

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	2008 £m	2007 £m
Continuing operations			
Revenue	3	1,196.6	955.1
Operating costs	6	(1,077.2)	(847.7)
Operating profit	3	119.4	107.4
Finance income	8	2.0	2.5
Finance costs	9	(8.2)	(6.7)
Profit before taxation		113.2	103.2
Taxation	10	(35.9)	(35.9)
Profit for the period from continuing operations		77.3	67.3
Discontinued operation			
Loss from discontinued operation net of taxation	5	(1.7)	(10.5)
Profit for the period		75.6	56.8
Attributable to:			
Equity holders of the parent		70.8	54.0
Minority interests		4.8	2.8
		75.6	56.8
Earnings per share from continuing operations			
Basic earnings per share	12	111.1p	97.6p
Diluted earnings per share	12	109.2p	96.4p
Earnings per share			
Basic earnings per share	12	108.6p	81.8p
Diluted earnings per share	12	106.7p	80.7p

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE
FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	2008 £m	2007 £m
Exchange differences on translation of foreign operations		66.1	5.4
Net investment hedge losses	24	(19.0)	(0.5)
Cash flow hedge (losses)/gains taken to equity	24	(35.1)	1.9
Cash flow hedge transfers to income statement	24	35.1	(1.9)
Actuarial gains on defined benefit pension schemes	31	1.6	2.0
Tax on items taken directly to equity	10	(0.5)	(0.6)
Net income recognised directly in equity		48.2	6.3
Profit for the period		75.6	56.8
Total recognised income and expense for the period	26	123.8	63.1
Attributable to:			
Equity holders of the parent		115.9	59.8
Minority interests		7.9	3.3
	26	123.8	63.1

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2008

	Note	2008 £m	2007 £m
Assets			
Non-current assets			
Intangible assets	13	111.8	80.8
Property, plant and equipment	14	254.7	155.8
Deferred tax assets	10	7.7	9.2
Other assets	15	12.5	13.7
		386.7	259.5
Current assets			
Inventories	17	50.9	26.9
Trade and other receivables	18	364.4	273.6
Current tax assets		2.3	–
Cash and cash equivalents	20	48.6	30.9
		466.2	331.4
Total assets	3	852.9	590.9
Liabilities			
Current liabilities			
Loans and borrowings	24	(4.8)	(7.6)
Current tax liabilities		(15.1)	(12.4)
Trade and other payables	21	(323.1)	(237.4)
Provisions	22	(8.4)	(7.4)
		(351.4)	(264.8)
Non-current liabilities			
Loans and borrowings	24	(128.4)	(77.8)
Retirement benefit liabilities	31	(13.6)	(13.9)
Deferred tax liabilities	10	(16.5)	(5.4)
Provisions	22	(4.4)	(3.2)
Other liabilities	23	(36.0)	(14.3)
		(198.9)	(114.6)
Total liabilities	3	(550.3)	(379.4)
Net assets	3	302.6	211.5
Equity			
Share capital	25, 26	6.6	6.6
Share premium account	26	37.6	37.6
Capital redemption reserve	26	7.6	7.6
Translation reserve	26	43.9	(0.1)
Retained earnings	26	194.0	150.6
Equity attributable to equity holders of the parent	26	289.7	202.3
Minority interests	26	12.9	9.2
Total equity		302.6	211.5

These financial statements were approved by the Board of Directors and authorised for issue on 2 March 2009.
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 2008

Note	2008 £000	2007 £000
Cash flows from operating activities		
Operating profit from continuing operations	119.4	107.4
Operating loss from discontinued operation	(2.7)	(13.3)
	116.7	94.1
Depreciation of property, plant and equipment	24.2	17.4
Amortisation of intangible assets	0.7	1.0
Loss on sale of property, plant and equipment	0.3	0.4
Other non-cash movements	1.3	1.0
Foreign exchange (gains)/losses	(1.2)	0.2
Operating cash flows before movements in working capital	142.0	114.1
Increase in inventories	(12.4)	(0.9)
Decrease/(increase) in trade and other receivables	0.1	(32.8)
Increase in trade and other payables	11.0	34.9
Change in provisions, retirement benefit and other non-current liabilities	(2.3)	1.9
Cash generated from operations	138.4	117.2
Interest paid	(4.7)	(5.3)
Income tax paid	(27.9)	(32.0)
Net cash inflow from operating activities	105.8	79.9
Cash flows from investing activities		
Interest received	0.6	1.3
Proceeds from sale of property, plant and equipment	3.0	1.0
Acquisition of subsidiaries, net of cash acquired	(14.1)	(34.5)
Acquisition of property, plant and equipment	(68.2)	(48.1)
Acquisition of intangible assets	(1.4)	–
Acquisition of other non-current assets	(1.7)	(2.8)
Net cash outflow from investing activities	(81.8)	(83.1)
Cash flows from financing activities		
Proceeds from the issue of share capital	–	0.5
Repurchase of own shares	(17.5)	–
New borrowings	25.3	22.2
Repayment of borrowings	(6.6)	(0.7)
Payment of finance lease liabilities	(2.0)	(1.9)
Dividends paid	(15.9)	(12.3)
Net cash (outflow)/inflow from financing activities	(16.7)	7.8
Net increase in cash and cash equivalents	7.3	4.6
Cash and cash equivalents at beginning of period	26.1	20.3
Effect of exchange rate fluctuations	13.1	1.2
Cash and cash equivalents at end of period	46.5	26.1

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

Keller Group plc ('the parent' or 'the Company') is a company incorporated in the United Kingdom under the Companies Act 1985. The consolidated financial statements are presented in pounds sterling (rounded to the nearest hundred thousand), the functional currency of the parent. Foreign operations are included in accordance with the policies set out in note 2.

2 Principal accounting policies

a) Statement of compliance

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

The Company has elected to prepare its parent company financial statements in accordance with UK GAAP; these are presented on pages 68 to 73.

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 remeasured to fair value in respect of the hedged risk.

Except as noted below, these accounting policies have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by subsidiaries.

The Company has adopted IFRIC 11 – IFRS 2 Group and Treasury Shares Transactions. The adoption of IFRIC 11 – IFRS 2 did not have a material impact on the consolidated financial statements.

The Company did not adopt the following standard and amendments to standards which were available for optional early adoption: IFRS 8 Operating Segments; amendments to IFRS 1 and IAS 27 Cost of an Investment in a Subsidiary, Jointly-Controlled Entity or Associate; amendments to IAS 1 Presentation of Financial Statements: A Revised Presentation; amendment to IFRS 2 Share-Based Payment: Vesting Conditions and Cancellations and amendment to IAS 23 Borrowing Costs. The Company does not expect the adoption of the above standard or amendments to standards to have a material impact on the consolidated financial statements.

In order to provide further clarity of disclosure, certain items previously included within trade and other payables and other non-current liabilities have now been presented in separate balance sheet lines as current and non-current provisions (note 22). Comparatives have been re-presented accordingly. This change in presentation has had no impact on results or total equity.

c) Basis of consolidation

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

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

d) Jointly controlled operations

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

e) Revenue recognition

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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2 Principal accounting policies continued

f) Leases

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

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

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

g) Foreign currencies

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

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

The exchange rates used in respect of principal currencies are:

	2008	2007
US dollar: average for period	1.86	2.00
US dollar: period end	1.45	2.00
Euro: average for period	1.26	1.46
Euro: period end	1.03	1.36
Australian dollar: average for period	2.19	2.39
Australian dollar: period end	2.10	2.28

h) Interest income and expense

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

i) Employee benefit costs

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

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

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

j) Taxation

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

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

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

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

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

k) Property, plant and equipment

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

l) Depreciation

Depreciation is not provided on freehold land.

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

The rates of depreciation used are:

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

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

2 Principal accounting policies continued

m) Goodwill and other intangible assets

Goodwill

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

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

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

Other intangible assets

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

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

n) Impairment of assets excluding goodwill

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

o) Capital work in progress

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

p) Inventories

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

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

q) Financial instruments

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

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

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

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

Hedges are accounted for as follows:

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

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

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

r) Trade receivables

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

2 Principal accounting policies continued

s) Trade payables

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

t) Provisions

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

u) Financial guarantees

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

v) Share-based payment

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

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

w) Segmental reporting

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.

x) Dividends

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

y) Accounting estimates and judgements

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

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

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

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

Note 31 sets out the principal assumptions underlying the valuation of the Group's defined benefit liabilities which include the discount rate, expected return on assets, rate of inflation and mortality rates. These assumptions were set on the advice of the relevant schemes' actuaries having regard to current market conditions, past history and factors specific to the schemes.

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

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

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 including an analysis of the Group's revenues by geographical market, irrespective of the origin of the services, is presented below:

	2008 Revenue £m	2008 Operating profit £m	2007 Revenue £m	2007 Operating profit £m
UK	85.2	2.7	78.0	3.8
US	532.1	52.1	473.2	61.6
CEMEA ¹	442.2	49.9	296.8	30.4
Australia	137.1	19.4	107.1	14.7
	1,196.6	124.1	955.1	110.5
Central items and eliminations	–	(4.7)	–	(3.1)
Continuing operations	1,196.6	119.4	955.1	107.4
Discontinued operation (note 5)	1.0	(2.7)	36.8	(13.3)
	1,197.6	116.7	991.9	94.1

	2008 Assets £m	2008 Liabilities £m	2008 Capital employed £m	2007 Assets £m	2007 Liabilities £m	2007 Capital employed £m
UK	47.2	(24.0)	23.2	51.0	(36.5)	14.5
US	367.4	(116.8)	250.6	254.7	(91.6)	163.1
CEMEA ¹	315.5	(172.1)	143.4	188.5	(105.7)	82.8
Australia	58.5	(25.6)	32.9	47.3	(23.6)	23.7
	788.6	(338.5)	450.1	541.5	(257.4)	284.1
Central items ²	64.3	(211.8)	(147.5)	49.4	(122.0)	(72.6)
	852.9	(550.3)	302.6	590.9	(379.4)	211.5

	2008 Capital additions £m	2008 Depreciation and amortisation £m	2008 Goodwill £m	2007 Capital additions £m	2007 Depreciation and amortisation £m	2007 Goodwill £m
UK	4.2	1.6	12.3	9.3	1.6	12.4
US	18.6	9.8	73.6	31.7	7.1	53.6
CEMEA ¹	41.8	10.2	21.9	21.2	6.5	13.0
Australia	8.9	3.3	–	8.4	3.0	–
Continuing operations	73.5	24.9	107.8	70.6	18.2	79.0
Discontinued operation (note 5)	–	–	–	–	0.2	–
	73.5	24.9	107.8	70.6	18.4	79.0

¹ Continental Europe, Middle East and Asia.

² Central items includes net debt and tax balances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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4 Acquisitions

Acquisitions in 2008

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

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

On 11 November 2008 the Group acquired 100% of the share capital of Boreta Spol. sr.o. ('Boreta'). The goodwill arising on acquisition is attributable to the knowledge and expertise of the assembled workforce and the operating synergies that arise from the Group's strengthened market position. The fair value of the intangible assets acquired represents the fair value of non-compete undertakings and backlog at the date of acquisition. In the period to 31 December 2008 Boreta contributed £nil to the net profit of the Group.

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

Acquisitions in 2007

	Carrying amount £m	Systems Geotechnique Fair value adjustment £m	Fair value £m	Carrying amount £m	HJ Fair value adjustment £m	Fair value £m	Carrying amount £m	Total Fair value adjustment £m	Fair value £m
Net assets acquired									
Intangible assets	–	0.5	0.5	–	0.9	0.9	–	1.4	1.4
Property, plant and equipment	1.6	–	1.6	5.1	0.2	5.3	6.7	0.2	6.9
Other assets	5.9	–	5.9	6.9	–	6.9	12.8	–	12.8
Loans and borrowings	(1.7)	–	(1.7)	–	–	–	(1.7)	–	(1.7)
Other liabilities	(4.3)	(0.1)	(4.4)	(2.9)	–	(2.9)	(7.2)	(0.1)	(7.3)
	1.5	0.4	1.9	9.1	1.1	10.2	10.6	1.5	12.1
Goodwill			7.0			13.4			20.4
Total consideration			8.9			23.6			32.5
Satisfied by:									
Initial cash consideration			7.4			23.6			31.0
Deferred consideration			1.5			–			1.5
			8.9			23.6			32.5

On 12 April 2007 the Group acquired 100% of the share capital of Bobian Limited with subsidiaries, collectively 'Systems Geotechnique'. During 2008 the estimate of the amount of deferred consideration payable was revised resulting in a reduction of goodwill by £0.3m.

On 1 October 2007 the Group acquired the business and assets of HJ Foundation Inc. ('HJ'). During 2008 the fair value of the net assets acquired was revised giving rise to additional goodwill of £0.5m.

Had both acquisitions taken place on 1 January 2007, total 2007 Group revenue from continuing operations would have been £988.2m and total net profit from continuing operations would have been £75.5m.

On 6 April 2006 the Group acquired 100% of the share capital of Phi Group Limited ('Phi'). During 2008 the estimate of the amount of deferred consideration payable was revised giving rise to additional goodwill of £0.2m.

5 Discontinued operation

The Board announced its decision to withdraw from Makers on 20 August 2007. By 31 December 2007 substantially all of the business had been disposed of.

Losses attributable to the discontinued operation were as follows:

	2008 £m	2007 £m
Results of discontinued operation		
Revenue	1.0	36.8
Operating costs	(3.7)	(50.1)
Operating loss	(2.7)	(13.3)
Net finance costs	(0.1)	(0.2)
Loss before taxation	(2.8)	(13.5)
Taxation	1.1	3.7
	(1.7)	(9.8)
Loss on sale of discontinued operation	–	(0.7)
Taxation on gain on sale of discontinued operation	–	–
Loss for the period	(1.7)	(10.5)
Basic loss per share (pence)	(2.5)	(15.8)
Diluted loss per share (pence)	(2.5)	(15.7)
Cash flows from discontinued operation		
Net cash from operating activities	(3.2)	(10.2)
Net cash from investing activities	0.2	0.3
Net cash from financing activities	4.0	9.0
	1.0	(0.9)

The loss on sale of discontinued operation in 2007 arose on disposal of net current assets of £0.9m for a total consideration of £0.2m.

6 Operating costs

	Note	2008 £m	2007 £m
Raw materials and consumables		443.0	351.7
Staff costs	7	264.4	221.5
Other operating charges		344.9	256.3
Amortisation of intangibles		0.7	1.0
Depreciation:			
Owned property, plant and equipment		23.7	16.7
Property, plant and equipment held under finance leases		0.5	0.5
		1,077.2	847.7
Other operating charges include:			
Net foreign exchange (gains)/losses		(1.2)	0.2
Fees payable to the Company's auditors for the audit of the Company's annual accounts		0.1	0.1
Fees payable to the Company's auditors and its associates for other services:			
The audit of the Company's subsidiaries pursuant to legislation		0.9	0.7
Tax services		0.3	0.2
Services relating to corporate finance transactions entered into or proposed to be entered into by or on behalf of the Group		–	0.2

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7 Employees

The aggregate staff costs of the Group were:

	2008 £m	2007 £m
Wages and salaries	229.0	201.8
Social security costs	29.8	24.0
Other pension costs	6.4	4.9
	265.2	230.7
Continuing operations	264.4	221.5
Discontinued operation	0.8	9.2
	265.2	230.7

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 32 to 37 within the Directors' Remuneration Report and form part of these financial statements.

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

	2008 Number	2007 Number
UK	628	788
US	2,824	2,792
CEMEA	2,198	1,960
Australia	700	649
	6,350	6,189

UK includes 33 (2007: 217) employees in respect of the discontinued operation.

8 Finance income

	2008 £m	2007 £m
Bank and other interest receivable	0.5	1.2
Expected return on pension scheme assets	1.5	1.3
	2.0	2.5

9 Finance costs

	2008 £m	2007 £m
Interest payable on bank loans and overdrafts	2.6	1.8
Interest payable on other loans	1.0	2.5
Interest payable on finance leases	0.2	0.2
Pension interest cost	1.9	1.8
Other finance costs	2.5	0.4
	8.2	6.7

10 Taxation

	2008 £m	2007 £m
Current tax expense		
Current year	30.6	36.6
Prior years	(3.1)	0.7
Total current tax	27.5	37.3
Deferred tax expense		
Current year	6.7	(1.2)
Prior years	1.7	(0.2)
Total deferred tax	8.4	(1.4)
	35.9	35.9

10 Taxation continued

UK corporation tax is calculated at 28.5% (2007: 30%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The effective tax rate can be reconciled to the UK corporation tax rate of 28.5% as follows:

	2008 %	2007 %
UK corporation tax rate of 28.5% (2007: 30%)	28.5	30.0
Tax charged overseas at rates other than 28.5% (2007: 30%)	0.7	2.8
Tax losses carried forward	0.4	(1.2)
Permanent differences	3.3	2.7
Adjustment to tax charge in respect of previous periods	(1.2)	0.5
Effective tax rate from continuing operations	31.7	34.8

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

	Unused tax losses £m	Accelerated capital allowances £m	Retirement benefit obligations £m	Other temporary differences £m	Total £m
At 1 January 2007	(4.1)	12.4	(2.8)	(7.2)	(1.7)
(Credit)/charge to the income statement	(1.0)	(0.1)	0.6	(2.4)	(2.9)
Charge to equity	–	–	0.6	–	0.6
Acquired with new subsidiaries	–	0.1	–	–	0.1
Exchange differences	–	0.2	–	(0.1)	0.1
At 31 December 2007 and 1 January 2008	(5.1)	12.6	(1.6)	(9.7)	(3.8)
Charge to the income statement	1.3	6.1	0.3	0.7	8.4
Charge to equity	–	–	0.5	–	0.5
Acquired with new subsidiaries	–	0.8	–	(0.1)	0.7
Exchange differences	0.1	5.3	–	(2.4)	3.0
At 31 December 2008	(3.7)	24.8	(0.8)	(11.5)	8.8

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

	2008 £m	2007 £m
Deferred tax liabilities	16.5	5.4
Deferred tax assets	(7.7)	(9.2)
	8.8	(3.8)

At the balance sheet date, the Group had unused tax losses of £1.8m (2007: £0.9m) available for offset against future profits, on which no deferred tax asset has been recognised. These losses may be carried forward indefinitely.

11 Dividends paid

Ordinary dividends on equity shares:

	2008 £m	2007 £m
Amounts recognised as distributions to equity holders in the period:		
Interim dividend for the year ended 31 December 2008 of 6.9p (2007: 6.0p) per share	4.4	4.0
Final dividend for the year ended 31 December 2007 of 12.0p (2006: 11.4p) per share	7.9	7.5
	12.3	11.5

The Directors have proposed a final dividend for the year ended 31 December 2008 of £8.8m, representing 13.8p (2007: 12.0p) per share. The proposed dividend is subject to approval by shareholders at the Annual General Meeting on 19 May 2009 and has not been included as a liability in these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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12 Earnings per share

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

	2008 Basic £m	2008 Diluted £m	2007 Basic £m	2007 Diluted £m
Earnings (after tax and minority interests), being net profits attributable to equity holders of the parent	72.5	72.5	64.5	64.5

	Number of shares Million	Number of shares Million	Number of shares Million	Number of shares Million
Weighted average of ordinary shares in issue during the year	65.2	65.2	66.0	66.0
Add: weighted average of shares under option during the year	–	1.2	–	1.3
Add: weighted average of own shares held (excluding treasury shares)	–	0.1	–	0.1
Subtract: number of shares assumed issued at fair value during the year	–	(0.1)	–	(0.5)
Adjusted weighted average of ordinary shares in issue	65.2	66.4	66.0	66.9

	2008 Pence	2008 Pence	2007 Pence	2007 Pence
Earnings per share from continuing operations	111.1	109.2	97.6	96.4

Total earnings per share from continuing and discontinued operations of 108.6p (2007: 81.8p) was calculated based on earnings of £70.8m (2007: £54.0m) and the weighted average number of ordinary shares in issue during the year of 65.2 million (2007: 66.0 million).

Total diluted earnings per share from continuing and discontinued operations of 106.7p (2007: 80.7p) was calculated based on earnings of £70.8m (2007: £54.0m) and the adjusted weighted average number of ordinary shares in issue during the year of 66.4 million (2007: 66.9 million).

Loss per share from discontinued operation of 2.5p (2007: 15.8p) was calculated based on a loss of £1.7m (2007: £10.5m) and the weighted average number of ordinary shares in issue during the year of 65.2 million (2007: 66.0 million).

Diluted loss per share from discontinued operation of 2.5p (2007: 15.7p) was calculated based on a loss of £1.7m (2007: £10.5m) and the adjusted weighted average number of ordinary shares in issue during the year of 66.4 million (2007: 66.9 million).

13 Intangible assets

	Goodwill £m	Other intangible assets £m	Total £m
Cost			
At 1 January 2007	56.3	4.1	60.4
Acquired with subsidiaries	–	1.4	1.4
Additions	22.4	0.1	22.5
Exchange differences	0.3	0.1	0.4
At 31 December 2007 and 1 January 2008	79.0	5.7	84.7
Acquired with subsidiaries	–	1.0	1.0
Additions	3.9	1.4	5.3
Exchange differences	24.9	2.1	27.0
At 31 December 2008	107.8	10.2	118.0
Accumulated amortisation and impairment			
At 1 January 2007	–	2.9	2.9
Amortisation charge for the year	–	1.0	1.0
At 31 December 2007 and 1 January 2008	–	3.9	3.9
Amortisation charge for the year	–	0.7	0.7
Exchange differences	–	1.6	1.6
At 31 December 2008	–	6.2	6.2
Carrying amount			
At 31 December 2008	107.8	4.0	111.8
At 31 December 2007 and 1 January 2008	79.0	1.8	80.8
At 1 January 2007	56.3	1.2	57.5

13 Intangible assets continued

For impairment testing purposes goodwill has been allocated to fifteen separate cash generating units. Of these, the carrying amount of goodwill allocated to two individual cash generating units (Suncoast and HJ Foundation, both in the US) is significant in comparison to the total carrying amount of goodwill and comprises 59% of the total. The carrying amounts allocated to a further four cash generating units, taken together, comprise a further 28% of the total. The relevant cash generating units and the carrying amount of the goodwill allocated to each are as set out below:

Cash generating unit	Geographical segment	2008 £m	2007 £m
Suncoast	US	44.1	32.0
HJ Foundation	US	19.0	13.4
Hayward Baker	US	9.5	6.9
Keller-Terra	CEMEA (Spain)	8.6	6.5
Systems Geotechnique	UK	6.7	7.0
Phi	UK	5.2	5.0
Other	Various	14.7	8.2
		107.8	79.0

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

Keller's businesses operate in cyclical markets and are expected to face more challenging market conditions for the foreseeable future. In addition, the current global financial crisis makes forecasting future short term cash flows more difficult than is traditionally the case. The most important factors in the value in use calculations, however, are the forecast revenues and gross margin in five years' time and the discount rates applied to future cash flows. The key assumptions underlying the cash flow forecasts are therefore the extent of the revenue recovery in the forecast five year period and the gross margins assumed at the end of the period. The discount rates used in the value in use calculations are based on the weighted average cost of capital of companies comparable to the relevant cash generating units.

In all cases, the forecast cash flows used to derive values in use anticipate a decline in sales and profitability in 2009 from the levels of 2008, in some cases by significant amounts. Thereafter, it is assumed that revenues and profits recover over time to no better than a mid-cycle position by no later than year five (2013). Management consider all the forecast improvements in sales, margins and profits to be reasonably achievable given the expected recovery, over time, in market conditions and the historic trading results of the relevant cash generating units. Cash flows beyond 2013 have been extrapolated using a steady 3% growth rate (2007: 3%), which does not exceed the long-term average growth rates for the markets in which the relevant cash generating units operate.

The macroeconomic assumptions underlying all the forecasts therefore are for a deep and relatively long recession followed by a gradual recovery to more normal market conditions by 2013. Clearly, in the unlikely event that this assumption proves significantly over optimistic and the relevant countries experience a severe and prolonged depression, such that demand for the Group's products is materially below long term historic levels for a significant number of years, this would adversely impact the forecast cash flows and more than likely lead to impairments of goodwill. The extent of such impairments however is impossible

to predict at this stage. If, as management consider probable, the medium-term macroeconomic background assumed proves not to be significantly over optimistic, management believes that any reasonably possible change in the key assumptions on which the recoverable amounts of the cash generating units identified above are based would not cause any of their carrying amounts to exceed their recoverable amounts.

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

Suncoast

The value in use of Suncoast has been determined using a pre-tax discount rate of 16.0% (2007: 14.5%). Suncoast's revenues are primarily linked to US residential construction spend and the forecast cash flows assume a further significant decline in US residential construction in 2009 before a gradual recovery beginning in 2010. Revenues forecast for 2013 (and then forecast forward at a growth rate of 3% per annum) are consistent with national US housing starts of around 1.3 million in that year, a level about 25% below the average of the last twenty years' starts. Gross margins are forecast to recover over time only to a level equating to the average of the last five years' gross margin, despite considerable operational improvements at Suncoast in recent years.

HJ Foundation

The value in use of HJ Foundation ('HJ') has been determined using a pre-tax discount rate of 18.7% (2007: 14.5%). HJ, which was acquired by Keller in October 2007, has historically derived its revenues solely from southern Florida, a construction market which has declined substantially over the last two years following a boom period. The forecast cash flows assume a gradual recovery in the south Florida market from 2010 and that HJ slowly grows its sales elsewhere in Florida and other parts of the US, consistent with the strategy underlying the acquisition. However, the revenues from southern Florida forecast for 2013 (and then forecast forward at a growth rate of 3% per annum) are only half those achieved in the boom of 2005 and 2006. Management consider the forecast 2013 revenues from other geographical markets reasonably achievable given progress to date and the ability to leverage off the wider Keller US network. Gross margins are forecast to recover over time to a level consistent with those historically earned in other Keller US companies, but significantly less than the average gross margin earned by HJ in the last five years.

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

All these businesses are more geographically diverse than HJ and have revenues more broadly spread across construction markets as a whole than Suncoast. Their values in use have been determined using pre-tax discount rates of between 14.3% and 16.7%. For all four, the forecast cash flows are based on the same key assumptions about macroeconomic conditions; they assume decreases in sales and profits in 2009, reflecting more difficult expected conditions in their respective markets. Sales and profits are then forecast to recover gradually from 2010. The forecast sales growth to 2013 is based on external forecasts for the relevant construction markets, adjusted in the case of Keller-Terra and Phi for moderate market share gains on the assumption that their main products continue to increase their penetration of the overall foundation market. Forecast gross margins are in all cases at or below the average normalised margins of the last five years.

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14 Property, plant and equipment

	Land and buildings £m	Plant, machinery and vehicles £m	Capital work in progress £m	Total £m
Cost				
At 1 January 2007	25.4	179.7	1.3	206.4
Additions	2.5	43.0	2.6	48.1
Acquired with subsidiaries	–	6.7	–	6.7
Disposals	(0.1)	(6.0)	–	(6.1)
Reclassification	0.4	0.7	(1.1)	–
Exchange differences	1.2	8.7	0.2	10.1
At 31 December 2007 and 1 January 2008	29.4	232.8	3.0	265.2
Additions	2.0	65.3	0.9	68.2
Acquired with subsidiaries	0.9	4.8	–	5.7
Disposals	(0.2)	(7.8)	–	(8.0)
Reclassification	–	0.1	(0.1)	–
Exchange differences	9.2	77.7	0.7	87.6
At 31 December 2008	41.3	372.9	4.5	418.7
Accumulated depreciation				
At 1 January 2007	3.9	87.9	–	91.8
Charge for the year	0.5	16.9	–	17.4
Disposals	(0.1)	(4.6)	–	(4.7)
Exchange differences	0.3	4.6	–	4.9
At 31 December 2007 and 1 January 2008	4.6	104.8	–	109.4
Charge for the year	0.6	23.6	–	24.2
Disposals	–	(4.7)	–	(4.7)
Exchange differences	1.3	33.8	–	35.1
At 31 December 2008	6.5	157.5	–	164.0
Carrying amount				
At 31 December 2008	34.8	215.4	4.5	254.7
At 31 December 2007 and 1 January 2008	24.8	128.0	3.0	155.8
At 1 January 2007	21.5	91.8	1.3	114.6

The net book value of plant, machinery and vehicles includes £6.8m (2007: £3.8m) in respect of assets held under finance leases.

15 Other non-current assets

	2008 £m	2007 £m
Fair value of derivative financial instruments	5.3	8.4
Other assets	7.2	5.3
	12.5	13.7

16 Investments

The Company's principal operating subsidiary undertakings at 31 December 2008 were as follows:

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

Each of the above subsidiary undertakings is directly or indirectly wholly owned by the Company apart from Keller-Terra S.L. which is 51% owned by Keller Holdings Ltd and Keller Turki Company Ltd which is 65% owned by Keller Grundbau GmbH. Keller Limited and Phi Group Limited 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.

17 Inventories

	2008 £m	2007 £m
Raw materials and consumables	26.5	16.3
Work in progress	1.5	0.5
Finished goods	22.9	10.1
	50.9	26.9

18 Trade and other receivables

	2008 £m	2007 £m
Trade receivables	309.1	226.5
Construction work in progress	24.1	23.7
Other receivables	20.6	16.4
Prepayments	10.6	7.0
	364.4	273.6

Trade receivables are shown net of an allowance for doubtful debts. The movement in the provision for bad and doubtful debt is as follows:

	2008 £m	2007 £m
At 1 January	22.5	16.0
Charge for the year	9.6	4.5
Exchange differences	8.5	2.0
At 31 December	40.6	22.5

The ageing of trade receivables that were past due but not impaired was as follows:

	2008 £m	2007 £m
Overdue by less than 30 days	57.0	40.8
Overdue by between 31 and 90 days	44.3	27.3
Overdue by more than 90 days	16.4	6.7
	117.7	74.8

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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19 Construction contracts

Construction contracts in progress at balance sheet date:

	2008 £m	2007 £m
Aggregate amount of costs incurred and recognised profits (less recognised losses) to date	331.3	229.5
Retentions withheld by customers	64.8	41.6
Advances received	0.7	2.3

Construction contract revenue recognised in the year in accordance with IAS 11 totalled £1,087.6m (2007: £834.4m).

20 Cash and cash equivalents

	2008 £m	2007 £m
Bank balances	47.5	30.8
Short-term deposits	1.1	0.1
Cash and cash equivalents in the balance sheet	48.6	30.9
Bank overdrafts	(2.1)	(4.8)
Cash and cash equivalents in the cash flow statement	46.5	26.1

21 Trade and other payables

	2008 £m	2007 £m
Trade payables	149.8	109.7
Other taxes and social security payable	11.3	15.4
Other payables	115.2	76.8
Accruals	46.8	35.5
	323.1	237.4

22 Provisions

	Employee provisions £m	Restructuring provisions £m	Other provisions £m	Total £m
At 1 January 2008	6.1	0.5	4.0	10.6
Charge for the year	0.3	–	–	0.3
Applied	–	(0.4)	(0.3)	(0.7)
Reversed unused	–	–	(0.8)	(0.8)
Exchange differences	2.3	–	1.1	3.4
At 31 December 2008	8.7	0.1	4.0	12.8
To be settled within one year	4.3	0.1	4.0	8.4
To be settled after one year	4.4	–	–	4.4
At 31 December 2008	8.7	0.1	4.0	12.8

Employee provisions comprise obligations to employees other than retirement or post retirement obligations. Restructuring provisions largely relate to discontinued operations. Other provisions consist of various provisions that do not fit into the above categories, including legal and other disputes in various Group companies. The majority of provisions are expected to be utilised within five years.

23 Other non-current liabilities

	2008 £m	2007 £m
Fair value of derivative financial instruments	27.5	2.6
Other liabilities	8.5	11.7
	36.0	14.3

24 Financial instruments

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

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

Credit risk

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

The Group has stringent procedures to manage counterparty risk and the assessment of customer credit risk is embedded in the contract tendering processes. Customer credit risk is mitigated by the Group's relatively small average contract size and its diversity, both geographically and in terms of end markets. As a result, no customer represented more than 3% of sales in 2008. The counterparty risk on bank and cash balances is managed by limiting the aggregate amount of exposure to any such institution by reference to their credit rating and by regular review of these ratings. The ageing of trade receivables that were past due but not impaired is shown in note 18.

Currency risk

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

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

At 31 December 2008 there were no material forward exchange contracts outstanding (2007: none).

Interest rate risk

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

Liquidity risk and capital management

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

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

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

At the year end, the Group also had other committed and uncommitted borrowing facilities totalling £79.5m (2007: £48.7m) to support local requirements.

Hedging

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

The US private placement loans are accounted for on an amortised cost basis, adjusted for the impact of hedge accounting (as described below), and retranslated at the spot exchange rate at each period end. The carrying value of the private placement liabilities at 31 December 2008 was £76.1m (2007: £50.1m).

The US\$100m fixed rate private placement liabilities have been swapped into floating rates, US\$75m by means of US dollar interest rate swaps and US\$25m through a dollar euro cross-currency and interest rate swap (together, 'the 2004 swaps'). The 2004 swaps have the same maturity as the private placement loans. The fair value of the 2004 swaps at 31 December 2008 represented an asset of £5.3m (2007: £2.6m liability) which is included in other non-current assets.

The US\$75m 2004 interest rate swaps have been designated as fair value hedges of the Group's exposure to changes in the fair value of US\$75m of the US private placement loans arising from changes in US interest rates. The US\$ leg of the 2004 cross currency interest rate swap has been designated a fair value hedge of the Group's exposure to changes in fair value of US\$25m of the private placement loans arising from changes in sterling dollar exchange rates and US interest rates. The effective portion of the change in fair value of these hedging instruments during the year, a gain of £11.8m (2007: £1.7m), has been taken to the income statement along with the equal and opposite movement in fair value of the corresponding hedged items.

US\$75m of the private placement liabilities, together with the euro leg of the 2004 cross currency interest rate swap, are designated as net investment hedges of the Group's dollar and euro-denominated net assets. The effective portion of the change in fair value of these hedging instruments during the year, a loss of £19.0m (2007: £0.5m), has been 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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24 Financial instruments continued

Company's exposure to the variability of cash flows on the intra-group debt resulting from changes in foreign exchange rates. The fair value of the 2006 swaps at 31 December 2008 represented a liability of £27.5m (2007: £8.4m asset) included in other non-current liabilities. The effective portion of changes in the fair value of the 2006 swaps, a loss of £35.1m (2007: £1.9m gain), has been taken to the hedging reserve and fully recycled through the income statement during the year.

All hedges are tested for effectiveness every six months using the cumulative dollar offset method. All hedging relationships remained effective during the year. The ineffective portion of the movement in the fair value of the hedging instruments was £0.5m (2007: £0.1m).

Effective interest rates and maturity analysis

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

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

	2007 Effective interest rate %	2007 Due within 1–2 years £m	2007 Due within 2–5 years £m	2007 Due after more than 5 years £m	2007 Total non- current £m	2007 Due within 1 year £m	2007 Total £m
Bank overdrafts	7.2	–	–	–	–	(4.8)	(4.8)
Bank loans*	6.2	(0.1)	(25.1)	–	(25.2)	(1.1)	(26.3)
Other loans	6.3	–	(14.7)	(35.1)	(49.8)	–	(49.8)
Obligations under finance leases*	3.9	(1.3)	(1.5)	–	(2.8)	(1.7)	(4.5)
Total loans and borrowings		(1.4)	(41.3)	(35.1)	(77.8)	(7.6)	(85.4)
Bank balances	3.4	–	–	–	–	30.8	30.8
Short-term deposits*	3.3	–	–	–	–	0.1	0.1
Net debt		(1.4)	(41.3)	(35.1)	(77.8)	23.3	(54.5)
Derivative financial instruments		–	–	5.8	5.8	–	5.8

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

In addition, there were non-interest-earning financial liabilities comprising trade and other payables of £276.3m (2007: £201.9m) which were payable within one year.

The Group had unutilised committed banking facilities of £77.4m at 31 December 2008 (2007: £40.5m). This mainly comprises the unutilised portions of the Group's £80m revolving credit facility which expires on 20 June 2011 and the Group's £65m facility which expires on 23 July 2010. In addition, the Group had unutilised uncommitted facilities totalling £42.7m at 31 December 2008 (2007: £34.6m). All of these borrowing facilities are unsecured.

Future obligations under finance leases totalled £4.3m (2007: £5.2m), including interest of £0.3m (2007: £0.7m).

Fair values

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

Derivatives

The fair value of interest rate and cross currency swaps is calculated based on discounted expected future principal and interest cash flows.

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.

24 Financial instruments continued

Interest rate and currency profile

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

	2008 Sterling	2008 USD	2008 Euro	2008 AUD	2008 Total
Weighted average fixed debt interest rate	7.0%	8.0%	3.5%	–	n/a
Weighted average fixed debt period (years)	4.0	1.0	2.0	–	n/a

	2008 £m	2008 £m	2008 £m	2008 £m	2008 £m
Fixed rate financial liabilities	(0.5)	(0.5)	(3.5)	–	(4.5)
Floating rate financial liabilities	(22.7)	(73.7)	(32.1)	(0.2)	(128.7)
Financial assets	1.2	5.8	39.5	2.1	48.6
Net debt	(22.0)	(68.4)	3.9	1.9	(84.6)

	2007 Sterling	2007 USD	2007 Euro	2007 AUD	2007 Total
Weighted average fixed debt interest rate	7.0%	–	4.5%	–	n/a
Weighted average fixed debt period (years)	4.0	–	2.0	–	n/a

	2007 £m	2007 £m	2007 £m	2007 £m	2007 £m
Fixed rate financial liabilities	(0.8)	–	(3.7)	–	(4.5)
Floating rate financial liabilities	(4.8)	(49.4)	(23.0)	(3.7)	(80.9)
Financial assets	1.5	6.0	20.3	3.1	30.9
Net debt	(4.1)	(43.4)	(6.4)	(0.6)	(54.5)

Sensitivity analysis

At 31 December 2008, it is estimated that a general increase of one percentage point in interest rates would decrease the Group's profit before taxation by approximately £0.9m (2007: £0.5m). The impact of interest rate swaps has been included in this calculation.

It is estimated that a general increase of ten percentage points in the value of sterling against other principal foreign currencies would have decreased the Group's profit before taxation by approximately £11m for the year ended 31 December 2008 (2007: £10m). This sensitivity relates to the impact of retranslation of foreign earnings only. The impact on the Group's earnings of currency transaction exchange risk is not significant.

25 Share capital

	2008 £m	2007 £m
Authorised		
Equity share capital:		
80,000,000 ordinary shares of 10p each (2007: 80,000,000)	8.0	8.0
Allotted, called up and fully paid		
Equity share capital:		
66,318,235 ordinary shares of 10p each (2007: 66,304,235)	6.6	6.6

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

26 Capital and reserves

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Translation reserve £m	Retained earnings £m	Attributable to equity holders of the parent £m	Minority interest £m	Total equity £m
At 1 January 2007	6.6	37.1	7.6	(4.5)	105.6	152.4	6.7	159.1
Total recognised income and expense	–	–	–	4.4	55.4	59.8	3.3	63.1
Dividends	–	–	–	–	(11.5)	(11.5)	(0.8)	(12.3)
Share-based payments	–	–	–	–	1.1	1.1	–	1.1
Share capital issued	–	0.5	–	–	–	0.5	–	0.5
At 31 December 2007 and 1 January 2008	6.6	37.6	7.6	(0.1)	150.6	202.3	9.2	211.5
Total recognised income and expense	–	–	–	44.0	71.9	115.9	7.9	123.8
Dividends	–	–	–	–	(12.3)	(12.3)	(4.2)	(16.5)
Share-based payments	–	–	–	–	1.3	1.3	–	1.3
Shares repurchased	–	–	–	–	(17.5)	(17.5)	–	(17.5)
At 31 December 2008	6.6	37.6	7.6	43.9	194.0	289.7	12.9	302.6

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.

Although the Group has cash flow hedges, the fair value movement during the year on the hedging instruments, a loss of £35.1m (2007: £1.9m gain), has been fully recycled through the income statement along with the corresponding gain (2007: loss) arising on the hedged item. The opening and closing balances on the hedging reserve are therefore £nil (2007: £nil).

During the period the Company has repurchased 2.2 million shares, all of which are held in Treasury. In addition, the Company purchased a further 325,000 shares specifically to satisfy Performance Share Plan awards. The average cost of purchased shares was £6.81. All shares issued in 2007 related to share options exercised in that period.

27 Related party transactions

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

During the year the Group undertook various contracts with a total value of £9.7m (2007: £11.6m) for GTCEISU Construcción, S.A., a connected person of Mr López Jiménez, a Director of the Company. An amount of £8.0m (2007: £8.0m) is included in trade and other receivables in respect of amounts outstanding at 31 December 2008.

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 37.

28 Operating lease arrangements

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

	2008 Land and buildings £m	2008 Plant, machinery and vehicles £m	2008 Total £m	2007 Land and buildings £m	2007 Plant, machinery and vehicles £m	2007 Total £m
Payable within one year	6.5	10.0	16.5	5.4	5.9	11.3
Payable between one and five years inclusive	15.0	7.4	22.4	12.3	6.5	18.8
Payable in over five years	7.7	0.4	8.1	6.9	0.2	7.1
	29.2	17.8	47.0	24.6	12.6	37.2

29 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 2008 the Group had discounted bills of exchange and standby letters of credit outstanding totalling £17.7m (2007: £17.8m).

30 Share-based payments

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

Details of the terms and conditions of the current share option plans are set out in the Directors' Remuneration Report on pages 32 to 37.

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

	2001 Plans Options	2001 Plans Weighted average exercise price	Performance Share Plan Options
Outstanding at 1 January 2007	445,661	245.6p	960,250
Granted during 2007	–	–	216,842
Exercised during 2007	(217,161)	243.3p	(284,750)
Outstanding at 31 December 2007 and 1 January 2008	228,500	247.0p	892,342
Granted during 2008	–	–	271,574
Forfeited during 2008	(7,500)	238.0p	–
Exercised during 2008	(14,000)	248.2p	(320,500)
Outstanding at 31 December 2008	207,000	247.2p	843,416
Exercisable at 1 January 2007	445,661	245.6p	–
Exercisable at 31 December 2007 and 1 January 2008	228,500	247.0p	21,250
Exercisable at 31 December 2008	207,000	247.2p	21,250

Exercises occurred throughout the year. The average share price during the year was 624.5p.

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 a stochastic model. The contractual life of the option is used as an input into this model, with expectations of early exercise being incorporated into the model.

The inputs into the stochastic model are as follows:

	2008 Performance Share Plan	2007 Performance Share Plan
Weighted average share price	696.0p	881.0p
Weighted average exercise price	0.0p	0.0p
Expected volatility	38.2%	28.10%
Expected life	3 years	3 years
Risk free rate	3.95%	5.24%
Expected dividend yield	2.59%	1.77%

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 £1.3m (2007: £1.1m) related to equity-settled, share-based payment transactions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

31 Retirement benefit liabilities

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

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

The Group has two UK defined contribution retirement benefit schemes. There were no contributions outstanding in respect of these schemes at 31 December 2008 (2007: £nil). The total UK defined contribution pension charge for the year was £0.7m (2007: £0.7m).

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 US, where the Group is required to match employee contributions up to a certain level in accordance with the scheme rules. The total US pension charge for the year was £2.4m (2007: £2.5m).

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% (2007: 9%). The total Australian pension charge for the year was £1.8m (2007: £1.6m).

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

	The Keller Group Pension Scheme (UK) Year ended 31 December 2008 £m	The Keller Group Pension Scheme (UK) Year ended 31 December 2007 £m	German and Austrian Schemes Year ended 31 December 2008 £m	German and Austrian Schemes Year ended 31 December 2007 £m
Present value of the scheme liabilities	(28.6)	(31.4)	(11.3)	(9.3)
Present value of assets	26.3	26.8	–	–
Deficit in the scheme	(2.3)	(4.6)	(11.3)	(9.3)

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

	31 December 2008 %	31 December 2007 %	31 December 2008 %	31 December 2007 %
Discount rate	6.7	5.8	6.0	5.3
Expected return on scheme assets	5.2	6.2	n/a	n/a
Rate of increase in salaries	n/a	n/a	–	–
Rate of increase in pensions in payment	3.1	3.4	1.5	1.5
Rate of increase in pensions in deferment	3.1	3.4	1.5	1.5
Rate of inflation	3.1	3.4	1.5	1.5
Mortality table:				
Pensioners	**	PA92 C2000	*	*
Non-pensioners	**	PA92 C2020	*	*

* Richttafeln 2005 G.

** 130% PNA00 mc min 1%

The assets of the schemes were as follows:

	Value as at 31 December 2008 £m	Value as at 31 December 2007 £m	Value as at 31 December 2008 £m	Value as at 31 December 2007 £m
Equities	16.4	16.9	n/a	n/a
Bonds	9.9	9.9	n/a	n/a
	26.3	26.8	n/a	n/a

31 Retirement benefit schemes continued

	The Keller Group Pension Scheme (UK) Year ended 31 December 2008 £m	The Keller Group Pension Scheme (UK) Year ended 31 December 2007 £m	German and Austrian Schemes Year ended 31 December 2008 £m	German and Austrian Schemes Year ended 31 December 2007 £m
Changes in scheme liabilities				
Opening balance	(31.4)	(32.5)	(9.3)	(8.9)
Current service cost	–	–	(0.4)	(0.3)
Interest cost	(1.8)	(1.7)	(0.3)	(0.3)
Benefits paid	0.9	0.8	0.8	0.4
Exchange differences	–	–	(2.8)	(1.0)
Actuarial gains	3.7	2.0	0.7	0.8
Closing balance	(28.6)	(31.4)	(11.3)	(9.3)
Changes in scheme assets				
Opening balance	26.8	25.7	–	–
Expected return on scheme assets	1.7	1.5	–	–
Employer contributions	1.4	1.2	–	–
Benefits paid	(0.9)	(0.8)	–	–
Actuarial losses	(2.7)	(0.8)	–	–
Closing balance	26.3	26.8	–	–
Actual return on scheme assets	(1.0)	0.8	–	–
Statement of recognised income and expense (SORIE)				
Actuarial losses from assets	(2.7)	(0.8)	–	–
Actuarial gains from liabilities	3.7	2.0	0.7	0.8
Net actuarial gains	1.0	1.2	0.7	0.8
Cumulative actuarial losses	(5.0)	(6.0)	–	(0.7)
Expense/(income) recognised in the income statement				
Current service cost	–	–	0.4	0.3
Operating costs	–	–	0.4	0.3
Interest cost	1.8	1.7	0.3	0.3
Expected return on assets	(1.7)	(1.5)	–	–
Expense recognised in the income statement	0.1	0.2	0.7	0.6
Movements in the balance sheet liability				
Net liability at start of year	4.6	6.8	9.3	8.9
Expense recognised in the income statement	0.1	0.2	0.7	0.6
Contributions	(1.4)	(1.2)	–	–
Benefits paid	–	–	(0.8)	(0.4)
Exchange differences	–	–	2.8	1.0
Actuarial gains recognised in SORIE	(1.0)	(1.2)	(0.7)	(0.8)
Net liability at end of year	2.3	4.6	11.3	9.3

The expected return on the average value of the assets over the year was calculated using the long-term average rate of return expected over the remaining term of the scheme's liabilities. The contributions expected to be paid during 2009 are £1.5m.

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

	2008 £m	2007 £m	2006 £m	2005 £m	2004 £m
Present value of defined benefit obligations	(39.9)	(40.7)	(41.4)	(40.3)	(33.4)
Fair value of scheme assets	26.3	26.8	25.7	19.8	16.8
Deficit in the schemes	(13.6)	(13.9)	(15.7)	(20.5)	(16.6)
Experience adjustments on scheme liabilities	4.4	2.8	(0.3)	(7.7)	(3.1)
Experience adjustments on scheme assets	(2.7)	(0.8)	0.2	1.8	0.5

COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2008

	Note	2008 £m	2007 £m
Fixed assets			
Tangible fixed assets	4	0.2	0.2
Investments	5	119.8	129.1
Deferred tax assets	6	2.6	3.1
		122.6	132.4
Current assets			
Debtors*	7	244.4	163.9
Cash at bank and in hand		–	1.4
Creditors: amounts falling due within one year	8	(22.9)	(10.6)
Net current assets*		221.5	154.7
Total assets less current liabilities			
Creditors: amounts falling due after more than one year	9	(139.5)	(81.8)
Retirement benefits	14	(0.3)	(0.5)
Net assets		204.3	204.8
Capital and reserves			
Called up share capital	10	6.6	6.6
Share premium account	12	37.6	37.6
Capital redemption reserve	12	7.6	7.6
Profit and loss account	12	152.5	153.0
Shareholders' funds	11	204.3	204.8

* Debtors and net current assets include debtors recoverable after more than one year of £233.8m (2007: £161.0m).

These financial statements were approved by the Board of Directors and authorised for issue on 2 March 2009.
They were signed on its behalf by:

J M West Chairman

J W G Hind Finance Director

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1 Significant accounting policies

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

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

The following accounting policies have been applied consistently.

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

a) Basis of accounting

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

b) Retirement benefits

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

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

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

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

c) Investments

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

d) Deferred taxation

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

e) Tangible fixed assets

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

2 Employees

The Company has no employees other than the Directors. Directors' remuneration and details of their share-based payments are disclosed in the Directors' Remuneration Report on pages 32 to 37.

3 Dividends paid

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

NOTES TO THE COMPANY FINANCIAL STATEMENTS

CONTINUED

4 Tangible fixed assets

	Leasehold improvements £m	Total £m
Cost		
At 1 January 2008 and 31 December 2008	0.3	0.3
Accumulated depreciation		
At 1 January 2008 and 31 December 2008	(0.1)	(0.1)
Carrying amount		
At 1 January 2008 and 31 December 2008	0.2	0.2

5 Investments

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

On 17 December 2008, the Company purchased 100% of the share capital of Capital Insurance Ltd from Keller Holdings Ltd for a consideration of £0.1m.

On 18 December 2008, the Company sold 100% of the share capital of Keller-Terra S.L. to Keller Holdings Ltd for a consideration of £9.3m.

6 Deferred tax

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

	Unrelieved losses £m	Other timing differences £m	Total £m
At 1 January 2008	2.7	0.4	3.1
Charge to the profit and loss account	(0.5)	–	(0.5)
At 31 December 2008	2.2	0.4	2.6

7 Debtors

	2008 £m	2007 £m
Amounts owed by subsidiary undertakings	239.0	155.3
Other debtors	5.4	8.6
	244.4	163.9
Included in the above are amounts falling due after more than one year in respect of:		
Amounts owed by subsidiary undertakings	228.5	152.6
Other debtors	5.3	8.4
	233.8	161.0

8 Creditors: amounts falling due within one year

	2008 £m	2007 £m
Overdrafts	2.4	–
Amounts owed to subsidiary undertakings	16.4	2.5
Other creditors	3.4	7.5
Accruals	0.7	0.6
	22.9	10.6

9 Creditors: amounts falling due after more than one year

	2008 £m	2007 £m
Bank loans	26.8	6.2
Other loans	76.0	50.1
Other creditors	27.7	2.6
Amounts owed to subsidiary undertakings	9.0	22.9
	139.5	81.8
Bank and other loans are repayable as follows:		
Between two and five years	48.7	21.2
In five years or more	54.1	35.1
	102.8	56.3

The Company had an unutilised committed banking facility of £13.4m at 31 December 2008 (2007: £38.8m); the facility expires in June 2011.

On 24 July 2008, the Company obtained an additional committed banking facility of £65m which expires in July 2010. This facility was unutilised at 31 December 2008.

10 Share capital

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

11 Reconciliation of movements in shareholders' funds

	2008 £m	2007 £m
Profit for the financial year	27.9	36.7
Actuarial gain on defined benefit pension scheme (net of deferred tax)	0.1	0.1
Dividends	(12.3)	(11.5)
Issue of new shares	–	0.5
Share-based payments	1.3	1.1
Shares repurchased	(17.5)	–
Net movements in shareholders' funds	(0.5)	26.9
Shareholders' funds at 1 January	204.8	177.9
Shareholders' funds at 31 December	204.3	204.8

All shares issued relate to share options that were exercised.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

CONTINUED

12 Reserves

	Share premium account £m	Capital redemption reserve £m	Profit and loss account £m	Total £m
At 1 January 2008	37.6	7.6	153.0	198.2
Profit for the financial year	–	–	27.9	27.9
Actuarial gain on defined benefit pension scheme (net of deferred tax)	–	–	0.1	0.1
Dividends	–	–	(12.3)	(12.3)
Share-based payments	–	–	1.3	1.3
Shares repurchased	–	–	(17.5)	(17.5)
At 31 December 2008	37.6	7.6	152.5	197.7

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

13 Share-based payments

Details of the Company's share option plans are given in note 30 to the consolidated financial statements.

14 Retirement benefit schemes

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

Details of the actuarial methods and assumptions, as well as steps taken to address the deficit in the scheme, are given in note 31 to the consolidated financial statements.

There were no contributions outstanding in respect of the defined contribution schemes at 31 December 2008 (2007: £nil).

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

	2008 £m	2007 £m
Present value of the scheme liabilities	(4.6)	(5.0)
Present value of assets	4.2	4.3
Deficit in the scheme	(0.4)	(0.7)
Related deferred tax asset at 28% (2007: 28%)	0.1	0.2
Net pension liability	(0.3)	(0.5)

The assets of the scheme were as follows:

	2008 £m	2007 £m
Equities	2.6	2.7
Bonds	1.6	1.6
	4.2	4.3

14 Retirement benefit schemes continued

	2008 £m	2007 £m
Changes in scheme liabilities		
Opening balance	(5.0)	(5.2)
Interest cost	(0.3)	(0.2)
Benefits paid	0.1	0.1
Actuarial gains	0.6	0.3
Closing balance	(4.6)	(5.0)
Changes in scheme assets		
Opening balance	4.3	4.1
Expected return on scheme assets	0.2	0.2
Employer contributions	0.2	0.2
Benefits paid	(0.1)	(0.1)
Actuarial losses	(0.4)	(0.1)
Closing balance	4.2	4.3
Actual return on scheme assets	(0.2)	0.1
Statement of total recognised gains and losses (STRGL)		
Actuarial losses from assets	(0.4)	(0.1)
Actuarial gains from liabilities	0.6	0.3
Net actuarial gains	0.2	0.2
Cumulative actuarial losses	–	(0.2)
Expense recognised in the profit and loss account		
Interest cost	0.3	0.2
Expected return on assets	(0.2)	(0.2)
Expense recognised in the profit and loss account	0.1	–
Movements in the balance sheet liability		
Net liability at start of year	0.7	1.1
Expense recognised in the profit and loss account	0.1	–
Contributions	(0.2)	(0.2)
Actuarial gains recognised in STRGL	(0.2)	(0.2)
Net liability at end of year	0.4	0.7

The expected return on the average value of the assets over the year was calculated using the long-term average rate of return expected over the remaining term of the scheme's liabilities. The contributions expected to be paid during 2009 are £0.2m.

The history of experience adjustments on scheme assets and liabilities is as follows:

	2008 £m	2007 £m	2006 £m	2005 £m	2004 £m
Present value of defined benefit obligations	(4.6)	(5.0)	(5.2)	(5.1)	(6.9)
Fair value of scheme assets	4.2	4.3	4.1	3.2	4.6
Deficit in the scheme	(0.4)	(0.7)	(1.1)	(1.9)	(2.3)
Experience adjustments on scheme liabilities	0.6	0.3	–	1.7	(0.1)
Experience adjustments on scheme assets	(0.4)	(0.1)	–	(1.7)	0.1

FINANCIAL RECORD

	2004 £m	2005 £m	2006 £m	2007 £m	2008 £m
Consolidated Income Statement					
Continuing operations					
Revenue	526.2	685.2	857.7	955.1	1,196.6
Operating profit before amortisation of intangible assets	33.4	55.4	91.7	108.4	120.1
Amortisation of intangible assets	(0.1)	(0.1)	(2.4)	(1.0)	(0.7)
Operating profit	33.3	55.3	89.3	107.4	119.4
Finance income	1.3	1.2	1.9	2.5	2.0
Finance costs	(5.3)	(5.8)	(7.5)	(6.7)	(8.2)
Profit before taxation	29.3	50.7	83.7	103.2	113.2
Taxation – underlying	(12.0)	(20.4)	(30.7)	(35.9)	(35.9)
Taxation – one-off tax credit	–	–	3.8	–	–
Profit for the period from continuing operations	17.3	30.3	56.8	67.3	77.3
Discontinued operation					
Profit/(loss) from discontinued operation net of taxation	0.6	(1.3)	–	(10.5)	(1.7)
Profit for the period	17.9	29.0	56.8	56.8	75.6
Attributable to:					
Equity holders of the parent	15.8	27.3	55.7	54.0	70.8
Equity minority interests	2.1	1.7	1.1	2.8	4.8
	17.9	29.0	56.8	56.8	75.6
Consolidated Balance Sheet					
Property, plant and equipment	80.9	90.4	114.6	155.8	254.7
Intangible and other non-current assets	51.8	55.7	66.3	94.5	124.3
Other net operating assets	46.3	49.7	52.9	50.2	89.0
Net debt	(58.7)	(40.9)	(38.6)	(54.5)	(84.6)
Other net liabilities	(29.3)	(37.7)	(36.1)	(34.5)	(80.8)
Net assets	91.0	117.2	159.1	211.5	302.6
Minority interests	(5.6)	(6.1)	(6.7)	(9.2)	(12.9)
Equity attributable to equity holders of the parent	85.4	111.1	152.4	202.3	289.7