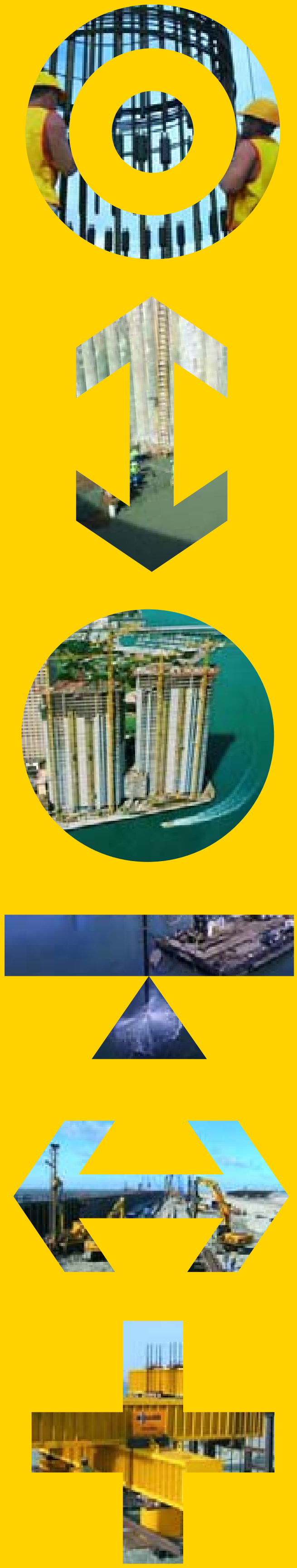
Keller Group plc
Annual Report and Accounts 2005



KELLER

Keller, the international ground engineering specialist, is renowned for providing innovative and cost-effective solutions. Keller has unrivalled coverage in Europe, North America and Australia, where its services are used in infrastructure, commercial, industrial and residential projects.

Sales (£m)

2005	731.0
2004	595.9
2003	567.5
2002	511.0
2001	422.2

Sales

£731.0m

Profit before tax (£m)

2005	48.8
2004	29.7
2003	28.7
2002	30.4
2001	23.6

Profit before tax

£48.8m

Earnings per share (p)

2005	41.8
2004	24.2
2003	24.1
2002	32.7
2001	25.8

Earnings per share

41.8p

2001–2003 figures reported under UK GAAP and stated before exceptionals and amortisation of intangibles; 2004 and 2005 figures reported under IFRS.

Chairman's statement
Dr Michael West

2005 was a landmark year for Keller, in which we delivered excellent organic growth across our international markets and a substantial increase in profits.

Results

These results reflect an exceptional performance in the US, where all four of our businesses took full advantage of a strong market, and amply demonstrate the strength of our business model.

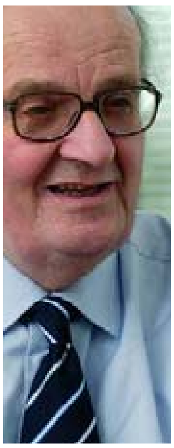
Group sales rose by 23% to £731.0m (2004: £595.9m), being almost entirely organic growth. Profit before tax was up 64% to £48.8m (2004: £29.7m) and earnings per share grew by 73% to 41.8p (2004: 24.2p). Operating margins increased to 7.3% from 5.7%, reflecting the excellent performance in the US.

Cash flow and net debt

Net cash inflow from operations increased to £73.4m (2004: £33.6m) which compares to EBITDA of £64.9m, underlining the quality of Keller's earnings. Net debt at the end of the year benefited from this excellent operating cash flow and stood at £40.9m (2004: £58.7m). This performance is evidence of the Group's ongoing strong focus on cash and working capital management.

Dividends

In recognition of these outstanding results, the board is this year recommending a final dividend of 8.2p per share (2004: 7.3p), representing an increase of 12%. This brings the total dividend for the year to 12.0p (2004: 10.9p), a 10% increase, which is covered 3.5 times by earnings per share. The final dividend will be paid on 29 June 2006 to shareholders on the register at 2 June 2006. This increase reflects our policy of reinvesting our cash flow in the growth of the Group, whilst maintaining a healthy dividend cover and seeking to reward shareholders with above inflation increases.


Pensions

The UK defined benefit pension scheme had its triennial actuarial valuation at 5 April 2005, which showed a deficit of £11.3m on an ongoing basis. During the year, the Group agreed with the trustees to close the scheme for future benefit accrual with effect from 31 March 2006. Active members will be transferred to a new defined contribution arrangement. To help reduce the deficit, the Group is to make a one-off cash contribution of £4.0m in April 2006 and has doubled its ongoing contributions to £0.1m a month.

Strategy

Our strategy, which continues to deliver value for shareholders, remains unchanged. Our goal is the further consolidation of our global leadership in specialist ground engineering services, through a combination of organic growth and targeted acquisitions.

In 2005 we made significant progress against this objective, with the introduction of several new products into our existing markets and a continued advance into new geographic regions. In September, we completed the acquisition of G. Donaldson Construction in the US for an initial consideration of US$10.6m (£5.8m), preparing the ground for future growth by extending our reach and our product offering in the New England market.

The Group has a proven track record in sourcing, integrating and growing its acquisitions. For example, in the US, Suncoast has doubled in size and profitability since it was acquired by the Group in 2001 and in Europe, Keller-Terra has doubled its sales in the three years under Keller's ownership, whilst remaining one of the Group's highest margin businesses.

In 2006, we will focus on making further strategic advances, together with delivering improved performance from our UK businesses.

Keller Grundbau installs vertical rock anchors in the ceiling of the largest underground excavation in Europe for a new power station at Vorarlberg, Austria.

People

The outstanding performance in 2005 is a tribute to the skills, commitment and drive of our employees. On behalf of the Board and shareholders, I thank them for their support and professionalism. Keller has long been fortunate in being able to attract and maintain some of the best talent in our industry. The board remains committed to recognising and rewarding their achievements and to maintaining an environment in which they can continue to develop and to make a difference.

2005 was Keller's first full year under the direction of Justin Atkinson as chief executive. Whilst the executive team is still relatively new, its maturity, cohesion and collective experience is second to none and I am confident that it will continue to drive the Group forward.

Outlook

Whilst remaining cautious about the sustainability of recent levels of US construction output, we do not expect demand to abate in the first half of 2006 and nor do we expect major changes in our other principal markets. This, together with a record current order book of over five months' sales, creates a positive outlook for the first half. Whilst the exceptional 2005 result may not be repeated this year, the board is confident that 2006 will be another good year for Keller.

Dr Michael West
Chairman
3 March 2006

Donaldson installs steel sheet piling and precast piles for a 23-storey mixed use building in Providence, Rhode Island, US.

Group at a glance

Keller has worked on some of the most prestigious civil engineering projects in the world.

You may not have seen our work, but you'll have confidence in knowing that we've been there.

Keller Speciální Zakládání undertakes underpinning works for a new shopping and office complex in Prague, Czech Republic.

Hayward Baker uses soil mixing to strengthen the ground for a road widening scheme in Florida, US.

Keller Today

Sales

£731.0m

+23%

Operating profit

£53.1m

+57%

Our services

Piling
Piling involves the installation of structural elements to transfer foundation loads through weak soils to stronger underlying ground.

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.

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

Post-tensioning
Post-tensioning is used to reinforce concrete foundations and structural spans, enhancing their load-bearing capacity by applying a compressive force to the concrete, once set.

Structural restoration
Social housing refurbishment, together with water and car park related concrete repair services.

North America

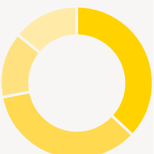
Business area
Keller is the market leader in North America, where it has had a significant presence for over 20 years. Today, Keller trades under four well-known local brand names: Hayward Baker, Case, McKinney and Suncoast.

Sales
£399.9m
+43%

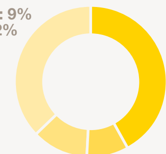
Operating profit
£42.1m
+100%

Suncoast installs an unbonded post-tension system for a high-rise condominium structure in Houston, Texas, US.

Sales by business unit
- Suncoast: 37%
- Hayward Baker: 35%
- Case: 14%
- McKinney: 14%



Sales by type of service
- Piling: 42%
- Ground improvement: 9%
- Specialty grouting: 12%
- Post-tensioning: 37%



Our brand names
Hayward Baker
www.haywardbaker.com
Case Foundation
www.casefoundation.com
McKinney Drilling
www.mckinneydrilling.com
Suncoast
www.suncoast-pt.com

United Kingdom

Business area
In the UK, Keller offers ground engineering expertise through Keller Ground Engineering (KGE) and provides structural refurbishment and repair services to the social housing, car parking and water sectors through Makers.

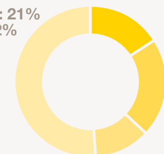
Sales
£89.2m
-18%

Operating profit
£-0.3m
-116%

KGE undertakes jet grouting works to underpin the grounds of a residential property for an underground swimming pool and car parking at Knightsbridge, London, UK.

Sales by business unit
- Makers: 51%
- KGE: 49%

Sales by type of service
- Piling: 16%
- Ground improvement: 21%
- Specialty grouting: 12%
- Structural restoration: 51%



Our brand names
Keller Ground Engineering
www.keller-ge.co.uk
Makers
www.makers.co.uk

Continental Europe & Overseas

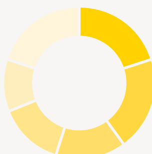
Business area
Keller Grundbau is based in Germany and is responsible for Keller's operations outside the US, UK and Australia. The company has branches or subsidiaries in over 30 countries in Continental Europe, the Middle East and the Far East.

Sales
£204.7m
+17%

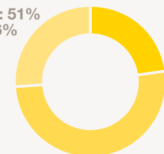
Operating profit
£12.7m
+7%

Keller Fondations Spéciales constructs stone columns to strengthen the embankment for a new road linking the Rue Louis Blanc to the Boulevard Circulaire de La Défense in Paris, France.

Sales by business unit
- Germany: 20%
- Spain: 20%
- France: 15%
- Overseas: 14%
- Eastern Europe: 11%
- Other Europe: 20%



Sales by type of service
- Piling: 23%
- Ground improvement: 51%
- Specialty grouting: 26%



Our brand names
Keller
www.kellergrundbau.com
Keller-Terra
www.kellerterra.com
LCM
www.lcm.se
Wannenwetsch
www.wannenwetsch-hdw.de

Australia

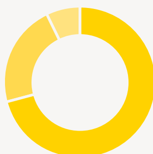
Business area
In Australia, market leaders Frankipile and Vibropile offer a wide range of piling and geotechnical services, while Keller Ground Engineering (KGE) is introducing specialist technologies used elsewhere in the Keller Group into the Australian market.

Sales
£37.1m
+15%

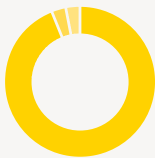
Operating profit
£1.8m
+6%

Vibropile drills a seven-metre diameter ventilation shaft to a depth of 84 metres for the North Goonyella Mine in Queensland, Australia.

Sales by business unit
- Franki: 71%
- Vibropile: 22%
- KGE: 7%



Sales by type of service
- Piling: 94%
- Specialty grouting: 3%
- Ground improvement: 3%



Our brand names
Frankipile
www.frankipile.com.au
Vibropile
www.vibropile.com.au
Keller Ground Engineering
www.kellerge.com.au

Focused
Specialist with a tight focus
A reputation for innovative and reliable solutions is reflected in industry-leading margins and return on capital.

World leader

Niche provider, with few international competitors

Keller is the number one foundations engineer in Australia. In 2004, it established KGE, Australia to promote ground modification techniques in Australia as alternatives to traditional piling.

Operating in a specialist niche of the construction market, Keller has over a number of years developed ground engineering techniques that are now widely accepted in the industry and are critical to the success of many construction projects. We design and build most of our specialist equipment for our exclusive use and the advantage of our customers.

Technology transfer

New Metrorail Project, Perth, Australia

Keller Ground Engineering in Australia (KGE, Australia) recently completed Soilfrac compensation grouting works as part of the construction of new twin rail tunnels beneath the heart of Perth's Central Business District.

Risk analysis indicated that a number of buildings were susceptible to settlement caused by the tunnelling. KGE, Australia, drawing on experience gained on similar projects in the UK and Europe, proposed its Soilfrac system to control settlement.

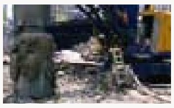
Using equipment designed and manufactured by Keller in the UK, the works involved the installation of 2,000 metres of horizontal grout pipes below the building, installed from an access shaft sunk in the middle of a busy street.

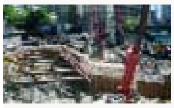
Round the clock grouting works for the first tunnel were completed in February 2006, with the second tunnel drive programmed to commence in July 2006. In addition to the compensation grouting works, Keller installed jet grouted break-in and break-out blocks, to allow the safe launch and retrieval of the tunnel boring machine.

Deep

Experienced people with good industry knowledge

Acknowledged industry experts in ground behaviour, our engineers work closely with clients to find the best and most cost-effective solutions.





In-depth expertise

Trump Tower
Chicago, USA

During 2005, Case Foundation Company installed some 240 caissons for the new Trump International Hotel & Tower in Chicago. This 92-storey skyscraper will take its place on the Chicago skyline alongside many other landmarks, such as Sears Tower and the John Hancock Building, which are also founded on caissons installed by Case.

This project included 57 rock caissons which extended to depths of 35 metres. 22 of the caissons were three meters in diameter. The project was completed in six months – one month ahead of schedule.

Caissons are deep foundation structural elements capable of supporting high, concentrated loads. Although they have been in regular use since the mid-1950s, it is relatively recently that the construction community has seen a resurgence in drilled shaft specification, as owners and engineers become more aware of the reliability, versatility and economic advantage of this type of foundation system.

Teamwork

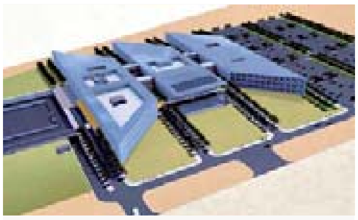
Strength and depth through long-serving employees

Case draws on more than 50 years' experience in installing caissons for all types of construction. Like other businesses in the Keller Group, it is able to attract and retain some of the best talent in the industry who are motivated by the culture of empowerment, excellent job support, good reward, recognition and opportunity for career growth. The average length of service for Case engineers is in excess of 20 years. This enables the business to accumulate significant experience and to maintain a culture based on openness and teamwork.

Global

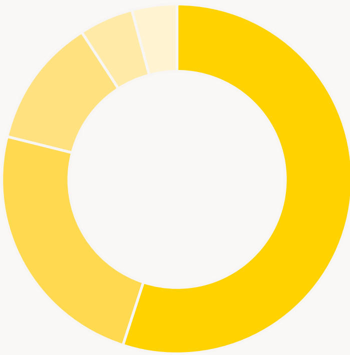
International business, but with strong local knowledge and presence

Operating in over 30 countries around the world reduces our exposure to economic and political cycles.



2005 Sales by geography

- North America: 55%
- Continental Europe: 24%
- UK: 12%
- Australia: 5%
- Other: 4%



Local markets

King Hamad Hospital
Muharraq, Bahrain

The foundations for the new King Hamad General Hospital in Muharraq were the focus for a visit by representatives of Bahrain's Ministry of Works and Housing in April 2005.

The 222,000 square metre site will house a 312-bed hospital comprising three interconnected four-storey buildings. The design is such that the buildings can be viewed from all sides, with no rear aspect.

Over a 16-week period, Keller installed around 1,200 piles with diameters ranging from 600 to 800mm.

Global spread

Industry-leading positions around the world

Keller has worked in the Middle East for over 30 years and currently has a presence in Bahrain, Egypt, Qatar, Saudi Arabia and the United Arab Emirates. Keller has been involved in some of the most prestigious construction projects in the area, including the Ras Laffan power plant in Qatar, the Hadeed steel plant and Shoiba power plant in Saudi Arabia; the Dubai Alu smelter and the Palm Island development in the UAE; and, in Bahrain, the Durrat Al Bahrain development, the North Manama Corridor flyover and the Al Ezzel power plant.

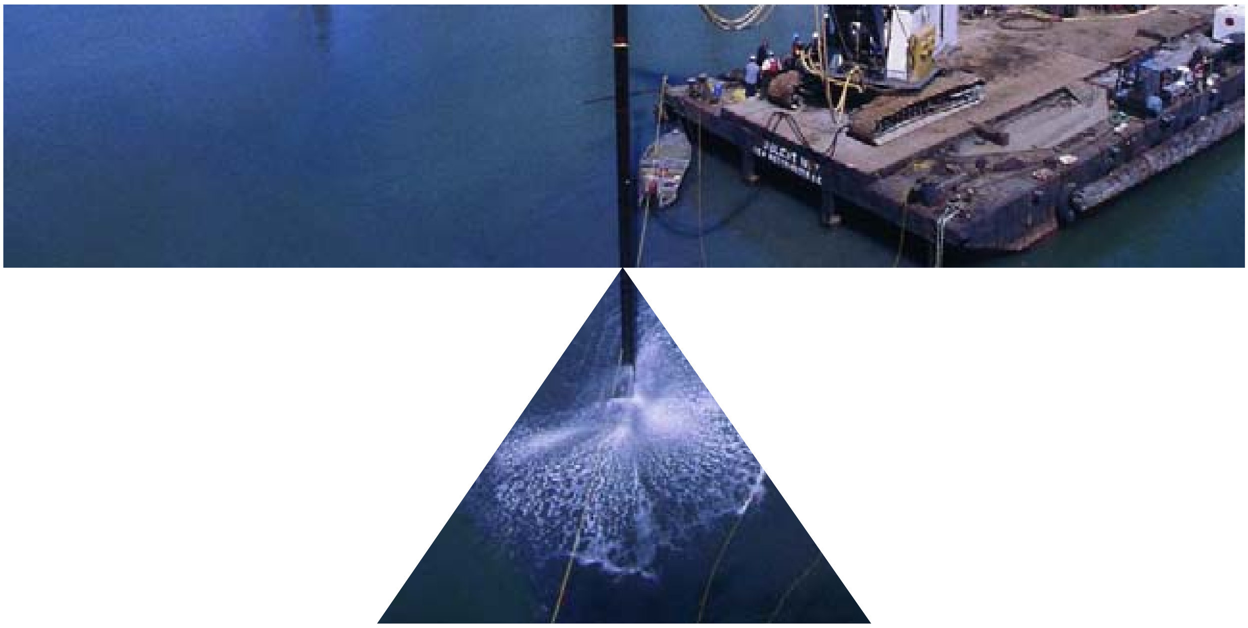
In 2005, Keller worked in over 30 countries across five continents. This global spread reduces the Group's exposure to national, and even continental, economic and political cycles.

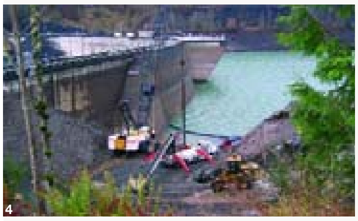
Following a well-trodden path of geographic expansion, Keller has recently established ground engineering companies in South Korea and Ukraine.

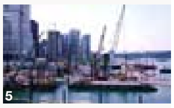
Balanced

With broad markets and customer base

The predominance of small- to medium-sized contracts and the split between market sectors make for a well-balanced business.

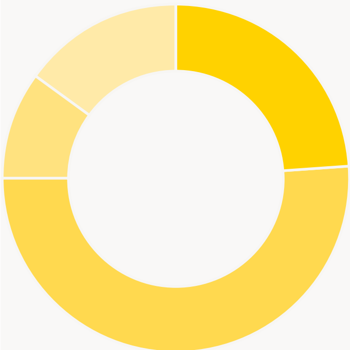






2005 Sales by market sector

- New build – public: 24%
- New build – private: 51%
- Refurbishment – public: 10%
- Refurbishment – private: 15%



Spreading our risk

Decentralised regional structure

Around one fifth of all our projects in 2005 were carried out by Hayward Baker in the US, a business which exemplifies Keller's excellent risk spread. Hayward Baker's 800 employees operate from 17 branch offices located in 14 states across the US. The business offers piling, specialty grouting and ground improvement services to a broad customer base, spanning both private and public sectors.

As with other Keller businesses, the decentralised regional structure of Hayward Baker means that it can respond quickly to the needs of customers and changes in the marketplace. The autonomy of the regional offices is balanced by a clear control framework, to ensure that risks are managed at the most appropriate level in the organisation.

1. Lee Roy Selmon Expressway — Micropiles
2. Baumgartner — Soil mixing
3. Merchant's Bridge — Micropiles
4. Mossy Rock Dam — Vibro replacement
5. Laguna Beach — Vibro replacement

Small-to-large contracts

Taking global technologies to local markets

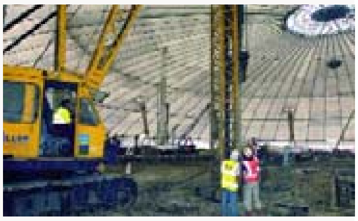
The balance of our contract portfolio illustrates Keller's ability to operate both globally and locally: we have the skills, capacity and appetite to undertake large, high-profile projects and a regional structure which enables us to also compete effectively in local markets.

In 2005, Keller undertook almost 8,500 contracts, with an average contract size of less than £90,000. Our contract portfolio is well balanced between small and large; public and private; and new build and refurbishment projects.

Broad

Wide range of industry-leading technologies and processes

Few competitors can offer the same breadth of packaged solutions.



Range of systems

Combining processes to produce packaged solutions

With its broad range of ground engineering systems, Keller is able to offer complete packaged solutions. Each scheme is designed to solve a range of site enablement and substructure problems and to deliver maximum savings in programme time and cost.

The redevelopment of many of today's sites, especially brownfield sites, often poses difficulties which can include dealing with weak or disturbed soils, contamination, buried obstructions, or the need for site re-levelling or slope stabilisation.

By considering the site preparation and specialist foundation requirements as one co-ordinated operation and tackling these problems in parallel, Keller can usually offer the most cost-effective solution.

Flexible solutions

Millennium Dome, London, UK

London's Millennium Dome is being converted into a 23,000-seat arena and casino. The arena will be used as one of the host venues for the 2012 Olympics.

The site is on reclaimed land, previously the site of a British Gas installation, close to the River Thames. The Blackwall Tunnel runs below the site. Owing to the presence of contamination, a foundation solution which minimised the need to remove excavated material was needed.

In a project carried out between June and September 2005, driven piles were constructed within the arena and casino areas, with continuous flight auger piles used around the peripheries. Some 2,300 new piles were constructed, and a further 700 piles, installed in 1997 when Keller constructed the original foundations for the Dome, were re-used.

Within the area where the Blackwall Tunnel runs through the site, bored minipiles were installed to minimise vibration and avoid load transference onto the lining of the tunnel.

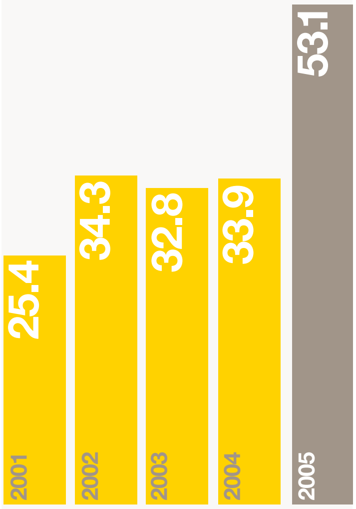
The works were subject to a fast track, 15-week programme, with over 1,000 piles being driven per week at peak production. KGE encountered many obstructions in the soil, resulting in the relocation of the pile positions on an almost daily basis. However, the works were successfully completed two weeks ahead of programme.

Growing
Good long-term growth record and prospects

In the last ten years, we have delivered compound annual growth rates in sales and operating profit* of 13% and 17% respectively.

Group operating profit 2001–2005*

In the last four years, we have more than doubled operating profit.



Growing markets

High-speed train line from Madrid to Barcelona at Can Tunis, Spain

The Madrid to Barcelona high-speed railway is one of Spain's main current infrastructure projects which will ease communications between these two important cities. One of the big challenges is to enter the heart of Barcelona without disturbing existing infrastructure and the new Metro extension.

At the Can Tunis site, half-way between Barcelona's airport and the outskirts of the city, the high-speed train crosses the old railway line by means of a hydraulic jack-driven underpass.

Keller-Terra worked with the main contractor and the local authority to get round the problems associated with carrying out the works while the line was in service.

This meant stabilising the embankment so that the rail track would not be disturbed whilst the concrete underpass was being driven under the line.

Keller-Terra's solution comprised two elements: jet-grouted columns to close the diaphragm wall which surrounded the embankment, to avoid water coming into the embankment during the underpass driving operations; and jet-grouting of the railway embankment and surrounding area to prevent subsidence during the driving works.

All works were performed during the night to avoid disruption to rail services and driving of the underpass was successfully completed in December 2005.

Growth record

Keller-Terra has doubled its sales in the three years under Keller's ownership. Since the business was formed at the end of 2002, its sales from ground improvement products have grown from a standing start to around 20% of sales.

This growth record is reflected at the Group level: in the last ten years, we have delivered compound annual growth rates in sales and operating profit of 13% and 17% respectively.*

* 2001–2003 figures reported under UK GAAP and stated before exceptionals and amortisation of intangibles; 2004 and 2005 figures reported under IFRS.

Operating review
Justin Atkinson

2005 was an outstanding year for the Group, in which we produced an excellent overall margin and continued to build on our strong track record of growth.

This underlines Keller's inherent strengths: our global spread, coupled with local knowledge and presence, our balanced contract portfolio, our broad range of industry-leading technologies, our focus on what we do well, our deep industry knowledge and our good growth prospects.

Conditions in our major markets

In North America, the three main construction sectors – residential, commercial and public infrastructure – all surged ahead, with total expenditure on construction in 2005 increasing by 9% on the previous year[1]. In Europe, German annual construction output fell somewhat, whilst activity in Austria picked up in the second half of the year. Of our other main European markets, Spain, France and Poland remained buoyant, whilst the UK was more subdued. There were good opportunities in the Middle East and demand in our Far East markets improved as the year progressed.

Against this generally good trading background, it is pleasing to note that in most of our principal territories we grew sales by more than market growth rates, thus gaining market share and outperforming the competition.

Suncoast lays beam tendons to form a post-tensioned slab for a multi-storey parking garage in Houston, Texas, US.

Suncoast constructs a post-tensioned floor slab for a residential home in Phoenix, Arizona, US.

Operations

North America

2005 was an exceptionally good year for our North American operations which produced record sales, profit and cash. Sales of £399.9m (2004: £280.2m) were 43% ahead and operating profit of £42.1m (2004: £21.0m) doubled. Our US businesses benefited from both favourable market conditions and an outstanding performance on a number of contracts.

Suncoast

Suncoast increased its sales in the year by 28%. Both sales and profit have doubled in the four years under Keller's ownership. Its results were boosted by an excellent performance from the commercial high-rise division, which benefited from a very strong condominium market.

Further growth was achieved in slab-on-grade sales in California and Arizona, where product substitution in favour of post-tension foundations, as an alternative to traditional foundation methods, continues. Sales outside Texas have grown to more than three times their level in 2002, the first full year under Keller's ownership. This has reduced the reliance of the business on its traditional Texan market, which represented around half of all sales in 2005, compared to three quarters in 2002.

The combination of high volumes, stable raw material costs and operating cost efficiencies sustained healthy margins, which further benefited from a shift in product mix from rebar to steel strand.

Despite a general expectation that the housing market will eventually cool, this is certainly not yet apparent, as evidenced by the strong housing starts reported for January 2006[2].

Hayward Baker

Hayward Baker had an excellent year, with record results generated from over 1,800 contracts, with values ranging from a few thousands to several millions of dollars. This indicates the strength of Hayward Baker's devolved, regional structure, which enables it to win, and to make a success of, small local jobs and multimillion-dollar projects alike. The wide range of projects on which it was engaged during 2005 – from swimming pools to skyscrapers, fast-food outlets to freeways and power plants to places of worship – illustrates the diversity of Hayward Baker's customer base.

A soil stabilisation contract for the Florida Department of Transportation involved Hayward Baker in Keller's first application in the US of its dry soil mixing technology, acquired by the Group through the acquisition of LCM in Sweden. The technology was used to stabilise extremely soft and wet soils next to the existing US Route 1 in South Florida, allowing the only road serving the Florida Keys to be widened. This project illustrates one of Keller's key strengths – the ability to transfer technology between Group companies and between countries in this way.

In September, Hayward Baker acquired the business and assets of G. Donaldson Construction, a specialist in deep foundation and earth support services, serving the New England construction market. Hayward Baker's Boston office has now been integrated with the Donaldson operation, which is being managed as a division of Hayward Baker. The benefits of combining Donaldson's strong local reputation and field resources with Hayward Baker's technical resources and Keller's financial strength are already beginning to show through and the ability to offer extended capacity and a comprehensive range of solutions is expected to create good opportunities in the future.

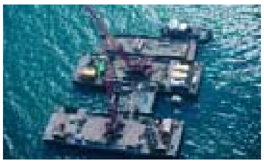
People and processes

New records and "first time evers" in 2005

- for the first time in the US, Hayward Baker used new Japanese technology for trench cutting and installation of barrier walls of up to a depth 30 metres. The "TRD" method utilises a large base machine resembling a vertical chainsaw to cut a continuous slot in the soil, whilst simultaneously adding cement slurry to create a soil-cement area;
- Vibropile drilled the largest-ever ventilation shaft in Australia – with a depth of 84 metres and a seven-metre diameter;
- Suncoast worked on its tallest- and largest-ever buildings – a 74-storey commercial structure and a 4.5 million square feet condominium building, respectively;
- Keller Grundbau developed a prototype "minicat" – a smaller, lighter and more versatile version of Keller's proprietary "vibrocat" equipment – for use in Europe;
- Hayward Baker carried out its first ever mass dry soil mixing contract in the US. This technique has particular application in soft, organic clays and was used by Hayward Baker in a difficult mangrove swamp area;
- Keller Algeria undertook its first dry method, bottom feed stone column contract for an industrial plant near Algiers;
- Keller established a ground engineering presence in South Korea;
- in Austria, Keller installed 40-metre long, vertical rock anchors in the ceiling of the largest underground excavation in Europe for a new underground power station;
- LCM and Keller Grundbau jointly undertook the first ever stone column project in Sweden, for a new road bypass scheme.

Hayward Baker tests the new "TRD" equipment used for trench cutting and installation of barrier walls at Los Alamitos, California, US.

1 Data published by the US Census Bureau of the Department of Commerce on 1 March 2006.
2 Monthly housing starts published by the National Association of Home Builders in February 2006.



Case installs four water intake shafts for a new power station at Lake Michigan, Wisconsin, US.

McKinney constructs a secant pile wall for the University of Virginia, US.

Case

Case, which has a higher average contract size than other Group companies, reported a very solid performance in 2005, which included the successful completion of the $15.3m (£8.4m) Trump Tower project in Chicago, where Case provided foundations and excavation support for the new, 92-storey Trump International Hotel and Tower.

Several diaphragm wall projects were completed during the year, as was the first phase of a two-year $20m (£11.0m) contract to install four shafts to provide intake water for the Elm Road Generating Station near Milwaukee, Wisconsin. The intrinsic operational and technical risks around a project of this nature were well controlled and we look forward to the successful completion of the second phase in 2006.

Case has recently extended its offering with the addition of augercast piles – a product which is gaining increasing recognition in the US and one in which the Group has extensive experience elsewhere in the world: the business successfully undertook several such projects in 2005.

McKinney

McKinney, which is increasingly prospering under the Group's ownership, also had a record year. Of some 2,000 contracts successfully completed during the year from 14 offices across the southern and eastern states, it is notable that a number were in joint venture with other Keller businesses, illustrating one of the synergies that Keller has been able to deliver from its acquisitions.

A seamless transition of McKinney's senior management was completed during the year and the business is in good shape to take full advantage of continuing strong market conditions.

Continental Europe & Overseas

Our Continental Europe & Overseas business reported a good overall performance, with sales of £204.7m (2004: £175.0m) up some 17% on the previous year. Operating profit was £12.7m (2004: £11.9m), 7% ahead of last year.

Keller-Terra had another good year, in which it was involved in several high-profile infrastructure projects. These included the development of the Metro systems in Barcelona and Madrid and, in preparation for the America's Cup in 2007, the refurbishment of Valencia Harbour. All major product lines performed well and it is particularly pleasing to note that Keller-Terra doubled its sales from ground improvement products which, in the three years since the business was formed, have grown from a standing start to around 20% of sales. In addition, two additional techniques – compaction grouting and large diameter jet grouting – were introduced into the Spanish market during the year.

Our French business performed well, increasing its share of a growing ground improvement sector and, in particular, undertaking a significant amount of work for house builders. The development in 2004 of specialist equipment for composite columns, which comprise a lower part in concrete and a traditional stone column on top, led to a significant increase in the use of these solutions, in which Keller France is the market leader. Whilst activity levels in North Africa were disappointing, reflecting delays in a number of planned infrastructure projects, completion of vibro compaction works at the Oued Ziatine dam firmly established Keller's credentials in Tunisia.

Keller Grundbau and Keller GeTec undertake site investigation and monitoring works for the construction of a new container terminal at Bremerhaven, Germany.

Keller Singapore operates up to 12 vibrators around the clock to complete vibro compaction works for a land reclamation project in Jurong, Singapore.

In central and eastern Europe, our operations in Austria had a much-improved second half of the year after a slow start and despite strong competition. Work was completed on Kops Cavern, where permanent rock anchors were installed to support one of the largest underground excavations in Europe for a new water power plant. Further progress was made in eastern Europe, particularly Poland, where what was a start-up business some ten years ago is now the market leader, offering a range of ground engineering solutions to both the public and private sectors from five regional offices across the country. From this established position in Poland, we are now seeking to extend our footprint into Ukraine.

Sales in Germany fell slightly, reflecting the state of the market. However, measures taken in 2004 and the start of 2005 to reduce costs and improve efficiencies lifted the profitability of the German operations in the second half. This success was also reflected in improvements in other key indicators, such as equipment utilisation ratios and site-level margins. Whilst many competitors continue to suffer from the harsh market conditions, improvements in our German organisation make it better positioned to take advantage of an eventual upturn.

Within the overseas division, the Middle East reported a good result, with a particularly strong contribution from Bahrain, where we completed a number of prestigious contracts including a design and build contract for the foundations of a new power station at Al Ezzel and piling works for the King Hamad General Hospital at Muharraq. Our operations in the Far East had a slow start but an improved second half of the year, when we successfully completed ground improvement work on Penang Island, Malaysia, at the site for a new sewage treatment plant.

UK

Sales in the year were 18% down on the previous year at £89.2m (2004: £108.3m), with an operating loss of £0.3m (2004: profit of £1.9m).

Makers

As previously reported, Makers had a disappointing year, with delays in getting social housing work onto site continuing throughout the second half of the year. Nevertheless, the business continued to be awarded, and to successfully discharge, multi-million pound social housing contracts for various London boroughs. In addition, it undertook a major internal and external refurbishment contract for two tower blocks for Leicester Housing Association. At the close of the year, Makers' order book was significantly higher than at the start of 2005, which should lead to a better result in 2006.

KGE provides a "package solution" including earthworks, remediation, dynamic compaction, piling and vibro techniques for a regional housebuilder at Rainham in Kent, UK.

Keller Grundbau constructs stone columns to improve the ground and enable the construction of a new plant for an aluminium company in Dubai.

Makers gives a facelift to tower blocks, installing new windows, cladding, kitchens and bathrooms, for Leicester Housing Association in Northampton, UK.

KGE
Keller Ground Engineering (KGE) had a satisfactory year overall. A very good trading result from the foundation support division was partly masked by a weaker performance from the geotechnical division, which suffered from a shortage of major infrastructure projects.

The decision to retain a piling capability, when the business withdrew from large diameter piling in 2003, means that KGE is able to offer overall solutions comprising several different techniques, including augercast and cast-in-situ piling. A "packaged solution" was provided at London's Millennium Dome, where a range of techniques, including driven piles, continuous flight auger piles and minipiles, was chosen to take account of the uniqueness of the site and the different structures to be constructed within the shell of the Dome. Another such contract in 2005 for a regional housebuilder, including earthworks, remediation, dynamic compaction, piling and vibro techniques, is a further example of the competitive advantage this gives the business. Few competitors can offer the same breadth of packaged solutions.

Earth retaining solutions – for retaining walls, slope retention and reinforced soil – made a good contribution, in a segment that is small, but has good growth potential. Projects worked on during 2005 included Essex Road Bridge in Hoddesdon, Hertfordshire, where a new bridge was being constructed over a busy electrified railway. KGE designed and installed vertical concrete panel walling and steeply sloping, grass-faced "Textomur" which, in combination, gave the most cost-effective solution for retaining the side of the bridge approach ramps. KGE also designed and installed vibro concrete columns to limit settlement behind the bridge abutments.

Australia
Sales of £37.1m (2004: £32.4m) were some 15% above the previous year, whilst operating profit of £1.8m (2004: £1.7m) was up by 6%.

Our northern branch – covering Queensland and Western Australia – had a busy year, particularly on the Gold Coast which is seeing a surge in housing, retail and leisure schemes to satisfy the demands created by internal migration to this area. Also, in Western Australia two of our Australian businesses joined forces to provide a combined lateral support and piling package for the site of the new Perth Law Courts.

Vibropile uses purpose-built equipment to drill the largest ever ventilation shaft in Australia, including bucket augers of up to seven metres in diameter, for the North Goonyella Mine, Queensland, Australia.

The new ground engineering business, which commenced operations in January 2004 to promote the full range of ground improvement and specialty grouting solutions, moved into profitability in 2005. It successfully undertook several high profile contracts during the year, including compensation grouting works for new twin rail tunnels under construction beneath the centre of Perth. The development of this business exemplifies one of our approaches to delivering organic growth, through the introduction of "new" techniques from elsewhere in the Group to territories where we have an established presence. As ground engineering solutions continue to gain acceptance in Australia, we anticipate further growth for this business in 2006.

People and processes
The quality and professionalism of our people are elements which distinguish the Keller Group. It is the willingness of individuals and teams across the business to constantly challenge themselves to beat their best results which enables us to improve our productivity and capability. As a result, we are continually achieving new records and "first time evers". A selection of these from 2005 are shown on page 19, to give a flavour of some of our recent achievements.

We are confident that these and other advances in our equipment, techniques and capabilities mean that we will continue to find the best solutions to our customers' needs and maintain our competitive positions around the world.

Justin Atkinson
Chief Executive
3 March 2006

Financial review
James Hind

In 2005, the Group continued its excellent record of converting profits into cash. Net cash inflow from operations was £73.4m, representing 113% of the Group's EBITDA.

Preparation of financial statements
The Group's 2005 financial statements have for the first time been prepared in accordance with International Financial Reporting Standards (IFRS) and the 2004 results and year-end balance sheet have been restated accordingly.

This restatement has had no significant impact on the reported 2004 profit before tax. The 2004 reported earnings per share, however, have decreased by 3.6% as a result of a different deferred tax treatment, although this change in accounting treatment does not impact on the Group's cash tax payments. Reported net assets as at 31 December 2004 have been reduced by £10.4m. Full details of the changes in accounting policies and the restatement of the 2004 numbers are set out in the Group's IFRS announcement dated 17 June 2005, which is available on the Group's website and in note 29 to the consolidated accounts.

Trading results
Group sales increased by 23% in the year to £731.0m, reflecting very strong organic growth in many of the Group's main markets, especially the US. For once, movements in reported sales and profits were not significantly influenced either by acquisitions or by fluctuations in foreign currency exchange rates. The average US dollar exchange rate against sterling was US$1.82, compared to US$1.83 in 2004, while the average euro exchange rate was €1.46, versus €1.47 in 2004. Stripping out the effects of acquisitions and currency movements, the Group's 2005 sales were still 21% up on 2004.

Operating profit was £53.1m, up from £33.9m in 2004, and the operating margins increased to 7.3% from 5.7%. This substantial improvement mainly reflects an excellent performance in the US, where all four of our businesses significantly outperformed a strong market, and the business benefited from excellent returns on an unusually high number of large contracts.

This contribution from large contracts is unlikely to be repeated in 2006. Results in Continental Europe & Overseas, and in Australia, were also up on last year. The UK result, however, was disappointing, reflecting low volumes at Makers.

The Group's trading performance is discussed in more detail in the operating review.

Interest

The net interest charge changed little from £4.1m in 2004 to £4.2m in 2005, with the benefit of lower average borrowings being offset by higher interest rates on US dollar-denominated debt. The majority of the Group's borrowings are US dollar-denominated, in order to provide a hedge against the Group's US dollar denominated net assets, and bear interest at floating rates. The average interest rate paid on US dollar borrowings increased from 2.9% to 4.3%. Interest cover is very comfortable at over 15 times EBITDA.

Tax

The Group's effective tax rate was 41%, up from 40% in 2004. The increase is largely due to higher taxable losses in the UK, after central costs and interest.

The Group's effective rate is high compared to most UK domiciled businesses, reflecting the fact that the vast majority of the Group's profits are earned in relatively high tax jurisdictions, in particular the US where the effective federal and state tax rates total nearly 40%. The Group's tax charge in both 2004 and 2005 also includes an annual IFRS deferred tax charge of £0.7m, arising as a result of goodwill amortisation which is deductible for tax purposes but is not, under IFRS, charged in the Group profit and loss account. This amount is not payable in cash.

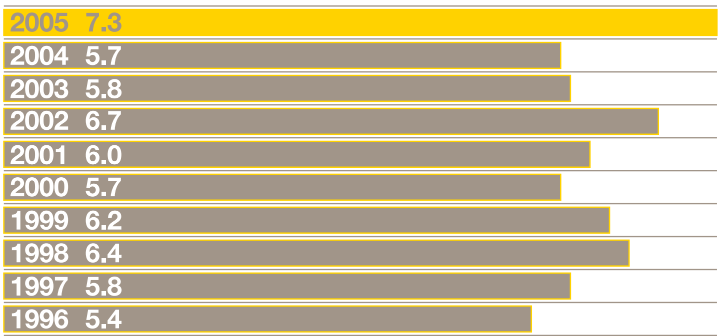
Earnings and dividends

Earnings per share increased by 73% to 41.8p. Following the recommendation of an increased final dividend of 8.2p per share, the total dividend paid out of 2005 profits will be 12.0p, an increase of 10% on 2004. This is covered 3.5 times by earnings per share.

Cash flow

In 2005, the Group continued its excellent record of converting profits into cash. Net cash inflow from operations was £73.4m, representing 113% of the Group's EBITDA. Year-end working capital, at £50.5m, was £3.0m higher than the previous year's level. However, if adjusted for acquisitions and adverse year-end exchange rates, working capital would have been £5.5m or 12% below the previous year, despite the like-for-like organic sales growth of 21%.

Operating margin (%)*



* 1996–2003 figures reported under UK GAAP and stated before exceptionals and amortisation of intangibles; 2004 and 2005 figures reported under IFRS.

This outstanding performance is evidence of the Group's ongoing strong focus on cash and working capital management and reflects considerable hard work and achievement throughout the organisation.

Capital expenditure, principally on plant and equipment, increased by 14% to £15.8m, reflecting the increase in the scale of the Group's activities. After proceeds from the sale of fixed assets, net capital expenditure in the year, representing 1.2 times depreciation, was £13.9m, up from £11.8m in 2004.

Financing

Year-end net debt decreased to £40.9m at the end of 2005 from £58.7m at 31 December 2004. Net debt at the year end was less than 0.6 times EBITDA. Based on net assets of £117.2m, gearing was 35%, down from 65% at the beginning of the year.

The Group's debt and committed facilities mainly comprise a US$100m private placement, repayable US$30m in 2011 and US$70m in 2014, and an £80m syndicated revolving credit facility expiring in 2009. At the year end, the Group also had other committed and uncommitted borrowing facilities totalling £31m. We therefore have more than sufficient available financing to support our strategy of growth both through organic means and targeted, bolt-on acquisitions.

Pensions

The Group has defined benefit pension arrangements in the UK, Germany and Austria. The last actuarial valuation of the UK scheme, which has been closed to new members since 1999, was as at 5 April 2005. At this date, the market value of the scheme's assets was £17.3m and the valuation concluded that the scheme was 61% funded on an ongoing basis. The year-end 2005 IAS 19 valuation showed assets of £19.8m, liabilities of £31.7m and a pre-tax deficit of £11.9m.

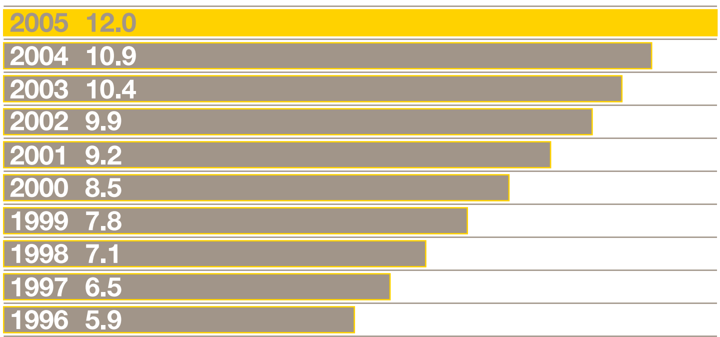
In January 2006, the Group announced that the UK defined benefit scheme would close for future benefit accrual with effect from 31 March 2006 and that the existing active members would be transferred to a new defined contribution arrangement. To help reduce the deficit in the scheme, the Group has agreed to make a one-off cash contribution of £4.0m in April 2006 and to double its regular contributions to £0.1m a month with effect from January 2006. The level of monthly contributions will be reviewed at the time of the next actuarial valuation, currently scheduled for April 2008.

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.

All other pension arrangements in the Group are of a defined contribution nature.

James Hind
Finance Director
3 March 2006

Dividend per share (p)



Social responsibility

The board is responsible for ensuring that Group companies have effective systems for managing significant social, environmental and ethical risks, which are appropriate to the geographies in which they operate. The board's responsibility is discharged through the divisional managing directors, who are also directors of the Company.

Health and safety

Principles of health and safety

The board is committed to providing a healthy and safe working environment for all employees and others affected by Keller's works. The managing director of each division is responsible for ensuring that formal health and safety policies are developed, published and maintained and that organisational arrangements for health and safety management are established and maintained in the businesses within their division. Responsibility for implementing the health and safety policies rests with the line management of each business whilst each individual employee has a responsibility for complying with the policy. As a minimum standard, local policies and organisational arrangements for health and safety must include compliance with all legal requirements and the creation of a safety awareness culture by encouraging employee involvement in health and safety matters.

Safety performance in 2005

The board reviews the health and safety performance of its operating companies on a quarterly basis, as well as monitoring leading indicators, such as hours spent on safety training and safety improvement initiatives. Where possible, the board compares safety performance against industry norms. Standard measures of safety performance, as published by national safety regulators, vary from country to country. Within the Group, Keller uses the accident frequency rate (AFR) and accident incident rate (AIR) to track the safety performance of its businesses, where AFR is the number of accidents per 100,000 hours worked and AIR is the number of accidents per 100,000 employees and where "accidents" comprise fatalities, major injuries (as defined by the Health and Safety Executive) and injuries involving more than three days' absence. The AFRs and AIRs for 2005 and 2004 are shown below:

	2005 AFR	2005 AIR	2004 AFR	2004 AIR
USA, excluding Suncoast	**0.62**	**1,081**	1.10	2,092
Suncoast	**0.14**	**340**	0.52	1,196
Continental Europe & Overseas	**2.05**	**4,369**	2.87	5,676
UK – Keller Ground Engineering (KGE)	**1.91**	**3,811**	0.87	1,746
UK – Makers	**0.32**	**642**	1.00	1,997
Australia	**2.29**	**5,092**	1.21	2,829

We are pleased to report that, for the majority of our businesses, the AFRs and AIRs for 2005 show a year-on-year improvement. This is consistent with the longer-term trend evidenced by statistics for the three years ended 31 December 2005. KGE and Keller, Australia both increased the amount of time spent on safety training in 2005 and Keller, Australia recruited a new national safety manager in the second half of the year. It is hoped that these measures will act as a catalyst for improved safety performance in those businesses in 2006.

It is with much regret that we report the death of an employee of a Keller subcontractor, following an accident on a site in Saudi Arabia in October 2005. Whilst our safety record is good and fatal accidents have been rare occurrences in Keller's history, we are not complacent and continually strive to reduce accident risk.

North America

In North America, a construction company's safety record, relative to other businesses, is more commonly measured through the experience modification rating (EMR). A low score indicates a good safety record. In 2005, the combined EMR for Hayward Baker, Case and McKinney was 0.63, against an industry standard rating of 1.00 and a previous year's rating of 0.64.

The continuous improvement within the US businesses reflects the effort and resources which are dedicated to improving safety performance. Case, Hayward Baker, McKinney and Suncoast each employ full-time safety professionals who co-operate on safety improvement initiatives such as sharing results of incident investigations; running tailored safety programmes; developing consistent safety audit criteria, which enables them to conduct peer reviews; and establishing a joint supplier programme for safety supplies and bought-in training, to improve consistency and buying power.

Continental Europe & Overseas

In our Continental Europe & Overseas operations, a procedure for on-site health and safety forms part of the quality management system. In addition, operating units are required to respect and comply with all local regulations. To the extent feasible, training courses are held on a regular basis in order to improve risk awareness on site. Each business unit employs a safety officer, either on a full- or part-time basis, according to the business need and local regulations. Performance is monitored by the divisional head office in Germany and compared to national standards, where these are available.

UK

In the UK, KGE saw an increase in reportable accidents in 2005 to 13 (2004: 6). This resulted in an increased AIR of 3,811, which compares with a 2005 average AIR of 2,772 for members of the Federation of Piling Specialists, the most appropriate comparator group. A number of safety improvement initiatives were introduced in 2005, including projects to reduce the amount of manual handling and the introduction of routine drug and alcohol testing.

Makers recorded a reduction in the total number of accidents reported to the HSE to four (2004: 18). Its AIR reduced to 642, which compares favourably with a construction industry average, excluding fatalities, of 2,011. In 2005, Makers completed and rolled out its new Integrated Management System which complies with recognised international standards OSHAS 18001, ISO 14001 and ISO 9001. Makers, whose safety performance in 2005 has been submitted for the British Safety Council's International Safety Awards, has been approved by the British Safety Council to provide its own health and safety training. In addition, further progress was made in 2005 in sponsoring operational staff to undertake the Construction Industry Training Board's Site Managers' Training Scheme.

There were no HSE prosecutions or enforcement notices brought against either of our UK businesses in 2005 and there are none pending.

Australia

The key safety objective for our operations in Australia is to achieve zero lost-time injuries. Franki recorded four lost-time injuries, the same as in 2004. Vibropile recorded seven lost-time injuries, up from two in 2004. KGE, Australia maintained its unblemished record of zero lost-time injuries. Incident and frequency rates were below the national construction industry average.

Environment

Bringing benefits to the environment

Many of Keller's solutions contribute benefits to the environment, including land reclamation schemes, soil erosion control, flood control, decontamination or containment of contamination and the preparation of brownfield sites. Furthermore, in many parts of the world, Keller promotes the use of stone columns, as an alternative to traditional piling, which reduces the impact of new structures on the environment. Some of the projects undertaken during the year with positive environmental impacts are described below.

In New South Wales, KGE, Australia worked on a former open-cut mine, which is now being used as a disposal facility for the city's domestic refuse. By controlled placing of the fill, the site's operator is able to use the waste as a bioreactor to generate methane gas for electricity generation. The efficiency of the bioreactor was being affected by the inflow of water at the base of the mine site. KGE, Australia installed a low permeability cut-off barrier around the waste to prevent ground water inflow.

The Suncoast team involved in providing foundations for a new home for a disadvantaged family in Houston, Texas, US.

During 2005, the geoenvironmental team at KGE in the UK worked with a number of customers to solve their ground-related environmental problems, including flood defence works for the Environmental Agency and dry soil mixing for a new landfill site in South Wales.

In addition, KGE was involved in an EU-sponsored project which is trying to overcome the barriers to the reuse of foundations for urban sites. This was indeed possible at the site of the Millennium Dome, where KGE was able to re-use some 700 of the piles originally installed by Keller during the construction of the Dome in 1997.

In the US state of Michigan, Hayward Baker was involved in creating a jet-grouted cut-off barrier in sand to control seepage from a former landfill site. The grouting solution was devised as an alternative to the original, more costly and invasive proposal of driving steel sheeting into the sand.

Since the year end, Hayward Baker has been awarded a contract to repair levees in New Orleans using dry lime soil mixing and jet grouting techniques. This particular project will be completed by 1 June 2006, the official start of the US hurricane season, and is intended to restore the city of New Orleans to at least the same level of protection as before Hurricane Katrina. It is hoped that this will be the start of an ongoing involvement in levee upgrades over the next few years.

In Germany, we continued the restoration work in which we have been involved over a number of years, enabling a former mining area in the Lausitz region to be converted to recreational use, whilst in Singapore and Dubai we were again involved in land reclamation projects.

Group companies continued their involvement in a variety of dam remediation schemes, forming part of a worldwide focus on upgrading major dams to prevent premature failure due to soil erosion and earthquake. For example, our French operation was involved in a sand compaction contract for the Oued Ziatine dam in Tunisia, which formed part of an extensive water supply and environmental improvement project in the northern part of the country on behalf of the Ministry of Agriculture. Over the past few years, our companies have been heavily involved in flood protection schemes in Poland, Slovakia and Austria, where our works have included improving the core sealing of river dykes to reduce their permeability and increasing the height of the dykes to improve their overall stability.

Our Makers business continues to work with local authorities and housing associations in the UK on the structural refurbishment of social housing, much of which was constructed in the 1960s and 1970s. As an alternative to demolition and rebuild, these projects are resource-efficient and have fewer environmental impacts. In addition, they invariably bring thermal efficiency benefits, resulting in reduced energy consumption.

Environmental management systems
Notwithstanding the benefits of many of the schemes in which we are involved, we are conscious that many of our site activities have environmental impacts. Most notably, these involve noise, dust and slurry emissions and the use of specialist products, such as grouts. We have a continuous programme of trying to mitigate these impacts by, for example, selecting new plant with reduced noise emissions, researching the viability of new, more benign materials and seeking better ways of capturing waste from drilling. For example, in south-east Europe, we introduced the use of particle filters on equipment with diesel engines during 2005, whilst KGE in the UK made further progress in its programme of reducing noise emissions from driven piling.

Makers' clients are increasingly asking for materials to come from sustainable sources. To ensure that it can comply with these requirements, Makers has actively sought to appoint suppliers who can provide materials, particularly timber, from sustainable and traceable sources.

Working with the community
Many projects in which Group companies are involved are located in remote areas, away from local populations and, therefore, there is usually little impact on, or relationship with, a local community.

A notable exception to this is Makers which, through its social housing refurbishment schemes, has significant interfaces with residents and community groups. Makers has an experienced, in-house resident liaison team which manages these interfaces on a project-by-project basis. Makers prides itself in having an effective dialogue with residents, which includes liaison meetings with residents, newsletters and the distribution of site brochures (often in several languages) to advise residents on how they will be affected by the works. This dialogue has recently been enhanced by the inclusion on Makers' website of an interactive "Community" section.

For most of our businesses, support for local community projects is indirect – by, for example, sponsoring or supporting through matched funding the efforts of employees who are involved in charitable or community projects. In the USA, our businesses gave substantial financial support during the year to the American Red Cross, in response to the destruction caused by Hurricane Katrina.

Suncoast provided post-tensioning materials and labour to reinforce the concrete slab foundations for a new home for a disadvantaged family in Houston, Texas, as part of the US television network's "Extreme Makeover: Home Edition" programme.

Employees
Throughout the year our businesses have continued to use a variety of media and forums for communicating with their employees including company newsletters, consultative councils, results presentations, suggestion schemes and informal channels, such as company-wide social events. We are pleased to report that KGE in the UK was awarded Investors in People status in 2005.

In addition to job-specific and safety training, in which considerable resource is invested by all our businesses, the Group has a three-tier management development programme. It comprises basic modules, which are offered locally in the main centres of operation; a strategic programme offered each year to some 20 managers from across the Group; and the further development of individuals at, or just below, board level through executive programmes at international business schools.

It is our policy to employ and train disabled people wherever their skills and qualifications allow and when suitable vacancies are available. Disabled employees are encouraged to undertake training and career development to prepare them for promotion. Should existing employees become disabled, every effort is made to find appropriate work and training if appropriate.

Board of directors
Executive directors

‘2005 was Keller’s first full year under the direction of Justin Atkinson as Chief Executive. Whilst the executive team is still relatively new, its maturity, cohesion and collective experience is second to none and I am confident that it will continue to drive the Group forward.’

Chairman’s statement

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. Age 45.

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 41.

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 54.

4. Dr Wolfgang Sondermann Managing director, Continental Europe & Overseas.
Joined the Group in 1986. Appointed deputy managing director, Continental Europe & Overseas in 1998 and managing director in 2001. Appointed to the board in 2003. Age 55.


1


2


3


4

Non-executive directors

‘The non-executive directors... bring strong independent judgement, knowledge and experience to the board’s deliberations.’

Corporate governance report

5. Dr Michael West Non-executive chairman.
Non-executive chairman. Joined the Group in 1964. Chief executive of Keller Group of companies 1982–95. Appointed director of Keller Group in 1990. Appointed chairman in 1995 and became non-executive chairman upon retirement in 1997. Chairman of the Nomination Committee. Age 68.

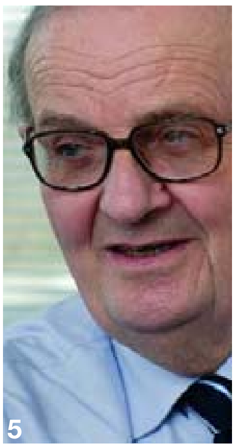
6. Pedro Lopez Jimenez Non-executive director.
Appointed to the board in 2003. Mr Lopez Jimenez is chairman of Terratest Tecnicas Espéciales S.A., chairman of UNION FENOSA, S.A. and a non-executive director of ACS Actividades de Construccion y Servicios S.A. Also a director of a number of other Spanish businesses, Mr Lopez Jimenez was Secretary of State for Public Works and Urban Development in the Spanish Government between 1977 and 1979. Age 63.

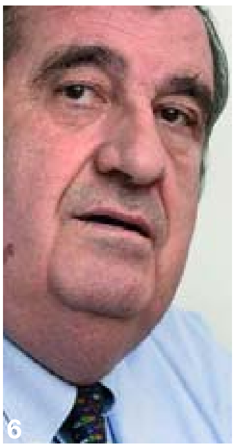
7. Richard Scholes Non-executive director.
Appointed to the board in 2002. Member of the Remuneration, Audit and Nomination Committees. Mr Scholes was a director at Dresdner Kleinwort Wasserstein from 1986 to 2001. He is a non-executive director of Bodycote International Plc, Chaucer Holdings Plc, Crest Nicholson Plc and Marshalls plc. Age 60.

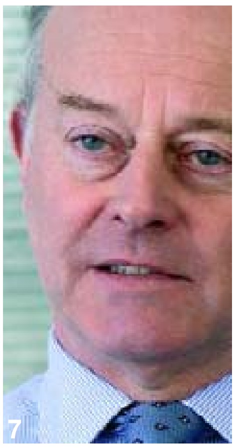
8. Keith Payne Non-executive director.
Appointed to the board in 1999. Chairman of the Audit Committee and a member of the Remuneration and Nomination Committees. From 1991 to 1996 he was an executive director of BET plc with responsibility for finance, planning and development. Age 63.

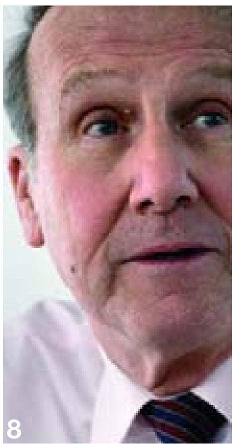
9. Gerry Brown Non-executive director.
Appointed to the board in 2001. Chairman of the Remuneration Committee and a member of the Audit and Nomination Committees. From 1998 to 2000, chairman of Mainland Europe for Tibbett & Britten Group plc. Mr Brown is a non-executive director of Forth Ports plc, Vantec Corporation and Biocompatibles plc. He is also chairman of Upol Ltd and chairman of Europe at Quintiles Transnational Corporation. Age 61.

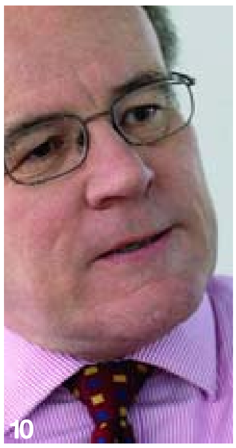
10. Dr Kevin Bond Non-executive director.
Reappointed to the board in 2003. Member of the Remuneration, Audit and Nomination Committees. Non-executive director of Keller from 1999 until 2002, when he was appointed director of the Police Standards Unit. Chief Executive of Kelda plc from 1995 to 2000, then Managing Director of the European division of Earth Technologies Inc. until September 2002. Chairman of EFKON Road Pricing Limited. Age 55.











Keller Group plc
Group financial contents

Directors' report

Directors' report
The directors present their report, together with the audited accounts for the year ended 31 December 2005.

Principal activities
Keller Group plc is a holding company. Its principal subsidiary undertakings are engaged in specialist ground engineering, providing the construction industry around the world with an extensive range of problem solving techniques and services.

Business review
A review of the Group's progress and prospects may be found on pages 18 to 22.

Results and dividends
The results for the year, showing a profit before taxation of £48,848,000 (2004: £29,748,000), are set out on page 50.

The directors recommend a final dividend of 8.2p per share to be paid on 29 June 2006, to members on the register at the close of business on 2 June 2006. An interim dividend of 3.8p per share was paid on 1 November 2005. The total dividend for the year of 12p (2004: 10.9p) will amount to £7,863,000 (2004: £7,121,000).

Directors
The names and biographical details of the directors who hold office at the date of this report are given on pages 30 and 31. All served throughout the year. The interests of the directors in the share capital of the Company are shown in the remuneration report on page 40.

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 1985 (as amended).

Retirement and re-election
Mr Lopez Jimenez, Mr Payne and Mr Rubright retire by rotation at the Annual General Meeting and, being eligible, will offer themselves for re-election.

Substantial shareholdings
At 3 March 2006, the Company had been informed of the following interests in the Company's issued ordinary share capital:

	Number of shares held	Percentage of issued share capital
Schroder Investment Management Ltd	11,095,333	17.0%
Terratest Tecnicas Espéciales S.A.	5,341,985	8.2%
Morley Fund Management Ltd	4,431,535	6.8%
Legal & General Investment Management Ltd	2,633,148	4.0%
Barclays PLC	2,032,657	3.1%

Apart from these interests, the Company has not been notified, and is not aware, of any other person who is directly or indirectly materially interested in 3% or more, or who has a non-material interest in 10% or more, of the issued ordinary share capital of the Company.

Research and development
Keller has a reputation for engineering excellence and innovation. The Group has in-house design, development and manufacturing facilities where staff work closely with site engineers continually to develop new and more effective methods of solving problems of ground behaviour. Much of the specialised equipment we use is designed and built by Keller.

Management of financial risks
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 assets might have on the balance sheet, by matching the currency of its borrowing, where possible, with the currency of its assets, thereby creating a hedge.

The Group manages its currency flows to minimise currency transaction exchange risk and forward contracts are used to hedge significant individual transactions. The majority of such currency flows within the Group relate to repatriation of profits and intra-Group loan repayments. The Group's foreign exchange cover is executed primarily in the UK. At 31 December 2005 there were no forward exchange contracts outstanding (2004: none).

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 of the financing.

All drawdowns against the Group's central borrowing facility are reviewed and the interest rate adopted depends upon the interest rate outlook for the subsequent six months. The facility affords the Group the ability to choose from one-, three- or six-month interest rates for its drawdowns.

Credit risk
The Group's principal financial assets are bank and cash balances and trade and other receivables. These represent the Group's maximum exposure to credit risk in relation to financial assets. This risk 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 possibility of material loss in this way is considered unlikely.

Directors' report continued

Corporate governance
This is the subject of a separate report on pages 42 to 46 which details the Company's compliance with the Combined Code on Corporate Governance, incorporated into the Financial Services Authority's Listing Rules. The remuneration report is set out on pages 35 to 41.

Going concern
The accounts have been prepared on the going concern basis as the directors, having made appropriate enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future.

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 2005 the Group had 66 days' (2004: 59 days') purchases outstanding.

Political and charitable contributions
No contributions were made to any political party during the year. Donations made by the Group in the UK for charitable purposes were £5,000 (2004: £3,000).

Social responsibility
The Group's approach to employee involvement, disabled persons, health and safety and the environment are discussed in the social responsibility report on pages 26 to 29.

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

Resolution number 8 – Scrip dividends
Article 162 of the Company's Articles of Association permits the directors, subject to the authority of the Company in general meeting, to offer to shareholders the right to elect to receive ordinary shares, credited as fully paid, instead of cash in respect of dividends declared by the Company or by the directors.

The board recommends that by an ordinary resolution it be given authority to make such offers until the conclusion of the next Annual General Meeting.

Resolutions numbered 9 and 10 – Authority to allot shares
Under the Companies Act 1985 (the Act), the directors of the Company may only allot unissued shares if authorised to do so under Section 80 of the Act. Section 89 of the Act prevents allotments for cash, other than to existing shareholders in proportion to their existing holdings, unless the directors are specifically authorised. This gives existing shareholders what are known as "pre-emption rights".

The Articles of Association give a general authority to the directors to allot unissued shares and disapply these pre-emption rights. Passing resolutions 9 and 10 will extend the directors' flexibility to act in the best interests of shareholders, when opportunities arise, to issue new shares.

The directors will be able to issue new shares up to a nominal value of £2,182,007 which is equal to approximately 33.3% of the issued ordinary share capital at 3 March 2006. The directors will also be able either to issue shares for cash, other than to existing shareholders in proportion to their existing holdings, up to a maximum nominal amount of £327,629 representing about 5% of the issued ordinary share capital at 3 March 2006 or, other than for cash, in a rights issue.

These arrangements are intended to ensure that the interests of existing shareholders are protected so that, for example, in the event of a share issue which is not a rights issue, the proportionate interests of existing shareholders could not, without their agreement, be reduced by more than 5% by the issue of new shares for cash to new shareholders.

The board has no current plans to allot ordinary shares except in connection with the executive share arrangements.

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

Resolution number 11 – Purchase of the Company's own shares
This resolution grants a limited authority to the Company to purchase through the market up to 10% of the issued ordinary share capital. The resolution specifies the maximum and minimum prices at which the shares may be bought at the date of the notice. The authority sought will expire at the conclusion of the next Annual General Meeting. The directors have no immediate intention of exercising the proposed authority when it becomes effective. Any purchases will only be made when, in the opinion of the directors, an improvement in earnings per share of the remaining shares is anticipated and it is in the best interests of shareholders generally.

Auditors
In accordance with Section 384 of the Companies Act 1985, a resolution for the reappointment of KPMG Audit Plc as auditors to the Company is to be proposed at the forthcoming Annual General Meeting.

On behalf of the board

Jackie Holman
Secretary
3 March 2006

Remuneration report

Introduction

In preparing this report, the Committee has complied with the Directors' Remuneration Report Regulations 2002 (the Regulations) and the Combined Code on Corporate Governance. As in previous years, a resolution to approve the report will be proposed at the forthcoming Annual General Meeting of the Company.

The Regulations require the auditors to report to the Company's members on the "auditable part" of the remuneration report and to state whether, in their opinion, that part of the report has been properly prepared in accordance with the Companies Act 1985 (as amended by the Regulations). 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 that is to be followed from 1 January 2006.

Remuneration Committee

The Company has established a Remuneration Committee (the Committee) in accordance with the recommendations of the Combined Code. The names of members of the Committee are given below. All members served on the Committee throughout the year. Mr Brown is, and was throughout the year, the chairman of the Committee.

Committee members

E G F Brown (chairman)
Dr K Bond
K F Payne
R T Scholes

The principal function of the Committee is to agree the framework and policy for the remuneration of the Group's senior management and to determine, on behalf of the board, the remuneration packages of the executive directors. The Committee is also responsible for monitoring the level and structure of remuneration for senior management and for annually reviewing and noting remuneration trends across the Group. As more than 85% of the workforce is based outside the United Kingdom, remuneration packages for the Group's senior management will vary according to local market norms and conditions.

No member of the Committee has any personal financial interest (other than as a shareholder), conflict of interest arising from cross-directorships or day-to-day involvement in running the business. No director plays a part in any discussion about his own remuneration. As discussed in the corporate governance report on pages 42 to 46, the board considers Mr Brown, Dr Bond, Mr Payne and Mr Scholes to be independent directors.

The frequency of, and attendance at, meetings of the Committee during the year is shown in the corporate governance report on page 44.

In determining the executive directors' remuneration for the year, the Committee has consulted Dr West, the chairman and Mr Atkinson, the chief executive about its proposals, except in relation to their own remuneration.

During the year, the Committee has received advice on executive directors' remuneration from The Hay Group Management Limited (Hay) and on pension matters from Punter Southall & Co. New Bridge Street Consultants LLP (NBSC) have advised the Company on the valuation of share-based payments.

Remuneration policy and arrangements

The objective of the remuneration policy is to ensure that members of the Group's senior management are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company.

Executive directors are assessed individually so that their remuneration is directly related to their performance over time and a significant proportion of their remuneration package is performance related.

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

During the year, the Committee reviewed the remuneration of the executive directors, two of whom are based in the UK and two overseas. Hay benchmarked the total remuneration packages of the executive directors against those of executives with a similar Hay-evaluated job size in their local markets. The remuneration packages of the UK-based executive directors were also compared with those of executives in similar roles in the same sector, based on published data.

Where the benchmarking showed a material gap between a director's total remuneration and the market median, the Committee approved adjustments to those elements of his package that were out of step with the market, to take effect from 1 January 2006.

Elements of remuneration

There are five main elements of the remuneration package for executive directors and senior managers: basic salary, performance-related annual bonus, long-term incentive arrangements, pension arrangements and other benefits.

i) Basic salary

Salaries for executive directors are determined by the Committee before the start of each year and when an individual changes position or responsibility. In setting the 2006 salaries for executive directors, the Committee has taken into account the results of the benchmarking exercises described earlier, as well as remuneration trends across the Group.

ii) Performance-related annual bonus

The maximum annual cash bonuses for executive directors are set by the Committee and are subject to stretching targets linked to financial performance in the year and to individual performance against objectives set by the Committee. The performance-related bonus is not pensionable.

The Committee has increased the maximum bonus from 60% to 100% of basic annual salary from 1 January 2006, bringing the maximum bonus in line with the market median. The maximum bonus will only become payable where very strong financial performance has been delivered.

The 2006 bonuses for Mr Atkinson and Mr Hind will be linked to the achievement of:

— Group earnings per share (EPS), profit before tax (PBT) and average net debt targets;
— separate PBT targets relating to the UK businesses; and
— personal, task-based objectives.

The 2006 bonuses for Mr Rubright and Dr Sondermann will be linked to the achievement of:

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

Actual financial performance targets for 2006 are considered to be commercially sensitive and are not, therefore, disclosed in this report.

iii) Long-term incentive arrangements

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

Under the Performance Share Plan, approved by shareholders in 2004, performance share awards may be granted each year to selected senior managers. Grant levels will depend on individual or business performance. The rules limit annual awards to 100% of an executive's basic annual salary, unless the Committee determines that exceptional circumstances exist, eg to facilitate the recruitment or retention of a key executive, in which case an award may be granted up to 200% of the relevant executive's annual basic salary. It is the Committee's current intention to increase the number of performance shares awarded to executive directors in 2006 by approximately 25%, compared with their 2005 awards. Whilst this will bring the long-term incentives for executive directors closer in line with market levels, these awards will remain comfortably within the normal limit of 100% of basic annual salary.

Performance share awards are released to executives after three years, subject to demanding performance conditions being met. Currently, 50% of a performance share award is conditional on targets based on growth in EPS and the remaining 50% is based on relative total shareholder return (TSR) against a comparator group of similar businesses. Under this approach, in order for awards to vest in full, there must be strong financial performance as well as stock market outperformance.

The following EPS growth targets currently apply:

For half of the shares subject to a performance share award EPS growth (average over 3 years)	Proportion of shares that vest
Less than RPI + 4% pa	0%
RPI + 4% pa	40%
RPI + 9% pa	100%
Between RPI + 4% pa and RPI + 9% pa	Between 40% and 100% on a straight line basis

For awards granted in 2006, TSR performance will be compared to the companies comprising the FTSE All-Share Index at the date of grant, on the following basis:

For the other half of shares subject to a performance share award Relative TSR (after 3 years)	Proportion of shares that vest
Below median ranking	0%
Median ranking	40%
Top decile ranking	100%
Between median and top decile ranking	Between 40% and 100% on a straight line basis

Performance is measured over a single three-year period. To the extent that the targets are not achieved, the award lapses. At the end of the performance period, TSR calculations are independently performed for the Committee by NBSC.

Since 2001, the Group has had an Inland Revenue approved executive share option plan and an unapproved executive share option plan (the 2001 Plans). Under the 2001 Plans, options could be granted annually, subject to the market value of shares over which options were granted in any 12-month period not exceeding the value of the executive's annual basic salary. The exercise of options granted under the 2001 Plans is subject to the Company achieving average annual EPS growth of not less than 4% real over the three-year performance period. No options have been granted under the 2001 Plans since 2003 and the Committee has no current intention of granting further options under these Plans.

During the year, the Committee approved the setting up of the US Retention Bonus Plan (the Plan) for selected US senior executives, including Mr Rubright. The objective of this Plan is to motivate and retain individuals who are considered to be critical to the continued success of the participating businesses. A payment into the Plan in relation to 2005 on behalf of the selected executives will vest in four equal amounts at the end of years three, four, five and six of the Plan, subject to continued employment. There is no current intention to make any further payments into the Plan at the end of the six-year period.

iv) Pension arrangements

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

As explained on page 25, the Scheme is closing to future benefit accrual with effect from 31 March 2006. Mr Atkinson will receive a salary supplement in lieu of a Company contribution to an alternative pension arrangement with effect from 1 April 2006.

The table on page 40 shows Mr Atkinson's accrued Scheme benefits. In accordance with the rules of the Scheme, these have been calculated on the assumption that the earnings cap provisions of the Finance Act 1989 (the Earnings Cap) apply. As the Finance Act 2004 will remove the Earnings Cap with effect from 6 April 2006, from that date, the benefits which Mr Atkinson has accrued in the Scheme up to the date of its closure will not be subject to the Earnings Cap.

Dr Sondermann is a member of the defined benefit pension arrangements established by Keller Grundbau GmbH under which, at age 65, he will be eligible for a pension of €8,000 per annum and a single lump-sum payment of €75,000.

Dr Sondermann is also a member of a defined contribution scheme, as are Mr Hind and Mr Rubright. Following the benchmarking exercises referred to earlier, the Committee has approved increases in the percentages of salary paid by the employer into defined contribution schemes on behalf of Mr Hind and Dr Sondermann from 1 January 2006, to align their remuneration packages more closely with the median for their markets.

v) Other benefits

Other benefits for executive directors comprise a car and payment of its operating expenses and fuel, or car allowance; private health care; and long-term disability insurance.

Remuneration report continued

Service contracts

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

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

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

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

In the event of early termination, the directors' contracts provide for compensation up to a maximum of basic annual salary plus the fair value of benefits to which the directors 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.

The board may allow executive directors to accept external appointments, provided that the Company retains any related remuneration. In accordance with the Combined Code, the board will not agree to a full-time executive taking on more than one non-executive directorship, nor the chairmanship of such a company. None of the executive directors held external appointments during 2005.

During the year, £101,000 was paid to Mr T Dobson, £20,000 was paid to Mr K Kirsch and £15,000 was paid to Mr M W C Martin, all former directors of the Company, for services provided to Group companies.

Non-executive directors

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

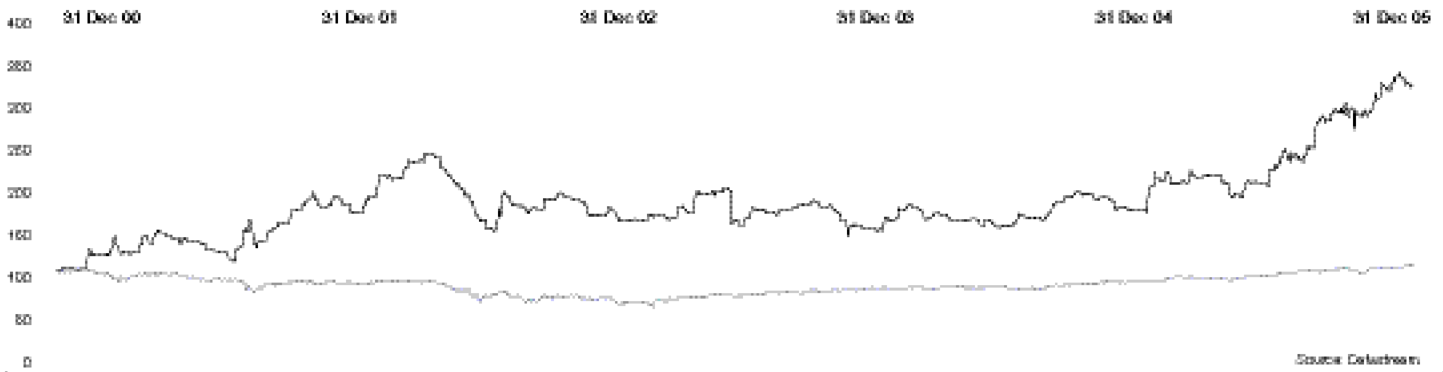
Director	Date of engagement letter
Dr K Bond	24 November 2003
E G F Brown	18 January 2002
P J Lopez Jimenez	21 January 2003
K F Payne	11 June 1999
R T Scholes	8 February 2002
Dr J M West	8 June 1998

The determination of the non-executive directors' remuneration, including that of the chairman, has been delegated by the board to the executive directors, within the limits set by the Articles of Association and based on independent surveys of fees paid to non-executive directors of similar companies. The fees paid to non-executive directors in the year, shown on page 39, are inclusive of the additional work performed for the Company in respect of membership of the board committees. Non-executive directors cannot participate in any of the Company's short- or long-term incentive arrangements.

Relative performance

The following graph shows the Company's performance, measured by TSR, compared with the performance of the FTSE All-Share Index. This index has been selected because it best reflects the Company's international nature and size. The graph looks at the value, by the end of 2005, of £100 invested in Keller on 31 December 2000 compared with the value of £100 invested in the FTSE All-Share Index.

Total Shareholder Return



Audited information

Directors' emoluments for the year ended 31 December 2005

	Basic salary 2005 £000	Fees 2005 £000	Benefits 2005 £000	Annual bonus 2005 £000	Total emoluments 2005 £000	Total emoluments 2004 £000
Executive						
J R Atkinson	265	–	15	146	426	345
J W G Hind	190	–	11	114	315	239
R M Rubright*	198	–	8	119	325	260
Dr W Sondermann	178	–	10	89	277	235
Non-executive						
Dr K Bond	–	28	–	–	28	25
E G F Brown	–	30	–	–	30	25
P J Lopez Jimenez	–	28	–	–	28	25
K F Payne	–	30	–	–	30	25
R T Scholes	–	28	–	–	28	25
Dr J M West	–	78	23	–	101	89
	831	222	67	468	1,588	1,293

* In addition to the amounts shown above, the equivalent of £275,000 has been paid into the US Retention Bonus Plan, referred to earlier, on behalf of Mr Rubright.

Included in the above are fees amounting to £28,000 paid to Fapindus, S.L. in respect of services provided by Mr Lopez Jimenez.

For the executive directors, a maximum annual cash bonus of 60% of basic annual salary was set for the year ended 31 December 2005. The 2005 bonus targets for Mr Atkinson and Mr Hind were linked to the achievement of Group EPS, PBT and average net debt targets (up to 50% of salary) and to personal, task-based objectives (up to 10% of salary). The 2005 bonus targets for Mr Rubright and Dr Sondermann were linked to the achievement of Group EPS and PBT targets, divisional operating profit and average net debt targets (up to 50% of salary) and personal, task-based objectives (up to 10% of salary).

The baselines for the 2005 Group financial performance targets at which no bonus was payable (as adjusted for actual 2005 exchange rates) were PBT of £27.8m, EPS of 23.8p and average net debt of £65m. The financial performance targets attracting maximum bonus are considered commercially sensitive and are not, therefore, disclosed.

Remuneration report
continued

Directors' shareholdings

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

Director	At 31 December 2005 Ordinary shares	At 31 December 2004 Ordinary shares
J R Atkinson	44,329	43,449
E G F Brown	5,000	5,000
P J Lopez Jimenez*	5,341,985	6,541,985
K F Payne	10,739	10,739
R M Rubright	40,000	40,000
R T Scholes	5,000	5,000
Dr W Sondermann	22,230	20,535
Dr J M West	1,568,000	1,968,000

* Shares are registered in the name of Terratest Tecnicas Espéciales S.A., a connected person of Mr Lopez Jimenez.
There have been no changes in directors' shareholdings between the end of the financial year and 3 March 2006.

Any ordinary shares required to fulfil entitlements under the Performance Share Plan are provided by the Keller Group plc Employee Benefit Trust (the Trust). As beneficiaries under the Trust, the directors are deemed to be interested in the shares held by the Trust which, at 31 December 2005, amounted to 62,253 ordinary shares (2004: 73,977).

Directors' pension rights

In 2005, a pension of £146,000 was paid to Dr West, who retired in 1997 under the Keller Group Pension Scheme.

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

Director	2005 £000	2004 £000
T Dobson	–	4
J W G Hind	22	21
R M Rubright	12	7
W Sondermann	9	7
Total	43	39

The changes during the year in the accrued pension entitlements of Mr Atkinson under the Keller Group Pension Scheme and 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	270	324	52	54	6	4	22
Dr W Sondermann	39	48	9	3	0.2	0.2	2

Directors' interests in long-term incentive plans
2001 Plans and Performance Share Plan

Name of director	Options held at 1 January 2005	Options granted during the year	Options exercised during the year	Options lapsed during the year	Options held at 31 December 2005	Exercise price	Dates from which exercisable	Expiry date
J R Atkinson								
Unapproved Plan								
14 May 2001	25,000	–	–	–	25,000	231.5p	14/05/04	13/05/11
13 March 2002	45,511	–	–	45,511	–	332.0p	–	–
13 March 2003	72,521	–	–	–	72,521	251.0p	13/03/06	12/03/13
Approved Plan								
13 March 2002	4,489	–	–	4,489	–	332.0p	–	–
13 March 2003	2,479	–	–	–	2,479	251.0p	13/03/06	12/03/13
Performance Share Plan								
25 June 2004	37,500	–	–	–	37,500	100.0p*	25/06/07	24/06/14
8 March 2005	–	47,000	–	–	47,000	100.0p*	08/03/08	07/09/08
J W G Hind								
Unapproved Plan								
29 August 2003	37,756	–	–	–	37,756	245.0p	29/08/06	28/08/13
Approved Plan								
29 August 2003	12,244	–	–	–	12,244	245.0p	29/08/06	28/08/13
Performance Share Plan								
25 June 2004	25,000	–	–	–	25,000	100.0p*	25/06/07	24/06/14
8 March 2005	–	32,000	–	–	32,000	100.0p*	08/03/08	07/09/08
R M Rubright								
Unapproved Plan								
14 May 2001	20,000	–	–	–	20,000	231.5p	14/05/04	13/05/11
13 March 2002	50,000	–	–	50,000	–	332.0p	–	–
13 March 2003	50,000	–	–	–	50,000	251.0p	13/03/06	12/03/13
Performance Share Plan								
25 June 2004	25,000	–	–	–	25,000	100.0p*	25/06/07	24/06/14
8 March 2005	–	32,000	–	–	32,000	100.0p*	08/03/08	07/09/08
Dr W Sondermann								
Unapproved Plan								
14 May 2001	15,000	–	–	–	15,000	231.5p	14/05/04	13/05/11
13 March 2002	20,000	–	–	20,000	–	332.0p	–	–
13 March 2003	25,000	–	–	–	25,000	251.0p	13/03/06	12/03/13
Performance Share Plan								
25 June 2004	25,000	–	–	–	25,000	100.0p*	25/06/07	24/06/14
8 March 2005	–	32,000	–	–	32,000	100.0p*	08/03/08	07/09/08

* All awards under the Performance Share Plan have an exercise price of 100.0p per exercise. The market value of the shares on 25 June 2004 was 215.0p and on 8 March 2005 was 296.5p.

The options granted on 13 March 2002 under the 2001 Plans lapsed on 13 March 2005, as the performance target was not met.

The market value of the shares at 31 December 2005 was 429.0p and the range during the year was 239.0p to 451.0p.

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

On behalf of the board

Gerry Brown
Chairman
Remuneration Committee
3 March 2006

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 revised Combined Code on Corporate Governance issued by the Financial Reporting Council in July 2003. Throughout the year to 31 December 2005, the Company has complied with the provisions of the Combined 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, which meets at least eight times a year, has a schedule of matters reserved for its approval.

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; reviewing the health and safety performance of the Group; approving appointments to the board; and approving policies relating to directors' remuneration and the severance of directors' contracts.

Board papers and other relevant information are circulated to the directors in a timely manner in preparation for board and 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 Dr West 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:

- leadership of the board:
  - ensuring appropriate board composition;
  - ensuring effective board processes;
  - setting the board's agenda;
  - ensuring that directors are properly briefed in order to take a full and constructive part in board and board committee discussions;
  - ensuring effective communication with shareholders; and
  - ensuring constructive relations between executive and non-executive directors.

The chief executive is responsible for the following matters:

- formulating strategy proposals for the board;
- formulating annual and medium-term plans charting how this strategy will be delivered;
- apprising the board of all matters which materially affect the Group and its performance, including any significantly underperforming business activities; and
- leadership of executive management to enable the Group's businesses to deliver the requirements of shareholders:
  - ensuring adequate, well-motivated and incentivised management resources;
  - ensuring succession planning; and
  - ensuring appropriate business processes.

Directors and directors' independence

The board currently comprises the chairman, five non-executive directors and four executive directors. The names of the directors at the date of this report, together with their biographical details, are set out on pages 30 and 31. All these directors served throughout the year. In compliance with the Combined Code, the board included at least two independent, non-executive directors throughout the year.

The board considers all the non-executive directors, with the exceptions of Dr West and Mr Lopez Jimenez, to be independent of management. Dr West was chief executive from 1982 to 1995 and is not, therefore, considered to be independent of management. Mr Lopez Jimenez is associated with Terratest Tecnicas Espéciales S.A. (Terratest), a 49% shareholder in Keller-Terra S.L. and an 8% shareholder in Keller Group plc. Whilst the board considers Mr Lopez Jimenez to be independent in character and judgement, he is not deemed to be independent of management under the Combined Code, in view of the size of Terratest's shareholding in Keller Group plc.

The non-executive directors constructively challenge and help develop proposals on strategy and bring strong independent judgement, knowledge and experience to the board's deliberations. Mr Payne is the senior independent director.

There is an agreed procedure for individual directors to obtain independent professional advice and all directors have unrestricted access to the company secretary and chairman. The company secretary is responsible for advising the board, through the chairman, on all governance matters.

The chairman has no other significant professional commitments.

Professional development

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

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

Performance evaluation and re-election

The board has established a formal process, led by the chairman, for the annual evaluation of the performance of the board, its principal committees and individual directors.

With the assistance of an independent adviser, the chairman has developed a questionnaire which provides a framework for the evaluation of the board's performance and provides the chairman with a means of making year-on-year comparisons. The questionnaire includes questions on the board's structure, functionality and objectives; the frequency, structure, content and administration of board meetings; exposure to management and site visits; corporate governance; and communication with financial markets. Each director completes a questionnaire, from which the independent adviser collates the results and presents a report, with recommendations. This report is discussed at a subsequent board meeting, where actions to address any identified weaknesses are agreed.

The Audit and Remuneration Committees have developed a two-part questionnaire which forms the basis of their annual performance evaluation. The first part is a quantitative evaluation of ten factors which are considered likely to contribute to the Committee's effectiveness. The second part is an evaluation of how well the Committee has complied with its terms of reference. The questionnaires are discussed and completed at committee meetings, where goals are identified and agreed and reported back to the next meeting of the board.

The chairman annually assesses the performance of the other directors. Led by the senior independent director, the non-executive directors meet annually, without the chairman, to evaluate his performance against a pre-agreed list of criteria.

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

Relations with shareholders

Where practicable throughout the year, with the exception of closed periods, the Company meets with and makes presentations to institutional investors. These include meetings following the announcement of the annual and interim results with the Company's largest institutional shareholders on an individual basis. The senior independent director is available on request to meet with shareholders should they have concerns which contact through the normal channels of chairman, chief executive or finance director have not resolved, or for which such contact is inappropriate. All major shareholders have the opportunity on request to meet new non-executive directors on appointment. On a regular basis, the board is apprised of the views of the investment community through the circulation of investor perception surveys, brokers' research notes and feedback from analysts.

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

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

Board committees

The number of scheduled board meetings and committee meetings attended by each director during the year was as follows:

	Scheduled board meetings	Remuneration Committee meetings	Audit Committee meetings
Dr J M West (chairman)	8 (8)	n/a	n/a
J R Atkinson (chief executive)	8 (8)	n/a	n/a
J W G Hind (finance director)	8 (8)	n/a	n/a
R M Rubright (executive director)	8 (8)	n/a	n/a
Dr W Sondermann (executive director)	8 (8)	n/a	n/a
E G Brown (non-executive director)	8 (8)	2 (2)	4 (4)
Dr K Bond (non-executive director)	7 (8)	2 (2)	3 (4)
P J Lopez Jimenez (non-executive director)	6 (8)	n/a	n/a
K F Payne (non-executive director)	8 (8)	2 (2)	4 (4)
R T Scholes (non-executive director)	8 (8)	2 (2)	4 (4)

Figures in brackets indicate the maximum number of scheduled meetings in the period in which the individual was a board member.

Committee terms of reference

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

Remuneration Committee

The Remuneration Committee is chaired by Mr Brown. The other members during the year, all of whom are independent non-executive directors, are shown on page 35.

This Committee is responsible for agreeing with the board the framework and policy for the remuneration of the Group's executive management and for determining the remuneration packages of the executive directors. The directors' remuneration report is set out on pages 35 to 41.

Corporate governance continued

Nomination Committee

The Nomination Committee is chaired by Dr West, except if it is dealing with succession to the chairmanship of the board. The other members during the year were Mr Atkinson, Dr Bond, Mr Brown, Mr Payne and Mr Scholes. The Nomination Committee's role is to monitor the composition and balance of the board and recommend to the board the appointment of new directors. Where appointments to the board are under consideration, the Committee will normally employ external search consultants, except in respect of operational roles for which internal candidates have already been identified.

The Committee did not meet during the year. However, as the 2005 board evaluation generated a number of recommendations relating to board composition, the chairman intends to take these forward through the Nomination Committee in 2006.

Audit Committee

Dr Bond, Mr Brown, Mr Payne and Mr Scholes, all of whom are independent non-executive directors, were members of the Committee throughout the year. The Committee is, and was throughout the year, chaired by Mr Payne. The board has satisfied itself that at least one member of the Committee has recent and relevant financial experience.

This Committee meets at least three times a year and the Company's auditors attend at least two of these meetings. At least once a year, the Committee meets privately with the external auditors. The Committee assists the board in observing its responsibility for ensuring that the Group's financial systems provide accurate and up-to-date information on its financial position and that the Group's published financial statements represent a true and fair reflection of this position. It also reviews annually the Group's systems of internal control and the processes for monitoring and evaluating the risks facing the Group.

In 2005, the Audit Committee discharged its responsibilities by:

- reviewing the Group's draft financial statements and interim results statement prior to board approval and reviewing the external auditors' reports thereon;
- reviewing the Group's trading update announcements prior to release;
- reviewing the independence of the external auditors; and reviewing and approving the audit fee;
- reviewing the external auditors' strategy for the audit of the Group's accounts;
- reviewing an annual report on the Group's system of internal control and its effectiveness and receiving regular updates on key risk areas of financial control; and
- reviewing the need for an internal audit function.

In considering the need for an internal audit function, the Committee took account of the Group's broad geographic spread and cultural diversity and recognised that the Group's key risks lie in its tendering processes and in the operational controls over the performance of work, which a traditional, finance-focused internal audit function would not be capable of addressing. The Committee concluded that a structured programme of independent reviews, combining internal "peer" and outsourced reviews covering tendering, operational processes and internal financial controls, should be continued and developed. The Committee reviews these arrangements annually.

The Committee also monitors the Group's whistle-blowing procedures, ensuring that appropriate arrangements are in place for employees to be able to raise matters of possible impropriety in confidence, with suitable subsequent follow-up action.

Corporate governance continued

Once a year, the Committee evaluates the external auditors. This evaluation focuses on: the calibre of the audit firm (including reputation, presence in the industry, size, resources and geographic spread); its quality control processes; the quality of the team assigned to the audit; the audit scope, fee and audit communications; and the governance and independence of the audit firm.

Any work awarded to the external auditors with a value in excess of £50,000, other than audit and tax compliance, requires the specific approval of the Committee. Where the Committee perceives that the independence of the auditors could be compromised, the work will not be awarded to the external auditors. Details of the amounts paid to the external auditors during the year for audit and other services are set out in the notes to the financial statements on page 58.

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 and not absolute assurance against material misstatement or loss.

In accordance with the guidance of the Turnbull Committee, 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, and that this process is regularly reviewed by the board and accords with the guidance.

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

a) Risk identification and evaluation

Managers are responsible for the identification and evaluation of significant risks applicable to their areas of business together with the design and operation of suitable internal controls. These risks may be associated with a variety of internal or external sources including control breakdowns, disruptions in information systems, markets and competition, natural catastrophe and regulatory requirements. The identified risks, and the controls in place to manage them, are subject to continual reassessment. The Audit Committee reviews this process once a year.

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) Contract appraisal

A risk analysis covering technical, operational and financial issues is performed as part of the bidding process. The bidding of contracts is approved at the appropriate level. The performance of contracts is monitored by each business unit on a weekly basis.

d) Budgeting and forecasting

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

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

i) Self-certification

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

Statement of directors' responsibilities

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 the directors are required to prepare the Group financial statements in accordance with IFRS as adopted by the EU and have elected to prepare the Company financial statements in accordance with UK Accounting Standards.

The Group financial statements are required by law and IFRS as adopted by the EU to present fairly the financial position and performance of the Group; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

The Company financial statements are required by law to give a true and fair view of the state of affairs of the Company.

In preparing each of the Group and Company financial statements, the directors are required to:

— select suitable accounting policies and then apply them consistently;
— make judgements and estimates that are reasonable and prudent;
— for the Group financial statements, state whether they have been prepared in accordance with IFRS as adopted by the EU; and
— for the Company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Company financial statements.

The directors are responsible for keeping proper accounting records that 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 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a directors' report, directors' remuneration report and corporate governance statement that comply with that law and those regulations.

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

Independent auditors’ report to the members of Keller Group plc

We have audited the Group and parent Company financial statements (the ‘’financial statements”) of Keller Group plc for the year ended 31 December 2005 which comprise the Group income statement, the Group and parent Company balance sheets, the Group cash flow statement, the Group statement of recognised income and expense and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the directors’ remuneration report that is described as having been audited.

This report is made solely to the Company’s members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company’s members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors’ responsibilities for preparing the Annual Report and the Group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the EU, and for preparing the parent Company financial statements and the directors’ remuneration report in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the statement of directors’ responsibilities on page 47.

Our responsibility is to audit the financial statements and the part of the directors’ remuneration report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the directors’ remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985 and whether, in addition, the Group financial statements have been properly prepared in accordance with Article 4 of the IAS Regulation. We also report to you if, in our opinion, the directors’ report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors’ remuneration and other transactions is not disclosed.

We review whether the corporate governance statement reflects the Company’s compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board’s statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group’s corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Independent auditors' report to the members of Keller Group plc continued

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the directors' remuneration report to be audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the directors' remuneration report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the directors' remuneration report to be audited.

Opinion

In our opinion:

— the Group financial statements give a true and fair view, in accordance with IFRS as adopted by the EU, of the state of the Group's affairs as at 31 December 2005 and of its profit for the year then ended;
— the group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation;
— the parent Company financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the parent Company's affairs as at 31 December 2005; and
— the parent Company financial statements and the part of the directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
Chartered Accountants
Registered Auditor
8 Salisbury Square
London EC4Y 8BB
3 March 2006

Consolidated income statement
for the year ended 31 December 2005

	Note	2005 £000	2004 £000
Revenue	3	731,039	595,856
Operating costs	5	(677,960)	(561,961)
Operating profit	3	53,079	33,895
Finance income	7	1,544	1,393
Finance costs	8	(5,775)	(5,540)
Profit before taxation		48,848	29,748
Taxation	9	(19,888)	(11,874)
Profit for the period		28,960	17,874
Attributable to:			
Equity holders of the parent		27,286	15,743
Minority interests		1,674	2,131
		28,960	17,874
Basic earnings per share	11	41.8p	24.2p
Diluted earnings per share	11	41.6p	24.1p

Consolidated statement of recognised income and expense
for the year ended 31 December 2005

	Note	2005 £000	2004 £000
Exchange differences on translation of foreign operations		8,642	(5,626)
Actuarial losses on defined benefit pension schemes	28	(5,894)	(2,668)
Tax on items taken directly to equity	20	1,777	856
Net income/(expense) recognised directly in equity		4,525	(7,438)
Profit for the period		28,960	17,874
Total recognised income and expense for the period	23	33,485	10,436
Attributable to:			
Equity holders of the parent		32,091	8,255
Minority interests		1,394	2,181
	23	33,485	10,436

Consolidated balance sheet
as at 31 December 2005

	Note	2005 £000	2004 £000
Assets			
Non-current assets			
Intangible assets	12	55,693	51,761
Property, plant and equipment	13	90,375	80,937
Deferred tax assets	20	5,706	3,146
		151,774	135,844
Current assets			
Inventories	15	24,437	24,319
Trade and other receivables	16	194,574	143,926
Cash and cash equivalents	17	25,910	16,416
		244,921	184,661
Total assets	3	396,695	320,505
Liabilities			
Current liabilities			
Loans and borrowings	21	(7,183)	(9,787)
Current tax liabilities		(11,046)	(5,538)
Trade and other payables	18	(168,499)	(120,701)
		(186,728)	(136,026)
Non-current liabilities			
Loans and borrowings	21	(59,578)	(65,286)
Employee benefits	19	(21,158)	(17,211)
Deferred tax liabilities	20	(5,524)	(8,138)
Other liabilities		(6,520)	(2,875)
		(92,780)	(93,510)
Total liabilities	3	(279,508)	(229,536)
Net assets	3	117,187	90,969
Equity			
Share capital	22, 23	6,552	6,536
Share premium account	23	36,370	36,027
Capital redemption reserve	23	7,629	7,629
Translation reserve	23	3,259	(5,666)
Retained earnings	23	57,248	40,832
Equity attributable to equity holders of the parent	23	111,058	85,358
Minority interests	23	6,129	5,611
Total equity		117,187	90,969

These accounts were approved by the board of directors and authorised for issue on 3 March 2006.
They were signed on its behalf by:

J M West Chairman
J W G Hind Finance Director

Consolidated cash flow statement
for the year ended 31 December 2005

	Note	2005 £000	2004 £000
Cash flows from operating activities			
Operating profit		53,079	33,895
Depreciation charge		11,775	10,992
Amortisation of intangibles		83	87
Profit on sale of property, plant and equipment		(120)	(727)
Other non-cash movements		539	117
Foreign exchange losses		144	501
Operating cash flows before movements in working capital		65,500	44,865
Movement in long-term provisions		(2,202)	206
Decrease/(increase) in stocks		1,692	(8,559)
Increase in debtors		(32,416)	(11,483)
Increase in creditors		40,874	8,548
Cash generated from operations		73,448	33,577
Interest paid		(5,058)	(4,368)
Income tax paid		(18,769)	(7,339)
Net cash inflow from operating activities		49,621	21,870
Cash flows from investing activities			
Interest received		1,239	339
Proceeds from sale of property, plant and equipment		1,907	2,063
Acquisition of subsidiaries, net of cash acquired		(7,807)	(3,422)
Acquisition of property, plant and equipment		(15,750)	(13,887)
Acquisition of intangible fixed assets		–	(15)
Net cash outflow from investing activities		(20,411)	(14,922)
Cash flows from financing activities			
Proceeds from the issue of share capital		359	15
New borrowings		1,045	55,982
Repayment of borrowings		(10,998)	(52,498)
Payment of finance lease liabilities		(138)	(373)
Dividends paid		(8,133)	(9,345)
Net cash outflow from financing activities		(17,865)	(6,219)
Net increase in cash and cash equivalents		11,345	729
Cash and cash equivalents at beginning of period		11,109	10,812
Effect of exchange rate fluctuations		853	(432)
Cash and cash equivalents at end of period	17	23,307	11,109

Notes to the consolidated accounts

1 General information

Keller Group plc ("the parent") is a company incorporated in the United Kingdom under the Companies Act 1985. The consolidated financial statements are presented in pounds sterling (rounded to the nearest thousand), the 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 adopted International Financial Reporting Standards (IFRS), as adopted by the EU.

This is the Group's first annual report under IFRS, and IFRS 1 First-time Adoption of International Financial Reporting Standards has been applied. As comparative figures are provided, the effective date for transition to IFRS is 1 January 2004.

For all accounting periods up to and including the year ended 31 December 2004 the Group has prepared its consolidated financial statements under UK Generally Accepted Accounting Principles (UK GAAP). An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Group is provided in note 29.

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 adjusted for changes in the fair value of the associated hedging instruments.

These accounting policies have been applied consistently to all periods presented in these consolidated financial statements and in preparing an opening IFRS balance sheet at 1 January 2004 for the purposes of the transition to IFRS. The Company has taken the option to adopt IAS 32 Financial Instruments Disclosure and Presentation and IAS 39 Financial Instruments Recognition and Measurement from 1 January 2004.

The accounting policies have been applied consistently by subsidiaries.

c) *Basis of consolidation*

The Group accounts consolidate the accounts of the parent and its subsidiary undertakings made up to 31 December each year. 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.

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. 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 and services delivered to customers. As soon as the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognised in proportion to the stage of completion of the contract.

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.

f) *Construction contracts*

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.

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

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

2 Principal accounting policies continued

g) Leases

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

Property, plant and equipment acquired under finance leases are capitalised in the balance sheet at fair value 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 net operating costs on a straight line basis over the lease term.

h) 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 as movements in equity. All other exchange differences are charged to the income statement.

The Group has taken advantage of the option made available in IFRS 1 to set cumulative translation differences taken to the translation reserve to zero at the date of transition to IFRS.

The exchange rates used in respect of principal currencies are:

	2005	2004
US dollar: average for period	1.82	1.83
US dollar: period end	1.72	1.93
Euro: average for period	1.46	1.47
Euro: period end	1.45	1.41
Australian dollar: average for period	2.39	2.49
Australian dollar: period end	2.36	2.47

i) Interest income and expense

All interest income and expense is recognised in profit or loss in the period in which it is incurred.

j) Employee benefit costs

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

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

In accordance with IFRS 1, the Group has recognised the pension liability in full as at 1 January 2004.

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

k) 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 net profit as reported in the income statement because it excludes items of income or expenses 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 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 in the income statement, except when it related to items charged or credited directly to equity, in which case the related deferred tax is also dealt with in equity.

2 Principal accounting policies continued

l) Property, plant and equipment

Items of property, plant and equipment are stated at amortised cost.

m) 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	8.33%
Short life plant and equipment	12.5%
Motor vehicles	25%
Computers	33.33%

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

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 net assets of the subsidiary undertaking at the date of acquisition, is capitalised as an intangible asset.

Goodwill is included on the basis of its deemed cost, which represents the amount recorded under previous UK GAAP at 1 January 2004. The classification and accounting treatment of business combinations that occurred prior to 1 January 2004 has not been reconsidered in preparing the Group's opening IFRS balance sheet at 1 January 2004 as allowed by IFRS 1.

In accordance with IFRS 3, goodwill has been frozen at its net book value as at 1 January 2004 and is not amortised. Goodwill is reviewed for impairment at least annually, 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.

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

Other intangible assets

Intangible assets, other than goodwill, include purchased licences, patents and trademarks. Intangible assets are capitalised at cost and charged to the income statement 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.

o) Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date the Group reviews the carrying amounts of its tangible and intangible 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. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

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 valued 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

IAS 32 and IAS 39 have been adopted in both the current and comparative period.

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.

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. Hedging instruments are held at fair value on the trade date in the balance sheet.

Hedges are accounted for in accordance with IAS 39 as follows:

Fair value hedges: changes in fair value of the hedged item and hedging instrument are taken to the income statement.

2 Principal accounting policies continued

Cash flow hedges and net investment hedges: the effective portion of changes in the fair value of the hedging instrument is taken to equity, with the ineffective portion of changes in fair value being taken to the income statement.

s) Trade receivables

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

t) Trade payables

Trade payables are not interest bearing and are stated at their nominal value.

u) 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 in accordance with IFRS 2 Share Based Payment.

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.

v) Segmental reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), and which is subject to risks and rewards that are different from those of other segments.

w) Dividends

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

x) Accounting estimates and judgements

The preparation of the 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 accounts are in connection with construction contracts in progress, claims on construction contracts, the valuation of pension liabilities and goodwill impairment tests.

The Group's approach to estimates and judgements relating to construction contracts and claims is set out in f) above.

Note 28 contains the principal assumptions underlying the valuation of the Group's defined benefit liabilities. 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.

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.

3 Segmental analysis

Segment information is presented in respect of the Group's geographical segments, which are based on the Group's management and internal reporting structure. The Group considers that it has only one business activity: construction.

Geographical segments

Geographical segment information providing an analysis of the Group's sales by geographical market, irrespective of the origin of the services, is presented below:

	2005 Revenue £000	2005 Operating profit £000	2004 Revenue £000	2004 Operating profit £000
United Kingdom	89,221	(332)	108,263	1,901
North America	399,943	42,125	280,212	20,981
Continental Europe & Overseas	204,736	12,742	175,024	11,867
Australia	37,139	1,764	32,357	1,671
	731,039	56,299	595,856	36,420
Central items and eliminations	–	(3,220)	–	(2,525)
	731,039	53,079	595,856	33,895

	2005 Assets £000	2005 Liabilities £000	2005 Capital employed £000	2004 Assets £000	2004 Liabilities £000	2004 Capital employed £000
United Kingdom	27,772	(34,852)	(7,080)	29,389	(30,395)	(1,006)
North America	193,481	(76,568)	116,913	150,267	(44,737)	105,530
Continental Europe & Overseas	126,222	(74,533)	51,689	107,386	(58,694)	48,692
Australia	17,604	(10,224)	7,380	13,901	(6,961)	6,940
	365,079	(196,177)	168,902	300,943	(140,787)	160,156
Central items and eliminations	31,616	(83,331)	(51,715)	19,562	(88,749)	(69,187)
	396,695	(279,508)	117,187	320,505	(229,536)	90,969

	2005 Capital additions £000	2005 Depreciation and amortisation £000	2005 Goodwill £000	2004 Capital additions £000	2004 Depreciation and amortisation £000	2004 Goodwill £000
United Kingdom	1,407	1,027	357	954	1,047	357
North America	6,483	4,899	42,011	5,712	4,500	37,377
Continental Europe & Overseas	6,653	4,722	13,161	6,659	4,421	13,816
Australia	1,269	1,210	–	577	1,111	–
	15,812	11,858	55,529	13,902	11,079	51,550

North America goodwill includes £37.2m (2004: £33.1m) in respect of Suncoast Post-Tension L.P. and Continental Europe & Overseas goodwill includes £6.1m (2004: £6.3m) in respect of Keller-Terra S.L.

4 Acquisition of subsidiary

On 30 September 2005 the Group acquired the business and assets of G. Donaldson Construction Company Inc. ("Donaldson") for an initial amount of USD10.6m (£5.8m) including the assumption of debt, and an estimated deferred consideration of USD2.5m (£1.4m), together with an earn-out based on future profits. This transaction has been accounted for by the acquisition method of accounting.

	Carrying amount £000	Fair value adjustment £000	Fair value £000
Net assets acquired			
Intangible assets	23	–	23
Property, plant and equipment	3,116	278	3,394
Inventories	146	–	146
Trade and other receivables	9,057	–	9,057
Trade and other payables	(5,445)	–	(5,445)
	6,897	278	7,175
Goodwill			–
Total consideration			7,175
Satisfied by:			
Initial cash consideration			5,807
Deferred consideration			1,368
			7,175

As Donaldson has been combined with the New England branch of Hayward Baker, it is impractical to quantify the impact of the acquisition on the consolidated income statement.

5 Operating costs

	Note	2005 £000	2004 £000
Raw materials and consumables		251,937	187,022
Staff costs	6	173,852	152,868
Other operating charges		240,313	210,992
Amortisation of intangibles		83	87
Depreciation:			
Tangible owned fixed assets		11,386	10,574
Tangible fixed assets held under finance leases		389	418
		677,960	561,961
Other operating charges include:			
Auditors' remuneration:			
Audit services		646	633
Fees paid to KPMG Audit Plc and associates for other services*		218	236
Net foreign exchange losses /(gains)		179	(189)

* Fees for other services comprise tax services of £197,000 (2004: £155,000) and other services of £21,000 (2004: £81,000).

6 Employees

The aggregate staff costs of the Group were:

	2005 £000	2004 £000
Wages and salaries	149,262	131,669
Social security costs	20,457	18,298
Other pension costs	4,133	2,901
	173,852	152,868

These costs include directors' remuneration. Disclosures on directors' remuneration, required by the Companies Act 1985 and those specified for audit by the Financial Services Authority are on pages 35 to 41 within the remuneration report and form part of these financial statements.

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

	2005 Number	2004 Number
United Kingdom	673	748
North America	2,326	2,025
Continental Europe & Overseas	1,599	1,506
Australia	512	454
	5,110	4,733

7 Finance income

	2005 £000	2004 £000
Bank interest receivable	446	340
Expected return on pension scheme assets	1,098	1,053
	1,544	1,393

8 Finance costs

	2005 £000	2004 £000
Interest payable on bank loans and overdrafts	1,213	2,965
Interest payable on other loans	2,250	279
Interest payable on finance leases	260	87
Pension interest cost	1,811	1,688
Other interest costs	241	521
	5,775	5,540

9 Taxation

	2005 £000	2004 £000
Current tax expense		
Current year	23,787	10,480
Prior years	119	(850)
Total current tax	23,906	9,630
Deferred tax expense		
Current year	(3,528)	1,465
Prior years	(490)	779
Total deferred tax	(4,018)	2,244
	19,888	11,874

9 Taxation continued

UK corporation tax is calculated at 30% (2004: 30%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The charge for the year can be reconciled to the profit per the income statement as follows:

	2005 £000	2005 %	2004 £000	2004 %
Profit before taxation	48,848		29,748	
Tax at the UK corporation tax rate of 30% (2004: 30%)	14,654	30	8,924	30
Tax charged overseas at rates other than 30%	2,880	6	1,973	6
Tax losses carried forward	1,647	4	514	2
Permanent timing differences	1,078	2	534	2
Adjustment to tax charge in respect of previous periods	(371)	(1)	(71)	–
Total expense	19,888	41	11,874	40

10 Dividends paid

Ordinary dividends on equity shares:

	2005 £000	2004 £000
Amounts recognised as distributions to equity holders in the period:		
Interim dividend for the year ended 31 December 2005 of 3.8p (2004: 3.6p) per share	2,486	2,350
Final dividend for the year ended 31 December 2004 of 7.3p (2003: 6.95p) per share	4,771	4,522
	7,257	6,872

The directors have proposed a final dividend for the year ended 31 December 2005 of £5.4 million, representing 8.2p (2004: 7.3p) per share. The proposed dividend is subject to approval by shareholders at the Annual General Meeting on 22 June 2006 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:

	2005 Basic £000	2005 Diluted £000	2004 Basic £000	2004 Diluted £000
Earnings (after tax and minority interests), being net profits attributable to equity holders of the parent	27,286	27,286	15,743	15,743

	No of shares 000s	No of shares 000s	No of shares 000s	No of shares 000s
Weighted average of ordinary shares in issue during the year	65,328	65,328	65,129	65,129
Add: weighted average of shares under option during the year	–	1,471	–	1,678
Add: weighted average of own shares held	–	74	–	83
Subtract: number of shares assumed issued at fair value during the year	–	(1,339)	–	(1,509)
Adjusted weighted average of ordinary shares in issue	65,328	65,534	65,129	65,381

	2005 Pence	2005 Pence	2004 Pence	2004 Pence
Earnings per share	41.8	41.6	24.2	24.1

12 Intangible assets

	Goodwill £000	Other intangible assets £000	Total £000
Cost			
At 1 January 2004	50,704	751	51,455
Additions	2,540	15	2,555
Other changes	1,257	–	1,257
Exchange differences	(2,951)	(3)	(2,954)
At 31 December 2004 and 1 January 2005	51,550	763	52,313
Acquired with subsidiary	–	23	23
Exchange differences	3,979	27	4,006
At 31 December 2005	**55,529**	**813**	**56,342**
Accumulated amortisation			
At 1 January 2004	–	464	464
Amortisation charge for the year	–	87	87
Exchange differences	–	1	1
At 31 December 2004 and 1 January 2005	–	552	552
Amortisation charge for the year	–	83	83
Exchange differences	–	14	14
At 31 December 2005	**–**	**649**	**649**
Carrying amount			
At 31 December 2005	**55,529**	**164**	**55,693**
At 31 December 2004 and 1 January 2005	51,550	211	51,761
At 1 January 2004	50,704	287	50,991

The adjustment to goodwill in 2004 arose on the re-evaluation of the liability for deferred purchase consideration in respect of McKinney Drilling Company. This company was acquired in December 2002 and the consideration was in part based on its results in the two years ended 31 December 2004.

In January 2004 the Group acquired the remaining 50% of the share capital of Lime Column Method AB (LCM) for a cash consideration of £2.5m. The transaction gave rise to additional goodwill of £2.5m.

The recoverable amount of goodwill has been determined by reference to the discounted forecast future cash flows of the cash generating units to which the goodwill is allocated.

13 Property, plant and equipment

	Land and buildings £000	Plant, machinery and vehicles £000	Capital work in progress £000	Total £000
Cost				
At 1 January 2004	23,922	128,051	1,038	153,011
Additions	607	13,099	181	13,887
Disposals	(13)	(5,616)	–	(5,629)
Reclassification	47	1,009	(623)	433
Exchange differences	(575)	(3,878)	(23)	(4,476)
At 31 December 2004 and 1 January 2005	23,988	132,665	573	157,226
Additions	419	13,775	1,618	15,812
Acquired with subsidiary	–	3,394	–	3,394
Disposals	(324)	(4,533)	–	(4,857)
Reclassification	443	1,119	(1,519)	43
Exchange differences	675	5,236	6	5,917
At 31 December 2005	**25,201**	**151,656**	**678**	**177,535**
Accumulated depreciation				
At 1 January 2004	2,779	68,063	–	70,842
Charge for the year	376	10,616	–	10,992
Disposals	(2)	(4,291)	–	(4,293)
Reclassification	50	383	–	433
Exchange differences	(43)	(1,642)	–	(1,685)
At 31 December 2004 and 1 January 2005	3,160	73,129	–	76,289
Charge for the year	393	11,382	–	11,775
Disposals	(21)	(3,049)	–	(3,070)
Reclassification	7	36	–	43
Exchange differences	45	2,078	–	2,123
At 31 December 2005	**3,584**	**83,576**	**–**	**87,160**
Carrying amount				
At 31 December 2005	**21,617**	**68,080**	**678**	**90,375**
At 31 December 2004 and 1 January 2005	20,828	59,536	573	80,937
At 1 January 2004	21,143	59,988	1,038	82,169

The net book value of tangible fixed assets includes the following amounts in respect of assets held under finance leases:

	2005 £000	2004 £000
Plant, machinery and vehicles	**1,975**	2,360

Notes to the consolidated accounts
continued

14 Investments

The Company's principal operating subsidiary undertakings at 31 December 2005 were as follows:

Subsidiary undertaking	Country of incorporation
Keller Limited	UK
Makers UK Limited	UK
Hayward Baker Inc	USA
Case Foundation Company	USA
Case Atlantic Company	USA
McKinney Drilling Company	USA
Suncoast Post-Tension L.P.	USA
Keller Grundbau GmbH	Germany
Keller Fondations Spéciales SAS	France
Keller Grundbau Ges.mbH	Austria
Keller-Terra S.L.	Spain

Subsidiary undertaking	Country of incorporation
Lime Column Method AB	Sweden
Keller Polska Sp. z o.o.	Poland
Keller Fondazioni S.r.l.	Italy
Keller (Malaysia) Sdn. Bhd	Malaysia
Keller Foundations (South East Asia) Pte Ltd	Singapore
Keller Turki Company Ltd	Saudi Arabia
Geotechnical Engineering Contractor Ltd	Egypt
Frankipile Australia Pty Ltd	Australia
Vibro-Pile (Aust) Pty Ltd	Australia
Wannenwetsch GmbH Hochdruckwassertechnik	Germany

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 the Company, Wannenwetsch GmbH Hochdruckwassertechnik which is 84% owned by Keller Holding GmbH, Keller Turki Company Ltd which is 65% owned by Keller Grundbau GmbH and P. T. Frankipile Indonesia which is 60% owned by Franki Pacific Holdings Pty Ltd. Keller Limited and Keller-Terra S.L. are 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.

15 Inventories

	2005 £000	2004 £000
Raw materials and consumables	13,244	10,014
Work in progress	456	514
Finished goods	10,737	13,791
	24,437	24,319

16 Trade and other receivables

	2005 £000	2004 £000
Trade receivables	174,209	125,870
Construction work in progress	9,782	7,369
Other receivables	5,605	5,751
Prepayments	4,978	4,936
	194,574	143,926
Included in the above are amounts falling due after more than one year in respect of:		
Other receivables	4,021	3,299
	4,021	3,299

	2005 £000	2004 £000
Contracts in progress at balance sheet date:		
Aggregate amount of costs incurred and recognised profits (less recognised losses) to date	127,844	111,103
Retentions withheld by customers	2,727	1,932

17 Cash and cash equivalents

	2005 £000	2004 £000
Bank balances	25,906	15,907
Short-term deposits	4	509
Cash and cash equivalents in the balance sheet	25,910	16,416
Bank overdrafts	(2,603)	(5,307)
Cash and cash equivalents in the cash flow statement	23,307	11,109

18 Trade and other payables

	2005 £000	2004 £000
Trade payables	91,432	67,035
Other taxes and social security payable	10,640	7,753
Other payables	47,533	32,012
Accruals	18,894	13,901
	168,499	120,701

19 Employee benefits

	Note	2005 £000	2004 £000
Keller Group Pension Scheme (UK)	28	11,898	8,184
German and Austrian retirement benefit schemes	28	8,596	8,386
Other employee benefits		664	641
		21,158	17,211

20 Deferred tax

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

	Accelerated capital allowances £000	Retirement benefit obligations £000	Other timing differences £000	Total £000
At 1 January 2004	8,298	(2,324)	(1,931)	4,043
Charge/(credit) to the income statement	3,572	(136)	(1,192)	2,244
Credit to equity	–	(856)	–	(856)
Exchange differences	(901)	252	210	(439)
At 31 December 2004 and 1 January 2005	10,969	(3,064)	(2,913)	4,992
(Credit)/charge to the income statement	(1,117)	896	(3,797)	(4,018)
Credit to equity	–	(1,777)	–	(1,777)
Exchange differences	1,365	(381)	(363)	621
At 31 December 2005	11,217	(4,326)	(7,073)	(182)

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

	2005 £000	2004 £000
Deferred tax liabilities	5,524	8,138
Deferred tax assets	(5,706)	(3,146)
	(182)	4,992

At the balance sheet date, the Group has unused tax losses of £12.4m (2004: £8.2m) available for offset against future profits, on which no deferred tax asset has been recognised. Losses may be carried forward indefinitely.

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

The Group's credit risk is primarily attributable to amounts deposited with banks and other financial institutions. This risk 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 possibility of material loss in this way is considered unlikely.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counter parties and customers.

Currency risk

The Group faces currency risk principally on its net assets, of which a large proportion is in currencies other than sterling. In order to reduce the impact that retranslation of these assets might have on the consolidated balance sheet, the Group manages its borrowings, to the extent practical, to hedge its foreign currency assets. This hedging is typically carried out by borrowings in the same currency as the assets being hedged.

The Group's currency transaction risk is mainly limited to repatriation of profits and intra-Group loan repayments. Exposure to this risk is managed through forward contracts. The Group's foreign exchange cover is executed primarily in the UK.

At 31 December 2005 there were no forward exchange contracts outstanding (2004: none).

Interest rate risk

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

All drawdowns against the Group's central borrowing facility are reviewed and the interest rate adopted depends upon the interest rate outlook for the subsequent six months. The facility affords the Group the ability to choose from one-, three- or six-month interest rates for its drawdowns.

Interest rate swaps

During 2004 the Group's debt was refinanced to reduce the cost of borrowing, diversify sources of funding, increase committed facilities and support the Group's continued growth.

In October 2004 USD100m was raised through a private placement with US institutions. The proceeds of the issue of USD30m 5.05% notes due 2011 and USD70m 5.48% notes due 2014 were used to refinance existing debt. In December 2004, the Group negotiated a new £80m, five-year syndicated revolving credit facility at a reduced margin.

The USD100m fixed rate private placement liabilities were immediately swapped into floating rates, USD75m by means of US dollar interest rate swaps and USD25m through a dollar euro cross-currency and interest rate swap.

The carrying value of the private placement liabilities at 31 December 2005 was £57.2m (2004: £51.6m).

These, together with other borrowings, are held as hedges against the Group's dollar and euro denominated net assets. Foreign exchange gains and losses arising on retranslation of these borrowings are taken to the translation reserve through the statement of recognised income and expense along with the foreign exchange gains and losses arising on retranslation of the dollar- and euro-denominated assets they hedge.

The US private placement loans are accounted for on an amortised cost basis, adjusted for the impact of hedge accounting, and retranslated at the spot exchange rate at each period end.

The swaps have the same maturity as the private placement loans and have been accounted for as fair value hedges.

The fair value of the swaps at 31 December 2005 represented a liability of £445,000 (2004: £1,302,000) included in other non-current liabilities.

21 Financial instruments continued

Effective interest rates and repricing 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 reprice.

	2005 Effective interest rate %	2005 Due within 1–2 years £000	2005 Due within 2–5 years £000	2005 Due after more than 5 years £000	2005 Total non-current liability £000	2005 Due within 1 year £000	2005 Total £000
Bank overdrafts	6.4	–	–	–	–	(2,603)	(2,603)
Bank loans*	6.5	(959)	(61)	–	(1,020)	(807)	(1,827)
Loan notes	5.0	–	–	–	–	(2,804)	(2,804)
Other loans	4.9	–	–	(57,151)	(57,151)	–	(57,151)
Obligations under finance leases*	5.6	(676)	(564)	(167)	(1,407)	(969)	(2,376)
Total loans and borrowings		(1,635)	(625)	(57,318)	(59,578)	(7,183)	(66,761)
Bank balances	2.2	–	–	–	–	25,906	25,906
Short-term deposits*	2.3	–	–	–	–	4	4
Net debt		(1,635)	(625)	(57,318)	(59,578)	18,727	(40,851)

	2004 Effective interest rate %	2004 Due within 1–2 years £000	2004 Due within 2–5 years £000	2004 Due after more than 5 years £000	2004 Total non-current liability £000	2004 Due within 1 year £000	2004 Total £000
Bank overdrafts	5.8	–	–	–	–	(5,307)	(5,307)
Bank loans	6.1	(1,155)	(11,631)	–	(12,786)	(711)	(13,497)
Loan notes	4.5	–	–	–	–	(3,036)	(3,036)
Other loans	3.2	–	–	(51,617)	(51,617)	–	(51,617)
Obligations under finance leases*	5.1	(333)	(352)	(198)	(883)	(733)	(1,616)
Total loans and borrowings		(1,488)	(11,983)	(51,815)	(65,286)	(9,787)	(75,073)
Bank balances	1.1	–	–	–	–	15,907	15,907
Short-term deposits*	1.2	–	–	–	–	509	509
Net debt		(1,488)	(11,983)	(51,815)	(65,286)	6,629	(58,657)

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

The Group had an unutilised committed banking facility of £62.2m at 31 December 2005 (2004: £54.2m); the facility expires on 13 December 2009. In addition, the Group had unutilised uncommitted facilities totalling £22.3m at 31 December 2005 (2004: £18.0m). All of these borrowing facilities are unsecured.

Future obligations under finance leases totalled £3,155,000 (2004: £2,382,000), including interest of £779,000 (2004: £766,000).

21 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 swaps is based upon market value quotes from financial institutions.

Interest-bearing loans and borrowings

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

Trade and other payables and receivables and construction work in progress

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

Interest rate and currency profile

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

	2005 Sterling	2005 USD	2005 Euro	2005 AUD	2005 Total
Weighted average fixed debt interest rate	7.0%	8.2%	2.5%	–	n/a
Weighted average fixed debt period (years)	10.0	10.0	3.5	–	n/a

	2005 £000	2005 £000	2005 £000	2005 £000	2005 £000
Fixed rate financial liabilities	(535)	(65)	(1,840)	–	(2,440)
Floating rate financial liabilities	(2,433)	(42,827)	(17,151)	(1,910)	(64,321)
Financial assets	2,228	9,983	12,065	1,634	25,910
Net debt	(740)	(32,909)	(6,926)	(276)	(40,851)

	2004 Sterling	2004 USD	2004 Euro	2004 AUD	2004 Total
Weighted average fixed debt interest rate	7.0%	4.4%	2.5%	–	n/a
Weighted average fixed debt period (years)	10.0	1.0	3.5	–	n/a

	2004 £000	2004 £000	2004 £000	2004 £000	2004 £000
Fixed rate financial liabilities	(606)	(103)	(907)	–	(1,616)
Floating rate financial liabilities	(14,152)	(41,260)	(15,572)	(2,473)	(73,457)
Financial assets	1,453	2,935	10,656	1,372	16,416
Net debt	(13,305)	(38,428)	(5,823)	(1,101)	(58,657)

Sensitivity analysis

At 31 December 2005, it is estimated that a general increase of one percentage point in interest rates would decrease the Group's profit before taxation by approximately £0.5m (2004: £0.7m). The impact of interest rate swaps has been included in this calculation.

It is estimated that a general increase of one percentage point in the value of sterling against other principal foreign currencies would have decreased the Group's profit before taxation by approximately £0.5m for the year ended 31 December 2005 (2004: £0.3m). 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.

22 Share capital

	2005 £000	2004 £000
Authorised		
Equity share capital:		
80,000,000 ordinary shares of 10p each (2004: 80,000,000)	**8,000**	8,000
Allotted, called up and fully paid		
Equity share capital:		
65,520,735 ordinary shares of 10p each (2004: 65,362,735)	**6,552**	6,536

The Company has one class of ordinary shares, which carries no rights to fixed income. All shares issued in the year related to share options that had been exercised.

23 Capital and reserves

	Share capital £000	Share capital to be issued £000	Share premium account £000	Capital redemption reserve £000	Translation reserve £000	Retained earnings £000	Attributable to equity holders of the parent £000	Minority interest £000	Total equity £000
At 1 January 2004	6,507	680	35,374	7,629	–	33,639	83,829	5,584	89,413
Total recognised income and expense	–	–	–	–	(5,666)	13,921	8,255	2,181	10,436
Dividends to shareholders	–	–	–	–	–	(6,872)	(6,872)	(2,154)	(9,026)
Share-based payments	–	–	–	–	–	144	144	–	144
Share capital issued	29	–	–	–	–	–	29	–	29
Share capital to be issued	–	(680)	653	–	–	–	(27)	–	(27)
At 31 December 2004 and 1 January 2005	6,536	–	36,027	7,629	(5,666)	40,832	85,358	5,611	90,969
Total recognised income and expense	–	–	–	–	8,925	23,166	32,091	1,394	33,485
Dividends to shareholders	–	–	–	–	–	(7,257)	(7,257)	(876)	(8,133)
Share-based payments	–	–	–	–	–	507	507	–	507
Share capital issued	16	–	343	–	–	–	359	–	359
At 31 December 2005	**6,552**	**–**	**36,370**	**7,629**	**3,259**	**57,248**	**111,058**	**6,129**	**117,187**

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations and the translation of borrowings that hedge those operations.

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.

24 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 £8.5m (2004: £12.7m) for Terratest Tecnicas Espéciales S.A., a connected person of Mr Lopez Jimenez. An amount of £5.7m (2004: £3.4m) is included in debtors in respect of amounts outstanding at 31 December 2005.

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

The remuneration of the directors, who are the key management personnel and related parties of the Group, is set out in the audited part of the directors' remuneration report on pages 35 to 41.

25 Operating lease arrangements

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

	2005 Land and buildings £000	2005 Plant, machinery and vehicles £000	2005 Total £000	2004 Land and buildings £000	2004 Plant, machinery and vehicles £000	2004 Total £000
Expiring within one year	4,153	4,481	8,634	2,612	2,976	5,588
Expiring between one and five years inclusive	7,803	4,831	12,634	6,044	4,111	10,155
Expiring in over five years	5,206	46	5,252	5,111	–	5,111
	17,162	9,358	26,520	13,767	7,087	20,854

Operating lease payments in respect of land and buildings represent rental payable by the Group for certain of its office properties.

26 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 2005 the Group had discounted bills of exchange and standby letters of credit outstanding totalling £17.9m (2004: £17.2m).

27 Share-based payments

The Group has three share option plans, the 1994 Scheme, 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 35 to 41.

The recognition and measurement principles in IFRS 2 have not been applied to options granted before 7 November 2002 in accordance with the transitional provisions in IFRS 1 and IFRS 2. Under the 1994 Scheme, the option price is equal to the share price on the date of grant. 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:

	1994 Scheme Options	1994 Scheme Weighted average exercise price	2001 Plans Options	2001 Plans Weighted average exercise price	Performance Share Plan Options	Performance Share Plan Weighted average exercise price
Outstanding at 1 January 2004	20,000	102p	1,618,500	276.4p	–	–
Granted during 2004	–	–	–	–	298,000	–
Forfeited during 2004	–	–	(90,500)	278.5p	(2,000)	–
Exercised during 2004	(15,000)	102p	–	–	–	–
Outstanding at 31 December 2004 and 1 January 2005	5,000	102p	1,528,000	276.3p	296,000	–
Granted during 2005	–	–	–	–	330,500	–
Forfeited during 2005	–	102p	(611,000)	326.2p	(5,000)	–
Exercised during 2005	(5,000)	–	(147,000)	231.5p	–	–
Outstanding at 31 December 2005	**–**	**–**	**770,000**	**245.5p**	**621,500**	**–**
Exercisable at 1 January 2004	20,000	102p	–	–	–	–
Exercisable at 31 December 2004 and 1 January 2005	5,000	102p	–	–	–	–
Exercisable at 31 December 2005	**–**	**–**	**202,500**	**231.5p**	**–**	**–**

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on the 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:

	2005 Performance Share Plan	2004 Performance Share Plan	2004 2001 Plans
Weighted average share price	**296.5p**	215.0p	247.5p
Weighted average exercise price	**0.0p**	0.0p	251.0p
Expected volatility	**29.7%**	33.7%	31.4%
Expected life	**3 years**	3 years	3 to 10 years
Risk free rate	**4.27%**	5.0%	4.0%
Expected dividend yield	**3.7%**	4.8%	4.0%

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

The Group recognised total expenses (included in operating costs) of £507,000 (2004: £144,000) related to equity-settled, share-based payment transactions.

28 Retirement benefit schemes

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 will close to all future benefit accrual ("curtailment") with effect from 31 March 2006. Under the scheme employees are normally entitled to retirement benefits on attainment of a retirement age of 65.

On 6 October 1999, a UK defined contribution retirement benefit scheme was established. There were no contributions outstanding in respect of the defined contribution scheme at 31 December 2005 (2004 £Nil). The total UK defined contribution pension charge for the year was £162,000 (2004: £141,000).

In Germany and Austria, the Group has defined benefit retirement obligations for employees who joined the Group prior to 1 January 1998. These obligations are funded on the Group's balance sheet.

The Group operates a defined contribution scheme for employees in the USA, where the Group is required to match employee contributions up to a certain level in accordance with the scheme rules. The total USA pension charge for the year was £1,583,000 (2004: £854,000).

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% (2004: 7%). The total Australian pension charge for the year was £819,000 (2004: £697,000).

	The Keller Group Pension Scheme (UK) Year ended 31 December 2005 £000	The Keller Group Pension Scheme (UK) Year ended 31 December 2004 £000	German and Austrian Schemes Year ended 31 December 2005 £000	German and Austrian Schemes Year ended 31 December 2004 £000
Present value of the scheme liabilities	(31,723)	(25,004)	(8,596)	(8,386)
Present value of assets	19,825	16,820	–	–
Deficit in the scheme	(11,898)	(8,184)	(8,596)	(8,386)

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

	31 December 2005 %	31 December 2004 %	31 December 2005 %	31 December 2004 %
Discount rate	4.90	5.50	4.25	5.30
Expected return on scheme assets	6.08	6.51	n/a	n/a
Rate of increase in salaries	2.80	3.85	–	–
Rate of increase in pensions in payment	2.80	2.85	1.00	1.00
Rate of increase in pensions in deferment	2.80	2.85	1.00	1.00
Rate of inflation	2.80	2.85	1.00	1.00
Mortality table:				
Pensioners	PA92 C2000	PA92 C2000	*	*
Non-pensioners	PA92 C2020	PA92 C2000	*	*

The assets of the schemes were as follows:

	Value as at 31 December 2005 £000	Value as at 31 December 2004 £000	Value as at 31 December 2005 £000	Value as at 31 December 2004 £000
Equities	10,711	9,090	n/a	n/a
Bonds	9,114	7,730	n/a	n/a
Total present value of assets	19,825	16,820	n/a	n/a

* Richttafeln 2005 G.

28 Retirement benefit schemes continued

	The Keller Group Pension Scheme Year ended 31 December 2005 £000	The Keller Group Pension Scheme Year ended 31 December 2004 £000	German and Austrian Schemes Year ended 31 December 2005 £000	German and Austrian Schemes Year ended 31 December 2004 £000
Changes in scheme liabilities				
Opening balance	(25,004)	(21,119)	(8,386)	(7,679)
Current service cost	(441)	(422)	(64)	(60)
Member contributions	(312)	(341)	–	–
Interest cost	(1,329)	(1,216)	(482)	(472)
Curtailment	1,686	–	–	–
Benefits paid	760	721	695	392
Exchange differences	–	–	228	(65)
Actuarial losses	(7,083)	(2,627)	(587)	(502)
Closing balance	(31,723)	(25,004)	(8,596)	(8,386)
Changes in scheme assets				
Opening balance	16,820	15,059	–	–
Expected return on scheme assets	1,098	1,053	–	–
Employer contributions	579	627	–	–
Member contributions	312	341	–	–
Benefits paid	(760)	(721)	–	–
Actuarial gains	1,776	461	–	–
Closing balance	19,825	16,820	–	–
Actual return on scheme assets	2,874	1,514	–	–
Statement of recognised income and expense (SORIE)				
Actuarial gains from assets	1,776	461	–	–
Actuarial losses from liabilities	(7,083)	(2,627)	(587)	(502)
Net actuarial losses	(5,307)	(2,166)	(587)	(502)
Cumulative actuarial losses	(7,473)	(2,166)	(1,089)	(502)
(Income)/expense recognised in the income statement				
Current service cost	441	422	64	60
Curtailment	(1,686)	–	–	–
Operating costs	(1,245)	422	64	60
Interest cost	1,329	1,216	482	472
Expected return on assets	(1,098)	(1,053)	–	–
(Income)/expense recognised in the income statement	(1,014)	585	546	532
Movements in the balance sheet liability				
Net liability at start of year	8,184	6,060	8,386	7,679
(Income)/expense recognised in profit or loss	(1,014)	585	546	532
Contributions	(579)	(627)	–	–
Benefits paid	–	–	(695)	(392)
Exchange differences	–	–	(228)	65
Actuarial loss recognised in SORIE	5,307	2,166	587	502
Net liability at end of year	11,898	8,184	8,596	8,386

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 2006 are £5.2m.

28 Retirement benefit schemes continued

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

	2005 £000	2004 £000	2003 £000	2002 £000
Present value of defined benefit obligations	(40,319)	(33,390)	(27,082)	(24,106)
Fair value of scheme assets	19,825	16,820	17,348	14,454
Deficit in the schemes	(20,494)	(16,570)	(9,734)	(9,652)
Experience adjustments on scheme liabilities				
Amount	(7,670)	(3,129)	159	(2,612)
Percentage of scheme liabilities	19.0%	9.4%	0.6%	10.8%
Experience adjustments on scheme assets				
Amount	1,776	461	968	(2,715)
Percentage of scheme assets	9.0%	2.7%	5.6%	18.8%

29 Explanation of transition to IFRS

These are the Group's first consolidated financial statements prepared in accordance with IFRS.

The accounting policies set out in note 2 have been applied in preparing the financial statements for the year ended 31 December 2005, the comparative information presented in these financial statements for the year ended 31 December 2004, and in the preparation of an opening IFRS balance sheet at 1 January 2004 (the Group's date of transition).

In preparing its opening IFRS balance sheet, the Group has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from previous UK GAAP to IFRS has affected the Group's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

29 Explanation of transition to IFRS continued

Reconciliation of equity, as at 31 December 2004

	Previously reported under UK GAAP £000	IAS 19 Employee Benefits £000	IAS 39 Financial Instruments £000	IFRS 3 Business Combinations £000	IAS 21 Foreign Exchange £000	IAS 10 Dividend Adjustment £000	IAS 12 Taxation £000	Effect of transition to IFRS £000	Restated under IFRS £000
Assets									
Non-current assets									
Intangible assets	57,890			3,012	(10,642)		1,501	(6,129)	51,761
Property, plant and equipment	80,937								80,937
Deferred tax assets	–	3,146						3,146	3,146
	138,827	3,146		3,012	(10,642)		1,501	(2,983)	135,844
Current assets									
Inventories	24,319								24,319
Trade and other receivables	144,518	(592)						(592)	143,926
Cash and cash equivalents	16,416								16,416
	185,253	(592)						(592)	184,661
Total assets	324,080	2,554		3,012	(10,642)		1,501	(3,575)	320,505
Liabilities									
Current liabilities									
Loans and borrowings	(9,787)								(9,787)
Current tax liabilities	(5,538)								(5,538)
Trade and other payables	(125,523)	51				4,771		4,822	(120,701)
	(140,848)	51				4,771		4,822	(136,026)
Non-current liabilities									
Loans and borrowings	(66,588)		1,302					1,302	(65,286)
Employee benefits	(7,687)	(9,524)						(9,524)	(17,211)
Deferred tax liabilities	(5,957)			(709)			(1,472)	(2,181)	(8,138)
Other liabilities	(1,573)		(1,302)					(1,302)	(2,875)
	(81,805)	(9,524)		(709)			(1,472)	(11,705)	(93,510)
Total liabilities	(222,653)	(9,473)		(709)		4,771	(1,472)	(6,883)	(229,536)
Net assets	101,427	(6,919)		2,303	(10,642)	4,771	29	(10,458)	90,969
Equity									
Share capital	6,536								6,536
Share premium account	36,027								36,027
Capital redemption reserve	7,629								7,629
Translation reserve	–	(16)			(5,651)		1	(5,666)	(5,666)
Retained earnings	45,624	(6,903)		2,303	(4,991)	4,771	28	(4,792)	40,832
Equity attributable to equity holders of the parent	95,816	(6,919)		2,303	(10,642)	4,771	29	(10,458)	85,358
Minority interests	5,611								5,611
Total equity	101,427	(6,919)		2,303	(10,642)	4,771	29	(10,458)	90,969

29 Explanation of transition to IFRS continued
Reconciliation of equity, as at 1 January 2004

	Previously reported under UK GAAP £000	IAS 19 Employee Benefits £000	IFRS 3 Business Combinations £000	IAS 21 Foreign Exchange £000	IAS 10 Dividend Adjustment £000	IAS 12 Taxation £000	Effect of transition to IFRS £000	Restated under IFRS £000
Assets								
Non-current assets								
Intangible assets	57,046		135	(7,685)		1,495	(6,055)	50,991
Property, plant and equipment	82,169							82,169
Deferred tax assets	–	2,324					2,324	2,324
	139,215	2,324	135	(7,685)		1,495	(3,731)	135,484
Current assets								
Inventories	16,885							16,885
Trade and other receivables	137,855	(646)					(646)	137,209
Cash and cash equivalents	21,511							21,511
	176,251	(646)					(646)	175,605
Total assets	315,466	1,678	135	(7,685)		1,495	(4,377)	311,089
Liabilities								
Current liabilities								
Loans and borrowings	(26,679)							(26,679)
Current tax liabilities	(2,509)							(2,509)
Trade and other payables	(117,859)				4,522		4,522	(113,337)
	(147,047)				4,522		4,522	(142,525)
Non-current liabilities								
Loans and borrowings	(55,496)							(55,496)
Employee benefits	(7,486)	(6,860)					(6,860)	(14,346)
Deferred tax liabilities	(4,872)					(1,495)	(1,495)	(6,367)
Other liabilities	(2,942)							(2,942)
	(70,796)	(6,860)				(1,495)	(8,355)	(79,151)
Total liabilities	(217,843)	(6,860)			4,522	(1,495)	(3,833)	(221,676)
Net assets	97,623	(5,182)	135	(7,685)	4,522		(8,210)	89,413
Equity								
Issued share capital	6,507							6,507
Share capital to be issued	680							680
Share premium account	35,374							35,374
Capital redemption reserve	7,629							7,629
Retained earnings	41,849	(5,182)	135	(7,685)	4,522		(8,210)	33,639
Equity attributable to equity holders of the parent	92,039	(5,182)	135	(7,685)	4,522		(8,210)	83,829
Minority interests	5,584							5,584
Total equity	97,623	(5,182)	135	(7,685)	4,522		(8,210)	89,413

29 Explanation of transition to IFRS continued

Reconciliation of 2004 profit

	Previously reported under UK GAAP £000	IAS 19 Employee Benefits £000	IFRS 3 Business Combinations £000	IAS 2 Share-based Payment £000	IAS 12 Taxation £000	Effect of transition to IFRS £000	Restated under IFRS £000
Revenue	595,856						595,856
Operating costs	(565,071)	136	2,877	97		3,110	(561,961)
Operating profit	30,785	136	2,877	97		3,110	33,895
Interest receivable	340	1,053					1,393
Finance costs	(4,487)	(1,053)					(5,540)
Profit before tax	26,638	136	2,877	97		3,110	29,748
Tax	(11,130)	(34)	(709)	(29)	28	(744)	(11,874)
Profit for the period	15,508	102	2,168	68	28	2,366	17,874
Equity attributable to equity holders of the parent	13,377	102	2,168	68	28	2,366	15,743
Minority interests	2,131						2,131
	15,508	102	2,168	68	28	2,366	17,874
Basic earnings per share	20.5p						24.2p
Diluted earnings per share	20.5p						24.1p

Business Combinations – IFRS 3

IFRS 3 requires that goodwill be capitalised at cost and then be subject to an annual impairment review. Amortisation of goodwill is prohibited.

Keller has chosen the option to apply IFRS 3 prospectively from the transition date, rather than restate previous business combinations. Goodwill has therefore been frozen at net book value on 1 January 2004 and goodwill which was amortised in 2004 under UK GAAP has been written back.

The effect is to increase goodwill by £3.0m and to increase retained earnings by £2.3m at 31 December 2004. There is an associated deferred tax charge of £0.7m at 31 December 2004, as much of the goodwill continues to be written down for tax purposes.

The operating profit impact for 2004 is the elimination of the goodwill amortisation charge of £2.9m.

There was no goodwill impairment charge for 2004.

29 Explanation of transition to IFRS continued

The Effects of Changes in Foreign Exchange Rates – IAS 21

Under UK GAAP, Keller chose to fix acquired overseas goodwill in sterling at the rates of exchange ruling on the dates of the relevant acquisitions. IAS 21 requires goodwill to be denominated in local currencies and retranslated into sterling at each reporting date at closing exchange rates.

The impact of this change is to reduce the carrying value of goodwill on the Group's consolidated balance sheet by £10.6m at 31 December 2004 and to decrease retained earnings by £5.0m and the translation reserve by £5.6m at 31 December 2004.

Employee Benefits – IAS 19

IAS 19 is broadly similar to UK Financial Reporting Standard 17. However, it has a number of fundamental differences from SSAP 24, the UK accounting standard on pensions which was applied in drawing up Keller's 2004 financial statements. The most significant for Keller is that it requires surpluses or deficits on defined benefit pension arrangements to be recognised on the balance sheet. The accounting for defined contribution schemes is unaffected by IAS 19.

The standard permits a number of options for the recognition of actuarial gains and losses. Keller has chosen to recognise any variations in full, via the statement of recognised income and expense, as would have been required under FRS 17.

The impact on the Group balance sheet is to recognise a gross pensions deficit of £9.5m and a related deferred tax asset of £3.1m at 31 December 2004. In addition, a £0.6m prepayment at 31 December 2004 previously recognised under UK GAAP is released. The impact on the 2004 operating profit of applying IAS 19 is an increase of £0.1m. Actuarial losses in the year totalling £1.8m net of tax are taken directly to reserves.

Financial Instruments: Recognition and Measurement – IAS 39

IAS 39 addresses the accounting for financial instruments. The Group has retrospectively adopted the standard. As at 1 January 2004 there was no material difference between the book value and fair value of the financial instruments held by the Group. In October 2004, the Group issued USD100m of loan notes in a US Private Placement (USPP). The USPP was entered into to provide long-term finance to the Group and to provide a partial hedge against the Group's net investment in the dollar denominated assets. To eliminate the US interest rate risk in relation to the loan fair values, all USPP dollar fixed interest payments were swapped into floating on issue. In addition, USD25m were swapped into euros to provide a partial hedge against the Group's net investment in euro denominated net assets.

The USPP loans are accounted for on an amortised cost basis, adjusted for the impact of hedge accounting, and retranslated at the spot exchange rate at each period end.

IAS 39 has no impact on the net profit of the Group for the year ended 31 December 2004. The fair value of the USPP as at 31 December 2004 results in a reduction in the loan liabilities of £1.3m. The fair value of the hedges is included on the balance sheet as a liability of £1.3m.

Share-based Payment – IFRS 2

In accordance with IFRS 2, the Group has recognised a charge for employee share options granted after 7 November 2002. The fair value has been calculated using a stochastic model with the resulting charge being spread over the performance period and adjusted to reflect the actual and expected level of vesting.

The impact on the 2004 operating profit of applying IFRS 2 is a credit of £0.1m.

Events After the Balance Sheet Date – IAS 10

Under IAS 10 only dividends declared before the balance sheet date can be shown as a liability. Keller's final dividend is declared at the Annual General Meeting. Consequently, there is a requirement to remove the liability for the final dividend for the year ended 31 December 2004. The impact therefore is to increase the net assets as at 31 December 2004 by £4.8m.

Income Taxes – IAS 12

IAS 12 requires that full provision be made for temporary differences between the carrying amount and tax bases of assets and liabilities. In addition deferred tax assets and liabilities must be disclosed separately on the balance sheet.

As at 31 December 2004 the IFRS balance sheet includes an additional £3.1m deferred tax asset relating to the pension fund deficit. It also includes an additional liability of £1.5m in respect of fixed assets revalued on acquisition where, as permitted under UK GAAP, no deferred tax had previously been provided on the uplift, and £0.7m as at 31 December 2004 relating to tax deductible goodwill amortisation not now being charged to the profit and loss account.

Explanation of material adjustments to the cash flow statement for 2004

Bank overdrafts of £5.3m that are repayable on demand were classified as financing cash flows under previous GAAP and are reclassified as cash and cash equivalents under IFRS.

There are no other material differences between the cash flow statement as presented under IFRS and the cash flow statement presented under UK GAAP.

Keller Group plc
Company financial contents

Company balance sheet
as at 31 December 2005

	Note	2005 £000	Restated 2004 £000
Fixed assets			
Investments	4	61,858	53,858
Current assets			
Debtors*	5	100,383	90,300
Creditors: amounts due falling within one year	6	(28,651)	(10,816)
Net current assets*		71,732	79,484
Total assets less current liabilities		133,590	133,342
Creditors: amounts falling due after more than one year	7	(62,206)	(68,746)
Retirement benefits	11	(1,333)	(1,576)
Net assets		70,051	63,020
Capital and reserves			
Called up share capital	8	6,552	6,536
Share premium account	10	36,370	36,027
Capital redemption reserve	10	7,629	7,629
Profit and loss account	10	19,500	12,828
Shareholders' funds	9	70,051	63,020

* Debtors and net current assets include debtors recoverable after more than one year of £81,355,000 (2004: £78,806,000).

These accounts were approved by the board of directors and authorised for issue on 3 March 2006. They were signed on its behalf by:

J M West Chairman
J W G Hind Finance Director

Notes to the Company accounts

1 Significant accounting policies

These accounts have been prepared under the historical cost convention in accordance with applicable accounting standards of UK Generally Accepted Accounting Policies and are included within the consolidated accounts.

The principal accounting policies adopted are the same as those set out in the notes to the consolidated accounts except for those listed below:

Basis of accounting

No profit and loss account is presented for the Company as permitted by Section 230 of the Companies Act 1985.

The Company has adopted new Financial Reporting Standards (FRS) 17, 20, 21, 23, 25, 26 and 28 which have come into force for accounting periods beginning 1 January 2005. The impact of these accounting standards on the prior period is shown in note 9.

Prior period adjustment

The accounting policies have been applied consistently to all periods presented in these accounts. A prior period adjustment has been made to restate the comparative figures to comply with new FRS 17, 21 and 26.

Dividends

Dividends are recorded in the Company's accounts in the period in which they are approved or paid in accordance with FRS 21.

Derivative financial instruments

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

Fixed rate interest-bearing borrowings which are hedged are stated at fair value. All other borrowings are stated at cost.

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

The Company has also entered into hedges to mitigate exposures to both foreign currency and interest rates. Hedging instruments are held at fair value on the trade date in the balance sheet.

Hedges are accounted for in accordance with FRS 26 as follows:

Fair value hedges: changes in fair value of the hedged item and hedging instrument are taken to the income statement.

Cash flow hedges: the effective portion of changes in the fair value of the hedging instrument is taken to equity, with the ineffective portion of changes in fair value being taken to the income statement.

Retirement benefits

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

In accordance with FRS 17, the Company has recognised the pension liability in full as at 1 January 2004.

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

Investments

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

Deferred taxation

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

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 in accordance with FRS 20.

Options granted under the Company'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.

Notes to the Company accounts
continued

2 Operating profit
Operating profit is stated after charging the following:

The auditor's remuneration for audit services to the Company was £85,000 (2004: £79,000).

The company has no employees other than directors. Directors' remuneration and details of their share-based payments are disclosed in the directors' remuneration report on pages 35 to 41.

3 Dividends paid
Ordinary dividends paid on equity shares are disclosed in note 10 to the consolidated accounts.

4 Investments
The Company's principal investments are disclosed in note 14 to the consolidated accounts.

During the year the Company made further investments of £6.0m in Keller Limited and £2.0m in Makers Holdings Limited.

5 Debtors

	2005 £000	Restated 2004 £000
Amounts owed by subsidiary undertakings	100,330	90,105
Other debtors	41	190
Prepayments	12	5
	100,383	90,300
Included in the above are amounts falling due after more than one year in respect of:		
Amounts owed by subsidiary undertakings	81,355	78,806
	81,355	78,806

6 Creditors: amounts falling due within one year

	2005 £000	Restated 2004 £000
Overdrafts	5,351	3,061
Loan notes	2,804	3,036
Amounts owed to subsidiary undertakings	17,079	2,600
Other creditors	2,767	1,650
Accruals	650	469
	28,651	10,816

7 Creditors: amounts falling due after more than one year

	2005 £000	Restated 2004 £000
Bank loans	–	10,423
Other loans	56,474	51,617
Other creditors	445	1,302
Amounts owed to subsidiary undertakings	5,287	5,404
	62,206	68,746
Bank and other loans are repayable as follows:		
Between two and five years	–	10,423
In five years or more	56,474	51,617
	56,474	62,040

The Company had an unutilised committed banking facility of £65.0m at 31 December 2005 (2004: £54.2m); the facility expires on 13 December 2009.

8 Share capital
Details of the Company's share capital are given in note 22 to the consolidated accounts.

9 Reconciliation of movements in shareholders' funds

	2005 £000	Restated 2004 £000
Profit for the financial year	13,258	11,413
Actuarial gain/(loss) on defined benefit pension scheme (net of deferred tax)	164	(417)
Dividends	(7,257)	(6,872)
Issue of new shares	359	682
Share-based payments	507	144
Share capital to be issued	–	(680)
Net movements in shareholders' funds	7,031	4,270
Shareholders' funds at 1 January as previously stated	63,845	63,737
Prior period adjustments:		
FRS 17	(1,669)	(1,170)
FRS 21	844	(3,817)
Shareholders' funds at 1 January as restated	63,020	58,750
Shareholders' funds at 31 December	70,051	63,020

All shares issued in the year related to share options that had been exercised.

10 Reserves

	Share premium account £000	Capital redemption reserve £000	Profit and loss account £000	Total £000
At 1 January 2005 (restated)	36,027	7,629	12,828	56,484
Profit for the financial year	–	–	13,258	13,258
Actuarial gain on defined benefit pension scheme (net of deferred tax)	–	–	164	164
Dividends	–	–	(7,257)	(7,257)
Issue of new shares	343	–	–	343
Share-based payments	–	–	507	507
At 31 December 2005	36,370	7,629	19,500	63,499

11 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 28 to the consolidated accounts. 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 2005 was £3.2m and the actuarial valuation showed a funding level of 62%. The next actuarial valuation will be carried out as at 5 April 2008.

Details of the actuarial methods and assumptions, as well as steps taken to address the deficit in the scheme, are given in note 28 to the consolidated accounts.

The Company's pension credit for the year was £63,000 (2004: charge of £24,000). The actual return on scheme assets was £0.6m (2004: £0.4m).

On 6 October 1999, a defined contribution retirement benefit scheme was established, details of which are given in note 28 to the consolidated accounts There were no contributions outstanding in respect of the defined contribution scheme at 31 December 2005 (2004: £Nil).

	Valuation as at 31 December 2005 £000	Valuation as at 31 December 2004 £000
The Company's share of the Keller Group Pension Scheme		
Present value of assets	3,172	4,642
Present value of the scheme liabilities	(5,076)	(6,893)
Deficit in the scheme	(1,904)	(2,251)
Related deferred tax asset at 30%	571	675
Net pension liability	(1,333)	(1,576)

11 Retirement benefit schemes continued

The value of the scheme liabilities has been determined by the actuary based on an actuarial valuation as at 5 April 2005 updated to the balance sheet date and using the following assumptions:

	Valuation as at 31 December 2005 %	Valuation as at 31 December 2004 %
Rate of increase in salaries	2.80	3.85
Rate of increase of pensions in payment	2.80	2.85
Rate of revaluation of pensions in deferment	2.80	2.85
Expected return on scheme assets	6.10	6.50
Inflation assumption	2.80	2.85
Discount rate	4.90	5.50

The Company's share of the assets of the scheme and the expected long-term rates of return were:

	Value as at 31 December 2005 £000	Expected long-term return 2005 %	Value as at 31 December 2004 £000	Expected long-term return 2004 %
Equities	1,714	7.5	2,506	8.0
Bonds	1,458	4.4	2,136	4.8
Total present value of assets	3,172		4,642	

	Year ended 31 December 2005 £000	Year ended 31 December 2004 £000
Amount charged to operating profit		
Current service cost	100	117
Amount charged to other finance cost		
Expected return on assets	178	291
Interest on scheme liabilities	(221)	(335)
Net cost	(43)	(44)
Amounts recognised in statement of total recognised gains and losses (STRGL)		
Actual less expected return on assets	(77)	127
Experience gains/(losses) on liabilities	127	(62)
Effect of change in assumptions on liabilities	184	(660)
Total gain/(loss) recognised in STRGL	234	(595)
Movement in deficit during the year		
Deficit in scheme at beginning of year	(2,251)	(1,666)
Current service cost	100	(119)
Cash contribution	56	173
Other finance cost	(43)	(44)
Actuarial gain/(loss)	234	(595)
Deficit in scheme at end of year	(1,904)	(2,251)

	Year ended 31 December 2005 £000	Year ended 31 December 2004 £000	Year ended 31 December 2003 £000	Year ended 31 December 2002 £000
History of experience gains and losses				
Difference between expected and actual returns on scheme assets	(77)	127	267	(750)
Percentage of assets at end of year	2.4%	2.7%	6.4%	21.7%
Experience gains/(losses) on scheme liabilities	127	(62)	238	(654)
Percentage of liabilities at end of year	2.5%	0.9%	4.1%	12.5%
Total actuarial gain/(loss)	234	(595)	63	(1,544)
Percentage of liabilities at end of year	4.6%	8.6%	1.1%	29.4%

Financial record

	UK GAAP 2001 £000	UK GAAP 2002 £000	UK GAAP 2003 £000	UK GAAP 2004 £000	IFRS 2004 £000	IFRS 2005 £000
Consolidated income statement						
Revenue	422,248	510,971	567,505	595,856	595,856	**731,039**
Operating profit before exceptional items and amortisation of intangibles	25,429	34,344	32,838	33,749	33,982	**53,162**
Amortisation of intangibles	(1,251)	(3,100)	(3,437)	(2,964)	(87)	**(83)**
Exceptional items	–	–	(10,444)	–	–	**–**
Operating profit	24,178	31,244	18,957	30,785	33,895	**53,079**
Interest receivable	460	287	260	340	1,393	**1,544**
Finance costs	(2,245)	(4,201)	(4,411)	(4,487)	(5,540)	**(5,775)**
Profit before taxation	22,393	27,330	14,806	26,638	29,748	**48,848**
Taxation	(8,684)	(10,684)	(10,701)	(11,130)	(11,874)	**(19,888)**
Profit for the period	13,709	16,646	4,105	15,508	17,874	**28,960**
Attributable to:						
Equity holders of the parent	13,367	16,413	2,259	13,377	15,743	**27,286**
Minority interests	342	233	1,846	2,131	2,131	**1,674**
	13,709	16,646	4,105	15,508	17,874	**28,960**
Consolidated balance sheet						
Intangible assets	61,019	66,664	57,046	57,890	51,761	**55,693**
Property, plant and equipment	59,277	79,815	82,169	80,937	80,937	**90,375**
Other net operating assets	31,857	43,939	40,132	46,819	46,278	**49,698**
Net debt	(63,202)	(67,995)	(60,664)	(59,959)	(58,657)	**(40,851)**
Other liabilities	(15,676)	(22,279)	(21,060)	(24,260)	(29,350)	**(37,728)**
Net assets	73,275	100,144	97,623	101,427	90,969	**117,187**
Minority interests	(1,004)	(4,230)	(5,584)	(5,611)	(5,611)	**(6,129)**
Equity attributable to equity holders of the parent	72,271	95,914	92,039	95,816	85,358	**111,058**
Gearing	86%	68%	62%	59%	64%	**35%**
Basic earnings per share	23.6p	27.5p	3.5p	20.5p	24.2p	**41.8p**
Earnings per share before exceptional items and amortisation	25.8p	32.7p	24.1p	25.1p	24.2p	**41.8p**
Diluted earnings per share	23.4p	27.3p	3.5p	20.5p	24.1p	**41.6p**
Dividend per share	9.2p	9.9p	10.4p	10.9p	10.6p	**11.1p**

Principal offices

UK

Keller Limited
Oxford Road
Ryton-on-Dunsmore
Coventry CV8 3EG
Telephone 02476 511266
Fax 02476 305230

Makers UK Limited
3rd Floor, Lyon Court
Walsworth Road
Hitchin SG4 9SX
Telephone 01462 477333
Fax 01462 477337

Australia

Franki Pacific Holdings Pty Ltd
56 Station Street
Parramatta
NSW 2150
Telephone 612 98912588
Fax 612 98911616

Vibro-Pile (Aust.) Pty Ltd
No 1, Steele Court
Mentone
VIC 3194
Australia
Telephone 613 95844544
Fax 613 95838629

USA

Hayward Baker Inc
1130 Annapolis Road
Odenton
Maryland 21113
Telephone 1410 5518200
Fax 1410 551 1900

Case Foundation Company
PO Box 40
1325 West Lake Street
Roselle
Illinois 60172
Telephone 1630 5292911
Fax 1630 5294802

Suncoast Post-Tension L.P.
654N Sam Houston Park Way
East, Suite 110
Houston
Texas USA 77060
Telephone 1281 668 1840
Fax 1281 668 1864

McKinney Drilling Company
1130 Annapolis Road
Suite 103
Odenton
MD 21113
Telephone 1410 874 1235
Fax 1410 551 1236

Continental Europe

Keller Grundbau GmbH
Kaiserleistrasse 44
D-63006 Offenbach
Germany
Telephone 4969 80510
Fax 4969 8051244

Keller Fondations Spéciales
Espace Plein Ciel
Allée de l'Europe
F-67960 Entzheim
France
Telephone 333 88599200
Fax 333 88599590

Keller Grundbau Ges.mbH
Mariahilfer Strasse 127a
Postfach 99
A-1151 Vienna
Austria
Telephone 431 8923526
Fax 431 8923711

Keller-Terra S.L.
Miguel Yuste, 45BIS
E-28037 Madrid
Spain
Telephone 34 91 423 75 61
Fax 34 91 423 75 01

Overseas

Keller (Malaysia) Sdn. Bhd.
B-5-10 Plaza Dwitasik
Bandar Sri Permaisuri
56000 Cheras
Kuala Lumpur
Telephone 603 91733198
Fax 603 91733196

Geotechnical Engineering
462 Horreya Street
Roushdy
Alexandria
Egypt
Telephone 203 5458443
Fax 203 5427372

Keller Foundations (SE Asia) Pte Ltd
25 International
Business Park
#04–110 German Center
Singapore 60 99 16
Telephone 65 65 62 90 12
Fax 65 65 62 90 14

Secretary and advisers

Company secretary
J F Holman

Registered office
Aztec House
397–405 Archway Road
London N6 4EY

Registered number
2442580

Stockbrokers and financial advisers
Dresdner Kleinwort
Wasserstein
20 Fenchurch Street
London EC3P 3DB

Auditors
KPMG Audit Plc
Chartered Accountants
8 Salisbury Square
London EC4Y 8BB

Principal bankers
Bank of Scotland
155 Bishopsgate
London EC2M 3YB

Lloyds TSB Bank plc
25 Gresham Street
London EC2V 7HN

Legal advisers
DLA Piper Rudnick
Gray Cary UK LLP
3 Noble Street
London EC2V 7EE

Financial public relations advisers
Smithfield Consultants
78 Cowcross Street
London EC1M 6HE

Registrars
Lloyds TSB Registrars
The Causeway
Worthing
West Sussex BN99 6DA

Keller Group plc
Aztec House
397–405 Archway Road
London N6 4EY
United Kingdom

T 020 8341 6424
F 020 8340 6981
www.keller.co.uk

Photography
Oliver Martin, London, UK
Colin Whyman, London, UK
U. Westermann, Arge CT4, Germany
Susan Lohwasser, California, USA

Designed and produced by
williams and phoa