our products and services to achieve environmentally sustainable solutions by, for example:

- offering a broad range of foundation solutions, including various low carbon alternatives;
- offering techniques to improve ground and environmental conditions, such as flood control, soil erosion control, decontamination and containment of contamination; and

- in some cases, we can help customers to make informed choices by providing calculations to show the relative carbon footprints of alternative techniques.

Our environmental policy can be found on our website (www.keller.co.uk).

	CO ₂ e (tonnes)		kWh	
	2011	2010	2011	2010
Scope 1 – direct emissions				
Fossil fuel use on site	60	65	325,717	351,069
Owned road vehicles	1,148	1,357	4,546,254	5,367,267
Scope 2 – indirect emissions 'electricity and imports'				
Electricity	428	432	785,568	793,934
Total	1,637	1,854	5,657,539	6,512,270
Absolute tonnes equivalent CO ₂ per £m of revenue	31	37		

2012 Environmental objectives

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

2012 Objectives

EMEA	UK – achieve a 10% reduction in greenhouse gas emissions by 2012 as measured at our fixed installations (carried over from 2011) UK – reduce use of potable water by 10% by 2012 at our depots and offices; encourage the use of grey water on site (carried over from 2011)
Australia	Australia – four businesses to achieve ISO 14000 – Environmental Management Systems (carried over from 2011)

Our Group environmental target for 2012 will be to retrofit all but the oldest jet grout and vibrocat rigs with rig controller units.

Products and services with environmental benefits

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

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

Apart from stone columns, we commonly use other displacement systems, such as driven cast in situ piling and dynamic compaction, which create no spoil and therefore eliminate transport movements to and from landfill sites. The soft-facing reinforcing systems offered by Phi Group in the UK 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 Group'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. We have started using recycled concrete aggregate for stone columns in Singapore and our UK business

has used crushed concrete, recycled glass and bottom waste incinerator 'ash', using recycled aggregates in over 50% of its vibro foundations. It has also been providing support through the provision of equipment to Novacem, a spin out company from Imperial College, London, which has developed a carbon negative cement solution and has recently introduced into its piling range hollow-centred piles, which deliver a 25% saving on material with no significant reduction in capacity.

Carbon calculators and carbon offset

We can also provide customers with calculations of the embodied carbon associated with our solutions and the ability to offset embedded carbon through the JP Morgan Climate Care scheme. This scheme supports low carbon sustainable developments, such as hydroelectric power, improved farming and techniques to reduce deforestation. To ensure a consistency of approach, our Carbon Committee has developed Group guidelines for calculating greenhouse gas emissions emitted by Keller products.

Social responsibility

continued

Products to stabilise the natural environment and for the environmental sector

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

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

03 Marketplace

Our marketplace

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

For example, Hayward Baker is partnering with three US universities to assist in the development of rational design methods for using ground improvement for liquefaction remediation.

In the UK, we are supporting research projects with a sustainability focus, including MSc courses run by Birmingham University which are investigating:

- the design of crib retaining wall systems for reducing granular fill;
- the use of recycled aggregates for vibro stone columns;
- fibre-reinforced stabilised walls; and
- foundations for onshore wind turbines.

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

04 Communities

Our communities

We want to value, and be valued by, the communities in which we work.

Our companies often play an important role in their communities, typically by supporting their employees when they engage with community groups and local charities. The benefit of these activities is twofold: for the business there is benefit in terms of company profile and employee satisfaction and development; then there is also the direct benefit to the communities concerned.


In the UK, we operate a matching scheme, whereby donations made by employees to registered charities are matched by the company. We are also organising Work in the Community days, where employees can give up some of their working time to support worthwhile projects.

Ultimately, our communities are not discrete from our workplace and people, our environment and our marketplace – they are inextricably linked. Provided we manage social risk well and we achieve our vision in terms of:

- being recognised as a responsible employer
- reducing our impact on the environment and helping our customers to do likewise
- continuing to take a leadership role within our industry

then we will have moved a considerable way towards earning a place as a valued part of the communities in which we work.

Directors' report

 [to find out more
please visit our website
www.keller.co.uk](http://www.keller.co.uk)

The Directors present their annual report on the affairs of the Group, together with the audited consolidated accounts and Auditors' report for the year ended 31 December 2011. The corporate governance report set out on pages 38 to 42 and the statement of directors' responsibilities set out on page 43 form part of this report.

Principal activities

The Group's principal activity during the year continued to be specialist ground engineering.

Business review

The Directors are required by the Companies Act 2006 to include a business review in this report. The information which fulfils the requirements of the business review can be found in the Chairman's statement, operating review, financial review, business model, principal risks and key performance indicators ('KPIs') and social responsibility sections of the Annual Report, which are incorporated by reference into this Directors' report.

Risks

The key business risks and uncertainties affecting the Group relate to market cycles; the tendering and management of contracts; acquisitions; and people. These are explained more fully on pages 6 and 7.

The Group is geographically diverse and is managed as a series of local businesses. In the Board's opinion, the Group's business model helps to balance the risks intrinsic in the business. For example, the Group typically works in over 30 countries, undertaking approximately 5,000 contracts a year and, accordingly, it is not dependent on any one individual contract or customer.

The Group's financial risk management objectives and policies are discussed in the financial review on pages 16 and 17.

Results and dividends

The results for the year, showing a profit before taxation¹ of £21.9m (2010: £39.6m), are set out on page 46.

The Directors recommend a final dividend of 15.2p per share to be paid on 31 May 2012, to members on the register at the close of business on 4 May 2012. An

interim dividend of 7.6p per share was paid on 1 November 2011. The total dividend for the year of 22.8p (2010: 22.8p) will amount to £14.7m (2010: £14.7m).

Capital structure

Details of the share capital, together with details of the movements in the Company's issued share capital during the year, are shown in note 24: Share capital and reserves. The Company has one class of ordinary shares which are listed on the London Stock Exchange ('Ordinary Shares'). Ordinary Shares carry no right to a fixed income; and each Ordinary Share carries the right to one vote at general meetings of the Company.

There are no specific restrictions on the size of a shareholding, nor on the transfer of shares, which are both governed by the articles of association and the prevailing law. The Directors are not aware of any agreements between shareholders that may result in restrictions on voting rights and the transfer of securities. No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

During the period under review, the Company did not re-purchase any of its shares. At 31 December 2011, the Directors had authority under a shareholders' resolution approved at the Annual General Meeting ('AGM') held on 17 May 2011 to purchase through the market up to 6,647,323 Ordinary Shares on terms set out in that resolution. This authority expires at the conclusion of the 2012 AGM.

Details of employee share schemes are set out in note 28: Share-based payments. Shares held by the Keller Group plc Employee Benefit Trust are not voted.

Directors

The names and biographical details of the Directors who hold office at the date of this report are given on pages 18 and 19. All served throughout the year, other than Mr Chris Girling who joined the Board on 28 February 2011 and Mr David Savage who joined on 1 August 2011.

Mr Richard Scholes retired as a Director of the Company on 17 May 2011.

Retirement and re-election

In accordance with the recommendations of the 2010 UK Corporate Governance Code of the Financial Reporting Council (the 'Code'), all Directors will offer themselves for re-election at the 2012 AGM, other than Mr David Savage who, having been appointed since the last AGM, will offer himself for election for the first time.

The rules governing the election and re-election of Directors may be found in the corporate governance report on page 38. The powers of Directors of the Company are as set out in the Company's articles of association.

Directors' interests

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

Director	At 31 December 2011	At 31 December 2010
	Ordinary Shares	Ordinary Shares
J R Atkinson	202,693	202,693
E G F Brown	24,840	24,840
L R Cairnie	6,000	–
R A Franklin	6,000	6,000
C Girling	3,000	–
J W G Hind	67,434	67,434
P J López Jiménez ¹	3,691,985	3,691,985
R M Rubright	107,000	107,000
D G Savage	–	–
Dr W Sondermann	90,000	90,000

¹ Shares are registered in the name of GTCEISU Construcción, S.A., a connected person of Mr López Jiménez.

As at the date of this report, the Directors of the Company had an interest, beneficially and non-beneficially, in an aggregate of 4,198,952 Ordinary Shares representing 6.53% of the Company's total voting rights.

Directors' conflicts of interest are discussed in the corporate governance report on page 39.

Directors' indemnities

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.

¹ 2010 profit before taxation stated before goodwill impairment.

Directors' report

continued

Substantial shareholdings

At 27 February 2012, the Company had been notified in accordance with chapter 5 of the Disclosure and Transparency Rules of the Financial Services Authority of the following voting rights of shareholders in the Company:

	Number of Ordinary Shares	Percentage of the Company's total voting rights
BlackRock Inc*	6,347,314	9.87%
GTCEISU Construcción, S.A.	3,691,985	5.6%
Schroders plc	3,354,412	5.215%
Baillie Gifford & Co	3,251,556	5.06%
Aviva plc and its subsidiaries	3,075,934	4.78%
Legal & General Group plc	2,524,957	3.93%

* 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 used in the business is designed and built in-house 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 38 to 42 which details the Company's compliance with the Code. The remuneration report is set out on pages 29 to 37.

Social responsibility

The Group's approach to employee involvement, training, equal opportunities and health, safety and the environment is set out in the social responsibility report on pages 20 to 26.

Going concern

The Group is in a very sound financial position, having continued its consistent track record of converting profits into cash. It has significant committed facilities and is operating well within all the associated financial covenants. Accordingly, the Directors have a reasonable expectation

that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing the annual financial statements.

Further information regarding the financial position of the Company, its cash flows, liquidity position and borrowing facilities is given in the financial review on pages 15 to 17. In addition, note 23: Financial instruments 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 2011 the Group had 59 days' (2010: 64 days') purchases outstanding.

Political and charitable contributions

No contributions were made to any political party during the year (2010: £nil). Donations made by the Group in the UK for charitable purposes were £300 (2010: £5,000) with charitable donations of £106,000 (2010: £109,000) made by the Group as a whole.

Change of control

The Group's main banking facilities contain provisions that, upon 15 days' notice being given to the Group, the lender may exercise its discretion to require immediate repayment of the loans on a change of control and cancel all commitments under the agreement.

Certain other commercial agreements, entered into in the normal course of business, include change of control provisions.

There are no agreements providing for compensation for the Directors or employees on a change of control.

Directors' and officers' liability insurance

During the period under review, the Group maintained insurance for its directors and officers in respect of liabilities which could arise on the discharge of their duties.

Annual General Meeting

The 2012 AGM of the Company will take place at the offices of RBS, 250 Bishopsgate, London EC2M 4AA at 11.00am on Friday, 18 May 2012. The full wording of the resolutions to be tabled at the meeting is set out in the Notice of AGM on pages 79 to 83.

Disclosure of information to auditors

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

Auditors

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

On behalf of the Board

Jackie Holman
Secretary

27 February 2012

Registered Office:

Capital House
25 Chapel Street
London NW1 5DH
Registered in England – No: 2442580

Remuneration report

 [to find out more
please visit our website
www.keller.co.uk](http://www.keller.co.uk)

Letter from Gerry Brown, Chairman of the Remuneration Committee

Dear Shareholder

On behalf of the Board, I am pleased to present the Directors' remuneration report for 2011. This report explains the Group's remuneration policy and provides details of the remuneration paid to Executive and Non-executive Directors for services to the Company during the year.

Following a difficult year in 2010, the global economy has remained challenging. With this in mind, it is important that the remuneration policy at Keller provides a clear link between performance and reward and that the Executive Directors' interests are closely aligned to the creation of long-term shareholder value, which means that remuneration reduces sharply when performance has been disappointing. It is also important that the remuneration policy attracts, retains and motivates high calibre executives to manage the business and deliver against our strategy. I believe that these objectives are wholly compatible and that our remuneration policy strikes the right balance between the two.

This is the first year in which we are reporting under the terms of the new UK Corporate Governance Code. We remain committed to good corporate governance and to maintaining a dialogue with our shareholders on remuneration issues. As part of our focus on ensuring that remuneration policy is aligned to both our strategy and the Company's risk profile, we have introduced formal shareholding guidelines for Executive Directors and clawback provisions to the annual bonus arrangements and the long-term incentive share plan. Both these measures are effective from 2012. More information is set out below regarding the alignment of remuneration policy to long-term shareholder value, strategy and the management of risk.

In determining remuneration levels, the Committee has taken account of market conditions, the performance of the Company, responsibility to shareholders and good corporate governance. Accordingly, basic salaries of Executive Directors for 2012 have increased by 2% to 3% and other elements of their remuneration package are unchanged.

A resolution to approve the Directors' remuneration report will be proposed at the forthcoming Annual General Meeting ('AGM') of the Company, which I hope you will support. If, in the meantime, you have any queries regarding the matters set out in this report, I will be available at the AGM to answer questions.

Gerry Brown

Introduction

In preparing this report, the Committee has complied with the Companies Act 2006, (the 'Act') including Schedule 8 to the Accounting Regulations (the 'Regulations') and the UK Corporate Governance Code as set out at www.frc.org.uk/corporate/ukcgcode.cfm (the 'Code').

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 2012.

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)
L R Cairnie
C Girling (from 28 February 2011)
D G Savage (from 1 August 2011)
R T Scholes (until 17 May 2011)

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. All members of the Committee were considered by the Company to be independent throughout the period of their membership. Given their diverse backgrounds, the Board believes that the members of the Committee are able to

offer an informed and balanced view on executive remuneration issues.

Terms of reference and remit of the Committee

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 responsibilities of the Committee are set out below:

Responsibilities:

- agreeing the framework and policy for the remuneration of the Group's senior management;
- determining, on behalf of the Board, the remuneration packages of the Executive Directors and other senior management including recruitment, pension arrangements and termination terms;
- monitoring the level and structure of remuneration for senior management;
- annually reviewing and noting remuneration trends across the Group;
- approving the design and targets for any annual incentive schemes for Executive Directors and senior managers;
- agreeing the design and targets of all share incentive plans requiring shareholder approval;
- selecting, appointing and setting the terms of reference for remuneration consultants advising the Company; and
- assessing the appropriateness and subsequent achievement of the performance targets for the incentive share plan.

The Committee met three times during the year. Attendance at Committee meetings is shown in the corporate governance statement on page 40.

Evaluation of Committee work

During the year, in accordance with the recommendations of the Code, the Board appointed an external facilitator to assist in a review of the Board's performance and that of its Committees and Directors. The review confirmed that the Board, its Committees and Directors were performing effectively.

In determining the Executive Directors' remuneration policy for 2012, 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.

Remuneration report

continued

During the year, the Committee has received advice on Executive Directors' remuneration from New Bridge Street ('NBS'), who were appointed by the Committee and who have also advised the Company on the valuation of share-based payments. Neither NBS, nor any of its associated companies, have provided any other services to the Company.

Alignment of remuneration with Company strategy and risk

In the Committee's view, the alignment between strategy, risk and remuneration is crucial to the success of the Company. To achieve alignment, the remuneration

packages of Executive Directors are leveraged, with an appropriate percentage at risk against achieving stretching performance targets. These targets are aligned to the Company's strategy for providing sustained improvements in profitability and delivering superior shareholder returns, but also with the Company's risk profile and acceptable employee behaviours.

As part of its focus on ensuring alignment of remuneration to strategy and risk, the Committee has adopted shareholding guidelines for Executive Directors. In addition, a clawback provision has been

incorporated into both the annual and long-term incentives – again, focusing senior managers on the long-term results of the Company, strengthening the alignment with shareholders and promoting the right behaviours. The Committee is of the view that its policy for incentives is compatible with the Company's risk policies and systems.

The table below summarises the elements of the Executive Directors' remuneration packages and their strategic role, as well as the steps taken to mitigate risk.

Remuneration element	Strategic role	Risk managed
Basic salary <ul style="list-style-type: none"> Fixed cash compensation, dependent upon experience and responsibilities 	<ul style="list-style-type: none"> Recruitment, attraction and retention of high calibre executives Reward for day-to-day performance 	<ul style="list-style-type: none"> Positioned broadly at a median level to ensure adequate retention Sufficient for executives to not be reliant on earning incentives
Annual cash bonus <ul style="list-style-type: none"> Short-term incentive – up to 100% of salary; varies in accordance with achievement of annual financial and personal strategic objectives Medium-term incentive bonus in excess of 100% of basic salary (up to a maximum of 150% of salary) is deferred for three years 	<ul style="list-style-type: none"> Drive and reward annual performance Part deferral, together with link to share price, focuses on medium-term performance and alignment with shareholders 	<ul style="list-style-type: none"> A mix of financial and personal strategic objectives ensures a broad focus on different elements of Company performance and required behaviours Bonus in excess of 100% of salary is deferred for three years. The deferred part is paid out in cash, linked to movements in share price and therefore to medium-term performance
Long-term incentive share plan <ul style="list-style-type: none"> Variable long-term remuneration paid in shares, based on EPS and TSR targets; focuses on very strong financial performance as well as stock market out-performance 	<ul style="list-style-type: none"> Drive and reward long-term performance Alignment of interest with shareholders Retention of senior managers 	<ul style="list-style-type: none"> With the deferred bonus and the long-term incentive, a potentially considerable part of Executive Directors' remuneration is linked to the long-term performance of the Company Retention of vested shares (linked to shareholding guidelines) enables meaningful shareholdings to be built up
Pension <ul style="list-style-type: none"> Salary supplement, defined benefit plan and defined contribution plan 	<ul style="list-style-type: none"> Provides for employee welfare and retirement needs 	<ul style="list-style-type: none"> No defined benefit arrangements remain open (except for Dr Sondermann). Replaced with lower risk defined contribution plans
Executive shareholding guidelines <ul style="list-style-type: none"> Executive Directors to hold shares with a value equivalent to 100% of salary New for 2012 	<ul style="list-style-type: none"> Alignment of interest with shareholders 	<ul style="list-style-type: none"> Potential 'downside' created for Executive Directors to counterbalance 'upside' of incentives
Clawback <ul style="list-style-type: none"> Allows clawback of remuneration paid in situations of material misstatement, error and gross misconduct New for 2012 	<ul style="list-style-type: none"> Promotes achievement of targets and performance through acceptable behaviours 	<ul style="list-style-type: none"> Discourages performance and achievement of targets by "any means"

Environmental, social and governance matters

The Committee takes account of the handling of environmental, social and governance risks when setting performance targets. For example, in 2012 by providing that a percentage of the total annual bonus potential is at risk if specific personal safety objectives have not been met.

Remuneration policy

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 other 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 on their performance against a mix of financial and personal strategic objectives so that their remuneration is directly related to their performance over time.

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

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

Total remuneration mix

An appropriate balance is maintained between fixed remuneration and variable (performance-related) remuneration. Fixed remuneration is made up of basic salary, pension and other benefits. Variable

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

This remuneration policy is expected to apply to the 2012 financial year and to subsequent years.

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.

Remuneration report

continued

A summary of the component parts of the remuneration package for Executive Directors is set out in the table below.

Remuneration element	Policy	Summary of how it operates
Basic salary	<p>Basic salary broadly in line with the median for executives in a role of comparable standing.</p> <p>Salaries for Executive Directors determined by the Committee before the start of each year and when an individual changes position or responsibility.</p>	<p>For 2012 basic salaries will increase by between 2% and 3%.</p> <p>The pay and conditions throughout the Group, as reported by the Chief Executive, were taken into account by the Committee when determining this increase in basic salary.</p>
Annual cash bonus	<p>Maximum bonus potential 150% of basic annual salary.</p> <p>Bonus in excess of 100% of salary is deferred for three years.</p> <p>Annual bonuses are not pensionable.</p> <p>Subject to: (i) stretching financial performance targets designed to enhance shareholder value; and (ii) individual performance against personal objectives set by the Committee, most of which are specifically linked to strategy.</p>	<p>Bonus up to 100% of salary is payable in full for very strong financial performance.</p> <p>Bonus in excess of 100% of salary is only payable for exceptional performance.</p> <p>Deferred element satisfied in cash as adjusted in line with share price movements over the three-year deferral period, commencing on the last day of the year to which the bonus relates.</p> <p>Target bonus is 50% of salary (one third of maximum).</p>
Long-term incentive share plan	<p>Maximum award under plan rules (set when plan approved by shareholders in 2004) is 100% of basic annual salary, 200% where the Committee determines exceptional circumstances exist, e.g. to facilitate the recruitment or retention of a key executive.</p>	<p>Awards to Executive Directors in 2012 over shares worth 100% of salary at grant (the same level as for 2011).</p> <p>Benchmarked to provide a broadly mid-market opportunity at target and upper quartile at superior performance and appropriate balance to other elements of the package.</p> <p>Focus on long-term, strategic corporate objectives and to further align the interests of senior managers and shareholders.</p>
Pension	<p>The Keller Group Pension Scheme (the 'Scheme') provides a pension based upon a percentage of final salary and pensions for dependants on death in service or following retirement. The Scheme closed to future benefit accrual with effect from 31 March 2006.</p> <p>Neither pension payments nor salary supplements are taken into account in determining bonuses or any other form of remuneration.</p>	<p>Mr Atkinson receives a salary supplement since closure of the Scheme.</p> <p>Dr Sonderrmann, Mr Hind and Mr Rubright are members of defined contribution schemes.</p> <p>Dr Sonderrmann is a member of the defined benefit pension arrangements established by Keller Grundbau GmbH.</p>
Other benefits		<p>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.</p>

Further details of the remuneration policy are set out below:

(i) Basic salary

Name	Salary for 2012 in local currency	Increase from 2011	Salary for 2011
J R Atkinson	£432,900	3%	£420,300
J W G Hind	£311,500	3%	£302,400
R M Rubright	\$619,000	2%	\$607,000
Dr W Sondermann	€403,300	3%	€391,600

(ii) Performance-related annual bonus

The bonus targets for 2011 were met in part in relation to the achievement of personal strategic objectives. Accordingly, the Executive Directors were entitled to annual bonuses for 2011 in the following amounts: Mr Atkinson £50,436, Mr Hind £36,288, Mr Rubright £57,750 and Dr Sondermann £68,000. Further detail regarding the specific targets for 2011 is set out on page 36. Mr Atkinson opted to waive his annual bonus for 2011 in full.

The 2012 bonuses for Mr Atkinson and Mr Hind will be linked to the achievement of:

- Group EPS profit before tax ('PBT') and average net debt targets; and
- personal, strategic objectives.

The 2012 bonus for Mr Rubright will be linked to the achievement of:

- divisional operating profit and average net debt targets;

- Group EPS and PBT targets; and
- personal, strategic objectives.

The 2012 bonus for Dr Sondermann will be linked to the achievement of:

- Group EPS, PBT and average net debt targets; local operating profit; and
- personal, strategic objectives.

The actual financial performance targets for 2012 are considered to be commercially sensitive and accordingly they are not disclosed in this report.

(iii) Long-term incentive share plan 2012 awards

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 2012 over shares worth 100% of salary (the same level of award as 2011).

The Committee has also considered carefully the range of growth targets for awards in 2012 and has decided to retain the same targets as have been adopted since 2007.

Using a mix of TSR and EPS targets means that in order for awards to vest in full, there must be very strong financial performance as well as stock market out-performance, thereby aligning the interest of Executive Directors with those of shareholders.

Specific details of the performance conditions applying to long-term incentive awards are set out in the following table:

Plan terms	Terms of award	Additional detail
Performance period	Three years	- 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. No retesting.
Performance targets	50% of award EPS 50% of award TSR	- Earnings per share is earnings per share before amortisation and impairment of intangible assets and exceptional items, as calculated from the Company's Annual Report and Accounts. - TSR performance is compared to the companies comprising the FTSE All-Share Index (as it has been for awards granted since 2007). - TSR calculations are independently performed for the Committee by NBS.

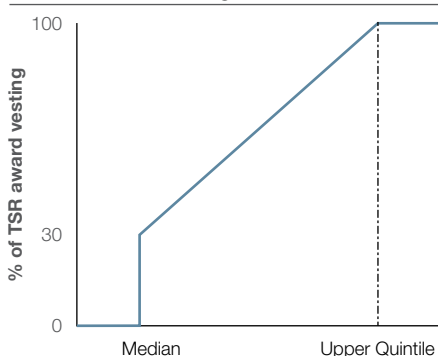
Remuneration report

continued

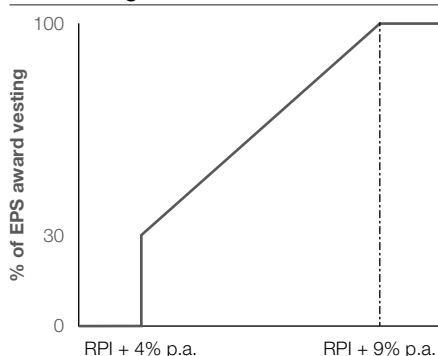
2012 targets

The sliding scale ranges for the EPS and TSR conditions for 2012 are set out below. Performance is measured over a three-year period:

Relative TSR vesting schedule



EPS vesting schedule



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

(iv) Pension arrangements

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

The table on page 37 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 37.

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.

Clawback

The Committee has introduced clawback provisions to payments made under the annual bonus scheme and the long-term incentive share plan. Clawback would be operable in the event of material misstatement, error in calculation of its performance condition which resulted in overpayment or gross misconduct leading to dismissal.

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. All were rolling contracts.

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 memoranda of employment dated 5 March 2004 and 20 December 2011)	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; however, in accordance with the Code, the Board will not agree to a full-time executive taking on more than one non-executive directorship, or the chairmanship of any company. None of the Executive Directors held external appointments during 2011.

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

Directors' shareholdings

The Committee has introduced a formal shareholding requirement for Executive Directors for 2012 and future years. Set out below is the current shareholdings of the Executive Directors as at 31 December 2011 as set against the guidelines that will be effective for 2012 and onwards.

Director	Share ownership guidelines as a % of salary	*Actual ownership as a % of salary at 31/12/2011
J R Atkinson	100%	129%
J W G Hind	100%	59%
R M Rubright	100%	74%
Dr W Sondermann	100%	70%

*Reflects closing price on 31 December 2011 of 266.5p.

Below Board remuneration

In 2011 there were 89 senior managers who were paid salaries of between £100,000 and £300,000 per annum.

Salary £000	Number of senior managers
100-150	65
151-200	18
201-250	4
251-300	2

Salaries are paid in local currencies and at levels determined by market practice in those jurisdictions.

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.

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

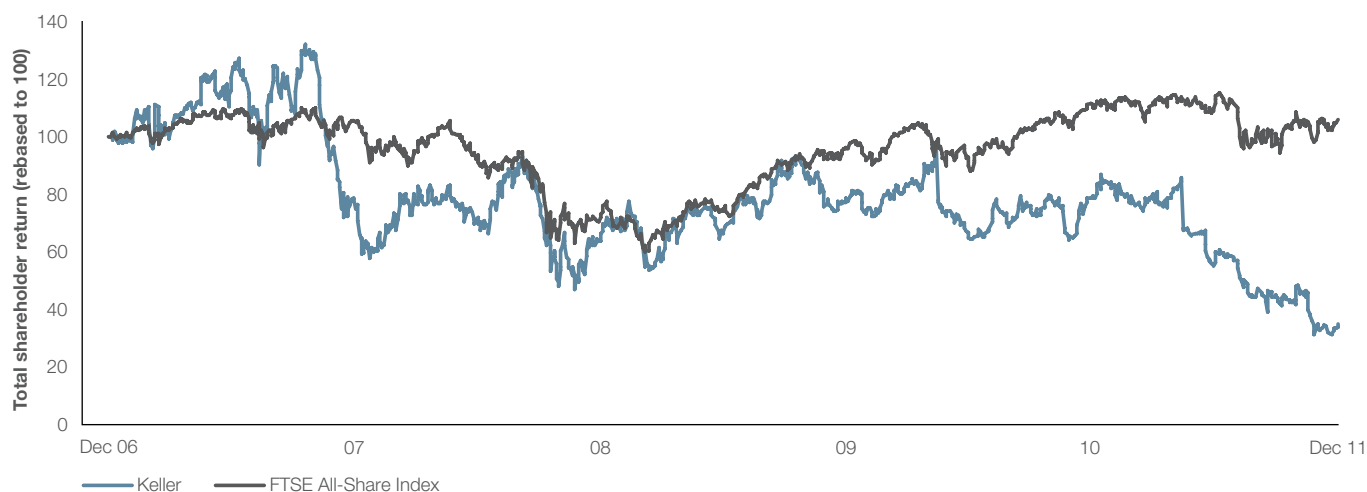
The Non-executive Directors fees for 2012 have increased by approximately 3%.

Relative performance

The graph below 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 2011, of £100 invested in Keller on 31 December 2006 compared with the value of £100 invested in the FTSE All-Share Index.

Director	Date of engagement letter	Unexpired term (months as at 27 February 2012)
E G F Brown	18 January 2002	Rolling contract (3 months' notice)
L R Cairnie	8 April 2010	15 months
R A Franklin	17 July 2007 (and 28 July 2009 re. appointment as Chairman)	5 months
C Girling	11 February 2011	24 months
P J López Jiménez	21 January 2003	Rolling contract (3 months' notice)
D G Savage	1 August 2011	29 months
R T Scholes	8 February 2002	N/A – Retired May 2011

Total Shareholder Return



Remuneration report

continued

Audited information

Directors' emoluments for the year ended 31 December 2011

	Basic salary & fees	Benefits	Annual bonus	Sub-total emoluments	Sub-total emoluments	Value of vested LTIP ³	Pension contribution	Total	Total
	2011	2011	2011	2011	2010	2011	2011	2011	2010
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Executive									
J R Atkinson ¹	420	16	*	436	427	–	126	562	636
J W G Hind	302	13	36	351	306	–	54	405	416
R M Rubright ²	385	17	58	460	402	–	60	520	526
Dr W Sondermann ²	340	12	68	420	338	–	57	477	446
Non-executive									
Dr K Bond	–	–	–	–	17	–	–	–	17
E G Brown	48	–	–	48	47	–	–	48	47
L R Cairnie	41	–	–	41	23	–	–	41	23
R A Franklin	146	–	–	146	143	–	–	146	143
C Girling	39	–	–	39	–	–	–	39	–
P J López Jiménez	41	–	–	41	40	–	–	41	40
D G Savage	17	–	–	17	–	–	–	17	–
R T Scholes	20	–	–	20	47	–	–	20	47
	1,799	58	162	2,019	1,790	–	297	2,316	2,341

¹ The pension contribution noted above in respect of J R Atkinson is paid as a salary supplement in lieu of a Company pension contribution in 2011 (2010: £123,000) following the closure of the Scheme to future benefit accrual on 31 March 2006.

² Mr Rubright and Dr Sondermann are paid in US dollars and euros respectively. Their basic salaries for 2012 and 2011, expressed in local currency, are shown on page 33.

³ The pre-tax gains arising from the exercise of options on the date of exercise.

A maximum annual cash bonus of 150% of basic annual salary was set for the Executive Directors for the year ended 31 December 2011. The 2011 bonus targets for Mr Atkinson and Mr Hind were linked to the achievement of Group EPS, PBT and average net debt targets (up to 130% of salary); and to personal, strategic objectives (up to 20% of salary). The 2011 bonus targets for Mr Rubright and Dr Sondermann were linked to the achievement of Group EPS and PBT targets (up to 20% of salary); to divisional operating profit and average net debt targets (up to 110% of salary); and to personal, strategic objectives (up to 20% of salary). The baselines for the 2011 Group financial performance targets at which no bonus was payable (as adjusted for actual 2011 exchange rates) were PBT of £41m, EPS of 46p and average net debt of £110m. The financial performance targets attracting maximum bonus are considered commercially sensitive and are not, therefore, disclosed.

*Mr Atkinson waived his entitlement to bonus for 2011 in the sum of £50,436. Bonuses awarded to the other Executive Directors were as shown in the table above.

In March 2011, the Executive Directors were paid bonuses originally awarded in March 2008 (in respect of the 2007 financial year) which had been deferred for a period of three years. Actual payments, which reflected movements in the Company's share price over the deferral period, were as follows: Mr Atkinson £53,381, Mr Hind £35,160, Mr Rubright £97,866 and Dr Sondermann £72,207.

Directors' pension rights

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

Director	2011	2010	2011
	£000	£000	contribution as % of salary
J W G Hind	54	53	18%
R M Rubright	60	58	15%
Dr W Sondermann	57	55	17%
Total	171	166	

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

Director	Transfer value of accrued benefit at beginning of year £000	Transfer value of accrued benefit at end of year £000	Increase in transfer value during the year less member contributions £000	Accrued pension at end of year £000	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	1,791	2,004	213	98	3	0	0
Dr W Sondermann	85	85	0	5	0	0	3

Directors' interests in the Performance Share Plan

	Awards held at 1 January 2011	Awards granted during the year	Awards exercised during the year	Awards lapsed during the year	Awards held at 31 December 2011	Exercise price (per exercise)	Date from which exercisable	Expiry date
J R Atkinson								
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	04/09/12
5 March 2010	62,232	–	–	–	62,232	100.0p	05/03/13	04/09/13
3 March 2011	–	67,936	–	–	67,936	100.0p	03/03/14	02/09/14
J W G Hind								
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	04/09/12
5 March 2010	44,776	–	–	–	44,776	100.0p	05/03/13	04/09/13
3 March 2011	–	48,879	–	–	48,879	100.0p	03/03/14	02/09/14
R M Rubright								
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	04/09/12
5 March 2010	54,734	–	–	–	54,734	100.0p	05/03/13	04/09/13
3 March 2011	–	59,463	–	–	59,463	100.0p	03/03/14	02/09/14
Dr W Sondermann								
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	04/09/12
5 March 2010	50,419	–	–	–	50,419	100.0p	05/03/13	04/09/13
3 March 2011	–	55,041	–	–	55,041	100.0p	03/03/14	02/09/14

The market value of the shares on the dates of grant were: 6 March 2008: 696.0p; 5 March 2009: 523.0p; 5 March 2010: 655.5p; and 3 March 2011: 610.0p.

The 2008, 2009, 2010 and 2011 awards are subject to two performance conditions linked to EPS and TSR, as detailed on page 34.

In the three-year performance period ended 31 December 2011, EPS growth was negative and the Company's TSR ranked number 504 out of 550 live companies in the FTSE All-share Index, the TSR comparator group for the 2009 grant. Accordingly, none of the performance share awards granted on 6 March 2009 will be exercisable.

The market value of the shares at 31 December 2011 was 266.5p and the range during the year was 239.25p to 698.5p.

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

Gerry Brown
Chairman
Remuneration Committee
27 February 2012

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 2010 Corporate Governance Code as set out at www.frc.org.uk/corporate/ukcgcode.cfm (the 'Code'). Throughout the year to 31 December 2011, save as otherwise explained in the paragraph headed 'Compliance with the Code' on page 41, the Board believes that the Company was in compliance with the provisions of the Code.

The Board

The Group is controlled through its Board of Directors. The Board's main roles are: to create value for shareholders; to provide entrepreneurial leadership of the Group; to approve the Group's strategic objectives; and to ensure that the necessary financial and other resources are made available to enable those objectives to be met. The Board has a schedule of matters reserved for its approval, which it most recently reviewed in February 2012.

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; approving policies relating to Directors' remuneration and Directors' contracts as well as accounting, dividend and treasury policies; and undertaking a formal and rigorous review annually of its own performance and that of its Committees and Directors.

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;

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

Directors and Directors' independence

The Board currently comprises the Chairman, five other Non-executive Directors and four Executive Directors. The names of the Directors at the date of this report, together with their biographical details, are set out on pages 18 and 19. All of these Directors served throughout the year with the exception of Mr Chris Girling and Mr David Savage who joined the Board on 28 February 2011 and 1 August 2011 respectively. In addition, Mr Richard Scholes served on the Board until May 2011.

All Directors are subject to election by shareholders at the first Annual General Meeting ('AGM') following their appointment and to annual re-election from 2012 onwards in accordance with the Code.

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. At the end of Board meetings, the Chairman meets with the Non-executive Directors without the Executive Directors present. Apart from formal contact at Board meetings, there is regular informal contact between the Directors.

Mr Franklin was independent at the time of his appointment as Chairman on 1 August 2009. His other professional commitments are as detailed on page 19.

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 Brown is no longer considered to be independent under the Code having served on the Board for more than nine years. However, his objectivity and willingness to challenge management have not been compromised in any way by his tenure on the Board and so he is considered to have been independent throughout the year by the Company. Nonetheless, it is the Company's intention that Mr Brown will stand down once his successor as Senior Independent Director has been appointed.

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

There is an agreed procedure for any Director of the Company (whether executive or non-executive and either individually and collectively), to obtain independent professional advice. 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.

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 exceptions referred to below, did not present any conflicts or potential conflicts with the Company.

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

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

The Board also considered, and formally approved Mr Savage's interests in Stonehouse Constructions Limited and Mudajaya Group Berhad, both of which were potential customers of Group companies but which were not considered to conflict with his role as a Non-executive Director of the Company.

Board meetings

The Board had seven scheduled meetings during the year, one fewer than usual. A table showing attendance at these meetings, and at meetings of Board Committees, is set out on page 40. All Directors receive Board papers well in advance of meetings and it is usual for Directors who cannot attend a given meeting to discuss the business of the meeting in advance with the Chairman or the Senior Independent Director, in order to have input to the Board's deliberations.

As part of our policy of holding at least one Board meeting a year at an operational location, one of the Board meetings in 2011 was held in India and a second in the United States. These gave the Board opportunities to receive presentations on the regions' markets and prospects and to meet some of the Group's senior managers.

Board diversity

The Company recognises the need for, and benefits of, diversity on its Board to provide the necessary range of background, experience, values and perspectives to optimise the decision-making process.

Gender is seen as one important aspect of diversity to which the Chairman and the Nomination Committee must pay due regard when deciding upon the most appropriate composition of the Board.

The Board has established a range of backgrounds, capabilities and experiences that are critical for the overall Board composition and this will form the key objective and basis for the search and assessment of candidates for future positions. Within this context, in the ongoing process of refreshing the Board, the Company will continue to encourage and welcome interest from women, as from other candidates who will add to the Board's diversity. Against this overriding objective, the Company does not currently propose to set targets for the percentage of women or other aspects of diversity on its Board in future years.

Professional development

On appointment, Directors are provided with induction training and information about the Group, the role of the Board and the matters reserved for its decision, the terms of reference and membership of the Board Committees and the latest financial information about the Group. This is supplemented by meetings with the Company's legal and other professional advisers, where appropriate, and 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. In 2011, the Directors received updates on various best practice, regulatory and legislative developments, including the Davies Report and the UK Bribery Act.

Performance evaluation and re-election

During the year, in accordance with the recommendations of the Code, the Board appointed an independent facilitator, Coefficient, to assist in a review of the performance of the Board, its Committees and Directors.

As part of the review, Coefficient interviewed present and former board members, senior managers and a number of external advisers who interact with the Board. They reported to the Board in February 2012 and, after discussion, the Board is considering how best to take forward various suggestions.

The review covered the composition of the Board, including its size, range of experience and skills, international complexion and gender balance, all of which are relevant to its balance and diversity; the quality of the information the Board receives; how it operates as a team and manages conflicts; the focus of Board business and how to make more time for key issues such as strategy, risk management and succession; defining the Board's role and its relationship with the wider business and divisional management; the operation of the Committees of the Board and their responsibilities and remits; and the Group's vision and values.

Following this process, the Chairman has confirmed that the Directors standing for election at this year's AGM continue to perform effectively and to demonstrate commitment to their roles.

Corporate governance

continued

Relations with shareholders

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

The AGM is 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 AGM, 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	Audit Committee meetings	Nomination Committee meetings	Remuneration Committee meetings
Non-Executive Chairman				
R A Franklin	7/7	–	2/2 (Chair)	–
Executive Directors				
J R Atkinson	7/7	–	2/2	–
J W G Hind	7/7	–	–	–
R M Rubright	7/7	–	–	–
Dr W Sondermann	7/7	–	–	–
Senior Independent Director				
E G F Brown	6/7	3/4	2/2	3/3 (Chair)
Non-executive Directors				
P J López Jiménez	6/7	–	2/2	–
C Girling	6/6	3/3 (Chair)	2/2	1/1
L R Cairnie	7/7	4/4	–	3/3
D G Savage	2/3	0/1	0/1	1/1
Former Non-executive Director				
R T Scholes	3/3	1/1 (Chair)	–	1/2

Mr Girling and Mr Savage attended Board and Committee meetings as observers prior to their appointment.

Committee terms of reference

The terms of reference for the Remuneration, Audit and Nomination Committees were reviewed and, where appropriate, updated during the year.

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

Remuneration Committee

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

Committee members

E G F Brown (Chairman)
L R Cairnie
C Girling (from 28 February 2011)
D G Savage (from 1 August 2011)
R T Scholes (until 17 May 2011)

All members of the Committee were considered by the Company to be independent throughout the period of their membership.

This Committee is responsible for agreeing with the Board the framework and policy for the remuneration of the Group's executive management and for determining the remuneration packages of the Executive Directors. A more detailed examination of the Committee's work during the year is available in the Directors' remuneration report as set out on pages 29 to 37.

Nomination Committee

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

Committee members

R A Franklin (Chairman)
J R Atkinson
E G F Brown
L R Cairnie
C Girling (from 28 February 2011)
D G Savage (from 1 August 2011)
R T Scholes (until 17 May 2011)

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

The Committee met twice during the year to agree on the appointment of independent search consultants; consider the overall composition of the Board; agree the optimal profiles for new appointees to fill planned vacancies on the Board; and (after most members of the Board had had a chance to meet the shortlisted candidates) recommend the appointment of two new Non-executive Directors.

Audit Committee

The Audit Committee is chaired by Mr Girling, a Chartered Accountant, who replaced Mr Scholes on 17 May 2011. The names of members of the Committee during the year are given below. All served on the Committee throughout the year except where indicated and all were considered by the Company to be independent. The Board has satisfied itself that at least one member of the Committee has recent and relevant financial experience.

Committee members

C Girling (Chairman from 17 May 2011; member from 28 February 2011)

E G F Brown

L R Cairnie

D G Savage (from 1 August 2011)

R T Scholes (Chairman and member until 17 May 2011)

In compliance with the Code, a majority of the members of the Committee were considered by the Company to be independent throughout the period of their membership.

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

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

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

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.

The Group takes pride in its good reputation and track record globally. A roll out of its new Business Conduct Programme, as approved by the Board, commenced during the year. The programme seeks to promote honesty, fairness and integrity in relations between employees and their work colleagues, customers, suppliers, competitors and the communities in which they work. A new training programme was implemented and is in the process of being cascaded down through the organisation. As part of this programme a new whistle-blowing hotline was introduced to facilitate the raising of any concerns, either by employees or external whistle-blowers.

In July 2010, PricewaterhouseCoopers was appointed to undertake a structured programme of independent, outsourced reviews of all material business units at least once every three to four years. During 2011, the Audit Committee received and considered reports from PricewaterhouseCoopers which detailed the progress against the agreed work programme for 2011. This programme covered reviews of business units in eight countries, which together represented approximately 20% of the Group's turnover for the year. In October, the Committee formally reviewed the effectiveness of these arrangements, concluding that the internal audit arrangements were appropriate and effective.

Compliance with the Code

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

Internal control

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

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

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

Corporate governance

continued

(a) Risk identification and evaluation

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

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

(b) Authorisation procedures

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

(c) Management of project risk

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

Detailed risk analyses covering technical, operational and financial issues are performed as part of the bidding process. Authority limits applicable to the approval of bids relate both to the specific risks associated with the contract and to the 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. A revised, web-based project risk management system is currently being implemented across the EMEA division, which is intended to be rolled out across the rest of the Group.

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

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

(d) Budgeting and forecasting

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

(e) Financial reporting

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

(f) Cash control

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

(g) Investments and capital expenditure

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

(h) Independent reviews

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

(i) Self-certification

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

The management of financial risks is described in the financial review and the management of the principal risks and uncertainties facing the Group is described in the operating review.

Statement of Directors' responsibilities

 [to find out more
please visit our website
www.keller.co.uk](http://www.keller.co.uk)

Statement of Directors' responsibilities in respect of the annual 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 IFRSs, 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 complies 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.

Responsibility statement of the Directors in respect of the annual report and the financial statements

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

Justin Atkinson
Chief Executive

James Hind
Finance Director
27 February 2012

Independent Auditor's report to the members of Keller Group plc

We have audited the financial statements of Keller Group plc for the year ended 31 December 2011 which comprise the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated and Company balance sheets, the Consolidated statement of changes in equity, the Consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

Respective responsibilities of Directors and Auditor

As explained more fully in the Directors' responsibilities statement set out on page 43, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's ('APB's') Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2011 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the corporate governance statement set out on pages 38 to 42 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

- Under the Companies Act 2006 we are required to report to you if, in our opinion:
 - adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
 - the parent company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
 - certain disclosures of Directors' remuneration specified by law are not made; or
 - we have not received all the information and explanations we require for our audit; or
 - a corporate governance statement has not been prepared by the Company.
- Under the Listing Rules we are required to review:
 - the Directors' statement, set out on page 28, in relation to going concern; and
 - the part of the corporate governance statement on pages 38 to 42 relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
 - certain elements of the report to shareholders by the Board on Directors' remuneration.

Andrew Marshall (Senior Statutory Auditor)

for and on behalf of

KPMG Audit Plc, Statutory Auditor

Chartered Accountants

15 Canada Square

London, E14 5GL

27 February 2012

Financial Statements

46	Consolidated financial statements
46	Consolidated income statement
46	Consolidated statement of comprehensive income
47	Consolidated balance sheet
48	Consolidated statement of changes in equity
49	Consolidated cash flow statement
50	Notes to the consolidated financial statements
72	Company financial statements
72	Company balance sheet
73	Notes to the Company financial statements
78	Financial record

Notice of Annual General Meeting

79	Notice of Annual General Meeting
84	Principal offices
IBC	Secretary and advisers

Consolidated income statement

For the year ended 31 December 2011

	Note	2011 £m	2010 Before goodwill impairment £m	2010 Goodwill impairment £m	2010 Total £m
Revenue	3	1,154.3	1,068.9	–	1,068.9
Operating costs	5	(1,125.4)	(1,025.6)	(21.8)	(1,047.4)
Operating profit	3	28.9	43.3	(21.8)	21.5
Finance income	7	2.1	3.3	–	3.3
Finance costs	8	(9.1)	(7.0)	–	(7.0)
Profit before taxation		21.9	39.6	(21.8)	17.8
Taxation	9	(5.5)	(11.0)	4.7	(6.3)
Profit for the period		16.4	28.6	(17.1)	11.5
Attributable to:					
Equity holders of the parent		15.9	28.3	(17.1)	11.2
Minority interests		0.5	0.3	–	0.3
		16.4	28.6	(17.1)	11.5
Earnings per share before goodwill impairment					
Basic earnings per share	11	24.8p			44.0p
Diluted earnings per share	11	24.4p			43.2p
Earnings per share					
Basic earnings per share	11	24.8p			17.3p
Diluted earnings per share	11	24.4p			17.0p

Consolidated statement of comprehensive income

For the year ended 31 December 2011

	Note	2011 £m	2010 Before goodwill impairment £m	2010 Goodwill impairment £m	2010 Total £m
Profit for the period		16.4	28.6	(17.1)	11.5
Other comprehensive income					
Exchange differences on translation of foreign operations		(6.3)	12.0	–	12.0
Net investment hedge gains/(losses)	23	0.3	(0.3)	–	(0.3)
Cash flow hedge losses taken to equity	23	–	(3.0)	–	(3.0)
Cash flow hedge transfers to income statement	23	–	3.0	–	3.0
Actuarial gains/(losses) on defined benefit pension schemes	29	1.1	(1.3)	–	(1.3)
Tax on actuarial (gains)/losses on defined benefit pension schemes	9	(0.3)	0.3	–	0.3
Other comprehensive income for the period, net of tax		(5.2)	10.7	–	10.7
Total comprehensive income for the period		11.2	39.3	(17.1)	22.2
Attributable to:					
Equity holders of the parent		10.9	39.3	(17.1)	22.2
Minority interests		0.3	–	–	–
		11.2	39.3	(17.1)	22.2

Consolidated balance sheet

As at 31 December 2011

	Note	2011 £m	2010 £m
Assets			
Non-current assets			
Intangible assets	12	100.6	106.8
Property, plant and equipment	13	266.1	275.0
Deferred tax assets	9	6.7	10.0
Other assets	14	15.8	16.1
		389.2	407.9
Current assets			
Inventories	16	37.3	32.9
Trade and other receivables	17	334.7	334.6
Current tax assets		10.5	6.2
Cash and cash equivalents	19	50.0	41.4
		432.5	415.1
Total assets	3	821.7	823.0
Liabilities			
Current liabilities			
Loans and borrowings	23	(8.4)	(25.9)
Current tax liabilities		(6.8)	(7.1)
Trade and other payables	20	(252.2)	(260.8)
Provisions	21	(9.7)	(9.1)
		(277.1)	(302.9)
Non-current liabilities			
Loans and borrowings	23	(144.1)	(109.5)
Retirement benefit liabilities	29	(17.7)	(20.1)
Deferred tax liabilities	9	(22.5)	(18.4)
Provisions	21	(4.0)	(4.5)
Other liabilities	22	(29.5)	(36.8)
		(217.8)	(189.3)
Total liabilities	3	(494.9)	(492.2)
Net assets	3	326.8	330.8
Equity			
Share capital	24	6.6	6.6
Share premium account		38.1	38.0
Capital redemption reserve	24	7.6	7.6
Translation reserve		42.6	48.4
Retained earnings		222.7	220.1
Equity attributable to equity holders of the parent		317.6	320.7
Minority interests		9.2	10.1
Total equity		326.8	330.8

These financial statements were approved by the Board of Directors and authorised for issue on 27 February 2012. 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 2011

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

Consolidated cash flow statement

For the year ended 31 December 2011

	Note	2011 £m	2010 £m
Cash flows from operating activities			
Operating profit		28.9	21.5
Goodwill impairment		–	21.8
Operating profit before goodwill impairment		28.9	43.3
Depreciation of property, plant and equipment		41.0	40.0
Amortisation of intangible assets		1.5	1.7
Profit on sale of property, plant and equipment		(0.3)	(0.5)
Other non-cash movements		3.2	5.8
Foreign exchange losses		–	0.2
Operating cash flows before movements in working capital		74.3	90.5
(Increase)/decrease in inventories		(5.0)	5.2
Increase in trade and other receivables		(5.2)	(23.8)
(Decrease)/increase in trade and other payables		(5.1)	2.2
Change in provisions, retirement benefit and other non-current liabilities		(4.2)	(3.8)
Cash generated from operations		54.8	70.3
Interest paid		(5.7)	(4.5)
Income tax paid		(3.8)	(10.2)
Net cash inflow from operating activities		45.3	55.6
Cash flows from investing activities			
Interest received		0.6	0.5
Proceeds from sale of property, plant and equipment		1.9	1.0
Acquisition of subsidiaries, net of cash acquired		(0.2)	(23.4)
Acquisition of property, plant and equipment		(37.7)	(28.2)
Acquisition of intangible assets		(1.6)	(1.4)
Acquisition of other non-current assets		(0.1)	(0.3)
Net cash outflow from investing activities		(37.1)	(51.8)
Cash flows from financing activities			
Proceeds from the issue of share capital		0.1	0.2
New borrowings		54.1	99.5
Repayment of borrowings		(40.3)	(76.8)
Payment of finance lease liabilities		(0.7)	(1.3)
Dividends paid		(15.8)	(14.9)
Net cash (outflow)/inflow from financing activities		(2.6)	6.7
Net increase in cash and cash equivalents		5.6	10.5
Cash and cash equivalents at beginning of period		39.1	29.3
Effect of exchange rate fluctuations		(1.4)	(0.7)
Cash and cash equivalents at end of period	19	43.3	39.1

Overview

Business Review

Corporate Governance

Financial Statements

Notice of AGM

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 72 to 77.

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 did not adopt the amendment to IFRS 7 – Transfers of Financial Assets which was available for optional early adoption. The Company does not expect the adoption of this amendment to have a significant impact on the consolidated financial statements.

The consolidated financial statements are prepared on a going concern basis as set out in the Directors' report on page 27.

c) Basis of consolidation

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

d) Jointly controlled operations

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

e) Revenue recognition

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

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

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

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

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

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

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:

	2011	2010
US dollar: average for period	1.60	1.55
US dollar: period end	1.55	1.55
Euro: average for period	1.15	1.17
Euro: period end	1.19	1.17
Australian dollar: average for period	1.55	1.68
Australian dollar: period end	1.52	1.52

2 Principal accounting policies continued

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. As allowed by IAS 19, the Group recognises 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 other comprehensive income.

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.

m) Business combinations

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

For acquisitions on or after 1 January 2010, costs related to the acquisition are expensed as incurred. Any contingent consideration payable is recognised at fair value at the acquisition date with subsequent changes to the fair value being recognised in profit or loss, unless the change was as a result of new information about facts or circumstances existing at the acquisition date being obtained during the measurement period, in which case the change is recognised in the balance sheet as an adjustment to goodwill. For acquisitions before 1 January 2010, transaction costs were capitalised as part of the cost of the acquisition. Any contingent consideration payable was recognised at fair value at the acquisition date with subsequent changes to the fair value being recognised in the balance sheet as an adjustment to goodwill.

n) Goodwill and other intangible assets

Goodwill

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

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

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

Other intangible assets

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

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

Notes to the consolidated financial statements

Continued

2 Principal accounting policies continued

o) Impairment of assets excluding goodwill

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

p) Capital work in progress

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

q) Inventories

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

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

r) Financial instruments

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

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

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

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

Hedges are accounted for as follows:

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

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

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

s) Trade receivables

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

t) Trade payables

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

u) Provisions

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

v) Financial guarantees

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

w) Share-based payment

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

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

x) Segmental reporting

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

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

y) Dividends

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

z) Accounting estimates and judgements

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

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

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

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

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

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

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

Notes to the consolidated financial statements

Continued

3 Segmental analysis

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

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

	2011	2011	2011	2011	2011	2011
	Segment assets £m	Segment liabilities £m	Capital employed £m	Capital additions £m	Depreciation and amortisation £m	Tangible and intangible assets £m
UK	39.2	(16.2)	23.0	2.3	1.7	22.2
North America	306.0	(101.5)	204.5	8.9	12.5	133.7
CEMEA ¹	280.4	(111.1)	169.3	18.5	19.9	139.4
Australia	124.5	(41.0)	83.5	9.9	8.2	71.1
	750.1	(269.8)	480.3	39.6	42.3	366.4
Central items and eliminations ²	71.6	(225.1)	(153.5)	(0.3)	0.2	0.3
	821.7	(494.9)	326.8	39.3	42.5	366.7

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

¹ Continental Europe, Middle East and Asia.

² Central items includes net debt and tax balances.

The impact of acquisitions is detailed in note 4.

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

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

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

	2010	2010	2010	2010	2010	2010
	Restated	Restated	Restated	Restated	Restated	Restated
	Segment	Segment	Capital	Capital	Depreciation and	Tangible and
	assets	liabilities	employed	additions	amortisation	intangible assets
	£m	£m	£m	£m	£m	£m
North America	291.8	(98.2)	193.6	6.0	13.1	137.9
EMEA ³	264.0	(118.4)	145.6	10.0	16.8	128.1
Asia	82.1	(26.4)	55.7	6.2	5.2	45.3
Australia	122.3	(45.2)	77.1	24.5	6.6	70.0
	760.2	(288.2)	472.0	46.7	41.7	381.3
Central items and eliminations ⁴	62.8	(204.0)	(141.2)	0.3	–	0.5
	823.0	(492.2)	330.8	47.0	41.7	381.8

³ Europe, Middle East and Africa.

⁴ Central items includes net debt and tax balances.

Notes to the consolidated financial statements

Continued

4 Acquisitions

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

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

On 10 June 2010 the Group acquired 100% of the share capital of Waterfront Services Pty Limited, Australia, with subsidiaries, trading as Waterway Constructions ('Waterway'). The fair value of the intangible assets acquired represents the fair value of customer contracts at the date of acquisition. The goodwill arising on acquisition is attributable to the knowledge and expertise of the assembled workforce and the operating synergies that arise from the Group's strengthened market position. Contingent consideration of up to £10.9m (A\$16.5m) is payable based on total earnings before interest and tax in the three-year period to 30 June 2013. Acquisition costs of £0.4m (A\$0.7m) were charged to other operating charges.

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

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

5 Operating costs

	Note	2011 £m	2010 £m
Raw materials and consumables		343.2	323.7
Staff costs	6	317.5	294.2
Other operating charges		376.1	322.9
Amortisation of intangibles		1.5	1.7
Impairment of goodwill		–	21.8
Operating lease expense:			
Land and buildings		10.0	10.4
Plant, machinery and vehicles		36.1	32.7
Depreciation:			
Owned property, plant and equipment		40.6	39.4
Property, plant and equipment held under finance leases		0.4	0.6
		1,125.4	1,047.4
Other operating charges include:			
Redundancy and other reorganisation costs		2.0	3.8
Net foreign exchange losses		–	0.2
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	0.2
Services relating to corporate finance transactions entered into or proposed to be entered into by or on behalf of the Group		–	0.1

6 Employees

The aggregate staff costs of the Group were:

	2011 £m	2010 £m
Wages and salaries	278.3	257.4
Social security costs	30.8	30.2
Other pension costs	8.4	6.6
	317.5	294.2

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 29 to 37 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:

	2011 Number	2010 Number
UK	373	395
North America	2,436	2,288
CEMEA	3,014	2,961
Australia	934	837
	6,757	6,481

7 Finance income

	2011 £m	2010 £m
Bank and other interest receivable	0.3	0.3
Expected return on pension scheme assets	1.5	1.4
Other finance income	0.3	1.6
	2.1	3.3

8 Finance costs

	2011 £m	2010 £m
Interest payable on bank loans and overdrafts	3.8	1.8
Interest payable on other loans	1.0	1.5
Interest payable on finance leases	0.1	0.1
Pension interest cost	2.5	2.6
Other finance costs	1.7	1.0
	9.1	7.0

Notes to the consolidated financial statements

Continued

9 Taxation

	2011 £m	2010 £m
Current tax expense		
Current year	2.2	10.6
Prior years	(3.3)	(1.6)
Total current tax	(1.1)	9.0
Deferred tax expense		
Current year	4.6	(3.5)
Prior years	2.0	0.8
Total deferred tax	6.6	(2.7)
	5.5	6.3

UK corporation tax is calculated at 26.5% (2010: 28.0%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The effective tax rate can be reconciled to the UK corporation tax rate of 26.5% as follows:

	2011 %	2010 %
UK corporation tax rate of 26.5% (2010: 28.0%)	26.5	28.0
Tax charged overseas at rates other than 26.5% (2010: 28.0%)	3.4	(4.4)
Tax losses carried forward	(2.8)	(0.6)
Permanent differences	3.7	6.8
Adjustment to tax charge in respect of previous periods	(5.8)	(2.0)
Effective tax rate from ordinary activities	25.0	27.8
Impact of goodwill impairment	–	7.6
Effective tax rate	25.0	35.4

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 employee related liabilities £m	Bad debts £m	Other temporary differences £m	Total £m
At 1 January 2010	(3.7)	26.3	(3.2)	(10.7)	(3.7)	6.5	11.5
Charge/(credit) to the income statement	0.5	2.1	1.1	(1.3)	0.1	(5.2)	(2.7)
Credit to equity	–	–	(0.3)	–	–	–	(0.3)
Acquired with new subsidiaries	–	–	–	–	–	(0.7)	(0.7)
Exchange differences	0.3	1.4	(0.2)	(0.4)	–	(0.5)	0.6
Reclassification	–	1.3	–	–	–	(1.3)	–
At 31 December 2010 and 1 January 2011	(2.9)	31.1	(2.6)	(12.4)	(3.6)	(1.2)	8.4
(Credit)/charge to the income statement	(1.9)	4.2	0.3	(0.3)	0.7	3.6	6.6
Charge to equity	–	–	0.3	–	–	–	0.3
Exchange differences	–	(0.1)	0.3	–	–	0.3	0.5
At 31 December 2011	(4.8)	35.2	(1.7)	(12.7)	(2.9)	2.7	15.8

	2011 £m	2010 £m
The following is the analysis of the deferred tax balances for financial reporting:		
Deferred tax liabilities	22.5	18.4
Deferred tax assets	(6.7)	(10.0)
	15.8	8.4

At the balance sheet date, the Group had unused tax losses of £11.1m (2010: £14.1m) available for offset against future profits, on which no deferred tax asset has been recognised. These losses may be carried forward indefinitely.

At the balance sheet date the aggregate of temporary differences associated with investments in subsidiaries, branches and joint ventures for which no deferred tax liability has been recognised is £77m (2010: £75m). The unprovided deferred tax liability in respect of these timing differences is £1.4m (2010: £1.2m).

10 Dividends payable to equity holders of the parent

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

The Board have recommended a final dividend for the year ended 31 December 2011 of £9.8m, representing 15.2p (2010: 15.2p) per share. The proposed dividend is subject to approval by shareholders at the AGM on 18 May 2012 and has not been included as a liability in these financial statements.

11 Earnings per share

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

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

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

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

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

Notes to the consolidated financial statements

Continued

12 Intangible assets

	Goodwill £m	Other intangible assets £m	Total £m
Cost			
At 1 January 2010	113.5	13.0	126.5
Acquired with subsidiaries	–	0.7	0.7
Additions	6.3	(0.2)	6.1
Exchange differences	4.3	0.5	4.8
At 31 December 2010 and 1 January 2011	124.1	14.0	138.1
Additions	–	1.6	1.6
Reassessment	(6.1)	–	(6.1)
Exchange differences	(0.4)	(0.1)	(0.5)
At 31 December 2011	117.6	15.5	133.1
Accumulated amortisation and impairment			
At 1 January 2010	–	7.4	7.4
Amortisation charge for the year	–	1.7	1.7
Impairment charge for the year	21.8	–	21.8
Exchange differences	0.1	0.3	0.4
At 31 December 2010 and 1 January 2011	21.9	9.4	31.3
Amortisation charge for the year	–	1.5	1.5
Exchange differences	(0.1)	(0.2)	(0.3)
At 31 December 2011	21.8	10.7	32.5
Carrying amount			
At 31 December 2011	95.8	4.8	100.6
At 31 December 2010 and 1 January 2011	102.2	4.6	106.8
At 1 January 2010	113.5	5.6	119.1

In 2010, the goodwill in respect of two cash generating units, Suncoast and Keller-Terra, was impaired by £13.6m and £7.6m respectively due to the expectation at that time that conditions in their markets would remain significantly below historic mid-cycle conditions for the foreseeable future.

The reassessment of £6.1m in 2011 relates to the revision of management's estimates of the amount of further contingent consideration payable in respect of Resource Piling which was acquired in October 2009.

In 2011, for impairment testing purposes goodwill has been allocated to 15 separate cash generating units ('CGUs'). Of these, the carrying amount of goodwill allocated to three individual CGUs (Suncoast, HJ Foundations and Keller Limited) is significant in comparison to the total carrying amount of goodwill and comprises 60% of the total. The carrying amounts allocated to three further CGUs, taken together, comprise a further 27% of the total. The relevant CGUs and the carrying amount of the goodwill allocated to each are as set out below, together with the pre-tax discount rate and medium-term growth rate used in their value in use calculations described on page 61:

Cash Generating Unit	Geographical segment	2011 Carrying value £m	2011 Pre-tax discount rate %	2011 Forecast growth rate %	2010 Carrying value £m	2010 Pre-tax discount rate %	2010 Forecast growth rate %
Suncoast	North America	27.7	16.3	4.0	27.7	15.3	4.0
HJ Foundations	North America	17.9	16.5	3.0	17.9	17.1	3.0
Keller Limited	UK	12.1	14.0	2.0	12.1	13.7	2.0
Waterway	Australia	9.2	18.0	3.0	9.2	15.7	3.0
Hayward Baker	North America	8.9	14.3	3.0	8.9	14.2	3.0
Resource Piling	CEMEA (Singapore)	8.0	12.4	3.0	14.1	13.2	3.0
Other	Various	12.0			12.3		
		95.8			102.2		

12 Intangible assets continued

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

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

All of the forecast cash flows used to derive values in use anticipate an improvement in sales and profitability in 2012 from the levels of 2011. With the exception of Waterway, it is assumed that revenues and profits recover over time to no better than a mid-cycle position by no later than year five (2016).

Management considers all the forecast improvements in sales, margins and profits to be reasonably achievable given the expected recovery, over time, in market conditions and the historic trading results of the relevant CGUs. Cash flows beyond 2016 have been extrapolated using a steady growth rate of between 2% and 4% (shown in the table above), which does not exceed the long-term average growth rates for the markets in which the relevant CGUs operate.

The macroeconomic assumptions underlying most of the forecasts are for a gradual recovery to more normal, mid-cycle, market conditions by 2016. Clearly, in the event that this assumption proves significantly over optimistic and the relevant countries experience a continued severe and prolonged depression, such that demand for the Group's products is materially below long-term historic levels for a significant number of years, this would adversely impact the forecast cash flows and more than likely lead to impairments of goodwill. The extent of such impairments however is impossible to predict at this stage.

If, as management considers probable, the medium-term macroeconomic background assumed proves not to be significantly over optimistic, management believes that, with the exception of Suncoast which is discussed below, 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 (North America)

Suncoast's revenues are primarily linked to US residential construction spend and the forecast cash flows assume the slight increase in US residential seen during 2010 and 2011 is the beginning of a gradual recovery. Revenues forecast for 2016 are consistent with national US housing starts of around 1.2 million in that year, still well below the

level of 1.5 million which third party forecasts generally assume to be the average annual requirement for new homes in the US based on expected demographic trends. Whilst gross margins are forecast to recover over time the forecast recovery is to a level some way below that earned in the five years prior to the recent recession, despite considerable operational improvements at Suncoast in recent years.

As noted above, in 2010 the carrying amount of goodwill in respect of Suncoast was written down to its recoverable amount. The 2011 value in use is materially the same as that calculated in 2010. If therefore, as is reasonably possible, the recovery in US residential construction is slower than forecast, it is likely in the absence of any other mitigating factors that additional impairment would be required.

HJ Foundation (North America)

The forecast cash flows assume that HJ continues to grow its revenues outside its traditional south Florida market. Revenues from south Florida forecast for 2016 are less than half those achieved in the boom of 2005 and 2006. Management considers the forecast 2016 revenues from other geographical markets reasonably achievable given progress to date and the ability to leverage off the wider Keller North America network. Gross margins are forecast to recover over time to a level consistent with other Keller North America piling companies.

Keller Limited (UK)

The forecast cash flows assume that revenues will be boosted by significant one-off infrastructure work over the next three years. The general UK construction market is forecast to recover slowly over time. Forecast margins are consistent with the historic average for the business.

Waterway (Australia)

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

Hayward Baker (North America)

This business is more geographically diverse than HJ and has revenue more broadly spread across construction markets as a whole than Suncoast. The forecast cash flows assume a continuation of the recovery in revenues and profits seen in 2011. The forecast revenue growth to 2016 is based on external forecasts for the relevant construction markets. Gross margins are forecast to return over time to levels consistent with the average normalised margins of the last five years, although margin recovery is forecast to lag revenue recovery.

Resource Piling (Singapore)

The forecast cash flows of Resource Piling, which was acquired by Keller in October 2009, assume revenues over the next five years in line with those achieved by the business in 2010. Forecast margins are consistent with the historic average for the business, but less than those earned in the two years immediately preceding acquisition.

Notes to the consolidated financial statements

Continued

13 Property, plant and equipment

	Land and buildings £m	Plant, machinery and vehicles £m	Capital work in progress £m	Total £m
Cost				
At 1 January 2010	40.1	400.3	3.0	443.4
Additions	0.7	27.5	–	28.2
Acquired with subsidiaries	–	12.0	–	12.0
Disposals	–	(3.8)	–	(3.8)
Reclassification	–	2.0	(2.0)	–
Exchange differences	(0.4)	13.2	(0.1)	12.7
At 31 December 2010 and 1 January 2011	40.4	451.2	0.9	492.5
Additions	0.8	36.5	0.4	37.7
Disposals	(0.2)	(5.9)	–	(6.1)
Reclassification	–	0.1	(0.1)	–
Exchange differences	(0.5)	(5.5)	(0.1)	(6.1)
At 31 December 2011	40.5	476.4	1.1	518.0
Accumulated depreciation				
At 1 January 2010	6.7	172.3	–	179.0
Charge for the year	1.0	39.0	–	40.0
Disposals	–	(3.3)	–	(3.3)
Exchange differences	0.1	1.7	–	1.8
At 31 December 2010 and 1 January 2011	7.8	209.7	–	217.5
Charge for the year	1.0	40.0	–	41.0
Disposals	(0.1)	(4.4)	–	(4.5)
Exchange differences	(0.1)	(2.0)	–	(2.1)
At 31 December 2011	8.6	243.3	–	251.9
Carrying amount				
At 31 December 2011	31.9	233.1	1.1	266.1
At 31 December 2010 and 1 January 2011	32.6	241.5	0.9	275.0
At 1 January 2010	33.4	228.0	3.0	264.4

The net book value of plant, machinery and vehicles includes £1.4m (2010: £3.8m) in respect of assets held under finance leases.

The Group had contractual commitments for the acquisition of property, plant and equipment of £4.3m (2010: £0.1m) at the balance sheet date. These amounts were not included in the balance sheet at the year end.

14 Other non-current assets

	2011 £m	2010 £m
Fair value of derivative financial instruments	3.6	3.3
Other assets	12.2	12.8
	15.8	16.1

15 Investments

The Company's principal operating subsidiary undertakings at 31 December 2011 were as follows:

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

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

16 Inventories

	2011 £m	2010 £m
Raw materials and consumables	26.4	23.0
Work in progress	0.3	0.1
Finished goods	10.6	9.8
	37.3	32.9

17 Trade and other receivables

	2011 £m	2010 £m
Trade receivables	279.1	270.9
Construction work in progress	35.7	34.5
Other receivables	13.2	18.8
Prepayments	6.7	10.4
	334.7	334.6

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

	2011 £m	2010 £m
The movement in the provision for bad and doubtful debt is as follows:		
At 1 January	27.1	34.4
Used during the period	(5.0)	(6.8)
Additional provisions	9.8	8.0
Unused amounts reversed	(3.7)	(8.8)
Exchange differences	(0.2)	0.3
At 31 December	28.0	27.1

	2011 £m	2010 £m
The ageing of trade receivables that were past due but not impaired was as follows:		
Overdue by less than 30 days	49.7	47.6
Overdue by between 31 and 90 days	25.1	23.3
Overdue by more than 90 days	26.9	20.9
	101.7	91.8

Notes to the consolidated financial statements

Continued

18 Construction contracts

	2011 £m	2010 £m
Construction contracts in progress at balance sheet date:		
Aggregate amount of costs incurred and recognised profits (less recognised losses) to date	499.5	404.9
Retentions withheld by customers	51.8	52.2
Advances received	1.6	2.3

Construction contract revenue recognised in the year in accordance with IAS 11 totalled £1,082.9m (2010: £1,001.6m).

19 Cash and cash equivalents

	2011 £m	2010 £m
Bank balances	48.4	39.3
Short-term deposits	1.6	2.1
Cash and cash equivalents in the balance sheet	50.0	41.4
Bank overdrafts	(6.7)	(2.3)
Cash and cash equivalents in the cash flow statement	43.3	39.1

20 Trade and other payables

	2011 £m	2010 £m
Trade payables	123.1	123.2
Other taxes and social security payable	8.6	9.0
Other payables	91.7	98.3
Accruals	28.8	30.3
	252.2	260.8

21 Provisions

	Employee provisions £m	Restructuring provisions £m	Other provisions £m	Total £m
At 1 January 2011	9.3	1.4	2.9	13.6
Charge for the year	2.6	–	–	2.6
Applied	(1.6)	(0.4)	–	(2.0)
Reversed unused	(0.3)	(0.3)	–	(0.6)
Exchange differences	0.1	–	–	0.1
At 31 December 2011	10.1	0.7	2.9	13.7
To be settled within one year	6.2	0.6	2.9	9.7
To be settled after one year	3.9	0.1	–	4.0
At 31 December 2011	10.1	0.7	2.9	13.7

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

22 Other non-current liabilities

	2011 £m	2010 £m
Fair value of derivative financial instruments	18.7	18.7
Other liabilities	10.8	18.1
	29.5	36.8

23 Financial instruments

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

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

Credit risk

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

The Group has stringent procedures to manage counterparty risk and the assessment of customer credit risk is embedded in the contract tendering processes. Customer credit risk is mitigated by the Group's relatively small average contract size and its diversity, both geographically and in terms of end markets. As a result, no customer represented more than 5% of sales in 2011. The counterparty risk on bank and cash balances is managed by limiting the aggregate amount of exposure to any such institution by reference to their credit rating and by regular review of these ratings. The ageing of trade receivables that were past due but not impaired is shown in note 17.

Currency risk

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

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

At 31 December 2011, the fair value of foreign exchange forward contracts outstanding was £0.1m (2010: £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 shown on page 66, 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\$70m private placement repayable in 2014 and a £170m syndicated revolving credit facility expiring in 2015. These facilities are subject to certain covenants linked to the Group's financing structure, specifically regarding the ratios of debt and interest to profit. The Group has complied with these covenants throughout the period.

At the year end, the Group also had other committed and uncommitted borrowing facilities totalling £92.6m (2010: £44.2m) to support local requirements.

Hedging

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

The US private placement loans are accounted for on an amortised cost basis, adjusted for the impact of hedge accounting (as described below), and retranslated at the spot exchange rate at each period end. The carrying value of the private placement liabilities at 31 December 2011 was £49.4m (2010: £69.3m).

The US\$100m fixed rate private placement liabilities were 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'). In October 2011, US\$30m of the US\$75m private placement liabilities swapped by means of US dollar interest rate swaps were repaid to the noteholders, leaving a US\$45m liability. The 2004 swaps have the same maturity as the private placement loans. The fair value of the 2004 swaps at 31 December 2011 represented an asset of £3.6m (2010: £4.0m) which is included in other non-current assets.

The US\$45m 2004 interest rate swaps have been designated as fair value hedges of the Group's exposure to changes in the fair value of US\$45m 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 £0.6m (2010: £1.6m gain), has been taken to the income statement along with the equal and opposite movement in fair value of the corresponding hedged items.

US\$45m 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 £0.3m (2010: £0.3m 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 exposure to the variability of cash flows on the intra-group debt resulting from changes in foreign exchange rates.

Notes to the consolidated financial statements

Continued

23 Financial instruments continued

The fair value of the 2006 swaps at 31 December 2011 represented a liability of £18.6m (2010: £18.6m) included in other non-current liabilities. The effective portion of changes in the fair value of the 2006 swaps, a gain/loss of £nil (2010: £3.0m loss), has been taken to the hedging reserve and fully recycled through operating costs in the income statement during the year.

All hedges are tested for effectiveness every six months using the cumulative dollar offset method. All hedging relationships remained effective during the year. The ineffective portion of the movement in the fair value of the hedging instruments was £nil (2010: £nil).

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.

	2011	2011	2011	2011	2011	2011	2011
	Effective interest rate %	Due within 1–2 years £m	Due within 2–5 years £m	Due after more than 5 years £m	Total non-current £m	Due within 1 year £m	Total £m
Bank overdrafts	6.3	–	–	–	–	(6.7)	(6.7)
Bank loans*	3.6	(0.5)	(93.9)	(0.3)	(94.7)	(1.4)	(96.1)
Other loans	2.0	–	(49.1)	–	(49.1)	–	(49.1)
Obligations under finance leases*	8.3	(0.1)	(0.2)	–	(0.3)	(0.3)	(0.6)
Total loans and borrowings		(0.6)	(143.2)	(0.3)	(144.1)	(8.4)	(152.5)
Bank balances	1.0	–	–	–	–	48.4	48.4
Short-term deposits*	3.0	–	–	–	–	1.6	1.6
Net debt		(0.6)	(143.2)	(0.3)	(144.1)	41.6	(102.5)
Derivative financial instruments		–	(15.1)	–	(15.1)	–	(15.1)

	2010	2010	2010	2010	2010	2010	2010
	Effective interest rate %	Due within 1–2 years £m	Due within 2–5 years £m	Due after more than 5 years £m	Total non-current £m	Due within 1 year £m	Total £m
Bank overdrafts	3.8	–	–	–	–	(2.3)	(2.3)
Bank loans*	2.3	(0.2)	(59.7)	–	(59.9)	(3.0)	(62.9)
Other loans	1.7	–	(49.4)	–	(49.4)	(19.8)	(69.2)
Obligations under finance leases*	3.9	(0.2)	–	–	(0.2)	(0.8)	(1.0)
Total loans and borrowings		(0.4)	(109.1)	–	(109.5)	(25.9)	(135.4)
Bank balances	0.1	–	–	–	–	39.3	39.3
Short-term deposits*	3.0	–	–	–	–	2.1	2.1
Net debt		(0.4)	(109.1)	–	(109.5)	15.5	(94.0)
Derivative financial instruments		–	3.2	(18.6)	(15.4)	0.7	(14.7)

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

In addition, there were non-interest-bearing financial liabilities comprising trade and other payables of £223.4m (2010: £230.5m) which were payable within one year and contingent consideration in respect of acquisitions taking place on or after 1 January 2010 of £0.7m (2010: £0.7m) which were payable within 2–5 years.

The Group had unutilised committed banking facilities of £60.0m at 31 December 2011 (2010: £78.3m). This mainly comprised the unutilised portion of the Group's £170m facility which expires on 16 April 2015. In addition, the Group had unutilised uncommitted borrowing facilities totalling £73.6m at 31 December 2011 (2010: £36.3m). All of these borrowing facilities are unsecured. Future obligations under finance leases totalled £0.6m (2010: £1.1m), including interest of £nil (2010: £0.1m).

23 Financial instruments continued

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 expected future principal and interest cash flows discounted using market rates prevailing at the balance sheet date. In 2011 and in 2010, 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 (i.e. as prices) or indirectly (i.e. derived from prices).

Interest-bearing loans and borrowings

Fair value is calculated based on expected future principal and interest cash flows discounted using market rates prevailing at the balance sheet date.

Contingent consideration

Fair value is calculated based on the amounts expected to be paid, determined by reference to forecasts of future performance of the acquired businesses discounted using market rates prevailing at the balance sheet date.

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 using market rates prevailing at the balance sheet date.

Interest rate and currency profile

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

	2011 Sterling	2011 USD	2011 Euro	2011 AUD	2011 Total
Weighted average fixed debt interest rate	–	–	8.3%	–	n/a
Weighted average fixed debt period (years)	–	–	1.7	–	n/a

	2011 £m	2011 £m	2011 £m	2011 £m	2011 £m
Fixed rate financial liabilities	–	–	(0.6)	–	(0.6)
Floating rate financial liabilities	(36.5)	(52.7)	(46.3)	(16.4)	(151.9)
Financial assets	0.5	4.2	41.6	3.7	50.0
Net debt	(36.0)	(48.5)	(5.3)	(12.7)	(102.5)

	2010 Sterling	2010 USD	2010 Euro	2010 AUD	2010 Total
Weighted average fixed debt interest rate	7.0%	–	3.6%	–	n/a
Weighted average fixed debt period (years)	1.0	–	3.0	–	n/a

	2010 £m	2010 £m	2010 £m	2010 £m	2010 £m
Fixed rate financial liabilities	(0.1)	–	(0.9)	–	(1.0)
Floating rate financial liabilities	(19.5)	(53.0)	(45.5)	(16.4)	(134.4)
Financial assets	–	7.4	29.0	5.0	41.4
Net debt	(19.6)	(45.6)	(17.4)	(11.4)	(94.0)

Sensitivity analysis

At 31 December 2011, it is estimated that a general increase of one percentage point in interest rates would decrease the Group's profit before taxation by approximately £1.4m (2010: £1.2m). The impact of interest rate swaps has been included in this calculation.

It is estimated that a general increase of ten percentage points in the value of sterling against other principal foreign currencies would have decreased the Group's profit before taxation by approximately £2.7m for the year ended 31 December 2011 (2010: £2.2m). 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.

Notes to the consolidated financial statements

Continued

24 Share capital and reserves

	2011 £m	2010 £m
Allotted, called up and fully paid		
Equity share capital:		
66,483,235 ordinary shares of 10p each (2010: 66,473,235)	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.

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

25 Related party transactions

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

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

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

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

The remuneration of the Directors, who are the key management personnel and related parties of the Group, is set out below in aggregate for each of the relevant categories specified in IAS 24 – Related Party Disclosures.

Key management personnel compensation comprised:

	2011 £m	2010 £m
Short-term employee benefits	2.1	1.9
Post-employment benefits	0.2	0.2
	2.3	2.1

26 Operating lease arrangements

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

	2011 Land and buildings £m	2011 Plant, machinery and vehicles £m	2011 Total £m	2010 Land and buildings £m	2010 Plant, machinery and vehicles £m	2010 Total £m
Payable within one year	7.9	5.8	13.7	7.3	4.5	11.8
Payable between one and five years inclusive	17.2	8.0	25.2	14.4	4.8	19.2
Payable in over five years	3.3	0.1	3.4	4.2	0.1	4.3
	28.4	13.9	42.3	25.9	9.4	35.3

27 Contingent liabilities

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

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

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

At 31 December 2011 the Group had discounted bills of exchange and standby letters of credit outstanding totalling £24.3m (2010: £30.6m).

28 Share-based payments

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

Details of the terms and conditions of the current share option plans are set out in the Directors' remuneration report on pages 29 to 37.

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 2010	57,000	244.2p	885,693
Granted during 2010	–	–	326,681
Forfeited during 2010	(12,000)	–	(5,000)
Lapsed during 2010	–	–	(149,619)
Exercised during 2010	(5,000)	251.0p	(67,223)
Outstanding at 31 December 2010 and 1 January 2011	40,000	243.7p	990,532
Granted during 2011	–	–	355,180
Forfeited during 2011	(5,000)	251.0p	–
Lapsed during 2011	–	–	(271,574)
Exercised during 2011	(10,000)	231.5p	–
Outstanding at 31 December 2011	25,000	251.0p	1,074,138
Exercisable at 1 January 2010	57,000	244.2p	8,750
Exercisable at 31 December 2010 and 1 January 2011	40,000	243.7p	3,750
Exercisable at 31 December 2011	25,000	251.0p	3,750

Exercises occurred throughout the year. The average share price during the year was 471.5p.

Under IFRS 2, 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:

	2011	2010
Weighted average share price	610.0p	662.0p
Weighted average exercise price	0.0p	0.0p
Expected volatility	44.4%	48.0%
Expected life	3 years	3 years
Risk free rate	1.48%	1.83%
Expected dividend yield	3.74%	3.18%

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 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.

The Group recognised total expenses (included in operating costs) of £0.6m (2010: £nil) related to equity-settled, share-based payment transactions.

The weighted average fair value of options granted in the year was 448.7p (2010: 495.6p).

Notes to the consolidated financial statements

Continued

29 Retirement benefit liabilities

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

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

The Group has two UK defined contribution retirement benefit schemes. There were no contributions outstanding in respect of these schemes at 31 December 2011 (2010: £nil). The total UK defined contribution pension charge for the year was £0.8m (2010: £0.8m).

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 North America, where the Group is required to match employee contributions up to a certain level in accordance with the scheme rules. The total North America pension charge for the year was £1.7m (2010: £1.9m).

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% (2010: 9%). The total Australian pension charge for the year was £4.5m (2010: £2.7m).

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

	The Keller Group Pension Scheme (UK) Year ended 31 December 2011 £m	The Keller Group Pension Scheme (UK) Year ended 31 December 2010 £m	German and Austrian Schemes Year ended 31 December 2011 £m	German and Austrian Schemes Year ended 31 December 2010 £m
Present value of the scheme liabilities	(38.0)	(38.0)	(11.9)	(12.7)
Present value of assets	32.2	30.6	-	-
Deficit in the scheme	(5.8)	(7.4)	(11.9)	(12.7)

	31 December 2011 %	31 December 2010 %	31 December 2011 %	31 December 2010 %
The value of the scheme liabilities has been determined by the actuary using the following assumptions:				
Discount rate	4.7	5.4	4.5	4.1
Expected return on scheme assets	4.6	5.0	n/a	n/a
Rate of increase in salaries	n/a	n/a	-	-
Rate of increase in pensions in payment	3.0	3.5	2.0	2.0
Rate of increase in pensions in deferment***	2.2	3.0	2.0	2.0
Rate of inflation	3.0	3.5	2.0	2.0
Mortality table:				
Pensioners	**	**	*	*
Non-pensioners	**	**	*	*

* Richttafeln 2005 G.

** 130% PNA00 mc min 1%

*** Based on CPI in the UK

	Value as at 31 December 2011 £m	Value as at 31 December 2010 £m	Value as at 31 December 2011 £m	Value as at 31 December 2010 £m
The assets of the schemes were as follows:				
Equities	20.6	20.7	n/a	n/a
Bonds	11.6	9.9	n/a	n/a
	32.2	30.6	n/a	n/a

The expected return on scheme assets is a weighted average of the assumed long-term returns of the relevant asset classes. Equity returns are developed based on the selection of an appropriate risk premium above the risk-free rate which is measured in accordance with the yield on government bonds. Bond returns are selected by reference to the yields on government and corporate debt as appropriate to the scheme's holdings of these instruments.

29 Retirement benefit liabilities continued

	The Keller Group Pension Scheme (UK) Year ended 31 December 2011 £m	The Keller Group Pension Scheme (UK) Year ended 31 December 2010 £m	German and Austrian Schemes Year ended 31 December 2011 £m	German and Austrian Schemes Year ended 31 December 2010 £m
Changes in scheme liabilities				
Opening balance	(38.0)	(36.4)	(12.7)	(11.6)
Current service cost	–	–	(0.3)	(0.2)
Interest cost	(2.0)	(2.1)	(0.5)	(0.5)
Benefits paid	1.5	1.4	0.9	0.7
Exchange differences	–	–	0.2	0.6
Actuarial gains/(losses)	0.5	(0.9)	0.5	(1.7)
Closing balance	(38.0)	(38.0)	(11.9)	(12.7)
Changes in scheme assets				
Opening balance	30.6	27.8	–	–
Expected return on scheme assets	1.5	1.4	–	–
Employer contributions	1.5	1.5	–	–
Benefits paid	(1.5)	(1.4)	–	–
Actuarial gains	0.1	1.3	–	–
Closing balance	32.2	30.6	–	–
Actual return on scheme assets	1.6	2.7	–	–
Statement of comprehensive income (SOCi)				
Actuarial gains from assets	0.1	1.3	–	–
Actuarial gains/(losses) from liabilities	0.5	(0.9)	0.5	(1.7)
Net actuarial gains/(losses)	0.6	0.4	0.5	(1.7)
Cumulative actuarial losses	(11.3)	(11.9)	(1.8)	(2.3)
Expense/(income) recognised in the income statement				
Current service cost	–	–	0.3	0.2
Operating costs	–	–	0.3	0.2
Interest cost	2.0	2.1	0.5	0.5
Expected return on assets	(1.5)	(1.4)	–	–
Expense recognised in the income statement	0.5	0.7	0.8	0.7
Movements in the balance sheet liability				
Net liability at start of year	7.4	8.6	12.7	11.6
Expense recognised in the income statement	0.5	0.7	0.8	0.7
Contributions	(1.5)	(1.5)	–	–
Benefits paid	–	–	(0.9)	(0.7)
Exchange differences	–	–	(0.2)	(0.6)
Actuarial (gains)/losses recognised in SOCi	(0.6)	(0.4)	(0.5)	1.7
Net liability at end of year	5.8	7.4	11.9	12.7

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 2012 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:

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Present value of defined benefit obligations	(49.9)	(50.7)	(48.0)	(39.9)	(40.7)
Fair value of scheme assets	32.2	30.6	27.8	26.3	26.8
Deficit in the schemes	(17.7)	(20.1)	(20.2)	(13.6)	(13.9)
Experience adjustments on scheme liabilities	1.0	(2.6)	(7.7)	4.4	2.8
Experience adjustments on scheme assets	0.1	1.3	(0.2)	(2.7)	(0.8)

Company balance sheet

As at 31 December 2011

	Note	2011 £m	2010 £m
Fixed assets			
Intangible assets	4	0.2	0.3
Tangible fixed assets	5	0.2	0.2
Investments	6	127.3	125.3
		127.7	125.8
Current assets			
Debtors*	7	301.3	271.6
Cash and bank balances		0.8	4.6
Creditors: amounts falling due within one year	8	(5.4)	(24.1)
Net current assets*		296.7	252.1
Total assets less current liabilities		424.4	377.9
Creditors: amounts falling due after more than one year	9	(179.2)	(122.3)
Retirement benefits	15	(1.0)	(1.2)
Net assets		244.2	254.4
Capital and reserves			
Called up share capital	10	6.6	6.6
Share premium account	12	38.1	38.0
Capital redemption reserve	12	7.6	7.6
Profit and loss account	12	191.9	202.2
Shareholders' funds	11	244.2	254.4

* Debtors and net current assets include debtors recoverable after more than one year of £294.7m (2010: £267.5m).

These financial statements were approved by the Board of Directors and authorised for issue on 27 February 2012.
They were signed on its behalf by:

R A Franklin
Chairman

J W G Hind
Finance Director

Notes to the Company financial statements

1 Significant accounting policies

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

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

The following accounting policies have been applied consistently.

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

a) Basis of accounting

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

b) Retirement benefits

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

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

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

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

c) Investments

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

d) Deferred taxation

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

e) Tangible fixed assets

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

2 Employees

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

3 Dividends paid

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

Notes to the Company financial statements

Continued

4 Intangible assets

	Development costs £m	Total £m
Cost		
At 1 January 2011	0.3	0.3
Additions	–	–
At 31 December 2011	0.3	0.3
Accumulated amortisation		
At 1 January 2011	–	–
Amortisation charge for the year	0.1	0.1
At 31 December 2011	0.1	0.1
Carrying amount		
At 1 January 2011	0.3	0.3
At 31 December 2011	0.2	0.2

5 Tangible fixed assets

	Leasehold improvements £m	Total £m
Cost		
At 1 January 2011	0.3	0.3
Additions	0.1	0.1
At 31 December 2011	0.4	0.4
Accumulated depreciation		
At 1 January 2011	0.1	0.1
Charge for the year	0.1	0.1
At 31 December 2011	0.2	0.2
Carrying amount		
At 1 January 2011 and 31 December 2011	0.2	0.2

6 Investments

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

On 21 December 2011, the Company invested an additional £2m in Keller Limited, increasing the Company's investments from £125.3m to £127.3m.

7 Debtors

	2011 £m	2010 £m
Amounts owed by subsidiary undertakings	297.5	267.6
Other debtors	3.8	4.0
	301.3	271.6
Included in the above are amounts falling due after more than one year in respect of:		
Amounts owed by subsidiary undertakings	291.1	264.2
Other debtors	3.6	3.3
	294.7	267.5

The majority of transactions with subsidiary undertakings are with subsidiaries that are 100% owned by the Group. The only exception to this is £277,200 (2010: £30,334) of costs that were recharged by the Company during the year to Keller-Terra S.L., which is 51% owned by the Group. £nil (2010: £24,370) of these costs are included in Amounts owed by subsidiary undertakings.

8 Creditors: amounts falling due within one year

	2011 £m	2010 £m
Other loans	–	19.9
Amounts owed to subsidiary undertakings	0.9	0.3
Other creditors	4.0	3.2
Accruals	0.5	0.7
	5.4	24.1

9 Creditors: amounts falling due after more than one year

	2011 £m	2010 £m
Bank loans	83.5	28.8
Other loans	47.6	47.3
Other creditors	18.7	18.7
Amounts owed to subsidiary undertakings	29.4	27.5
	179.2	122.3
Bank and other loans are repayable as follows:		
Between two and five years	131.1	76.1
	131.1	76.1

The Company had unutilised committed banking facilities of £50.4m at 31 December 2011 (2010: £78.3m). This comprised the unutilised portion of the Company's £170m revolving credit facility which expires in April 2015.

10 Share capital

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

11 Reconciliation of movements in shareholders' funds

	2011 £m	2010 £m
Profit for the financial year	3.8	44.4
Dividends	(14.7)	(14.2)
Issue of new shares	0.1	–
Share-based payments	0.6	–
Net movements in shareholders' funds	(10.2)	30.2
Shareholders' funds at 1 January	254.4	224.2
Shareholders' funds at 31 December	244.2	254.4

All shares issued relate to share options that were exercised.

Notes to the Company financial statements

Continued

12 Reserves

	Share premium account £m	Capital redemption reserve £m	Profit and loss account £m	Total £m
At 1 January 2011	38.0	7.6	202.2	247.8
Profit for the financial year	–	–	3.8	3.8
Dividends	–	–	(14.7)	(14.7)
Issue of new shares	0.1	–	–	0.1
Share-based payments	–	–	0.6	0.6
At 31 December 2011	38.1	7.6	191.9	237.6

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 28 to the consolidated financial statements.

14 Contingent liabilities

The Company and certain of its subsidiary undertakings have entered into a number of guarantees, the effects of which are to guarantee or cross-guarantee certain bank borrowings of other Group companies. At 31 December 2011, the Company's liability in respect of this amounted to £19.3m (2010: £67.8m), including standby letters of credit outstanding totalling £24.3m (2010: £30.6m). No amounts were paid or liabilities incurred relating to these guarantees during 2011 (2010: £nil).

15 Retirement benefit schemes

In the UK, the Company participates in the Keller Group Pension Scheme, a defined benefit scheme, details of which are given in note 29 to the consolidated financial statements. The Company's share of the present value of the assets of the scheme at the date of the last actuarial valuation on 5 April 2008 was £4.3m and the actuarial valuation showed a funding level of 77%. The actuarial valuation carried out as at 5 April 2011 has not yet been finalised.

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

There were no contributions outstanding in respect of the defined contribution schemes at 31 December 2011 (2010: £nil).

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

	2011 £m	2010 £m
Present value of the scheme liabilities	(6.6)	(6.1)
Present value of assets	5.6	4.9
Deficit in the scheme	(1.0)	(1.2)
The assets of the scheme were as follows:	2011 £m	2010 £m
Equities	3.6	3.3
Bonds	2.0	1.6
	5.6	4.9

Starting in 2010, the revaluation in deferment assumption was based on CPI rather than RPI.

15 Retirement benefit schemes continued

	2011 £m	2010 £m
Changes in scheme liabilities		
Opening balance	(6.1)	(5.8)
Interest cost	(0.3)	(0.3)
Benefits paid	0.2	0.2
Actuarial losses	(0.4)	(0.2)
Closing balance	(6.6)	(6.1)
Changes in scheme assets		
Opening balance	4.9	4.4
Expected return on scheme assets	0.3	0.2
Employer contributions	0.2	0.3
Benefits paid	(0.2)	(0.2)
Actuarial gains	0.4	0.2
Closing balance	5.6	4.9
Actual return on scheme assets	0.3	0.4
Statement of total recognised gains and losses (STRGL)		
Actuarial gains from assets	0.4	0.2
Actuarial losses from liabilities	(0.4)	(0.2)
Net actuarial losses	-	-
Cumulative actuarial losses	(1.2)	(1.2)
Expense recognised in the profit and loss account		
Interest cost	0.3	0.3
Expected return on assets	(0.3)	(0.2)
Expense recognised in the profit and loss account	-	0.1
Movements in the balance sheet liability		
Net liability at start of year	1.2	1.4
Expense recognised in the profit and loss account	-	0.1
Contributions	(0.2)	(0.3)
Actuarial losses recognised in STRGL	-	-
Net liability at end of year	1.0	1.2

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 2012 are £0.2m.

The history of experience adjustments on scheme assets and liabilities is as follows:	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Present value of defined benefit obligations	(6.6)	(6.1)	(5.8)	(4.6)	(5.0)
Fair value of scheme assets	5.6	4.9	4.4	4.2	4.3
Deficit in the scheme	1.0	(1.2)	(1.4)	(0.4)	(0.7)
Experience adjustments on scheme liabilities	(0.4)	(0.2)	(1.1)	0.6	0.3
Experience adjustments on scheme assets	0.4	0.2	(0.1)	(0.4)	(0.1)

Financial record

	2007 £m	2008 £m	2009 £m	2010 £m	2011 £m
Consolidated income statement					
Continuing operations					
Revenue	955.1	1,196.6	1,037.9	1,068.9	1,154.3
Operating profit before amortisation and impairment of intangible assets	108.4	120.1	78.8	45.0	30.4
Amortisation of intangible assets	(1.0)	(0.7)	(1.5)	(1.7)	(1.5)
Operating profit before impairment of intangible assets	107.4	119.4	77.3	43.3	28.9
Impairment of goodwill	–	–	–	(21.8)	–
Operating profit	107.4	119.4	77.3	21.5	28.9
Finance income	2.5	2.0	3.7	3.3	2.1
Finance costs	(6.7)	(8.2)	(6.3)	(7.0)	(9.1)
Profit before taxation	103.2	113.2	74.7	17.8	21.9
Taxation – underlying	(35.9)	(35.9)	(22.6)	(11.0)	(5.5)
Taxation – non-recurring	–	–	–	4.7	–
Profit for the period from continuing operations	67.3	77.3	52.1	11.5	16.4
Discontinued operation					
Loss from discontinued operation net of taxation	(10.5)	(1.7)	–	–	–
Profit for the period	56.8	75.6	52.1	11.5	16.4
Attributable to:					
Equity holders of the parent	54.0	70.8	50.4	11.2	15.9
Equity minority interests	2.8	4.8	1.7	0.3	0.5
	56.8	75.6	52.1	11.5	16.4
Consolidated balance sheet					
Property, plant and equipment	155.8	254.7	264.4	275.0	266.1
Intangible and other non-current assets	94.5	124.3	131.8	122.9	116.4
Other net operating assets	50.2	89.0	79.3	92.2	124.2
Net debt	(54.5)	(84.6)	(78.8)	(94.0)	(102.5)
Other net liabilities	(34.5)	(80.8)	(73.4)	(65.3)	(77.4)
Net assets	211.5	302.6	323.3	330.8	326.8
Minority interests	(9.2)	(12.9)	(10.6)	(10.1)	(9.2)
Equity attributable to equity holders of the parent	202.3	289.7	312.7	320.7	317.6

Notice of Annual General Meeting

Notice is hereby given that the 2012 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, 250 Bishopsgate, London EC2M 4AA on Friday, 18 May 2012 at 11.00 am for the following purposes:

To consider and, if thought fit, to pass the following resolutions of which resolutions 1–16 inclusive will be proposed as ordinary resolutions and resolutions 17–19 inclusive will be proposed as special resolutions.

1. To receive the Company's annual accounts for the year ended 31 December 2011, together with the reports of the directors of the Company (the 'Directors') and the auditors thereon.
2. To declare a final dividend for the year ended 31 December 2011 of 15.2p per ordinary share, such dividend to be paid on 31 May 2012 to members on the register at the close of business on 4 May 2012.
3. To approve the report on Directors' remuneration for the year ended 31 December 2011.
4. To re-elect as a Director Mr Roy Franklin.
5. To re-elect as a Director Mr Justin Atkinson.
6. To re-elect as a Director Mr Gerry Brown.
7. To re-elect as a Director Ms Ruth Cairnie.
8. To re-elect as a Director Mr Chris Girling.
9. To re-elect as a Director Mr James Hind.
10. To re-elect as a Director Mr Pedro López Jiménez.
11. To re-elect as a Director Mr Bob Rubright.
12. To re-elect as a Director Dr Wolfgang Sondermann.
13. To elect as a Director, Mr David Savage, who has been appointed since the last Annual General Meeting.
14. To re-appoint KPMG Audit Plc as Auditors of the Company.
15. To authorise the Directors to fix the remuneration of the Auditors.
16. That, pursuant to section 551 of the Companies Act 2006 ('the Act'), the Directors be and are generally and unconditionally authorised to exercise all powers of the Company to allot shares in the Company or to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £2,216,108, provided that (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 18 August 2013 (whichever is the earlier), save that the Company may make an offer or agreement before this authority expires which would or might require shares to be allotted or rights to subscribe for or to convert any security into shares to be granted after this authority expires and the Directors may allot shares or grant such rights pursuant to any such offer or agreement as if this authority had not expired.

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

17. That, subject to the passing of resolution 16 and pursuant to sections 570 and 573 of the Act, the Directors be and are generally empowered to allot equity securities (within the meaning of section 560 of the Act) for cash pursuant to the authority granted by resolution 16 and to sell ordinary shares held by the Company as treasury shares for cash 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 the allotment of equity securities or sale of treasury shares:

- (i) in connection with an offer of equity securities (whether by way of a rights issue, open offer or otherwise):
 - (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 17(i) of this resolution, up to an aggregate nominal amount of £332,416,

and (unless previously revoked, varied or renewed) this power shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution or on 18 August 2013 (whichever is the earlier), save that the Company may make an offer or agreement before this power expires which would or might require equity securities to be allotted or treasury shares to be sold for cash after this power expires and the Directors may allot equity securities or sell treasury shares for cash pursuant to any such offer or agreement as if this power 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 with immediate effect to the extent not previously exercised.

18. 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 6,648,324 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;

Notice of Annual General Meeting

Continued

(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 or on 18 August 2013 (whichever is the earlier) 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.

19. 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
27 February 2012

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 – Final dividend recommendation

The Board proposes a final dividend of 15.2p per share for the year ended 31 December 2011. If approved, the recommended final dividend will be paid on 31 May 2012 to all shareholders who are on the register of members on 4 May 2012.

3. Resolution 3 – Directors' remuneration

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

4. Resolutions 4 to 12 – Re-election of Directors

The 2010 UK Corporate Governance Code (the 'Code') recommends that all directors of FTSE 350 companies stand for annual election. In accordance with this recommendation, all of the Directors of the Company will retire and be proposed for re-election at the Annual General Meeting, except Mr David Savage who was appointed during the year and so will seek election for the first time.

Following the externally facilitated Board evaluation exercise, the Chairman has confirmed that the Directors' performance continues to be effective and they continue to demonstrate commitment to their roles.

Brief biographical details of all Directors standing for re-election and election are set out on pages 18 and 19.

5. Resolution 13 – Election of Directors

The Company's articles of association require that any Director appointed since the previous Annual General Meeting shall stand for election by the members at the next Annual General Meeting. Accordingly, Mr David Savage will seek election by the members, as unanimously recommended by the Board.

6. Resolution 14 – Re-appointment of auditors

Under the Act, the auditors of a company must be re-appointed at each General Meeting at which accounts are presented. Resolution 14 proposes the re-appointment of the Company's existing Auditors, KPMG Audit Plc, for a further year.

7. Resolution 15 – Auditors' remuneration

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 15 gives authority to the Directors to determine the auditors' remuneration.

8. Resolutions 16 and 17 – 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 16, the Directors will be able to issue new shares up to a nominal amount of £2,216,108, which is equal to approximately one-third of the Company’s issued ordinary share capital as at 27 February 2012.

Under resolution 17(i), the Directors will be able to issue shares for cash, to existing shareholders in proportion to their existing holdings and to holders of other equity securities in the capital of the Company.

Under resolution 17(ii), the Directors will be able to issue shares for cash, other than to existing shareholders in proportion to their existing holdings, up to an aggregate nominal amount of £332,416, representing approximately 5% of the Company’s issued ordinary share capital at 27 February 2011. This is intended to ensure that existing shareholders are provided with an element of protection.

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

The authority sought by resolutions 16 and 17 will expire at the conclusion of the next Annual General Meeting following the passing of these resolutions or on 18 August 2013 (whichever is the earlier), but could be varied or withdrawn by agreement of shareholders at an intervening General Meeting.

9. Resolution 18 – 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.

10. Resolution 19 – 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 clear 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 19 will mean that the Company can call a meeting other than an Annual General Meeting on 14 clear days’ notice, provided that it offers the facility for shareholders to vote by electronic means at any such meeting. The Company intends to use this authority in limited circumstances for time-sensitive matters and where a shorter notice period would, in the Board’s opinion, be merited in the interests of shareholders as a whole.

11. Record date

The right to vote at the meeting is determined by reference to the register of members. Only those shareholders registered in the register of members of the Company as at 6.00 pm on 16 May 2012 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 working 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 16 May 2012 or, in the event that the meeting is adjourned, after 6.00 pm on the date that is two working days before the time of any adjourned meeting shall be disregarded in determining the rights of any person to attend or vote (and the number of votes they may cast) at the meeting.

12. Proxies

12a 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. Lines are open from 8.30 am to 5.30 pm. The Equiniti overseas helpline number is +44 121 415 7047. Alternatively, shareholders may photocopy the form of proxy indicating on each copy the name of the proxy to be appointed and the number of shares in respect of which the proxy is appointed. A failure to specify the number of shares to which each proxy appointment relates or specifying a number in excess of those held by the shareholder may result in the proxy appointment being invalid. The total votes cast and in respect whereof abstention is recorded by a shareholder or his duly appointed proxies may not, in aggregate, exceed the total number of the votes exercisable by that shareholder in respect of Ordinary Shares of which he is the holder. All forms of proxy should be returned together in the same envelope. Shareholders can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form. The right of a shareholder under section 324 of the Act to appoint a proxy does not apply to a person nominated to enjoy information rights under section 146 of the Act.

12b 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 6DA so as to arrive no later than 11.00 am on 16 May 2012 (or, in the event that the meeting is adjourned, no later than 48 hours before the time of any adjourned meeting).

12c 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.

Notice of Annual General Meeting

Continued

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 16 May 2012 (or, in the event that the meeting is adjourned, no later than 48 hours before the time of any adjourned meeting). 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.

13. 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.

14. Multiple corporate representatives

- 14a 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.
- 14b 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.

15. 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 18 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 16 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.

16. Methods of making requests

Any request by a shareholder or shareholders to require the Company to publish audit concerns as set out in note 15 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).

17. 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.

18. Issued share capital

As at 27 February 2012, being the latest practicable date prior to the publication of this document, the Company's issued share capital consists of 66,483,235 Ordinary Shares, carrying one vote each. As the Company holds 2,162,527 Ordinary Shares in treasury, in respect of which it cannot exercise any votes, the total voting rights in the Company as at 27 February 2012 are 64,320,708.

19. 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.

20. Documents available for inspection

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

21. Communications with the Company

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

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

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

Principal offices

North America

Case Foundation Company
P.O. Box 40
1325 West Lake Street
Roselle
Illinois 60172
Telephone +1 630 529 2911
www.casefoundation.com

Hayward Baker Inc
1130 Annapolis Road
Suite 202
Odenton
Maryland 21113
Telephone +1 410 551 8200
www.haywardbaker.com

H J Foundation
8275 NW 80 Street
Miami
Florida 33166
Telephone +1 305 592 8181
www.hjfoundation.com

McKinney Drilling Company
1130 Annapolis Road
Suite 103
Odenton
Maryland 21113
Telephone +1 410 874 1235
www.mckinneydrilling.com

Suncoast Post-Tension Ltd
509 N. Sam Houston Parkway E
Suite 300
Houston
Texas 77060
Telephone +1 281 668 1840
www.suncoast-pt.com

South America

Keller Engenharia Geotécnica Ltda
Rua Victor Civitá
66 – Ed. 04. Salas 225–227
Rio Office Park – Barra da Tijuca
Cep:22775-044 Rio de Janeiro –
RJ – Brasil
Telephone +55 21 3535 9911
www.kellerbrasil.com.br

Europe

Keller Fondations Spéciales
2 rue Denis Papin
CS 69224 Duttlenheim
67129 Molsheim Cedex
France
Telephone +33 3 88599200
www.keller-france.com

Keller Grundbau GmbH
Kaiserleistrasse 44
63067 Offenbach
Germany
Telephone +49 69 80510
www.kellergrundbau.de

Keller Grundbau Ges.mbh
Mariahilfer Strasse 127a
1150 Wien
Austria
Telephone +43 1 8923526
www.kellergrundbau.at

Keller Limited
Oxford Road
Ryton-on-Dunsmore
Coventry CV8 3EG
Telephone +44 2 476 511 266
www.keller-uk.com

Keller Polska Sp. z o.o
ul. Poznańska 172
05-850
Ozarów Mazowiecki
Warsaw
Poland
Telephone +48 22 733 8270
www.keller.com.pl

Keller-Terra S.L.
C/Miguel Yuste, No. 45 bis
E28037 Madrid
Spain
Telephone +34 91 423 7561
www.kellerterra.com

Asia

Keller Foundations (SE Asia) Pte Ltd
18 Boon Lay Way
#04–104 Tradehub 21
Singapore 60 99 66
Telephone +65 6316 8500
www.kellerfareast.com

Keller Ground Engineering India Pvt. Ltd.
S-15, 1st Floor Economist House
First Cross Road
Guindy Industrial Estate,
Chennai 600032, India
Telephone +91 44 2250 1850/1
www.kellerfareast.com

Keller (Malaysia) Sdn. Bhd.
B-5-10 Plaza Dwtasik
Bandar Sri Permaisuri
56000 Kuala Lumpur
Malaysia
Telephone +603 9173 3198
www.kellerfareast.com

Resource Piling Pte Ltd
No1 Upper Aljunied Link (Block A)
#06-02 Joo Seng Warehouse
Singapore 367901
Telephone +65 6382 3400
www.resource-piling.com.sg

Middle East

Keller Grundbau GmbH
UAE Region
Office No. 408
Al Mansour Building
Damascus Street, Al Qusais
Dubai
Telephone +971 4 2575 188
www.kellergrundbau.ae

Keller Turki Co. Ltd
Dammam 31421
P.O. Box 718
Saudi Arabia
Telephone +966 3833 3997

Australia

Frankpile Australia Pty Ltd
Level 1
4 Burbank Place
Baulkham Hills
New South Wales 2153
Telephone +61 2 8866 1100
www.franki.com.au

Keller Ground Engineering Pty Ltd
Level 1
4 Burbank Place
Baulkham Hills
New South Wales 2153
Telephone +61 2 8866 1155
www.kellerge.com.au

Piling Contractors Pty Ltd
5 Jacque Court
P.O. Box 346
Lawnton
Queensland 4501
Telephone +61 7 3285 5900
www.pilingcontractors.com.au

Vibro-Pile (Aust.) Pty Ltd
540 Springvale Road
Glen Waverley
Mulgrave
Victoria 3170
Telephone +61 3 9590 2600
www.vibropile.com.au

Waterway Constructions Pty Ltd

Level 1, 104 Victoria Road
Rozelle
NSW 2039
Telephone +61 2 9555 2211
www.waterway.com.au

Secretary and advisers

Company secretary

J F Holman

Registered office

Capital House
25 Chapel Street
London NW1 5DH

Registered number

2442580

Joint brokers

Jefferies Hoare Govett
Vintners Place
68 Upper Thames Street
London EC4V 3BJ

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

RLM Finsbury
Tenter House
45 Moorfields
London EC2 9AE

Registrars

Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA

Keller Group plc

Capital House

25 Chapel Street

London NW1 5DH

Telephone +44 20 7616 7575

www.keller.co.uk