Monday, 1 August 2011

Keller Group plc
Interim Results for the six months ended 30 June 2011

Keller Group plc ("Keller" or "the Group"), the international ground engineering specialist, announces its interim results for the six months ended 30 June 2011.

Results summary:		
	2011	2010
Revenue	**£545.5m**	£496.9m
Operating profit	**£6.4m**	£13.7m
Profit before tax	**£3.4m**	£11.3m
Earnings per share	**4.6p**	12.5p
Total dividend per share	**7.6p**	7.6p

Highlights include:

- Results in line with expectations at the time of the IMS in May
- Revenue up by 10%
- Revenue from Australia and developing markets up by 23% to £216.0m, continuing the success of our strategy of geographic diversification
- Profitability impacted by floods in Australia and geopolitical issues in the Middle East and North Africa
- Net debt of £127.8m (2010: £121.5m); gearing of 39% (2010: 40%)
- Interim dividend maintained at 7.6p per share
- Order book 14% ahead of this time last year

Justin Atkinson, Keller Chief Executive said:

"While we continue to make progress in our developing markets, a recovery in our more mature construction markets is taking longer than expected and over-capacity remains an issue, particularly in the US, maintaining pressure on margins in the near term.

"In addition to the usual seasonal improvement, our recent mobilisation on several large jobs will help to support a much stronger second half. Overall, the expected results for the full year remain within the current range of market expectations."

For further information, please contact:

Keller Group plc	www.keller.co.uk
Justin Atkinson, Chief Executive	**020 7616 7575**
James Hind, Finance Director	
Finsbury	
James Leviton, Talia Druker	**020 7251 3801**

A presentation for analysts will be held at 9.15 for 9.30am at The London Stock Exchange, 10 Paternoster Square, London, EC4M 7LS

A live audio webcast will be available from 9.30am and, on demand, from 2.00 pm at *http://www.keller.co.uk/keller/investor/result-centre/latest-results/*

Notes to Editors:

Keller is the world's largest independent ground engineering specialist, providing technically advanced and cost-effective foundation solutions to the construction industry. With 2010 revenue of £1,069m, Keller is a member of the FTSE-250. It has over 6,000 staff world-wide, with offices in around 40 countries on five continents.

Keller is the market leader in the US and Australia; it has prime positions in most established European markets; and a strong profile in many developing markets.

Chairman's Statement

Financial overview

Our results for the six months ended 30 June 2011 cover a period in which we saw no significant easing of the challenges that have beset our industry for the past couple of years. In particular, recovery in our construction markets most severely impacted by the global recession - the US and Western Europe - is taking longer than expected and over-capacity remains an issue, particularly in the US, maintaining pressure on margins in the near term.

Revenue from Australia and our developing markets[1] was up by 23% at £216m, reflecting the strategy of geographic diversification. Although we continue to make progress in these markets, as we have previously indicated, the combined impacts of the floods in Queensland in the first quarter and geopolitical issues in the Middle East and North Africa curbed our first-half profitability in these regions.

Group revenue was up 10% at £545.5m (2010: £496.9m). Following a loss in the first three months, performance improved in the second quarter, resulting in a first-half operating profit of £6.4m (2010: £13.7m), with an operating margin of 1.2%, compared with last year's 2.8%.

Profit before tax was £3.4m (2010: £11.3m) and earnings per share were 4.6p (2010: 12.5p). The Board has decided to leave the interim dividend unchanged at 7.6p per share (2010: 7.6p). The dividend will be paid on 1 November 2011 to shareholders on the register at the close of business on 7 October 2011.

Cash generated from operations was £0.2m, down on last year's £15.0m, reflecting the lower profit and the usual, seasonal first-half working capital outflow.

Net debt at 30 June 2011 was £127.8m, compared to £121.5m at the end of June 2010. Capital expenditure in the first half totalled £15.0m (2010: £12.7m), of which around two thirds was deployed in our developing markets and Australia, as we continue to build our presence in these higher growth regions.

Net debt at 30 June 2011 represented 1.6 times annualised EBITDA and annualised EBITDA interest cover was 18 times. Towards the end of 2010, the Group refinanced its main central banking facilities, replacing £145m of committed facilities that had been due to expire in the summer of 2011 with a new £170m revolving credit facility, expiring in April 2015. With these extended facilities and the Group's US$100m private placement, the financial position of the Group remains healthy and it continues to operate well within its financial covenants.

Board

I am pleased to announce that the Board has today appointed Mr David Savage as a Non-executive Director of the Company. David has had a long and successful career in international construction, most recently as the Chief Operating Officer of Leighton Holdings. His strong entrepreneurial skills and track record in building contracting businesses in developing markets will be of immense value to the Group, as we continue our expansion into new, higher growth geographic regions.

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[1] Our markets in Asia, Brazil, Eastern Europe, the Middle East and North Africa.

Operational overview

US

From a market perspective, the value of US non-residential construction spending in the year to date was down by 6% from the 2010 level. This compares with a fall of 17% in the corresponding period last year, indicating that, although expenditure continues to fall, the rate of reduction has slowed. Within non-residential construction, an increase of 11% in power meant this was the only sector to show any growth, whereas spend in the commercial sector[2] fell by a further 12% and has now contracted by almost 60% since the peak. Following a year-on-year reduction of 3% in 2010, the first decline in US public infrastructure spending in at least 20 years, public expenditure fell again by 6% in the year to date.

Despite this further contraction in their markets, our US operations reported revenue of £207.9m (2010: £198.0m), with revenue 11% ahead of last year on a constant currency basis, the increase being mainly in Hayward Baker. Continuing over-capacity maintained the pressure on margins, particularly in McKinney, which is that part of our US business most exposed to smaller contracts in the commercial sector. The US business as a whole reported an operating loss of £1.8m (2010: £1.0m loss).

In the face of these severe challenges, our foundation contracting businesses continue to adapt to their tough trading environments. At Hayward Baker, there was a change of company President early in the year and, more recently, a reorganisation and change of management in its under-performing western region. Following a disappointing result at McKinney in the first quarter, actions taken following a review of the business have led to improvements both in the results and the order book, returning the business to profitability.

One of the factors influencing performance in the first six months of the year was the scarcity of large jobs. However, towards the end of the first half, and after a somewhat delayed start, two major jobs did get underway which are expected to be important contributors in the second half. The first of these is a foundation package comprising caissons and continuous flight auger (CFA) piles for an extension to the Vogtle nuclear power plant at Augusta, in Georgia. The other comprises the second phase of CFA piling works at the BP oil refinery at Whiting, Indiana. The successful first phase, undertaken jointly by HJ and Case during 2009 and 2010, was the single largest foundation project we have undertaken in the US.

The order book of the US foundation businesses, which at the end of June was similar to the previous year, should underpin activity levels in these businesses through the second half of the year. However, we remain of the view that margins will not improve materially until there is confidence in a sustained recovery in US construction.

US housing starts appear to have stabilised. As a result, and following further cost reductions undertaken in the second half of 2010, Suncoast's losses reduced significantly in the first half of the current year, with the business trading in line with our expectations.

[2] Office, Commercial, Leisure and Lodging, US Census Bureau of the Department of Commerce, 1 July 2011.

Continental Europe, Middle East & Asia (CEMEA)

CEMEA reported revenue of £207.2m (2010: £190.1m) and operating profit of £8.5m (2010: £9.3m). On a constant currency basis, revenue was up 8% on the previous year, whilst operating profit trailed by 9%. Whilst the results for the division as a whole were much as we expected at the start of the year, individual performances across our diverse markets within this division were varied.

Despite continued strong competition, our German subsidiary again performed well, with its continued focus on productivity improvements and careful targeting of contracts, such as one at Lohsa, a former open-cast mining area close to the Polish border, where it has been undertaking ground improvement works as part of an ongoing railway upgrade project. Elsewhere in Western Europe, conditions remained challenging but stable. Restructuring measures taken in France and Spain in the latter part of 2010 brought these businesses back into profit in the first half, although the outlook, in Spain in particular, remains difficult.

In Eastern Europe, our Polish subsidiary achieved record first-half revenue and operating profit, in a competitive marketplace. Once again, large road and rail projects dominated the workload, such as the installation of piled foundations for a bridge construction on the A1 motorway and ground improvement for the modernisation of the Warsaw to Gdynia railway line. Elsewhere in Eastern Europe, trading in the first six months of the year was subdued, with very few public infrastructure projects being progressed.

Our businesses in the Middle East and North Africa were severely disrupted by the 'Arab Spring', which brought many projects to a halt and resulted in a loss from the region in the first six months of the year. Whilst we do not expect a substantial improvement in trading in those countries most impacted by the geopolitical unrest until confidence in a stable political environment is restored, prospects for the second half across the region as a whole are more encouraging.

Overall, our key markets in Asia remained strong in the first half of the year and our companies there continued to perform well. In Singapore and Malaysia, activity levels were high, with our businesses working on a wide range of industrial and infrastructure projects.

In India we continue to steadily strengthen and extend our operations. A new office opened in Hyderabad in the first half and a regional "Keller Academy", designed along the same lines as that in Europe, was established to support our focus on recruitment and training. In this rapidly growing market, we continue to target jobs in the power, coastal development, transportation and industrial sectors, where our design and build capability, advanced techniques, specialist equipment and international standards give us a competitive advantage.

Amongst the various projects worked on in the first half of 2011, our contract at the Bangalore Metro, where we are installing 2,000 ground anchors as part of the metro upgrade and extension project, continued to perform well. Also, following our successful introduction of bored piling last year, we have recently started work on another major piling contract for a new power plant in the state of Andhra Pradesh, which will benefit the second half.

Australia

The Australian construction market now appears to be moving at two different speeds: resources and related infrastructure projects continue to gain momentum, whereas the remainder of the market is relatively slow.

Australian revenue was £107.7m (2010: £80.7m) and operating profit was £3.5m, compared to £8.0m in the first half last year. On a constant currency basis, revenue was up 22% on last year, mainly reflecting the first-time inclusion of Waterway Constructions (Waterway), which was acquired in June 2010. The first-half results were significantly impacted by the flooding in Queensland in the first few months of the year, the effects of which proved to be longer lasting than we had at first anticipated.

Towards the end of the period, Waterway was awarded an A$86m (c.£57m) design and construct contract for a materials offloading facility at a liquid natural gas (LNG) project, to be undertaken in a 50:50 joint venture with a local civil construction company. With the design now underway, construction is expected to start in December 2011 and to complete a year later. The award of this major contract reflects the value we are able to bring to businesses that we acquire, underlining the benefits of our acquisition strategy.

Looking beyond its own shores, Keller Australia, with support from Hayward Baker in the US, has recently started work in Christchurch, New Zealand, where it is re-levelling structures damaged in the recent earthquakes. This is another example of our ongoing cross-border transfer of skills and knowledge. Elsewhere, one of our Australian piling businesses is about to start work on an LNG project in Papua New Guinea.

With an excellent order book and still several sizeable projects in the pipeline, the prospects for Keller Australia look good for the remainder of the year.

UK

The UK business reported revenue of £22.7m (2010: £28.1m) and an operating loss of £2.0m (2010: loss of £0.1m).

As we expected, the UK business had a difficult first half. However, the second quarter showed an improvement on the first three months, following the merger of our equipment yards and a further reduction in headcount. The performance of the UK business is expected to improve further in the second half of the year, as some of the transport infrastructure projects in which it will be involved get underway.

The business was recently awarded a £37m contract for grouting works that form part of the £700m Victoria Underground Station upgrade. Keller will undertake the installation of over 2,400 jet grout columns, which will allow approximately 400m of new tunnels to be excavated to connect the new (North) and existing (South) ticket halls. The project will be undertaken in co-operation with our German subsidiary, which brings considerable experience of large-scale tunnel stabilisation projects of this kind, including major contracts in Antwerp, Leipzig and Cologne. Works will start in late 2011 and are scheduled for completion early in 2014.

Outlook

Since our May 2011 interim management statement, we have seen little if any change in our key construction markets, with our more mature markets in the US and Western Europe reasonably stable but still challenging and our developing markets continuing to offer good opportunities. However, with continued economic uncertainty and intense competition in our more mature markets, pressure on margins remains.

In addition to the usual seasonal improvement, our recent mobilisation on several large jobs will help to support a much stronger second half.

The Group's order book is now 14% ahead of this time last year on a constant currency basis following the two significant recent contract awards, albeit that they will not come on stream until the end of the year.

Overall, the expected results for the full year remain within the current range of market expectations. Longer term, we are confident that the Group's geographic diversification and strong financial position mean that it is well placed to take advantage of growth opportunities in both existing and new markets.

Roy Franklin
Chairman
1 August 2011

Consolidated Income Statement

for the half year ended 30 June 2011

	Note	**Half year to 30 June 2011**	Half year to 30 June 2010	Year to 31 December 2010 Before goodwill impairment	Year to 31 December 2010 Goodwill impairment	Year to 31 December 2010 Total
		£m	£m	£m	£m	£m
Revenue	3	**545.5**	496.9	1,068.9	-	1,068.9
Operating costs		**(539.1)**	(483.2)	(1,025.6)	(21.8)	(1,047.4)
Operating profit	3	**6.4**	13.7	43.3	(21.8)	21.5
Finance income		**1.1**	0.8	3.3	-	3.3
Finance costs		**(4.1)**	(3.2)	(7.0)	-	(7.0)
Profit before taxation		**3.4**	11.3	39.6	(21.8)	17.8
Taxation	4	**(0.9)**	(3.2)	(11.0)	4.7	(6.3)
Profit for the period		**2.5**	8.1	28.6	(17.1)	11.5
Attributable to:						
Equity holders of the parent		**3.0**	8.0	28.3	(17.1)	11.2
Minority interests		**(0.5)**	0.1	0.3	-	0.3
		2.5	8.1	28.6	(17.1)	11.5
Earnings per share						
Basic earnings per share	6	4.6p	12.5p	44.0p		17.3p
Diluted earnings per share	6	4.5p	12.3p	43.2p		17.0p

Consolidated Statement of Comprehensive Income

for the half year ended 30 June 2011

	Half year to 30 June 2011 £m	Half year to 30 June 2010 £m	Year to 31 December 2010 £m
Profit for the period	**2.5**	8.1	11.5
Other comprehensive income			
Exchange differences on translation of foreign operations	**2.1**	(15.5)	12.0
Net investment hedge gains/(losses)	**0.6**	(0.7)	(0.3)
Cash flow hedge gains/(losses) taken to equity	**3.7**	(6.2)	(3.0)
Cash flow hedge transfers to income statement	**(3.7)**	6.2	3.0
Actuarial (losses)/gains on defined benefit pension schemes	**(0.1)**	0.1	(1.3)
Tax on actuarial losses on defined benefit pension schemes	**-**	-	0.3
Other comprehensive income for the period, net of tax	**2.6**	(16.1)	10.7
Total comprehensive income for the period	**5.1**	(8.0)	22.2
Attributable to:			
Equity holders of the parent	**5.3**	(7.1)	22.2
Minority interests	**(0.2)**	(0.9)	-
	5.1	(8.0)	22.2

Consolidated Balance Sheet
as at 30 June 2011

	Note	**As at 30 June 2011 £m**	As at 30 June 2010 £m	As at 31 December 2010 £m
ASSETS				
Non-current assets				
Intangible assets		**107.2**	128.0	106.8
Property, plant and equipment		**270.2**	261.3	275.0
Deferred tax assets		**10.1**	8.8	10.0
Other assets		**15.6**	16.2	16.1
		403.1	414.3	407.9
Current assets				
Inventories		**39.2**	37.8	32.9
Trade and other receivables		**360.5**	313.6	334.6
Current tax assets		**9.4**	7.2	6.2
Cash and cash equivalents	7	**36.9**	30.2	41.4
		446.0	388.8	415.1
Total assets		**849.1**	803.1	823.0
LIABILITIES				
Current liabilities				
Loans and borrowings	7	**(31.3)**	(79.2)	(25.9)
Current tax liabilities		**(5.2)**	(4.3)	(7.1)
Trade and other payables		**(263.7)**	(248.5)	(260.8)
Provisions		**(9.6)**	(6.8)	(9.1)
		(309.8)	(338.8)	(302.9)
Non-current liabilities				
Loans and borrowings	7	**(133.4)**	(72.5)	(109.5)
Retirement benefit liabilities		**(20.8)**	(19.0)	(20.1)
Deferred tax liabilities		**(18.7)**	(20.9)	(18.4)
Provisions		**(4.4)**	(5.0)	(4.5)
Other liabilities		**(35.5)**	(40.9)	(36.8)
		(212.8)	(158.3)	(189.3)
Total liabilities		**(522.6)**	(497.1)	(492.2)
NET ASSETS		**326.5**	306.0	330.8
EQUITY				
Share capital		**6.7**	6.6	6.6
Share premium account		**38.0**	38.0	38.0
Capital redemption reserve		**7.6**	7.6	7.6
Translation reserve		**50.8**	21.2	48.4
Retained earnings		**213.8**	223.2	220.1
Equity attributable to equity holders of the parent		**316.9**	296.6	320.7
Minority interests		**9.6**	9.4	10.1
Total equity		**326.5**	306.0	330.8

Condensed Consolidated Statement of Changes in Equity
for the half year ended 30 June 2011

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Translation reserve £m	Retained earnings £m	Minority interests £m	**Total equity £m**
At 30 June 2010	6.6	38.0	7.6	21.2	223.2	9.4	**306.0**
At 31 December 2010	6.6	38.0	7.6	48.4	220.1	10.1	**330.8**
Total comprehensive income	-	-	-	2.4	2.9	(0.2)	**5.1**
Share-based payments	-	-	-	-	0.6	-	**0.6**
Shares issued in the period	0.1	-	-	-	-	-	**0.1**
Dividends	-	-	-	-	(9.8)	(0.3)	**(10.1)**
At 30 June 2011	6.7	38.0	7.6	50.8	213.8	9.6	**326.5**

Consolidated Cash Flow Statement

for the half year ended 30 June 2011

	Note	**Half year to 30 June 2011 £m**	Half year to 30 June 2010 £m	Year to 31 December 2010 £m
Cash flows from operating activities				
Operating profit		6.4	13.7	21.5
Goodwill impairment		-	-	21.8
Operating profit before goodwill impairment		6.4	13.7	43.3
Depreciation of property, plant and equipment		20.8	19.4	40.0
Amortisation of intangible assets		0.7	0.3	1.7
Loss/(profit) on sale of property, plant and equipment		0.5	0.1	(0.5)
Other non-cash movements		1.4	0.3	5.8
Foreign exchange (gains)/losses		(0.1)	0.6	0.2
Operating cash flows before movements in working capital		29.7	34.4	90.5
(Increase)/decrease in inventories		(5.9)	(1.0)	5.2
Increase in trade and other receivables		(22.7)	(17.2)	(23.8)
(Decrease)/increase in trade and other payables		(0.7)	(0.9)	2.2
Change in provisions, retirement benefit and other non-current liabilities		(0.2)	(0.3)	(3.8)
Cash generated from operations		0.2	15.0	70.3
Interest paid		(2.6)	(1.5)	(4.5)
Income tax paid		(6.2)	(7.3)	(10.2)
Net cash (outflow)/inflow from operating activities		(8.6)	6.2	55.6
Cash flows from investing activities				
Interest received		0.2	0.5	0.5
Proceeds from sale of property, plant and equipment		0.1	0.3	1.0
Acquisition of subsidiaries, net of cash acquired		(0.2)	(22.2)	(23.4)
Acquisition of property, plant and equipment		(15.0)	(12.7)	(28.2)
Acquisition of intangible assets		(0.6)	-	(1.4)
Acquisition of other non-current assets		(0.1)	(0.4)	(0.3)
Net cash outflow from investing activities		(15.6)	(34.5)	(51.8)
Cash flows from financing activities				
Proceeds from the issue of share capital		0.1	-	0.2
New borrowings		29.0	41.5	99.5
Repayment of borrowings		(6.3)	(10.0)	(76.8)
Payment of finance lease liabilities		(0.1)	-	(1.3)
Dividends paid		(10.1)	(9.7)	(14.9)
Net cash inflow from financing activities		12.6	21.8	6.7
Net (decrease)/increase in cash and cash equivalents		(11.6)	(6.5)	10.5
Cash and cash equivalents at beginning of period		39.1	29.3	29.3
Effect of exchange rate fluctuations		0.1	(2.1)	(0.7)
Cash and cash equivalents at end of period	7	27.6	20.7	39.1

Responsibility Statement

We confirm that to the best of our knowledge:

a) the condensed set of financial statements has been prepared in accordance with IAS 34 – Interim Financial Reporting;
b) the interim management report includes a fair review of the information required by DTR 4.2.7R – indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year; and
c) the interim management report includes a fair review of the information required by DTR 4.2.8R – disclosure of related party transactions and changes therein.

By order of the Board

J R Atkinson Chief Executive
J W G Hind Finance Director

Notes to the Condensed Financial Statements
Half year ended 30 June 2011

1. Basis of preparation

The condensed financial statements included in this interim financial report have been prepared in accordance with IAS 34 – Interim Financial Reporting, as adopted by the European Union. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2010. The same accounting policies and presentation are followed in the financial statements that were applied in the preparation of the Company's published consolidated financial statements for the year ended 31 December 2010.

The figures for the year ended 31 December 2010 are not statutory accounts but have been extracted from the Group's statutory accounts for that financial year. The auditor's report on those accounts was not qualified and did not contain statements under section 498(2) or (3) of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies and has been made available on the Company's website at www.keller.co.uk.

The financial information in this interim financial report for the half years ended 30 June 2011 and 30 June 2010 has neither been reviewed, nor audited.

The key risks and uncertainties facing the Group, as explained in the Group's Annual Report for the year ended 31 December 2010, continue to be: market cycles, acquisitions, tendering and management of contracts and people.

2. Foreign currencies

The exchange rates used in respect of principal currencies are:

	Average for Period			Period End		
	Half year to 30 June 2011	Half year to 30 June 2010	Year to 31 December 2010	**Half year to 30 June 2011**	Half year to 30 June 2010	Year to 31 December 2010
US dollar:	1.62	1.53	1.55	1.60	1.51	1.55
Euro:	1.15	1.15	1.17	1.11	1.23	1.17
Australian dollar:	1.56	1.71	1.68	1.51	1.76	1.52

3. Segmental analysis

The Group is managed as four geographical divisions and has only one major product or service: specialist ground engineering services. This is reflected in the Group's management structure and in the segment information reviewed by the Chief Operating Decision Maker. There have been no material changes to the assets of these segments since the year end. Revenue and operating profit of the four reportable segments is given below:

	Revenue			Operating profit [2]		
	Half year to 30 June 2011 £m	Half year to 30 June 2010 £m	Year to 31 December 2010 £m	**Half year to 30 June 2011 £m**	Half year to 30 June 2010 £m	Year to 31 December 2010 £m
UK	**22.7**	28.1	49.6	**(2.0)**	(0.1)	(2.5)
US	**207.9**	198.0	425.2	**(1.8)**	(1.0)	6.9
CEMEA [1]	**207.2**	190.1	400.3	**8.5**	9.3	22.4
Australia	**107.7**	80.7	193.8	**3.5**	8.0	19.1
	545.5	496.9	1,068.9	**8.2**	16.2	45.9
Central items and eliminations	**-**	-	-	**(1.8)**	(2.5)	(2.6)
	545.5	496.9	1,068.9	**6.4**	13.7	43.3

1 Continental Europe, Middle East and Asia.
2 Operating profit in the year to 31 December 2010 totalled £21.5m after goodwill impairment charges of £13.5m and £8.3 in the US and CEMEA divisions respectively. After these impairment charges, the US division made a loss of £6.6m and the CEMEA division made a profit of £14.1m.

4. Taxation

Taxation, representing management's best estimate of the average annual effective income tax rate expected for the full year, based on the profit before tax and goodwill impairment is: 27% (half year ended 30 June 2010: 28%; year ended 31 December 2010: 28%). Taxation for the year ended 31 December 2010 based on profit before tax after goodwill impairment was 35%.

5. Dividends paid to equity holders of the parent

Ordinary dividends on equity shares:

	Half year to 30 June 2011 £m	Half year to 30 June 2010 £m	Year to 31 December 2010 £m
Amounts recognised as distributions to equity holders in the period:			
Second interim dividend for the year ended 31 December 2009 of 14.5p per share in lieu of a final dividend	-	9.3	9.3
Interim dividend for the year ended 31 December 2010 of 7.6p (2009: 7.25p) per share	-	-	4.9
Final dividend for the year ended 31 December 2010 of 15.2p (2009: nil) per share	9.8	-	-
	9.8	9.3	14.2

In addition to the above, an interim ordinary dividend of 7.6p per share (2010: 7.6p) will be paid on 1 November 2011 to shareholders on the register at 7 October 2011. This proposed dividend has not been included as a liability in these financial statements and will be accounted for in the period in which it is paid.

6. Earnings per share

Earnings per share of 4.6p (half year ended 30 June 2010: 12.5p; year ended 31 December 2010: 17.3p) was calculated based on earnings of £3.0m (half year ended 30 June 2010: £8.0m; year ended 31 December 2010: £11.2m) and the weighted average number of ordinary shares in issue during the year of 64.2 million (half year ended 30 June 2010: 64.2million; year ended 31 December 2010: 64.2million).
Diluted earnings per share of 4.5p (half year ended 30 June 2010: 12.3p; year ended 31 December 2010: 17.0p) was calculated based on earnings of £3.0m (half year ended 30 June 2010: £8.0m; year ended 31 December 2010: £11.2m) and the adjusted weighted average number of ordinary shares in issue during the year of 65.3 million (half year ended 30 June 2010: 65.3million; year ended 31 December 2010: 65.3 million).

Earnings per share before goodwill impairment of 4.6p (half year ended 30 June 2010: 12.5p; year ended 31 December 2010: 44.0p) was calculated based on earnings of £3.0m (half year ended 30 June 2010: £8.0m; year ended 31 December 2010: £28.3m) and the weighted average number of ordinary shares in issue during the year of 64.2 million (half year ended 30 June 2010: 64.2million; year ended 31 December 2010: 64.2 million).
Diluted earnings per share before goodwill impairment of 4.5p (half year ended 30 June 2010: 12.3p; year ended 31 December 2010: 43.2p) was calculated based on earnings of £3.0m (half year ended 30 June 2010: £8.0m; year ended 31 December 2010: £28.3m) and the adjusted weighted average number of ordinary shares in issue during the year of 65.3 million (half year ended 30 June 2010: 65.3million; year ended 31 December 2010: 65.3 million).

The total number of shares held in Treasury was 2.2m (30 June 2010: 2.2m; 31 December 2010:2.2m).

All shares issued related to share options exercised.

7. Analysis of closing net debt

	As at 30 June 2011 £m	As at 30 June 2010 £m	As at 31 December 2010 £m
Bank balances	**35.1**	25.9	39.3
Short-term deposits	**1.8**	4.3	2.1
Cash and cash equivalents in the balance sheet	**36.9**	30.2	41.4
Bank overdrafts	**(9.3)**	(9.5)	(2.3)
Cash and cash equivalents in the cash flow statement	**27.6**	20.7	39.1
Bank and other loans	**(154.1)**	(135.5)	(132.1)
Finance leases	**(1.3)**	(6.7)	(1.0)
Closing net debt	**(127.8)**	(121.5)	(94.0)

8. Related party transactions

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

During the period the Group undertook various contracts with a total value of £1.2m (half year to 30 June 2010: £1.5m; year ended 31 December 2010: £3.3m) for GTCEISU Construcción, S.A., a connected person of Mr López Jiménez, a Director of the Company. An amount of £2.2m (30 June 2010: £1.4m; 31 December 2010: £2.3m) is included in trade and other receivables in respect of amounts outstanding as at 30 June 2010. During the period the Group made purchases from GTCEISU Construcción, S.A with a total value of £1.7m (half year to 30 June 2010: £2.0m; year ended 31 December 2010: £3.6m). An amount of £1.8m (30 June 2010: £4.0m; 31 December 2010: £2.8m) is included in trade and other payables in respect of amounts outstanding as at 30 June 2010.

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.