

Notes to the accounts

1 Principal accounting policies

(a) Basis of accounting

The accounts of the Group have been prepared under the historical cost convention in accordance with applicable accounting standards.

The Group has implemented FRS 19 – Deferred Tax which has given rise to a prior year adjustment, details of which are set out in note 30. The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's accounts.

(b) Basis of consolidation

The Group accounts consolidate the accounts of the parent company and its subsidiary undertakings made up to 31 December each year. Where subsidiary undertakings are acquired or sold during the year, the accounts include the results for the part of the year for which they were subsidiary undertakings.

The Company has taken advantage of the exemption in Section 230 of the Companies Act 1985 and has not produced its own profit and loss account. Of the consolidated profit for the financial year of £13,367,000 a profit of £4,663,000 has been dealt with in the financial statements of Keller Group plc.

(c) Turnover

Turnover represents the valuation of work done on contracts performed during the year on behalf of clients or the invoiced value of goods and services charged to clients.

These valuations are based upon estimates of the final expected outcome of contracts and the proportion of work which has been completed.

(d) Contract results

In the nature of the Group's business the results for the year include adjustments to the outcome of contracts, including joint arrangements, completed in previous years arising from:

- (i) claims by customers or third parties in respect of work carried out where full provision is made in the year in which the Group becomes aware that a claim may arise;
- (ii) claims on customers or third parties for variations to the original contract which are not taken to profit until the outcome is reasonably certain; and
- (iii) costs of insurance arrangements which can be adjusted retrospectively based on claims experience.

Where it is reasonably foreseen 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.

(e) Joint arrangements

From time to time the Group undertakes contracts jointly with other parties. These fall under the category of joint arrangements that are not entities as defined by FRS 9. 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 joint arrangements.

(f) Depreciation

Depreciation is not provided on freehold land.

Depreciation is provided to write off the cost less the estimated residual value of assets by reference to their estimated useful lives using the straight line method.

The rates of depreciation used were:

Buildings	2%
Long life plant and equipment	8.33%
Computers	33.33%
Short life plant and equipment	12.5%
Commercial vehicles	25%
Other motor vehicles	25%

Leased properties are amortised by equal instalments over the period of the lease or 50 years, whichever is the shorter.

(g) Research and development

Revenue expenditure on research and development is written off against trading profits as incurred.

(h) Capital work in progress

Capital work in progress represents expenditure on fixed assets in the course of construction. Transfers are made to other fixed asset categories when the assets are available for use.

(i) Stocks

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

1 Principal accounting policies continued

(j) Amounts recoverable on contracts

Amounts recoverable on contracts comprises work completed, or measurable parts thereof, not yet invoiced to clients, and is stated after making due allowance for irrecoverable amounts.

(k) Leases

Fixed assets 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 shown as "obligations under finance leases". The rentals payable are apportioned between interest, which is charged to the profit and loss account, and capital, which reduces the outstanding obligation.

Rental costs in respect of operating leases are charged to the profit and loss account as incurred.

(l) 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.

(m) Pensions

The expected cost of providing pensions is recognised on a systematic and rational basis over the expected service lives of current employees.

(n) Goodwill and intangibles

Positive 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 fixed asset and charged to the profit and loss account over the useful economic life of the asset.

Negative goodwill, where the fair value of the net assets is greater than the fair value of the purchase consideration of the subsidiary undertaking at the date of acquisition, is recognised separately on the balance sheet below positive goodwill. It is credited to the profit and loss account over a period in which the non monetary assets (usually fixed assets) are depreciated or sold.

Positive goodwill and negative goodwill arising prior to 1 January 1998 were taken directly to reserves in the year in which they arose. Such positive goodwill and negative goodwill have not been reinstated on the balance sheet. This positive goodwill or negative goodwill would be charged or credited to the profit and loss account on a subsequent disposal of the business to which they relate.

Intangible assets, other than goodwill, which are purchased, such as licences, patents and trademarks are capitalised and charged to the profit and loss account over their useful economic lives. Internally generated intangible assets are not capitalised.

(o) Foreign currencies

Balance sheet items in foreign currencies are translated into Sterling at closing rates of exchange at the balance sheet date. However, if amounts receivable and payable in foreign currencies are covered by a forward contract, the contract rate of exchange is used for translation. Profit and loss accounts 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 profit and loss accounts at closing rates of exchange are dealt with as movements on reserves. All other exchange differences are charged to the profit and loss account.

The exchange rates used in respect of principal currencies are:

	2001	2000
US Dollar: average for year	1.44	1.52
US Dollar: year end	1.45	1.49
Australian Dollar: average for year	2.79	2.61
Australian Dollar: year end	2.84	2.67
Euro: average for year	1.61	1.64
Euro: year end	1.64	1.59

2 Segmental analysis

Turnover, operating profit and net assets may be analysed as follows:

	2001 Continuing operations £000	2001 Continuing operations Acquisitions £000	2001 Continuing operations Total £000	2000 Continuing operations Total £000
Turnover				
Class of business				
Foundations	347,549	277	347,826	265,322
Specialist services	54,200	20,222	74,422	47,632
	401,749	20,499	422,248	312,954
Geographical origin				
United Kingdom	100,130	–	100,130	91,021
The Americas	168,262	20,499	188,761	110,063
Continental Europe and overseas	115,008	–	115,008	97,689
Australia	18,349	–	18,349	14,181
	401,749	20,499	422,248	312,954
Operating profit				
Class of business				
Foundations	23,191	25	23,216	15,394
Specialist services	2,439	323	2,762	2,411
	25,630	348	25,978	17,805
Geographical origin				
United Kingdom	3,167	–	3,167	3,411
The Americas	15,996	348	16,344	9,692
Continental Europe and overseas	5,820	–	5,820	4,886
Australia	647	–	647	(184)
	25,630	348	25,978	17,805
Unallocated central costs			(1,800)	(1,598)
			24,178	16,207
Net interest payable			(1,785)	(760)
			22,393	15,447

The amortisation of goodwill (2000: together with restructuring costs of £1,177,000) has been analysed by geographical segment as follows: United Kingdom £288,000 (2000: £937,000), The Americas £1,005,000 (2000: £212,000), Continental Europe and overseas £62,000 (2000: £227,000) and Australia, a credit of £104,000 (2000: charge £123,000).

2 Segmental analysis continued

	2001 Continuing operations Total £000	Restated 2000 Continuing operations Total £000
Net assets		
Class of business		
Foundations	69,532	65,509
Specialist services	66,945	1,730
	136,477	67,239
Net debt	(63,202)	(9,611)
	73,275	57,628
Geographical origin		
United Kingdom	9,194	10,276
The Americas	109,862	39,945
Continental Europe and overseas	15,468	13,215
Australia	1,953	3,803
	136,477	67,239
Net debt	(63,202)	(9,611)
	73,275	57,628

In the opinion of the directors: (i) it is not deemed appropriate to analyse net debt and net interest payable thereon by geographical segment and (ii) turnover by destination is not materially different from turnover by origin.

3 Operating costs

	2001 Continuing operations £000	2001 Continuing operations Acquisitions £000	2001 Continuing operations Total £000	2000 Continuing operations Total £000
Change in stocks of finished goods and work in progress	28	275	303	(14)
Own work capitalised	(4,108)	–	(4,108)	(3,432)
Raw materials and consumables	103,720	9,609	113,329	73,753
Other external and operating charges	165,914	600	166,514	129,797
Staff costs	104,593	8,840	113,433	89,641
Amortisation of goodwill and intangibles	706	632	1,338	363
Depreciation: tangible owned fixed assets	6,766	195	6,961	6,477
tangible fixed assets held under finance leases	300	–	300	162
	377,919	20,151	398,070	296,747
Other external and operating charges include:				
Auditors' remuneration: audit fees (Company: £48,000 (2000: £42,000))			424	340
fees paid to the auditors and associates for other services*			116	251
Rental of plant and equipment			32,092	21,859
Rental of property			2,222	1,684
Restructuring costs			–	1,177

*In addition, £388,000 was paid in relation to the acquisition of Suncoast Post-Tension L.P. and £358,000 in respect of debt financing.

4 Employees

The aggregate staff costs of the Group were:

	2001 £000	2000 £000
Wages and salaries	93,348	75,457
Social security costs	13,426	12,076
Other pension costs	6,659	2,108
	113,433	89,641

These costs include directors' remuneration. Disclosures on directors' remuneration, including emoluments, shareholdings, pension rights and interests in long term incentive plans required by the Companies Act 1985 and those specified for audit by the Financial Services Authority are on pages 28 to 30 within the Remuneration report and form part of these financial statements.

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

	2001 Number	2000 Number
United Kingdom	833	871
The Americas	995	677
Continental Europe and overseas	1,105	1,142
Australia	335	305
	3,268	2,995

5 Net interest payable

	2001 £000	2000 £000
Interest payable on bank loans and overdrafts	1,728	869
Interest on other loans	446	475
Interest payable on finance leases	71	82
	2,245	1,426
Interest receivable	(460)	(666)
	1,785	760

6 Taxation

The taxation charge comprises:

	2001 £000	Restated 2000 £000
UK corporation tax at 30% (2000: 30%)	411	579
Overseas tax	9,286	4,988
Deferred tax	(1,049)	252
Under/(over) provisions in respect of prior years	36	(28)
	8,684	5,791

The charge exceeds the UK rate due to:

	2001 £000	2000 £000
Expected tax charge at 30% (2000: 30%)	6,718	4,634
Tax charged overseas at more than 30%	1,858	1,094
Permanent timing differences	108	63
Actual tax charge	8,684	5,791

7 Dividends paid and proposed

Ordinary dividends on equity shares:

	2001 £000	2000 £000
Interim paid	1,790	1,619
Final proposed	3,611	3,210
	5,401	4,829

An interim ordinary dividend of 3.15p (2000: 2.85p) per share was paid on 31 October 2001.

The final proposed ordinary dividend of 6.05p (2000: 5.65p) per share will be paid on 31 May 2002.

8 Earnings per share

Earnings per share is calculated as follows:

	2001 Basic	2001 Diluted	Restated 2000 Basic	Restated 2000 Diluted
Profit after tax and minority interests	£13,367,000	£13,367,000	£9,796,000	£9,796,000
	No. of shares	No. of shares	No. of shares	No. of shares
Weighted average of ordinary shares in issue during the year	56,640,447	56,640,447	56,529,208	56,529,208
Add: Weighted average of shares under option during the year	–	168,862	–	188,365
Add: Weighted average of own shares held	–	318,000	–	277,427
Subtract: Number of shares assumed issued at fair value during the year	–	(79,362)	–	(91,467)
Adjusted weighted average of ordinary shares in issue	56,640,447	57,047,947	56,529,208	56,903,533
	pence	pence	pence	pence
Earnings per share	23.6	23.4	17.3	17.2

Earnings per share before amortisation of goodwill of 25.8p (2000: 17.9p) is calculated based on profit after tax and minority interests before amortisation of goodwill of £14,618,000 (2000: £10,118,000) and the weighted average number of ordinary shares in issue during the year of 56,640,447 (2000: 56,529,208).

Diluted earnings per share before amortisation of goodwill of 25.6p (2000: 17.8p) is calculated based on profit after tax and minority interests before amortisation of goodwill of £14,618,000 (2000: £10,118,000) and the adjusted weighted average number of ordinary shares in issue during the year of 57,047,947 (2000: 56,903,533).

9 Goodwill

Group	Positive goodwill £000	Negative goodwill £000	Total £000
Cost			
At 1 January 2001	13,040	(489)	12,551
Additions	49,597	–	49,597
At 31 December 2001	62,637	(489)	62,148
Amortisation			
At 1 January 2001	530	(280)	250
Charge/(credit) for the year	1,355	(104)	1,251
At 31 December 2001	1,885	(384)	1,501
Net book value			
At 31 December 2001	60,752	(105)	60,647
Net book value			
At 31 December 2000	12,510	(209)	12,301

On 1 October 2001, the Group acquired the business and assets of Suncoast Post-Tension Inc., for a consideration of £61,481,000 in cash. Additional related fees amounted to £3,532,000. Under the terms of the acquisition agreement the working capital at the date of acquisition is subject to audit and adjustment. The directors are of the opinion that no further payment will be required of the Group. The directors estimate that £679,000 will become payable in respect of deferred purchase consideration.

9 Goodwill continued

In the year ended 31 December 2001, Suncoast Post-Tension L.P. contributed £2,374,000 to the Group's net operating cash flows, utilised £45,000 in respect of returns on investments and servicing of finance, utilised £25,000 for capital expenditure, utilised £65,013,000 in respect of acquisitions and received £61,226,000 by way of financing.

In the year from 1 October 2000 to 30 September 2001, Suncoast had a turnover of £93,600,000, operating profit of £9,200,000, profit before tax of £6,700,000 and a taxation charge of £2,500,000.

On 20 November 2001, the Group acquired the assets of Catoh Inc., for an initial cash consideration of £1,800,000 and debt of £1,200,000. A deferred purchase consideration of £154,000 is payable based upon the audited net assets at the date of acquisition.

Positive goodwill on acquisitions is amortised over its estimated economic life which is considered to be 20 years. Negative goodwill is amortised over its economic life of four years and eight months.

The assets and liabilities acquired at the date of acquisition were as follows:

	FSI £000	TCDI £000	Suncoast £000	Catoh £000	2001 Total £000	2000 Total £000
Tangible fixed assets	–	–	6,028	1,466	7,494	2,412
Stocks	–	–	6,116	–	6,116	275
Debtors	–	–	19,347	2,123	21,470	3,909
Net cash	–	–	13	–	13	271
Debt	–	–	–	(1,157)	(1,157)	(1,423)
Creditors	–	–	(11,649)	(508)	(12,157)	(3,017)
Net assets acquired	–	–	19,855	1,924	21,779	2,427
Fair value adjustments:						
Fixed asset revaluations	–	–	(1,869)	(171)	(2,040)	1,011
Stocks revaluation	–	–	(95)	–	(95)	–
Debtors revaluation	–	–	(1,501)	–	(1,501)	–
Accounting policy alignment	–	–	(170)	–	(170)	(122)
Fair value of net assets acquired	–	–	16,220	1,753	17,973	3,316
Minority interests in net assets acquired	–	–	–	–	–	(64)
Group interests in net assets acquired	–	–	16,220	1,753	17,973	3,252
Positive goodwill arising on investment	–	–	49,472	125	49,597	11,324
Cost of investment	–	–	65,692	1,878	67,570	14,576
Less: loan notes	–	–	–	–	–	(2,867)
Less: other consideration	–	–	–	–	–	(100)
Less: deferred purchase consideration	–	–	(679)	(154)	(833)	(2,551)
Deferred purchase consideration in respect of prior year acquisitions	153	453	–	–	606	–
Acquisition of subsidiary undertakings per cash flow	153	453	65,013	1,724	67,343	9,058

9 Goodwill continued

In March 2000, the Group acquired Allied Mechanical Services Limited ("AMS") for an initial consideration of £3,873,000 (including related fees of £105,000) of which £1,073,000 was paid in cash in March 2000, £2,700,000 settled by the issuing of guaranteed loan notes and £100,000 in 5% cumulative redeemable preference shares in AMS Holdings Limited, an intermediate holding company set up to hold this investment. Depending upon the profit performance of AMS in the period to 31 March 2002, a deferred purchase consideration of up to £1,400,000 will be payable. The directors estimate that this amount will be paid in full.

In June 2000, the Group acquired the assets of Foundation Services Inc ("FSI"), for an initial cash consideration of £2,406,000 including related fees of £93,000. This amount was subject to revision based on the audited net assets at the date of acquisition. An additional payment of £84,000 was required. In addition, a deferred purchase consideration of £69,000 was paid in relation to the profit performance in the first 12 months of ownership.

In July 2000, TCD Inc and Geotechnical Modifications Inc (together "TCDI") were acquired by the Group for an initial cash consideration of £4,092,000 including related fees of £84,000. This amount was subject to revision based on the audited net assets at the date of acquisition. An additional payment of £384,000 was required. In addition, a deferred purchase consideration of £348,000 is payable in instalments over the six years from the date of acquisition. Of this, £69,000 was paid in the year.

In October 2000, the Group acquired the share capital of Minages et Travaux Souterrains SA ("MTS") for an initial cash consideration of £373,000 including related fees of £4,000 and a deferred purchase consideration of £206,000 which is payable dependent upon the operating profit of the company in the period to 31 December 2002.

In November 2000, the Group acquired 50% of the share capital of Lime Column Markteknik AB ("LCM") for an initial cash consideration of £931,000 including related fees of £44,000 and a deferred purchase consideration of £91,000 which is payable based on the level of sales of the company in the period to 31 December 2003.

10 Other intangible assets

Group	Licences £000
Cost	
At 1 January 2001	496
Additions	72
Exchange differences	(9)
At 31 December 2001	559
Amortisation	
At 1 January 2001	101
Charge for the year	87
Exchange differences	(1)
At 31 December 2001	187
Net book value	
At 31 December 2001	372
Net book value	
At 31 December 2000	395

11 Tangible assets

Group	Land and buildings £000	Plant, machinery and vehicles £000	Capital work in progress £000	Total £000
Cost				
At 1 January 2001	17,459	86,116	345	103,920
Exchange differences	(121)	(643)	20	(744)
Additions	425	10,735	304	11,464
Acquired with subsidiary undertakings	931	4,523	–	5,454
Disposals	(604)	(3,230)	–	(3,834)
Reclassification	65	307	(372)	–
At 31 December 2001	18,155	97,808	297	116,260
Depreciation				
At 1 January 2001	2,389	50,743	–	53,132
Exchange differences	(21)	(429)	–	(450)
Charge for the year	260	7,001	–	7,261
Disposals	(593)	(2,367)	–	(2,960)
At 31 December 2001	2,035	54,948	–	56,983
Net book value				
At 31 December 2001	16,120	42,860	297	59,277
Net book value				
At 31 December 2000	15,070	35,373	345	50,788

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

	2001 £000	2000 £000
Land and buildings	755	590
Plant, machinery and vehicles	2,652	1,714
	3,407	2,304

The net book value of land and buildings may be analysed as follows:

	2001 Cost £000	2001 Accumulated depreciation £000	2001 NBV £000	2000 NBV £000
Freehold land	5,236	–	5,236	5,141
Freehold buildings	12,037	(1,907)	10,130	9,339
Long leases	669	(119)	550	–
Short leases	264	(60)	204	590
	18,206	(2,086)	16,120	15,070

12 Investments

Cost	2001 Group £000	2000 Group £000	2001 Company £000	2000 Company £000
Own shares	778	778	778	778
Less: amounts owed to beneficiaries of Employee Benefit Trust	(778)	(778)	(778)	(778)
Subsidiary undertakings	–	–	22,846	19,846
	–	–	22,846	19,846

12 Investments continued

The market value of the investment in 318,000 own shares at 31 December 2001 was £884,040. As noted on page 29 this investment relates to purchases under the Keller Group plc Deferred Annual Bonus Scheme to cover awards and potential matched shares or additional matched shares by the Keller Group plc Employee Benefit Trust.

During the year the Company invested a further £3m in Keller Limited in return for a dividend of the same amount.

The Company's principal operating subsidiary undertakings at 31 December 2001 were as follows. A full list of subsidiaries will be annexed to the Company's next annual return.

Subsidiary undertaking	Country of incorporation	Subsidiary undertaking	Country of incorporation
Keller Limited	Great Britain	Keller Fondazioni S.r.l.	Italy
Makers UK Limited	Great Britain	Keller (Malaysia) Sdn. Bhd.	Malaysia
Allied Mechanical Services Limited	Great Britain	Keller Foundations (South East Asia) Pte Ltd	Singapore
Keller Grundbau GmbH	Germany	Keller Turki Company Ltd	Saudi Arabia
Keller Fondations Spéciales SARL	France	Geotechnical Engineering Contractor Ltd	Egypt
Keller Grundbau Ges.mbh	Austria	Frankipile Australia Pty Ltd	Australia
Keller Specialne zakladanie, spol. sr.o.	Slovakia	P.T. Frankipile Indonesia	Indonesia
Keller Specialni zakladani, spol. sr.o.	Czech Republic	Hayward Baker Inc	USA
Keller Grundbau Mélyépítő kft	Hungary	Case Foundation Company	USA
Minages et Travaux Souterrains SA	Switzerland	Case Atlantic Company	USA
Keller Funderingstecknieken B.V.	Holland	Suncoast Post-Tension L.P.	USA
Keller Cimentaciones Especiales	Spain	Keller Cimentaciones Cia Ltda	Colombia
Lime Column Markteknik AB	Sweden	Keller Cimentaciones de Latinoamerica, S.A. de C.V.	Mexico
Keller Polska Sp. z o.o.	Poland		

Each of the above subsidiary undertakings is directly or indirectly wholly owned by the Company apart from Frankipile Australia Pty Ltd which is owned 85% by Keller Holdings Ltd, Lime Column Markteknik AB which is owned 50% by Keller Holding GmbH, Keller Turki Company Ltd which is owned 65% by Keller Grundbau GmbH and P.T. Frankipile Indonesia which is owned 60% by Franki Pacific Holdings Pty Ltd. Keller Ltd is held directly by the Company. All other shareholdings are held by intermediate subsidiary undertakings. All companies are engaged in the principal activities of the Group, as defined in the directors' report.

13 Stocks

Group	2001 £000	2000 £000
Raw materials and consumables	5,744	6,396
Work in progress	290	67
Finished goods	6,432	563
	12,466	7,026

14 Debtors

	2001 Group £000	2000 Group £000	2001 Company £000	2000 Company £000
Trade debtors	107,297	81,773	–	–
Amounts recoverable on contracts	4,978	3,519	–	–
Amounts owed by subsidiary undertakings	–	–	43,049	27,891
Other debtors	5,240	4,212	873	614
Prepayments	2,803	1,607	180	4
	120,318	91,111	44,102	28,509

Included in the above are amounts falling due after more than one year in respect of:

Amounts owed by subsidiary undertakings	–	–	29,302	12,418
Other debtors	1,680	1,569	–	118
	1,680	1,569	29,302	12,536

15 Creditors: amounts falling due within one year

	2001 Group £000	2000 Group £000	2001 Company £000	2000 Company £000
Overdrafts	9,225	801	–	–
Bank loans	5,197	746	–	–
Loan notes	6,898	7,068	4,198	4,368
Trade creditors	55,764	45,685	919	568
Obligations under finance leases	436	321	–	–
Amounts owed to subsidiary undertakings	–	–	9	101
Other creditors	26,452	19,164	–	10
Accruals	10,090	6,625	259	76
Corporation and withholding taxes payable	4,503	3,027	205	–
Other taxes and social security payable	6,967	6,093	–	–
Dividends payable	3,611	3,210	3,611	3,210
	129,143	92,740	9,201	8,333

There are no fixed terms for the repayment of loan notes amounting to £4,198,000. Loan note holders have the right to require the Company to repay up to the whole of their holding on any date between 15 March and 14 April and between 15 September and 14 October in any year up to the final repayment date of 25 November 2006. The redemption of these loan notes has been assessed according to the earliest period during which loan note holders can demand redemption, namely 15 March to 14 April 2002.

Interest on these loan notes is charged at a rate for six month Sterling deposits and at 31 December 2001 this interest rate was 4.48% (2000: 6.3%).

Loan notes amounting to £2,700,000 are redeemable at the option of the loan note holders on giving 30 days' notice up to the final redemption date of 30 June 2002.

Interest on these loan notes is charged at a rate for six month Sterling deposits less 0.5%. At 31 December 2001 this interest rate (net) was 3.98% (2000: 5.8%).

As detailed in note 18, the Group has sufficient unutilised committed banking facilities to meet these short-term obligations.

16 Creditors: amounts falling due after more than one year

	2001 Group £000	2000 Group £000	2001 Company £000	2000 Company £000
Bank loans	51,797	12,860	7,390	–
Obligations under finance leases	1,858	1,383	–	–
Amounts owed to subsidiary undertakings	–	–	10,755	8,755
Other creditors	3,170	2,999	–	–
	56,825	17,242	18,145	8,755
Bank loans and loan notes are repayable as follows:				
Between one and two years	7,115	1,650	–	–
Between two and five years	44,682	11,210	7,390	–
	51,797	12,860	7,390	–
Obligations under finance leases are repayable as follows:				
Between one and two years	711	288	–	–
Between two and five years	344	851	–	–
In five years or more	803	244	–	–
	1,858	1,383	–	–

The amounts owed to subsidiary undertakings by Keller Group plc include loans which are repayable in full within 13 months after the lenders' written demand for repayment. The loans bear interest at LIBOR plus 1% per annum.

Bank loans totalling £54,738,000 are due for repayment by May 2006. Interest is charged at a premium over LIBOR and at 31 December 2001 the weighted average interest rate was 5.43%. Loans of £1,036,000 are repayable in equal quarterly instalments of £74,000 with a final instalment of £962,000 in June 2002. Interest is charged at 6.3% per annum.

A bank loan of £1,220,000 is repayable as to £352,000 in 2002 and £880,000 in 2003. The loan bears interest at 5.23% per annum.

16 Creditors: amounts falling due after more than one year continued

The bank loans are denominated as follows:

Group	2001 £000	2000 £000
Loans denominated in Sterling	7,390	–
Loans denominated in Euros	–	676
Loans denominated in US Dollars	48,384	11,263
Loans denominated in Australian Dollars	1,220	1,667
	56,994	13,606

17 Provisions for liabilities and charges

Group	2001 £000	Restated 2000 £000
Deferred taxation	24	1,081
Retirement provisions	5,703	5,617
Long service leave provisions	319	302
Provision for restructuring costs	–	579
	6,046	7,579
Deferred taxation		
At 1 January	1,081	866
Exchange differences	(8)	(37)
Profit and loss account	(1,049)	252
At 31 December	24	1,081

The total net deferred taxation liability is as follows:

	2001 £000	Restated 2000 £000
Accelerated capital allowances	4,790	4,449
Other timing differences	(4,766)	(3,368)
	24	1,081

No provision has been made for any taxation which may arise in respect of future remittances from overseas subsidiary undertakings as no liability is expected to crystallise.

	2001 £000	2000 £000
Retirement provisions (see note 29)		
At 1 January	5,617	5,303
Exchange differences	(176)	74
Arising during the year	269	261
Utilised during the year	(7)	(21)
At 31 December	5,703	5,617
Long service leave provisions		
At 1 January	302	367
Exchange differences	(18)	(29)
Arising during the year	47	18
Utilised during the year	(12)	(54)
At 31 December	319	302

Employees in Australia are entitled to long service leave after ten years of service on the basis of 8% weeks for every ten years of service. The provision has been calculated at current wage rates depending on length of service.

17 Provisions for liabilities and charges continued

	2001 £000	2000 £000
Provision for restructuring costs		
Profit and loss account	579	1,177
Expenditure during the year	(579)	(598)
At 31 December	–	579

18 Treasury information*Interest rate and currency profile:*

The profile of the Group's financial assets and financial liabilities was as follows:

	2001 AUD	2001 USD	2001 Euro	2001 Sterling	2001 Total
Weighted average fixed debt interest rate	–	5.6%	–	7.2%	n/a
Weighted average fixed debt period (years)	–	4.6	–	5.6	n/a
	£000	£000	£000	£000	£000
Fixed rate financial liabilities	–	(31,016)	–	(8,571)	(39,587)
Floating rate financial liabilities	(1,233)	(26,118)	(1,479)	(6,994)	(35,824)
Financial assets	1,192	2,069	4,081	4,867	12,209
Net financial assets/(liabilities)	(41)	(55,065)	2,602	(10,698)	(63,202)

	2000 AUD	2000 USD	2000 Euro	2000 Sterling	2000 Total
Weighted average fixed debt interest rate	–	6.23%	–	7.47%	n/a
Weighted average fixed debt period (years)	–	2.8	–	10	n/a
	£000	£000	£000	£000	£000
Fixed rate financial liabilities	–	(2,378)	–	(367)	(2,745)
Floating rate financial liabilities	(1,839)	(9,915)	(1,612)	(7,068)	(20,434)
Financial assets	–	414	3,467	9,687	13,568
Net financial assets/(liabilities)	(1,839)	(11,879)	1,855	2,252	(9,611)

The fixed rate financial liabilities comprise bank loans and finance leases.

The floating rate financial liabilities comprise finance leases, loan notes, bank loans and overdrafts, which bear interest based on LIBOR or local country equivalent.

Financial assets comprise cash at bank and in hand. Financial assets and financial liabilities exclude short-term debtors and creditors.

The fair values of the financial assets and liabilities are not materially different from their carrying values.

The Group had an unutilised committed banking facility of £23.9m at 31 December 2001; the facility expires on 5 September 2006. In addition, the Group had unutilised uncommitted facilities totalling £16.7m at 31 December 2001. All of these borrowing facilities are unsecured.

19 Share capital

Company	2001 £000	2000 £000
Authorised		
Equity share capital: 80,000,000 ordinary shares of 10p each (2000: 80,000,000)	8,000	8,000
Allotted, called up and fully paid		
Equity share capital: 59,680,950 ordinary shares of 10p each (2000: 56,815,050)	5,968	5,681

Under the 1994 Scheme, options to subscribe for the Company's shares have been granted to certain executives. On 26 April 1998 these options became exercisable at any time up to 26 April 2005. At 1 January 2001 options under this scheme were outstanding over 179,950 ordinary shares at 102p each. 25,150 options were exercised during the year.

On 14 May 2001, the Company issued options over 405,000 shares. These options, issued under the Unapproved Plan, may become exercisable between 14 May 2004 and 13 May 2011 subject to the performance criterion.

On 13 December 2001, the Company made a placing of 2,840,750 shares at a price of 285p per share.

20 Reserves

Group	Share premium account £000	Capital redemption reserve £000	Profit and loss account £000	Total £000
At 1 January 2001:				
As previously reported	14,545	7,629	30,142	52,316
Prior year adjustment (see note 30)	–	–	(1,081)	(1,081)
As restated	14,545	7,629	29,061	51,235
Retained profit for the financial year	–	–	7,966	7,966
Exchange differences net of taxation	–	–	(555)	(555)
Issue of new shares	7,657	–	–	7,657
At 31 December 2001	22,202	7,629	36,472	66,303
Company				
At 1 January 2001	14,545	7,629	7,243	29,417
Retained profit for the financial year	–	–	(738)	(738)
Issue of new shares	7,657	–	–	7,657
At 31 December 2001	22,202	7,629	6,505	36,336

At 31 December 2001 the cumulative amount of positive goodwill charged to reserves in previous years is £11,998,000 (2000: £11,998,000) and the cumulative amount of negative goodwill credited to reserves in previous years is £407,000 (2000: £407,000). There have been no disposals of any of the businesses to which this cumulative positive goodwill or negative goodwill relates.

21 Reconciliation of movements in shareholders' funds

	2001 Group £000	Restated 2000 Group £000	2001 Company £000	2000 Company £000
Profit for the financial year	13,367	9,796	4,663	5,686
Dividends	(5,401)	(4,829)	(5,401)	(4,829)
Exchange differences net of taxation	(555)	1,656	–	–
Issue of new shares	7,944	41	7,944	41
Net movements in shareholders' funds	15,355	6,664	7,206	898
Shareholders' funds at 1 January:				
As previously reported	57,997	51,044	35,098	34,200
Prior year adjustment (see note 30)	(1,081)	(792)		
As restated	56,916	50,252		
Shareholders' funds at 31 December	72,271	56,916	42,304	35,098

22 Reconciliation of operating profit to net cash inflow from operating activities

Group	2001 £000	2000 £000
Operating profit	24,178	16,207
Depreciation charge	7,261	6,639
Amortisation of goodwill and intangibles	1,338	363
Profit on sale of fixed assets	(349)	(536)
Movement in long-term provisions	(282)	783
Decrease/(increase) in stocks	581	(568)
Increase in debtors	(9,238)	(9,887)
Increase in creditors	9,550	6,559
Exchange differences	(852)	(2)
Net cash inflow from operating activities	32,187	19,558

23 Reconciliation of net cash flow to movement in net debt

Group	2001 £000	2000 £000
Decrease in cash in the year	(8,787)	(1,122)
Cash flow from debt and lease financing	(42,591)	(5,350)
Cash flow from decrease in short-term bank deposits	(947)	(2,978)
Change in net debt resulting from cash flows	(52,325)	(9,450)
Net debt acquired with subsidiary undertakings	(1,157)	(1,423)
New finance leases	(79)	(79)
New loan notes	–	(3,969)
Exchange differences	(30)	46
Movement in net debt in the year	(53,591)	(14,875)
Net (debt)/funds at 1 January	(9,611)	5,264
Net debt at 31 December	(63,202)	(9,611)

24 Analysis of changes in net debt

Group	At 1 January 2001 £000	Cash flow £000	Acquired with subsidiary undertakings £000	Other non-cash changes £000	Exchange differences £000	At 31 December 2001 £000
Cash in hand	10,464	(270)	–	–	(91)	10,103
Overdrafts	(801)	(8,517)	–	–	93	(9,225)
	9,663	(8,787)	–	–	2	878
Short term bank deposits	3,104	(947)	–	–	(51)	2,106
Bank loans due within one year	(746)	(4,499)	–	–	48	(5,197)
Bank loans due after one year	(12,860)	(37,771)	(1,157)	–	(9)	(51,797)
Loan notes due within one year	(7,068)	170	–	–	–	(6,898)
Finance leases	(1,704)	(491)	–	(79)	(20)	(2,294)
	(9,611)	(52,325)	(1,157)	(79)	(30)	(63,202)

25 Cash at bank and in hand

Group	2001 £000	2000 £000
Cash in hand	10,103	10,464
Short term bank deposits	2,106	3,104
	12,209	13,568

Cash in hand includes bank deposits repayable on demand. Short term bank deposits are those which require more than 24 hours' notice of withdrawal.

26 Related party transactions

In the ordinary course of business the Group has undertaken a number of transactions with certain of its joint arrangements including the transfer of, and charging for, staff and the rental of plant and equipment. The following is a summary of these transactions:

Group	2001 £000	2000 £000
Share of turnover from the joint arrangements	10,487	5,992
Net joint arrangement balances at 1 January	223	585
Share of profit/(loss) from the joint arrangements before overhead allocation	1,411	(25)
Net distributions from the joint arrangements	(576)	(423)
Exchange differences	(29)	86
Net joint arrangement balances at 31 December	1,029	223
Joint arrangement debtor balances at 31 December	1,410	982
Joint arrangement creditor balances at 31 December	(381)	(759)

27 Commitments

(a) *Capital commitments for which no provision has been made in these accounts are as follows:*

	2001 £000	2000 £000
Contracted for	487	576

(b) *The Group had annual commitments under non-cancellable operating leases as follows:*

	2001 Land and buildings £000	2001 Plant, machinery and vehicles £000	2001 Total £000	2000 Total £000
Expiring within one year	157	378	535	867
Expiring between two and five years inclusive	3,457	3,693	7,150	2,896
Expiring in over five years	1,449	–	1,449	306
	5,063	4,071	9,134	4,069

28 Contingent liabilities

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

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

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 2001 the Group had discounted bills of exchange and standby letters of credit outstanding of £1,222,902 (2000: £1,135,865).

29 Pensions

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

In the UK, the Group's defined benefit schemes were merged on 5 April 1999 to become the Keller Group Pension Scheme which is now closed to new employees. The assets of the scheme are held separately from the Group in trustee administered funds which are managed by investment managers. Prior to merging, a full actuarial valuation of the schemes was carried out by an independent professionally qualified actuary as at 5 April 1999. At this date the market values of the assets of the schemes were £8,210,000 and £5,260,000 and the actuarial valuations showed funding levels of 94% and 101%. The next actuarial valuation will be carried out as at 5 April 2002.

The actuarial method of assessing the funding rates was that of the projected unit credit method. The principal actuarial assumptions used were: investment returns of 7.71% before retirement and 4.71% after retirement, salary increases of 4.18% and pension increases of 2.93%.

The total UK pension charge for the year was £645,000 (2000: £618,000).

On 6 October 1999, a defined contribution scheme was established. There were no contributions outstanding in respect of the defined contribution scheme at 31 December 2001.

In Germany and Austria, for employees who joined the Group prior to 1 January 1998, the Group retains funds within the business to provide for retirement obligations and at 31 December 2001 the liability was £5,703,000 (2000: £5,617,000). The total German and Austrian pension charge for the year was £594,000 (2000: £593,000) based on local generally accepted accounting principles.

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 £1,217,000 (2000: £628,000).

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 7%. The total Australian pension charge for the year was £326,000 (2000: £269,000).

The information included in the accounts and in the above disclosure note follows the requirements of the existing standard for accounting for pension costs: SSAP 24. However, a new accounting standard FRS 17 – Retirement Benefits – has now been introduced and the information below is disclosed in accordance with the transitional provisions of FRS 17.

	As at 31 December 2001 £000
The Keller Group Pension Scheme	
Market value of assets	13,954
Present value of the scheme liabilities	(14,908)
Deficit in the scheme	(954)
Related deferred tax asset	286
Net pension liability	(668)

The value of the scheme liabilities has been determined by the actuary based on an interim valuation as at 5 April 2001 updated to the balance sheet date and using the following assumptions:

	As at 31 December 2001
Rate of increase in salaries	3.75%
Rate of increase in pensions in payment	2.50%
Rate of revaluation of pensions in deferment	2.50%
Inflation assumption	2.50%
Discount rate	6.00%

The assets of the scheme and the expected long term rates of return as at 31 December 2001 were:

	Value as at 31 December 2001 £000	Expected long term return
Equities	10,320	8.50%
Bonds	3,634	5.00%
Total market value of assets	13,954	

29 Pensions continued

	Value as at 31 December 2001 £000
German and Austrian Schemes	
Market value of assets	1,346
Present value of the schemes liabilities	(4,862)
Deficit in the scheme	(3,516)
Related deferred tax asset	927
Net pension liability	(2,589)

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

Discount rate	6.00%
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The assets of the scheme and the expected long term rates of return as at 31 December 2001 were:

	Value as at 31 December 2001 £000	Expected long term return
Insurance policy	1,346	6.00%

30 Prior year adjustment

The Group has implemented FRS 19 – Deferred Tax. This standard requires provision for taxation in respect of all timing differences. This represents a change in accounting policy and therefore results in a prior year adjustment. The charge to reserves brought forward at 1 January 2001 amounted to £1,081,000 (2000: £792,000). The comparatives for the year to 31 December 2000 have been restated in accordance with the new accounting policy.

31 Post balance sheet event

On 21 January 2002 the Group acquired a 49% shareholding in Wannewetsch GmbH Hochdruckwassertechnik for a total cash consideration of £1.3m. Wannewetsch had sales of £1.3m and operating profit of £0.3m in the year ended 31 December 2000.

Financial record

	1997*	1998*	1999*	2000*	2001
	£000	£000	£000	£000	£000
Consolidated profit and loss account					
Turnover	244,645**	266,854	314,899	312,954	422,248
Operating profit before amortisation of goodwill and restructuring costs	14,264	16,995	19,362	17,706	25,429
Amortisation of goodwill	–	48	24	(322)	(1,251)
Restructuring costs	–	–	–	(1,177)	–
Operating profit	14,264	17,043	19,386	16,207	24,178
Net interest payable	(440)	(341)	(345)	(760)	(1,785)
Profit on ordinary activities before taxation	13,824	16,702	19,041	15,447	22,393
Taxation	(5,482)	(5,693)	(6,872)	(5,791)	(8,684)
Profit on ordinary activities after taxation	8,342	11,009	12,169	9,656	13,709
Equity minority interests	(86)	(354)	(112)	140	(342)
Profit for the financial year	8,265	10,655	12,057	9,796	13,367
Dividends paid and proposed	(3,612)	(4,021)	(4,428)	(4,829)	(5,401)
Retained profit for the financial year	4,644	6,634	7,629	4,967	7,966
Consolidated balance sheet					
Intangible fixed assets	–	1,506	1,604	12,696	61,019
Tangible fixed assets	36,195	42,839	43,688	50,788	59,277
Other net operating assets	13,937	14,756	14,082	18,971	31,857
Net (debt)/funds	(1,969)	(648)	5,264	(9,611)	(63,202)
Other liabilities	(13,489)	(14,110)	(13,487)	(15,216)	(15,676)
Net assets	34,674	44,343	51,151	57,628	73,275
Equity minority interests	(124)	(949)	(899)	(712)	(1,004)
Equity shareholders' funds	34,550	43,394	50,252	56,916	72,271
Gearing	6%	1%	0%	17%	86%
Basic earnings per share	14.7p	18.9p	21.3p	17.3p	23.6p
Earnings per share before amortisation of goodwill	14.7p	18.8p	21.2p	17.9p	25.8p
Diluted earnings per share	14.6p	18.8p	21.2p	17.2p	23.4p
Diluted earnings per share before amortisation of goodwill	14.6p	18.7p	21.2p	17.8p	25.6p
Dividend per share	6.45p	7.1p	7.8p	8.5p	9.2p

*Restated for the effects of FRS 19.

**Restated for the effects of FRS 9.

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