


**keepmoat**  
delivering community regeneration

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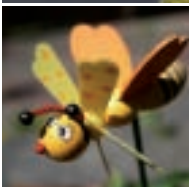
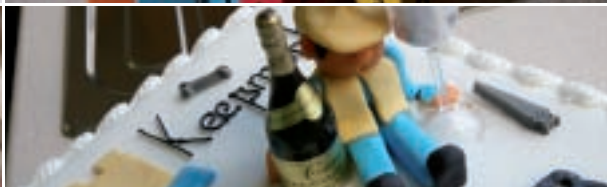
ANNUAL REPORT AND  
FINANCIAL STATEMENTS

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SUPPLEMENTARY REPORT

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2009



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# Annual Report and Financial Statements 2009 Supplementary Report

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## WALKER REPORT

On 20th November 2007 David Walker published his 'Guidelines for Disclosure and Transparency in Private Equity' (the Walker Report) which recommends that portfolio companies of private equity firms, amongst other things, can make certain enhanced disclosures in their financial statements.

The Keepmoat Group, while not a private equity portfolio company, has chosen to comply with these guidelines due to our ownership structure and the size of the Group. The following notes are therefore issued to supplement our latest annual report.

## MBO SHAREHOLDERS AND DIRECTORS

The Group was the subject of a management buy-out in August 2007. This was financially backed by Bank of Scotland Integrated Finance (BOSIF). A combination of Debt and Equity was raised to fund this transaction. BOSIF have a 18% stake, and all of the other shareholders are Directors and Senior Managers within the Group. None of the Directors on the Keepmoat Board are BOSIF representatives.

## FINANCIAL POSITION AND RISKS

The key measures of our financial performance are EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation) and cash flow. The Groups operating cash in flow for 2008/09 was £52.5m and EBITDA was £65.7m.

The amount of working capital required to service the Group's operations is closely monitored and controlled on a regular basis, and forms a key part of the information presented to the Board each month. The current assets mainly comprise trade receivables, work in progress and land held for development of private housing and of affordable housing through partnering schemes. The Groups' strategic focus is on public sector customers and as a result there is no history of bad or doubtful debts. Working Capital has increased by £7.3m in the year and cash has increased by £8.0m after paying dividends of £44m. The Group has net assets of £144.4m.

In the course of its ordinary activities, the Group is exposed to some financial risks which include liquidity and credit risks.

Liquidity risk relates to the Group generating sufficient cash flow to meet our operational requirements, while meeting dividend payments to enable our parent companies' to service their debt interest requirements. The Group does not hold any of the debt in relation to the MBO. This debt is held by the parent companies of Keepmoat Ltd. A cross guarantee in relation to this debt is disclosed in note 22 of our Annual Report and Financial Statements 2009.

Credit risk is in relation to trade receivables from customers. As a result of the Group's strategy to generate the majority of our revenue from services to the public sector and regulated organisations, the exposure to potential bad debts is extremely limited.