Keller Limited

Directors' report and financial statements

Registered number 485692

For the year ended 31 December 2003

Contents

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2003.

Principal activities

The company is engaged in specialist foundation and geotechnical engineering and contracting.

Business review and future developments

The business was restructured during July 2003 to reduce the dependency on heavy piling and this resulted in one-off *costs of £1,704,714 being incurred.*

Results for the year are as follows:

	2003 **£000**	2002 £000
Turnover	**42,100**	43,524
Profit on ordinary activities before restructuring costs	**1,170**	1,335
Restructuring costs	**(1,705)**	-
(Loss)/profit on ordinary activities before taxation	**(535)**	1,335

Dividends

No interim dividends were paid *(2002: £Nil).*

The directors recommend the payment of a final dividend for the year of £892,000 *(2002: £669,000).*

Directors and their interests

The directors who served throughout the year are as follows:

Mr T Dobson	
Mr MWC Martin	(resigned 31 January 2004)
Dr AL Bell	
Mr RB Barratt	
Mr V O'Hara	(appointed 8 October 2003)
Mr RM Crockford	(appointed 8 October 2003)

As at 31 December 2002 and 2003, no director had any beneficial interests in the shares of the company.

The directors who held office at the end of the financial year had the following interests in the ordinary shares of the Keller Group Plc.

	Interest at end of year £000	Interest at start of year £000
Dr AL Bell	**182,012**	232,163

Directors' report *(continued)*

Name of Director	Options held at 1 January 2003	Options granted during the year	Options exercised during the year	Options lapsed during the year	Options held at 31 December 2003	Exercise price	Dates from which exercisable	Expiry date
Dr Alan Bell								
Unapproved Plan								
14 May 2001	10,000	-	-	-	10,000	231.5p	14/05/04	13/05/11
13 March 2003	-	4,661	-	-	4,661	251.0p	13/03/06	12/03/13
Approved Plan								
13 March 2002	5,000	-	-	-	5,000	332.0p	13/03/05	12/03/12
13 March 2003	-	5,339	-	-	5,339	251.0p	13/03/06	12/03/13
Roger Barratt								
Unapproved Plan								
14 May 2001	5,000	-	-	-	5,000	231.5p	14/05/04	13/05/11
Approved Plan								
13 March 2002	2,500	-	-		2,500	332.0p	13/03/05	12/03/12
13 March 2003	-	2,500	-	-	2,500	251.0p	13/03/06	12/03/13
Richard Crockford								
Approved Plan								
13 March 2003	-	2,500	-	-	2,500	251.0p	13/03/06	12/03/13
Vincent O'Hara								
Approved Plan								
13 March 2003	-	2,500	-	-	2,500	251.0p	13/03/06	12/03/13

Options under both plans are normally exercisable within three to ten years of the date of grant.

During the year Mr T Dobson and Mr MWC Martin were directors of the ultimate parent company, Keller Group plc, and their interests in that company are disclosed in the directors' report and remuneration report of that company.

Payments to suppliers

The company's policy, in relation to all of its suppliers, is to agree the terms of payment when agreeing the terms of the transaction and to abide by those terms, providing that it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions.

At 31 December 2003 the company had 64 days *(2002: 68 days)* purchases outstanding.

Employees

During the year, employees were provided with information relating to the performance of the company and on the progress of the business through regular consultation between employee representatives and the company.

Disabled persons

It is the policy of the company to make fullest use of the potential of all of its employees including those who are disabled. Employees are given the opportunity and encouragement to undertake training and career development to enable them to be considered as candidates for promotion.

Donations

Charitable donations made by the company during the year amounted to £2,400 *(2002: £2,008)*.

Directors' report *(continued)*

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming annual general meeting.

By order of the board

RB Barratt

RB Barratt
Director

Oxford Road
Ryton-on-Dunsmore
Coventry
CV8 3EG

6 May 2004

KPMG

KPMG Audit Plc
2 Cornwall Street
Birmingham
B3 2DL

Independent auditors' report to the members of Keller Limited

We have audited the financial statements on pages 5 to 22.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding director's remuneration and transactions with the group is not disclosed.

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

6 May 2004

Profit and loss account
for the year ended 31 December 2003

	Note	2003 £000	2002 £000
Turnover	2	**42,100**	43,524
Operating profit before exceptional item		**1,445**	1,536
Exceptional item		**(1,705)**	-
Operating (loss)/profit after exceptional item	3	**(260)**	1,536
Interest receivable and similar income	4	**1**	6
Interest payable and similar charges	5	**(276)**	(207)
(Loss)/profit on ordinary activities before taxation		**(535)**	1,335
Tax credit/(charge) on (loss)/profit on ordinary activities	8	**160**	(424)
(Loss)/profit for the financial year		**(375)**	911
Dividends paid and proposed	9	**(892)**	(669)
Retained (loss)/profit for the year	20	**(1,267)**	242

All gains and losses are recognised in the profit and loss account.

All items in the profit and loss account relate to continuing operations.

The notes on pages 8 to 22 form part of the financial statements.

Balance sheet
at 31 December 2003

	Note	**2003** £000	**2003** £000	2002 £000	2002 £000
Fixed assets					
Intangible assets	*10*		**144**		141
Tangible assets	*11*		**6,497**		7,195
Investments	*12*		**-**		-
			6,641		7,336
Current assets					
Stocks	*13*	**1,434**		1,508	
Debtors	*14*	**9,858**		11,230	
Cash at bank and in hand		**10**		608	
		11,302		13,346	
Creditors: Amounts falling due within one year	*15*	**(10,816)**		(11,646)	
Net current assets			**486**		1,700
Total assets less current liabilities			**7,127**		9,036
Creditors: Amounts falling due after more than one year	*16*		**(2,432)**		(3,022)
Provisions for liabilities and charges	*17*		**(39)**		(91)
Net assets			**4,656**		5,923
Capital and reserves					
Called up share capital	*19*		**3,019**		3,019
Revaluation reserve	*20*		**958**		973
Other reserves			**132**		132
Profit and loss account	*20*		**547**		1,799
Equity shareholders' funds	*21*		**4,656**		5,923

These financial statements were approved by the board of directors on 6 May 2004 and were signed on its behalf by:

RB Barratt
Director

The notes on pages 8 to 22 form part of these financial statements

Note of historical cost profits and losses

for the year ended 31 December 2003

	2003 £000	2002 £000
(Loss)/profit on ordinary activities before taxation	**(535)**	1,335
Difference between a historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	**15**	15
Historical cost (loss)/profit on ordinary activities before taxation	**(520)**	1,350
Historical cost (loss)/profit retained for the year	**(1,252)**	257

Notes

(forming part of the financial statements)

1 Principal accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements:

Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain freehold properties, and in accordance with applicable Accounting Standards. The company is exempt under section 228 of the Companies Act 1985 from the obligation to prepare group financial statements, being a wholly owned subsidiary undertaking.

Under Financial Reporting Standard No. 1, the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking.

Under Financial Reporting Standard No. 8, the company is exempt from the requirement to disclose transactions with entities that are part of the Keller group on the grounds that it is wholly owned by a parent undertaking which includes the company in its own published consolidated financial statements.

In the nature of the company's business the results include any adjustments to the outcome of contracts, including Joint Venture operations, completed in previous periods. The adjustments arise from:

(i) claims by customers and third parties in respect of work carried out. Provision is made for the estimated liability in the year in which the company becomes aware that a claim may arise;

(ii) claims on customers and third parties for variation to the original contract which are not taken to profit until the outcome is known with reasonable certainty; and

(iii) cost of insurance premiums which can be adjusted retrospectively based on claims settled.

Where it is reasonably foreseen that a loss will arise on the completion of a contract, full provision for this loss has been made in the current year.

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, excluding value added tax.

Goodwill and intangibles

Positive goodwill arising on acquisition, representing the difference between the fair value of the purchase consideration and the fair value of the purchased assets of the undertaking at the date of acquisition, is capitalised as an intangible fixed asset and charged to the profit and loss account over a 20 year period being the useful economic life of the asset.

Intangible assets, other than those which are purchased, such as licenses, 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.

Notes *(continued)*

1 Accounting policies *(continued)*

Depreciation

No depreciation is provided on freehold land.

Depreciation is provided on all other tangible fixed assets in order to write off the original cost or valuation less estimated residual value of those assets over their estimated useful lives at the following annual rates:

Freehold buildings	2% straight line
Short leasehold land and buildings	over period of lease or 2% straight line whichever is the shorter
Plant and equipment	12½% straight line or 8% straight line
Computers	33% straight line
Motor vehicles	25% - straight line
Assets in course of construction	no depreciation charged until assets are completed and are being used in the business

Stocks

Stocks and work in progress have been valued at the lower of cost and net realisable value. Cost comprises the cost of materials, labour and appropriate overheads.

Amounts recoverable on contracts

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

Foreign currencies

Transactions denominated in foreign currencies have been translated into sterling at rates of exchange approximating to those ruling at the date of the transaction. All differences are taken to the profit and loss account. Balances denominated in a foreign currency are translated into sterling at the exchange rates ruling on the balance sheet date.

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made on an undiscounted basis for all such timing differences.

Lease rentals

Assets acquired on finance leases are capitalised and depreciated in accordance with the company's depreciation policy. The interest element is charged to the profit and loss account on a straight line basis over the lease term.

Operating lease rentals are charged to the profit and loss account on a straight line basis over the lease term.

Research and development

Expenditure on research and development is written off against profits as incurred.

Pensions

The company is a participating employer in the Keller Group plc pension scheme. In the UK, the group operates a defined benefit scheme based upon final salary. Contributions have been made in line with the funding rates recommended by the actuary for the scheme as a whole. Pension costs charged to the profit and loss account are based on actuarial valuations and are calculated to spread the cost of providing pensions over the period of the employees' service.

The company also operates a defined contribution scheme, with the amounts charged to the profit and loss account representing contributions relating to the accounting period.

Notes *(continued)*

2 Turnover

In the opinion of the directors the company does not operate in more than one class of business.

The analysis of turnover by geographical area is as follows:

	2003	2002
	£000	£000
Turnover		
United Kingdom	**39,689**	41,272
Rest of Europe	**2,002**	1,704
North America	**298**	432
Rest of the World	**111**	116
	42,100	43,524

The analysis of operating (loss)/profit, by geographical area, is as follows:

	£000	£000
Operating profit		
United Kingdom	**(561)**	1,368
Rest of Europe	**278**	158
North America	**16**	20
Rest of the world	**7**	(10)
	(260)	1,536

Net assets are used solely in UK operations.

3 Operating (loss)/profit

	2003	2002
	£000	£000
Operating (loss)/profit is stated		
after charging/(crediting)		
(Increase)/decrease in finished goods and work in progress	**(38)**	10
Own work capitalised	**(94)**	(249)
Raw materials and consumables	**13,292**	13,255
Other external charges	**6,911**	8,991
Wages and salaries	**11,522**	11,132
Social security costs	**1,051**	940
Other pension costs	**496**	442
Depreciation on owned assets	**698**	664
Depreciation on assets under finance leases	**177**	189
Amortisation on intangible fixed assets	**16**	8
Rental for hire of plant and vehicles under operating leases	**6,236**	6,279
Rental for land and buildings	**344**	292
Auditors' remuneration	**44**	35
Exceptional costs	**1,705**	-
	42,360	41,988

Fees in respect of other services provided by the auditors and their associates amounted to £18,195 *(2002: £17,880).*

The exceptional costs relate to closure of the large bored piling division and reorganisation of the procurement function.

Notes *(continued)*

4 Interest receivable and similar income

	2003 £000	2002 £000
Bank interest	**1**	6

5 Interest payable and similar charges

	2003 £000	2002 £000
Interest payable to group undertakings	**93**	113
Interest on bank loans and overdrafts	**80**	40
Interest on finance leases	**103**	54
	276	207

6 Remuneration of directors

	2003 £000	2002 £000
Directors' emoluments	**199**	250

The above does not include emoluments in respect of services by certain directors to fellow subsidiary undertakings.

The aggregate emoluments of the highest paid director was £94,512 *(2002: £107,728).* He is a member of the defined benefit scheme under which his accrued pension at the year end was £31,000 *(2002: £29,000).*

	2003 Number	2002 Number
Directors with retirement benefits accruing under defined benefit schemes:	**4**	3

7 Staff numbers

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees 2003	2002
Works	**203**	220
Staff	**202**	209
	405	429

Notes *(continued)*

8 Taxation on profit on ordinary activities

The charge for taxation is as follows:

	2003 £000	2002 £000
UK corporation tax		
Current tax on income for the year	(8)	352
Adjustment in respect of prior years	(100)	-
Total current tax	(108)	352
Deferred tax (note 18)		
Origination /reversal of timing differences	(115)	72
Adjustment in respect of prior years	63	-
Total deferred tax	(52)	72
Tax on (loss)/profit on ordinary activities	(160)	424

Factors affecting the tax charge for the year

	2003 £000	2002 £000
(Loss)/profit on ordinary activities before tax	(535)	1,335
Profit on ordinary activities multiplied by 30% *(2002: 30%)*	(160)	401
Effects of:		
Capital allowances for the period in excess of depreciation	1	(75)
Other short term timing differences	(19)	3
Increase in losses carried forward	132	-
Expenses not deductible for tax purposes	38	23
Adjustment to tax charge in respect of previous periods	(100)	-
Current tax charge	(108)	352

9 Dividends paid and proposed

	2003 £000	2002 £000
Final dividend proposed	892	669

Notes *(continued)*

10 Intangible assets

	Goodwill	Other intangibles	Total
	£000	£000	£000
Cost or valuation			
At beginning of year	100	70	170
Additions	-	19	19
At end of year	100	89	189
Depreciation			
At beginning of year	15	14	29
Charge for year	5	11	16
At end of year	20	25	45
Net book value			
At 31 December 2003	**80**	**64**	**144**
At 31 December 2002	85	56	141

Notes *(continued)*

11 Tangible fixed assets

	Freehold land and buildings	Short leasehold land and buildings	Plant and equipment	Assets in the course of construction	Total
	£000	£000	£000	£000	£000
Cost or valuation					
At beginning of year	1,907	236	16,535	22	18,700
Reclassification	-	-	3	(3)	-
Additions	-	266	773	19	1,058
Disposals	-	-	(3,759)	-	(3,759)
At end of year	1,907	502	13,552	38	15,999
At valuation in 1990	1,864	-	-	-	1,864
At cost	43	502	13,552	38	14,135
	1,907	502	13,552	38	15,999
Depreciation					
At beginning of year	402	10	11,093	-	11,505
Charge for year	32	13	830	-	875
Disposals	-	-	(2,878)	-	(2,878)
At end of year	434	23	9,045	-	9,502
Net book value					
At 31 December 2003	**1,473**	**479**	**4,507**	**38**	**6,497**
At 31 December 2002	1,505	226	5,442	22	7,195

The gross book value includes £336,544 *(2002: £336,544)* of freehold land which is not depreciated.

Plant and equipment includes assets held under finance leases with a net book value of £803,038 *(2002: £1,545,143)*.

The freehold land and buildings shown at valuation above were valued professionally in October 1990 on an open market existing use basis.

Notes *(continued)*

11 Tangible fixed assets *(continued)*

The amount of freehold land and buildings (included above at valuation) determined according to the historical cost accounting rules is as follows:

	2003	2002
	£000	£000
Cost	**848**	848
Depreciation	**(327)**	(310)
	521	538

Commitments

Capital commitments, for which no provision has been made in these financial statements, were as follows:

	2003	2002
	£000	£000
Authorised and contracted for	**37**	-

12 Investments

	Shares in subsidiary undertaking £000
Cost	
At beginning and end of year	10,420
Provision	(10,420)
Net book value	
At 31 December 2003 and 31 December 2002	-

The company owns the entire ordinary share capital of Keller Finance Limited, a company registered in England and Wales whose principal activity is providing financing arrangements for fellow group undertakings.

13 Stocks

	2003	2002
	£000	£000
Raw materials and consumables	**1,254**	1,366
Work in progress	**76**	100
Finished goods	**104**	42
	1,434	1,508

Notes *(continued)*

14 Debtors

	2003 £000	2002 £000
Amounts falling due within one year:		
Trade debtors	**7,237**	9,169
Amounts receivable on contracts	**814**	418
Amounts owed by fellow subsidiary undertakings	**78**	114
Other debtors	**888**	867
Prepayments and accrued income	**841**	662
	9,858	11,230

Included within trade debtors are retention balances on contracts, which are not due for release until some period of time after the contracts are completed. Consequently, some of these retentions may fall due after more than one year.

15 Creditors: Amounts falling due within one year

	2003 £000	2002 £000
Bank overdraft	**1,054**	-
Trade creditors	**6,128**	6,658
Obligations under finance leases	**66**	159
Amounts owed to fellow subsidiary undertakings	**198**	660
Taxation and social security	**834**	1,697
Other creditors	**1,522**	1,768
Accruals and deferred income	**122**	35
Dividends proposed	**892**	669
	10,816	11,646
Taxation and social security comprises:		
Corporation tax	**7**	230
Other taxes	**467**	1,075
Social security	**360**	392
	834	1,697

Notes *(continued)*

16 Creditors: Amounts falling due after more than one year

	2003	2002
	£000	£000
Obligations under finance leases	**606**	1,209
Amounts owed to ultimate parent undertaking	**1,400**	1,400
Amounts owed to fellow subsidiary undertaking	**426**	413
	2,432	3,022

Amounts due to the ultimate parent undertaking and fellow subsidiary undertakings comprise loans which are not repayable unless repayment is demanded in writing. Repayment would have to be made within 13 months of this demand. The loans bear interest at LIBOR plus 1% per annum.

Obligations under finance leases as set out in notes 15 and 16, are secured on the assets to which they relate.

17 Provisions for liabilities and charges

	Deferred tax
	£000
At beginning of year	91
Provided in the year	(52)
At 31 December 2003	**39**

18 Deferred taxation

Full provision for deferred taxation has been made at 30% *(2002: 30%)*, analysed as follows:

	2003	2002
	£000	£000
Accelerated capital allowances	**344**	428
Other timing differences	**(305)**	(337)
	39	91
Opening balance	**91**	19
Deferred tax (credited)/charged to profit and loss account in the year	**(52)**	72
At 31 December 2003	39	91

Notes *(continued)*

19 Called up share capital

	2003	2002
	£000	£000
Authorised:		
Ordinary shares of £1 each	**5,000**	5,000
Allotted, called up and fully paid:		
Ordinary shares of £1 each	**3,019**	3,019

20 Reserves

	Revaluation reserve	**Profit and loss account**
	£000	**£000**
Opening balances	973	1,799
Retained loss for the year	-	(1,267)
Transfer of depreciation in respect of revalued assets	(15)	15
At 31 December 2003	**958**	**547**

21 Reconciliation of movements in shareholders' funds

	2003	2002
	£000	£000
Loss for the financial year	**(375)**	911
Dividends	**(892)**	(669)
	(1,267)	242
New ordinary share capital issued	-	-
Net addition to shareholders' funds	**(1,267)**	242
Opening equity shareholders' funds	**5,923**	5,681
Closing equity shareholders' funds	**4,656**	5,923

Notes *(continued)*

22 Leasing commitments

Leasing commitments are summarised as follows:

	2003 £000	2002 £000
Operating leases:		
In respect of land and buildings:		
Terminating within one year	-	38
Terminating over five years	218	130
	218	168
In respect of plant and machinery:		
Terminating within one year	80	25
Terminating between two and five years	373	404
Terminating over five years	-	3
	453	432
Future liabilities under finance leases, included within creditors, are as follows:		
Due within one year	66	159
Due between one and five years	314	319
Due after five years	292	890
	672	1,368

23 Contingent liabilities

(i) The company along with the ultimate parent undertaking and its fellow UK and US subsidiaries have given cross guarantees on each other's borrowings. At 31 December 2003, the company's liability in respect of this amounted to £82,920,257 *(2002: £74,082,457)*. Legal charges exist over certain assets of the company to secure borrowings and bonding facilities.

(ii) Performance bonds have been entered into in the normal course of business. In 2003 these amounted to £2,364,712 *(2002: £2,857,608)*.

(iii) There are claims arising in the normal course of trading which involve or may involve litigation. Full provision has been made in the financial statements for all amounts which the directors consider will become payable on account of such claims.

(iv) The company has guaranteed to meet any obligations or liabilities incurred by Keller Colcrete Limited.

Notes *(continued)*

24 Pension schemes

The company is a participating employer in a pension scheme operated by Keller Group plc which provides benefits based on final pensionable pay, contributions being charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent valuation of this group scheme was at 5 April 2002. Further particulars of the scheme are contained in the financial statements of the ultimate parent undertaking, Keller Group plc. The scheme became closed to new members on the 6 April 2000.

There is a prepayment of £500,989 in the balance sheet as at 31 December 2003 *(2002: £439,204)*. This represents the difference between the amount charged in the profit and loss account and the amount paid into the pension scheme.

Whilst the company continues to account for pension costs in accordance with Statement of Standard Accounting Practice 24 'Accounting for Pension costs', under FRS 17 'Retirement benefits' the following transitional disclosures are required:

The valuation at 5 April 2002 has been updated by the actuary on an FRS 17 basis as at 31 December 2003. The major assumptions used in this valuation were:

	2003	2002	*2001*
	%	%	%
Rate of increase in salaries	**3.75**	3.67	3.75
Rate of increase in pensions in payment	**2.50**	2.42	2.50
Discount rate	**5.75**	5.75	6.00
Inflation assumption	**2.50**	2.42	2.50

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

	Value at 31 December 2003 £000	Value at 31 December 2002 £000	Value at 31 December 2001 £000
Equities	**6,312**	5,066	7,048
Bonds	**3,989**	3,488	2,482
	10,301	8,554	9,530
Present value of scheme liabilities	**(14,424)**	(12,995)	(10,182)
Deficit in the scheme	**(4,123)**	(4,441)	(652)
Related deferred tax asset	**1,237**	1,333	195
Net pension liability	**(2,886)**	(3,108)	(457)

Long term rate of return from:			
	%	%	%
Equities	**8.00**	8.50	8.50
Bonds	**5.25**	5.00	5.00

Notes *(continued)*

24 Pension schemes *(continued)*

Had the group adopted FRS 17 early, the net assets and profit and loss reserve would have been stated as follows:

	2003	2002
	£000	£000
Net assets per balance sheet	**4,656**	5,923
SSAP 24 prepayment reversed (net of related deferred tax)	**(351)**	(307)
Revised net assets excluding pension liability	**4,305**	5,616
Net pension liability	**(2,886)**	(3,108)
Net assets including pension liability	**1,419**	2,508

	31 December 2003	31 December 2002
	£000	£000
Profit and loss reserve in financial statements	**547**	1,799
SSAP 24 prepayments reversed (net of related deferred tax)	**(351)**	(307)
Revised profit and loss	**196**	1,492
Deficit in relation to the deferred benefit scheme, net of deferred tax	**(2,886)**	(3,108)
Profit and loss reserve as adjusted	**(2,690)**	(1,616)

If FRS 17 had been fully adopted in these financial statements the pension costs for defined benefit schemes would have been:

Analysis of other pension costs charged in arriving at operating profit

	2003	2002
	£000	£000
Current service cost	**272**	490
Expenses and life assurance	**98**	-
Total operating charge	**370**	490

Analysis of amounts included in other finance income upon adoption of FRS 17

	2003	2002
	£000	£000
Expected return on pension scheme assets	**622**	723
Interest on pension scheme liabilities	**(752)**	(611)
Net (charge)/return	**(130)**	112

Notes *(continued)*

24 Pension schemes *(continued)*

Movement in surplus/deficit during the year

	2003 £000	2002 £000
Deficit in scheme at beginning of year	**(4,441)**	(651)
Current service cost	**(272)**	(490)
Contributions paid	**560**	407
Other finance (cost)/income	**(130)**	112
Actuarial gain/(loss)	**160**	(3,819)
Deficit in the scheme at end of year	**(4,123)**	(4,441)

Analysis of amount recognised in statement of total recognised gains and losses upon adoption of FRS 17

	2003 £000	2002 £000
Actual return less expected return on scheme assets	**661**	(1,854)
Experience gains and losses arising on scheme liabilities	**587**	(1,618)
Changes in assumptions underlying the present value of scheme liabilities	**(1,088)**	(347)
Actuarial loss recognised in statement of total recognised gains and losses	**160**	(3,819)

History of experience gains and losses upon adoption of FRS 17

	2003 £000	2002 £000
Difference between actual and expected return on assets		
Amounts	**661**	(1,854)
As a percentage of scheme assets	**6%**	(22%)
Experience losses on liabilities		
Amounts	**587**	(1,618)
As a percentage of scheme liabilities	**4%**	(12%)
Total actuarial gain/(loss)		
Amounts	**160**	(3,819)
As a percentage of scheme liabilities	**1%**	(29%)

During the year, the company has also operated a standard life group personal pension plan which is a defined contributions scheme. Employer contributions are set at 1% higher than employees with a cap of 7%.

25 Ultimate parent company

The ultimate parent undertaking is Keller Group plc, a company registered in England and Wales. Keller Group plc prepares group financial statements which include this company's financial statements. There are no other group financial statements which include the financial statements of this company. A copy of the group financial statements can be obtained from:

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