

# NATIONAL SCALE LOCAL KNOWLEDGE

COMPANY NUMBER

358466

**Rok plc**  
Annual Report  
and Accounts 2008

SATURDAY



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09/05/2009  
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## ABOUT US

### Our vision

Rok aims to become The Nation's Local Builder™ by operating from a network of offices in towns across the UK, using dedicated teams to deliver building services to the communities of which it is a part.

### Our services

The Group specialises in providing building, repairs and refurbishment, and maintenance services that are tailored to local needs and customers' wishes supported by the resources and expertise of one of the industry's leading players.

We believe this approach offers customers a unique combination of local focus and national presence.

#### RESPONSE MAINTENANCE

#### PLANNED REPAIRS AND REFURBISHMENT

#### NEW BUILD

#### REVENUE

**£119.0m**

**+27%**

Urgent and emergency repairs  
Rok trained technicians  
Retained by leading insurers

#### REVENUE

**£328.6m**

**+29%**

Working in occupied premises  
Rok trained technicians  
Decent Homes partner

#### REVENUE

**£563.6m**

**+7%**

Specialist sub-contractors  
Project values up to £5m  
Social housing provider

## Our difference

Rok operates from a wide network of 60 offices in UK towns and cities

Rok delivers many services using its own fully-trained technicians

Rok provides a broad range of building services including plumbing, heating and electrical

Rok involves itself in the communities where it is based, having a positive impact on people's lives and environment

Rok looks for new, more effective and greener ways of working

Rok is a market leader in the social housing, education and insurance sectors

Rok has extensive experience working in occupied premises

**REVENUES (£M)**

**PROFIT BEFORE TAXATION (£M)**

**BASIC ADJUSTED EARNINGS PER SHARE (P)**

**DIVIDEND (P)**

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**Stephen Pettit** Chairman

Whilst 2008 was a challenging year in many respects, we have responded swiftly to the changing economic climate and taken the necessary action to address our cost base. We have also accelerated the change in our business mix to a greater proportion of higher margin repair and maintenance activities.

## SUMMARY OF OUR YEAR

- 2008 Group revenue of £1,011m (an increase of 16%)
- Pre-tax profits (from continuing operations before exceptional costs) of £20.4m
- Total order book (including framework agreements) of £2.7bn (2007: £2.2bn)
- Refinanced banking facilities out to 2012
- Appointment of Rob Olorenshaw to the newly created role of Chief Operating Officer

## GOING FORWARD

- Two thirds of our gross profits now coming from higher margin services
- Business more resilient to the challenges that lie ahead

## OVERVIEW

Group revenue from our core operations for the year to 31 December 2008 was £1,011m, an increase of 16% on the £875m achieved in 2007.

As advised in our Interim Management Statement on 5 November, pre-tax profits from continuing activities, before exceptional costs and intangible asset charges, were lower at £20.4m. Adjusted earnings per share, from continuing operations fell to 8.1p compared with 11.2p in 2007. The transitioning of the business – which began two years ago – from a reliance on new build revenue to a greater focus on repair and maintenance, was accelerated by the sharp downturn in demand in the fourth quarter of 2008.

The Board is proposing a final dividend of 1.25p per share, making a total for the year of 2.40p. If approved, the final dividend will be paid on 15 May 2009 to shareholders on the register at 3 April 2009.

## STRATEGY

Our local builder strategy has been consistently applied over the past eight years, and it is as relevant today as ever it was. Having started to reduce our exposure to commercial property development at the beginning of 2007, we have ceased any further involvement in this area. We are now focused on providing a service-orientated building, repair and maintenance business with national scale and based on local knowledge.

## REFINANCING

We have successfully refinanced our banking facilities out to March 2012, entering into a club arrangement with three major banks for a total facility of £90m. This will underpin our balance sheet as we further transition our business model to a greater proportion of repair and maintenance activities.

## BOARD CHANGES

On 3 December 2008, following the restructuring of our operations, we announced the appointment of Rob Olorenshaw as the Company's

new Chief Operating Officer (COO) to take responsibility for a number of the Group's support functions. Rob formally joined the Board on 1 January 2009 and we believe he is an excellent addition to the management team and are confident that he will help increase efficiency and effectiveness across the business.

The creation of the role of COO reflects the Group's increasing emphasis on the people, systems, processes and efficiencies that support planned and response maintenance, and it will also enable our Chief Executive to have much closer day-to-day contact with our Regional Managing Directors.

John Samuel stepped down as a director on 31 December 2008 and we would like to thank John for the substantial contribution he made and wish him well in his future career.

Sue Moore stepped down as a director on 31 March 2008 to pursue other business interests and we wish her every success in her future career.

#### OUTLOOK

There is no doubt that we experienced a sharp setback last year but acted promptly to plan for the reduced revenue expectations. We have reduced our ongoing operational costs in the business by £30m and have also restricted our new build construction activities. Some 70%

of our revenue now derives from the public and regulated sectors and more than two thirds of our gross profits going forward are now expected to emanate from our higher margin response maintenance and planned maintenance and refurbishment services.

The total value of expected future revenues both in committed orders and framework agreements currently is £2.7bn (2007: £2.2bn) and some 87% of our total anticipated revenue for 2009 is now either secure or highly probable under such agreements.

We believe that the actions we have taken leave us well positioned in the current marketplace whilst ready to take advantage of the upturn that will emerge in time.

**STEPHEN PETTIT**  
CHAIRMAN  
12 March 2009

**TOTAL ORDER BOOK INCLUDING  
FRAMEWORK AGREEMENTS**

**£2.7bn**  
**+23%**

## OUR SUCCESS FORMULA

### STRATEGY

Our strategy is to be  
The Nation's Local Builder™.

We have captured our strategy  
in what we call our Success  
Formula, which we believe  
will set us apart and make  
us first choice for customers.

The formula only works if all the elements are given equal weight. It is against the formula that our future priorities and action plans are aligned.

Each element of the formula is measured through Key Performance Indicators (KPIs). All offices are measured each month against these KPIs and their performance is displayed in every office and discussed at monthly team meetings.

### ELEMENTS OF SUCCESS

#### **WE ARE A TALENT MAGNET.**

The basis of Rok's business philosophy since its inception has been that by attracting, retaining and developing the best people, we will provide exceptional customer service and, through this, **greater value for our stakeholders.**

#### **WE HAVE FANTASTIC LEADERS**

**WHO INSPIRE.** This strategy sets a high benchmark for all our leaders whatever their role in Rok. In particular it reflects our conviction that our team leaders, who head each of our business streams and functions are **the linchpin of Rok's success.**

#### **WE LOVE OUR CUSTOMERS.**

At Rok we seek to differentiate ourselves through our conviction that good customer service means not just completing projects on time, to budget and to the agreed quality but also **providing a positive experience throughout the process.**

#### **WE DESIGN OUR BUSINESS FOR THE HIGHEST MARGIN.**

Leaders in Rok are rewarded for their success in developing profitable local businesses which conform to our model. They are based on longer-term customer and supply chain relationships, **resulting in better overall performance and opportunities for business.**

#### **WE ARE GROWING THE FAMILY.**

We know there is a high demand for locally-sourced, reliable building and maintenance services all over the UK. We are steadily increasing our share of this work through organic growth and complementary acquisition. Using our own directly employed trades people helps us **to ensure the highest standards of delivery.**

#### WHAT WE ACHIEVED

- 14 offices achieved a zero AFR throughout 2008
- Introduction of enhanced maternity and paternity benefits
- All new employees attended Taste of Rok induction programme

#### KPIs

##### SAFETY PERFORMANCE (Accident Frequency Rate)

##### OUR OBJECTIVE

0.31

##### WHAT WE ACHIEVED

0.31

##### NUMBER OF TECHNICIANS EMPLOYED

#### WHAT'S NEXT

- Embedding our internal coaching programme underpinning the British Safety Council five star audit
- Developing in-house accreditation scheme supported by NVQ for all technicians
- Reduction in AFR to 0.28 by 2009

#### WHAT WE ACHIEVED

- Roll out of cascade briefing process: Rok Relay
- Development of leaders through modules on coaching, people leadership, management of change and commercial leadership
- Succession planning embedded in the business with two of our Managing Directors promoted through this process

##### EMPLOYEE RETENTION

##### OUR OBJECTIVE

84%

##### WHAT WE ACHIEVED

84%

##### EMPLOYEE RETENTION

#### WHAT'S NEXT

- Pathway to Leadership for our front-line leaders, resulting in a consistent approach to leadership and level 3 NVQ
- New leadership modules for our Area Leaders on business development and people development
- Maximising external contacts and networks to bring new thinking into the organisation and the industry

#### WHAT WE ACHIEVED

- The number of transactions with national insurance customers increased by 19%
- 89% of maintenance customers rated their satisfaction with service as either very good or exceptional. 90% of non-maintenance customers rated their satisfaction with service as either very good or exceptional
- We have monitored the trends of satisfaction by both work streams and offices

##### CUSTOMER DELIGHT INDEX

very good or exceptional service rating from surveyed maintenance customers

##### OUR OBJECTIVE

70%

##### WHAT WE ACHIEVED

89%

#### WHAT'S NEXT

- Begin front of house mystery shopping surveys
- All new build and social housing projects will have a face to face customer loyalty survey
- Use our KPIs to constantly improve performance and levels of customer satisfaction

#### WHAT WE ACHIEVED

- Operations Excellence Guidelines introduced for maintenance businesses
- Realigned the business so that a third of our gross profits comes from each of our three business streams
- Launched plumbing, heating and electrical business to enhance margin

##### OPERATING PROFIT MARGIN

##### OUR OBJECTIVE

5%

##### WHAT WE ACHIEVED

2.1%

##### PROFIT TURNED TO CASH

##### OUR OBJECTIVE

100%

##### WHAT WE ACHIEVED

20%

#### WHAT'S NEXT

- Consolidate plumbing, heating and electrical business in 2009
- Continue to focus on higher margin business streams
- Return profit to cash ratio to 100%

#### WHAT WE ACHIEVED

- Acquired two new businesses to strengthen our PHE and new build social housing streams
- 650 people from acquired businesses took part in a cultural induction day
- Created a new insurance claims centre in Mansfield

##### NUMBER OF ROK TECHNICIANS

##### INCREASED BY

737

##### TARGET BY 2011

6,000

#### WHAT'S NEXT

- Continue to recruit and train skilled technicians
- Continue to open new offices in areas where work we are winning justifies a more local presence
- Expand opportunities for maintenance work with more national customers

## OUR SERVICES

### NATIONAL SCALE

#### RESPONSE MAINTENANCE

- INSURANCE
- LOCAL

We provide a comprehensive repairs and maintenance service for both national organisations and local customers. Calls to our response teams cover anything from leaking roofs to faulty heating.

#### PLANNED REPAIRS AND REFURBISHMENT

- PLUMBING HEATING AND ELECTRICAL (PHE)
- BUILDING IMPROVEMENTS

We work with organisations such as housing groups, schools and airports on maintenance and improvement programmes. Work includes extensions, alterations, refits and replacement of kitchens, bathrooms, plumbing and wiring.

#### NEW BUILD

- SOCIAL HOUSING
- CONSTRUCTION

We build homes for Registered Social Landlords helping to regenerate communities. Other typical construction projects are schools, offices and health centres. These are generally low risk, worth under £5m and for customers who have used our services before.

### LOCAL KNOWLEDGE

**5,000**  
employees

**60**  
offices

#### CASE STUDY

Rok's response maintenance team is on call round the clock for any property related emergencies in the apartments and communal areas of Citygate as the preferred supplier to managers Kingston Property Services.

## NEWCASTLE

### CASE STUDY

Rok is working on the four storey Waygood Art Gallery for Newcastle City Council; providing new exhibition and office space, renewing services and re-roofing the building – total value of £4.5m.

### CASE STUDY

In 14 weeks Rok carried out a £620,000 refurbishment of two wards in the Royal Victoria Infirmary for the NHS Trust including the complete renewal of all mechanical and electrical services.

**Garvis Snook** Chief Executive

**In response to increasingly difficult market conditions, we accelerated our repositioning of the business and we are now much less reliant on larger construction projects and more focused on higher-margin, lower-risk maintenance activities.**

## **OUR STRATEGY FOR THE FUTURE**

- Reduction in exposure to larger construction projects
- Focus of business on higher-margin, lower-risk maintenance activities

## **WHAT WE ACHIEVED**

- Successful transition of our business so that each of the three main streams will account for a third of gross profits
- Launched new business stream – Rok Plumbing, Heating and Electrical (PHE)
- Successfully brought cost base in line with projected revenues
- Ongoing commitment to corporate social responsibility

## **OVERVIEW**

2008 was a year of progressive transition for Rok. Two years ago we initiated the changes that would reduce our exposure to larger construction projects, and this process gathered pace in 2008.

When the banking crisis of late last year seriously compromised property-based lending, it became obvious that the severity of this recession was growing, and we therefore accelerated the pace of our change to meet the challenges ahead. We took action to bring the cost base of the Group back in line with projected revenue. Unfortunately, this action resulted in the loss of 700 jobs over the year but the Group is much better balanced as a result.

The medicine was difficult to take at the time, but it has been effective, and we are now able to face the future with much greater confidence.

The transitioning of the business is now virtually complete with each of the three main business streams expected to account for around one third of gross profits in 2009 and beyond.

Our response maintenance business consists of two distinct areas, one serving the insurance market, and the other concentrating on national and local customers.

Our planned repairs and refurbishment business provides building, plumbing, heating and electrical services to a broad base of customers, both national and local.

Our new build stream comprises our social housing activities and other locally-based construction projects.

Much of the Group's revenue is now covered by long-term framework agreements (see page 24 for a fuller explanation) so we have good visibility of revenue in 2009 and indeed for some years to come.

#### **NEW BUSINESS STREAM**

In September last year we launched Rok Plumbing, Heating and Electrical (Rok PHE) incorporating a number of previously acquired companies.

It is fundamental to our strategy that we grow our footprint nationally and, following the formation of Rok PHE, we now have a very strong position in Scotland and the north of England. We plan to roll out this activity across the rest of the UK in time.

#### **PEOPLE**

Our people and the service they provide is a key focus area for Rok and therefore it was particularly difficult to make redundancies at the end of last year. That action, however,

had to be taken for the overall health of the Group. I would like to thank all those people, both current and past employees, who have contributed to the success of the Group over recent years and for responding so positively to the challenges we faced in 2008.

Rok is unique in that it has a large, directly employed labour force – a factor which runs contrary to the policies of our competitors, who almost exclusively use sub-contractors.

Our unique business proposition is built on quality service delivered by our own trades people and this strategy, more than any other, defines Rok and contributes to the success of the Group.

Our commitment to Corporate Social Responsibility (CSR) is as strong a commitment on our building sites as it is in our boardroom. A full report on progress can be found on pages 28 to 33.

### RESPONSE MAINTENANCE

#### KEY POINTS

- Revenue up 27% to £119m (2007: £94m)
- Like for like organic revenue growth was 16%
- Opening of our new claims centre in Mansfield
- The only building repair business handling insurance claims to offer a three-year guarantee
- Focus on excellent customer service delivered locally by our own people

#### Response maintenance comprises our insurance activities and our national and local repairs services.

This business stream performed well in 2008, continuing the strong growth we have seen in recent years. We achieved revenue of £119m, up 27% from the £94m in 2007. Organic growth in revenue was 16%. Operating profit was £7.4m, an increase of 30%, and the operating margin again showed an improvement, up to 6.2% from 6.1%.

Our growth in this division continues the strong trend we have established over the past four years and has not experienced any impact from the current recession. We have built our unique position in the UK market in response maintenance services through a directly employed workforce. This approach, coupled with the quality of service provided, is leading to continued referrals from many of our customers. The improvement in operating margins was even more notable, given the investments we continue to make in this area.

As with all our activities, there is a strong focus on customer service delivered locally by our own people which is a key differentiator for us.

#### INSURANCE

Insurance accounted for 74% of this division's revenue in 2008. Rok Insurance Services has contracts with seven of the top ten UK insurance companies, under which we provide a claims management and repair service to support insurers and their policyholders. We are one of the largest providers of these

services to the insurance market, and we are the only company that employs so many of its own trades people to service these customers across the country. We are also the only building repairs business handling insurance claims to offer a three-year quality assurance guarantee for the repairs we make.

Our new purpose-built claims centre in Mansfield is at the heart of our insurance activities. We are currently handling around 38,000 claims a year through the centre, which is fully scalable as demand grows. We are able to help our insurance company customers reduce their costs significantly by removing a layer of administration from the claims process. We are the only building services company that operates an independent claims validation process for its insurance company customers, using external qualified providers, and then undertakes the building repairs on their behalf.

In 2008 we signed contracts with AXA, Fortis and Nationwide for new business, and renewed a five-year contract with Zurich valued at around £200m.

We have also been appointed as claims management provider for all Zurich Direct building claims under £10,000. These claims will be handled entirely by our own customer service advisers from receipt of loss through to fulfilment of building work. This contract award amply demonstrates the broad range of claims services we can provide to support insurance companies' operations.

## MANSFIELD

### INSURANCE

#### NATIONAL

Rok's insurance claims centre is designed to handle around 125,000 claims a year. Based in Mansfield, the centre was created with the help of funding from East Midlands Development Agency. The Company employs 70 customer service advisers from the area, with plans to expand as one of the UK's leading providers of claims management and property repair services for insurance companies.

#### NEW CLAIMS VOLUMES ('000s)

#### METHOD OF CLAIM SETTLEMENT (%)

Rok	52
Repudiation	32
Cash	8
Own builder	8

#### REVENUE GROWTH

**£119m**  
**+27%**

#### VALUE OF NEW FIVE-YEAR FRAMEWORK AGREEMENT WITH ZURICH

**£200m**

## RESPONSE MAINTENANCE

**We continue to see major opportunities for this business, driven by the continuing trend of outsourcing by major corporates, government bodies and housing associations.**

### **NATIONAL AND LOCAL**

The non-insurance activities of our response maintenance teams comprise our national and local activities. Here we provide local delivery of urgent repairs to a wide variety of end users, be they national organisations with large property portfolios, or smaller, more locally-based organisations such as housing associations or local councils.

Among our national customers are the Guinness Trust and Anchor Trust, the largest not-for-profit provider of housing, support and care in the UK. Both these organisations value the consistency of service, skill level and problem solving Rok can offer.

This combination has been instrumental in our securing a number of national agreements in recent months. The Maritime and Coastguard Agency, for example, has invited Rok to look after 150 of its properties in the UK by providing routine maintenance and responding to any building-related emergencies. Under a similar arrangement, Leisure Connection has contracted Rok to carry out maintenance, alterations and urgent repairs in the 70 or more leisure and arts facilities it manages across the country.

Our local customers tend to be councils, housing trusts and education establishments which, by their very nature, are immersed in their communities, and find the Rok business model attractive. In particular, the fact that our technicians have been cleared through police checks to work in sensitive environments and are used to working in sites which are occupied, means additional peace of mind for these customers. Our work for councils means we are regularly called in to cope with problems in schools such as blocked drains or broken windows which, if not dealt with quickly, could lead to further problems. Similarly, for housing associations we are on call for residents with property-related problems.

We continue to see major opportunities for this business, driven by the continuing trend of outsourcing by major corporates, government bodies and housing associations.

## EASTBOURNE

### RESPONSE MAINTENANCE

#### LOCAL

A dedicated Rok team in Eastbourne helps the Borough Council keep the town's promenade in pristine condition. Councillor Steve Wallis said: "It is one of our most precious attractions for residents and visitors alike, so we take its maintenance very seriously." Rok's contract includes 24-hour emergency repairs. A similar service is offered to other local customers including the prestigious Hydro Hotel and Servite Houses which manages student accommodation in Eastbourne for Brighton University.

### RESPONSE MAINTENANCE OPERATING PROFIT TRENDS (£M)

ROK VANS

**1,800**

### SECTOR ANALYSIS 2008: LOCAL RESPONSE\*

Social housing	37%
Education	17%
Commercial	14%
Domestic	12%
Other	9%
Health	4%
Leisure	2%
Infrastructure	2%
Retail	2%
Defence	1%

\*excludes insurance business.

## PLANNED REPAIRS AND REFURBISHMENT

### KEY POINTS

- Record year with revenue up 29% to £329m (2007: £255m)
- Operating profit up 12% to £16.8m (2007: £15.0m)
- New national customer wins worth £330m
- Rok PHE now a unified business operating under a single national brand
- Significant growth in the education sector working with more than 100 schools nationwide

### **Our planned repairs and refurbishment business provides building improvements and plumbing, heating and electrical (PHE) services to housing associations, local authorities and to the education, health and leisure sectors.**

We enjoyed another record year from this business stream, with revenue increasing by 29% to £329m from £255m in 2007. Operating margins were affected by cutbacks by customers in the autumn, and therefore slipped to 5.1% from 5.9% in 2007. Operating profit showed a 12% improvement to £16.8m from £15.0m previously.

### NATIONAL

The estimated cost in the UK last year of social housing urgent and planned repairs was in the region of £7bn to £8bn. This level of spending has been on a gently rising trend and is now stabilising.

Much of this work is carried out under long-term framework agreements as part of the government's Decent Homes initiative. This initiative has been successful in improving the standards of more than a million homes so far, but there remains much to do if the government is to meet its own target. In England, we expect this work to be complete by 2012; in Scotland it is several years behind, and in Wales, it has barely started. As Decent Homes programmes are being completed throughout the UK, it is clear that local authorities and housing associations are reverting to the regular 'planned repairs' that were undertaken before the initiative began. We believe that,

having spent significant sums on bringing the social housing stock up to standard, these organisations will want to ensure that this standard is maintained.

New framework agreements awarded last year totalled over £330m and included BAA, Circle Anglia, Fusion 21, Home Group South, London & Quadrant Group and Northern Housing Consortium. As a result, the proportion of total revenue arising from our planned activities is budgeted to increase from 32% in 2008 to 39% in 2009.

### PLUMBING, HEATING AND ELECTRICAL (PHE)

As a result of strategic acquisitions, we now have a unified PHE business operating under one national brand and directly employing around 750 skilled technicians with a wealth of experience in installation, repair and maintenance services. Rok PHE has a strong position in Scotland and the north of England which we will roll out across the rest of the UK in time.

Around 25% of the cost of all building projects is accounted for by plumbing, heating and electrical activities, the margin for which is usually passed to sub-contractors. The formation of this specialist business stream ensures that we retain the margin and are well placed to provide high-quality workmanship and ongoing long-term servicing and repair for our customers.

An example of Rok PHE teams working closely with colleagues on a new build project is the Centre for Health Science in Inverness.

## PLANNED MAINTENANCE NATIONAL

The most talked about feature of Albyn Housing Society's development in Aviemore is its heating system, installed by Rok PHE Inverness. This is one of the largest housing-related biomass projects in Scotland. Woodchips from local, sustainable forests are fed into a boiler which provides heating and hot water to 130 homes. Around two miles of heating distribution pipework was laid between the centralised biomass boiler plant and the houses.

## INVERNESS

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### REVENUE

2008 growth from planned repairs and refurbishment

**£329m**  
**+29%**

### PLANNED OPERATING PROFIT GROWTH (£M)

### TOTAL CONSTRUCTION SECTOR VALUE IN 2008 (%) ESTIMATE

Total market £120bn

New work	54
Repair maintenance and improvement	46

### TECHNICIANS EMPLOYED IN SPECIALIST TRADES BY PHE

**750**

Source: regional  
 construction  
 forecasts

## PLANNED REPAIRS AND REFURBISHMENT

**In Rok PHE, we now have a unified business operating under one national brand and directly employing more than 750 skilled technicians.**

The pioneering centre, which provides academic and practical simulation facilities to medical and dental students, required a range of services for the laboratories and simulated wards. It uses the latest technology to control temperature and conserve energy. Rok was able to provide integrated solutions through the combined expertise of its site team and specialist trades people.

Many of the improvements and refurbishments to the social housing stock, such as boilers, immersion heaters and central heating systems have a limited useful working life and will require maintenance or replacement over the years to come. Our PHE business is in a good position, as the original provider, to service these future requirements.

### LOCAL

Our local business within this maintenance stream provides services to a wide range of locally-based organisations involved in social housing, health, retail, airports, defence, education, and other sectors. High quality of service, delivered locally, is the key to keeping our existing customers happy and in winning new business.

Our ability to work effectively in customer-occupied premises using our own people is a major selling point for us. It enables building work to be scheduled, undertaken and completed when the customer wants, being less reliant on co-ordinating numerous sub-contractors.

We enjoyed significant growth last year in the education sector, working in more than 100 schools, 25 colleges,

12 Sure Start centres and ten universities. Our activities included extending or converting premises where the ability to carry out time-critical improvements had high demand.

In 2008 Rok started improvement work on rented properties managed in the south of England by Home Group. Rok is working with Home to ensure all 11,000 properties meet Decent Homes standards by 2010. Rok has provided a mobile presentation unit to tour housing schemes showing Home residents what the work involves. Improvements could include energy efficient upgrades, replacement boilers, gas and electric heating systems, roofing, wiring and kitchen and bathroom renewals.

We also continue to enjoy an excellent working relationship with BAA and have recently signed a further long-term framework agreement covering all seven BAA-owned UK airports, where we provide smaller building repair and maintenance services. We have permanent teams in five of these airports – Heathrow, Gatwick, Stansted, Glasgow and Edinburgh. Working behind the scenes, we are often busiest at night, ensuring that all trace of our activity has gone by the time most passengers arrive in the morning.

Having slimmed down some of our Group operations to focus on these activities, we are in excellent shape to exploit the market conditions as they evolve over the coming months and years.

## PLANNED TURNOVER GROWTH – £M

## BRISTOL PLANNED MAINTENANCE LOCAL

More than 600 new kitchens have been fitted by Rok in Bristol City Council properties since February 2007. Not only are residents delighted with the improvements to their homes but the whole experience has been made easier for them by Rok resident liaison officers. Rok is engaged on a five-year programme to bring the council's properties in the north of the city up to Decent Homes standard and the work includes replacing bathrooms, windows, wiring, roofs and cladding.

## SECTOR ANALYSIS 2008: PLANNED (%)

Social housing	33%
Commercial	21%
Domestic	17%
Education	11%
Airports	8%
Infrastructure	3%
Other	2%
Leisure	2%
Health	2%
Retail	1%

THE VALUE OF PLANNED MAINTENANCE  
AND DECENT HOMES FRAMEWORKS WON

# £330m

## NEW BUILD

### KEY POINTS

- Revenue of £564m
- Reduction in exposure to larger commercial and industrial projects
- Increased number of smaller public sector projects, many of which are covered under long-term framework agreements
- Acquisition of Richardson Projects, a specialist provider of new build and refurbishment services to the social housing sector
- New customer wins amounted to £340m

**Our new build stream undertakes projects with a relatively small value, typically less than £5m. During the year we have actively reduced the scale of our commercial and industrial activities. Increasingly included in this business stream are small public sector projects with local authorities and housing associations, many of which are covered under long-term framework agreements.**

Revenue in the new build division increased by 7% to £564m (2007: £526m) and within this total our social housing new build activities have grown by 9% to £130m, as a result of the acquisition of Richardson Projects. New build operating profits fell to £2.2m (2007: £10.1m) as revenues anticipated for the last quarter of the year, principally in the private sector, fell sharply in response to the crisis in the banking sector and ahead of the removal of costs from the business. Operating margins as a result fell to 0.4% (2007: 1.9%).

We scaled back our new build commercial activity during the year, consolidating the number of branches carrying out such work from 20 to five. The proportion of total revenues going forward from new build commercial activity is therefore budgeted to reduce from 43% to 24% and the cost base is now aligned with anticipated future revenue.

From this point forward, we have good visibility of anticipated revenue, under a number of framework agreements, for 2009 through to 2013.

Even though new build margins are low, it is an integral part of the service we offer to customers. We will therefore continue to maintain the strong customer relationships we have built over the last ten years.

In April we acquired Richardson Projects, a northern-based specialist provider of new build and refurbishment services to the social housing sector. Richardson is a very comfortable 'fit' with Rok, not least because it offers high levels of service and prides itself on customer retention, employing 350 people including 180 skilled technicians.

In 2008 Rok was one of only four companies appointed to the LHC network responsible for assisting local education authorities with new build and refurbishment projects in Scotland and the north of England. LHC is a not-for-profit, local government organisation, providing procurement solutions for all public sector buildings. Other new customer wins included Home Group, Spirit Partnership and SMARTE EAST.

NUMBER OF AWARDS WON BY  
RICHARDSON PROJECTS FOR THEIR  
DEVELOPMENT IN ANCOATS, MANCHESTER

8

NUMBER OF HOMES COMPLETED IN 2008

1,222

SECTOR ANALYSIS 2008:  
NEW (%)

Commercial	33%
Social housing	23%
Education	19%
Domestic	9%
Health	5%
Retail	3%
Leisure	2%
Infrastructure	2%
Airports	2%
Defence	1%
Other	1%

#### NEW BUILD NATIONAL

Richardson Projects, acquired by Rok in April 2008, is working with Incommunities and Pan English Development to build 50 rented homes and 43 for shared ownership in Bradford. Richardson Projects used its experience to bring savings to the development, modern and sustainable methods of construction, and a high proportion of local involvement.

VALUE OF NEW BUILD HOUSING  
FRAMEWORKS WON IN 2008.

£340m

## OPERATIONAL REVIEW CONTINUED

### LOOKING FORWARD

**From this point forward, we have good visibility of anticipated revenue, under a number of framework agreements, for 2009 through to 2013.**

2008 was a tough year for all of us. We had begun to reposition the business some years ago but so swift was the change in the economy from the late summer onwards that we had to dramatically accelerate the pace of change. The necessary actions were taken, with the result that the business can now look forward to 2009 in much better shape, with our long-term strategy intact and a belief and a commitment running throughout the Group that is as strong as it has ever been.

Over the past few years we have seen strong growth in our response maintenance and planned repairs and refurbishment businesses. The market has been, and we believe will continue to be, very receptive to our model of a national network of offices offering local delivery of high-quality building services.

We plan to build on our successes, with these two business areas expected to account for close on 70% of our gross profits in 2009. Organic growth has been good, we are winning market share and costs are firmly under control.

Our future revenues continue to be significantly underpinned by framework agreements and in the first two months of 2009 we won agreements amounting to £250m. The pipeline of future work, particularly in the public sector, is strong and we are currently in the selection process for 172 new frameworks.

Whilst the past year has not been without its challenges, the necessary action was taken swiftly and decisively. As a result, the Group is now better balanced in terms of business mix. We employ many talented people, have many great customers to whom we endeavour to deliver a first class service and have a higher visibility of our future revenues than ever before. The combination of all these factors gives us confidence of a more certain outcome.

**GARVIS SNOOK**  
CHIEF EXECUTIVE  
12 March 2009

## NEW BUILD

### LOCAL

An Islamic primary school is being built by the Reading construction team who completed Britain's first new Sikh school in 2007.

The IQRA Slough Islamic Primary School will be on the site of an existing infant and junior school which is remaining open throughout the contract. The close proximity of the work to the occupied school requires careful planning and sensitivity.

## READING

### BUSINESS MIX 2009: REVENUE\* (%)

New build	43
Planned repairs and refurbishment	39
Response maintenance	18

\* Based on  
2009 budget.

### JOBS BY PROJECT SIZE (%)

£0m - £1.5m	64
£1.5m - £6m	13
£6m - £10m	2
Greater than £10m	1

NUMBER OF SCHOOLS WORKED IN  
DURING 2008

**100**

FRAMEWORK WON WITH LHC EDUCATION  
FOR NEW BUILD AND IMPROVEMENT WORK

**£20m**

**Ashley Martin** Finance Director

**We have entered 2009 with secured revenues at their highest ever proportion to the full year expectation.**

## OUR STRATEGY FOR THE FUTURE

- Cost base aligned with projected revenues
- Business model to produce a third of gross profits from each of the three business streams

## WHAT WE ACHIEVED

- Group revenue up 16% to £1,011m (2007: £875m)
- Response maintenance revenue up 27% to £119m (2007: £94m)
- Planned repairs and refurbishment revenue up 29% to £329m (2007: £255m)
- New build revenue up 7% to £564m (2007: £526m)
- Reduced ongoing operational costs by £30m

## OVERVIEW

The financial results for 2008 reflect the general downturn in the economy and were particularly affected by our customers' capital spending plans following the banking crisis in the autumn.

The key areas where the shortfalls in revenue were likely to occur were communicated to shareholders in the Interim Management Statement at the beginning of November. As a result of the sharp downturn in demand experienced in the fourth quarter, particularly in our new build activities, we re-assessed our revenue expectations for the remainder of 2008 and 2009 and took action to re-align our cost base accordingly. This resulted in a number of one-off exceptional costs to restructure the business. Our underlying profitability fell 25% in 2008 as the revenue reduction occurred ahead of the removal of costs from the business.

In June 2008 we took the decision to close our property development operations as we believed this market was unlikely to deliver adequate returns for the Group in the foreseeable future. The results of this business have been presented as a discontinued operation and the remaining assets have been classified as held-for-sale within the financial statements.

Group revenue for the year increased 16% to £1,011m (2007: £875m) while pre-tax profits before exceptional costs were 26% lower at £18.1m (2007: £24.5m). After the exceptional charges incurred in restructuring the business totalling £12.2m, pre-tax profits fell by 76% to £5.9m. The closure of Rok Development resulted in a £16.0m loss, most of which related to non-cash charges for property provisioning and goodwill impairment. Together with the operating losses during the period, this discontinued activity affected the Group's results by £18.6m, net of tax relief.

Underlying earnings per share, adjusted for intangible asset charges, the 2008 restructuring costs and the loss from discontinued operations, decreased by 28% to 8.1p. The overall headline loss per share was 8.5p compared to earnings per share of 11.5p in 2007.

As we look to the future, the demand for new build services over the next couple of years is likely to decrease as discretionary capital spending is restricted. However, we expect to see continuing demand for our planned and response maintenance activities and we have positioned our business model and re-aligned our cost base accordingly. We have entered 2009 with secured revenues at their highest ever proportion to the full year expectation. The Group

is well funded having refinanced our committed banking facilities out to 2012. Together with the Group's strong cash generating capability, this provides further confidence to support the continued delivery of our strategy in what will be a testing economic climate.

#### REVENUES AND MARGINS

Group revenues grew 17% as a result of acquisitions, with organic growth falling 2%. This was entirely due to the reduction in new build revenues, our planned and response businesses continuing to grow strongly. Group operating margins before exceptional costs fell from 3.1% to 2.1% due to lower profitability from our new build activities and a smaller reduction in margins from our planned operations.

Our response maintenance operations continue to perform very strongly with revenues 27% higher at £119m.

Here, organic revenue growth was 16% as we continued to win a greater share of existing customers' budgets. Operating profits rose by 30% to £7.4m with operating margins improving marginally to 6.2% (2007: 6.1%).

Revenues from planned repairs and refurbishment increased by 29% to £329m with operating profit increasing 12% to £16.8m, reflecting continued growth in our social housing, education and airports activities together with the acquisition of plumbing, heating and electrical businesses. Operating margins fell slightly to 5.1% (2007: 5.9%) again due to reductions in expected revenues in the last quarter but have since stabilised.

New build revenues increased by 7% to £564m and within this our social housing new build activities have grown by 9% to £130m.

#### 2008 REVENUES (%)

New build	56
Planned repairs and refurbishment	32
Response maintenance	12

#### 2008 OPERATING PROFIT\* (%)

Planned repairs and refurbishment	64
Response maintenance	28
New build	8

\* Before central costs, amortisation charges and restructuring costs.

#### GROUP PERFORMANCE – CONTINUING OPERATIONS

Revenues	2008	2007	Change (%)
Response	119.0	93.7	27
Planned	328.6	254.9	29
New build	563.6	526.1	7
	1,011.2	874.7	16
Profit	2008	2007	Change (%)
Response	7.4	5.7	30
Planned	16.8	15.0	12
New build	2.2	10.1	(78)
Group activities	(4.9)	(4.1)	20
Profit from operations	21.5	26.7	(19)
Intangible asset charges	(2.3)	(2.7)	(15)
Exceptional restructuring costs	(12.2)	—	—
Finance (charge) income	(1.1)	0.5	—
Pre-tax profit	5.9	24.5	(76)

#### GROUP PERFORMANCE – DISCONTINUED OPERATIONS

(Loss) profit from development operations net of tax relief	(18.6)	2.4	—
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## LONG-TERM REVENUE VISIBILITY (£M)

Secured  
New build  
Planned  
repairs and  
refurbishment  
Response  
maintenance

## VALUE OF FRAMEWORK AWARDS (£M)

New build operating profits declined by 78% to £2.2m with operating margins falling to 0.4% (2007: 1.9%) as anticipated revenues for the last quarter fell significantly, linked to the banking sector crisis and ahead of the removal of costs.

## INTEREST, TAX AND DIVIDENDS

The total finance costs of £3.9m (2007: £2.4m) comprise interest of £0.9m and pension scheme finance charges of £0.2m on continuing activities together with interest attributable to the funding of the discontinued development business of £2.8m. The increased finance charges are attributable to the funding of acquisitions and the planned change in business mix. Total interest cover on continuing underlying profit was 5.8 times.

The tax charge for the year on continuing operations of £2.2m represents an effective rate of 37% (2007: 29%). This increase relates primarily to the non-deductibility of share option charges and other disallowable items on a lower overall profit chargeable to tax. Excluding exceptional items the effective tax rate is 31%.

Our dividend policy is to maintain dividend growth broadly in line with underlying EPS growth whilst maintaining dividend cover between 3 and 3.5 times. Since EPS has fallen this year, the Board is proposing a final dividend of 1.25p, resulting in a total dividend for the year of 2.40p, a reduction of 1.00p from last year's level. If approved at the forthcoming Annual General Meeting, the final dividend will be paid on 15 May 2009 to shareholders on the register at 3 April 2009. The total dividend is 3.4 times covered by underlying earnings, compared to 3.3 in 2007.

## ORDER BOOKS, FRAMEWORKS AND FORWARD VISIBILITY

Throughout the business, and indeed throughout this report, we use the term 'framework agreements' to describe the arrangements we have with customers where we have been pre-selected to carry out long-term, committed programmes of work, often alongside other service providers. These agreements are typically three to five years in duration with the terms of trade established at the outset. The majority of our framework agreements cover the building, refurbishment or repair of social housing, property portfolios, airports, schools and colleges. We also have long-term agreements with insurance companies for domestic and commercial insurance repairs across the UK. We report on the total value of our framework agreements each period and this provides a very high degree of visibility of future revenues. Once a firm order is placed for a pre-defined programme of work, either under a framework agreement or otherwise, then this value forms part of our order book which we report separately.

In 2008 we won new framework agreements with a combined value of £875m (2007: £780m). To date in 2009 we have won further framework agreements with a combined value of £250m. The total value of expected future revenues both in committed orders and framework agreements is £2.7bn (2007: £2.2bn) and some 87% of our anticipated revenue for 2009 is now either secure or very highly visible under such agreements. The confirmed forward order book currently stands at £445m (2007: £610m) reflecting the planned reduction in our new build contracting activities.

In 2008 we won new framework agreements with a combined value of £875m (2007: £780m). To date in 2009 we have won further framework agreements with a combined value of £250m.

#### CLOSURE OF DEVELOPMENT ACTIVITIES

Since the beginning of 2007 we have been actively reducing our exposure to commercial property development activities in recognition that the high returns historically achieved would start to fall. The market deteriorated rapidly at the beginning of 2008 and we took the decision in June 2008 to close Rok Development as we could not see adequate returns being made from this activity in the foreseeable future.

The decision to close resulted in a cost to the income statement of £18.6m net of tax relief of £2.9m. The gross charge for discontinued operations of £21.5m is made up of an operating loss of £2.7m; closure costs including land and work in progress write downs of £12.2m, interest of £2.8m and a goodwill write-off of £3.8m. At the year end the remaining development assets held-for-sale totalled £22.6m, representing 13 sites where we have land with outline planning permission or completed buildings. The current lack of liquidity in the investment markets has affected our ability to dispose of these sites in accordance with our original plan. We have written down the values of the sites to estimated recoverable amount once normal market conditions return.

#### RESTRUCTURING COSTS

Restructuring costs, which have been disclosed as an exceptional item, totalled £12.2m. As part of the restructuring of the cost base 700 redundancies were announced last year, the majority in the last quarter. The cost of these redundancies, which comprised mostly managerial and administration employees in our new build construction business and our central functions amounted to £8.3m. In addition, the restructuring programme includes property-related costs totalling £3.9m, including rent and dilapidation provisions and leasehold amortisation costs, as we have scaled back on the number and size of premises that the Group will require.

#### CASH FLOW AND NET DEBT

The cash flow profiles of each of our business streams are complementary. New build operations are normally cash generative as we are paid by customers in advance of payments to sub-contractors. Conversely, our response maintenance activities typically absorb cash as we are paid by our national customers after we have paid our own technicians. Planned repairs and refurbishment is broadly cash neutral. The change in business mix over the course of 2008 where we have actively scaled back our new build construction operations and continued to drive the growth in response maintenance has, as a result, affected our working capital requirements.

#### BUSINESS MIX CHANGE (%)

New build

Planned repairs  
and refurbishment

Response maintenance

The Group has successfully renegotiated and extended its banking facilities under a club arrangement with three major banks and now has £90m of long-term facilities.

#### YEAR END NET (DEBT) CASH (£M)

##### PLC

##### Development

##### Core operations

This is reflected in the cash flow statement by the Group absorbing £5.2m from operations in 2008 compared with a cash generation of £24.7m in the previous year. The restructuring costs contributed £5.9m to the net cash outflow. Net capital expenditure of £5.0m reflects principally the further investment in information systems and the remainder of the office upgrade programmes. The cash cost of acquisitions amounted to £17.3m net of the cash balances in the acquired businesses. The Group also invested £2.5m in the purchase of its own shares for the purposes of satisfying awards under share-based incentive plans.

Net debt at 31 December 2008 was £43.7m, up from £5.3m at the previous year end principally due to the acquisitions of Richardson Projects and Pitkerro together with the impact of the change in business mix. Average net debt during the year was £61.1m (2007: £24.2m). Our core building and maintenance operations had net cash at the year end of £34.7m. The Group net debt position is due to the costs of acquisitions in the holding company and funding of the remaining assets in Rok Development. Given the current climate we are continuing to place an increased emphasis on cash and working capital management.

#### ACQUISITIONS

The Group completed two acquisitions during the year under review, compared with seven in 2007. Both acquisitions were designed to add to the Group's skill base and its geographic footprint.

In January 2008 the Group acquired Pitkerro Ltd, employing more than 100 people providing plumbing and heating services principally in Tayside, Scotland. Total consideration for the acquisition was £3.0m of which £0.9m was settled in Rok shares.

In April 2008 the Group acquired Richardson Projects Holdings Ltd which operates across the north of England, and specialises in providing new build and refurbishment services to the social housing sector, principally under a number of long-term framework agreements. Richardson also operated a private housing development division which is being wound down. The financial risks and rewards of this division remain with the vendors through adjustments to the deferred consideration payable.

The initial consideration of £22.5m was funded through the issue of 1.91m Rok shares and £20.3m cash. Deferred consideration of £2.9m was paid during the year.

We anticipate that acquisition activity is likely to be further reduced in the current year now that Rok has successfully extended its geographic footprint and service offering to most of the UK.

#### TREASURY POLICIES AND REFINANCING

Treasury activities are managed by the Group finance function, which is responsible for optimisation of short-term liquidity, long-term funding requirements, monitoring and management of interest rate risk, compliance with facility agreements and development of the Group's banking relationships. The Group's liquidity policy is to ensure that it has sufficient funding in place to meet the needs of the annual operating and capital budget and the three-year strategic plan, excluding acquisition activity. The Board aims to maintain committed facilities of 125% of peak borrowings.

At the year end the Group had £100m of total facilities on bilateral agreements split between two banks. All covenants were met during the year. Since the year end the Group has successfully renegotiated and extended its banking facilities under a club arrangement with three major banks and now has £90m of long-term facilities as follows:

Secured term loan expiring March 2012	£20m
Secured revolving credit facility (RCF) expiring March 2012	£70m

The term loan is subject to a minimum repayment of £3.0m per annum commencing February 2010. The RCF is subject to amortisation of £2.5m every six months commencing June 2010. The club facilities, under which interest is charged at between 250 and 325 basis points over LIBOR, depending on covenant ratchets, are subject to three covenants which are tested quarterly.

#### PENSIONS

The Group has three defined benefit pension schemes all of which are closed to new members and to future service accrual. They are the original Rok pension scheme, the Llewellyn pension scheme which we acquired in 2002, and the Tulloch pension scheme which we acquired in 2006. The gross pension deficits of the schemes at 31 December 2008 as measured under IAS 19 were £10.1m, £0.9m lower than the prior year. The Group is currently contributing cash sums of £3.4m a year in order to clear the deficits. Triennial valuations of the Rok scheme and the Llewellyn scheme are due to be finalised in 2009 and the Group is currently in discussions with the scheme trustees as to contribution levels for the next three years.

**ASHLEY MARTIN**  
FINANCE DIRECTOR  
12 March 2009

**Rob Olorenshaw** Chief Operating Officer

**Our business doesn't exist in isolation – our people, customers, suppliers and the local community are all affected by what we do and how we do it.**

## KEY POINTS

- Considerable and sustained reduction in accident frequency rates over the past two years
- Aiming for all five regions to gain four star status in the British Safety Council's audit in 2009
- Our PHE business fitted more solar panels in Scotland than any other supplier
- We are one of only three companies to trial a prototype hybrid delivery van, powered partly by diesel and partly by electricity
- Around 35% of our people engage in some form of voluntary activity

Rok is included in the FTSE4Good index which provides investors with the opportunity to gain exposure to companies that meet recognised corporate social responsibility standards.

## OUR RESPONSIBILITIES

Our services and the way we deliver them also have a longer-term impact on the environment and our aim, wherever possible, is to make it a positive one. We have a Rok Cares team, chaired by our Chief Executive, working to inspire and motivate a socially responsible approach across the Group. This team ensures there is an overview of our behaviour towards our employees, their development and safety; the communities in which we are based and the wider environment.

## PEOPLE

Since Rok seeks to differentiate itself in the sector by using its own people to deliver as many of its services as possible and by the quality of these services, it relies heavily on its people for its success. We have worked hard to build a culture in which people are selected for their attitude, encouraged to excel and rewarded for doing so. This made all the more painful the decision in October 2008, when the severity of the recession became clear, to make redundancies. It was sad to lose valued colleagues but we acted quickly and we hope fairly. What has been remarkable, and a testament to the strength of the culture, has been the response of our people to the changes we had to make. They have remained focused on our customers, the challenges ahead and their responsibilities.

The culture comes through a strong set of shared values and people joining Rok are made aware of these at interview. Within their first week in post, they attend a two-day induction programme, 'Taste of Rok', designed to give all new starters a common experience and understanding of what being a Rok citizen means. We have a process of twice yearly personal development reviews for all when individuals' development needs are reviewed resulting in personally tailored plans. We aim to make people's working experience at Rok a rewarding one. For some it is about developing potential, for others it is about being more effective in their current roles. We encourage people to take responsibility for their own development and use a more creative approach when addressing their training needs.

An important focus for our business is our lead technicians who lead their own teams working on sites or within local businesses and homes. 'Pathway to Leadership' is a new programme aimed at this population and rooted in the practical daily realities of a Rok maintenance and build centre with job-based assessments leading to a level 3 NVQ qualification.

Key to the motivation of our teams is their understanding of their own roles in the business, which makes good communication paramount.

With almost 5,000 employees working from bases all over the UK, getting consistent messages to them is vital. We already have a range of vehicles for this including a popular intranet but in 2008 we introduced a monthly face to face briefing for all teams using national and local notes in a pack known as the Rok Relay.

Rok has continued to refine its industry-leading benefits package RokPay+ which has everyone enjoying the same terms and conditions as well as being able to adjust their benefits to suit their own circumstances through an easy to use online system.

#### **SAFETY, HEALTH AND ENVIRONMENT (SHE)**

Whatever business you are in, and whatever customers you serve, an effective Safety, Health and Environmental (SHE) programme is only possible if everyone in the Group is completely involved and supportive. Although Rok is an organisation that rewards individuality and enterprise, our overriding culture is one of teamwork, and nowhere is this more apparent than in our approach to SHE issues.

Rok strives continuously to improve its performance in relation to SHE targets and regards high standards as a natural part of good business practice. Our aim is for a workplace in which accidents will not occur, and in which employees, contractors and the public will not be exposed to safety or health hazards. We also wish to protect the local and global environment. Our strategy is built around Ownership, Leadership, Accountability and Consequence where each of the business units

in the five regions fully understand, support and contribute to the Group's SHE programme.

#### **Best practice**

The British Safety Council (BSC) is one of the world's leading occupational health, safety and environmental organisations, whose mission is to support a healthier, safer and more sustainable society. During 2008, Rok invited the British Safety Council to perform its acclaimed five star audit across the Group, and we were delighted that two of our five regions achieved four star status and three regions achieved three star status. The success of this independent audit shows just how far we have come in the past few years, but, of course, also indicated that we still have some work to do. Our aim for 2009 is for all five regions to be accredited with four star status, with the goal of achieving five star status across all regions by 2010.

Rok also works closely with the Institution of Occupational Health and Safety (IOSH), Europe's leading body for health and safety professionals. Our engagement with both organisations ensures best practice is continuously applied, helps us understand any new developments and initiatives and further underlines our commitment to being proactive, rather than reactive.

#### **Reporting**

A benchmark in our industry is the Accident Frequency Rate (AFR). This is expressed as reportable accidents (those requiring hospital treatment or absence from work for three days or more) as a percentage of 100,000 man-hours worked.

#### **SAFETY**

##### **BRITISH SAFETY COUNCIL**

The British Safety Council is proud of its continuing active partnership with Rok. The construction industry is under scrutiny; 71 deaths at work in the industry last year highlight the need for real leadership and a proactive and innovative approach to health and safety. Delivering world class performance means having the right capabilities, management structures, commitment and culture in place in order to encourage innovation, responsibility and success.

The British Safety Council is dedicated to promoting these attributes believing that practical health and safety management systems contribute to both business effectiveness and improved operational performance. By applying the principles of our Five Star Health and Safety Management System Audit, Rok have fully demonstrated their overriding commitment to the health and safety of all those who work for them. Importantly, Rok's commitment extends beyond the immediate workplace.

Their willingness to share best practice and to contribute to the wider debate through active participation in British Safety Council sponsored conferences and seminars is making a real contribution not only to health and safety in the wider construction industry, but to UK plc as a whole.

Rok's contribution to the wider debate is outstanding. As Chief Executive of the British Safety Council, I frequently use Rok as an exemplar of good practice in discussions with government ministers and officials. For this reason, I am honoured to be asked to contribute to the Rok annual report. I look forward to our continuing partnership with its shared aim of creating a healthier, safer and more sustainable society.

**Brian Nimick**  
British Safety Council

**We encourage people to take responsibility for their own development and use a more creative approach when addressing their training needs.**

Historically our business has had a higher than average AFR compared with the industry as a whole, but we have shown a considerable and sustained reduction in AFR over the past two years and we are committed to continuous improvement.

A good example of our commitment to go the extra mile is our programme to further improve the accident reporting system to include minor accidents and near-miss reporting. We have set up a 'Near Miss and Confidential Helpline' to enable simple and timely reporting of these incidents. Reporting is made even easier through a web-based helpline and these facilities can be used for raising issues, asking questions or making suggestions for improvement.

In 2008 we introduced our SHE 'Dashboard'. The dashboard provides key performance statistics from each region on a monthly and cumulative basis in an easy-to-use format. The dashboard is distributed via the Group intranet and enables each person in each region to see how he or she is performing, against targets and against other branches.

**SUSTAINABILITY**

Our business model is built on sustainability since it aims to provide building and maintenance services to communities using locally sourced people and materials. Two-thirds of our activities are devoted to repairing and maintaining properties which often leads to the regeneration of whole sections of communities. We are also engaged in improvements to many thousands of rented homes, which typically entail making them more energy efficient.

A major part of our new build activities relates to rented properties for housing groups who for some years have been setting the agenda as far as use of sustainable materials and energy saving technology is concerned. We are proud to work alongside them in this endeavour and delighted that a number of our projects have scored very highly against the industry measures for assessment of environmental impact. To help our customers implement The Code for Sustainable Homes, we have developed a range of house types, known as the Rok Home of Choice, that fulfil the criteria of the code, are flexible and can be adapted to meet different levels of the code according to our customers' requirements.

In other sectors we have also been part of teams determined to push forward technologies which reduce energy consumption. Okehampton Business Centre built by Rok for West Devon Borough Council has been described as 'a beacon of sustainable construction' and won a clutch of national and regional awards.

Many 'greener' products and technologies once regarded as niche are becoming more mainstream and we believe it is our role to take a lead, so we work with our customers suggesting alternative, greener products where possible. In Scotland, for example, our new Plumbing Heating and Electrical business is fitting more solar panels than any other supplier. We have found that whilst such products may take more initial investment, the savings that can come in terms of efficiency mean the payback period is relatively short. A more efficient boiler used with proper loft and cavity wall insulation means lower fuel bills for the lifetime of a property.

## PEOPLE – DEVELOPMENT

### LEADERS

For senior leaders we offer a suite of internally and externally delivered courses to enhance essential skills such as commercial awareness, sales and business development, managing change and inspiring their people.

### TECHNICIANS

'Pathway to Leadership' is a development programme aimed at our senior technicians who lead teams working on sites or in people's homes. It includes job-based assessments and leads to a level 3 NVQ.

### MAIN TYPES OF ACCIDENTS IN ROK (TOP THREE AS %)

Other	58
Slips, trips and falls	19
Manual handling	16
Hand tools	13

**ACCIDENT FREQUENCY RATE DEFINED AS:**  
accidents x 100,000/man hours

### MAIN INJURY TYPE (TOP THREE AS %)

Cuts
Sprains
Bruises

### TARGET ANNUAL IMPROVEMENT IN BRITISH SAFETY COUNCIL'S HEALTH AND SAFETY RATINGS (ALL REGIONS)

**09 – 4 star**  
**10 – 5 star**

### HEALTH AND SAFETY NATIONAL

In 2008 the British Safety Council presented Rok with six International Safety Awards, one for the Group and one for each of its five operating regions. The awards recognised the Company's commitment to improving the health and safety culture across the organisation.

### LOCAL

Rok has its own award scheme for rewarding teams or individuals making major contributions to safety performance. At the end of 2008, Scotland took the trophy for the region with the best safety performance.

## Waste

Our Safety, Health and Environment coaches are also our apostles in terms of delivering the Board's commitment to reduce the amount of waste we produce and the amount of waste sent to landfill, in support of the government's 'Halving Waste to Landfill by 2012' campaign.

A team of SHE coaches supported by the SHE director assist businesses across the Group by undertaking regular workplace inspections and providing immediate written feedback to team leaders who initiate improvements or changes to activities where recommended. Team leaders are actively involved in periodic self-assessments of the procedures and processes required to meet Rok standards. We work with several partners who help us manage our waste and on average they recycle more than 75% of the waste they collect. On our larger construction jobs this is audited, which allows us to share the data with our customers.

## Carbon footprint

We are very conscious that we operate a large fleet of vans nationwide and are of course aware of the emissions that we, as a Group, generate. Therefore we have significantly reduced the specification of our vans, downsizing as many as we can from large vans to smaller, more fuel efficient ones. As a result, in excess of 30% of our new vans are less than 2000cc. Speed limiters are now fitted to all new vehicles and a programme for fitting them to existing vehicles is underway. We have succeeded in reducing each van's annual mileage from 20,000 to 15,000 miles. We are targeting a further 10% mileage reduction this year. All our progress in this area has been achieved as a result of our close collaboration with the Energy Saving Trust.

We are one of only three companies to trial a prototype hybrid delivery vehicle which is powered partly by diesel and partly by electricity. The trial has been successful and will be extended once the manufacturers commence volume production.

Car drivers are encouraged to consider alternative forms of transport and the use of video conference facilities has helped reduce the number of journeys. A proposed change to the car allowance scheme will favour those who choose vehicles with lower emissions.

## COMMUNITY

Rok is keenly aware of the interdependency of its relationship with the communities in which it is based. All our offices are encouraged to take leading roles by joining organisations that promote business, education, skills training and welfare locally. Around 35% of employees engage in voluntary activity of one form or another. This is supported by the Rok Volunteer Day scheme which allows people to give that little bit of extra time to extend their voluntary effort with a day off work to do so.

Our flagship activity is the Rok Community Challenge which was introduced six years ago and has since seen scores of charities across the country benefit from property improvements. Worth on average £10,000 each, the aim behind these building makeovers is to involve as many volunteers as possible by helping them to help themselves. Each Rok office has a Community Challenge 'toolkit', for setting up these projects in a time and cost effective manner, in collaboration with other members of the

community. Recipients have ranged from scout groups and luncheon clubs to theatres and sports clubs. Larger Rok centres undertake two or three challenges a year, often in conjunction with local newspapers. In the Scottish Highlands, where we have more apprentices than any other organisation, a scheme led by our training academy has arranged for apprentices to volunteer their help to deserving individuals or groups. The idea is to give them a chance to hone their skills and give something back to the community that is supporting their training.

As well as individual offices fund raising for local good causes, Rok is a corporate partner of the Prostate Cancer Charity. Prostate Cancer is responsible for the deaths of 10,000 men in the UK each year, and the charity exists to raise awareness of the disease through research, information and campaigning. In support, we organised the Rok Real Man Cup in 2008, a national five-a-side charity soccer tournament that was keenly supported throughout the Group. Employees, their families, customers and suppliers all became involved and in excess of £40,000 was raised as well as bringing the charity and its work to the attention of a wider audience.

We also have the Rok 'Giving Something Back' scheme, which enables Rok employees to donate to their chosen charities through the payroll. This is a more efficient scheme than Gift Aid, particularly for our higher rate tax payers.

**ROB OLORENSHAW**  
CHIEF OPERATING OFFICER

### **COMMUNITY – ENGAGEMENT CHALLENGE**

Bristol North was just one of the offices to take part in a Rok Community Challenge in 2008. Working with suppliers, the City Council and residents, volunteers spent a day revamping a local community centre and fitting a new kitchen.

### **APPRENTICES**

The Rok Training Academy in Inverness has introduced a scheme where its apprentices can practise their skills by helping out, improving the properties of deserving individuals, schools and organisations.

**TARGET ANNUAL IMPROVEMENT IN BRITISH  
SAFETY COUNCIL'S ENVIRONMENTAL RATING**

**09 – 3 star**  
**10 – 4 star**  
**11 – 5 star**

**THE NUMBER OF TREES PLANTED  
IN PARTNERSHIP WITH LLOYDS TSB  
AUTOLEASE (ONE TREE IS PLANTED FOR  
EVERY NEW VAN DELIVERED TO ROK).**

**515**

### **COMMUNITY – ENVIRONMENT WASTE**

Since the Newcastle office started using JBT Waste Services it has managed to reduce the amount of material sent to landfill to just 10%. Before work starts on site JBT helps devise a waste management plan and its advanced sorting machinery enables almost all materials to be reused.

### **CARBON EMISSIONS**

By increasing our use of Transit Connect vans by just 10%, we can save £80,000 a year in fuel costs and cut our carbon emissions substantially. In 2009 there will be increased focus on driver safety and sustainability of our vehicles.

**RAISED BY ROK REAL MAN FOOTBALL  
TOURNAMENT IN SUPPORT OF PROSTATE  
CANCER CHARITY**

**£40,000**

## BOARD COMMITTEES

### AUDIT COMMITTEE

Chris Bailey (Chairman)  
Gillian Camm  
Ian Ellis  
Stephen Pettit

### NOMINATION COMMITTEE

Stephen Pettit (Chairman)  
Chris Bailey  
Gillian Camm  
Ian Ellis

### REMUNERATION COMMITTEE

Gillian Camm (Chairman)  
Chris Bailey  
Ian Ellis  
Stephen Pettit

#### 1. STEPHEN PETTIT CHAIRMAN (57)

Appointed as a non-executive director in January 2005 and became Chairman in April 2005. Stephen is a director of National Grid Plc and Halma Plc. His key responsibility is to chair the Board and to ensure it operates effectively. He also chairs the Nomination Committee.

#### 2. GARVIS SNOOK CHIEF EXECUTIVE (56)

Appointed as Chief Executive in 2000, Garvis was previously a regional managing director of Morgan Sindall plc. Garvis leads the Plc Executive team and provides the visionary leadership which has underpinned the Company's success.

#### 3. ASHLEY MARTIN FINANCE DIRECTOR (50)

Joined the Board as Finance Director in 2003. A Chartered Accountant, Ashley was previously Group Finance Director of media services company, Tempus Group plc. He is head of the finance team and plays a key role in the Company's investor relations and acquisitions.

**4. ROB OLORENSHAW**  
CHIEF OPERATING OFFICER (51)  
Joined the Company in 2006  
as Group People Director  
and appointed to the Board in  
January 2009. Rob is responsible  
for a wide range of support services,  
including human resources, safety,  
health and environment, customer  
relations, IT and supply chain.  
He previously held a number of senior  
roles in the financial services industry.

**5. JULIAN TURNBULL**  
COMPANY SECRETARY (58)  
Appointed as Company Secretary  
in 1990. A Chartered Secretary,  
Julian has over 30 years' construction  
industry experience and supports the  
Board and the Plc Executive team  
as well as providing a broad range  
of services across the Company.

**6. GILLIAN CAMM**  
SENIOR INDEPENDENT  
DIRECTOR (49)  
Joined the Board as a non-executive  
director in 2002 and became  
senior independent director in  
February 2006. Gillian is also a  
Chairman Designate of the University  
of the West of England and was  
previously a member of the General  
Medical Council. She is Chairman  
of the Remuneration Committee.

**7. CHRIS BAILEY**  
INDEPENDENT DIRECTOR (63)  
Appointed as a non-executive  
director in March 2005. Chris  
is a Chartered Accountant and  
was previously Finance Director  
of Aggregate Industries plc.  
He is Chairman of the Audit  
Committee and a director of  
Ultra Electronics Holdings plc.

**8. IAN ELLIS**  
INDEPENDENT DIRECTOR (53)  
Appointed as a non-executive director  
in February 2006. A Chartered  
Surveyor, Ian is Executive Chairman  
of Telereal Group, the UK's largest  
property outsourcing company, and  
a director of Portman Settled Estates  
Limited. He was previously a director  
of Land Securities Group plc.

## DIRECTORS' REPORT

The directors present their report and the audited financial statements of the Group comprising Rok plc and its subsidiaries for the year ended 31 December 2008.

### PRINCIPAL ACTIVITIES

Rok plc is a holding company of a group of companies providing response maintenance, planned repairs and refurbishment and new build services in the United Kingdom. A review of the Group's activities during the year is given in the Chairman's Foreword on pages 2 and 3 and in the operational review on pages 8 to 21. A description of the principal risks and uncertainties facing the business is given in the operational review on pages 8 to 21. Analysis of the Group's financial performance and other KPIs is given on pages 1 and 5 and throughout the operational and financial reviews. Reviews of the main trends and factors likely to affect the future position and performance of the business are given in the Chairman's Foreword on page 3 and on page 20 of the operational review.

### RESULTS AND DIVIDENDS

The results for the year ended 31 December 2008 are shown in the consolidated income statement on page 52.

The directors recommend that a final dividend of 1.25p per share be paid which, together with the interim dividend of 1.15p paid in October 2008, will make a total for the year of 2.40p per share. If approved at the Annual General Meeting (AGM), the final dividend will be paid on 15 May 2009 to shareholders on the register at 3 April 2009.

### DIRECTORS

The names and biographical details of the directors at the date of this report are shown on pages 34 and 35. Details of their interests in shares and those of their families are shown on page 48. These directors served throughout the year. Sue Moore stepped down as a director on 31 March 2008 and John Samuel stepped down as a director on 31 December 2008.

In accordance with the Articles of Association, Gillian Camm and Ashley Martin will retire by rotation at the Annual General Meeting and, being eligible, offer themselves and are recommended for re-election. As a non-executive director, Gillian Camm does not have a service contract but operates under a letter of appointment terminable on six months' notice. Ashley Martin has a service contract terminable on 12 months' notice.

Rob Olorenshaw, having been appointed since the last AGM, will retire at the AGM and offers himself and is recommended for re-election. He has a service contract terminable on 12 months' notice.

Other than service contracts and as shown in note 31 to the financial statements, there were no contracts or transactions between the Company and the Group and any of the Company's directors during 2008.

### DIRECTORS' AND OFFICERS' INDEMNITIES

The Company maintains directors' and officers' liability insurance which gives appropriate cover for any legal action brought against its directors and officers. In addition, the Company has granted an indemnity in favour of directors and officers which is a qualifying third party indemnity provision for the purposes of Section 234 of the Companies Act 2006.

### SHARE CAPITAL AND SUBSTANTIAL SHAREHOLDINGS

Details of the Company's authorised and issued share capital, together with changes during the year, are given in note 22 to the financial statements. The Company is aware of the following substantial interests in the issued ordinary shares as at 26 February 2009:

Holder	Holding	%
Scottish Widows	15,632,140	8.72
Fidelity Investments	10,028,924	5.59
Legal & General Investment Management	7,964,752	4.44
Standard Life	7,263,125	4.05
AXA Framlington Investment Managers	6,313,287	3.52
Brewin Dolphin	5,775,795	3.22
Blackrock Investment Management	5,602,890	3.12

### AUDIT INFORMATION

The directors who held office at the date of approval of this directors' report confirm that, so far as they are aware, there is no relevant audit information of which the Company's Auditors are unaware and that each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

### DONATIONS

Charitable donations during the year totalled £9,892 (2007: £31,343). No donations were made to political parties.

### EMPLOYEE INVOLVEMENT

As already stated in this annual report, one of the elements of the Group's strategy is 'we are a talent magnet'. In support of this, Rok is committed to encouraging employee involvement throughout the business. This is discussed further in the business review on pages 28 to 32.

Effective communication and consultation with employees is considered by the Board as being an area of key importance. This is maintained via face to face meetings, direct mailings, the Company's intranet, an in-house magazine 'The Citizen', periodic team briefings and a monthly question and answer forum on the intranet with the Chief Executive.

The Citizen's Forum is a group of employees representing all areas of the business which holds regular meetings to discuss people-related issues affecting the organisation. Feedback from Citizens' Forum meetings is given to the Chief Executive and other senior executives and minutes of all meetings are made available for staff to read on the Company's intranet. The leader of the Citizens' Forum meets the Board twice a year. One of the key functions of the Citizens' Forum is to oversee the People Survey in which comments are encouraged from employees on a range of issues affecting the business. The findings of the People Survey are communicated to employees.

Rok operates a Buy as You Earn share scheme for all employees on Rok contracts of employment under which employees are able to buy Rok shares in a tax efficient manner. In addition, for every four shares acquired through the scheme, Rok will acquire one additional share for the individual. This is seen as a good mechanism to achieve a shared commitment from employees to the success of the business.

### EQUAL OPPORTUNITIES

Rok is an Equal Opportunities Employer and is committed to providing equal opportunities to all of its employees.

It is Rok's policy to establish and maintain a working environment, terms and conditions of service and employment practices which will ensure that no employee or job applicant receives unjustified less favourable treatment on the grounds of their age, race, colour, religion or belief, nationality including national or ethnic origins, disability, gender, sexual orientation, marital status, part-time or fixed-term status, parental responsibilities or any other unlawful ground. Rok is committed to offering equal opportunities in recruitment, terms and conditions of employment, training, career development, promotion, grievance and disciplinary procedures and all other aspects of employment and of the working environment including the treatment of employees when their contract ends.

### EMPLOYMENT OF DISABLED PERSONS

The Group's policy is to give all applications for employment from disabled persons full consideration in relation to the vacancy concerned and, in the event of existing staff becoming disabled, every effort is made to enable them to maintain their present position or to employ them in suitable work in another role. As far as possible the Company provides the same level of training, regardless of physical disabilities.

### ENVIRONMENTAL AND COMMUNITY MATTERS

The Group is committed to operating in a way which causes as little harm to the environment as possible and which preferably has a positive impact. The Group is also committed to enhancing the communities in which it operates. These matters are discussed on pages 30 to 32 in the business review.

### SUPPLIER PAYMENT POLICY

Each business is responsible for agreeing the terms and conditions under which business transactions are conducted with their suppliers and sub-contractors. It is Group policy that payments to suppliers are made in accordance with those terms, provided that the supplier has complied with all the relevant terms and conditions. At 31 December 2008, the Group had an average of 37 days (2007: 33 days) purchases outstanding with suppliers.

### AUDITORS

KPMG Audit Plc have expressed their willingness to continue in office as Auditors of the Company and its subsidiaries and a resolution proposing their re-appointment will be put to shareholders at the AGM.

After proper consideration, the Audit Committee is satisfied that KPMG Audit Plc continue to be objective and independent of the Company.

### ANNUAL GENERAL MEETING

The Company's AGM will be held at the Woodbury Park Hotel, Golf & Country Club, Exeter on 7 May 2009. A formal notice of meeting, an explanatory letter from the Chairman and a form of proxy have been sent to shareholders with this annual report.

By order of the Board

JULIAN TURNBULL  
SECRETARY  
12 March 2009



## COMBINED CODE

The Board continues to be committed to conducting the Group's operations in accordance with the best principles of corporate governance.

This report describes how the Board has addressed the provisions of the Combined Code on Corporate Governance which was updated by the Financial Reporting Council in June 2006, as revised in June 2008 (the Combined Code). The Board is satisfied that the Company has complied with the Combined Code applicable to smaller companies (outside the FTSE 250 Index) throughout the year to 31 December 2008.

## THE BOARD

### Responsibilities

The Board is responsible for the overall direction and management of the Group. The Board's main roles are to create shareholder value, to approve the Group's strategic objectives and to ensure necessary financial and other resources are made available to enable these objectives to be met. The Board has a schedule of matters reserved for its approval, which it reviews and agrees annually.

Specific responsibilities reserved for the Board include:

- setting Group strategy and long-term objectives;
- approving business plans and annual budgets;
- approving the extension of the Group's activities into new business or geographical areas, including any acquisitions;
- overseeing the Group's operations;
- ensuring the maintenance of a sound system of internal control, risk management and corporate governance;
- approving the annual and interim results and any other external financial reporting;
- managing succession planning, Board appointments and determining remuneration policy for directors and senior executives (via the Nomination Committee and the Remuneration Committee);
- approving changes relating to the Company's share capital; and
- approving the Group's policies in relation to, inter alia, the environment, health and safety and code of conduct/values.

The names of the directors currently in office, together with their biographical details, are set out on pages 34 and 35. Sue Moore and John Samuel stepped down as directors on 31 March 2008 and 31 December 2008 respectively. Rob Olorenshaw was appointed a director on 1 January 2009.

### Chairman and Chief Executive

The division of responsibilities between the Chairman and the Chief Executive is clearly defined and is approved by the Board in December each year. The Chairman's principal responsibilities are to chair the Board and shareholder meetings and to ensure the effective running of the Board. The Chief Executive's principal responsibility is leading the executive team in the day to day running of the Group's business. The Chairman and Chief Executive meet regularly between Board meetings.

### Board balance and independence

The Board currently comprises three executive and four non-executive directors. The Board has appointed Gillian Camm as Senior Independent Director and also considers Chris Bailey and Ian Ellis to be independent in character and judgement. The Board considers that the Chairman, Stephen Pettit, on his appointment in April 2005 met the independence criteria set out in the Combined Code.

### Information

The Board meets regularly, approximately every month, with additional meetings being held when circumstances and urgent business dictate. Regular reports and papers are circulated to all directors in a timely manner in advance of Board and Committee meetings, which include management accounts and reports from senior executives. The Board holds a number of its meetings at different Rok offices and receives presentations from both operational and functional executives to help Board members gain a deeper understanding of the business.

On appointment, new directors take part in a tailored induction programme where they visit key business locations, meet operational and functional leaders and other senior executives and receive information about the Group and the role of the Board.

The directors are able to take independent professional advice, if necessary at the Company's expense, in furtherance of their duties.

### Performance evaluation

The Board has established a formal and vigorous process for the evaluation of its performance, its Committees and individual directors, including the Chairman. In 2008 this was undertaken by way of questionnaires, the results of which were collated independently to ensure confidentiality. The Board/Committee evaluation results were presented to the Board and to the respective Committees and goals agreed by the Board for the following year. The evaluation of the performance of individual directors has been fed back to them by the Chairman to the non-executives and by the Chief Executive to the executive directors. The Chairman has received feedback on his own performance from the other directors. The Board's objectives for 2009 are based on findings from the 2008 performance evaluation process.

Details of attendance by directors at Board and Committee meetings are shown in the table below:

	Board	Audit Committee	Remuneration Committee	Nomination Committee
Stephen Pettit	12/12			3/3
Gillian Camm	10/12	4/4	4/5	3/3
Garvis Snook	12/12			
Chris Bailey	12/12	4/4	5/5	3/3
Ian Ellis	9/12	3/4	5/5	2/3
Ashley Martin	12/12			
Sue Moore	3/3			
John Samuel	11/11			

### Appointment and re-election of directors

All directors are subject to election by shareholders at the first AGM after their appointment and to re-election thereafter and at intervals of no more than three years, in accordance with the Company's Articles of Association. Non-executive directors are appointed for an initial period of three years under letters of appointment which set out the expected time commitment and their performance is evaluated before their term of appointment is extended by a further three-year term. Non-executive directors who serve longer than three terms are subject to annual re-election by shareholders.

Rob Olorenshaw will be subject to election following his appointment as a director since the last AGM and Gillian Camm and Ashley Martin will be standing for re-election, all at the AGM in May 2009. Details are contained in the Notice of Annual General Meeting and accompanying Chairman's letter sent to shareholders with this annual report.

### BOARD COMMITTEES

The Board has delegated authority to an Audit Committee, a Nomination Committee and a Remuneration Committee, further details of which are contained in separate sections following this report. Each of these Committees is subject to the requirements of the Combined Code and has appropriate written terms of reference, copies of which can be found on the Company's website. The performance of each Committee has been evaluated in the year, as described earlier.

### SHAREHOLDER COMMUNICATIONS

The Board gives priority to establishing and maintaining good relationships with all shareholders. The Chief Executive and Finance Director meet regularly with analysts and major current and potential institutional shareholders to discuss the Company's strategy, performance and governance. The Chairman meets major institutional shareholders at investor presentations and the Chairman, Senior Independent Director and the Company Secretary meet major institutional shareholders to discuss corporate governance, succession planning arrangements and executive remuneration issues. Feedback from such meetings, copies of analysts' reports and other shareholder views received are communicated to the Board as a whole.

The main dialogue with private shareholders occurs at the AGM which is held in May each year and is attended by the full Board, including the Chair of the three Board Committees who are available to answer shareholders' questions.

The annual and interim reports are seen as important communication tools and other information is released through the Stock Exchange. Shareholders are also sent the Company's regular in-house newsletter, The Citizen, which contains news and views from across the Group.

There is a comprehensive investor relations section on the Company's website – [www.rokgroup.com](http://www.rokgroup.com) – which includes share price information, annual and interim reports, institutional presentation documents and Stock Exchange releases.

The implementation of the Companies Act 2006 will have implications for the Company's Articles of Association in relation to a number of areas. As the implementation of the final parts of the Companies Act 2006 has been delayed until 1 October 2009, approval to change the Company's Articles of Association, including in relation to electronic communication to shareholders, with effect from that date is being sought at the 2009 AGM. Full details are contained in the Notice of Annual General Meeting and accompanying Chairman's letter sent to shareholders with this annual report.

The Board continues to actively encourage increased shareholder voting at the AGM and offers a system whereby shareholders can electronically lodge proxy cards for the meeting and other shareholder meetings. Details are contained in the Chairman's AGM letter and proxy form being sent to shareholders with the annual report.

### RISK MANAGEMENT PROCESSES

The Board has overall responsibility for the Group's systems of internal controls and, via the Audit Committee, for reviewing its effectiveness.

Risk management is embedded throughout Rok. The Nation's Local Builder as a strategy is designed to be risk adverse. We test our customers, supply chain and opportunities against a framework within which our people are free to operate. Typically our work is low risk; by this we mean it is based on long-term relationships with our customers, within our technical capability and much of which is delivered locally by our own people.

During the year we conducted an exercise to further understand the influence instinctive behaviour can have on the way that risks are identified and managed. As a result we have improved the way that we approach risk management:

- our senior operational teams review, report and action their risks every month; our Executive Team do the same every other month. As a result, we can combine, aggregate, communicate and most importantly deal with the immediate key issues as they arise; and
- twice a year our senior operational and Executive Teams take time out to think about the longer-term strategic issues and consider the effectiveness of our internal controls. The results are weighted and aggregated, they generate an accurate, balanced bottom-up and top-down view of risk and effectiveness of internal controls developed by those responsible for mitigating it. The whole process is facilitated independently by the Rok Assurance team and is reviewed twice a year by the Audit Committee.

Summarised below is how we see the major risks in 2009:

The Board has reviewed the operation and effectiveness of the internal controls for the year ended 31 December 2008.

### AUDITOR INDEPENDENCE AND OBJECTIVITY

The Audit Committee has established a policy for the provision of non-audit services by the external Auditors. The nature of any new service to be provided by the Auditors is reviewed by the Committee to ensure there is no threat to the Auditor's objectivity and to ensure the skills and experience of the Auditors are suitable for carrying out the new service.

The policy allows the Auditors to be engaged without reference to the Committee on due diligence reviews in connection with acquisitions and to provide general taxation advice, provided their cumulative fees for non-audit services do not exceed 50% of the audit fee for the current year. Fees for work likely to result in non-audit fees exceeding cumulatively 50% of the annual audit fee require the specific prior approval of the Audit Committee. Details of the amounts paid to the external Auditors during the year are set out in note 3 to the financial statements.

### GOING CONCERN STATEMENT

The directors are required under the Combined Code to consider whether or not to adopt the financial statements on the basis that the Company and the Group are going concerns.

As part of its normal business practice the Group prepares annual and longer-term plans and, in reviewing this information and in particular the 2009 – 2011 three year plan and the 2009 budget and having just refinanced the Group's committed banking facilities out until March 2012, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

### STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report and the Group and parent company financial statements, in accordance with applicable law and regulations. Company law requires the directors to prepare Group and parent company financial statements for each financial year.

Under that law the directors are required to prepare the Group financial statements in accordance with IFRS as adopted by the EU and have elected to prepare the parent company financial statements on the same basis.

The Group and parent company financial statements are required by law and IFRS as adopted by the EU to present fairly the financial position of the Group and the parent company and the performance for that period. The Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

In preparing each of the Group and parent company 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 they have been prepared in accordance with IFRS as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group and parent company and enable them to ensure that its 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 Group and to prevent and detect fraud and other irregularities. Under applicable law and regulations, the directors are also responsible for preparing a directors' report, remuneration report and corporate governance statement that comply with that law and those regulations. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## AUDIT COMMITTEE

During the year, the Audit Committee comprised Chris Bailey (Chairman), Gillian Camm and Ian Ellis. Chris Bailey, formerly Group Finance Director of FTSE 250 company, Aggregate Industries plc, has brought recent and relevant financial experience to the role. The Board considers that all members of the Committee who served during the year were independent within the definition set out in the Combined Code. The Committee meets with executive directors and other senior management, as well as privately with both the external Auditors and the head of Rok Assurance.

The Committee met four times during the year.

The Committee's terms of reference include the following:

- to monitor the integrity of the financial statements of the Company, including its annual and interim reports;
- to monitor the effectiveness of the Company's internal controls and risk management procedures and to review the statements made in the annual report on these matters;
- to monitor and review the effectiveness of the Rok Assurance function, which incorporates the internal audit function;
- to consider and make recommendations to the Board in relation to the terms of appointment of the external Auditors, to oversee the relationship with the external Auditors and to meet them regularly;
- to review the nature and scope of the audit, to discuss with the Auditors any issues arising from the external audit (in the absence of management where necessary) and to review the Auditors' management letter and management's response; and
- to assess annually the independence of the external Auditors taking into account professional and regulatory requirements, including the provision of non-audit services.

Rok is committed to maintaining the highest standards of conduct in all its activities, both internally and externally. To this end, the Committee also reviews the arrangements for the Group's whistle blowing policy, which has been communicated to all employees, under which employees are encouraged to raise in confidence any concerns they may have in relation to standards of conduct in order for suitable follow up action to be taken.

During the year the Committee's work has included reviewing the drafts of the results for 2008 and of the interim results for 2008, monitoring the work being undertaken by the Company's internal audit function, Rok Assurance, and the terms of the Auditors' engagement.

The Committee's full terms of reference can be found on the Company's website.

From 1 January 2009 Stephen Pettit was appointed to the Audit Committee.

## NOMINATION COMMITTEE

During the year, the Nomination Committee comprised Stephen Pettit (Chairman), Chris Bailey, Gillian Camm and Ian Ellis. The Board considers that all members of the Committee who served during the year were independent within the definition set out in the Combined Code.

The Committee met three times during the year.

The Committee's terms of reference include the following:

- to review the structure, size and composition of the Board and Board Committees and to make recommendations to the Board with regard to any changes;
- to evaluate the balance of skills, knowledge and experience of the Board and, in the light of this, to prepare a description of the role and capabilities required for a particular appointment;
- to ensure that suitable arrangements are in place for succession planning for directors and other senior executives taking account of the future challenges and opportunities facing the Group; and
- to make recommendations to the Board on the appointment of executive and non-executive directors.

Rob Olorenshaw, the Chief Operating Officer, is an internal adviser to the Committee.

The Group is highly focused on the development of individuals throughout the business. Committee members and other Board members spend time in the business seeing first hand the work of individuals with potential and, where appropriate, these individuals are invited to make presentations at Board meetings.

During the year the Committee's work included overseeing succession planning for key senior positions.

The Committee's full terms of reference can be found on the Company's website.

This report of the Remuneration Committee has been prepared in accordance with the directors' remuneration report Regulations 2002 and has been approved by the Board. Information relating to directors' remuneration and pensions and their interests in shares, LTIP awards and deferred bonus awards on pages 47 to 51 has been audited. Shareholder approval of this report will be sought via a resolution to be put to shareholders at the AGM.

## REMUNERATION COMMITTEE

The Remuneration Committee is responsible for determining the overall remuneration policy and individual remuneration packages for the executive directors and other senior executives.

During the year, the Remuneration Committee comprised Gillian Camm (Chairman), Chris Bailey and Ian Ellis. The Committee met five times during the year.

The Committee is governed by terms of reference approved by the Board which include the following:

- setting and agreeing with the Board the Group's overall remuneration policy and strategy;
- determining the individual remuneration packages for executive directors and other senior executives;
- approving any service contracts terminable on more than six months' notice with benefits outside a normal contract of employment;
- reviewing the design of share incentive plans and performance related pay schemes;
- approving awards under the LTIP and deferred bonus schemes;
- overseeing any major changes to the employee benefit structure; and
- approving any compensation payments to directors and senior staff leaving the Company.

The Committee's full terms of reference can be found on the Company's website.

The Committee obtained specialist advice during the year from Hewitt New Bridge Street, who are independent remuneration consultants and who provide no other services to the Company. Rob Olorenshaw, the Chief Operating Officer, Julian Turnbull, the Company Secretary and Richard Sadler, the Reward Leader, provide advice to the Committee and attend meetings, along with the Chairman and Chief Executive.

The remuneration of non-executive directors is determined by the Group Chairman, the Chief Executive and the Finance Director and is commensurate with their time commitment and responsibilities. Their remuneration comprises salary only and they are not eligible for share awards, pension contribution or other benefits.

During the year, the Committee's work included the approval of salary increases and incentive payments (both cash and share based) for our executive population.

### REMUNERATION POLICY

The Committee's policy on directors' remuneration is designed to attract and retain directors with the ability, experience and drive required to manage the Company and to shape and deliver the strategy approved by the Board aimed at enhancing shareholder value.

The remuneration policy for senior executives, including executive directors, is for base salaries to be set at market competitive levels but for overall remuneration to have the potential to be in the top quartile for exceptional performance, by virtue of the executive incentive plans described in this report. The Committee believes that a significant proportion of total remuneration should be performance related so as to align the interests of executives with those of shareholders.

Long-term incentives in particular are designed to provide exceptional levels of reward but only if truly exceptional levels of performance are delivered.

Remuneration packages are structured so that, at a target level of performance, just over half of the total remuneration potential is derived from performance related remuneration.

This policy has been consistently applied and will apply to 2009 and subsequent years. Within this policy framework, the remuneration of executive directors comprises the following elements:

#### Base salary and benefits

Base salaries, which are reviewed annually, are determined with reference to market data, the individual's role within the Group, the nature of their responsibilities and on their performance. Base salaries are set at market competitive levels from market data for comparable roles in similar sized organisations, utilising information from an independent source. There is no automatic annual salary increase.

The current base salaries of executive directors after the most recent reviews are:

Garvis Snook – £415,000

Ashley Martin – £282,000

Rob Olorenshaw – £215,000

The levels of salary increase for Garvis Snook and Ashley Martin, who served as directors during the year, were 2.5%. The levels of salary increase were carefully considered and account taken of the impact of any salary increases on the other elements of the remuneration package (referenced off base salary). The levels of increase were felt to be appropriate after taking account of the scope and range of the Group's activities, market positioning, the marketability of individuals and the overall positioning of the total remuneration package.

The Committee has determined that there will be a salary freeze for all directors in 2009.

In addition, a range of benefits is provided which include car allowance, health insurance, life cover and company pension contributions of between 12% and 15% of base salary to the Group's defined contribution scheme. Overall, the level of pension and benefits is positioned so as to be below market benchmarks.

The Group implemented a flexible benefit scheme in April 2008. All employees on Rok contracts of employment will be entitled to participate in this scheme under which participants will be able to trade a range of benefits, including health-related benefits and holiday entitlement. The employee communications on the scheme have been well received and the range of benefits on offer will be kept under review.

### Annual performance bonus

The Remuneration Committee believes strongly in the effectiveness of performance-linked bonuses that strengthen the alignment of interests between executives and shareholders. The maximum annual bonus potential for executive directors of 80% of base salary has been determined in the light of the overall remuneration policy and is linked to stretching performance conditions.

The Remuneration Committee is highly focused on the retention of key senior executives and hence one quarter of any bonus earned by executive directors will be in the form of an award of shares deferred for two years, with vesting of the deferred shares subject to continued employment over the deferral period. The number of deferred shares awarded is based on the average share price over the three months ending 31 December prior to the award, whether or not the share price subsequently rises or falls before the awards are made. The value of dividends paid over the deferral period will be rolled up and paid at the time of vesting.

The bonus is contingent on the achievement of a sliding scale of performance targets, split between financial targets (for two-thirds of the bonus), namely adjusted basic earnings per share (EPS) growth and cash performance, and measurable non-financial strategic objectives (for the remaining one-third). For 2009, the Chief Executive will, amongst other aspects, be measured on the achievement of secured revenue and direct delivery targets.

In the light of the Company's reduced financial performance compared with previous years, the Committee has determined that no bonuses will be paid to the executive directors for 2008.

### LONG TERM INCENTIVE PLAN

The Company operates a Long Term Incentive Plan (the LTIP) approved by shareholders in which the executive directors and other senior executives participate. The LTIP is designed to reward executives for consistent out-performance of stretching targets over the longer term.

Awards are granted over shares worth 75% of base salary in the case of executive directors and between 25% and 50% of salary for other senior executives.

As has been the policy in previous years, the Committee has determined that the number of shares to be granted under each award should be based on the average of the Company's share price over the three months ending 31 December preceding the award, whether or not the share price subsequently rises or falls before the awards are made.

Performance is measured over the three-year performance period with no re-testing. The three-year performance period is defined as the three financial years of the Company ending immediately prior to the vesting of awards. So, for example, the performance period for annual awards granted in 2009 will be the three financial years ending 31 December 2011.

The Committee has reviewed the performance conditions to apply to awards in 2009. The Committee remains committed to setting stretching performance conditions which are, at the upper end of the range, tougher than those found in most other listed companies. Accordingly, the Committee has decided to continue to use the revised performance conditions approved by shareholders at the 2008 AGM. These performance conditions provide that performance is measured by reference to a mix of total shareholder return (TSR) and growth in the Company's adjusted fully diluted EPS.

The vesting of 50% of the award is dependent on TSR performance. The Remuneration Committee has reviewed the composition of the comparator group of companies and has determined that the constituents of the FTSE 250 (excluding investment trusts) should remain the comparator group for the 2009 awards. The measurement of the Company's TSR performance against the comparator companies is determined on the basis of average share prices over the three months prior to the beginning and end of the three-year performance period. Vesting will be in accordance with the sliding scale below:

Position against comparator group	% of half of base award vesting
Below median	0
Median	50
95th percentile	300

Straight-line vesting between median and 95th percentile

Before any part of the award may vest by reference to the TSR performance condition, the Remuneration Committee must be satisfied that the Company's TSR is reflective of underlying financial performance.

## REMUNERATION REPORT CONTINUED

### LONG TERM INCENTIVE PLAN CONTINUED

The vesting of the other 50% of the 2009 awards will be dependent on the satisfaction of EPS growth targets. The following vesting schedule will apply:

Adjusted EPS growth over the three-year performance period	% of half of base award vesting
Below RPI + 18%	0
RPI + 18%	50
RPI + 60% or above	300

Straight-line vesting between points

The changes approved by shareholders in 2008 also included a provision whereby the value of dividends that would have accrued on those shares between the time the awards were granted and the time when they vest will be rolled up and paid to executives at the time of vesting (to the extent shares vest). This provision is in accordance with investor guidelines and the additional value will be taken into account when contemplating the appropriate grant levels and performance criteria.

The LTIP will continue to contain a loyalty element whereby, if shares vested under the scheme are retained for a further two years and the participant remains in employment, there will be an entitlement to a loyalty award equivalent to 10% of the number of shares vested.

### SHAREHOLDER GUIDELINES

The Remuneration Committee has a policy which requires executive directors to build and maintain a shareholding in the Company. At the time awards vest under the LTIP, executives will be expected to retain no fewer than 50% of shares (net of taxes) until such time as a shareholding equivalent to 100% of base salary has been achieved.

### OTHER INCENTIVE SCHEMES

The Company operates a share incentive plan known as the Rok plc Buy As You Earn Scheme (the BAYE Scheme). The BAYE Scheme was approved by the Inland Revenue in 2003 and enables employees, including full-time directors, to acquire shares in the Company from their pre-tax income. The scheme is aimed at encouraging employee share participation and operates on the basis that one share is acquired by the Company for every four shares acquired by the employee. The shares are acquired in the market and held in trust until they are withdrawn by the employee.

The Company also has an approved Save As You Earn Scheme. No options under this scheme have been granted since 2001 and no new grants can be made under it. The remaining savings contracts under this scheme matured in November 2008.

### SHARE SCHEME DILUTION

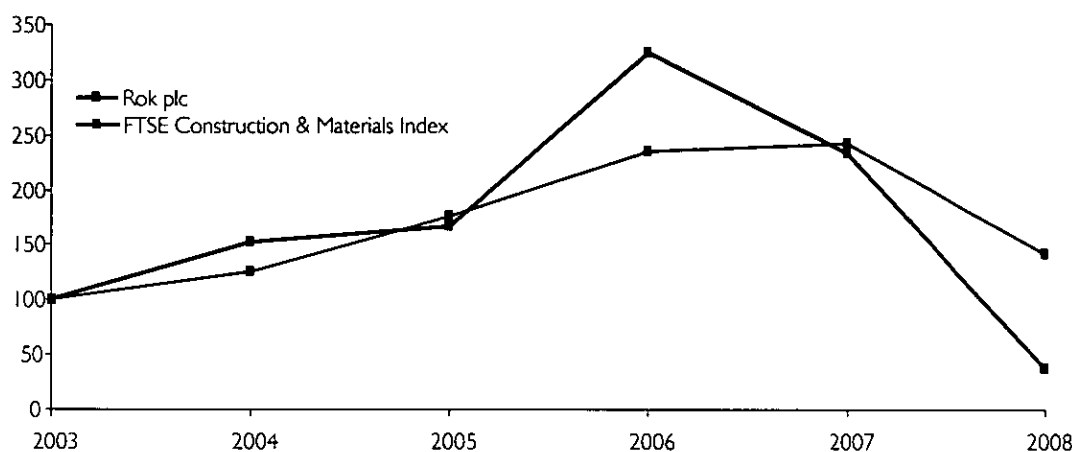
Under proposals approved by shareholders in 2005, the issue of new shares under employee share schemes is limited to grants over no more than 10% of the Company's issued share capital during the period of ten years commencing 1 January 2005. Within this limit, LTIP awards that are made over new issue shares are subject to a limit of no more than 2% of the Company's issued share capital in any one year. As at 31 December 2008, the level of anticipated dilution since 1 January 2005 based on current performance was 0.76% of the Company's current issued share capital.

Dilution is also monitored on a ten-year rolling basis and, as at 31 December 2008, the level of anticipated dilution on this basis based on current performance was 6.14%.

The Remuneration Committee will continue to ensure that dilution through new issue shares, and overall level of share usage, whether through newly issued shares or shares purchased in the market, is carefully monitored.

### PERFORMANCE GRAPH

The graph below charts the Company's total shareholder return performance based on the value, up to the end of 2008, of £100 invested in Rok plc on 31 December 2003 compared with that of £100 invested in the FTSE Construction and Materials Index. The other points plotted are the values at intervening financial year ends. This index is regarded as the most direct comparator for this purpose as it comprises a broad equity market index of which the Company has been a constituent during the period.



### DIRECTORS' SERVICE CONTRACTS

The three executive directors are appointed under service contracts terminable on one year's notice and entered into as follows:

Executive directors	Contract date
Garvis Snook	19 March 2001
Ashley Martin	3 October 2003
Rob Olorenshaw	3 March 2009

The directors' service contracts do not make specific provision for compensation payments in the event of early termination, except in the case of those of Garvis Snook and Ashley Martin which contain compensation of one year's salary and loss of benefits for loss of office following a change of control in the Company. The Remuneration Committee will consider compensation payments in individual cases when necessary when termination occurs for any other reason in line with legal obligations.

The non-executive directors do not have service contracts but are subject to letters of appointment which are terminable on six months' notice entered into as follows:

Non-executive directors	Contract date
Stephen Pettit	3 March 2008
Chris Bailey	3 March 2008
Gillian Camm	3 March 2008
Ian Ellis	9 March 2009

## REMUNERATION REPORT CONTINUED

### DIRECTORS' REMUNERATION (AUDITED)

Details of the remuneration of each director and their pension entitlements during their period of office in 2008 were as follows:

	Salary	Annual bonus	Benefits in kind	Pension contributions	2008 Total £000	2007 Total £000
<b>Executive directors</b>						
Garvis Snook	410	—	14	62	486	879
Ashley Martin	279	—	14	33	326	505
Sue Moore*	44	—	4	5	53	334
John Samuel*	267	—	14	32	313	484
	1,000	—	46	132	1,178	2,202
<b>Non-executive directors</b>						
Stephen Pettit	110	—	—	—	110	104
Chris Bailey	45	—	—	—	45	44
Gillian Camm	45	—	—	—	45	44
Ian Ellis	38	—	—	—	38	36
David Sutherland (resigned 31.12.07)	—	—	—	—	—	36
	1,238	—	46	132	1,416	2,466

\* Sue Moore stepped down from the Board on 31 March 2008. In addition to the above, she was awarded compensation for loss of office equal to nine months' salary and benefits (£161,000). John Samuel stepped down from the Board on 31 December 2008. In addition to the above, he was awarded compensation for loss of office equal to one year's salary and benefits (£330,000).

Garvis Snook, Ashley Martin, Sue Moore and John Samuel were members of the Company's defined contribution pension scheme, Rokplan. The Company contributed 15% of base salary in respect of Garvis Snook and 12% in respect of Ashley Martin, Sue Moore and John Samuel.

### DIRECTOR'S INTERESTS IN SHARES (AUDITED)

The directors' interests, which are all beneficial, in the shares of the Company were as follows:

	31 December 2008	1 January 2008
Stephen Pettit	36,259	17,869
Garvis Snook	499,080	446,358
Chris Bailey	10,306	10,000
Gillian Camm	17,435	17,435
Ian Ellis	15,000	15,000
Ashley Martin	465,406	353,816
Sue Moore*	832	663
John Samuel*	22,298	19,576

\* At date of resignation.

At the time of his appointment as a director on 1 January 2009, Rob Olorenshaw held 11,403 ordinary shares in the Company.

Between 1 January 2009 and 28 February 2009, Garvis Snook, Ashley Martin and Rob Olorenshaw acquired 2,502 shares under the BAYE Scheme. In addition, Stephen Pettit, Garvis Snook, Ashley Martin and Rob Olorenshaw purchased in early January 2009 15,000, 50,000, 113,000 and 23,381 shares respectively. There were no other changes in directors' interests in the period.

The market price of the 2p ordinary shares in Rok plc at 31 December 2008 was 20.25p. During the year, the share price ranged from 16p to 135.75p.

## DIRECTORS' INTERESTS IN LTIP AWARDS (AUDITED)

Details of movements in unvested LTIP awards during the year are as follows:

Description of award	At 01.01.08	Awarded	Vested	At 31.12.08	Performance period		Market price at grant	Date award vesting	Market price at vesting	Monetary value of awards vested
					Began	Concludes				
<b>Garvis Snook</b>										
2005 Base award	272,420	—	272,420*	—	01.01.05	31.12.07	108.8p	28.04.08	133.75p	£364,362
2006 Base award	274,100	—	—	274,100	01.01.06	31.12.08	115.6p	—	—	—
2006 Loyalty award	9,934	—	9,934	—	—	—	—	—	—	—
2007 Base award	174,535	—	—	174,535	01.01.07	31.12.09	177.2p	—	—	—
2007 Loyalty award	35,695	—	—	35,695	—	—	—	—	—	—
2008 Base award	—	186,940	—	186,940	01.01.08	31.12.10	133.75p	—	—	—
2008 Loyalty award	—	27,242	—	27,242	—	—	—	—	—	—
	766,684	214,182	282,354	698,512						£364,362
<b>Ashley Martin</b>										
2005 Base award	191,545	—	191,545*	—	01.01.05	31.12.07	108.8p	28.04.08	133.75p	£256,191
2006 Base award	190,680	—	—	190,680	01.01.06	31.12.08	115.6p	—	—	—
2006 Loyalty award	2,500	—	2,500	—	—	—	—	06.10.08	80.75p	£2,019
2007 Base award	122,175	—	—	122,175	01.01.07	31.12.09	177.2p	—	—	—
2007 Loyalty award	26,771	—	—	26,771	—	—	—	—	—	—
2008 Base award	—	126,935	—	126,935	01.01.08	31.12.10	133.75p	—	—	—
2008 Loyalty award	—	19,154	—	19,154	—	—	—	—	—	—
	533,671	146,089	194,045	485,715						£258,210
<b>Sue Moore</b>										
2005 Base award	122,950	—	—	122,950	01.01.05	31.12.07	108.8p	—	—	—
2006 Base award	123,940	—	—	123,940	01.01.06	31.12.08	115.6p	—	—	—
2007 Base award	79,510	—	—	79,510	01.01.07	31.12.09	177.2p	—	—	—
2007 Loyalty award	1,407	—	—	1,407	—	—	—	—	—	—
	327,807	—	—	327,807						—
<b>John Samuel</b>										
2005 Base award	35,600	—	—**	—	23.11.05	22.11.08	101.45p	—	—	—
2006 Base award	158,900	—	—	158,900	01.01.06	31.12.08	115.6p	—	—	—
2007 Base award	109,085	—	—	109,085	01.01.07	31.12.09	177.2p	—	—	—
2008 Base award	—	120,011	—	120,011	01.01.08	31.12.10	133.75p	—	—	—
	303,585	120,011	—	387,996						—

\* April 2005 base awards vested at 100%.

\*\* November 2005 base award vested at nil%.

The information provided in relation to Sue Moore and John Samuel is up to the date they stepped down as directors on 31 March 2008 and 31 December 2008 respectively.

At the date of his appointment on 1 January 2009, Rob Olorenshaw held 65,423 unvested base awards under the LTIP.

## REMUNERATION REPORT CONTINUED

### DIRECTORS' INTERESTS IN LTIP AWARDS (AUDITED) CONTINUED

Details of movements in vested LTIP awards during the year are as follows:

Description of award	At 01.01.08	Vested	Exercised	At 31.12.08	Market price at exercise	Monetary value of exercised awards
<b>Garvis Snook</b>						
2003 Base award	99,340	—	—	99,340	—	—
2004 Loyalty award	135,950	—	—	135,950	—	—
2004 Base award	356,950	—	—	356,950	—	—
2005 Loyalty award	67,130	—	—	67,130	—	—
2005 Base award	—	272,420	—	272,420	—	—
2006 Loyalty award	—	9,934	—	9,934	—	—
	659,370	282,354	—	941,724	—	—
<b>Ashley Martin</b>						
2005 Base award	—	191,545	191,545	—	114.92p	£220,123
2006 Loyalty award	—	2,500	—	2,500	—	—
	—	194,045	191,545	2,500	—	£220,123
<b>Sue Moore</b>						
2004 Base award	14,070	—	—	14,070	—	—

The information provided in relation to Sue Moore is up to the date she stepped down as a director on 31 March 2008.

Details of movements in vested LTIP awards during the year are as follows:

#### Notes

- The LTIP shares are awarded at nil cost to the directors.
- The monetary value of the vested award is the value at the date of vesting as shown in the first table. This may be different from the value at the time a director exercises his award as shown in the second table.
- The participant is responsible for payment of income tax and employee's and employer's national insurance contributions arising on the exercise of vested awards.
- For awards granted in 2005 and 2006, the performance condition is based on the Company's TSR performance compared with a peer group of 20 building and construction, real estate and services companies. The comparator companies used for the 2005 and 2006 awards were: Alfred McAlpine, Amec, Connaught, Costain, Country & Metropolitan, Countryside Properties, Crest Nicholson, Daejan Holdings, Galliford Try, Henry Boot, Helical Bar, Interserve, John Laing, Kier, MJ Gleeson Group, Minerva, Mitie Group, Morgan Sindall, Slough Estates and St Modwen Properties. Country & Metropolitan and Countryside Properties de-listed in March 2005 and were replaced by Carillion and Mears for the 2005 and 2006 awards.

The vesting schedule for these awards were as follows:

Position against group	% vesting
Below 10th	0
10	50
7	100
4	150
1	200
1 + 10%	300
1 + 25%	400

5. For awards granted in 2007, the performance condition is based on the Company's TSR performance compared to the constituents of the FTSE 250 Index (excluding investment trusts) at the date of grant. The vesting schedule for these awards is as follows:

Position against group	% vesting
Below median	0
Median	50
60th percentile	100
80th percentile	150
95th percentile	200
95th percentile + 10%	300

6. The performance conditions for the awards granted in 2008 were the same as those described for 2009 under the Long Term Incentive Plan heading on page 45 of this report.

7. For all outstanding awards, in addition to the TSR performance condition, there is a financial underpin whereby no awards will vest unless the percentage growth of the Company's EPS exceeds the percentage growth in the Retail Price Index (RPI) by an average of 2% per year.

#### DIRECTORS' INTERESTS IN DEFERRED BONUS AWARDS (AUDITED)

	Year of award	At 01.01.08	Awarded	Vested	At 31.12.08	Market price at award
Garvis Snook	2007	43,050	—	—	43,050	177.2p
	2008	—	47,402	—	47,402	114.5p
		43,050	47,402	—	90,452	
Ashley Martin	2007	29,730	—	—	29,730	177.2p
	2008	—	30,084	—	30,084	114.5p
		29,730	30,084	—	59,814	
Sue Moore	2007	19,085	—	—	19,085	177.2p
	2008	—	20,039	—	20,039	114.5p
					39,124	
John Samuel	2007	24,845	—	—	24,845	177.2p
	2008	—	30,431	—	30,431	114.5p
					55,276	

The information provided in relation to Sue Moore and John Samuel is up to the date they stepped down as directors on 31 March 2008 and 31 December 2008 respectively.

At the date of his appointment on 1 January 2009, Rob Olorenshaw held 30,302 shares under the Deferred Bonus Plan.

#### Notes

1. The deferred bonus shares are awarded at nil cost to the directors.
2. 25% of the annual bonus amounts is paid in March of the following year in Rok plc shares deferred for two years, with vesting of the deferred shares subject to continued employment over the deferral period.
3. The participant is responsible for payment of income tax and employee's national insurance contributions arising on the exercise of vested awards.



GILLIAN CAMM  
CHAIRMAN OF REMUNERATION COMMITTEE  
12 March 2009

## CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

	Notes	2008 £m	Re-presented* 2007 £m
<b>CONTINUING OPERATIONS</b>			
Group revenue	2	1,011.2	874.7
Gross profit		95.4	91.2
Administrative expenses		(88.4)	(67.2)
<b>Profit from operations</b>	3	7.0	24.0
Analysed as:			
Adjusted operating profit		21.5	26.7
Intangible asset charges	4	(2.3)	(2.7)
Group restructuring charges	5	(12.2)	—
<b>Profit from operations</b>		7.0	24.0
Finance (costs) income	7	(1.1)	0.5
Analysed as:			
Interest (payable) receivable		(0.9)	0.9
Other finance income		4.5	4.1
Other finance charges		(4.7)	(4.5)
<b>Finance (costs) income</b>		(1.1)	0.5
<b>Profit before tax</b>		5.9	24.5
Income tax expense	8	(2.2)	(7.2)
<b>Profit for the year from continuing operations</b>		3.7	17.3
<b>DISCONTINUED OPERATIONS</b>			
(Loss) profit for the year after tax from discontinued operations	9	(18.6)	2.4
<b>(Loss) profit for the year</b>	22	(14.9)	19.7
<b>Earnings per share</b>			
<b>CONTINUING OPERATIONS</b>			
Basic earnings per share	12	2.1p	10.1p
Diluted earnings per share	12	2.1p	9.8p
<b>CONTINUING AND DISCONTINUED OPERATIONS</b>			
Basic (loss) earnings per share	12	(8.5p)	11.5p
Diluted (loss) earnings per share	12	(8.4p)	11.2p

\* See note 9 discontinued operations.

## STATEMENTS OF RECOGNISED INCOME AND EXPENSE FOR THE YEAR ENDED 31 DECEMBER 2008

	Notes	Group		Company	
		2008 £m	2007 £m	2008 £m	2007 £m
Actuarial (losses) gains on defined benefit pension schemes	26	(2.5)	7.6	(2.5)	7.6
Deferred tax thereon	26	0.7	(2.3)	0.7	(2.3)
Tax rate adjustment to brought forward actuarial losses		—	(0.2)	—	(0.2)
Net (expense) income recognised directly in equity	22	(1.8)	5.1	(1.8)	5.1
(Loss) profit for the year	10, 22	(14.9)	19.7	(6.4)	21.9
<b>Total recognised income and expense</b>		<b>(16.7)</b>	<b>24.8</b>	<b>(8.2)</b>	<b>27.0</b>

# BALANCE SHEETS

AS AT 31 DECEMBER 2008

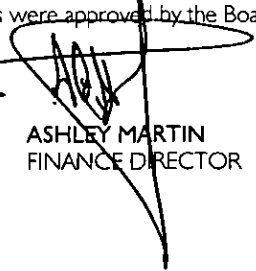
	Note	Group		Company	
		2008 £m	Re-presented* 2007 £m	2008 £m	2007 £m
<b>Assets</b>					
Intangible assets	14	146.5	125.3	—	—
Property, plant and equipment	15	19.6	21.3	6.5	4.0
Investments	16	0.1	—	175.5	174.5
Investments in joint ventures	16	—	4.6	—	—
Deferred tax assets	17	7.6	5.9	3.3	4.0
<b>Total non-current assets</b>		<b>173.8</b>	<b>157.1</b>	<b>185.3</b>	<b>182.5</b>
Inventories	18	13.4	42.1	—	—
Trade and other receivables	20	201.1	224.4	21.5	27.8
Cash and cash equivalents	21	39.1	43.0	—	—
Assets classified as held-for-sale	9	22.6	—	—	—
<b>Total current assets</b>		<b>276.2</b>	<b>309.5</b>	<b>21.5</b>	<b>27.8</b>
<b>Total assets</b>		<b>450.0</b>	<b>466.6</b>	<b>206.8</b>	<b>210.3</b>
<b>Liabilities</b>					
Interest-bearing loans and borrowings	23	75.0	45.7	38.8	80.6
Retirement benefit obligations	26	10.1	11.0	10.1	11.0
Deferred tax liabilities	17	1.8	2.9	—	0.2
Trade and other payables	28	—	—	45.0	—
<b>Total non-current liabilities</b>		<b>86.9</b>	<b>59.6</b>	<b>93.9</b>	<b>91.8</b>
Interest-bearing loans and borrowings	23	7.8	2.6	—	—
Trade and other payables	28	246.0	270.9	16.4	10.2
Income tax payable		1.8	6.2	—	—
Liabilities associated with the assets held-for-sale	9	0.5	—	—	—
<b>Total current liabilities</b>		<b>256.1</b>	<b>279.7</b>	<b>16.4</b>	<b>10.2</b>
<b>Total liabilities</b>		<b>343.0</b>	<b>339.3</b>	<b>110.3</b>	<b>102.0</b>
<b>Net assets</b>		<b>107.0</b>	<b>127.3</b>	<b>96.5</b>	<b>108.3</b>
<b>Equity</b>					
Issued share capital	22	3.6	3.5	3.6	3.5
Share premium	22	18.2	18.2	18.2	18.2
Other reserves	22	58.2	55.1	58.2	55.1
Retained earnings	22	27.0	50.5	16.5	31.5
<b>Total equity</b>		<b>107.0</b>	<b>127.3</b>	<b>96.5</b>	<b>108.3</b>

\* See note 14.

The financial statements were approved by the Board of Directors on 12 March 2009.



GARVIS SNOOK  
CHIEF EXECUTIVE



ASHLEY MARTIN  
FINANCE DIRECTOR

## CASH FLOW STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

	Notes	Group		Company	
		2008 £m	Re-presented* 2007 £m	2008 £m	2007 £m
<b>CONTINUING OPERATIONS</b>					
Profit before tax		5.9	24.5	(8.4)	20.4
Adjustments for:					
Depreciation		6.7	5.0	1.4	0.6
Intangible asset charges		2.3	2.7	—	—
Gain on disposal of plant and equipment		(0.2)	(0.1)	—	—
Expense in respect of share options		2.3	1.2	2.3	0.9
Finance cost (income)		1.1	(0.5)	2.7	1.0
Restructuring charge		12.2	—	1.0	—
<b>Cash generated from operations before changes in working capital</b>		<b>30.3</b>	<b>32.8</b>	<b>(1.0)</b>	<b>22.9</b>
Decrease (increase) in trade and other receivables		9.0	(20.8)	10.5	9.5
Increase in work in progress		(3.8)	(0.7)	—	—
(Decrease) increase in trade and other payables		(31.2)	16.7	11.4	(24.8)
<b>Cash generated from operations before defined benefit pension scheme contributions and exceptional costs</b>		<b>4.3</b>	<b>28.0</b>	<b>20.9</b>	<b>7.6</b>
Defined benefit pension scheme contributions		(3.6)	(3.3)	(3.6)	(3.3)
Restructuring costs paid		(5.9)	—	(0.3)	—
<b>Cash generated from operations</b>		<b>(5.2)</b>	<b>24.7</b>	<b>17.0</b>	<b>4.3</b>
Income taxes paid		(3.4)	(3.9)	(4.0)	(5.1)
<b>Cash generated from operating activities</b>		<b>(8.6)</b>	<b>20.8</b>	<b>13.0</b>	<b>(0.8)</b>
<b>Investing activities</b>					
Acquisition of subsidiaries, net of cash acquired		(17.3)	(23.0)	(25.7)	(33.5)
Disposal of subsidiaries to other Group companies		—	—	—	42.4
Re-capitalisation of subsidiaries		—	—	—	(107.2)
Acquisition of property, plant and equipment		(7.3)	(9.1)	(4.1)	(3.3)
Proceeds from disposal of plant and equipment		2.3	1.4	—	0.6
Interest (paid) received		(0.9)	0.9	(2.5)	(0.6)
<b>Cash flows from investing activities</b>		<b>(23.2)</b>	<b>(29.8)</b>	<b>(32.3)</b>	<b>(101.6)</b>
<b>Financing activities</b>					
Purchases of own shares		(2.5)	(3.5)	(2.5)	(3.5)
Proceeds from non-current borrowings		36.0	19.2	28.1	80.6
Repayment of loan notes		—	(2.4)	—	(2.4)
Repayment of obligations under finance leases		(1.5)	(1.7)	—	—
Dividends paid		(6.3)	(4.6)	(6.3)	(4.6)
<b>Cash flows from financing activities</b>		<b>25.7</b>	<b>7.0</b>	<b>19.3</b>	<b>70.1</b>
<b>Net decrease in cash and cash equivalents from continuing operations</b>		<b>(6.1)</b>	<b>(2.0)</b>	<b>—</b>	<b>(32.3)</b>
<b>DISCONTINUED OPERATIONS</b>					
<b>Cash flows from discontinued operations</b>					
Cash flows from operating activities (discontinued operations)		6.2	7.8	—	—
Cash flows from investing activities (discontinued operations)		(4.0)	(5.5)	—	—
<b>Net increase in cash and cash equivalents from discontinued operations</b>		<b>2.2</b>	<b>2.3</b>	<b>—</b>	<b>—</b>
Net (decrease) increase in cash and cash equivalents		(3.9)	0.3	—	(32.3)
Net cash and cash equivalents at beginning of year		43.0	42.7	—	32.3
<b>Net cash and cash equivalents at end of year</b>	21	<b>39.1</b>	<b>43.0</b>	<b>—</b>	<b>—</b>

\* See note 9 discontinued operations.

## 1. ACCOUNTING POLICIES

### Basis of preparation

Rok plc (the Company) is a company domiciled in the United Kingdom. Both the Company financial statements and the Group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU (Adopted IFRS). On publishing the Company financial statements here together with the Group financial statements, the Company is taking advantage of the exemption in Section 230 of the Companies Act 1985 not to present its individual income statement and related notes that form a part of these approved financial statements.

The Group has not yet adopted certain new EU endorsed standards, amendments and interpretations to existing standards, which have been published but are only effective for accounting periods beginning on or after 1 January 2009, or later periods. These are listed below:

### NEW STANDARDS

IFRS 8                                      Operating segments

### AMENDMENTS TO STANDARDS

IAS 1 (revised)	Presentation of financial statements
IAS 23 (revised)	Borrowing costs
IFRS 2	Share-based payments
IFRS 1 and IAS 27	Cost of investment in a subsidiary, joint venture and associate
IAS 32 and IAS 1	Financial instruments: presentation

The directors anticipate that the adoption of these standards and interpretations in future periods will have no material impact on the financial statements of the Group.

The financial statements have been prepared on the historical cost basis, except where otherwise indicated. The principal accounting policies adopted are set out below.

### Going concern

The Group's business activities, together with the factors likely to affect its future performance and position are set out in the business review on pages 8 to 33. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the financial review on pages 22 to 27. In addition, note 25 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The current economic conditions create uncertainty over the level of demand for the Group's services. The Group's forecasts and projections, taking account of possible changes in trading performance, demonstrate the Group's ability to operate within the level of its current facility. As a consequence, the directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

### Subsidiaries and joint ventures

The consolidated financial statements comprise the Company, its subsidiaries and the Group's interest in jointly controlled entities.

The results of subsidiary undertakings acquired or disposed of are included in the consolidated income statement from the date of acquisition until the date of disposal. The Company's investments in subsidiaries are stated at cost less any impairment.

Investments in joint venture undertakings are accounted for under the equity method, initially stated at cost and adjusted thereafter for subsequent changes in the Group's share of net assets. The consolidated financial statements include the Group's appropriate share of joint venture undertakings' post-tax profits in the consolidated income statement after aligning the accounting policies with those of the Group. From 30 June 2008, following the Group's decision to discontinue its development activities, the joint ventures were classified as held-for-sale investments and stated at the lower of carrying amount and fair value less costs to sell, with any change reflected in the income statement.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED FOR THE YEAR ENDED 31 DECEMBER 2008

## I. ACCOUNTING POLICIES CONTINUED

### Revenue and profit recognition

#### RESPONSE MAINTENANCE

Revenue and profit are recognised on projects which have been completed.

#### PLANNED REPAIRS AND REFURBISHMENT, AND NEW BUILD

Revenue recognised on building activities reflects the value of work performed. The amount of profit attributable to the stage of completion of a contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. The results for the year include adjustments for the outcome of contracts executed in both the current and preceding years. These adjustments arise from claims by customers or third parties in respect of work carried out and claims and variations on customers or third parties for variations on the original contract. Provision for claims against the Group is made as soon as it is believed that a liability will arise. Claims and variations made by the Group are not recognised in the income statement until the outcome is reasonably certain. Where it is foreseen that a loss will arise on a contract, provision for the expected loss is made in the current year.

The principal estimation technique used by the Group in attributing profit on contracts to a particular period is the preparation of forecasts on a contract by contract basis. These focus on revenues and costs to complete and enable an assessment to be made of the final out-turn on each contract.

#### DEVELOPMENT

Revenue and profit on the Group's development activities are recognised as follows. Revenue on the sale of development properties is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership of the development property. This is achieved when legal title is transferred to the buyer. If a property is pre-sold and the Group has construction work to complete or rental guarantees in respect of un-let space are outstanding, the Group reviews the nature and extent of its continuing involvement to assess whether it is appropriate to recognise revenue. Where the conditions for the recognition of revenue are met but the Group still has significant acts to perform, revenue is recognised as the acts are performed. Revenue and profit on all other commercial property development activities are recognised on legal completion.

#### Pre-agreement costs

Pre-agreement costs are expensed as incurred. Once the Group has secured preferred bidder status, and the agreement is expected to generate sufficient net cash inflows to enable recovery, further costs incurred associated with the award of the agreement are deferred and recognised over the life of the agreement.

#### Goodwill and other intangible assets

All business combinations are accounted for by applying the purchase method. In respect of business combinations that have occurred since 1 January 2004, goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets, liabilities and contingent liabilities acquired. In respect of acquisitions prior to this date, goodwill is included at the carrying amount recorded under UK GAAP at the date of transition.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash generating units and is tested annually for impairment and more frequently if there are indications of impairment. Any excess of the fair value of net identifiable assets acquired over the cost of an acquisition is recognised directly in the consolidated income statement.

Intangible assets other than goodwill acquired by the Group are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged over the intangible assets' useful economic life. These have been estimated as follows:

Brand	between four and five years
Customer relationships	between two and ten years

Intangible assets are tested for impairment if there are circumstances which indicate that impairment might have arisen.

#### Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation. Depreciation is charged on a straight-line basis so as to write off the cost over their useful economic lives. These have been estimated as follows:

Leasehold improvements	lower of the remaining life of the lease or ten years
Plant and machinery	between four and ten years
Office and computer equipment	between three and five years

#### Work in progress

Building and maintenance work in progress is stated at the lower of cost and net realisable value, less interim receipts. Cost comprises direct materials, direct labour and sub-contractor costs.

## **I. ACCOUNTING POLICIES CONTINUED**

### **Discontinued operations**

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale, that has been disposed of, or that meets the criteria to be classified as held-for-sale. On 4 June 2008, the property development division's activities met the criteria to be classified as discontinued. Development's activities have been presented as discontinued operations in the current and prior year.

### **Assets held-for-sale**

Assets to be disposed of are classified as held-for-sale if their carrying amount will be recovered through a sale rather than through continuing use. Assets held-for-sale are measured at the lower of carrying amount and fair value less costs to sell. On 4 June 2008, development's assets and liabilities met the held-for-sale criteria and were classified accordingly.

### **Exceptional items**

Items that are both material and non-recurring in nature which provide helpful comparable information are presented separately in the Group income statement. Examples of items that give rise to a classification as exceptional are the restructuring of existing or newly acquired businesses, and gains or losses on disposal of businesses or assets.

### **Operating leases**

Operating lease rentals paid are charged on a straight-line basis to the consolidated income statement in the period to which the rentals relate.

### **Finance leases**

Assets obtained under finance leases and hire purchase contracts are capitalised at their fair value on acquisition and depreciated over their estimated useful lives. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding.

### **Taxation**

Income tax on the profit or loss for the year comprises current tax and deferred tax. Income tax is recognised in the consolidated income statement except to the extent that it relates to items recognised directly in shareholders' equity.

Current tax is the tax expected to be payable on the taxable profit for the year, calculated using tax rates enacted or substantively enacted by the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the balance sheet and the amounts attributed to such assets and liabilities for tax purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax relating to charges made directly to equity is recognised in equity.

### **Employee benefits**

The Group operates a defined contribution pension scheme 'Rokplan' and contributions to the scheme are charged to the consolidated income statement as incurred.

The Group also has three defined benefit pension schemes which are closed to new members and future service accrual. The assets of the schemes are held separately from those of the Group. Pension scheme assets are measured using fair values, as at the respective balance sheet dates. Pension scheme liabilities are stated at their present value calculated by discounting at the current rate of return on a high quality corporate bond of equivalent term and currency as the liabilities. The expected return on scheme assets and the increase during the period in the present value of the schemes' liabilities arising from the passage of time are included in other finance charges. Actuarial gains and losses are recognised in equity and presented in the statements of recognised income and expense.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED FOR THE YEAR ENDED 31 DECEMBER 2008

## I. ACCOUNTING POLICIES CONTINUED

### Share-based payments

Charges for employee services received in exchange for share-based payments have been made for all options granted after 7 November 2002 in accordance with IFRS 2 'Share-based Payment'.

The Group issues equity-settled share-based payments to certain employees which are measured at fair value and recognised as an expense in the income statement over the vesting period, with a corresponding increase in equity. The fair values of equity-settled payments are measured at the dates of grant using option pricing-models, taking into account the terms and conditions upon which the awards are granted. The fair value is recognised over the period during which employees become unconditionally entitled to the awards, subject to the Group's estimate of the number of awards which will lapse, either due to employees leaving the Group prior to vesting or due to non market-based performance conditions not being met. Where an award has market-based performance conditions, the fair value of the award is adjusted for the probability of achieving these via the option pricing model. The total amount recognised in the income statement as an expense is adjusted to reflect the actual number of awards that vest, except where forfeiture is due to the failure to meet market-based performance measures.

Shares purchased and held in trust in connection with the Group's share-based incentive schemes are deducted from retained earnings.

### Cash and cash equivalents

Cash and cash equivalents as stated in the cash flow statement include the Group's cash balances and overdrafts.

### Trade receivables

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

### Trade payables

Trade payables are not interest bearing and are stated at their nominal value.

### Dividends

Dividends are recorded in the Group's financial statements in the period in which they are approved or paid.

### Accounting estimates and judgements

The key assumptions concerning estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next financial year, relate to revenue and profit recognition, fair value accounting for business combinations and the valuation of defined benefit pension scheme assets and liabilities.

Details on the estimation techniques used for revenue and profit recognition are given within the revenue and profit recognition accounting policy.

Due to the long-term nature of the construction industry initial estimates of working capital of business combinations are established at the time of acquisition. These are reviewed in detail on the acquisition anniversary date and adjustments to the provisional valuations are made where initial pre-acquisition circumstances had not been fully reflected.

In determining the valuation of defined benefit pension scheme assets and liabilities, a number of key assumptions have been made. The key assumptions are detailed in note 26.

## 2. SEGMENT REPORTING

In the opinion of the directors, the Group's core activities comprise of three material business segments being: response maintenance; planned repairs and refurbishment and new build. This reflects the profiles of the risks, rewards and internal reporting structures within the Group.

All activities were conducted within the United Kingdom and it is the opinion of the directors that this represents one geographical segment.

	Response maintenance		Planned repairs and refurbishment		New build		Group activities		Re-presented* Consolidated	
	2008 £m	2007 £m	2008 £m	2007 £m	2008 £m	2007 £m	2008 £m	2007 £m	2008 £m	2007 £m
Segment revenue	119.0	93.7	328.6	254.9	563.6	526.1	—	—	1,011.2	874.7
Segment adjusted operating profit	7.4	5.7	16.8	15.0	2.2	10.1	(4.9)	(4.1)	21.5	26.7
Restructuring costs	(1.6)	—	(3.1)	—	(6.5)	—	(1.0)	—	(12.2)	—
Intangible asset charges	—	—	(0.6)	(0.7)	(1.7)	(2.0)	—	—	(2.3)	(2.7)
Profit (loss) from operations	5.8	5.7	13.1	14.3	(6.0)	8.1	(5.9)	(4.1)	7.0	24.0
Finance (costs) income									(1.1)	0.5
Income tax expense									(2.2)	(7.2)
Profit for the year									3.7	17.3
(Loss) profit for the year from discontinued operations									(18.6)	2.4
(Loss) profit for the year from continuing and discontinued operations									(14.9)	19.7

Inter-segment revenue is not material.

Balance sheet analysis of business segments:

	2008			Re-presented* 2007		
	Assets £m	Liabilities £m	Net assets £m	Assets £m	Liabilities £m	Net assets £m
Response maintenance	58.4	(39.4)	19.0	39.0	(23.5)	15.5
Planned repairs and refurbishment	184.6	(124.4)	60.2	133.0	(81.7)	51.3
New build	413.7	(354.9)	58.8	350.4	(289.8)	60.6
Assets (liabilities) held-for-sale**	22.6	(0.5)	22.1	—	—	—
Development**	—	—	—	172.9	(81.2)	91.7
Development joint ventures**	—	—	—	4.6	—	4.6
Group activities	300.6	(353.7)	(53.1)	115.5	(211.9)	(96.4)
Group eliminations	(529.9)	529.9	—	(348.8)	348.8	—
	450.0	(343.0)	107.0	466.6	(339.3)	127.3

\* All discontinued operations assets and liabilities not classified as held-for-sale have been included in Group activities at 31 December 2008.

\*\* See note 14. In addition to the reclassification stated in note 14, £28.8m of liabilities have been reanalysed from Group activities in the prior year to response maintenance, planned repairs and refurbishment and new build.

Capital additions and depreciation by business segment:

	2008		2007	
	Capital additions £m	Depreciation £m	Capital additions £m	Depreciation £m
Response maintenance	0.3	1.0	0.5	0.6
Planned repairs and refurbishment	0.8	1.6	0.7	0.5
New build	2.5	2.7	4.5	3.3
Development*	—	—	0.1	—
Group activities	4.1	1.4	3.5	0.7
	7.7	6.7	9.3	5.1

\* See note 9 discontinued operations.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2008

### 3. PROFIT FROM OPERATIONS

	Group	
	2008 £m	Re-presented* 2007 £m
Profit from operations is stated after charging (crediting):		
Rentals under operating leases – land and buildings	4.0	3.4
– plant and office equipment	2.6	1.4
Hire of plant and machinery	13.4	15.6
Expense in respect of share options	2.3	1.2
Depreciation of property, plant and equipment	6.7	5.0
Profit on disposal of property, plant and equipment	(0.2)	(0.1)
Amortisation of intangible assets	2.3	2.7
Fees for the audit of the Group	0.3	0.3
Fees payable to the Company's Auditors for other services:		
Tax services	0.2	0.1
Corporate finance transactions	0.1	0.1

Fees paid to the Company's Auditors in respect of the audit of the Group's defined benefit pension schemes were £12,000 (2007: £12,000).

Fees paid to the Company's Auditors in respect of the audit of the Company's accounts were £65,000 (2007: £58,000), and £270,000 (2007: £241,000) in respect of the audit of the Company's subsidiaries.

### 4. INTANGIBLE ASSET CHARGES

	Group	
	2008 £m	Re-presented* 2007 £m
Brand amortisation	0.6	0.4
Customer relationships amortisation	1.7	2.3
	2.3	2.7

### 5. GROUP RESTRUCTURING CHARGES

During the year the Group incurred exceptional restructuring costs as follows:

	Group	
	2008 £m	2007 £m
Redundancy and restructuring costs	8.3	—
Onerous property and rental costs	2.4	—
Leasehold improvement write offs	1.5	—
	12.2	—

### 6. PERSONNEL EXPENSES

	Group		Company	
	2008 £m	2007 £m	2008 £m	2007 £m
Wages and salaries	141.1	126.0	6.5	6.0
Social security costs	15.5	12.5	0.9	0.7
Defined contribution pension scheme	6.1	4.3	0.5	0.4
Expense in respect of share options	2.3	1.2	1.3	0.9
Exceptional redundancy costs	5.9	—	0.5	—
	170.9	144.0	9.7	8.0

## 6. PERSONNEL EXPENSES CONTINUED

The average number of people employed during the year was:

	Group		Company	
	2008 Number	2007 Number	2008 Number	2007 Number
Building and maintenance	5,047	3,956	—	—
Development	14	31	—	—
Central administration	137	118	137	118
	<b>5,198</b>	<b>4,105</b>	<b>137</b>	<b>118</b>

## 7. FINANCE COSTS AND INCOME

	Group	
	2008 £m	Re-presented* 2007 £m
<b>Interest</b>		
Interest (payable) receivable	(0.9)	0.9
<b>Other finance income</b>		
Expected return on pension scheme assets	4.5	4.1
<b>Other finance charges</b>		
Interest on pension scheme liabilities	(4.7)	(4.5)
Total finance (charge) income	(1.1)	0.5

Finance income and charges above relate to continuing operations only.

## 8. INCOME TAX

Recognised in the income statement

	Group	
	2008 £m	Re-presented* 2007 £m
<b>Current tax</b>		
Current year (credit) charge	(1.0)	7.7
Over provided in prior years	(0.4)	(0.9)
	(1.4)	6.8
<b>Deferred tax</b>		
Origination and reversal of temporary differences	1.1	1.2
(Over) under provided in prior years	(0.4)	0.6
	0.7	1.8
Total income tax (credit) charge in income statement	(0.7)	8.6
Analysed as:		
Income tax charge for the year from continuing operations	2.2	7.2
Income tax (credit) charge for the year from discontinued operations	(2.9)	1.4
Total income tax (credit) charge in income statement	(0.7)	8.6



**9. DISCONTINUED OPERATIONS CONTINUED****Assets and associated liabilities held-for-sale**

The major classes of assets and liabilities comprising the discontinued operation classified as held-for-sale are:

	2008 £m	2007 £m
Investments in joint ventures	3.6	—
Inventories	19.0	—
	22.6	—
Trade and other payables	(0.5)	—

**Earnings per share – discontinued operations**

	2008		2007	
	Basic £m	Diluted £m	Basic £m	Diluted £m
Earnings, being profit attributable to ordinary shareholders	(18.6)	(18.6)	2.4	2.4
Add goodwill write off, not taxable	3.8	3.8	0.7	0.7
Adjusted earnings	(14.8)	(14.8)	3.1	3.1
	pence	pence	pence	pence
(Loss) earnings per share	(10.6)	(10.5)	1.4	1.4
Adjusted (loss) earnings per share	(8.5)	(8.4)	1.8	1.8

**Joint ventures**

The Group has a 50% interest in four joint ventures, Rokval (Exeter) Limited (previously Rokscar Limited), Rokval (Bournemouth) Limited (previously SDG (Bournemouth) Limited), Milln Gate Rok Development Alton Limited and Rok Development Solutions Limited whose principal activities were the development of commercial property. All are incorporated in England and Wales.

The Group's share of the net assets and net profits of the joint ventures were as follows:

	Total 2008 £m	Total 2007 £m
Current assets	14.4	13.8
Current liabilities	(10.8)	(9.2)
Net assets	3.6	4.6
Revenue	0.2	2.6
Expenses	(0.6)	(2.8)
Net loss	(0.4)	(0.2)

**10. PROFIT FOR THE FINANCIAL YEAR**

The loss for the year of the holding company was £6.4m (2007: £21.9m profit).

**11. DIVIDENDS**

	Group and Company	
	2008 £m	2007 £m
Final paid 2007: 2.35p (2006: 1.94p) per 2p ordinary share	4.2	3.3
Interim paid 2008: 1.15p (2007: 1.05p) per 2p ordinary share	2.1	1.8
	6.3	5.1

The directors are proposing a final dividend in respect of the financial year ended 31 December 2008 of 1.25p per share which will absorb £2.2m of shareholders' funds if approved. The final dividend will be paid on 15 May 2009 to shareholders on the register of members on 3 April 2009.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2008

## 12. EARNINGS PER SHARE

	2008		2007	
	Basic £m	Diluted £m	Basic £m	Diluted £m
<b>From continuing operations</b>				
Earnings, being profit attributable to ordinary shareholders	3.7	3.7	17.3	17.3
Add intangible asset charges, net of tax	1.6	1.6	1.9	1.9
Add restructuring costs, net of tax	8.8	8.8	—	—
Adjusted earnings	14.1	14.1	19.2	19.2
<b>From continuing and discontinued operations</b>				
Earnings, being (loss) profit attributable to ordinary shareholders	(14.9)	(14.9)	19.7	19.7
Add goodwill write off, not taxable	3.8	3.8	0.7	0.7
Add intangible asset charges, net of tax	1.6	1.6	1.9	1.9
Add restructuring costs, net of tax	8.8	8.8	—	—
Adjusted earnings	(0.7)	(0.7)	22.3	22.3
	m	m	m	m
Issued ordinary shares at 1 January	176.6	176.6	170.8	170.8
Effect of shares issued in the year	2.1	2.1	2.6	2.6
Effect of own shares held	(3.3)	(3.3)	(2.0)	(2.0)
Weighted average number of shares	175.4	175.4	171.4	171.4
Effect of share options	—	1.7	—	4.2
Weighted average number of shares used for earnings per share	175.4	177.1	171.4	175.6
	pence	pence	pence	pence
<b>From continuing operations</b>				
Earnings per share	2.1	2.1	10.1	9.8
Adjusted earnings per share	8.1	8.0	11.2	10.9
<b>From continuing and discontinued operations</b>				
(Loss) earnings per share	(8.5)	(8.4)	11.5	11.2
Adjusted (loss) earnings per share	(0.4)	(0.4)	13.0	12.7

## 13. ACQUISITIONS OF SUBSIDIARIES

During 2008 the Group completed two acquisitions. The principal acquisition in the year was on 3 April 2008 when the Group acquired 100% of the share capital of Richardson Projects Holdings Limited and its trading subsidiary Richardson Projects Limited for a consideration of £25.4m. As part of the consideration, 1,914,894 ordinary shares were issued at a fair value of 124p at the date of exchange. In the period to 31 December 2008 Richardson Projects Limited contributed £2.3m to the Group consolidated profit before tax.

The Group also acquired 100% of the share capital of Pitkerro Limited on 8 January 2008 for a consideration of £3.0m. As part of the consideration 766,447 ordinary shares were issued at a fair value of 111p at the date of exchange. In the period to 31 December 2008 Pitkerro Limited contributed £0.3m to the Group consolidated profit before tax.

### 13. ACQUISITIONS OF SUBSIDIARIES CONTINUED

The acquisitions, after making provisional fair value adjustments, had the following effect on the Group's assets and liabilities:

	Book value £m	Provisional accounting and fair value adjustments £m	Deferred tax impact £m	Fair value to Group £m
Property, plant and equipment	2.1	(0.1)	—	2.0
Investments	0.1	—	—	0.1
Trade receivables	7.6	(0.1)	—	7.5
Cash and cash equivalents	8.4	—	—	8.4
Trade payables	(13.4)	(3.3)	0.3	(16.4)
Total identifiable assets and liabilities	4.8	(3.5)	0.3	1.6
Provisional goodwill on acquisition				27.3
				28.9
Discharged by:				
Cash consideration				22.3
Deferred consideration				2.9
Rok plc shares				3.2
Costs of acquisition				0.5
				28.9

If all acquisitions had been part of the Group since 1 January 2008, the Group would have reported revenue of £1,025.3m and a loss after tax of £14.6m.

During 2007 the Group made two principal acquisitions. On 3 May 2007 the Group acquired 100% of the share capital of Barkbury Holdings Limited and its trading subsidiary SOL Construction Limited for a consideration of £21.2m. As part of the consideration 1,872,305 ordinary shares were issued at a fair value of 218p at the date of exchange. In the period to 31 December 2007 it contributed £0.8m to the Group consolidated profit before tax. On 1 October 2007 the Group acquired 100% of the share capital of Avonside Services Group Limited for a consideration of £16.5m. As a part of the consideration 2,435,068 ordinary shares were issued at a fair value of 189p at the date of exchange. In the period to 31 December 2007 it contributed £0.7m to the Group consolidated profit before tax.

The acquisitions, after making provisional fair value adjustments, had the following effect on the Group's assets and liabilities in 2007:

	Book value £m	Provisional accounting and fair value adjustments £m	Deferred tax impact £m	Fair value to Group £m
Property, plant and equipment	2.4	0.2	—	2.6
Inventories	3.7	(2.0)	—	1.7
Trade receivables	31.2	(5.5)	—	25.7
Cash and cash equivalents	13.1	—	—	13.1
Interest-bearing loans and borrowings	(2.1)	—	—	(2.1)
Trade payables	(35.0)	2.2	1.1	(31.7)
Net identifiable tangible assets and liabilities	13.3	(5.1)	1.1	9.3
Provisional intangible assets	—	2.3	(0.6)	1.7
Total identifiable assets and liabilities	13.3	(2.8)	0.5	11.0
Provisional goodwill on acquisition				34.6
				45.6
Discharged by:				
Cash consideration				33.1
Deferred cash consideration held in escrow				2.0
Rok plc shares				9.5
Costs of acquisition				0.9
Deferred consideration				0.1
				45.6

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2008

## 13. ACQUISITIONS OF SUBSIDIARIES CONTINUED

During 2007 the Group also made five further acquisitions:

	Date	Share capital/trade and assets
S Harrison Construction Limited	3 September	100% share capital
Aquilo Inspection and Reinstatement Services	17 September	Trade and assets
EMB Services	31 January	Trade and assets
Thompsons (of Ayr) Construction	17 May	Trade and assets
Logie Building Services	11 April	Trade and assets

As part of the aggregate consideration of £7.9m, 360,412 ordinary shares were issued at an average fair value of 228p at the dates of exchange.

The provisional fair values attributed to the tangible assets and liabilities of each of the businesses acquired during 2007 were reassessed at the anniversary date of each acquisition. Changes between the provisional fair values of the net assets acquired as at 31 December 2007 and the anniversary date are stated below. Comparative balances for 2007 have been restated to reflect these reassessments. The adjustments do not have a material impact on the 2007 income statement.

	£m
Fair value of identifiable assets and liabilities at 31 December 2007	11.0
Re-assessment of debtors, work in progress and liabilities	(13.1)
Deferred tax	2.7
Final fair value of identifiable assets and liabilities at 31 December 2008	0.6

	£m
Decrease in the fair values, net of tax	10.4
Decrease in consideration	(1.3)
Change in provisional goodwill	9.1

Due to the long-term nature of the construction industry initial estimates of working capital are established at the time of acquisition. These are reviewed in detail on the acquisition anniversary date and adjustments to the provisional valuations are made where initial pre-acquisition circumstances had not been fully reflected.

On all acquisitions, the difference remaining between the acquisition cost and the fair value of identifiable net assets represents a combination of the value of the workforce acquired and future expected cash flows not included within the customer relationships or brand. The value of such intangible assets is not separately identifiable and therefore has been treated as goodwill.

## 14. INTANGIBLE ASSETS

	Group			
	Goodwill £m	Brand £m	Customer relationships £m	Total £m
<b>Cost</b>				
Balance at 1 January 2007	74.9	2.4	7.1	84.4
Acquisitions	34.6	—	2.3	36.9
Balance at 31 December 2007 as previously reported	109.5	2.4	9.4	121.3
Prior year adjustment (note 13)	9.1	—	—	9.1
As at 31 December 2007 as re-presented	118.6	2.4	9.4	130.4
Acquisitions	27.3	—	—	27.3
Balance at 31 December 2008	145.9	2.4	9.4	157.7
<b>Amortisation and impairment losses</b>				
Balance at 1 January 2007	—	0.5	1.2	1.7
Goodwill write off*	0.7	—	—	0.7
Intangible asset charges	—	0.4	2.3	2.7
Balance at 31 December 2007	0.7	0.9	3.5	5.1
Goodwill write off*	3.8	—	—	3.8
Intangible asset charges	—	0.6	1.7	2.3
Balance at 31 December 2008	4.5	1.5	5.2	11.2
<b>Carrying amount</b>				
At 1 January 2007	74.9	1.9	5.9	82.7
At 31 December 2007	117.9	1.5	5.9	125.3
<b>At 31 December 2008</b>	<b>141.4</b>	<b>0.9</b>	<b>4.2</b>	<b>146.5</b>

\* Following the Group's decision to exit its commercial property development activities, goodwill has been tested and written down by £3.8m (2007: £0.7m).

### Goodwill

During 2008 the Group completed two acquisitions, giving rise to goodwill as stated below:

	Goodwill £m
Richardson Projects Holdings Limited	25.7
Pitkerro Limited	1.6
	27.3

Goodwill acquired on business combinations is allocated, at acquisition, to the cash generating unit (CGU) which is expected to benefit from that business combination. The carrying value of goodwill is included within each of the segments in the net asset analysis in note 2 and has been allocated as follows:

	Group				Total £m
	Response maintenance £m	Planned repairs and refurbishment £m	New build £m	Development £m	
<b>Cost</b>					
Balance at 31 December 2007 as previously reported	7.3	8.1	89.6	3.8	108.8
Prior year adjustment*	1.0	3.7	4.4	—	9.1
Prior year reclassification**	5.9	17.3	(23.2)	—	—
As at 31 December 2007 as re-presented	14.2	29.1	70.8	3.8	117.9
<b>As at 31 December 2008</b>	<b>14.2</b>	<b>30.7</b>	<b>96.5</b>	<b>—</b>	<b>141.4</b>

\* See note 13.

\*\* During the year the allocation of Goodwill attributable to cash generating units in relation to the acquisitions in the prior year has been re-assessed. This has resulted in the partial reclassification of Goodwill associated with the Avonside and SOL acquisitions from new build to planned repairs and refurbishment, and response maintenance.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2008

## 14. INTANGIBLE ASSETS CONTINUED

### Goodwill continued

In accordance with IAS 36, the Group tests goodwill annually for impairment as part of the annual budgeting process and more frequently if there are indications that goodwill might be impaired. The recoverable amounts for each CGU is determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the growth rates, discount rates and expected changes in profit margins during the period. The Group prepares cash flow forecasts derived from the most recent financial budget approved by management and extrapolates cash flows using a perpetual growth rate of 2.0%. The rate does not exceed the average long-term growth rate for the relevant markets. The rate used to discount the forecast cash flows is the Group's estimated weighted average cost of capital of 9.71%. Changes in profit margins are based upon past experience and any expected future changes in the market. During the year, following the Group's decision to exit its commercial property development activities, development goodwill was written down by £3.8 million. As at 31 December 2008, based on internal valuations, management concluded that the recoverable value of the CGUs tested exceeded their carrying amount.

## 15. PROPERTY, PLANT AND EQUIPMENT

				Group	Company
	Leasehold improvements £m	Plant and machinery £m	Office and computer equipment £m	Total £m	Total £m
<b>Cost</b>					
Balance at 1 January 2007	4.3	8.9	11.8	25.0	3.0
Additions	2.6	3.1	3.6	9.3	3.5
Acquisitions	0.1	2.3	0.2	2.6	—
Disposals	(0.5)	(1.2)	(2.8)	(4.5)	(0.9)
Balance at 31 December 2007	6.5	13.1	12.8	32.4	5.6
Additions	1.3	1.1	5.3	7.7	4.1
Acquisitions	1.1	0.8	0.1	2.0	—
Disposals	(1.4)	(5.9)	(1.4)	(8.7)	(0.1)
Transfer from subsidiary	—	—	—	—	0.7
<b>Balance at 31 December 2008</b>	<b>7.5</b>	<b>9.1</b>	<b>16.8</b>	<b>33.4</b>	<b>10.3</b>
<b>Depreciation and impairment losses</b>					
Balance at 1 January 2007	1.2	3.2	4.8	9.2	1.3
Depreciation charge for the year	0.5	2.4	2.2	5.1	0.6
Disposals	(0.1)	(1.2)	(1.9)	(3.2)	(0.3)
Balance at 31 December 2007	1.6	4.4	5.1	11.1	1.6
Depreciation charge for the year	1.0	2.6	3.1	6.7	1.4
Impairment charge*	1.5	—	—	1.5	0.5
Disposals	—	(4.1)	(1.4)	(5.5)	—
Transfer from subsidiary	—	—	—	—	0.3
<b>Balance at 31 December 2008</b>	<b>4.1</b>	<b>2.9</b>	<b>6.8</b>	<b>13.8</b>	<b>3.8</b>
<b>Carrying amount</b>					
At 1 January 2007	3.1	5.7	7.0	15.8	1.7
At 31 December 2007	4.9	8.7	7.7	21.3	4.0
<b>At 31 December 2008</b>	<b>3.4</b>	<b>6.2</b>	<b>10.0</b>	<b>19.6</b>	<b>6.5</b>

\* See note 5. Included in the Group exceptional restructuring charge is an impairment charge of £1.5m on leasehold improvements.

Included in the £5.1m depreciation charge in the prior year is £0.1m of depreciation in relation to discontinued operations in the current year.

Included in the net book value of tangible fixed assets are assets held under finance leases and hire purchase contracts amounting to £1.3m (2007: £3.6m). These assets contributed £0.5m (2007: £0.8m) to the depreciation charge for the year.

## 16. INVESTMENTS

	Group			Company
	Joint ventures £m	Investments £m	Total £m	Shares in subsidiaries £m
Balance at 1 January 2007	2.2	—	2.2	67.5
Additions	3.3	—	3.3	149.4
Joint venture distribution	(0.7)	—	(0.7)	—
Share of post tax losses	(0.2)	—	(0.2)	—
Disposals	—	—	—	(42.4)
Balance at 31 December 2007	4.6	—	4.6	174.5
Additions	1.2	0.1	1.3	39.8
Share of post tax losses	(0.4)	—	(0.4)	—
Impairment charge	(1.8)	—	(1.8)	—
Transfer to assets held-for-sale	(3.6)	—	(3.6)	—
Disposals	—	—	—	(38.8)
<b>At 31 December 2008</b>	<b>—</b>	<b>0.1</b>	<b>0.1</b>	<b>175.5</b>

## Shares in subsidiaries

During the year the Company has disposed of investments in subsidiaries to another subsidiary at market value.

## 17. DEFERRED TAX ASSETS AND LIABILITIES

## Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Group					
	Assets		Liabilities		Net	
	2008 £m	2007 £m	2008 £m	2007 £m	2008 £m	2007 £m
Property, plant and equipment	1.7	0.2	—	(0.5)	1.7	(0.3)
Intangible assets	—	—	(1.4)	(2.1)	(1.4)	(2.1)
Inventories	—	—	—	(0.3)	—	(0.3)
Defined benefit pension schemes	2.9	3.1	—	—	2.9	3.1
Expense in respect of share options	—	0.9	—	—	—	0.9
Fair value provisions	2.8	1.7	(0.4)	—	2.4	1.7
Other	0.2	—	—	—	0.2	—
Net deferred tax assets (liabilities)	7.6	5.9	(1.8)	(2.9)	5.8	3.0

The Group has an unrecognised deferred tax asset of £1.8m (2007: £nil) in respect of trading losses.

	Company					
	Assets		Liabilities		Net	
	2008 £m	2007 £m	2008 £m	2007 £m	2008 £m	2007 £m
Property, plant and equipment	0.4	—	—	(0.2)	0.4	(0.2)
Defined benefit pension schemes	2.9	3.1	—	—	2.9	3.1
Expense in respect of share options	—	0.9	—	—	—	0.9
Net deferred tax assets (liabilities)	3.3	4.0	—	(0.2)	3.3	3.8

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2008

## 17. DEFERRED TAX ASSETS AND LIABILITIES CONTINUED

Movement in temporary differences during the year

	Group							
	Property, plant and equipment £m	Intangible assets £m	Inventories £m	Defined benefit pension schemes £m	Expense in respect of share options £m	Fair value provisions £m	Other £m	Total £m
At 1 January 2007	0.3	(3.1)	(0.5)	6.5	1.2	2.5	0.1	7.0
Recognised in income	(0.6)	1.0	0.2	(0.9)	0.1	(1.5)	(0.1)	(1.8)
Recognised in equity	—	—	—	(2.5)	(0.4)	—	—	(2.9)
Arising on acquisitions	—	—	—	—	—	0.7	—	0.7
At 31 December 2007	(0.3)	(2.1)	(0.3)	3.1	0.9	1.7	—	3.0
Recognised in income	2.0	0.7	0.3	(0.9)	(0.7)	(2.4)	0.2	(0.8)
Recognised in equity	—	—	—	0.7	(0.2)	—	—	0.5
Arising on acquisitions	—	—	—	—	—	3.1	—	3.1
<b>At 31 December 2008</b>	<b>1.7</b>	<b>(1.4)</b>	<b>—</b>	<b>2.9</b>	<b>—</b>	<b>2.4</b>	<b>0.2</b>	<b>5.8</b>

	Company			
	Property, plant and equipment £m	Defined benefit pension schemes £m	Expense in respect of share options £m	Total £m
Balance at 1 January 2007	(0.2)	6.5	1.2	7.5
Recognised in income	—	(0.9)	0.1	(0.8)
Recognised in equity	—	(2.5)	(0.4)	(2.9)
At 31 December 2007	(0.2)	3.1	0.9	3.8
Recognised in income	0.6	(0.9)	(0.6)	(0.9)
Recognised in equity	—	0.7	(0.3)	0.4
<b>At 31 December 2008</b>	<b>0.4</b>	<b>2.9</b>	<b>—</b>	<b>3.3</b>

## 18. INVENTORIES

	Group	
	2008 £m	2007 £m
Commercial development land and work in progress	—	32.6
Building work in progress	12.2	7.9
Other stock	1.2	1.6
	<b>13.4</b>	<b>42.1</b>

## 19. CONSTRUCTION CONTRACTS

The net balance is analysed into assets and liabilities as follows:

	Group	
	2008 £m	2007 £m
Contracts in progress at the balance sheet date:		
Amounts due on construction contracts included within trade and other receivables (note 20)	75.9	54.7
Payments on account included within trade and other payables (note 28)	(2.7)	(15.0)
	<b>73.2</b>	<b>39.7</b>
Contract costs incurred plus recognised profits less losses	<b>2,278.2</b>	2,428.0
Less cumulative progress billings received and receivable	<b>(2,205.0)</b>	(2,388.3)
	<b>73.2</b>	<b>39.7</b>

## 20. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2008 £m	2007 £m	2008 £m	2007 £m
Amounts due on construction contracts	75.9	54.7	—	—
Trade receivables	66.9	86.3	—	—
Retentions	36.9	33.7	—	—
Amounts owed by Group undertakings	—	—	17.0	24.3
Non-trade receivables	3.4	5.2	2.2	1.3
Prepayments and accrued income	18.0	44.5	2.3	2.2
	<b>201.1</b>	<b>224.4</b>	<b>21.5</b>	<b>27.8</b>

## 21. CASH AND NET DEBT

	Group		Company	
	2008 £m	2007 £m	2008 £m	2007 £m
Cash and cash equivalents in the cash flow statements	39.1	43.0	—	—
Non-current interest bearing loans and borrowings	(75.0)	(45.7)	(38.8)	(80.6)
Current interest bearing loans and borrowings	(7.8)	(2.6)	—	—
Net debt	<b>(43.7)</b>	<b>(5.3)</b>	<b>(38.8)</b>	<b>(80.6)</b>
Reconciliation of net cash flow to movement in net debt:				
(Decrease) increase in cash and cash equivalents in the year	(3.9)	0.3	—	(32.3)
Cash (inflow) outflow from change in debt	(34.5)	(15.1)	41.8	(78.2)
Change in net debt resulting from cash flows	<b>(38.4)</b>	<b>(14.8)</b>	<b>41.8</b>	<b>(110.5)</b>
Debt acquired	—	(2.1)	—	—
Movement in net debt	<b>(38.4)</b>	<b>(16.9)</b>	<b>41.8</b>	<b>(110.5)</b>
Net (debt) cash at 1 January	<b>(5.3)</b>	11.6	<b>(80.6)</b>	29.9
Net debt at 31 December	<b>(43.7)</b>	<b>(5.3)</b>	<b>(38.8)</b>	<b>(80.6)</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED FOR THE YEAR ENDED 31 DECEMBER 2008

## 22. CAPITAL AND RESERVES

### Reconciliation of movement in capital and reserves

	Group and Company			Group	Company
	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Retained earnings £m
Balance at 1 January 2007	3.4	17.7	45.7	32.9	11.7
Profit for the year	—	—	—	19.7	21.9
Other recognised gains	—	—	—	5.1	5.1
Dividends	—	—	—	(5.1)	(5.1)
Scrip dividend	—	0.5	—	—	—
Purchase of own shares held	—	—	—	(3.5)	(3.5)
Share-based payments charge reversal	—	—	—	1.2	1.2
Tax on share-based payments	—	—	—	0.2	0.2
Shares issued for acquisitions	0.1	—	9.4	—	—
<b>Balance at 31 December 2007</b>	<b>3.5</b>	<b>18.2</b>	<b>55.1</b>	<b>50.5</b>	<b>31.5</b>
Loss for the year	—	—	—	(14.9)	(6.4)
Other recognised gains	—	—	—	(1.8)	(1.8)
Dividends	—	—	—	(6.3)	(6.3)
Purchase of own shares held	—	—	—	(2.5)	(2.5)
Share-based payments charge reversal	—	—	—	2.3	2.3
Tax on share-based payments	—	—	—	(0.3)	(0.3)
Shares issued for acquisitions	0.1	—	3.1	—	—
<b>Balance at 31 December 2008</b>	<b>3.6</b>	<b>18.2</b>	<b>58.2</b>	<b>27.0</b>	<b>16.5</b>

At 31 December 2008 the issued share capital was 179,303,672 ordinary shares (31 December 2007: 176,579,016) with a par value of £0.02. The authorised share capital at both 31 December 2008 and 31 December 2007 was 412,500,000 ordinary shares. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

#### Issued ordinary shares

The following table shows the movement in ordinary shares:

	Group and Company	
	2008 m	2007 m
At 1 January	176.6	170.8
Acquisition consideration	2.7	4.7
Share options	—	0.9
Scrip dividend	—	0.2
<b>At 31 December</b>	<b>179.3</b>	<b>176.6</b>

#### Employee share ownership trust

The following table shows the movement in the ESOT reserve:

	Number of shares	
	2008 m	2007 m
At 1 January	2.5	1.2
Share options exercised during the year	(1.0)	(1.3)
Shares purchased by the ESOT during the year	2.5	2.6
<b>At 31 December</b>	<b>4.0</b>	<b>2.5</b>

## 23. INTEREST-BEARING LOANS AND BORROWINGS

### Non-current liabilities

	Group	
	2008 £m	2007 £m
Bank loans	74.8	44.8
Obligations under finance leases	0.2	0.9
	<b>75.0</b>	<b>45.7</b>
	Company	
	2008 £m	2007 £m
Bank loans	38.8	80.6

The bank loans were drawn under a three-year revolving credit facility which was due to expire in 2010.

### Current liabilities

	Group	
	2008 £m	2007 £m
Bank loans	7.0	1.0
Obligations under finance leases	0.8	1.6
	<b>7.8</b>	<b>2.6</b>

## 24. OBLIGATIONS UNDER FINANCE LEASES

	Group			
	Minimum lease payments		Present value of minimum lease payments	
	2008 £m	2007 £m	2008 £m	2007 £m
Amounts payable under finance leases:				
Within one year	0.8	1.6	0.8	1.6
In the second to fifth years inclusive	0.3	1.0	0.2	0.9
Less: future finance charges	(0.1)	(0.1)	n/a	n/a
Present value of lease obligations	1.0	2.5	1.0	2.5
Less: amount due for settlement within 12 months			(0.8)	(1.6)
Amount due for settlement after 12 months			0.2	0.9

The average lease term is three years. For the year ended 31 December 2008, the average effective borrowing rate was 6.75%. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

All lease obligations are denominated in sterling. The fair value of the Group's lease obligations approximates to their carrying amount. The Group's obligations under finance leases are secured by the lessors' charges over the leased assets.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED FOR THE YEAR ENDED 31 DECEMBER 2008

## 25. FINANCIAL ASSETS AND LIABILITIES

The Group's main financial instruments comprise bank loans, cash at bank and short-term debtors and creditors. It continues to be the Group's policy not to engage in speculative arrangements or to trade in complex financial instruments. All the Group's activities take place in the United Kingdom. The principal purpose of the Group's financial instruments is to raise finance for the Group's operations. Whilst building activities are cash generative maintenance activities are cash consumptive.

### Capital management

The Group's policy is to maintain a strong capital base. The Group finances its operations through retained earnings, bank borrowings and the management of working capital. Acquisitions are funded through both issue of equity and bank borrowings. The Group purchases its own shares from the market which are held in trust and are intended to be used for issuing shares under the Group's share based incentive schemes. The Group intends to continue to follow its policy of paying dividends to ordinary shareholders broadly in line with adjusted EPS growth.

### Management of financial risk

The Group considers its major financial risks to be liquidity risk, interest rate risk and credit risk.

### Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they fall due. It is Group policy that funding required by subsidiary companies is provided through the Group's centralised banking facilities. At 31 December 2008, the Group had net debt of £43.7m (2007: £5.3m). At the year end, the Group had £45.4m (2007: £48.2m) of available cash balances and undrawn committed bank borrowing facilities available.

### Interest rate risk

The Group's policy is to accept a degree of interest rate risk as long as the effect of interest rate changes remains within certain parameters. The Group has not entered into any arrangements that fixes, caps or collars the rate of interest on any portion of debt. All borrowings are at floating rates and interest payments are made quarterly.

Following the refinancing of the Group's banking facilities, the Group expects to put hedging arrangements in place over borrowings such that the Group's profit will be reasonably unaffected by any significant variation in interest rates.

### Credit risk

Credit risk arises on financial instruments such as trade receivables and short-term bank deposits. The plc finance team is responsible for managing the Group's exposure with banks and other institutions. It is Group policy that transactions are only permitted with approved counter parties and dealing limits take account of ratings provided by the major credit rating agencies. Credit risk is monitored by management from the date of entering into transactions with approved customers and suppliers to the date of settlement. Trade receivables consist of a large number of customers, spread across diverse industries in the UK. The credit risk on liquid funds is limited because the counter parties are banks who maintain our existing banking facilities.

### Borrowing facilities

At 31 December 2008 the Group had £100m of total facilities on bilateral agreements split between two major banks. All covenants were met during the year. In March 2009 the Group successfully renegotiated and extended its banking facilities under a club arrangement with three major banks and now has £90m of long-term facilities as follows:

	£m
Secured term loan expiring March 2012	20.0
Secured Revolving Credit Facility (RCF) expiring March 2012	70.0
	90.0

The term loan is subject to a minimum repayment of £3.0m per annum commencing February 2010. The RCF is subject to amortisation of £2.5m every six months commencing June 2010. The club facilities, under which interest is charged at between 250 and 325 basis points over LIBOR, depending on covenant ratchets, are subject to three covenants which are tested quarterly as follows:

Net debt to EBITDA	maximum of 2.5x
EBITA to net finance charges	minimum of 4.0x
Adjusted net worth	minimum of £100m

**25. FINANCIAL ASSETS AND LIABILITIES CONTINUED****Borrowing facilities** continued

The Group's financial assets and liabilities excluding short-term debtors and creditors and the weighted average interest rate during the year then ended, all of which are denominated in sterling, were as follows:

	2008		2007	
	Weighted average interest rate %	Total £m	Weighted average interest rate %	Total £m
Bank loans	4.81	(81.8)	6.52	(45.8)
Obligations under finance leases	6.75	(1.0)	6.75	(2.5)
		<b>(82.8)</b>		<b>(48.3)</b>
Cash at bank		39.1		43.0
Net debt		<b>(43.7)</b>		<b>(5.3)</b>

The Group's financial assets consist of its trade receivables. The ageing of trade receivables at the reporting date was:

	Group	
	2008 £m	2007 £m
Not past due date	53.1	63.1
Past due date	7.7	21.7
More than 90 days past due date	10.1	3.2
	<b>70.9</b>	<b>88.0</b>
Provisions	<b>(4.0)</b>	<b>(1.7)</b>
Other trade receivables (see note 20)	<b>66.9</b>	<b>86.3</b>

The Group's provision for impairment in respect of trade receivables is based upon specific circumstances of each transaction at the reporting date. The concentration of credit risk is limited, due to the customer base being large and unrelated. In determining the recoverability of a trade receivable the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. Based on historic default rates, the Group believes that no general impairment allowance is necessary in respect of trade receivables not past due date. Included within trade receivables at the year end is £13.8m (2007: £23.2m) which is past the due date but not provided for, management has no indication that these amounts will be irrecoverable.

The movement in the provision in respect of trade receivables during the year was as follows:

	Group	
	2008 £m	2007 £m
Balance at 1 January	1.7	1.1
Acquired	0.4	0.4
Recognised in profit and loss	1.9	0.2
Balance at 31 December	<b>4.0</b>	<b>1.7</b>

The fair value of the Group's financial assets and liabilities including short-term debtors and creditors is not considered to be materially different from their book values.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2008

### 26. DEFINED BENEFIT PENSION SCHEMES

The Group participates in three defined benefit pension schemes, the Rok Property Solutions Group scheme (RPSGS), the Llewellyn Group scheme (LGS) and Stanplan F – Rok plc (SFR). All schemes are closed to new members and to future service accruals.

#### Liability for defined benefit obligations

	Group and Company	
	2008 £m	2007 £m
Present value of defined benefit obligations	(71.3)	(82.2)
Fair value of scheme assets	61.2	71.2
Recognised liability for defined benefit obligations	(10.1)	(11.0)
Deferred tax asset	2.8	3.1
Net liability for defined benefit obligations	(7.3)	(7.9)

#### Movements in the present value of defined benefit obligations

	Group and Company	
	2008 £m	2007 £m
At 1 January	(82.2)	(88.0)
Interest cost	(4.7)	(4.5)
Benefit paid	2.8	2.8
Actuarial gains	12.8	7.5
At 31 December	(71.3)	(82.2)

#### Movements in the fair value of scheme assets

	Group and Company	
	2008 £m	2007 £m
At 1 January	71.2	66.5
Expected return on scheme assets	4.5	4.1
Contributions from the sponsoring companies	3.6	3.3
Benefits paid	(2.8)	(2.8)
Actuarial gains and losses	(15.3)	0.1
At 31 December	61.2	71.2

#### Net finance charge (note 7)

	Group and Company	
	2008 £m	2007 £m
Expected return on scheme assets	4.5	4.1
Interest on liabilities	(4.7)	(4.5)
	(0.2)	(0.4)

**26. DEFINED BENEFIT PENSION SCHEMES CONTINUED**  
Income recognised in the statements of recognised income and expense

	Group and Company	
	2008 £m	2007 £m
Actuarial gain recognised	(2.5)	7.6
Deferred tax	0.7	(2.3)
	(1.8)	5.3

**Actuarial assumptions**

Principal actuarial assumptions at the balance sheet date expressed as weighted averages where applicable:

	Group and Company	
	2008	2007
Discount rate	6.7%	5.8%
Future salary increases (LGS scheme only)	3.5%	3.9%
Inflation assumption	3.0%	3.4%
Mortality tables	2000 (PCA)	1992 (PMA and PFA)

The actuarial gains for accounting purposes result from the requirement, under IAS 19, to apply a discount rate to future liabilities based on AA corporate bond yields. Following the year end, changes in bond yields have resulted in a lower discount rate. The mathematical exercise of reducing the rate results in a small addition to the pension deficit at the period end.

The mortality assumptions adopted estimate life expectancies from age 60 for men and women of 26.2 years and 28.7 years respectively.

**Scheme assets**

	Group and Company			
	Return at 31 December 2008 %	Value at 31 December 2008 £m	Return at 31 December 2007 %	Value at 31 December 2007 £m
Equities	6.4	37.8	7.6	45.4
Bonds	6.0	6.8	5.8	7.8
Fixed interest	4.0	11.2	5.3	12.2
Index linked	3.9	4.5	5.3	5.0
Property	n/a	0.1	n/a	0.1
Cash	2.0	0.8	5.5	0.7
<b>Total market value of assets</b>		<b>61.2</b>		<b>71.2</b>

The actual loss on Group and Company scheme assets was £10.8m (2007: £4.2m return).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2008

## 26. DEFINED BENEFIT PENSION SCHEMES CONTINUED

### Scheme assets continued

The differences between previous actuarial assumptions and what has actually occurred, known as experience adjustments, are as follows:

	2008 £m	2007 £m	2006 £m	2005 £m	2004 £m
<b>Group</b>					
Present value of defined benefit obligations	(71.3)	(82.2)	(88.0)	(78.9)	(66.7)
Fair value of scheme assets	61.2	71.2	66.5	50.7	41.5
Deficit in the schemes	(10.1)	(11.0)	(21.5)	(28.2)	(25.2)
Experience adjustments on scheme liabilities					
Amount	(0.2)	—	—	0.7	(1.7)
Percentage of scheme liabilities	0.3%	—	—	0.9%	2.5%
Experience adjustments on scheme assets					
Amount	(15.3)	0.1	1.7	5.0	1.4
Percentage of scheme assets	25.0%	0.1%	2.6%	9.9%	3.4%
<b>Company</b>					
Present value of defined benefit obligations	(71.3)	(82.2)	(88.0)	(34.0)	(27.9)
Fair value of scheme assets	61.2	71.2	66.5	21.0	17.6
Deficit in the scheme	(10.1)	(11.0)	(21.5)	(13.0)	(10.3)
Experience adjustments on scheme liabilities					
Amount	(0.2)	—	—	0.4	(0.1)
Percentage of scheme liabilities	0.3%	—	—	1.2%	0.4%
Experience adjustments on scheme assets					
Amount	(15.3)	0.1	1.7	2.0	0.6
Percentage of scheme assets	25.0%	0.1%	2.6%	9.5%	3.4%

The estimated level of contributions expected to be paid to the three defined benefit schemes during the 2009 financial year is £3.4m.

## 27. EQUITY COMPENSATION BENEFITS

### Option schemes

The Company operates an approved Long-Term Incentive Plan (LTIP) and also has an approved Save as You Earn Scheme. Further details of the schemes can be found in the remuneration report on page 45.

Options over 4,172,687 ordinary shares were outstanding at 31 December 2008 as follows:

	Date of grant	Option price	Shares under option	Exercisable
Sharesave scheme	30 August 2001	22.9p	9,620	From 01.11.08 to 30.04.09
LTIP Award	17 April 2003	—	117,220	From 17.04.06
Loyalty Award	17 April 2004	—	135,950	From 17.04.06
LTIP Award	26 April 2004	—	379,260	From 26.04.07
Loyalty Award	11 March 2005	—	67,130	From 11.03.07
Loyalty Award	17 April 2005	—	14,205	From 16.04.08
LTIP Award	28 April 2005	—	327,987	From 28.04.08
Loyalty Award	6 October 2005	—	2,500	From 06.10.07
LTIP Award	4 May 2006	—	899,105	From 04.05.09
LTIP Award	17 August 2006	—	40,420	From 17.08.09
LTIP Award	6 March 2007	—	638,180	From 06.03.10
Deferred Award	6 March 2007	—	224,440	From 06.03.09 to 06.09.09
Loyalty Award	26 April 2007	—	67,374	From 26.04.09
LTIP Award	3 October 2007	—	28,348	From 03.10.10
Loyalty Award	28 April 2008	—	54,238	From 28.04.10
Deferred Award	6 March 2008	—	420,979	From 06.03.10 to 06.09.10
LTIP Award	1 April 2008	—	745,731	From 01.04.11

**27. EQUITY COMPENSATION BENEFITS CONTINUED**  
Option schemes continued

	2008		Group 2007	
	Number	Weighted average exercise price pence	Number	Weighted average exercise price pence
Options outstanding at 1 January	4,040,546	0.3	3,876,805	0.8
Options issued	1,355,679	—	1,138,364	—
Options exercised	(1,002,931)	1.0	(1,297,850)	—
Options lapsed	(220,607)	—	(69,721)	—
Changes in share option scheme performance conditions	—	—	392,948	—
Options outstanding at 31 December	4,172,687	0.1	4,040,546	0.3
Exercisable at the end of the year	1,097,162	0.2	773,435	1.6

During the year, 18,451 options in the LTIP scheme 2004 were exercised at a weighted average market price of £0.80 per share, 468,383 options in the LTIP scheme 2005 were exercised at a weighted average market price of £1.04 per share, 247,350 options in the LTIP scheme 2006 were exercised at a weighted average market price of £0.84 per share, 188,495 options in the LTIP scheme 2007 were exercised at a weighted average market price of £0.85, 36,937 options in the LTIP scheme 2008 were exercised at a weighted average market price of £0.76 per share and 43,315 options in the share save scheme were exercised at a weighted average market price of £0.75 per share. The Group received proceeds of £9,919 in respect of the 43,315 options in the Share Save Scheme.

During the year the Company issued a 2008 LTIP Award, a 2005 loyalty award and a 2008 deferred award to senior management and staff. Awards under the schemes are granted in the form of a nil-priced option, and are satisfied using market-purchased shares. The LTIP awards vest in full or in part dependent on the satisfaction of specified performance targets. 50% of the award vests dependent on TSR performance over a three-year performance period, relative to the constituents of the FTSE 250 at the time of grant, and the remaining 50% vests dependent on performance against operational targets. The loyalty and deferred awards vest in full dependent on the participant remaining in employment. The weighted average fair value of the market based element of the share awards was calculated using a Monte-Carlo model. The weighted average fair value of the non-market based element of the share awards was calculated using a Black-Scholes model.

The fair value per option granted has been calculated in the models using the following assumptions:

Dates of grant	2008		
	2008 LTIP scheme 1 May 2008	2005 LTIP scheme Loyalty shares 28 April 2008	2008 Deferred shares 6 March 2008
Number of options granted	804,690	63,569	487,420
Weighted average fair value at date of grant (per option)	£0.37	£1.34	£1.15
Weighted average share price on date of grant	£1.34	£1.34	£1.15
Weighted average exercise price	nil	nil	nil
Expected term (from date of grant)	three years	two years	two years
Expected volatility	24%	n/a	n/a
Expected dividends	0%	0%	0%
Risk-free interest rate	n/a	n/a	n/a

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED FOR THE YEAR ENDED 31 DECEMBER 2008

## 27. EQUITY COMPENSATION BENEFITS CONTINUED Option schemes continued

Dates of grant	LTIP Scheme 2007		Deferred shares	2004 LTIP Scheme Loyalty shares
	3 October 2007	6 March 2007	6 March 2007	26 April 2007
	Number of options granted	35,409	820,145	282,810
Weighted average fair value at date of grant (per option)	£0.89	£0.70	£1.77	£2.15
Weighted average share price on date of grant	£1.94	£1.77	£1.77	£2.15
Weighted average exercise price	nil	nil	nil	nil
Expected term (from date of grant)	three years	three years	two years	two years
Expected volatility	32%	24%	n/a	n/a
Expected dividends	1.5%	1.6%	0%	0%
Risk-free interest rate	5.2%	5.2%	n/a	n/a

## 28. TRADE AND OTHER PAYABLES

	Group		Company	
	2008 £m	Re-presented* 2007 £m	2008 £m	2007 £m
Payments on account	2.7	15.0	—	—
Trade payables	100.7	85.4	1.6	0.3
Amounts owed to Group undertakings	—	—	3.5	5.6
Non-trade payables	7.4	11.9	8.7	0.3
Accruals and deferred income	135.2	158.6	2.6	4.0
	<b>246.0</b>	<b>270.9</b>	<b>16.4</b>	<b>10.2</b>
Non-current				
Amounts owed to Group undertakings	—	—	45.0	—

\* See note 14.

## 29. OPERATING LEASES

Non-cancellable operating lease rentals are payable as follows:

	Group	
	2008 £m	2007 £m
Less than one year	6.9	6.1
Between one and five years	18.7	16.7
More than five years	13.5	17.0
Less: rental income from sub-leases	(1.3)	(2.5)
	<b>37.8</b>	<b>37.3</b>

Operating lease payments represent rentals payable by the Group for properties, plant machinery and vehicles.

### 30. CONTINGENCIES

As part of the Office of Fair Trading's (OFT) ongoing and wide-ranging review on tender activity in the construction sector three subsidiaries within the Group, Sol Construction Limited, Lemmeleg Limited and Richardson Projects Limited were named in the Statement of Objection on 17 April 2008. The enquiries received from the OFT in respect of a small number of tenders relate to periods prior to their acquisition by the Group. Appropriate warranties and indemnities were obtained at the time of the respective acquisitions and all subsidiaries are cooperating fully with the OFT in their investigation. Taking account of the warranties and indemnities obtained we do not expect the outcome of the OFT investigation to have a material adverse effect on the Group's financial position or result.

#### Group guarantees

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its Group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

#### Performance bonds

There are contingent liabilities in respect of performance bonds entered into in the normal course of business.

### 31. RELATED PARTIES

#### Identity of related parties

The Company has a controlling related party relationship with its subsidiary companies (see note 32). The Group also has a related party relationship with its joint ventures, with its directors and key management personnel.

#### Transactions with directors

Directors of the Company and their immediate relatives control 0.5% of the voting shares of the Company.

During the year Group companies entered into the following transactions, all of which were on an arm's length basis, with directors and their related companies:

Party	Provision of goods and services		Amounts owed by related party at 31 December	
	2008 £000	2007 £000	2008 £000	2007 £000
<b>Directors</b>				
Stephen Pettit	33	—	—	—
Chris Bailey	—	21	—	—
Sue Moore	—	2	—	2
John Samuel	—	21	—	—
Garvis Snook	368	128	45	—

#### Remuneration of key management personnel

The Group's executive team who are the key management personnel of the Group was comprised of four (2007: four) executive directors and four (2007: four) non-executive directors in the year. Their remuneration is set out in aggregate below. Further information is provided in the audited part of the directors' remuneration report on pages 43 to 51.

	2008 £m	2007 £m
Short-term employee benefits	1.4	2.3
Compensation for loss of office	0.5	—
Other long-term benefits*	0.2	1.5
Post-employment benefits	0.1	0.1
	2.2	3.9

\* Other long-term benefits represent benefits received in the year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED FOR THE YEAR ENDED 31 DECEMBER 2008

## 31. RELATED PARTIES CONTINUED

### Other related party transactions

#### SUBSIDIARIES

During the year, the Company provided administrative services to subsidiary undertakings totalling £16.1m (2007: £11.2m). At 31 December 2008 the Company owed £32.1m to its subsidiary undertakings (2007: due £13.0m).

#### JOINT VENTURES

During the year, joint ventures purchased goods and services from the Group in the amount of £nil (2007: £6.1m) and at 31 December 2008 joint ventures owed the Group £3.5m (2007: £5.0m). Transactions with joint ventures are priced on an arm's length basis. During the year ended 31 December 2008 the Group received a dividend of £nil (2007: £0.7m) from joint ventures.

#### PARENT COMPANY GUARANTEES

Guarantees for performance are given by the Company in the normal course of business in support of subsidiary companies. The Company has also provided composite guarantees to bankers and bondsmen in respect of the liabilities of certain subsidiaries in recognition of banking and bond arrangements respectively arising in the normal course of business. Support varies from time to time and as a result it is not practicable to quantify the total potential exposure at any one point in time. No liability is expected to arise under these guarantees.

## 32. GROUP ENTITIES

### Control of the Group

The principal wholly owned subsidiaries, affecting the results for the year and the net assets of the Group are as follows:

Significant subsidiaries	Registered
Rok Building Limited	England and Wales
Rok Development Limited	England and Wales
Richardson Projects Limited	England and Wales
LAS Plant Limited	Scotland
Rok Civil Engineering Limited	Scotland
Tulloch Transport Limited	Scotland

All of the significant subsidiaries have a year end of 31 December with the exception of Richardson Projects Limited which has a year end of 31 August 2008.

# FIVE-YEAR SUMMARY

	2008	Re-presented*	2006	2005	2004
	£m	2007	£m	£m	£m
<b>Income statement</b>					
<b>Continuing operations</b>					
Revenue	1,011.2	874.7	689.3	555.8	494.5
Gross profit	95.4	91.2	74.6	62.6	55.4
Administrative expenses	(88.4)	(67.2)	(52.5)	(43.2)	(41.7)
Share of post tax profits from joint ventures	—	—	0.8	—	0.4
Profit from operations	7.0	24.0	22.9	19.4	14.1
Analysed as:					
Adjusted operating profit	21.5	26.7	25.3	20.1	16.3
Intangible asset charges	(2.3)	(2.7)	(1.3)	(0.4)	(1.3)
Other separately disclosed items	(12.2)	—	(1.1)	(0.3)	(0.9)
Profit from operations	7.0	24.0	22.9	19.4	14.1
Finance (costs) income	(1.1)	0.5	(2.9)	(3.3)	(2.4)
Profit before tax	5.9	24.5	20.0	16.1	11.7
Income tax expense	(2.2)	(7.2)	(5.8)	(4.4)	(3.7)
Profit for the year from continuing operations	3.7	17.3	14.2	11.7	8.0
<b>Discontinued operations</b>					
(Loss) profit after tax from discontinued operations	(18.6)	2.4	—	—	—
(Loss) profit for the year	(14.9)	19.7	14.2	11.7	8.0
Dividends	(6.3)	(5.1)	(3.6)	(2.7)	(1.9)
<b>Earnings per share</b>					
<b>Continuing operations</b>					
Basic earnings per share	2.1p	10.1p	9.4p	8.5p	6.3p
Adjusted basic earnings per share	8.1p	11.2p	10.5p	8.8p	7.7p
Dividends per share	2.4p	3.4p	2.8p	2.4p	1.7p
<b>Balance sheet</b>					
Non-current assets	173.8	157.1	111.4	64.8	45.4
Net current assets	20.1	29.8	40.1	56.2	30.8
Total assets less current liabilities	193.9	186.9	151.5	121.0	76.2
Non-current liabilities	(76.8)	(48.6)	(30.3)	(41.5)	(15.0)
Provisions	(10.1)	(11.0)	(21.5)	(28.2)	(25.2)
Net assets	107.0	127.3	99.7	51.3	36.0
Net (debt) cash	(43.7)	(5.3)	11.6	(15.2)	(9.9)

\* See notes 9 and 14.

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ROK PLC

We have audited the Group and parent company financial statements (the "financial statements") of Rok plc for the year ended 31 December 2008 which comprise the consolidated income statement, the Group and parent company balance sheets, cash flow statements and statements of recognised income and expense and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the directors' remuneration report that is described as having been audited.

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' responsibilities for preparing the annual report, the directors' remuneration report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU are set out in the statement of directors' responsibilities on page 41.

Our responsibility is to audit the financial statements and the part of the directors' remuneration report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements. The information given in the directors' report includes that specific information presented in the chairman's foreword and the business and finance reviews that are cross referenced from the principal activities section of the directors' report.

In addition we report to you if, in our opinion, 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 directors' remuneration and other transactions is not disclosed.

We review whether the corporate governance statement reflects the Company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the annual report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 and the part of the directors' remuneration report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and 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 and the part of the directors' remuneration report to be audited 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 and the part of the directors' remuneration report to be audited.

## OPINION

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the Group's affairs as at 31 December 2008 and of its loss for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 December 2008;
- the financial statements and the part of the directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation; and
- the information given in the directors' report is consistent with the financial statements.

*KPMG Audit Plc*

KPMG AUDIT PLC  
CHARTERED ACCOUNTANTS  
REGISTERED AUDITORS  
Canary Wharf (38th Floor)  
1 Canada Square  
London E14 5AG

12 March 2009

## GENERAL ENQUIRIES

The Company welcomes contact with shareholders, brokers, analysts and other parties requiring information about Rok.

Information on the Company can be found on our website: [www.rokgroup.com](http://www.rokgroup.com) and you can contact us on email at: [info@rokgroup.com](mailto:info@rokgroup.com).

If you have any questions about the Company, you can contact Garvis Snook, Ashley Martin or the Group's senior independent director, Gillian Camm, at Rok City Office, 5 Lloyd's Avenue, London EC3N 3AE.

Contact details for the Rok offices around the United Kingdom are shown on page 88 of this annual report.

## SHARE PRICE AND GROUP INFORMATION

The Rok plc share price, together with copies of the Company's annual and interim reports and presentations to analysts and institutional shareholders, can be found on the Rok website: [www.rokgroup.com](http://www.rokgroup.com). The website's Investor Relations section contains extensive information and a number of tools which may be of interest to investors.

The Company's share price is also listed in the appropriate sections of several national newspapers under the 'Construction and Materials' classification, on page 230 on Ceefax or by calling the FT Cityline on 0906 843 0000 and using code 2411. Calls to this service are charged at 60p per minute (plus VAT) at all times.

## SHAREHOLDER ENQUIRIES

Shareholders who wish to contact the Company on any matter relating to their shareholding are invited to contact the Company's Registrars, Computershare Investor Services PLC, PO Box 82, The Pavilions, Bridgwater Road, Bristol BS99 6ZZ. Computershare has a dedicated telephone number for Rok shareholders which enables shareholders to access both specific and generic information, request forms to be posted to their registered address or access information about the share price. The telephone number for this service is 0870 707 1274.

Computershare Investor Services gives shareholders access to view their shareholdings online. To register click on Investor Centre on the Computershare home page [www-uk.computershare.com](http://www-uk.computershare.com) and follow the instructions.

## SHARE PERFORMANCE

This graph shows the share price performance of Rok plc in comparison with the performance of the FTSE All Share Index and the FTSE Construction and Materials Index over the past five years.

## ANALYSIS OF SHAREHOLDERS AT 31 DECEMBER 2008

By size of shareholding:

Range	Number of holders	% of total shares	Shares
1-10,000	1,763	3.20	5,728,976
10,001-100,000	513	8.53	15,293,428
100,001-250,000	84	7.58	13,594,120
250,001-500,000	42	8.70	15,601,970
500,001-1,000,000	43	16.26	29,161,542
1,000,001 and above	37	55.73	99,923,636
<b>Total</b>	<b>2,482</b>	<b>100</b>	<b>179,303,672</b>

By type of shareholder:

Range	Number of holders	% of total holders	% of total shares
Private holders	1,595	64	18
Institutional and corporate holders	887	36	82
<b>Total</b>	<b>2,482</b>	<b>100</b>	<b>100</b>

### DIVIDEND REINVESTMENT PLAN

The Board offers a dividend reinvestment plan (the Plan) which enables shareholders to reinvest their cash dividend to purchase Rok shares on the market. Elections to join the Plan must be received by the Company's Registrars by no later than 23 April 2009. Once you have elected to join the Plan, your instruction will be applied to all future dividends, unless you advise the Registrars in writing.

Full details are contained in the Chairman's Annual General Meeting letter being sent to shareholders with this annual report.

### ELECTRONIC PROXY VOTING

To lodge your proxy vote via the internet, log on to [www.eproxyappointment.com](http://www.eproxyappointment.com). You will need the Shareholder Reference Number, Control Number and PIN number printed on your form of proxy where you will find full instructions on how to use this service.

### SHARE DEALING SERVICES

The following share dealing services are available through our Registrars, Computershare Investor Services PLC.

#### INTERNET SHARE DEALING

Please note that, at present, this service is only available to shareholders in certain European jurisdictions. This service provides shareholders with an easy way to buy or sell Rok plc ordinary shares on the London Stock Exchange. The commission is 0.5%, subject to a minimum charge of £15. In addition stamp duty, currently 0.5%, is payable on purchases. There is no need to open an account in order to deal. Real time dealing is available during market hours. In addition there is a convenient facility to place your order outside of market hours. Up to 90 day limit orders are available for sales.

To access the service log on to [www.computershare.com/dealing/uk](http://www.computershare.com/dealing/uk). Shareholders should have their Shareholder Reference Number (SRN) available. The SRN appears on share certificates. A bank debit card will be required for purchases.

#### TELEPHONE SHARE DEALING

Please note this service is, at present, only available to shareholders resident in the UK and Ireland. The commission is 1%, subject to a minimum charge of £25. In addition stamp duty, currently 0.5%, is payable on purchases. The service is available from 8.00am to 4.30pm Monday to Friday, excluding bank holidays, on telephone number 0870 703 0084. Shareholders should have their Shareholder Reference Number (SRN) ready when making the call. The SRN appears on share certificates. A bank debit card will be required for purchases. Detailed terms and conditions are available on request by telephoning 0870 702 0000.

These services are offered on an execution only basis and subject to the applicable terms and conditions. This is not a recommendation to buy, sell or hold shares in Rok plc. Shareholders who are unsure of what action to take should obtain independent financial advice. Share values may go down as well as up which may result in a shareholder receiving less than they originally invested.

### SHAREHOLDER SECURITY

Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount, or offers of free reports about the Company. If you receive any unsolicited investment advice you can check that the person or organisation is properly authorised by the FSA at [www.fsa.gov.uk/register](http://www.fsa.gov.uk/register). More detailed information can be found on the FSA website at [www.moneymadeclear.fsa.gov.uk](http://www.moneymadeclear.fsa.gov.uk).

### 2009 FINANCIAL CALENDAR

Announcement of results	12 March 2009
Ex-dividend date	1 April 2009
Dividend record date	3 April 2009
Annual General Meeting	7 May 2009
Final dividend date	15 May 2009
Interim results announced	August 2009
Interim dividend paid	October 2009

## CONTACT POINTS

### PLC OFFICE

London 020 7977 7980

### BUILDING AND MAINTENANCE OFFICES

Aberdeen 01358 725800  
Ayr 01292 521082  
Birmingham Central 0121 236 5050  
Birmingham East 0121 786 1616  
Bolton 01942 811849  
Brighton 01273 391193  
Bristol North 0117 941 5710  
Bristol South 01275 378800  
Chester 01244 852400  
Cottingham 01482 841146  
Crawley 01293 643100  
Croydon 0208 680 4752  
Dartford 01322 297 500  
Dundee 01382 816272  
East Kilbride 01355 574448  
Eastbourne 01323 514100  
Edinburgh 0131 335 3300  
Exeter 01392 354030  
Gatwick 01293 569146  
Glasgow 0141 779 8560  
Grimsby 01472 361338  
Harlow 01279 408241  
Inverness – Corrie Lodge 01463 701400  
Leeds 0113 289 7130  
Leigh 01942 676341  
Liverpool 0151 703 7770  
London Bermondsey 0207 237 9634  
London Dartford 01322 297500  
London Hackney 020 8880 8500  
London Heathrow 0208 759 0226  
Macclesfield 01625 613530  
Milton Keynes 01908 679222  
Newcastle 0191 495 6200  
Nottingham 0115 961 3100  
Oxford 01865 305950  
Plymouth 01752 237500  
Poole 01202 731144  
Reading 01189 323300  
Rochdale 01706 527505  
Rotherham 01709 720602  
Solent 01489 569900  
Stafford 01785 221830  
Stansted 01279 664149  
Stirling 01786 457000  
Swindon 01793 422825  
Taunton 01823 446020  
Teesside 01642 616616  
Torquay 01803 616171

Truro 01872 243600  
Wakefield 01924 248350  
Warwick 01926 417417  
West Drayton 01865 305950  
Woking 01483 487240  
Yeovil 01935 424444  
York 01653 699999

### PLUMBING, HEATING AND ELECTRICAL OFFICES

Ayr 01292 521082  
Birmingham Central 0121 236 5050  
Cottingham 01482 841146  
Dundee 01382 816272  
East Kilbride 01355 237021  
Edinburgh 0131 335 3300  
Elgin 01343 548488  
Fort William 01397 702299  
Inverness 01463 250883  
Leigh 01942 676341  
Newcastle 0191 495 6200  
Rotherham 01709 720602  
Teesside 01642 616616  
Thurso 01847 893894  
Warwick 01926 417417

### GROUP SUPPORT CENTRES

Rok Insurance Services 0844 257 0878  
Rok Finance Service Centre 0870 735 7600

### REGISTERED OFFICE

Rok plc 01392 354000  
Rok Centre, Guardian Road  
Exeter Business Park, Exeter EX1 3PD

### COMPANY NUMBER

358446

**Environmental statement**

Rok's commitment to environmental issues is reflected in this annual report which has been printed on Satimatt Green comprising 50% recycled fibre and 50% virgin fibre certified by the FSC and produced at mills with ISO 14001 environmental management systems. This document was printed by Beacon Press using their environmental print technology which minimises the impact of printing on the environment. All energy used comes from renewable sources, vegetable based inks have been used and 94% of all dry waste associated with this production has been recycled. Beacon Press is a CarbonNeutral® printer.