KELLER

Annual Report 2014

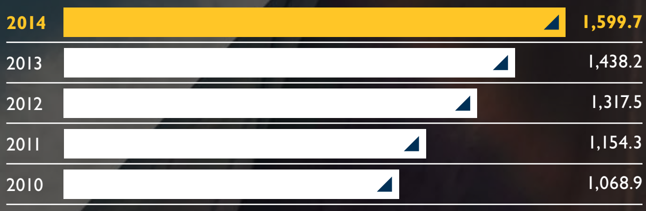
Global precision

Our reputation is built on engineering excellence and a commitment to continual innovation. Wherever Keller operates and whatever the circumstances, we have the ability to gather together the right people, skills, processes, equipment and thinking to deliver any project brilliantly.

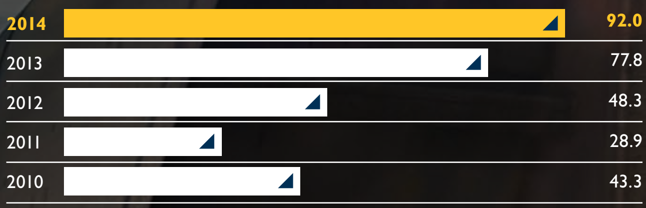
By precisely blending these elements at the right time, we achieve local results that set the global standard.

Highlights

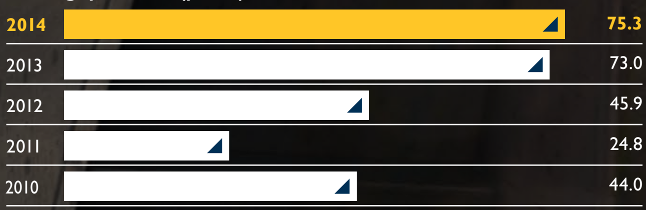
Revenue from continuing operations (£m)



Operating profit (£m)*



Earnings per share (pence)*



Group revenue up year on year by

11%

Operating profit* up to

£92.0m

Group operating margin* up to

5.8%

Cash generated from operations up to

£165.4m

Earnings per share* increased to

75.3p per share

Total dividend increased to

25.2p per share

* Before exceptional items.

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About Keller

Global

We operate in over 40 countries: we are the clear market leader in North America, Australia and South Africa; we have prime positions in most established European markets; and we have a strong profile in many developing markets.

North America

We are the market leader in North America, where we have had a market presence for over 30 years. Today, we operate from locations spanning the US and Canada. Hayward Baker offers extensive ground engineering solutions across North America. In the US, Case, McKinney and HJ are heavy foundation specialists and Suncoast provides post-tension cable systems. In Canada, Geo-Foundations specialises in micro-piling, ground anchors, and specialty grouting services and Keller Canada offers a broad range of piling solutions.

Revenue (£m)

£775.6m ↑ +10.9%

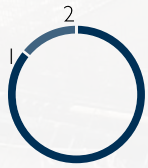
Operating profit* (£m)

£59.9m ↑ +16.1%

* Before exceptional items.

Revenue by country

1. US	86%
2. Canada	14%



EMEA

Our EMEA division has operations across Europe, the Middle East and Africa, together with a developing business in Latin America. We operate as Keller in most of these regions, other than Sub-Saharan Africa, where we operate under the Franki brand.

Revenue (£m)

£451.5m ↑ +13.1%

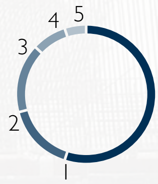
Operating profit* (£m)

£12.9m ↑ +89.7%

* Before exceptional items.

Revenue by country

1. Western Europe	55%
2. Eastern Europe	16%
3. Africa	16%
4. Middle East	8%
5. Other	5%



Asia

In recent years we have built up our presence in Asia, where we started life as a ground improvement specialist, but now offer a wide range of foundation services. We are well established in Singapore, India and Malaysia, with developing businesses in other parts of the ASEAN Region. In Asia we generally operate as Keller, although the Resource Piling name has been retained alongside the Keller brand in Singapore.

Revenue (£m)

£111.3m ↑ +15.7%

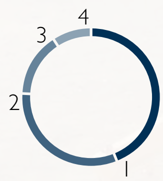
Operating profit* (£m)

£8.3m ↓ -7.8%

* Before exceptional items.

Revenue by country

1. Singapore	44%
2. Malaysia	32%
3. India	15%
4. Other	9%



Australia

Frankipile, Vibro-Pile and Piling Contractors offer a range of piling services. Keller Ground Engineering ('KGE') offers specialist ground improvement and geotechnical solutions. Waterway Constructions ('Waterway') specialises in foundations for, and the maintenance of, wharves, jetties and other marine structures.

Although they specialise in different techniques, on very large or complex projects, the companies may join forces, under the Keller Australia brand.

Revenue (£m)

£261.3m ↑ +7.4%

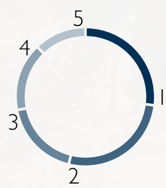
Operating profit* (£m)

£15.7m ↑ +0.6%

* Before exceptional items.

Revenue by country

1. Frankipile	27%
2. Piling Contractors	27%
3. Waterway	18%
4. Vibro-Pile	16%
5. KGE	12%



Where we operate

From our centres of excellence in more than 40 countries around the world, we deliver exact combinations of industry-leading expertise to the most challenging projects and locations.

The Group has operations in over 40 countries, including:

Algeria	France	Morocco	South Africa
Angola	Germany	Mozambique	Spain
Australia	Ghana	Netherlands	Swaziland
Austria	Greece	Oman	Sweden
Bahrain	Hong Kong	Poland	Switzerland
Brazil	India	Portugal	UAE
Canada	Indonesia	Qatar	Ukraine
Czech Republic	Italy	Saudi Arabia	United Kingdom
Egypt	Malaysia	Singapore	USA
Finland	Mauritius	Slovakia	Vietnam

Precision

We are the world's largest independent ground engineering specialist, renowned for providing technically advanced and cost-effective foundation solutions.

Our services are used across the construction sector in infrastructure, industrial, commercial residential and environmental projects.

Piling and earth retention

Piling involves the installation of structural elements to transfer foundation loads through weak soils to stronger underlying ground. Keller offers a wide range of piling and earth retention systems including diaphragm walls and marine piles. Piles may be pre-formed and driven into the ground or cast in situ.

Ground improvement

Ground improvement techniques are used to prepare the ground for new construction projects and to reduce the risk of liquefaction in areas of seismic activity.

Keller was the first to develop methods and equipment for the successful deep compaction of soil in the 1930s and has continued to develop the equipment and widen its application. Common soil stabilisation techniques include a combination of vibro-compaction with stone, concrete or lime columns as well as soil mixing and injection systems.

Anchors, nails and minipiles

Anchors, nails and minipiles can provide temporary or permanent solutions for a wide range of stability or support problems and are often used to underpin or stabilise buildings, slopes and embankments.

Specialty grouting

Specialty grouting strengthens target areas in the ground and controls ground water flow through rocks and soils by reducing their permeability. It is applicable both to new construction projects and to repair and maintenance work. Other applications include excavation support, settlement control and geo-environmental services to protect adjacent ground from contamination.

Post-tension concrete

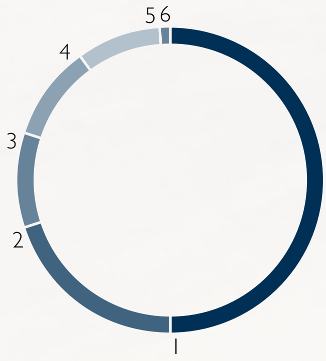
Post-tension cable systems are used to reinforce concrete foundations and structural spans, enhancing their load-bearing capacity by applying a compressive force to the concrete, once set. Suncoast's post-tension systems are used in foundation slabs for single family homes and, in the commercial high-rise sector, in concrete structural spans and beams.

Instrumentation and monitoring

Keller specialises in providing instrumentation and monitoring solutions for a wide range of applications. We provide and install a wide range of instruments and then provide reliable and repeatable data presenting it to our clients in the most effective and user friendly way.

Approximate split of services

1. Piling and earth retention	50%
2. Ground improvement	20%
3. Anchors, nails and minipiles	10%
4. Specialty grouting	10%
5. Post-tension concrete	9%
6. Instrumentation and monitoring	1%



Chairman's statement

Roy A Franklin
Chairman

Results[1]

I am pleased to report a strong set of results for 2014. Group revenue rose by 11% to £1,599.7m (2013: £1,438.2m). While this increase benefited from acquisitions made in the second half of 2013, this benefit was broadly offset by the adverse impact of the strengthening of sterling on the translation of the Group's overseas revenues. Despite an adverse currency impact of £9.3m operating profit increased to £92.0m, was 18% up on the £77.8m in the previous year and profit before tax increased to £85.1m (2013: £74.1m). Earnings per share were 75.3p (2013: 73.0p).

We delivered another increase in the Group operating margin from 5.4% in 2013 to 5.8%, marking further progress in raising the margin towards our through-the-cycle target of 6.5%. The margin uplift reflects improving conditions in some of our markets, most notably the US, a continuing drive for improvements in all aspects of the business and a good performance on several major projects.

Cash generated from operations was £165.4m, representing 117% of EBITDA (2013: 106%). 2014 was the third year in a row that cash generated from operations has exceeded EBITDA, reflecting the Group's relentless focus on improving working capital ratios across the business and ensuring profits turn into cash.

Year-end net debt was £102.2m (2013: £143.7m), representing 0.7x EBITDA. Net capital expenditure was £61.0m, up on last year's £42.6m and amounting to 1.2x depreciation. This return to a more normal level of capital expenditure reflects higher revenues generally and the Group's ongoing investment in higher growth markets.

During 2014, the Group refinanced its syndicated revolving credit facilities and raised new debt in the US private placement market. A £250m revolving credit facility expiring in September 2019 was agreed in July, replacing both the £170m facility expiring in April 2015 and the US$150m facility expiring in July 2017. In the fourth quarter, the Group raised US$125m of new US private placement funds repayable in 2021 and 2024, US$70m of which was used to repay maturing borrowings.

The financial position of the Group remains very strong. There is comfortable headroom in the Group's main financing facilities and we continue to operate well within all of our financial covenants.

Exceptional items

The 2014 result includes an exceptional charge relating to the settlement of a dispute on a completed contract of £54.0m and a number of much smaller non-trading exceptional items relating to acquisitions, which are required to be expensed under IFRS.

The contract dispute relates to a project that the Group's UK subsidiary, Keller Limited, completed in 2008. The dispute was subject to litigation proceedings involving a number of parties, but these were settled in February 2015. The final cost to Keller is subject to a number of remedial and other actions to be undertaken as part of the settlement agreement. The exceptional charge represents management's best estimate of the net cost to Keller before taking account of future recoveries under applicable insurances, as these cannot be recognised under IFRS.

After taking account of these exceptional items, the Group's post-tax result for the year was a loss of £1.2m (2013: profit of £30.1m).

> I am pleased to report a strong set of results for 2014.

Dividends
As a result of these improved underlying results, the Board's confidence in the business going forward and its commitment to a progressive dividend policy, the Board has decided to recommend a final dividend of 16.8p per share (2013: 16.0p per share), to be paid on 8 June 2015 to shareholders on the register at 13 March 2015. Together with the interim dividend paid of 8.4p, this brings the total dividend per share for the year to 25.2p (2013: 24.0p), an increase of 5%. Dividend cover, before exceptional items, for the full year was 3.0x (2013: 3.0x).

Strategy
The Group's strategy remains to extend further our global leadership in specialist ground engineering through both organic growth and targeted acquisitions. We aim to deliver this through expanding in higher growth markets, developing and transferring technologies, offering design/build and alternative solutions and through a programme of business improvement initiatives.

Board
In June 2014, we announced the appointment of Nancy Tuor Moore as an independent Non-executive Director to the Board and Chairman of our Health, Safety and Environment Committee. Nancy's extensive international business experience, together with her proven record in winning and safely delivering both global and local contracts, will enable her to make a significant contribution to the Keller Board.

In September 2014, Justin Atkinson announced his intention to retire as the Company's CEO by the end of 2015 and we have commenced a search process to identify his successor. That search is in progress and we will notify shareholders as soon as we reach a conclusion. Meanwhile, Justin continues to deliver the Group's strategy with the full support of the Board and his Executive management team.

Employees
Over 9,000 employees have contributed to the strong performance of the Group during 2014. On behalf of the Directors, I would like to thank them for their hard work and efforts. As a Board, we will continue to provide leadership and oversight in respect of the Keller culture, creating an environment in which our employees can thrive.

Outlook
After a relatively quiet period in the summer of 2014, the Group's contract awards have picked up in recent months. As a result, the order book at the end of January is 8% higher than at the same time last year. This increase is spread across all the Group's divisions except Australia, where the Wheatstone contract, the largest in Keller's history, is now largely complete.

The 2014 results demonstrate the continued strength of the Group's business model. Our breadth of geographies and capabilities puts us in a good position to pursue future growth which, coupled with strong risk management and ongoing self-help measures, positions us well for the future.

Whilst conditions in our main markets remain mixed, the gradual upturn in the US, our largest market, continuing improvements in our operating performance and our strong order book mean that the Group is set for another year of good progress in 2015.

To find out more please visit our website: www.keller.co.uk

£1,599.7m

Revenue from continuing operations

[1] Results stated before exceptional items of £56.9m (2013: £22.1m) before tax. These relate to a provision for the settlement of a contract dispute and non-trading costs relating to acquisitions.

Chief Executive Officer's review

Justin Atkinson
Chief Executive Officer

The management team delivered strongly against our strategy.

Operating review

In 2014, the management team delivered strongly against the Group's strategy. A combination of improving conditions in the US, our business improvement initiatives and our risk management programme delivered further growth in revenue and operating profit. Revenue of £1.6bn was an all-time high for the Group and we increased the operating margin to 5.8%, marking good progress towards achieving our through-the-cycle target of 6.5%.

Update on business improvement initiatives

Safety

Safety remains paramount in our business and the Group's 'Think Safe' programme continues to drive improvements and raise awareness. Whilst we are pleased to report that the Group's AFR reduced from 0.61 to 0.39 during 2014, one of our employees died in a work-related accident whilst on a jobsite in Ghana in mid-June. Such a tragic event reminds us of why we must be relentless in our efforts to eliminate work-related accidents and increases our resolve to redouble our efforts on all aspects of the Group's safety programme. To that end, the Group's 'Think Safe' programme is being updated and relaunched later in 2015.

Large contracts

The more ambitious development projects and infrastructure plans that have started to appear on the world markets in the past few years are an indication of the impact of population growth and related urbanisation. Recognising this market trend, for the last three years we have been targeting larger contracts, which in our specialist market start at just £5m, to supplement the small to medium sized contracts which we perform as a matter of routine. In 2014, we significantly increased the number of orders of larger contracts and during the year 25% of revenue was from such contracts. We expect to make further progress in this area.

Risk management

Three years ago we increased our focus on risk management including the creation of the post of Group Technology & Best Practice Director. Since that time local risk systems and procedures have been refreshed, a Risk Management Framework has been introduced, our Bid Appraisal System has been updated and KPIs for poorly performing contracts have been introduced. As a result of these actions, the trend in improved contract performance has continued. Although the exceptional contract dispute in the UK predated this recent period, lessons have been learned from this project and have been disseminated throughout the Group.

Equipment

We have been working hard over recent years to improve the utilisation of our equipment by transferring equipment to where it is most needed, scrapping our older or obsolete machinery and by investing in newer equipment. This has meant that capital expenditure has increased in 2014 to be above depreciation, a level we expect to continue for the foreseeable future throughout business cycles. We have a small plant facility in Southern Germany where we manufacture a limited amount of proprietary equipment which cannot be bought on the open market and which we believe gives us a significant competitive advantage. We have committed to further investment in this facility in 2015.

Technology

Keller is the global leader in many technologies and has the broadest range of products in the industry. Much of the Group's growth over the years has come from transferring technologies from one geography to another. Developing and transferring technologies therefore continues to be a major focus for us and is important for securing future growth.

We identify opportunities for technology transfer, promote centres of excellence, organise training and workshops in new technologies and then facilitate and co-ordinate research and development. Examples of successful technology transfers in the year include introducing geotechnical products to our relatively new business in Africa and introducing driven piling into our Asian businesses.

Conditions in our major markets

In the US, expenditure in private non-residential construction increased significantly for the second year, with good growth in most segments. In the residential market, housing starts were up 9% year-on-year although this was primarily driven by multi-family homes as growth in single family starts paused in the second half of the year. Perhaps most encouragingly, 2014 saw a return to growth in public expenditure on construction, with year on year spend up 2% after four years of decline.

In Canada, construction activity in the Western Canadian resources markets remains subdued but demand in the commercial and infrastructure segments is holding up well.

Conditions in most of our European markets remain challenging, particularly in Southern Europe. Looking at Keller's most important markets, there are some reasonable prospects in both Poland and Austria, despite the overall markets being relatively quiet; demand for our services in Germany remains flat; and the UK is the one market which has returned to steady, albeit slow, growth.

There are good opportunities in the Middle East but the market remains very competitive. Since we acquired Franki Africa in November 2013, the construction market in South Africa has picked up. Whilst there are some exciting opportunities elsewhere in the continent, a number of them are in the oil and gas arena and their timing is therefore uncertain.

Construction expenditure in the Group's Asian markets remains generally robust. There are a number of significant infrastructure projects in Singapore and the Malaysian construction market is buoyant. In India, we are continuing to see signs of increasing confidence after a couple of relatively slow years.

In Australia, construction expenditure across virtually all segments, including the resources sector, has been subdued for some time and there are no significant signs of this changing in the short term. The exception has been in LNG, where Keller has won and performed successfully a number of large projects, including the Wheatstone project, although the foundation works for the LNG plants under construction in Australia are now effectively complete. Whilst there are some significant infrastructure projects on the horizon, these are unlikely to come to fruition in 2015.

Keller Group plc snapshot

Our vision
What we want to be

To be the best at being global and the best at being local.

Our mission
What we set out to achieve

To provide technically advanced and cost-effective foundation solutions in order to deliver long term value to our shareholders.

Our services
What we do
P.2–3

- Piling and earth retention
- Ground improvement
- Anchors, nails and minipiles
- Specialty grouting
- Post-tension concrete
- Instrumentation and monitoring

Our markets
Where we operate
P.8–9

North America
We are the market leader in North America where we have had a market presence for over 30 years.

EMEA
Our EMEA division has operations across Europe, the Middle East and Africa, and a developing business in Latin America.

Asia
In recent years we have built up our presence in Asia.

Australia
We operate under five business units throughout Australia. Although they specialise in different techniques, on very large or complex projects, they may join forces, under the Keller Australia brand.

Business model
How the business delivers value
P.10–11

Our business model is founded on a number of key pillars and is the key enabler of our strategy:

Expertise
Safety
Technology
People

Our strategy
How we will achieve our mission
P.12–13

Our strategy is to extend our global leadership in specialist ground engineering through both organic growth, particularly in developing markets, and targeted acquisitions.

There are five main elements to our strategy:

Expansion
– into new, higher growth regions

New technologies and methods
– developed or acquired

Transfer of technologies
– and methods within our current regions

Design and build
– capability and offering alternative solutions

Continuous improvement
– to maintain our competitive edge

KPIs
How we monitor our success
P.23

We measure our strategy against a focused set of five key performance indicators:

A Revenue growth compared with market growth
B Operating margins
C Return on net operating assets
D Accident Frequency Rate
E Staff turnover rate

Risks
How we manage our markets and operating environment
P.22–23

The principal risks and uncertainties facing the Group business model, strategy and resources. We have five key risks across our business:

Market cycles
Tendering and management of contracts
Expansion
Safety
People

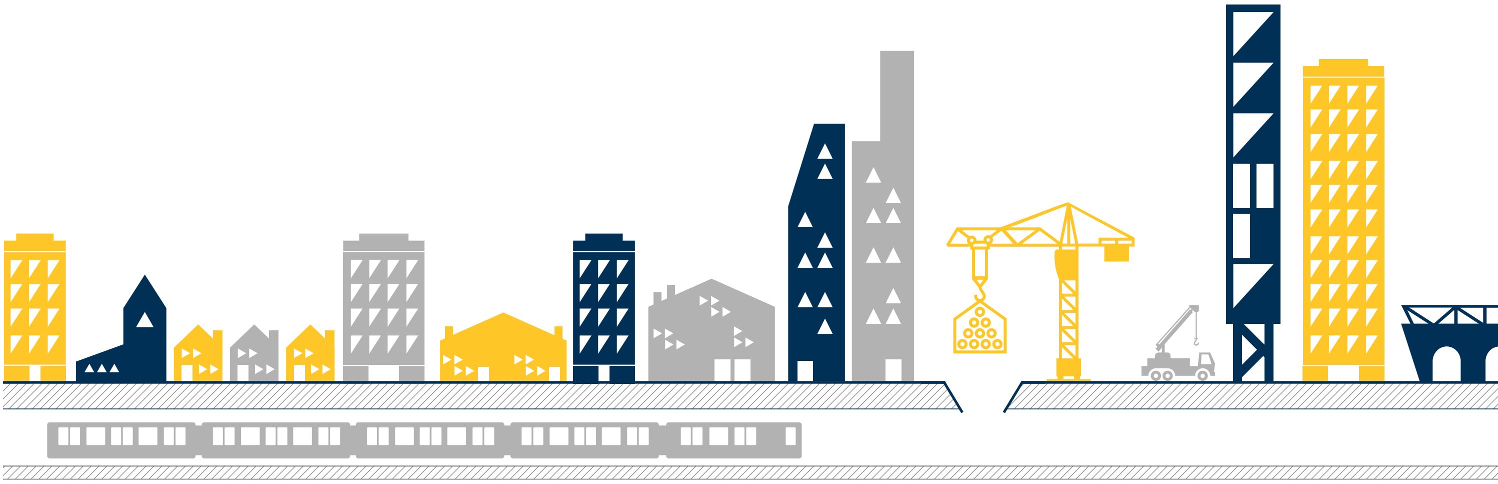
Resources and relationships
What we need to achieve our mission
P.24–25

There are four main areas where our business impacts on society and where we have responsibilities which extend beyond our financial performance:

Safety
Environment
Workplace and People
Communities

Our markets

Trends, insights and opportunities



Local

Competition
Local competition is highly fragmented comprising many small businesses, often family-owned, with limited equipment capacity and few (or single) product lines.

Types of project
Standard foundations for small to medium structures, where ground conditions are relatively straightforward.

Keller's advantage in this segment
Our structure enables us to compete with local players for small-to-medium-sized contracts.

50%

the growth of our US business over three years in comparison to 24% US market growth[1]

[1] Market growth for the total US construction market, from data published by the US Census Bureau of the Department of Commerce on 2 February 2015.

For more information
www.keller.co.uk/aboutkeller/businesses.aspx

National

Competition
In Europe, competition is often owned by general contractors. In the US and Australia, these services are usually outsourced. Independent national competitors tend to be privately owned.

Types of project
As local markets, together with foundations for larger structures and more complex solutions for challenging ground conditions.

Keller's advantage in this segment
We have a wide network of subsidiary companies and branch offices employing local people with knowledge of:

– national building codes
– local language and business culture
– local ground conditions

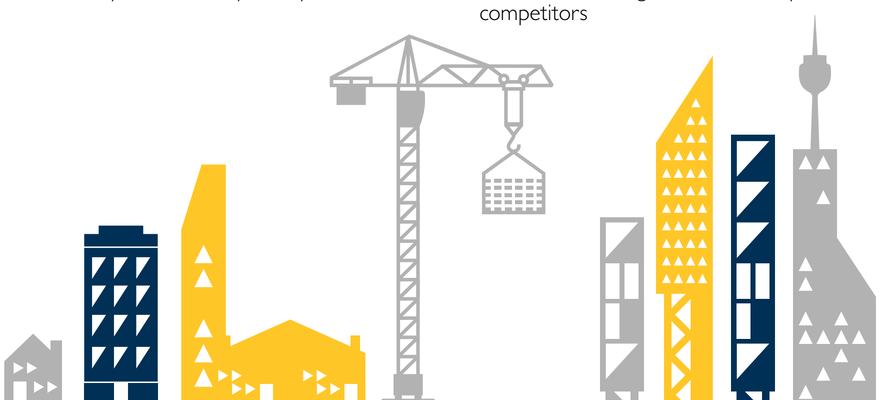
For a precise understanding of how we see the markets in which we operate:
www.keller.co.uk

The best of being local

– our wide network of regional offices allows Keller to be responsive and competitive in local markets
– this, in turn, means that our revenue is spread over some 7,000 contracts with an average value of around £250,000
– market decisions are made 'close to the ground' by highly experienced managers with real accountability
– we can respond to the changing dynamics of our business in a timely and informed way
– an entrepreneurial culture allows us to compete in an industry dominated by entrepreneurs

The best of being global

– we can join forces across company and country borders to tackle big opportunities and challenging jobs
– we share technologies and equipment
– we exchange best practice and information across the Group
– we have common operating rules, including our safety programme and Code of Conduct, which means that customers see a consistent Keller approach, wherever in the world we operate
– our brand recognition is unrivalled by local/ regional players
– our financial strength is unrivalled by most competitors



Market insights

The unique nature of Keller's business and global operations means that there are few, if any, directly comparable companies, particularly given the current macro-economic and stock market conditions. The most relevant comparable companies for Keller can be analysed in three distinct groups: the foundation companies, building and construction companies, and construction/services businesses.

For more information:
www.keller.co.uk/investor/shareinfo/shareprice.aspx

39%

the growth of our Australian business over three years in comparison to 2% Australian market growth[1]

[1] Market growth for the total Australian construction market, from data published by the Australian Bureau of Statistics in September 2014.

For more information:
www.keller.co.uk/aboutkeller/businesses.aspx

International

Competition

Only very few competitors can claim to have a truly global capability, strong financial credentials and the ability to offer a full product range.

Types of project

Large-scale projects, requiring capacity or expertise which may not be available in-country. Often direct foreign investment, where funders or clients prefer to contract with international partners.

Keller's advantage in this segment

As the largest independent operator with a global presence, we can:

- follow known customers into new geographic markets
- pool our global resources and expertise
- meet the stringent quality, safety and ethical standards of our blue-chip customers

Market drivers

Throughout the world, we expect the growth in specialist ground engineering to exceed the growth in general construction, driven over the medium-to-long term by such trends as shown in the graphic to the right.

In our developing markets, additional drivers, such as population growth, urbanisation, rapid industrialisation and increased overseas trade, are expected to sustain high levels of investment across the whole construction sector over the medium-to-long term and we continue to strengthen our position in these regions.

Our business model

We are the world's largest independent ground engineering specialist, providing technically advanced and cost-effective foundation solutions.

Our services are used across the construction sector in infrastructure, industrial, commercial, residential and environmental projects. They include piling and earth retention: specialty grouting; anchors, nails and minipiles; ground improvement; post-tension concrete; and instrumentation and monitoring.

We are part of a supply chain that begins with the materials with which we work on-site to deliver tailored solutions for our numerous clients.

We have unrivalled coverage in North America, Europe, Australia, and South Africa and a growing presence in Asia, the Middle East and Latin America.

We have direct control over the development of our own technology and the human and intellectual property to make it operable. Our business model is underpinned by robust bidding processes, tight cost control, strong corporate governance and meticulous risk management.

We are at our best when:

– a trusted brand is important – permitting us to provide a premium service at a fair price
– our superior capabilities give us a competitive edge
– time-critical delivery of quality is key
– complex projects require precise sequences of skills to be delivered
– the environment provides particular or new challenges.

With an annual turnover of £1.6bn, we have around 9,000 staff world-wide with offices in more than 40 countries.

Expertise

We offer solutions that are both tailored and value-engineered. Our strong engineering capability enables us to offer the most cost-effective, complete packaged solutions which are tailored to meet the specific needs of our customers, helping them to keep down their costs.

Although we have many repeat customers, we have a diverse customer base and we are totally independent of all general contractor organisations.

Customer partnership is a key element in Keller's value creation. We are focused on achieving technical and financial project optimisation by working closely with architects, engineers, construction managers and contractors from project inception to conclusion.

We offer the full range of ground engineering products and technologies under one brand allowing us to introduce new technologies to new markets where we see an opportunity.

Safety

The Group's standards on Safety are embraced within the 'Think Safe' framework. The framework sets out minimum requirements for:

– leadership
– having an effective HSE management system in place
– developing and implementing annual HSE improvement plans
– ensuring all staff are competent through effective training and recruitment
– providing the channels through which staff and sub-contractors can communicate any HSE concerns
– monitoring how the HSE systems are effectively mitigating the identified risks; and
– putting in place an annual audit and review programme to check those systems are being complied with and that they remain valid.

Each business unit also has qualified and competent support resources in place to provide guidance on compliance with and implementation of the Group standards.

The Board has established a HSE Committee that provides independent review and direction on performance where necessary to the Board. Operational delivery is managed through an Executive Committee which reports directly to the Chief Executive and, through him, to the Board.

Technology

Centres of excellence provide support for the continuous development of methods and equipment and the transfer of technology between Keller companies worldwide.

We have capabilities which give us a clear competitive advantage:

– bigger and more sophisticated foundation systems, often requiring specialist equipment;
– foundations for safety- and quality-critical environments; and
– bespoke solutions with a high design content.

KGS is our specialist facility in Germany providing the following services for the Group:

– equipment rental and utilisation
– manufacturing, repair, service and maintenance
– R&D
– improvement of existing machinery.

The Director of Technology and Best Practice has established a steering group to identify specific technology requirements/skill sets required in the Group and workshops are held during the year that bring together the best of our technical experts to work on these and produce best practice for the rest of the Group.

Keller has the broadest range of products in the industry.

People

We are a decentralised organisation with a devolved management structure, which enables the Group to be managed in an effective way. Within a clear control framework, local managers have autonomy in running their businesses, whilst working together to share best practice and expertise around the Group, seek synergies and cost savings, improve performance and achieve economies of scale wherever possible. There are many regular forums for working together across the Group, from the high-level Executive, Technical and Equipment Committees to various functional working groups.

We believe that this structure allows us to combine the 'best of being global' with the 'best of being local', striking the optimal balance between encouraging local initiative and entrepreneurial spirit and working together, where to do so benefits the Group as a whole.

Our culture helps us to attract and retain the best people, allowing us to accumulate a wealth of knowledge and experience.

Clients

Clients can be global – whereby we can bring together resource and technology from our four divisions to bid for and carry out contracts under the Keller brand.

Clients can be localised – whereby we can use one of our local brands and people who they trust, as well as Keller technology, to bid and carry out contracts.

Very often we will joint venture with a main contractor on a bid – having local brands enables us to joint venture with more than one bidding contractor for the same contract where we can offer different products and solutions but whichever brand wins the work we will draw on Keller resource and technology to ensure the work is carried out in the most effective way.

We value highly the customers in our day-to-day business and we constantly strive to meet their needs through the consistent execution of many small-to-medium-sized contracts. One or more of our businesses can provide our customers with world-class solutions, individually or combined, locally or nationally.

Our large network of regional offices and our strong local relationships ensure that we can understand our clients and respond to their needs. And the combined strength and capabilities of our Group allow us to respond rapidly when needs change.

Our strategy

Our strategy is to extend our global leadership in specialist ground engineering through both organic growth, particularly in developing markets, and targeted acquisitions.

In 2014, we continued to make progress in delivering against our strategy. There are five elements to our strategy:

	Description
Expansion – into new, higher-growth regions	Our long term growth track record is built on a combination of organic growth and acquisitions.
New technologies and methods – developed or acquired	We continued to fund research into future technologies, including: – selection of best drilling methods and tools; – new materials for use in geotechnical solutions; and – electronic data acquisition and workflow control. Our equipment facility, which designs and manufactures our specialist plant, continued its programme of enabling new, more efficient methods through the adaptation and optimisation of our plant.
Transfer of technologies – and methods within our current regions	Through acquisition we create new routes to market for the Group's geotechnical solutions. We also continue our programme of Group-wide engineering seminars to share knowledge within Keller of some of our newer or less widely used technologies.
Design and build – capability and offering alternative solutions	For piling solutions, which account for around 50% of Keller's revenue, Keller often has only limited design input, being required to install piles to the customer's or engineer's specifications. Of Keller's ground improvement and grouting solutions, a sizeable proportion is 'design and construct'.
Continuous improvement – to maintain our competitive edge	Risk management including: – participation in large and complex projects – equipment management – safety management.

Progress	Market	KPIs (definitions can be found on page 23)
Successful integration of Franki Africa. Sales offices established in Rio de Janeiro, São Paulo, Santiago de Chile, Lima, Panama and Mexico City. Ansah joined the Keller Asia Division broadening its product offerings (Driven Piling).	Whilst the US dominates near term investor thinking and we can see further growth in that region, longer term focus will shift to higher growth emerging markets: – Asia – Africa – Middle East – Latin America	**C** Return on net operating assets
Cyntech Anchors, part of Keller Canada, had a very successful year aided by sales in the US. Internal design and manufacturing of a telescopic bottom feed tube for vibro stone columns in air height restriction areas. Internal design and manufacturing of an extendable vibrator tube for works in air height restrictive areas.	Our range of technologies and products coupled with the ability to bring them together in one project, makes us unique in our markets.	**C** Return on net operating assets **D** Accident Frequency Rate **E** Staff turnover rate
In EMEA improved software for specific geotechnical design launched in all business units. We have started the transfer of our technologies to Franki Africa.	Our global clients have an expectation that we can provide the best technology, regardless of geography. We expect that an increasing market acceptance of new techniques over time will offer significant long-term organic growth potential.	**C** Return on net operating assets **E** Staff turnover rate
We continue to offer an extended product range leading to further design and build opportunities. Around 50% of our 2014 revenue was from design and build work, bringing together key technologies and Keller companies to execute our strategy. Examples are: – Boufarik Power Plant, Algeria – Berlin State Opera House, Germany (page 16).	Construction markets globally remain challenging. By differentiating our offer both globally and locally we can remain competitive.	**A** Revenue growth compared with market growth
A further improvement in our operating margin. Another record year in the number of large and complex projects won: – Elliott Bay Seawall, Seattle – Caspian region – Changi Airport, Singapore and; – Koralm railway line in Austria. Keller's high standards of quality (compliance policy, health and safety) helped positioning as a partner of key customers.	In EMEA our self help initiatives have demonstrably improved margins and profitability absent of an upturn in the wider economy. Larger contracts – limit competition, give greater pricing power and improve visibility.	**B** Operating margins **D** Accident Frequency Rate **E** Staff turnover rate

Strategy in action

Services used

Specialty grouting

The 100 year old seawall, built on top of wood piling, was built to provide level access to Seattle's piers and supports the Alaskan Way Viaduct and Alaskan Way itself.

Keller Company
Hayward Baker Seattle
www.hayward-baker.com

Technologies used
Jet grouting

Size of contract
$41m (£25m)

Customer
City of Seattle

Number of people on site
80

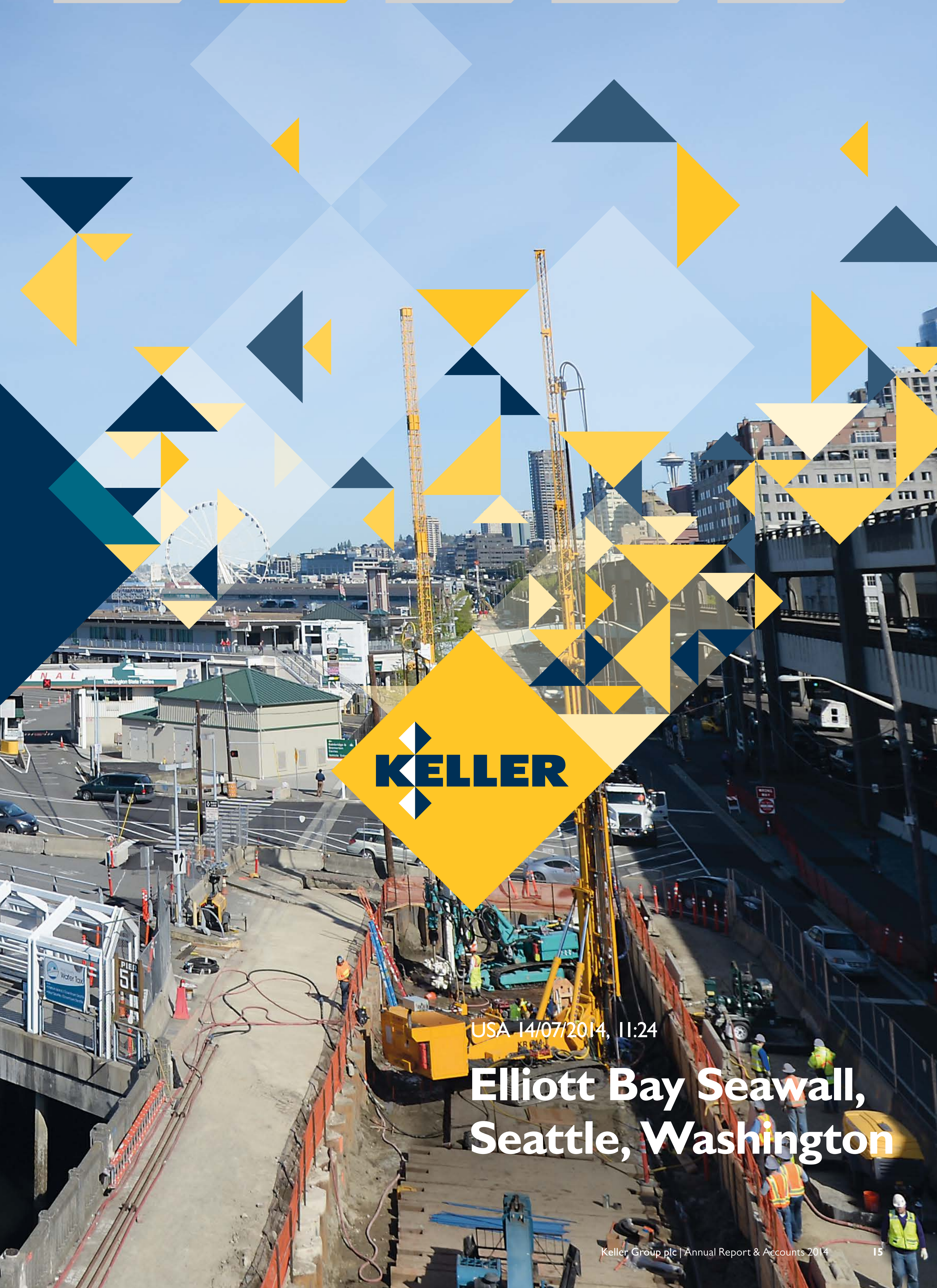
Background
Hayward Baker is currently performing jet grouting to depths of up to 85 feet to provide seismic stability and foundation support for the repair and replacement of a 3,681 foot (0.7-mile) section of the 100-year-old Elliott Bay Seawall. Many of the existing timber piles supporting the existing seawall and adjacent roadway did not sufficiently penetrate underlying liquefiable soils and have significantly deteriorated over time, making the structure increasingly susceptible to storm, tidal, and earthquake damage. Jet grouting is a construction method that is minimally disruptive to the critical, below ground utility infrastructure within an urban setting. Jet grouting does not require the removal of the existing timber piles, further reducing disruption of the infrastructure and surrounding downtown environment.

Relocation of resources
The team comprised of Hayward Baker and field staff from the Seattle, Santa Paula, and Baltimore offices, providing the company's jet grouting experts and a wide array of resources.

HSE good practice
Two of Hayward Baker's employees, both operating engineers, have been selected by their peers to serve as non-management representatives on the job-site HSE Committee. They vigorously participate and contribute useful and thoughtful observations and suggestions. They are also keen on following up on the feedback on behalf of their peers to verify that each suggestion receives timely attention. This is truly valued by the long time superintendent, whose leadership style empowers his subordinates and fosters the safety culture we highly value. The team trust him and are unafraid to ask questions and make suggestions knowing that he has everyone's best interests at heart.

In addition, one of Hayward Baker's long standing drillers ensures that the drill helpers (labourers) are always safe and well situated when he is on the drill controls. He plans his work in such a way as to put their safety and well-being first. This includes keeping housekeeping first and foremost in his thoughts. He communicates his intentions very clearly to all those around him at all times. He is also very eager to participate in safety discussions and is not afraid to speak up as and when needed. As an experienced driller, with many inexperienced hands around him, he sets an excellent example for others to follow, and acts as a leader as far as safety is concerned.

Another colleague at Hayward Baker manages the spoils operations coordinating large numbers of spoils trucks/trailers. In the congested site, this is a critical task. She has taken ownership of her work area and the safety of all concerned. She not only recognises potential hazards (and reports them) but also works diligently to correct them immediately. She does not hesitate to discuss these issues with her managers should she not be able to address the concerns with her own resources immediately. Most importantly, once a safety correction has been made, she ensures that it is upheld and maintained.



USA 14/07/2014, 11:24

Elliott Bay Seawall, Seattle, Washington

Berlin State Opera House

Germany 07/04/2014, 16:14

Services used

- Piling and earth retention
- Anchors, nails and minipiles
- Specialty grouting
- Post-tension concrete
- Instrumentation and monitoring

Founded in 1743, the original building was commissioned by King Frederick II of Prussia shortly after his accession to the throne. It was the first free-standing opera house in Germany.

Size of contract
€17m (£13.7m)
(joint venture with Bauer Spezialtiefbau GmbH)

Location
Deutsche Staatsoper Berlin
Hinter der Katholischen Kirche 2
10117 Berlin, Germany

Customer
Senatsverwaltung für Stadtentwicklung Berlin

Number of technologies in use
– 1,400m^2 diaphragm walls
– 5,500 metres bored piling (D 880/1,200)
– 400m^2 Berlin type pit lining
– 3,300m^2 jet grouting slabs (medium-rise level)
– 5,700 metres anchors
– 10,000 metres pin piles
– 35m^3 injection (acryl)
– steel bracing
– dewatering
– 40,000m^3 excavation works
– measurement technique
– 3,300m^2 subbase.

Short description of background and work
The Berlin State Opera is housed in a building originally constructed as the Royal Opera in 1743, the first free-standing opera house in Germany. It is now undergoing renovation work at a cost of around €300m.

In 2011, Keller Grundbau extended its product range to include complete excavation pits and the successful completion of this contract, being undertaken in joint venture, will provide an excellent reference for similar future projects. The excavation is to a depth of 12 to 14 metres.

Singapore 19/11/2014, 10:36

Sengkang General Hospital

Services used

Piling and
earth retention

Slated for completion in 2018, this future 1,400-bed integrated hospital development will deliver all major healthcare disciplines to five million people.

Size of contract
Approximately SGD 56m (£28m)

Location
Sengkang, Singapore

Customer
Ministry of Health, Government of Singapore

Scope of work

– 1,034 foundation bored piles: diameter 0.8 to 2.2 metres.
  Deepest piles were 81 metres.
– 1,437 secant bored piles:
  18 to 34 metres depth
– Diaphragm wall (subcontracted to Bachy Soletanche)
– Civil works
– Capping beams
– Hospital mock-up building

Short description of background and work

Contract is the largest single contract executed by Resource Piling, and one of the largest in Keller Asia.

Project characterised by large number of rigs mobilised to site, with piling works finishing comfortably ahead of contract schedule (four months).

Strategy in action
continued

Services used

Piling and
earth retention

At midday the temperature reaches 46°C, baking the ground to the hardness of granite.

Keller Australia in association with its piling member companies has overcome key challenges and is largely complete under its contract with Bechtel on the Chevron-operated Wheatstone Project, located at Ashburton North, 12 kilometres west of Onslow in Western Australia.

Keller Australia's contract to procure, install and test around 20,000 piles is valued at over AUD $200m (£105m) and the scope presented a range of complex challenges such as logistics with Ashburton North located around 1,400 kilometres north of Perth on the Pilbara coast.

Overcoming the logistics challenges were a focus for the Keller tender team and as early as 2010, while the Wheatstone Project was in FEED (Front End Engineering and Design), the Keller team was working through a myriad of challenges that included meeting complex construction methodologies, innovative safety solutions, and quality and environmental requirements to secure a turnkey package.

Keller Australia's piling mobilisation began in May 2013 with the main piling works commencing in June.

On the Wheatstone Project Keller Australia is also conducting certification and maintenance of piling platforms, storage, transport and distribution of piles, pile set out, pre-drilling, pile dynamic and static tests, trimming and splicing of piles, and removal and disposal of soil heave. Driven piles are typically 18.0 metres in length and are split into three types, namely 355.6mm, 457.0mm and 610.0mm diameter.

The piles are received on-site where Keller's team of around 85 personnel work a 4 weeks on and 1 week off roster. The team includes 23 site project staff in roles such as Project and Construction Management, Environmental Safety and Health, Site Supervision, Engineering, Planning, QA and Technical, Testing, Survey, Procurement, Logistics, Financial and Administration.

The site team also has three dedicated Health, Safety and Environment employees who work tirelessly to maintain the Keller team's focus on safety and the environment. To date the Keller team has achieved in excess of a quarter of a million project hours without lost time injury while undertaking over 1,000 Pre-Start Meetings, writing over 450 Job Hazard Analysis work sheets, compiling in excess of 40 Safe Work Method Statements and undertaking 430 Site ES&H Audits and Inspections. To date the Keller site team have been awarded 'Safety Subcontractor of the Year 2013', the 'Chevron Project Director's Award' and the 'Bechtel Model Safety and Behavior Award' as well as receiving the 'Subcontractor of the Month Award' on numerous occasions.

The project's People-Based Safety (PBS) Observational and Feedback Process has ensured that the project team remains focused and is underpinned with the Keller Think Safe, Work Safe, Home Safe mantra.

Another priority is innovation. One of the key innovations is a paperless system to digitally record the progress of the works. The pile installation crews on site use an electronic tablet to scan pile bar codes and record pile installation information such as pile type, position, verticality, driven length and final set. Data is then automatically matched with the information provided by the rig iPiler system and any PDA or static test results, pile pre-drilling and/or welding data. Finally this data is automatically uploaded into our Project Cloud where it is checked and approved in real time by Chevron's engineering, procurement, construction and commissioning contractor, Bechtel.

Keller Australia is focused on risk reduction and the project team developed a comprehensive risk management plan with project execution risks identified and where possible controls implemented to mitigate or eliminate exposure. Specifically, prior to mobilisation Keller Australia identified logistical challenges involved in maintaining distribution of over 100 piles to the rigs each and every day. The effective management of both the off-site and on-site storage yards and subsequent success of the sideloaders mitigated this risk.

Australia 25/07/2014, 13:07

Wheatstone, Western Australia

Principal risks and uncertainties

Our risks
Risks can materialise and impact on both the achievement of business strategy and the successful running of our business. A key element in achieving our strategy and maintaining services to customers is the management of these risks. Our risk management strategy is therefore to support the successful running of the business by identifying and managing risks to an acceptable level and delivering assurances on this.

How we identify risk
Our risk identification processes seek to identify risks from both a top down strategic perspective and a bottom up local operating company perspective.

The Board
The Board has overall responsibility for risk management, the setting of risk appetite and the implementation of the risk management policy. The Board reviews and challenges the Group Risk Report.

The Audit Committee
The Audit Committee ensures adequate assurance is obtained over the risks that are identified in the Group Risk Report. The Audit Committee is also responsible for the independent review and challenge of the adequacy and effectiveness of the risk management approach.

Executive Committee
The Executive Committee is responsible for the identification, reporting and ongoing management of risks and for the stewardship of the risk

Risk	Description
Market cycles The Group's broad base helps to mitigate against the risk of downturn in our markets	Whilst our business will always be subject to economic cycles, market risk is reduced by the diversity of our markets, both in terms of geography and market segment. It is also partially offset by opportunities for consolidation in our highly fragmented markets. Typically, even where we are the clear leader, we still have a relatively small share of the market. Our ability to exploit these opportunities through bolt-on acquisitions is reflected in our track record of growing sales, and doing so profitably, across market cycles.
Tendering and management of contracts Project risk is managed throughout the life of a project from the tendering stage to completion	It is in the nature of our business that we continually assess and manage technical, and other operational, risks.
Expansion Our long-term growth track record is built on a combination of organic growth and acquisitions	We recognise the risks associated with acquisitions and expanding into new regions and aim to manage these to acceptable levels. These include various country risks, including the challenges of operating within different business and safety cultures. When considering an acquisition, we try to get to know a target company, often working in joint venture, to understand the operational and cultural differences and potential synergies.
Safety The construction industry poses significant safety challenges, but we do not view injuries as being inevitable	Keller is made up of businesses of varying sizes operating around the world, often in challenging environments. It is essential that, as we continue to grow and move into new regions, we can be sure that our approach to safety is equally rigorous, no matter whereabouts in the world, or on which projects, we are working.
People The accumulation of knowledge and experience is essential to helping our customers to find the best solutions	The risk of losing, or not being able to attract, good people is key. We pride ourselves in having some of the best professional and skilled people in the industry, who are motivated by our culture and the opportunities for career growth.

management approach. The Executive Committee identifies and assesses the key strategic risks to the Group on an annual basis. The outputs of the assessment are sent to the divisional MDs for inclusion in their local risk assessment exercises. In addition, the Group Risk Report is reviewed and agreed by the Executive Committee prior to submission to the Board.

Divisional MDs
Divisional MDs are responsible for the identification, reporting and ongoing management of risks in their respective countries. They facilitate local risk assessment exercises to review the key strategic risks and to identify top local risks within their country. The outputs of these assessment exercises are sent to regional management and the Finance Director and Company Secretary for review and challenge.

Regional management
Regional management are responsible for the reporting, challenge and ongoing management of risks in their respective regions. Regional management, with support from their divisional MD, review and challenge the risk information from the countries and agree the regional response to the key strategic risks and the top regional risks.

How we manage risk
Our risk management process has been built to identify, evaluate, analyse and mitigate significant risks to the achievement of our strategy.

Our risk appetite
We use risk appetite to ensure the appropriate focus is placed on the correct risks.

Controls and mitigation		KPIs
Strategy of geographic diversification: – operations in over 40 countries – broad customer base – services used across all industry segments: infrastructure, industrial, commercial, residential and environmental.		**A** Revenue growth compared with market growth **Definition and method of calculation** Year-on-year sales growth (including acquisitions) in local currency compared with growth in the total regional construction market.
– Risk Management Framework defines Minimum Standards – risk-based tender approval process, with clear delegations of authority – independent review of tenders – training for staff in the typical risk issues they may face when tendering for jobs, negotiating contracts and executing work – legal review of unusual or onerous contract terms.	– project staff selected on the basis of their skills and experience – establishment of 'centres of excellence' – periodic reviews of poorly performing contracts to establish lessons learned with the results communicated to all relevant staff.	**B** Operating margin **Definition and method of calculation** Operating profit before exceptional items expressed as a percentage of revenue.
– moving into new geographic markets often involves following customers with whom we have previously worked – we deploy trusted and experienced personnel to establish and grow our business in new regions – robust operating rules, including our Think Safe framework and Code of Conduct, apply wherever in the world we are working.	– cross-border support and sharing of expertise support the transfer of technologies – acquisition targets are usually well known to Keller – we have thorough due diligence processes, mostly undertaken by our own management – individual integration plans reflect the unique character of each acquisition.	**C** Return on net operating assets **Definition and method of calculation** Operating profit before exceptional items expressed as a percentage of average net operating assets (including goodwill acquired through acquisitions). 'Net operating assets' excludes net debt, tax balances, deferred consideration and net defined benefit pension liabilities.
– Think Safe initiative rolled out across Group in 2010 – a refresh of policies and guidance due to take place in 2015 – Group HSE Committee monitors safety programmes, sets targets for improvements and ensures lessons learned across the Group where appropriate.	– Group HSE Director continues to drive improvement in safety standards and attitudes supported by regional HSE representatives in the divisions – all divisions complete thorough self assessments annually of their safety performance and culture, which are used as a basis for developing safety improvement plans.	**D** Accident Frequency Rate **Definition and method of calculation** Accident frequency per 100,000 hours. Lost time injuries are calculated as any incident over one day.
We aim to be a responsible employer for whom our employees are proud to work. We provide excellent training and development opportunities; experience on challenging and high-profile projects; opportunities for international career growth; and good engagement and two-way communications.	We aim to treat our employees with fairness, dignity and respect.	**E** Staff turnover rate **Definition and method of calculation** Managerial, professional and technical staff leaving in the period, other than through redundancy or normal retirement, expressed as a percentage of employees in this category.

Resources and relationships

There are four main areas where our business impacts on society and where we have responsibilities which extend beyond our financial performance.

Safety
We want every person who works for us, or with us, to go home safely at the end of each day.

Environment
We want to reduce the impact of our operations on the environment and help to meet our customers' environmental needs.

Workplace and people
We want to be known as a responsible employer which people are proud to join.

Communities
We want to continue to take a leadership role within our industry and to value, and be valued by, the communities in which we work.

6

Recorded incidents associated with heavy plant and equipment in 2014
(2013: 12 incidents)

The Board's role is to provide effective leadership, establish overall policy for the Group and monitor the performance of the operating companies in relation to: health and safety; the environment; responsible employment; business ethics; and our interfaces with our communities. The Chief Executive is ultimately accountable for the Group operating in a way that is socially responsible.

Our line managers are charged with: delivering performance safely and with integrity; supporting Group policy; and providing leadership within their companies. All employees are responsible for following Group policy with the support, direction and commitment of line management.

Our Code of Business Conduct, introduced in 2012, sets out the Group's policies and practices relating to:

- safety
- environment
- competition
- price-sensitive information
- equal opportunities
- harassment
- bribery, corruption and fraud
- gifts and hospitality
- whistle-blowing.

Our performance

Safety
While the Board and senior management remain focused on achieving our goal of zero injuries through continuous improvement in our health and safety performance, we deeply regret that an employee lost his life at work on a jobsite in Ghana in June 2014. This was the Group's first fatality since 2011. Following the incident, the Group Chief Executive and the Group's Health and Safety Director visited the site to ensure appropriate measures were implemented to prevent a recurrence and lessons learned across the Group.

With the support of our employees around the Group, we have worked hard to create a safe working environment across all of our businesses and we enter 2015 determined to achieve our goal of zero injuries.

In last year's report, we undertook to report back on progress against our 2014 Group-wide objectives. These covered a number of high-risk areas within the business, and each had a completion date up to and including 2018.

Reduction in incidents associated with heavy plant and equipment: we focused on the prevention of large equipment overturning, using the outcome of a review to develop better guidance on prevention. This was carried out by the HSE safety team, together with our technical engineers. They looked at working platforms, operator competency and common circumstances where failures could occur.
2014: 8 recorded incidents (2013: 16)

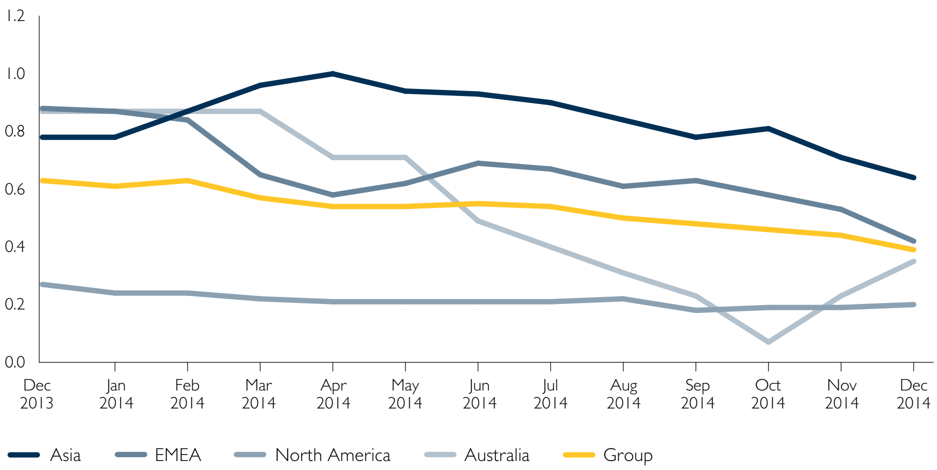
Reduction in injuries to hands and feet: we introduced a 'Carry Glove' policy across the Group, supported with an awareness campaign that included local road shows and events. In a small number of instances, modifications were made to existing equipment to prevent access to moving parts.
2014: 112 recorded incidents (2013: 158)

Occupational health and wellbeing: we reviewed the divisional offerings and adopted a Group policy setting minimum standards.

Implementation of OHSAS 18001 or an equivalent standard: each division has put in place a strategy and time frame to gain certification by 2018. The Group's Head Office retained the certification it first gained in 2013.

Reduction of our Accident Frequency Rate (AFR): we achieved a reduction in our AFR.
2014: 0.39 (2013: 0.61)

12 month rolling Accident Frequency Rate (AFR) per 100,000 hours worked



Environment

Greenhouse gas reporting

Here we report the quantity of greenhouse gas (GHG) emissions for the year ended 31 December 2014. We have adopted the International Greenhouse Gas Protocol Corporate Accounting and Reporting Standard. In doing so, we have fulfilled our requirements under the UK's Greenhouse Gas Emissions (Directors' Reports) Regulations 2013.

Reporting boundaries

To the best of our knowledge, we have included all material emission sources which fall within the boundaries of our consolidated accounts.

All direct (Scope 1) and indirect (Scope 2) emissions are reported in absolute tonnes equivalent CO_2. GHG included are carbon dioxide, methane and nitrous oxide emissions from the combustion of fuels mentioned below, and carbon dioxide emissions from the consumption of purchased electricity:

- Scope 1 – Direct GHG emissions: combustion of diesel, petrol, gas, oil and LPG.
- Scope 2 – Indirect GHG emissions: purchased electricity consumed.

Data gaps and exclusions

Since adopting the International Greenhouse Gas Protocol Corporate Accounting and Reporting Standard in 2013, we have worked on improving the coverage and accuracy of the reporting. This is an ongoing exercise and this year the number of data gaps has significantly reduced.

Last year we first reported our GHG for the 56 reporting units that made up the Group at that time, about 93% of which were able to provide some data on their primary emission sources. This year the Group has expanded to 63 reporting units with 98% now reporting some data, an improvement on the prior year. We have accounted for these new units in our calculation of the 2014 footprint, including the acquisitions at the end of 2013 and during 2014. Units also report more complete data sets than last year (more fuels reported, better coverage of the whole year).

Results

Summary Scope 1 and 2 GHG emissions for the Keller Group are shown below for 2013 and 2014.

Global GHG emissions data in tonnes of CO_2e

Emissions from:	**2014**	2013
Scope 1 – Combustion of fuel & operation of facilities	**170,031**	135,179
Scope 2 – Electricity, heat, steam and cooling purchased for own use	**9,531**	6,225
Total	**179,562**	141,404
Intensity measurement: Absolute tonnes equivalent CO_2e per £m of revenue*	**112**	98

* These intensity measurement figures include the turnover of entities that do not report any consumption data. When excluding these entities from the total turnover, the figures are $103tCO_2e$/£m in 2013 and $112tCO_2e$/£m in 2014. It is not possible to quantify the difference made by the more accurate and complete reporting in 2014, but this would also serve to narrow the gap between the 2013 and 2014 carbon intensity.

The increase is due to a number of factors including more complete reporting and the new units included in the total for 2014. Entities acquired at the end of 2013 and in 2014 account for 6% of the 2014 footprint.

Third-party assurance statement

Keller Group plc appointed Anthesis Consulting Group to provide independent assurance on the 2014 Scope 1 and Scope 2 GHG accounts presented above. Their summary opinion is provided below (full opinion and recommendations are available on request):

"Based on our review, we are not aware of any material modifications that should be made to Keller Group plc's assertion that their Scope 1 and 2 group inventory is in conformance with the requirements of the Greenhouse Gas Emissions (Directors' Reports) Regulations 2013, following the methodology of the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard."

Anthesis Consulting Group, February 2015

Sustainability

In 2014, we adopted a Group Sustainability Policy. It is our aim to become a leader in sustainability within our sector by 2020 and we have identified six priorities that we will take forward as a business to achieve this:

- promote sustainable business growth
- keep our people healthy and safe
- support the low carbon economy
- limit our environmental impact
- be a responsible and inclusive employer
- engage positively with communities.

HSE Committee

In June 2014, we reported the appointment of Nancy Tuor Moore to the Board as an independent Non-executive Director and as Chairman of the HSE Committee. Nancy has served on the board of directors of CH2M Hill, Inc., a global leader in consulting design, design-build and project management, latterly as Group President and Corporate Sponsor for Sustainability. Prior to that, she held a number of senior executive roles within CH2M Hill, both in the US and internationally, most notably leading the Rocky Flats Closure Project in Golden, Colorado, the world's largest nuclear environmental clean-up programme, and delivering the Masdar City Project development, the desert community that aims to be carbon neutral and zero waste, in Abu Dhabi. As part of her induction, Nancy has been working with our Group HSE Director and his team to understand more fully the HSE culture within the Group and we look forward to reporting to you next year on areas in which we have been able to make further progress with her input.

Our Code of Business Conduct can be found on our website:
www.keller.co.uk/how-we-do-it/code-of-business-conduct

50%

Reduction in injuries to hands and feet

0.39

Accident Frequency Rate (AFR)
(2013: 0.61)
(per 100,000 hours worked)

9,000

Keller employees worldwide

Workplace and people

Keller employs around 9,000 people worldwide, most of whom are working in front-line roles meeting with, and delivering for, our customers. We are only as good as our employees, which is why we want to be known as a responsible employer which people are proud to join.

As a Group, we believe in treating all employees with dignity and respect and do not tolerate any form of harassment, discrimination or bullying. We are committed to creating a working environment in which every employee is employed and promoted solely on the basis of his or her merit and personal contribution. We aim to provide fair employment opportunity to all whilst not offending, or being insensitive to, the traditions and cultures of countries in which we operate. This is not only about 'being fair', it also makes sound business sense.

We are committed to providing training and development opportunities which enable employees to perform at their best and increase their contribution to the Group.

In addition to safety, technical and competency-based training, management training programmes operate at a Group and at a divisional level. One of the ways in which we measure how well we are doing as an employer is to measure our staff turnover, and this key performance indicator for each division is shown in the Operating review.

Diversity

We believe that equal opportunity means hiring and retaining the best people, developing all employees to their potential and using their talents and resources to the full. Diversity of people, skills and abilities is a strength which will help us to achieve our best.

At the end of the financial year, the breakdown of male/female employees was as follows:

	Male	Female
Main Board directors (inc. Non-executive Directors)	6	2
Directors/senior managers	153	12
Managers	1,091	94
All employees	7,884	795

Communities

Geotechnical community

Our companies take a leadership role within their industry by providing employees, customers, suppliers and potential employees with technical papers, seminars, field trips and site visits. Staff from companies throughout the Group maintain close contact with partner universities in order to share best practice and provide examples of their leading-edge engineering.

Many of our senior managers play key roles in the geotechnical construction industry's professional associations and activities around the world, getting involved in writing building codes, specifications, guidelines, and industry-wide safety initiatives.

Wider community

In terms of engagement with the wider community in which we work, we are generally working for a main contractor, who is the party responsible for consulting with any community affected by the project. Our work comes at the outset of a project and we are typically on and off the project very quickly; and our job sites are often in remote locations, where we have no interface with members of the public. There are occasions when we are working in built-up areas or in proximity to the public, such as the London Crossrail and Victoria Station Upgrade projects, and on any such projects in particular we strive to reduce our noise and dust levels and to conduct our work in a considerate manner.

Typically, where we have some community engagement, it is by supporting our employees when they get involved with community groups and local charities.

Ultimately, we want to be a sustainable business which earns the respect of all of our stakeholders by taking seriously our wider responsibilities. Looking ahead, we aim to bring greater definition to our sustainability agenda, as we continue to invest in our people, technology, systems and processes to enhance both our business performance and our reputation as a good corporate citizen.

Technology and best practice

Research
Keller in Australia is working in partnership with Monash University to develop geothermic piles incorporating heat exchangers for the intermittent storage of energy in soils for heating and cooling of buildings. This technology will minimise the carbon footprint of built structures, while also providing substantial long-term cost savings.

Hayward Baker (USA) is partnering with three US universities to design methods for using ground improvement in liquefaction remediation.

Keller in the United Kingdom is working in partnership with Novacem on a carbon negative cement solution for the ground engineering industry. This Green solution can see energy savings of between 60-80% over traditional methods.

Case study: UXO detection
Occasionally, where required by a customer, Keller may be responsible for surveying the site for unexploded ordnance ('UXO') or unexploded bombs, before executing its own work.

To limit the risk of explosive ordnance, Keller in Germany has developed an information leaflet together with the Construction Industry Association and other experts.

For the first time this leaflet (edition of 9,000) contains a summary of all applicable norms and regulations and make them manageable for all users. The associated internet platform has already been visited 32,000 times (www.kampfmittelportal.de).

Existing technologies
Keller has technologies which reduce the use of concrete without compromising on the strength and capability of the solution. These include hollow centred piles and the patented Gem-Tech process. Gem-Tech produces a lightweight, air-entrained material using a variety of additives as a catalyst. Costs savings of around 20% are achieved using this sustainable material.

Keller has experience in preparing control documents to protect the health and safety of site personnel and ensure quality assurance during construction. Keller's approach to sustainability can reduce the overall environmental impact of projects by establishing and operating on-site laboratories to test material quality, slurry density, viscosity & filtration, and backfill properties as part of the quality assurance program.

Keller can provide clients with calculations of the embodied carbon associated with our solutions. This calculation accounts for carbon emissions associated with materials, material delivery, personnel transport, equipment transport, product manufacture, waste and spoil and associated haulage.

Case study: Vibro Stone Columns with Concrete plug

Project Name: Spice Ball Leisure Centre

Region: United Kingdom

Project Description: The Spice Ball Leisure Centre was built near the Cherwell River in a 1 in 100 year flood area. The focus was to raise the ground floors above predicted flood levels. The site was underlain by unknown landfill and on-site groundwater testing showed contamination. The Environment Agency required a solution which would prevent groundwater run-off from contaminating the underlying alluvium during construction of the Centre.

Solution applied: Keller used a re-enforced soil wall in combination with vibro ground treatment. Environmental Stone Columns were inserted with a lean mix concrete plug in the soft wet clay at the base of the columns. The vibrator remained in the ground during the procedure and columns were completed using a conventional bottom-feed approach. The Environment Agency was satisfied that this approach prevented the risk of contamination of alluvium from any flash storm run-off during construction.

The R&D function of KGS undertook a number of reviews and issued best practice during 2014.
The reviews were around operational issues raised by the businesses and our HSE function.

Issue
Overturning equipment

Review
- monitoring of working platforms surcharging to understand load transfer issues using steel rebar as reinforcement
- research on rig pressure on working platforms in different working conditions and position

Result
Detailed guidance and standards issued to Group, reduction in number of rigs overturning in 2014

Issue
Increasing number of clients' sites are in built up areas or locations with low overheads e.g. airports making the use of drill rigs difficult

Review
- review of drill rigs and safety features

Result
Design and manufacture of low head room drills including remote control compliant with latest safety standards

£15m

In 2014, Keller invested £15m in research, technology and equipment through KGS

Executive Committee

Another year of progress across our divisions

1 Justin Atkinson
Chief Executive. Age 54
Justin became CEO of Keller in 2004 after joining the Group in 1990. A Chartered Accountant by training, he has held the roles of Group Finance Director (1999–2003) and Chief Operating Officer (2004). In September of 2014, Justin announced his intention to retire from Keller by the end of 2015, when he will be 55.

2 James Hind
Finance Director. Age 50
James was appointed Finance Director in 2003 after joining the Group from D S Smith plc, where he was Group Financial Controller. James spent two years in the New York office of Coopers & Lybrand advising on mergers and acquisitions further to qualifying as an accountant.

3 Wolfgang Sondermann
Director, Global Technology & Best Practice. Age 64
A geotechnical engineer by training, Wolfgang joined the Group in 1986 and was appointed to the Board in 2003. He was appointed Director, Global Technology & Best Practice in January 2012.

In 2014, Wolfgang was appointed as Chairman of the Board of the German Geotechnical Society (DGGT), a technical and scientific society dedicated to the science and application of soil and rock as a foundation and construction material.

4 Eduard Falk
Managing Director, EMEA. Age 54
Eduard is a Geotechnical Engineer by training and joined the Group in 1987. He has held various senior management roles and was appointed Managing Director, Europe, Middle East and Africa (EMEA) and to the Group Executive Committee in 2012.

5 Venu Raju
Managing Director, Keller Asia. Age 53
A Geotechnical Engineer by training, Venu joined the Group in 1994. Following appointments as Managing Director, Keller Singapore & Malaysia in 1999 and as Business Unit Manager, Keller Far East in 2009, he was appointed as Managing Director, Asia and to the Group Executive Committee in 2012.

6 Mark Kliner
Chief Executive, Keller Australia. Age 51
Mark joined the Group in 2006 and was appointed as Managing Director of Piling Contractors in 2007 and as CEO of Keller Australia in 2010. Mark was appointed to the Group Executive Committee in 2012 and is a Civil and Structural Engineer by qualification.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7 John Rubright,
Managing Director, Keller North America. Age 51
John joined the Group in 1986. He was appointed as Senior Vice-President, Southern Region, of Hayward Baker in 2005, President of Hayward Baker in 2011 and as Managing Director, Keller North America in 2013. John was appointed to the Group Executive Committee in 2012. He is a Civil Engineer by qualification.

8 Jim De Waele
Business Unit Manager, Europe. Age 47
A Civil Engineer by qualification, Jim joined the Group in 2008 as Managing Director, Keller UK from Stent Foundations, where he had been Managing Director. He was appointed to the Group Executive Committee in 2012 and as Business Unit Manager, Europe in 2013.

9 Michael Sinclair-Williams
Group HSE Director. Age 53
Michael holds a PhD in Risk/Quality Management and has a varied background in senior safety and operational roles. He joined Keller in 2012 as Group Health, Safety & Environment Director and was appointed to the Group Executive Committee in 2013.

10 Kerry Porritt
Group Company Secretary. Age 44
Kerry was appointed Group Company Secretary in 2013. She is a Fellow of the Institute of Chartered Secretaries and Administrators and has over 20 years' experience of complex and global FTSE100 companies.


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Operational results

North America

Results summary and KPIs

Revenue (£m)

£775.6m

2014	**775.6**
2013	699.4

Operating profit (£m*)

£59.9m

2014	**59.9**
2013	51.6

Operating margin (%*)

7.7%

2014	**7.7**
2013	7.4

* Before exceptional items

Our US growth compared with the growth of our US markets[1] (%) 2014

Over 1 year

Our growth	**17**
Market growth[1]	6

Over 3 years

Our growth	**50**
Market growth[1]	24

[1] Market growth for the total US construction market, from data published by the US Census Bureau of the Department of Commerce on 2 February 2015.

Return on net operating assets (%)

2014	**17**
2013	19

Accident Frequency Rate (%)

2014	**0.20**
2013	0.27

Staff turnover

Foundation contracting businesses

2014	**13**
2013	12

Suncoast

2014	**15**
2013	14

In North America our total revenue increased by 11% as market conditions continued to improve in our largest market. Adjusting for acquisitions and translation differences, like-for-like revenue was up 11%. The full year operating profit of £59.9m (2013: £51.6m) reflects further improved profitability in our US foundation contracting businesses and a solid contribution from our Canadian businesses.

US

Our US business had a strong second half, building on the good progress made in the first half as construction activity continues to gradually improve across the country.

Our largest North American business, Hayward Baker, finished the year strongly. Its business model of performing a wide range of small to medium sized contracts across a broad range of products and geographies benefited from better conditions across the market. In addition to this base business workload, there has been an increasing number of larger contracts performed in recent years, in line with the Group's strategy. The largest contract undertaken in the year, where scope changes have taken the total value to US$56m (£36m), was the I-635 highway expansion project in Dallas where Hayward Baker is installing earth retention systems for new high-occupancy managed lanes.

Good progress has been made on the Elliott Bay Seawall project in Seattle, a project valued at US$41m (£25m), where the business is performing jet grouting to depths of 85 feet to provide seismic stability and foundation support for the repair and maintenance of a 0.7 mile section of the 100 year old seawall. Hayward Baker also worked successfully with HJ, our piling business based in Miami, to deliver projects at Oceana Bal Harbour and One Ocean with augercast, wet soil mixing, sheet piling and tie back anchor technology. This is an excellent example of combining the local presence of one company with the products and solutions of another to give a competitive advantage in the marketplace.

Our other piling companies, Case and McKinney, performed well in the year. McKinney had a good broad-based result across the southern and eastern states and Case, which undertakes larger contracts, worked on projects such as the foundations for a mixed use high rise building on the Chicago River and the installation of catenary poles on an AMTRAK high speed rail line in the north-east.

Suncoast continued to experience improving profitability despite the slight softening of the single family home market in the summer. Suncoast's high-rise business performed particularly well on the back of more commercial developments and a significant increase in multi-family home starts, as an increasing number of people choose to live in such accommodation.

Canada

In order to consolidate operations and speed up the transfer of technology into the Canadian marketplace, in the second half of the year we successfully merged our Toronto-based geotechnical business, Geo-Foundations, into the larger Keller Canada. This move, which led to some cost savings in the Toronto area, has resulted in a more focussed business in eastern Canada. After a disappointing first half, the Canadian results improved in the second half with full year revenue of approximately C$190m and an operating margin of around 5%.

Europe, Middle East & Africa (EMEA)

Revenue in EMEA as a whole increased by 13% in 2014, largely due to the acquisition of Franki Africa in November 2013. Like-for-like revenue was 5% up on 2013. Operating profit nearly doubled and the margin increased by 1.2% to 2.9%, reflecting the benefit of management self-help measures.

Europe

Despite the continued challenging markets in Europe, our businesses improved their performance through a focus on cost control, risk management and careful contract selection.

Our Polish business had a particularly good year, much improved on the prior period as the infrastructure market offered some good opportunities despite a competitive backdrop. Germany also reported an excellent result as it continues to adapt to the difficult climate in which it operates.

The UK successfully completed its large projects at Crossrail and Victoria Station.

After a very difficult winter-affected first half, the Austrian business picked up in the second half and finished the year ahead of 2013. Work performed during the year included a technically complex project at the Semmering railway tunnel in the south of the country. On 23 February 2015, Keller Austria announced another large infrastructure rail contract, a major €31.2m (£23.1m) project on the Koralm railway line between Graz and Klagenfurt.

The results were not as good in Southern Europe with the French market weak and business remaining very challenging on the Iberian Peninsula. Our Iberian business returned a small loss on revenues 20% lower than the previous year.

The European business has continued to move people and equipment around the region to those areas where there is more work and to support our major projects initiative. A good example of this was in reallocating resources from Eastern Europe to the Caspian region following the award of the major project in that area last December.

Middle East and Africa

Competition in the Middle East remains tough but the Group increased both its revenue and profit from the region. This performance was aided by a good result in Saudi Arabia and a number of contract wins in Qatar where, from a standing start, we are building a reputation for reliability and quality.

Franki Africa performed in line with expectations in its first year as a Keller subsidiary. The integration has been successfully completed and a number of technology workshops have been held to introduce Keller's grouting and ground improvement technologies into the region. We have already successfully performed some jet grouting jobs in South Africa. Elsewhere, the Group has undertaken significant contracts in a number of other African countries, most notably Ghana and Algeria.

Latin America

We have carefully expanded our sales network to cover the key markets in Latin America: Rio de Janeiro and São Paulo in Brazil, Chile, Peru, Panama and Mexico. Our business in Brazil is now well established and, elsewhere, we have carried out a number of small projects involving small diameter techniques, piling and ground improvement works.

Results summary and KPIs

Revenue (£m)

£451.5m

2014	**451.5**
2013	399.2

Operating profit (£m*)

£12.9m

2014	**12.9**
2013	6.8

Operating margin (%*)

2.9%

2014	**2.9**
2013	1.7

* Before exceptional items

Our growth compared with the growth of our markets[1] (%) 2014

Over 1 year

Our growth	**5**
Market growth[1]	3

Over 3 years

Our growth	**-4**
Market growth[1]	-2

[1] Market growth in the construction markets in Austria, France, Germany, Poland, Spain and the UK, (which together account for around 60% of revenue from EMEA) from estimates of real annual growth plus estimated change in construction prices published by Euroconstruct in November 2014.

Return on net operating assets (%)

2014	**8**
2013	5

Accident Frequency Rate (%)

2014	**0.42**
2013	0.88

Staff turnover (%)

2014	**14**
2013	11

Operational results
continued

Asia

Results summary and KPIs

Revenue (£m)

£111.3m

2014	**111.3**
2013	96.2

Operating profit (£m*)

£8.3m

2014	**8.3**
2013	9.0

Operating margin (%*)

7.5%

2014	**7.5**
2013	9.4

* Before exceptional items.

Our growth compared with the growth of our markets (%)

There is insufficient reliable published data on the growth in our principal markets in Asia to enable us to report this KPI for our Asian division.

Return on net operating assets (%)

2014	**15**
2013	17

Accident Frequency Rate (%)

2014	**0.64**
2013	0.78

Staff turnover (%)

2014	**11**
2013	14

Revenue grew by 16% in Asia and by more than 20% on a constant currency basis, helped by investment in people and equipment and the transfer of technologies. The reduction in the operating margin in 2014 reflects the impact of one major project that was bid and successfully delivered in the year at a lower than average margin.

ASEAN region
Keller's Malaysian business had another excellent year operating in a strong construction market. During the year, we further expanded our piling business in Malaysia and established a presence in Johor, a province just over the border from Singapore which is currently benefiting from substantial industrial and commercial investment. As previously announced, in August we acquired a small Malaysian driven piling business, Ansah, broadening our product offering in the region. Keller Malaysia now offers a full range of foundation services and civil works.

In Singapore, Resource Piling completed the major Sengkang hospital project ahead of schedule, on budget and safely. The project included a number of different technologies such as piling, diaphragm wall construction and micro-tunnelling. In January 2015, we were awarded a major contract at Changhi Airport comprising vibrocompaction of the ground as part of the land preparation works for a major expansion of the airport. The contract is for a total amount of S$56m (£28m).

India
Keller India had a much improved performance in 2014 and prospects for 2015 look encouraging. We completed a number of large design and build LNG-related projects to schedule and safely during the year using both bored piling and ground improvement technologies.

Australia

Australian dollar revenue increased by 21% and operating profit by 14%. However, when translated into sterling at the relevant exchange rates revenue was up only 7% and operating profit was flat. The operating margin declined somewhat as the 2013 result benefited from an excellent result on the conclusion of a major project.

Waterway Construction had a successful 2014 working on contracts such as the Brisbane City Council wharf upgrade programme and the Overseas Passenger Terminal in Sydney Harbour. The other Australian businesses, however, found the year more challenging, mainly due to the subdued state of the market.

The piling for the onshore LNG processing plant at Wheatstone, the Group's largest-ever project, is almost complete with 24,000 piles safely delivered and for which we have received the Chevron Project Director's Award for outstanding performance and the Bechtel Model Safety and Behaviour Award. With the challenging market conditions and the completion of Wheatstone representing the last of the foundations work on LNG projects under construction in Australia, the year ahead for Keller Australia will be difficult. Management has already begun to implement a number of self-help initiatives to streamline the business and to obtain cost savings and efficiencies in their management of equipment.

Frankipile received an award for Sustainable Achievement and Leadership from Exxon Mobil in relation to their work on a major LNG project in Papua New Guinea.

Results summary and KPIs

Revenue (£m)

£261.3m

2014	**261.3**
2013	243.4

Operating profit (£m*)

£15.7m

2014	**15.7**
2013	15.6

Operating margin (%*)

6.0%

2014	**6.0**
2013	6.4

* Before exceptional items.

Our growth compared with the growth of our markets[1] (%) 2014

Over 1 year

Our growth	**21**
Market growth[1]	-4

Over 3 years

Our growth	**39**
Market growth[1]	2

[1] Market growth for the total Australian construction market, from data published by the Australian Bureau of Statistics in September 2014.

Return on net operating assets (%)

2014	**30**
2013	23

Accident Frequency Rate (%)

2014	**0.35**
2013	0.87

Staff turnover (%)

2014	**19**
2013	9

Financial review

James Hind
Finance Director

£92.0m
Operating profit[1]

Results

Trading results[1]

Group revenue for the year was up 11% on 2013. Stripping out the adverse effects of foreign exchange movements and adjusting for acquisitions, 2014 revenue was 12% up on 2013, with increases in all divisions.

EBITDA was £141.9m, compared to £124.2m in 2013, and operating profit was £92.0m, an increase of 18% on the £77.8m in 2013. The Group operating margin increased from 5.4% to 5.8%. This is due to a combination of the continuing benefits of our business improvement initiatives and improving market conditions in some countries, most notably the US from where Keller derives over 40% of its revenue.

In North America as a whole, which represented 49% of Group revenue, operating profit increased from £51.6m in 2013 to £59.9m in 2014. This was largely attributable to the further improved profitability of the Group's US foundation contracting businesses, which are benefitting from the gradual improvement in the US private non-residential construction sector. There was also a solid contribution from our Canadian businesses, despite more challenging market conditions.

In EMEA, conditions in our key markets remain mixed and in those regions where there have been signs of improvement, recovery continues to be somewhat fragile. Despite this, both revenue and operating profit for EMEA were higher than in 2013, helped by the November 2013 acquisition of Franki Africa. The operating margin has also benefitted from our ongoing business improvement initiatives.

Revenue increased in Asia by 16%, with the operating margin decreasing from 9.4% in 2013 to 7.5%. In constant currency terms, however, the Asian operating profit was unchanged year on year. The reduction in margin was mainly due to one large contract which was bid and successfully delivered at a lower than average margin.

In Australia, the sterling-denominated results have been affected by the further weakening of the Australian dollar. Australian dollar revenue and operating profit increased by 21% and 14% respectively, compared to 7% and 1% when translated into sterling at the average exchange rate. This underlying improvement is mainly due to a strong performance on the Wheatstone contract, the largest project the Group has ever performed.

The Group's trading results are discussed more fully in the Chairman's statement on page 4 and the CEO's strategic review on page 6.

Net finance costs

Net finance costs before exceptional items increased from £3.7m in 2013 to £6.9m in 2014. This increase is mainly due to higher average net debt in 2014 as a result of investing nearly £200m in acquisitions in the second half of 2013.

Tax

The Group's effective tax rate before exceptional items was 35%, up from 32% in 2013. The increase mainly reflects the different geographic mix of profits, with a higher proportion of the Group's 2014 profit before tax being earned in the US, a country with a high corporate tax rate. The increase in the effective tax rate is also due to the impact of some prior year items.

Earnings and dividends

Earnings per share (EPS) before exceptional items increased to 75.3p (2013: 73.0p), an increase of 3%.

This is significantly below the 15% increase in the Group's profit before tax because of a combination of the higher effective tax rate in 2014, a £1.0m increase to £1.8m in the profit attributable to minorities and a 5% increase in the average number of shares in issue.

The Board has recommended a final dividend of 16.8p per share, which brings the total dividend to be paid out of 2014 profits to 25.2p, a 5% increase on 2013. The 2014 dividend is covered 3.0 times by earnings before exceptional items.

Exceptional items

The 2014 result includes an exceptional charge relating to the settlement of a dispute on a completed contract of £54.0m and a number of much smaller non-trading exceptional items relating to acquisitions, which are required to be expensed under IFRS.

The contract dispute relates to a project that the Group's UK subsidiary, Keller Limited, completed in 2008. The dispute was subject to litigation proceedings involving a number of parties, but these were settled in February 2015. The final cost to Keller is subject to a number of remedial and other actions to be undertaken as part of the settlement agreement. The exceptional charge represents management's best estimate of the net cost to Keller before taking account of future recoveries under applicable insurances, as these cannot be recognised under IFRS.

The non-trading exceptional items relating to acquisitions totalled £2.9m before tax, mainly comprising £6.6m of amortisation of acquired intangible assets and £0.5m of costs relating to acquisitions, partly offset by a £4.7m credit in respect of previously provided contingent consideration which the Group no longer expects to pay, mainly relating to the acquisition of Keller Canada.

[1] Results stated before exceptional items comprising a contract dispute provision and non-trading costs relating to acquisitions.

Cash flow and financing

The Group has always placed a high priority on cash generation and the active management of working capital. We are therefore pleased to report that in 2014 cash generated from operations was £165.4m, representing 117% (2013: 106%) of EBITDA before exceptional items. This continues the Group's excellent record of converting profits into cash. Year-end working capital was £104.1m, which is well below the level at the end of 2013. Capital expenditure totalled £61.0m, up on last year's £42.6m.

At 31 December 2014, net debt amounted to £102.2m (2013: £143.7m). Based on net assets of £346.3m, year-end gearing was 30%, compared to 39% at the beginning of the year.

The Group refinanced most of its debt and financing facilities during 2014, extending maturities, further diversifying the sources of finance and improving a number of key terms. A new five year £250m revolving credit facility was agreed in July, replacing a £170m facility expiring in April 2015 and a US$150m facility expiring in July 2017. Later in the year, the Group raised US$125m through a private placement with US institutions, the proceeds of which were used in part to repay US$70m of private placement borrowings which matured in October 2014. The Group's term debt and committed facilities now mainly comprise US$165m of US private placements maturing between 2018 and 2024 and the £250m multi-currency syndicated revolving credit facility expiring in September 2019.

At the year end, the Group had undrawn committed and uncommitted borrowing facilities totalling £197.4m.

The most significant covenants in respect of our main borrowing facilities relate to the ratio of net debt to EBITDA, EBITDA interest cover and the Group's net worth. The Group is operating well within its covenant limits.

Capital structure

The Group's capital structure is kept under constant review, taking account of the need for and availability and cost of various sources of finance.

Pensions

The Group has defined benefit pension arrangements in the UK, Germany and Austria. The Group closed its UK defined benefit scheme for future benefit accrual with effect from 31 March 2006 and existing active members transferred to a new defined contribution arrangement.

The last actuarial valuation of the UK scheme was as at 5 April 2014, when the market value of the scheme's assets was £35.8m and the scheme was 77% funded on an ongoing basis. Following the valuation, the level of contributions increased marginally to £1.6m a year, a level which will be reviewed following the next triennial actuarial valuation.

The 2014 year-end IAS 19 valuation of the UK scheme showed assets of £38.2m, liabilities of £49.8m and a pre-tax deficit of £11.6m.

In Germany and Austria, the defined benefit arrangements only apply to certain employees who joined the Group prior to 1991. The IAS19 valuation of the defined benefit obligation totalled £13.8m at 31 December 2014. There are no segregated funds to cover these defined benefit obligations and the respective liabilities are included on the Group balance sheet.

All other pension arrangements in the Group are of a defined contribution nature.

Management of financial risks

Currency risk

The Group faces currency risk principally on its net assets, most of which are in currencies other than sterling. The Group aims to reduce the impact that retranslation of these assets might have on the balance sheet by matching the currency of its borrowings, where possible, with the currency of its other net assets. The majority of the Group's borrowings are held in US dollars, Canadian dollars, Euros and South African rand, in order to provide a hedge against these currency net assets.

The Group manages its currency flows to minimise currency transaction exchange risk. Forward contracts and other derivative financial instruments are used to hedge significant individual transactions. The majority of such currency flows within the Group relate to repatriation of profits, intra-Group loan repayments and any foreign currency cash flows associated with acquisitions. The Group's foreign exchange cover is executed primarily in the UK.

The Group does not trade in financial instruments, nor does it engage in speculative derivative transactions.

Interest rate risk

Interest rate risk is managed by mixing fixed and floating rate borrowings depending upon the purpose and term of the financing. As at 31 December 2014, 85% of the Group's third-party borrowings bore interest at floating rates.

Credit risk

The Group's principal financial assets are trade and other receivables, bank and cash balances and a limited number of investments and derivatives held to hedge certain of the Group's liabilities. These represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group has stringent procedures to manage counterparty risk and the assessment of customer credit risk is embedded in the contract tendering processes. Customer credit risk is mitigated by the Group's relatively small average contract size, its diversity, both geographically and in terms of end markets, and by taking out credit insurance in many of the countries in which the Group operates. No individual customer represented more than 5% of revenue in 2014.

The counterparty risk on bank and cash balances is managed by limiting the aggregate amount of exposure to any one institution by reference to their credit rating and by regular reviews of these ratings.

Operating margin from continuing operations (%*)

2014	**5.8**
2013	5.4
2012	3.7
2011	2.5
2010	4.1
2009	7.4
2008	10.0
2007	11.2
2006	10.4
2005	8.1

* Before exceptional items.

Dividend per share pence

2014	**25.2**
2013	24.0
2012	22.8
2011	22.8
2010	22.8
2009	21.75
2008	20.7
2007	18.0
2006	15.6
2005	12.0

Test	Covenant limit	Current position*
Net debt: EBITDA	< 3x	1.0x
EBITDA interest cover	> 4x	20.1x
Net worth	> 200m	£342.7m

* Calculated in accordance with the covenant, with certain adjustments to net debt and net interest and EBITDA annualised for acquisitions.

Investment (£m)	Total
2014	**68.6**
2013	245.2
2012	33.7
2011	37.9
2010	51.6

Capital expenditure   Acquisitions

Cash flow history* – profits = cash

2014	**141.9**
2013	124.2
2012	91.9
2011	71.4
2010	85.0
2009	113.2
2008	144.3
2007	125.8
2006	104.9
2005	65.0

EBITDA   Group operating cash flow

Our strategic report, from page 6 to 27, has been reviewed and approved by the Board of Directors on 2 March 2015.

By order of the Board

Kerry Porritt
Company Secretary

2 March 2015

Corporate governance statement

Chairman's introduction

Roy A Franklin
Chairman

Dear shareholder
In this part of the Annual Report, we set out the measures that we have taken to ensure that the Group continues to apply high standards of corporate governance.

At Keller, the Board of Directors is accountable for ensuring that the highest standards of governance facilitate the success of the Company and sustain this over time.

The Board believes that Keller's effectiveness should be supported by a strong governance framework. The Group takes pride in its good reputation globally and our Business Conduct Programme continues to promote honesty, fairness and integrity in relations between employees and their work colleagues, customers, suppliers, competitors and the communities in which they work.

In June of 2014 we welcomed Nancy Tuor Moore to the Board and as Chairman of the HSE Committee. Nancy has been spending time in the business and with our HSE leadership team to gain an understanding of the Keller culture and to help shape the direction of our efforts in this area in the future. Her report on HSE is set out on page 42.

In September 2014, Justin announced his intention to retire as CEO of Keller by 31 December 2015. Justin has been with the business for 25 years, leading the business for 11 years. The timing of his departure allows us time to find and appoint his successor with a smooth transition. Further information on how we are approaching the search for his successor can be found in the Nominations Committee report.

Following the 2013 external Board evaluation and in line with corporate governance best practice, during the year an internal Board evaluation was undertaken. The feedback from the evaluation confirmed that the Board and each of its Committees continue to operate effectively and that each Director continues to make an effective contribution and retains a strong commitment to their role. The resulting development themes that arose from the evaluation are discussed on page 43. I have also set out how we have progressed against the areas we identified for improvement as part of the 2013 review.

The Board has established arrangements to evaluate whether the information in the annual report is fair, balanced and understandable. Further detail of these arrangements can be found on page 46. As a result of this, the Board considers the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

The Annual Report is sent to all shareholders. We maintain a corporate website, containing a wide range of information of interest to investors, including presentations to institutional investors and analysts. It was recently refreshed and relaunched, assisting our audiences with a simpler, cleaner format and a mobile responsive capability. The website is updated with all formal communications to the investment community immediately following their release through a regulatory news service, in compliance with Keller's obligations under the Listing Rules and Disclosure and Transparency Rules. The Board uses the Annual General Meeting to communicate with private and institutional shareholders and welcomes their participation.

Throughout the year, the Chief Executive and Finance Director regularly meet with, and make presentations to, institutional investors in the UK, Continental Europe and the US. These include meetings following the announcement of the annual and interim results with the Company's largest institutional shareholders on an individual basis. The Finance Director and Financial Controller customarily meet with our debt investors throughout the year and during 2014, held a series of additional meetings with our debt investors as part of the re-financing exercise described in more detail on page 35. All major shareholders have the opportunity on request to meet the Chairman, the Senior Independent Director or, on appointment, any new Non-executive Directors. On a regular basis, the Board is apprised of the views of the investment community through the circulation of brokers' research notes and feedback from analysts and investors, supplemented by occasional investor perception surveys.

The remainder of this report contains the narrative reporting variously required by the Code, the Listing Rules and the Disclosure and Transparency Rules. I hope that you find this an informative and helpful discussion of an important topic.

Yours faithfully

Roy A Franklin
Chairman

2 March 2015

Compliance with the UK Corporate Governance Code

Throughout the financial year ended 31 December 2014, we have complied with the provisions set out in the UK Corporate Governance Code 2012 (the 'Code'). The Code is publicly available at the website of the Financial Reporting Council (www.frc.org.uk). This Corporate Governance section of the Annual Report and Accounts describes how we have applied the main principles of the Code.

A. Leadership

A.1 The role of the Board

The Board met formally eight times during the year. The Group is controlled through its Board of Directors. The Board has formally adopted a schedule of matters reserved to it for decision.

A.2 Division of Responsibilities

The roles of the Chairman and Chief Executive are defined and there is a clear division of responsibilities. Roy Franklin, the Chairman, is responsible for the leadership and effectiveness of the Board. Justin Atkinson, the Chief Executive, is the Director ultimately responsible for the running of the Group's business.

A.3 The Chairman

The Chairman sets the Board's agenda, ensures that adequate time is given for discussion of all agenda items, facilitates effective Board processes, and ensures that Directors are properly briefed in order to take a full and constructive part in the Board and Board Committee discussion. Also, the Chairman ensures effective communication with shareholders.

A.4 Non-executive Directors

The Non-executive Directors constructively challenge and help to develop proposals on strategy and bring strong independent judgement, knowledge and experience to the Board's deliberations. Periodically, the Chairman meets with the Non-executive Directors without the Executive Directors present. Apart from the formal Board meetings, there is regular informal contact between the Directors.

B. Effectiveness

B.1 The composition of the Board

The Nomination Committee keeps under review the balance of skills on the Board and the knowledge, experience, length of service and performance of the Directors.

B.2 Appointments to the Board

The appointment of new Directors to the Board is led by the Nomination Committee. Further details of the activities of the Nomination Committee can be found on page 44.

B.3 Commitment

On appointment, Directors are notified of the time commitment expected from them. External directorships, which may impact existing time commitments, must be agreed with the Chairman.

B.4 Development

On appointment, the Directors are provided with induction training and information about the Group, the role of the Board and the matters reserved for its decision, the terms of reference and membership of Board Committees and the latest financial information. This is supplemented by meetings with the Company's legal and other professional advisers, where appropriate, visits to key locations and meetings with certain senior executives to develop the Directors' understanding of the business. Also, the Directors are continually apprised of best practice, regulatory and legislative developments.

B.5 Information and Support

The Chairman, in conjunction with the Company Secretary, ensures that all Board members receive timely and accurate information. The Company Secretary ensures that there are effective information flows to the Board and its Committees and between senior management and Non-executive Directors.

B.6 Evaluation

During 2014, the Company Secretary assisted the Chairman in a review of the performance of the Board, its Committees and Directors.

B.7 Re-election

All Directors were subject to shareholder election or re-election at the 2014 AGM, as will be the case at the AGM in May 2015.

C. Accountability

C.1 Financial and Business Reporting

The Strategic Report on pages 6 to 35 provides information about the performance of the Group, the business model, strategy, principal risks and uncertainties relating to the Group's future prospects.

C.2 Risk Management and Internal Controls

The Board confirms that there is an ongoing process for identifying, evaluating and managing significant risks faced by the Group. Principal risks, including controls and mitigating actions are set out on pages 22 and 23 of the Strategic Report.

C.3 Audit Committee and Auditors

The Board has delegated a number of responsibilities to the Audit Committee, which is responsible for overseeing the Group's financial reporting processes, internal audit and work undertaken by the external auditors. The chairman of the Audit Committee provides regular updates to the Board.

D. Remuneration

D.1 The Level and Components of Remuneration

The Remuneration Committee sets levels of remuneration appropriately so as to attract, retain and motivate the Board, but also structures remuneration so as to link it to both corporate and individual performance, thereby aligning management's interest with those of shareholders.

D.2 Procedure

Details of the work of the Remuneration Committee can be found in the Remuneration Report on pages 48 to 60.

E. Relations with shareholders

E.1 Dialogue with Shareholders

The Board is committed to ongoing engagement with shareholders and has an established cycle of communication based on the Group's financial reporting calendar. This includes preliminary results in March, publication of the Annual Report in March, half year results in August and Interim Management Statements in May and November. The Board is keen to understand the views of shareholders and ensures open dialogue throughout the year.

E.2 Constructive Use of the AGM

The Board uses the AGM to communicate with private and institutional shareholders and welcomes their participation. The Notice of the AGM, detailing all proposed resolutions, is sent to shareholders at least 20 working days before the meeting.

Corporate governance statement
continued

Board of Directors

1 Justin Atkinson
Chief Executive. Age 54
Justin became CEO of Keller in 2004 after joining the Group in 1990. A Chartered Accountant by training, he has held the roles of Group Finance Director (1999–2003) and Chief Operating Officer (2004). In September of 2014, Justin announced his intention to retire from Keller by the end of 2015, when he will be 55.

2 James Hind
Finance Director. Age 50
James was appointed Finance Director in 2003 after joining the Group from D S Smith plc, where he was Group Financial Controller. James spent two years in the New York office of Coopers & Lybrand advising on mergers and acquisitions further to qualifying as an accountant.

3 Wolfgang Sondermann
Director, Global Technology & Best Practice. Age 64
A geotechnical engineer by training, Wolfgang joined the Group in 1986 and was appointed to the Board in 2003. He was appointed Director, Global Technology & Best Practice in January 2012.

In 2014, Wolfgang was appointed as Chairman of the Board of the German Geotechnical Society (DGGT), a technical and scientific society dedicated to the science and application of soil and rock as a foundation and construction material.

4 Roy Franklin
Non-executive Chairman. Age 61
Roy was appointed to the Board in 2007 and became Chairman of the Board and the Nomination Committee in 2009. He was formerly Chief Executive of Paladin Resources plc and Group Managing Director of Clyde Petroleum plc, following various senior management posts at BP. Roy's background in the international oil and gas sector brings with it an understanding of what it takes to operate within challenging markets.

Roy is a Non-executive Director of the Australian-listed company Santos Ltd. He is also an Advisory Board Member of Kerogen Capital, a Non-executive Director of privately held Cuadrilla Resources Holdings Limited and is a member of the Supervisory Board of OMV AG.

5 Ruth Cairnie
Independent Non-executive Director. Age 61
Appointed to the Board in 2010, Ruth is a member of the Nomination and Health, Safety & Environment Committees and is Chairman of the Remuneration Committee. A physicist by background, Ruth's strategic and commercial experience were gained within Shell, where she held a number of senior international roles, most recently as Executive Vice President Strategy and Planning, before her retirement in 2014.

Ruth is a Non-executive Director of Associated British Foods plc and Rolls-Royce Holdings plc.

6 Chris Girling
Independent Non-executive Director. Age 61
Chris was appointed to the Board and the Audit, Remuneration and Nomination Committees in 2011 and is Chairman of the Audit Committee. A chartered accountant by training, Chris was formerly Group Finance Director of Carillion plc and he brings to Keller his background in a range of sectors, as well as recent and relevant financial experience.

He is a Non-executive Director of Workspace Group PLC and South East Water Limited and the independent Chairman Trustee for Slaughter and May's pension fund.

7 Nancy Tuor Moore
Independent Non-executive Director. Age 66
Nancy was appointed to the Board and as a member of the Audit, Nomination and Health, Safety & Environment Committees on 26 June 2014 and is Chairman of the Health, Safety & Environment Committee. Nancy's extensive international business experience, together with a proven record in winning and safely delivering both global and local contracts, was gained at CH2M Hill, Inc., where she held the Board position of Group President and Corporate Sponsor for Sustainability before retiring in 2013.

Nancy is a Non-executive Director on the Board of Global Food Exchange and a member of the Board of Governors for Colorado State University.

8 Paul Withers
Senior Independent Director. Age 58
Appointed to the Board and as a member of the Audit, Nomination, Remuneration and Health, Safety & Environment Committees on 17 December 2012, Paul is also the Senior Independent Director. He qualified as a chartered mechanical engineer and was Group Managing Director at BPB plc, the international building materials business, where he spent his executive career.

He is a Non-executive Director of Devro plc and Premier Farnell plc.

9 Kerry Porritt
Group Company Secretary. Age 44
Kerry was appointed Group Company Secretary in 2013. She is a Fellow of the Institute of Chartered Secretaries and Administrators and has over 20 years' experience of complex and global FTSE100 companies.

Leadership

The role of the Board and its Committees

Board

Strategy development, growing shareholder value, oversight and corporate governance

- provide entrepreneurial leadership of the Group driving it forward for the benefit, and having regard to, the views of its shareholders and other stakeholders
- govern the Group within a framework of prudent and effective controls which enable risk to be assessed and managed to an appropriate level
- approve the Group's strategic objectives
- ensure that sufficient resources are available to enable it to meet those objectives
- it delegates authority to manage the business to the Chief Executive Officer and also delegates other matters to Board committees and management as appropriate.

The Board has formally adopted a schedule of matters reserved to it for its decision.

Audit Committee

Oversee the Group's financial reporting, risk management and internal control procedures and the work of its internal and external auditors (page 46)

HSE Committee

Oversee the Board's responsibilities in relation to health, safety and environmental matters, arising out of the activities of the Company and its subsidiaries (page 42)

Nomination Committee

Review the composition of the Board and plan for its progressive refreshing with regard to balance and structure as well as succession planning (page 44)

Remuneration Committee

Determine the framework, policy and levels of remuneration and make recommendations to the Board on the remuneration of the CEO, executive directors and senior executives (page 48)

Executive Committee

Assists the CEO to develop and implement strategy, operational plans, budgets, policies and procedures, monitor operating and financial performance, assess and control risks, prioritise and allocate resource, monitor competitive forces in each area of operation.

The terms of reference for each of the Board's key committees, which are reviewed on an annual basis, can be found on our website.

Key roles	Responsibilities
Chairman	Responsible for leading the Board, its effectiveness and governance. The Chairman is responsible for the following matters pertaining to the leadership of the Board: – ensuring appropriate Board composition; – ensuring effective Board processes; – setting the Board's agenda; – ensuring that Directors are properly briefed in order to take a full and constructive part in Board and Board Committee discussions; – ensuring effective communication with shareholders; and – ensuring constructive relations between Executive and Non-executive Directors.
Chief Executive Officer	Responsible for the formulation of strategy and the business of the Board. The Chief Executive is responsible for the following matters: – formulating strategy proposals for the Board; – formulating annual and medium-term plans charting how this strategy will be delivered; – apprising the Board of all matters which materially affect the Group and its performance, including any significantly underperforming business activities; and – leadership of executive management to enable the Group's businesses to deliver the requirements of shareholders: ensuring adequate, well-motivated and incentivised management resources; ensuring succession planning; and ensuring appropriate business processes. The roles of the Chairman and the CEO are quite distinct from each other and are clearly defined in written terms of reference for each role.
Senior Independent Director	Discusses any concerns with shareholders that cannot be resolved through the normal channels of communication. The role of Senior Independent Director provides a point of contact for those shareholders who wish to raise issues with the Board, other than through the Chairman. The Board has agreed that the Senior Independent Director will act as Chairman of the Board in the event that the Chairman is unable to do so for any reason.
Company Secretary	Ensures good information flows to the Board and its committees and between senior management and Non-executive Directors. All Directors have access to the advice and services of the Company Secretary. The Company Secretary is responsible for ensuring that the Board operates in accordance with the governance framework it has adopted and that there are effective information flows to the Board and its Committees and between senior management and the Non-executive Directors. The appointment and resignation of the Company Secretary is a matter for consideration by the Board as a whole.

Board and Committee meetings and attendance

Director	Board	Audit Committee	HSE Committee	Nomination Committee	Remuneration Committee
Justin Atkinson[1]	8/8	–	–	3/3	–
Ruth Cairnie	7/8	–	3/4	3/4	3/3
Roy Franklin	8/8	–	–	4/4	–
Chris Girling[2]	7/8	4/4	1/1	3/4	3/3
James Hind	8/8	–	–	–	–
Wolfgang Sondermann	7/8	–	–	–	–
Nancy Tuor Moore[3]	5/5	2/2	2/2	2/2	–
Paul Withers	8/8	4/4	4/4	4/4	3/3

[1] Justin Atkinson did not attend a Nomination Committee meeting relating to CEO succession.

[2] Chris Girling attended as an alternate member of the HSE Committee in Ruth Cairnie's absence.

[3] Nancy Tuor Moore was appointed to the Board on 26 June 2014.

Board diversity
Keller continues to be supportive of the need for diversity on its Board to provide the necessary range of background, experience, values and perspectives to optimise the decision-making process. Gender is seen as one important aspect of diversity to which the Chairman and the Nomination Committee must pay due regard when deciding upon the most appropriate composition of the Board.

The Board has established a range of backgrounds, capabilities and experiences that are critical for the overall Board composition and this forms the key objective and basis for the search and assessment of candidates for future positions. Within this context, in the ongoing process of refreshing the Board, the Company continues to encourage and welcome interest from women, as from other candidates who will add to the Board's diversity. Against this overriding objective, the Company does not currently propose to set targets for the percentage of women or other aspects of diversity on its Board in future years.

The Board, as at the date of this Annual Report and Accounts, comprises 25% women – two women: six men (14% at 4 March 2013 – one woman: six men).

Within the Keller Group, our overall senior management population comprises 7% women and women employees account for 9% of the organisation as a whole.

Professional development
On appointment, Directors are provided with induction training and information about the Group, the role of the Board and the matters reserved for its decision, the terms of reference and membership of the Board Committees and the latest financial information about the Group. This is supplemented by meetings with the Company's legal and other professional advisers, and, where appropriate, visits to key locations and meetings with certain senior executives to develop the Directors' understanding of the business.

Nancy Tuor Moore was appointed to the Board and as Chairman of the HSE Committee in June 2014. Nancy's induction programme has included specific training on the regulatory and governance requirements of a UK PLC, site visits to a number of contracts in the UK and USA, and attendance at the HSE Safety Conference in the USA.

Throughout their period of office, Non-executive Directors are continually updated on the Group's business, its markets, social responsibility matters and other changes affecting the Group and the industry in which it operates, including changes to the legal and governance environment and the obligations on themselves as Directors.

In April 2014, the Directors spent two days in Calgary meeting the senior management team of Keller Canada during which time they received updates on the business and its local markets from the team and from local industry experts. In December 2014, the Company Secretary facilitated a boardroom discussion on forthcoming regulatory and legislative developments between the Board and its corporate lawyers, DLA Piper UK LLP.

Directors' conflicts of interests
Under the Companies Act 2006, a Director must avoid a situation where they have, or could have, a direct or indirect interest that conflicts, or possibly may conflict, with Keller's interests. The Act allows Directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the articles of association contain a provision to this effect. The Articles of Association give the Directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with. To address this issue, at the commencement of each Board meeting, the Board considers its register of interests and gives, when appropriate, any necessary approvals.

There are safeguards which will apply when Directors decide whether to authorise a conflict or potential conflict. First, only Directors who have no interest in the matter being considered will be able to take the relevant decision, and secondly, in taking the decision, the Directors must act in a way that they consider, in good faith, will be most likely to promote Keller's success. The Directors are able to impose limits or conditions when giving authorisation if they think this is appropriate. These procedures on conflict have been followed throughout the year and the Board considers the approach to operate effectively.

Health, Safety & Environment Committee report

Nancy Tuor Moore
Chairman of the Health, Safety & Environment Committee

HSE Committee Membership:
- Nancy Tuor Moore (Chairman from 26 June 2014)
- Ruth Cairnie
- Paul Withers (Interim Chairman until 26 June 2014)

Dear shareholder
It is my pleasure to present the HSE Committee Report for the year ended 31 December 2014.

Key objective
The Committee assists the Board in fulfilling its oversight responsibilities in relation to health, safety and environmental matters arising out of the activities of the Company and its subsidiaries. The Committee is responsible for monitoring and reviewing the Group's Health and Safety Framework and Environmental Policy in line with applicable laws and regulations. It also evaluates and oversees the quality and integrity of the Company's reporting to external stakeholders concerning health, safety and environmental matters.

Terms of reference of the Committee
The Committee's terms of reference, which were reviewed during the year, are available on the Group's website (www.keller.co.uk) and on request from the Company Secretary.

Committee meetings
The Chief Executive and the Group Health, Safety & Environment Director attend all meetings of the Committee. Members of the Executive Committee have an open invitation to attend meetings where they are encouraged to contribute and present.

The Committee is required to meet at least twice per year. During this financial year the Committee met four times.

Activities of the Committee
The main activities of the Committee since the last report were as follows:

- reviewing the Group's safety performance in 2014 against its plan
- approving the Group's 2015 health, safety and environment plan
- receiving safety performance reports and updates on progress against the 2014 health, safety and environment plan
- recommending to the Board new policies on Sustainability and Occupational Health; and
- receiving updates on regulatory and legal developments.

It was particularly hard to receive the news of an employee fatality in Ghana in June 2014 and underpinned the importance of encouraging and supporting the Think Safe framework in all of our operations across the world.

I have focused my time at Keller to date on meeting the global HSE safety team, to understand their priorities and the safety culture within the Company. Next year, I shall report on our progress.

Further detail on the Company's HSE performance in 2014 can be found in our Strategic Report on page 24.

Nancy Tuor Moore
Chairman of the Health, Safety & Environment Committee

2 March 2015

Effectiveness

Directors and Directors' independence

The Board currently comprises the Chairman, four other Non-executive Directors and three Executive Directors. The names of the Directors at the date of this report, together with their biographical details, are set out on page 38. All of these Directors served throughout the year with the exception of Nancy Tuor Moore who was appointed on 26 June 2014.

The Non-executive Directors constructively challenge and help to develop proposals on strategy and bring strong independent judgment, knowledge and experience to the Board's deliberations. Periodically, the Chairman meets with the Non-executive Directors without the Executive Directors present. Apart from formal contact at Board meetings, there is regular informal contact between the Directors.

Ruth Cairnie, Chris Girling, Nancy Tuor Moore and Paul Withers are all considered to be independent Non-executive Directors. Roy Franklin was independent at the time of his appointment as Chairman on 1 August 2009. His other professional commitments are as detailed on page 38.

All Directors are subject to election by shareholders at the first Annual General Meeting ('AGM') following their appointment and to annual re-election thereafter, in accordance with the Code.

Board evaluation

The Board has continued to make good progress in relation to the findings of its external evaluation, concluded in 2013, particularly with regard to the areas of health and safety, where Nancy Tuor Moore now chairs the HSE Committee, and executive succession planning, for which there is now a Group development programme in operation.

In 2014, we undertook an internally facilitated review of the performance of the Board, its Committees and individual Directors. This process was managed by the Company Secretary, under the Chairman's direction. The Senior Independent Director directed a review of the Chairman, in parallel.

The review covered: the Board dynamics and the quality of Board discussion; the organisation and working of the Board Committees; the composition of the Board, including the skill sets of Directors, their knowledge of the business and the balance between Executive and Non-executive Directors; and the Board's interaction and relationship with the Executive Committee.

The evaluation was conducted by way of an online questionnaire, with content developed by the Company Secretary, and the Chairman and Senior Independent Director followed up with each respondent individually. The results of the review were discussed at the Board's meeting in December 2014 and a number of areas identified for further action, including Chairman and Non-executive Director succession planning and increased interaction between the Board and Executive Committee.

Following this process, the Chairman has confirmed that the Directors standing for election at this year's AGM continue to perform effectively and to demonstrate commitment to their roles.

Information and support

The Board and each Committee are satisfied that they receive sufficient, reliable and timely information in advance of meetings and are provided with all necessary resources and expertise to enable them to fulfil their responsibilities and undertake their duties in an effective manner.

For each Board and Committee meeting, Directors are provided with a tailored Board pack at least one week prior to the meeting. To improve the delivery and security of Board papers, the Company continues to use an electronic system allowing the Board to easily access information, irrespective of geographic location. Directors regularly receive additional information from the Company between Board meetings, including a monthly Group performance update. Where a Director was unable to attend a meeting, they were provided with all the papers and information relating to that meeting and were able to discuss issues arising directly with the Chairman and Chief Executive.

Board focus areas in 2014

Strategy

- reviewed and approved the Group's strategic plans and annual budget
- evaluated and approved:
  - a contract bid and award in the Caspian region
  - the acquisition of Ansah, a piling business in Malaysia
- considered and evaluated further adjacencies to the Group structure.

Risk

- considered the principal risks and uncertainties which could impact the Group
- reviewed the risk management framework with particular regard to contract and tendering risk.

Finance

- considered and approved the refinancing of the Group's syndicated credit facilities and US private placements
- considered and agreed the 2014 interim and final dividends.

Operational performance

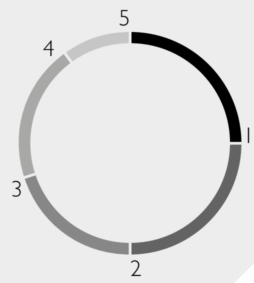
- received and considered operational performance presentations from the MDs of the US, Asia and EMEA regions.

HSE

- considered health and safety performance throughout the Group
- appointed a new Chairman to the Health, Safety and Environment Committee.

2014 Board meetings – time spent

1. Strategy
2. Risk
3. Finance
4. Operational performance
5. HSE



Nomination Committee report

Roy A Franklin
Chairman of the Nomination Committee

Nomination Committee Membership:
– Roy Franklin (Chairman)
– Justin Atkinson
– Ruth Cairnie
– Chris Girling
– Nancy Tuor Moore
– Paul Withers

Dear shareholder

This report provides details of the role of the Nomination Committee and the work it carried out during 2014.

Key objective

The Committee keeps under review the balance of skills on the Board and the knowledge, experience, length of service and performance of the Directors.

Terms of reference of the Committee

The Committee's terms of reference, which were reviewed during the year, are available on the Group's website (www.keller.co.uk) and on request from the Company Secretary.

Committee meetings

No one other than a member of the Committee is entitled to be present at its meetings. Justin Atkinson did not attend a meeting of the Committee where CEO succession was discussed.

The Committee is required to meet at least twice per year. During this financial year the Committee met four times.

Activities of the Committee

The main activities of the Committee since the last report were as follows:

– the appointment of Nancy Tuor Moore as a new Non-executive Director in June 2014
– CEO succession planning, including the creation of a role profile and the appointment of Egon Zehnder as external search consultants to assist with the search in September 2014
– oversight of the development and implementation of an executive development programme for the Group.

The search for a new CEO is progressing positively and we will report on the outcome in due course.

Keller and the Committee continue to encourage and welcome interest from women, as from other candidates who will add to the Board's diversity. The Board's overriding objective is to continue to provide effective leadership and, therefore, the Committee continues to recommend for appointment only the most appropriate candidates to the Board in line with the criteria set out on page 41. There are, therefore, no formal targets set for female representation at Board level.

In accordance with the requirements of the UK Corporate Governance Code, all members of the Board will seek re-election at the Annual General Meeting in May 2014, with the exception of Nancy Tuor Moore who will seek her first election.

In December 2014, the Committee formally reviewed the performance, contribution and commitment of each of the Directors retiring at this year's Annual General Meeting and seeking reappointment, and supported and recommended their reappointment to the Board. The Committee has confirmed that each Director continues to perform well both on an individual and collective basis, making a valuable contribution to the Board's deliberations and demonstrating commitment to Keller's long-term interests.

Roy A Franklin
Chairman of the Nomination Committee

2 March 2015

Accountability

Internal control

The Board is ultimately responsible for the Group's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and can provide only reasonable, not absolute, assurance against material misstatement or loss.

The Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group, which has been in place for the year under review and up to the date of approval of the Annual Report and Accounts. This process is regularly reviewed by the Board and accords with the guidance.

The principal elements of the internal control framework are as follows:

(a) Risk identification and evaluation

Managers are responsible for the identification and evaluation of significant risks applicable to their areas of business, together with the design and operation of suitable internal controls. These risks may be associated with a variety of internal or external sources including market cycles, acquisitions, people, technical risks such as engineering and project tendering and management, health and safety risks, control breakdowns, disruptions in information systems, natural catastrophe and regulatory requirements. The identified risks, and the controls in place to manage them, are subject to continual reassessment.

On an annual basis, the significant risks across all principal business units and divisions are collated and discussed in detail with each management team. The outcome of these discussions is collated in the Group risk report, which summarises and prioritises the significant risks facing the Group. These risks are discussed, challenged and reviewed by the Board each year.

The Chief Executive reports to the Board on significant changes in the business and the external environment that affect significant risks. The Finance Director provides the Board with monthly financial information which includes key performance and risk indicators. More information on our principal risks can be found on pages 22 and 23. Keller's KPIs are set out on page 23.

(b) Authorisation procedures

Documented authorisation procedures provide for an auditable trail of accountability. These procedures are relevant across Group operations and provide for successive assurances to be given at increasingly higher levels of management and, finally, to the Board.

(c) Management of project risk

Project risk is managed throughout the life of a contract from the bidding stage to completion.

Detailed risk analyses covering technical, operational and financial issues are performed as part of the bidding process. Authority limits applicable to the approval of bids relate both to the specific risks associated with the contract and to the total value being bid by Keller, or any joint venture to which Keller is a party. Any bids involving an unusually high degree of technical or commercial risk, for example those using a new technology or in a territory where we have not previously worked, must be approved at a senior level within the operating company.

On average, our contracts have a duration of around six weeks but larger contracts may extend over several months. The performance of contracts is monitored and reported by most business units on a weekly basis. In addition, thorough reviews are carried out by senior managers on any poorly performing jobs and full cost-to-complete assessments are routinely carried out on extended duration contracts.

Further detail on the management of project risk is provided in the section headed 'Principal risks and KPIs' on pages 22 and 23.

(d) Health and safety

Regular reporting, monitoring and reviews of health and safety matters are made to the HSE Committee and the Board.

(e) Budgeting and forecasting

There is a comprehensive budgeting system with an annual budget approved by the Board. This budget includes monthly profit and loss accounts, balance sheets and cash flows. In addition, forecasts are prepared for the two subsequent years. Forecasts for the full year are regularly updated during the year.

(f) Financial reporting

Detailed monthly management accounts are prepared which compare profit and loss accounts, balance sheets, cash flows and other information with budget and prior year, and significant variances are investigated.

(g) Cash control

Each business reports its cash position weekly. Regular cash forecasts are prepared to monitor the Group's short- and medium-term cash positions and to control immediate borrowing requirements.

(h) Investments and capital expenditure

All significant investment decisions, including capital expenditure, are referred to the appropriate divisional or Group authority level.

(i) Internal audit

The Group has a structured programme of independent, outsourced audit reviews, covering tendering, operational processes and internal financial controls. The intention is to conduct an internal audit of all material business units at least once every four years. This programme has been carried out by PricewaterhouseCoopers since 2010. The programme is approved and monitored by the Audit Committee, which reviews the findings of each such exercise.

(j) Electronic Internal Control Questionnaire ('EICQ')

Each year, every principal business unit is required to complete an electronic questionnaire responding to whether key internal financial and non-financial controls are in place. The results of these questionnaires are summarised in a 'heat map', which is presented to and discussed by the Audit Committee. The responses to the questionnaires are also reviewed by PricewaterhouseCoopers during each internal audit.

(k) Annual compliance statement

Once a year, managers are asked to confirm the adequacy of the systems of internal controls for which they are responsible; and their compliance with Group policies, local laws and regulations; and to report any significant control weaknesses or 'breakdowns' identified in the past year.

(l) Business conduct

The Group's business conduct handbook sets out the Group's policies and processes with regards to conducting business in all business units worldwide. All business units are required to self-certify that they are compliant with the Group's business conduct handbook and compliance with the handbook is considered as part of the independent reviews.

(m) Whistle-blowing procedures

Employees are encouraged to raise genuine concerns about malpractice at the earliest possible stage and a confidential whistle-blowing hotline and e-mail address is available. Any issues raised are thoroughly investigated and reported back to the Audit Committee.

The management of financial risks is described in the Financial review and the management of the principal risks and uncertainties facing the Group is described in the Operating review.

Corporate governance statement
continued

Audit Committee report

Chris Girling
Chairman of the Audit Committee

Audit Committee Membership:
– Chris Girling (Chairman)
– Nancy Tuor Moore (appointed 26 June 2014)
– Paul Withers

Dear shareholder
This report provides details of the role of the Audit Committee and the work it carried out during the year.

The Chairman, Chief Executive, Finance Director, Group Financial Controller and the Company's external auditors (the 'Auditors') normally attend, by invitation, all meetings of the Committee. PricewaterhouseCoopers, in their role as internal auditors, attend at least two meetings of the Committee each year.

Key objective
To assist the Board in discharging its responsibility for ensuring that the Group's financial systems provide accurate and up-to-date information on its financial position and that the Group's published financial statements represent a true and fair reflection of this position. It also reviews annually the Group's systems of internal control and the processes for monitoring and evaluating the risks facing the Group.

Terms of reference of the Committee
The Committee's terms of reference, which were reviewed during the year, are available on the Group's website (www.keller.co.uk) and on request from the Company Secretary.

Committee meetings
The Committee is required to meet at least twice per year. During this financial year the Committee met four times, all with the Company's Auditors in attendance, and on two of these occasions, the Committee met privately with the Auditors without management being present.

Activities of the Committee
During the year, the Audit Committee discharged its responsibilities by:

– reviewing an annual report on the Group's system of internal control and its effectiveness and receiving regular updates on key risk areas of financial control
– reviewing and approving the Auditors' engagement letter and audit fee
– reviewing the Auditors' reports and the Group's draft financial statements and recommending them for approval to the Board
– reviewing the scope and results of the audit, its cost-effectiveness and the independence and objectivity of the Auditors
– undertaking an assessment of the effectiveness of the internal audit process
– approving a rolling four-year programme of internal audit reviews of aspects of the Group's operations and financial controls and receiving reports on all reviews carried out during the year
– receiving briefings on various technical issues, such as accounting standards and their practical consequences for Keller
– reviewing the Group's whistle-blowing policy and monitoring the procedures in place for employees to be able to raise matters of possible impropriety
– reviewing the Committee's effectiveness and its terms of reference
– reviewing the Group's policy on employment of the Auditors for non-audit services
– reviewing the need for an internal audit function
– reviewing the Group's policy on the employment of former employees of the Auditors.

The Audit Committee also reviewed the Company's processes to ensure that it was able to offer advice to the Board over whether the 2014 Annual Report and Accounts can be considered fair, balanced and understandable. The following processes were established in 2013 and were used again in 2014 to provide assurance: the co-ordination and review of the Annual Report and Accounts was performed within an exacting time-frame which ran alongside the formal audit process undertaken by the Auditors; guidance was issued to contributors at an operational level; an internal verification process dealing with the factual content of the reports took place; and a comprehensive review was undertaken by the senior management team and external advisers that aimed to ensure consistency and overall balance.

Significant issues considered by the Committee in relation to the financial statements focused on the Group's approach to key estimates and judgments in connection with:

- accounting for construction contracts. The main factors considered when making those estimates and judgments include the percentage of work completed at the balance sheet date on longer-term contracts, the costs of the work required to complete the contract and the outcome of claims and variations raised against customers and claims raised against the Group by customers or third parties. The Committee has reviewed a report prepared by management on the key estimates and judgments relating to construction contracts having a material impact on the Group's result for the year, including the estimates and judgments relating to the significant contract dispute presented within exceptional items
- the carrying value of goodwill. The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy set out in Note 2 to the financial statements. The Group estimates the recoverable amount based on value in use calculations. These calculations require the use of assumptions, the most important being the forecast revenues, operating margins and the discount rate applied. The key assumptions used for the value in use calculations are set out in Note 13 to the financial statements. The Committee has reviewed the key assumptions used for all impairment tests of material goodwill balances. In particular, this review has focused on Keller Limited in the UK and Keller Canada where there is the most uncertainty surrounding the projections used in the value in use calculation.

The Committee also examined the disclosure of items which are described as exceptional in the consolidated income statement and discussed the appropriateness of such disclosure with the Company's Auditors.

These matters and any audit differences are considered in the Committee meetings that review the full-year and interim results. At these meetings, the Committee discusses with the Auditors whether they consider management's assumptions behind these estimates and judgments to be conservative or aggressive. In addition, during such meetings, the Committee meets with the Auditors without management being present.

External audit

The Committee places great importance on ensuring there are high standards of quality and effectiveness in the external audit process.

KPMG were re-appointed as the Company's Auditor in 2014, further to a retendering of the external audit process.

The Committee has undertaken an assessment of the effectiveness of the external audit process of the 2013 financial statements. This assessment focused on: the calibre of the audit firm (including reputation, presence in the industry, size, resources and geographic spread); its quality control processes; the quality of the team assigned to the audit; the audit scope, fee and audit communications; and the governance and independence of the audit firm. This process was supported by the completion of a questionnaire by each material Keller business and the divisional finance teams following the conclusion of the audit. The questionnaire covered areas such as the quality of audit team, their understanding of the business, and the management of and approach to the audit. Where appropriate, actions were agreed against the points raised and will be monitored for progress.

There are a number of checks and controls in place for safeguarding the objectivity and independence of the Auditors. There are open lines of communication and reporting between the Auditors and the Committee and when presenting their 'independence letter' KPMG discuss with the Committee their internal process for ensuring independence.

A detailed assessment of the amounts and relationship of audit and non-audit fees and services is carried out each year and the Audit Committee has developed and implemented a policy regulating the placing of non-audit services to the Auditors, which should prevent any impairment of independence. Any work awarded to the Auditors, other than audit or tax compliance, with a value in excess of £100,000 requires the specific approval of the Committee.

Over the last five years, the ratio of non-audit related fees paid to the Auditor averaged 49% of the total audit fee. The ratio of non-audit related fees paid to the Auditor in 2014 is 41% of the total audit fee.

Also, as part of its annual review of Auditors' independence, the Committee reviews the level and nature of entertainment between the Auditors and management.

A resolution to re-appoint KPMG LLP will be put to shareholders at the Annual General Meeting to be held in May 2015.

Internal audit

PricewaterhouseCoopers continues to provide a structured programme of independent, outsourced reviews of all material business units at least once every four years. During 2014, the Audit Committee received and considered reports from PricewaterhouseCoopers which detailed the progress against the agreed work programme for 2014. This programme covered reviews of business units in six countries, which together represented approximately 13% of the Group's turnover for the year. In September, the Committee formally reviewed the effectiveness of these arrangements, concluding that the internal audit arrangements were appropriate and effective.

Chris Girling
Chairman of the Audit Committee

2 March 2015

Directors' Remuneration report

Annual statement

Ruth Cairnie
Chairman of the Remuneration Committee

Remuneration Committee Membership:
– Ruth Cairnie (Chairman)
– Chris Girling
– Paul Withers

Key objective
To determine the framework, broad policy and levels of remuneration for the Group's Chief Executive Officer (CEO), the Group's Finance Director and Technology and Best Practice Director and other executives as deemed appropriate. The framework includes, but is not limited to, establishing stretching performance-related elements of reward and is intended to promote the long-term success of the Company.

Terms of reference of the Committee
The Committee's terms of reference, which were reviewed during the year, are available on the Group's website (www.keller.co.uk) and on request from the Company Secretary.

Committee meetings
Committee meetings are attended by the members. In addition, the Chairman and the CEO may attend meetings as required. The CEO is not present when his own performance or remuneration is discussed, and no Director is involved in deciding their own remuneration.

The Committee is required to meet at least twice per year. During this financial year the Committee met three times.

Key responsibilities
- making recommendations to the Board, within the agreed terms of reference, on Keller's framework of executive remuneration.
- determining the contract terms, remuneration and other benefits for each of the Executive Directors, including performance share awards, performance-related bonus schemes, pension rights and compensation payments.
- monitoring remuneration for senior executives below Board level.
- approval of share awards.

Remuneration overview
- our remuneration policy supports the following principles:
- to provide a clear link between performance and reward and ensure that the Executive Directors' interests are closely aligned with those of our shareholders.
- to help us to attract, retain and motivate high-calibre executives to manage the business and deliver against our strategy, ensuring the long-term success of the company

Dear shareholder,
It is my pleasure to present the Directors' Remuneration Report for the year ended 31 December 2014.

Remuneration overview
In 2014, the Remuneration Committee's membership, remit and role were unchanged compared to 2013 and we continued to apply our remuneration policy, as approved by shareholders at the Annual General Meeting in May 2014.

Remuneration policy
We operate a remuneration structure comprising base salary and benefits, a bonus plan and a long-term incentive plan, which provides a clear link between pay and strategic priorities. We believe that the policy as a whole is well aligned to the current business strategy and the outcomes reflect business performance.

Activities of the Committee
The Committee's main regular activities during 2014 were as follows:

- we reviewed the performance of the Group for the year, and the performance of the Executive Directors to determine bonus outcomes for 2014
- we approved share awards for 2014
- we set base salaries and established the Executive Directors' bonus arrangements for 2015
- we reviewed the Directors' remuneration report
- we considered remuneration market trends and corporate governance developments.

In addition, during the year the Committee:
- took advice on and agreed the remuneration arrangements for Justin Atkinson, who will retire as CEO no later than 31 December 2015
- reviewed the remuneration principles applicable to an incoming CEO
- considered the revised UK Corporate Governance Code; the Committee concluded that the clawback arrangements currently applicable to the Company's bonus plan and long-term incentive plan, which include both clawback and malus, are appropriate and meet with the requirements.

Remuneration for 2014
The Group's results for 2014 demonstrated continued good progress in delivery of the strategy with profit before tax* increasing by 15% and earnings per share* by 3%.

Performance Share Awards granted in 2012 are measured using EPS and TSR targets: with EPS determined before exceptional items according to the scheme rules. These targets were met in full and 100% of the Awards vested in March 2015.

A strong performance by the Group for the year would have resulted in bonuses ranging from 78% to 82% for the Executive Directors under the Company's annual bonus plan.

However, the PBT and EPS elements of the financial targets in the annual bonus plan are set after exceptional items and performance was thus impacted by the exceptional charge detailed in Note 7 to the accounts. This led to the payment potential of the EPS and PBT elements being reduced to zero and, under the rules of the plan, to restrict the payment potential against personal strategic objectives to 15% for Justin Atkinson, James Hind and Wolfgang Sondermann. The adverse impact on bonuses has also been cascaded down to the Executive Committee.

Details of the remuneration decisions for 2014 are set out in the Directors' annual remuneration report on pages 54 to 60.

Remuneration for 2015
The base salaries of James Hind and Wolfgang Sondermann were increased by 3%, to £340,337 and £355,402 respectively, with effect from 1 January 2015, in line with general pay increases of 3% awarded across the Group.

As reported by the Chairman in his Corporate Governance report, an external search is underway for a successor to the CEO at Keller. Justin Atkinson will continue to be employed by the Company until 31 December 2015.

Justin will continue to receive his normal base salary and benefits during his employment but his bonus for 2015 will be pro-rated to the date he steps down as CEO and he will not be eligible for a share award in 2015. The financial arrangements relating to Justin's retirement will be consistent with the remuneration policy and will be disclosed once his employment ceases.

The Committee has set Justin's base salary at £477,400 with effect from 1 January 2015, an increase of 2% reflecting general inflation.

During 2015, Wolfgang Sondermann will reach retirement age and he will, therefore, not receive a share award. The Committee considered the impact of the 2015 retirements of Justin and Wolfgang and, given the exceptional circumstances, decided it was appropriate to use its discretion under the remuneration policy to award James Hind shares in the amount of 200% of salary.

Remuneration disclosure
This report complies with the requirements of the Large and Medium-sized Companies and Groups Regulations 2008 as amended in 2013, the provisions of the UK Corporate Governance Code 2014 and the UK Listing Authority's Listing Rules and the Disclosure and Transparency Rules.

The report is in two sections:

– a summary of the Directors' remuneration policy report (pages 50 to 53). This section contains details of the remuneration policy approved at the 2014 AGM and is for information only; and
– the Directors' annual remuneration report. This section sets out the details of how our remuneration policy was implemented for the year ended 31 December 2014 and how we intend for it to apply for the year ending 31 December 2015 and it is the subject of an advisory shareholder vote at the AGM in May 2015.

I will be available at the AGM to answer your questions.

Ruth Cairnie
Chairman of the Remuneration Committee

2 March 2015

* Before exceptional items

Directors' Remuneration report
continued

Remuneration policy report

Summary of Directors' remuneration policy report
The remuneration policy was approved at the AGM in May 2014. Provided for information only are the details of the policy that were referenced in Committee activities over the past reporting year which includes the Remuneration policy table, the recruitment remuneration arrangements, Executive Director service contracts and terms and conditions for Non-executive Directors. The full policy report, as approved by shareholders, can be found in last year's remuneration report, a copy of which can be found at www.keller.co.uk/who-we-are/corporate-governance/remuneration-report.

Remuneration policy table

Element	Purpose and link to strategy	Operation	Opportunity	Performance metrics
Base salary Fixed cash compensation, dependent upon experience and responsibilities.	Sufficiently competitive to ensure adequate retention. Sufficient for incentives to be fully variable.	Reviewed annually, effective 1 January. Periodically benchmarked. Pay and conditions throughout the Group taken into account when determining any increase.	No maximum, but positioned broadly at the median. Increases are not expected to exceed average increases for the wider workforce, unless a change in scope or complexity of role applies.	None
Annual bonus Short-term cash incentive up to 100% of salary based on achievement of annual financial and personal strategic objectives. Medium-term incentive: any bonus in excess of 100% of salary (up to a maximum of 150% of salary) is deferred for three years and payout linked to ongoing share price performance.	Drives and rewards annual performance. Part deferral, together with link to share price (see Operation column) focuses participants on medium-term performance and supports alignment with shareholders. The mix of financial and personal strategic objectives, together with Group performance, ensures an appropriate broad focus on different elements of Company performance.	Performance measures and weightings are set at the start of the year to reflect business priorities. Targets are reviewed annually and relate to financial and non-financial targets in line with the business plan. At the end of the year, the Remuneration Committee determines the extent to which targets have been achieved. Any bonus above 100% of salary is deferred (satisfied in cash, adjusted in line with share price movements and dividends paid over the three-year deferral period, commencing on the last day of the year to which the bonus relates). Bonuses are subject to clawback in situations of material misstatement, error or gross misconduct.	For maximum performance – 150% of salary For threshold performance – 0% of salary Bonus up to 100% of salary for very strong performance. Payouts between 0% and 100% of salary are determined broadly on a straight-line basis such that the payout for performance in line with budget ('target') is likely to be in the range of 35%-55% of maximum. Any bonus in excess of 100% of salary only payable for genuinely exceptional performance.	At least 70% based on financial performance. Measures may include (but are not limited to): – Profit before tax ('PBT') – Earnings per share ('EPS') – Average net debt target – Personal strategic objectives. Targets will be adjusted to take account of major acquisitions. Payment potential for personal strategic objectives is capped at 50% of the potential payout if PBT or EPS targets are not triggered. Bonuses may be reduced by up to 10% if pre-defined 'lead' safety targets are not delivered. In addition, the Committee has discretion to reduce bonuses (down to zero, if appropriate) in exceptional circumstances to take into account factors adversely affecting the Company's reputation.

Element	Purpose and link to strategy	Operation	Opportunity	Performance metrics
Performance Share Plan ('PSP') Variable long-term remuneration paid in shares. Focuses on long-term financial performance as well as stock market out-performance, through targets based on EPS growth and relative total shareholder return ('TSR').	Retention through delivery of potentially significant deferred remuneration. A considerable part of potential remuneration is linked to long-term Group performance. Retention of vested shares (linked to shareholding guidelines) enables meaningful shareholdings to be built up, aligning interests of senior managers and shareholders.	Award released after three years. Performance measured over three financial years. Any dividends paid may accrue over the vesting period and would be paid only on those shares that vest. Awards are subject to clawback in situations of material misstatement, error or gross misconduct.	Normal award of 100% of base annual salary each year. Up to 200% of salary where the Committee determines that exceptional circumstances exist (e.g. on recruitment). 25% of an award vests for threshold performance, rising on a straight-line basis to full vesting.	Vesting of PSP awards is subject to continued employment and performance against two equally-weighted measures, which are currently as follows: – EPS growth measured on a point to point basis over the three-year performance period; – TSR relative to a relevant peer group over the three-year performance period. The Committee will review the targets prior to each grant to ensure that they continue to be well aligned with the delivery of Company strategy.
Pension Salary supplement, defined benefit plan and defined contribution plan.	Provides for employee welfare and retirement needs. Defined benefit ('DB') plan in the UK closed to future benefit accrual in 2006. Replaced with lower-risk defined contribution ('DC') plans.	Executives can elect to receive either a DC contribution or a salary supplement of equivalent cost to the Company.	No formal maximum, but no plans to exceed current percentages of basic salary.	None
Other benefits Company car or car allowance; private health care; life assurance; and long-term disability insurance.	Access to company car to facilitate effective travel. Insurance benefits to support the individual and their family to minimise disruption to day-to-day business e.g. from illness.	Benefits currently include, but are not limited to a car and payment of its operating expenses, or car allowance; private health care; life assurance; and long-term disability insurance. Benefits provided through third-party providers.	It is not anticipated that the cost of benefits provided will materially exceed the level in recent years. The Committee retains the discretion to approve a higher cost in exceptional circumstances (e.g. relocation).	None

Notes to the policy table

Performance measure selection and approach to target setting

The measures used under the annual bonus plan are selected annually to reflect the Group's plans for the year and reflect both financial and non-financial priorities. Performance targets are set annually to be stretching but achievable, with regard to the particular strategic priorities and economic environment in a given year.

The Committee believes that EPS and TSR continue to be appropriate measures of long-term performance for Keller. EPS provides a link to long-term financial performance and is highly visible internally, while TSR provides strong alignment with shareholder interests. EPS targets will be reviewed and confirmed prior to each grant, taking account of analyst estimates, historical performance and EPS performance ranges used at other FTSE250 companies. The TSR target for full vesting has been determined on the basis of an historical analysis of the median to upper quartile spread and is in line with typical market practice for a company of Keller's size. The Committee retains discretion to adjust this target for future awards should circumstances change.

If an event occurs which causes the Committee to consider that an outstanding PSP Award or bonus would not achieve its original purpose without alteration, the Committee has discretion to amend the targets, provided the new conditions are materially no less challenging than when originally imposed. Such discretion could be used to adjust appropriately for the impact of material acquisitions or disposals, or for exceptional and unforeseen events outside the control of the management team. The application of any such discretion would have regard to the Committee's practice of ensuring the stability of measures and targets throughout the business cycle.

Shareholding guidelines

To reflect the importance the Committee places on aligning their interests with shareholders, Executive Directors are required to hold shares with a value equivalent to 100% of salary. Executive Directors are required to retain 50% net of tax of shares acquired on vesting of share Awards until the required holding is attained.

Awards under previous remuneration policies

Any awards or remuneration-related commitments made to Directors under previous remuneration policies will continue to be honoured.

Details of the policy on fees paid to Non-executive Directors are set out in the table below:

Function	Operation	Opportunity	Performance metrics
Chairman and Non-executive Director fees. To attract and retain NEDs of the highest calibre with broad commercial and other experience relevant to the Company. Non-executive Directors do not participate in any incentive scheme.	Fee levels are reviewed annually, with any adjustments effective 1 January. The determination of fees, including that of the Chairman, has been delegated by the Board to the Executive Directors, who are guided by independent surveys of fees paid to NEDS of similar companies. The Chairman is paid a single, consolidated fee. The Non-executive Directors are paid a basic fee, plus additional fees for the chairing of a Board Committee and to the Senior Independent Director, which reflects the time commitment and responsibilities of their roles.	No maximum, but positioned broadly at median. It is not expected that increases will exceed those for the wider workforce or market NED fee inflation rates. However, in the event that there is a material change in the complexity, responsibility or time commitment required to fulfil a non-executive role, the Board has overall discretion to make an appropriate adjustment to fee levels. Aggregate fees are subject to the limit in the Company's articles of £500,000. Fees for the year commencing 1 January 2015 are set out in the Annual Report on Remuneration.	None

Recruitment remuneration arrangements

In the case of appointing a new Executive Director from outside the Company, the Remuneration Committee will seek to align the remuneration package with our remuneration policy, which may include elements outlined in the policy table above.

In determining appropriate remuneration, the Remuneration Committee will take into consideration all relevant factors to ensure that arrangements are in the best interests of both Keller and its shareholders and will seek not to pay more than is necessary for this purpose. The Committee may make an award in respect of a new appointment to 'buy out' incentive arrangements forfeited on leaving a previous employer on a like-for-like basis, which may be awarded in addition to the remuneration structure outlined in the table above. In doing so, the Committee will consider relevant factors including any performance conditions attached to these awards and the likelihood of those conditions being met. The Committee may also rely on exemption 9.4.2 of the Listing Rules to facilitate such a buy out if required.

Internal promotions to the Board

In cases of appointing a new Executive Director by way of internal promotion, the Remuneration Committee will apply the policy consistently as for external appointees detailed above. Where an individual has contractual commitments made prior to their promotion to Executive Director level, the Company will continue to honour these arrangements. Incentive opportunities for below Board level employees are typically no higher than Executive Directors, but measures may vary.

Non-executive Director recruitment

In recruiting a new Non-executive Director, the Remuneration Committee will utilise the policy as set out in the table above.

All Non-executive Directors have specific terms of engagement, the dates of which are set out below.

Unexpired term of contract table

Director	Date of engagement letter	Unexpired term (months as at 2 March 2015)
L R Cairnie	8 April 2010 (renewed on 30 May 2013)	15 months
R A Franklin	17 July 2007 (and 28 July 2009 as Chairman, renewed on 19 June 2012)	4 months
C F Girling	11 February 2011 (renewed on 14 January 2014)	24 months
N Tuor Moore	26 June 2014	27 months
P N Withers	17 December 2012	10 months

The Non-executive Directors are not eligible to participate in any incentive plans or pension arrangements.

Service contracts and exit payment policy

In accordance with general market practice, it is the Company's policy that Executive Directors should have contracts with an indefinite term providing for a maximum of one year's notice.

Service contracts between the Company (or other companies in the Group*) and individuals who served as Executive Directors at any time during the year are summarised below. All are rolling contracts. Executive Director service contracts are available to view at the Company's registered office.

Director	Date of service contract	Notice period	Termination payment
J R Atkinson	6 March 2003	12 months	Maximum of basic annual salary plus the fair value of benefits for the unexpired portion of the notice period, subject to mitigation
J W G Hind	16 May 2003		
W Sondermann*	12 February 1998 (modified by memoranda of employment dated 5 March 2004 and 20 December 2011)		See below for treatment of incentives on termination in varying circumstances

* Wolfgang Sondermann's service contract is with Keller Holding GmbH.

When considering exit payments, the Committee reviews all potential incentive outcomes to ensure they are fair to both shareholders and participants. The table below summarises how the Awards under the annual bonus and PSP arrangements are typically treated in specific circumstances, with the final treatment remaining subject to the Committee's discretion:

Event	Timing of vesting	Calculation of vesting / payment
Annual bonus		
Resignation	Awards lapse	Not applicable
'Good leaver'[1], Death, Change of Control	On termination	A pro-rata bonus may become payable for the period up to the termination date. Performance targets will continue to apply
Performance Share Plan		
Resignation	Awards lapse	Not applicable
Death	As soon as practicable	The Committee determines whether and to what extent outstanding awards vest based on the extent to which performance conditions have been achieved at the relevant date
'Good leaver'[1]	Normal vesting date	The Committee determines whether and to what extent outstanding awards vest based on the extent to which performance conditions have been achieved over the full performance period, and the proportion of the performance period worked
Change of control	Within one month of the relevant event	The Committee determines whether and to what extent outstanding awards vest based on the extent to which performance conditions have been achieved at the relevant date, and the proportion of the performance period worked

[1] 'Good leaver' is defined as a participant ceasing to be employed by the Group by reason of injury or disability, ill health, redundancy, retirement with the agreement of the employer, or any other reason that the Committee determines in its absolute discretion.

If employment is terminated by the Company, the departing Executive Director may have a legal entitlement (under statute or otherwise) to additional amounts, which would need to be met. In addition, the Committee retains discretion to settle any other amounts reasonably due to the Executive Director, for example to meet the legal fees incurred by the Executive Director in connection with the termination of employment, where the Company wishes to enter into a settlement agreement and the individual must seek independent legal advice.

In certain circumstances, the Committee may approve new contractual arrangements with departing Executive Directors including (but not limited to) settlement, confidentiality, restrictive covenants and/or consultancy arrangements. These will be used sparingly and only entered into where the Committee believes that it is in the best interests of the Company and its shareholders to do so.

Terms and conditions for Non-executive Directors

The appointment of Non-executive Directors is for a fixed term of three years, during which period the appointment may be terminated by either party on three months' notice. There are no provisions on payment for early termination in letters of appointment.

The letters of appointment of Non-executive Directors and service contracts of executives are available for inspection at the Company's registered office during normal hours and will be available at the Annual General Meeting.

Annual remuneration report

The following section provides details of how Keller's remuneration policy was implemented during the financial year ended 31 December 2014.

Single total figure of remuneration for Executive Directors (audited information)

The table below sets out a single figure for the total remuneration received by each Director for the financial years ended 31 December 2013 and 2014:

	J R Atkinson		J W G Hind		W Sondermann[5]	
	2014 £	2013 £	**2014 £**	2013 £	**2014 £**	2013 £
Salary	**468**	446	**330**	321	**345**	353
Taxable benefits[1]	**16**	16	**13**	13	**13**	13
Pension benefit[2]	**140**	134	**60**	58	**57**	59
Single-year variable[3]	**156**	564	**109**	417	**102**	397
Multiple-year variable[4]	**850**	710	**612**	511	**688**	576
Total	**1,630**	1,870	**1,124**	1,320	**1,205**	1,398

[1] Taxable benefits consist primarily of a car and payment of its operating expenses or car allowance (£15,000, £12,000 and £6,109 for Justin Atkinson, James Hind and Wolfgang Sondermann respectively), private health care; life assurance; and long-term disability insurance.

[2] See table below for a breakdown of pension benefits.

[3] See Annual Bonus in respect of 2014 performance on page 55 for further details.

[4] PSP Awards reflect those vesting based on performance to 31 December 2014. The market price on the date of vesting is currently unknown; the value is estimated using the average market value over the last quarter of 2014 of 830p. See 2012 PSP vesting on page 56 for further details.

[5] Wolfgang Sondermann's salary is paid locally in euro. The 2013 and 2014 totals are calculated in GBP using the average currency conversion rate applicable to those years.

Total pension entitlements (audited information)

The changes during the year in the accrued pension entitlements of Justin Atkinson under the Keller Group Pension Scheme and of Wolfgang Sondermann under the defined benefit (DB) pension arrangements operated by Keller Grundbau GmbH are shown in the table below. The amount shown as accrued pension at the end of the year is that which would be paid annually on retirement, based on service to the end of the year.

Executive Director	**Accrued pension 31 December 2014 £000**	Accrued pension 31 December 2013 £000	Increase in accrued benefit (net of inflation and Directors' contributions) £000	Value of DB scheme benefits £000	Pension allowance/DC contribution £000	Total pension included in single figure table £000
J R Atkinson[1]	**109**	106	–	–	140	140
J W G Hind	**n/a**	–	–	–	60	60
W Sondermann[2]	**5**	5	–	2	57	57

[1] The normal retirement age for Justin Atkinson is 60.

[2] The normal retirement age for Wolfgang Sondermann is 65.

Single total figure of remuneration for Non-executive Directors (audited information)

The table below sets out a single figure for the total remuneration received by each Non-executive Director for the year ended 31 December 2014 and the prior year:

	Total fees	
	2014 £	2013 £
L R Cairnie	**52,300**	51,000
R A Franklin	**159,700**	155,000
C F Girling	**52,300**	51,000
N Tuor Moore[1]	**26,753**	–
P N Withers	**52,300**	51,000

[1] Nancy Tuor Moore was appointed to the Board on 26 June 2014.

Incentive outcomes for the year ended 31 December 2014

Annual bonus in respect of 2014 performance

Under the 2014 annual bonus plan, the Executive Directors delivered strongly on both financial targets and their own personal targets, of which Justin Atkinson had six and James Hind and Wolfgang Sondermann each had five. Notably, on the personal objectives, Justin put in place an executive development programme for the Group, to support talent development and succession planning; James reviewed and refinanced the Group's main debt facilities, at improved rates; and Wolfgang continued to lead improvements in the Group's bid appraisal process, to reduce the risk from underperforming contracts.

However, PBT and EPS elements of the financial targets in the annual bonus plan are set after exceptional items and performance was thus impacted by the exceptional charge detailed in Note 7 of the Annual Accounts. This led to the payment potential of the PBT and EPS elements being reduced to zero and, under the rules of the plan, reduced the payment potential against personal strategic objectives from 30% to 15% for Justin, James and Wolfgang. Leading safety targets were met by each of the Executive Directors; however, the Committee exercised its discretion to reduce the pay-outs under that target in recognition of a fatality in the business during the year. The overall outcome is an annual bonus pay-out for Executive Directors of between 30 and 33% for 2014. Without the exceptional charge, annual bonus pay-outs would have been in the range of 78 and 82%.

The Committee did not exercise any discretion in relation to the financial performance targets. The financial targets, together with the actual performance achieved against each target, are set out in the table below.

	2014 performance targets and outcomes				
Director	**Group EPS**	**Group PBT**	**Group average net debt**	**Personal strategic objectives**	**Total**
J R Atkinson					
Weighting (% salary)	50%	50%	20%	30%	150%
Threshold	80p	£85m	£185m		
Target	90p	£95m	£170m		
Maximum	100p	£105m	£155m		
Actual[1]	80.3p	£90.6m	£154.7m		
Awarded[2]	0%	0%	20%	13.4%	33.4%
J W G Hind					
Weighting (% salary)	50%	50%	20%	30%	150%
Threshold	80p	£85m	£185m		
Target	90p	£95m	£170m		
Maximum	100p	£105m	£155m		
Actual[1]	80.3p	£90.6m	£154.7m		
Awarded[2]	0%	0%	20%	13.0%	33.0%
W Sondermann					
Weighting (% salary)	50%	50%	20%	30%	150%
Threshold	80p	£85m	£185m		
Target	90p	£95m	£170m		
Maximum	100p	£105m	£155m		
Actual[1]	80.3p	£90.6m	£154.7m		
Awarded[2]	0%	0%	20%	9.6%	29.6%

[1] At 2014 budget exchange rate before exceptional items.

[2] EPS and PBT impacted by the exceptional charge detailed in Note 7.

Directors' Remuneration report
continued

2012 PSP vesting
Based on EPS and TSR performance over the three years ended 31 December 2014, the Performance Share Plan Awards made in 2012 will vest in full in March 2015, once again demonstrating strong progress in the delivery of the Group's strategy. Further details, including vesting schedules and performance against each of the metrics, are provided in the table below:

Measure	Weighting	Targets	Outcome	Vest %
Earnings per share (EPS)	50%	0% vesting below RPI+4% p.a. 30% vesting for RPI+4% p.a. 100% vesting for RPI+9% p.a. or more; Straight-line vesting between these points	RPI+194.9% p.a.	100%
TSR relative to the constituents of the FTSE All-Share Index	50%	0% vesting below median 30% vesting for median (50th centile) performance 100% vesting for upper quintile (80th centile) performance; Straight-line vesting between these points	95.7th centile	100%
	Total PSP vesting			100%

The value of these Awards to the individual Executive Directors, as shown in the single figure of total remuneration, is therefore as follows:

Executive Director	Interests held	Vesting %	Interests vesting	Date vested	Market price	Value (£000)
J R Atkinson	102,340	100%	102,340	March 2015	830p	£850
J W G Hind	73,641		73,641			£612
W Sondermann	82,907		82,907			£688

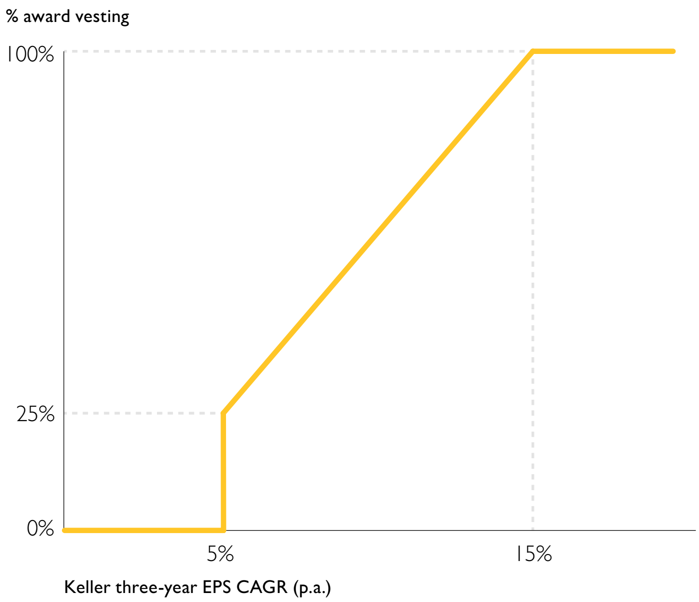
The market price on the date of vesting is currently unknown; the value is estimated using the average market value over the last quarter of 2014.

Scheme interests awarded in 2014 (audited information)
Performance Share Plan ('PSP')
The three-year performance period over which performance will be measured began on 1 January 2014 and will end on 31 December 2016. Awards will vest on 7 March 2017, subject to meeting performance conditions.

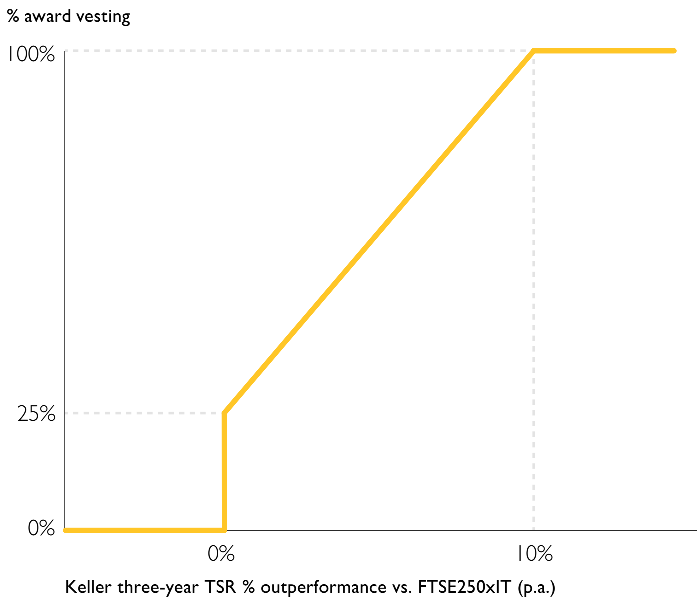
Executive Director	Date of grant	Shares over which awards granted	Market price at date of award	Face value
J R Atkinson	7 March 2014	39,977	1171p	£468,131
J W G Hind		28,232		£330,597
W Sondermann		30,453		£356,605

Vesting of the PSP Awards is dependent on the development of EPS and TSR relative to the FTSE250 Index (excluding investment trusts) with equal waiting over a three-year performance period. There is no retest provision. Details of the vesting schedules are provided below:

EPS vesting schedule (50% of award)



Relative TSR vesting schedule (50% of award)



Payments to past Directors
No payments were made to past Directors during the year.

Exit payments made in the year
The Company paid no exit payments during the year.

Directors' interests (audited information)
A table setting out the beneficial interests of the Directors and their families in the share capital of the Company as at 31 December 2014 is set out below.

None of the Directors has a beneficial interest in the shares of any other Group company. Since 31 December 2014, there have been no changes in the Directors' interests in shares.

Executive Director	**Ordinary Shares at 31 December 2014**	Ordinary Shares at 31 December 2013
J R Atkinson	**238,586**	202,693
J W G Hind	**93,258**	67,434
W Sondermann	**130,000**	90,000
L R Cairnie	**6,000**	6,000
R A Franklin	**6,000**	6,000
C F Girling	**3,000**	3,000
P N Withers	**20,000**	10,000
N T Moore	**–**	–

Executive Directors' shareholding requirements (audited information)
The table below shows the shareholding of each Executive Director against their respective shareholding requirement as at 31 December 2014:

	Shares held		**Options held**				
	Owned outright or vested	**Vested but subject to holding period**	**Unvested and subject to performance conditions**	**Vested but not exercised**	**Shareholding requirement % salary/fee**	***Current shareholding % salary/fee**	**Requirement met?**
J R Atkinson	238,586	0	197,118	0	100%	450%	yes
J W G Hind	93,258	0	141,299	0	100%	248%	yes
W Sondermann	130,000	0	152,631	0	100%	332%	yes

* Reflects closing price on 31 December 2014 of 880p.

Directors' interests in options under long-term incentives (audited information)
Details of Directors' PSP Awards are set out in the table below.

	Awards held at 1 January 2014	Awards granted during the year	Awards exercised during the year	Awards lapsed during the year	**Awards held at 31 December 2014**	Exercise price (per exercise)	Date from which exercisable	Expiry date
J R Atkinson								
3 March 2011	**67,936**	–	67,936	–	**–**	100.0p	03/03/14	02/09/14
1 March 2012	**102,340**	–	–	–	**102,340**	100.0p	01/03/15	31/08/15
20 June 2013	**54,801**	–	–	–	**54,801**	100.0p	20/06/16	19/12/16
7 March 2014	**–**	39,977	–	–	**39,977**	100.0p	07/03/17	06/09/17
J W G Hind								
3 March 2011	**48,879**	–	48,879	–	**–**	100.0p	03/03/14	02/09/14
1 March 2012	**73,641**	–	–	–	**73,641**	100.0p	01/03/15	31/08/15
20 June 2013	**39,426**	–	–	–	**39,426**	100.0p	20/06/16	19/12/16
7 March 2014	**–**	28,232	–	–	**28,232**	100.0p	07/03/17	06/09/17
W Sondermann								
3 March 2011	**55,041**	–	55,041	–	**–**	100.0p	03/03/14	02/09/14
1 March 2012	**82,907**	–	–	–	**82,907**	100.0p	01/03/15	31/08/15
20 June 2013	**39,271**	–	–	–	**39,271**	100.0p	20/06/16	19/12/16
7 March 2014	**–**	30,453	–	–	**30,453**	100.0p	07/03/17	06/09/17

The performance conditions for Awards made in 2011, 2012 and 2013 are detailed on page 51. The performance conditions for the 2014 Award are detailed on page 56.

Directors' Remuneration report
continued

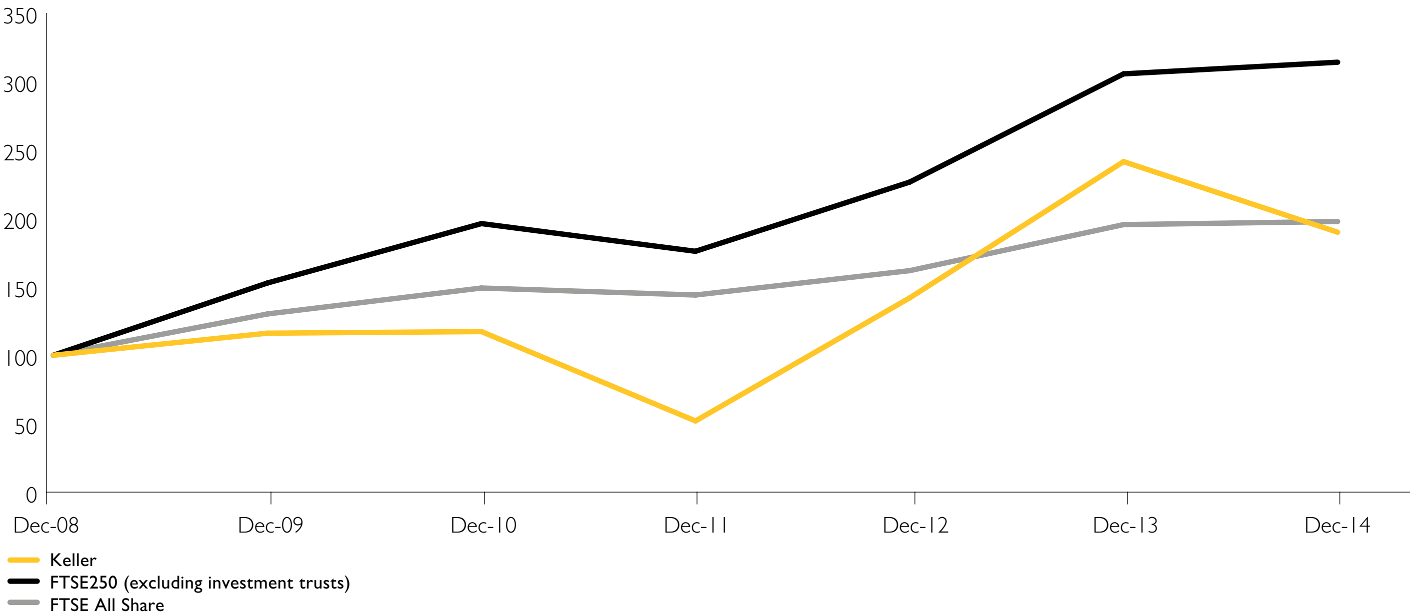
Performance graph and table
The graph below shows the Company's performance, measured by TSR, compared with the performance of the FTSE250 Index (excluding investment trusts) and the FTSE All-Share Index. These indices have been selected for consistency with the comparator groups used to measure TSR performance for outstanding as well as 2015 PSP awards.

The graph looks at the value, by the end of 2014, of £100 invested in Keller on 31 December 2008 compared with the value of £100 invested in each index.

The table below details the Chief Executive's 'single figure' remuneration over the same period.

Historical TSR performance
Growth in the value of hypothetical £100 holding over the six years to 31 December 2014 is set out below against the FTSE All-Share Index and the FTSE250 Index.

Historical TSR performance Growth in the value of a hypothetical £100 holding over the six years to 31 December 2014 (£)



	2009	2010[1]	2011[1]	2012	2013	**2014**
Chief Executive single figure of remuneration (£000)	£891	£550	£562	£951	£1,870	**£1,630**
Annual bonus as a % of maximum opportunity	42%	0%	0%	57%	84%	**22%**
PSP vesting as a % of maximum opportunity	31%	0%	0%	0%	100%	**100%**

[1] The CEO waived any entitlement to a bonus in 2010 and 2011.

Percentage change in Chief Executive remuneration
The table following shows the percentage change in Chief Executive remuneration from the prior year compared to the average percentage change in remuneration for our UK senior management population, who have been selected for this comparison due to the UK employment location and the structure of total remuneration – most of our management team are able to earn an annual bonus as well as receiving a base salary.

The Chief Executive's remuneration includes base salary, taxable benefits and annual bonus. The pay for all other employees is calculated using the increase in the earnings of full-time employees. The analysis excludes part-time employees and is based on a consistent set of employees, i.e. the same individuals appear in the 2013 and 2014 populations.

	Chief Executive % change 2013-14	**All other employees % change 2013-14**
Base salary	5	3
Taxable benefits	0	0
Annual bonus	(72)	(60)
Total	(38)	(19)

Relative importance of spend on pay

The table below shows shareholder distributions (i.e. dividends) and total employee pay expenditure for the financial years ended 31 December 2013 and 31 December 2014, along with the percentage changes.

	2014 £m	2013 £m	% change
Distribution to shareholders	**18.0**	15.4	5
Employee remuneration	**404.5***	363.4	11.3

* Reflects a full year of the three acquisitions made in 2013.

The Directors are proposing a final dividend in respect of the financial year ended 31 December 2014 of 16.8p per ordinary share. Employee remuneration excludes social security costs.

Implementation of the remuneration policy for 2015

Base salaries in 2015

In line with the remuneration policy, the Committee reviewed pay and conditions elsewhere in the Group. The salaries of James Hind and Wolfgang Sondermann were increased by 3% commensurate with general pay increases of 3% across the Group. The Committee considered the Chief Executive's pending retirement balanced with his commitment to continue to lead the Company until a successor is appointed and, accordingly, increased Justin Atkinson's base salary by 2%, reflecting general inflation.

Executive Director	Salary for 2015	Salary for 2014	Increase from 2014
J R Atkinson	**£477,400**	£468,000	2%
J W G Hind	**£340,337**	£330,500	3%
W Sondermann*	**£355,402**	£345,120	3%

* Wolfgang Sondermann's salary is paid locally in euro. The 2013 and 2014 totals are calculated in GBP using the average currency conversion rate applicable to those years.

Pension

Justin is a member of the Keller Group Pension Scheme (the 'Scheme'). The Scheme provides a pension based upon a percentage of final salary and pensions for dependents on death in service or following retirement. The table on page 54 shows Justin's accrued Scheme benefits. The Scheme closed to future benefit accrual with effect from 31 March 2006, since when he has received a salary supplement in lieu of a Company contribution to an alternative pension arrangement equivalent to 30% of salary.

The salary supplement is not taken into account in determining bonuses or any other form of remuneration.

Wolfgang is a member of the DB pension arrangements established by Keller Grundbau GmbH. His accrued benefits under these arrangements are included in the table on page 54.

Wolfgang is also a member of a DC scheme, as is James. For 2015, they will continue to receive contributions and/or a salary supplement totalling 17% and 18% of salary respectively.

Annual bonus for 2015

The financial targets for the 2015 annual bonus are based on the same performance metrics as in 2014. The actual targets for 2015 are considered to be commercially sensitive and accordingly they are not disclosed in this report, but will be disclosed retrospectively in the 2015 remuneration report.

	2015 annual bonus weightings (% of salary)				
Director	**Group EPS**	**Group PBT**	**Group average net debt**	**Personal strategic objectives**	**Total**
J R Atkinson*	50%	50%	20%	30%	150%
J W G Hind	50%	50%	20%	30%	150%
W Sondermann	50%	50%	20%	30%	150%

* 2015 annual bonus will be pro-rated to the date that Justin steps down as CEO.

For bonuses paid in respect of 2015, the Committee continues to have discretion to reduce bonuses in exceptional circumstances (down to zero, if appropriate) to take into account factors adversely impacting the Company's reputation. This discretion is in addition to the safety underpin whereby bonuses may be reduced by up to 10% if pre-defined 'lead' safety targets are not delivered.

Performance Share Plan (PSP) for 2015

The performance conditions for PSP Awards made in 2015 will be unchanged compared to the 2014 Awards; the vesting schedules are as shown in the charts on page 56.

Justin Atkinson will not receive a PSP award for 2015.

During 2015, Wolfgang Sondermann will reach retirement age and he will, therefore, not receive a share award. The Committee considered the impact of the 2015 retirements of Justin and Wolfgang and, given the exceptional circumstances, decided it was appropriate to use its discretion under the remuneration policy to award James Hind shares in the amount of 200% of salary.

Directors' Remuneration report
continued

Chairman and Non-executive Director fees
With effect from 1 January 2015, fees payable to the Chairman of the Board and the basic fee payable to each Non-executive Director were increased by 2%. The Chairman's fee is £162,900 per annum and the basic fee payable to each Non-executive Director is £45,700 per annum. An additional payment of £7,500 is made to those Non-executive Directors who additionally act as Chairman of a Committee and the Senior Independent Director. The additional fee remains unchanged from 2014.

Retirement of the CEO
Justin will be paid his base salary and contractual benefits until his termination date of 31 December 2015. He will be eligible to receive a bonus for the period he remains as CEO, up to the earlier of the date he stands down as CEO on appointment of a successor or 31 December 2015. As already set out, he will not receive a PSP Award for 2015. In addition, Justin's 2013 and 2014 Awards will vest based on the extent to which performance conditions have been achieved over the full performance period, and the proportion of the performance period worked.

In line with the remuneration policy, the Committee retains discretion to settle any amounts reasonably due to Justin where the Committee believes that it is in the best interest of the Company and its shareholders to do so.

The financial arrangements relating to Justin's retirement, which will adhere to the rules of all relevant incentive schemes and be within the Remuneration Policy, will be reported when Justin steps down.

Consideration by the Directors of matters relating to Directors' remuneration
The following Directors were members of the Remuneration Committee when matters relating to the Directors' remuneration for the year were being considered:

- L R Cairnie
- C F Girling
- P N Withers

During the year, the Committee received assistance from Jackie Holman (Group HR Director) and Kerry Porritt (Group Company Secretary) on salary increases and bonus awards, and policy and governance matters respectively. In determining the Executive Directors' remuneration for 2014, the Committee has consulted Roy Franklin, the Chairman, and Justin Atkinson, the Chief Executive, about its proposals, except (in the case of Justin) in relation to his own remuneration. No Director is involved in determining their own remuneration.

No member of the Committee has any personal financial interest (other than as a shareholder), conflict of interest arising from cross-directorships or day-to-day involvement in running the business. Given their diverse backgrounds, the Board believes that the members of the Committee are able to offer an informed and balanced view on executive remuneration issues.

External Advisers
During the year, the Committee continued to receive advice from Kepler Associates ('Kepler'), an independent firm of remuneration consultants appointed by the Committee after consultation with the Board. In 2014, Kepler provided independent advice on remuneration policy and the external remuneration environment; benchmarking data; and provided remuneration advice in the context of CEO succession planning.

Kepler reports directly to the Chairman of the Remuneration Committee and does not advise the Company on any other issues. Kepler's total fees for the provision of remuneration services in 2014 were £48,562 on the basis of time spent. Kepler is a founding member and signatory of the Code of Conduct for Remuneration Consultants, details of which can be found at www.remunerationconsultantsgroup.com.

The Company's corporate lawyers, DLA Piper LLP, are providing legal advice on CEO succession matters. Fees in 2014 relating to this matter amounted to £33,000.

The Committee is satisfied that the advice they have received has been objective and independent.

Statement of shareholder voting
The following table sets out the results of the vote on the Remuneration report and the Remuneration policy respectively at the 2014 AGM:

	Votes for		**Votes against**			
	Number	**%**	**Number**	**%**	**Votes cast**	**Votes withheld**
Remuneration report	49,135,596	99.52%	236,887	0.48%	49,372,483	64,513
Remuneration policy	47,818,830	97.87%	1,042,595	2.13%	48,861,425	575,571

Ruth Cairnie
Chairman of the Remuneration Committee

2 March 2015

Directors' report

The Directors present their report together with the audited consolidated financial statements for the year ended 31 December 2014.

This report is required to be produced by law. The Disclosure and Transparency Rules and Listing Rules also require us to make certain disclosures.

The Corporate Governance statement, including the Audit Committee report, form part of this Directors' report and is incorporated by reference. Disclosures elsewhere in the Annual Report and Accounts are cross-referenced where appropriate. Taken together, the Strategic Report on pages 6 to 35 and this Directors' Report fulfil the requirement of Disclosure and Transparency Rule 4.1.5R to provide a Management Report.

Results and dividends

The results for the year, showing a profit before taxation* of £85.1m (2013: £74.1m), are set out on pages 66 to 97. The Directors recommend a final dividend of 16.8p per share to be paid on 8 June 2015, to members on the register at the close of business on 13 March 2015. An interim dividend of 8.4p per share was paid on 5 September 2014. The total dividend for the year of 25.2p (2013: 24.0p) will amount to £18.0m (2013: £15.4m).

Going concern

The Directors consider that the Group has adequate financial resources to continue operating for the foreseeable future and that it is therefore appropriate to adopt the going concern basis in preparing the financial statements.

The Directors have satisfied themselves that the Group is in a sound financial position and that it has access to sufficient borrowing facilities and can reasonably expect sufficient facilities to be available to meet the Group's foreseeable cash requirements. Further information is provided in Note 24 to the accounts and the Financial review.

Financial instruments

Full details can be found in Note 24 to the financial statements and in the Financial review.

Post balance sheet events

The 2014 result includes an exceptional charge relating to the settlement of a dispute on a completed contract of £54.0m and a number of much smaller non-trading exceptional items relating to acquisitions, which are required to be expensed under IFRS.

The contract dispute relates to a project that the Group's UK subsidiary, Keller Limited, completed in 2008. The dispute was subject to litigation proceedings involving a number of parties, but these were settled in February 2015. The final cost to Keller is subject to a number of remedial and other actions to be undertaken as part of the settlement agreement. The exceptional charge represents management's best estimate of the net cost to Keller before taking account of future recoveries under applicable insurances, as these cannot be recognised under IFRS.

Change of control

The Group's main banking facilities contain provisions that, upon 15 days' notice being given to the Group, lenders may exercise their discretion to require immediate repayment of the loans on a change of control and cancel all commitments under the agreement.

Certain other commercial agreements, entered into in the normal course of business, include change of control provisions. There are no agreements providing for compensation for the Directors or employees on a change of control.

Transactions with related parties

Apart from transactions between the Company, its subsidiaries and joint operations, which are related parties, there have been no related party transactions during the year.

Directors and their interests

The names of all persons who, at any time during the year, were Directors of the Company can be found on page 38. The interests of the Directors holding office at the end of the year in the issued ordinary share capital of the Company and any interests in its performance share plan are given in the Directors' Remuneration report on pages 48 and 60.

No Director had a material interest in any significant contract, other than a service contract or a contract for services, with the Company or any of its operating companies during the year.

The Company's Articles of Association indemnify the Directors out of the assets of the Company in the event that they suffer any loss or liability in the execution of their duties as Directors, subject to the provisions of the Companies Act 2006. The Company maintains insurance for Directors and Officers in respect of liabilities which could arise on the discharge of their duties.

Powers of the Directors

The business of the Company is managed by the Board who may exercise all the powers of the Company subject to the provisions of the Company's articles of association, the Companies Act 2006 and any ordinary resolution of the Company. Specific treatment of directors' powers regarding allotment and repurchase of shares is provided under separate headings below.

Amendment of the Company's Articles of Association

Any amendments to the Company's Articles of Association may be made in accordance with the provisions of the Companies Act 2006 by way of special resolution.

Appointment and replacement of Directors

Directors shall be no less than two and no more than 12 in number. Subject to applicable law, a Director may be appointed by an ordinary resolution of shareholders in general meeting following nomination by the Board or a member (or members) entitled to vote at such a meeting, or following retirement by rotation if the Director chooses to seek re-election at a general meeting. In addition, the Directors may appoint a Director to fill a vacancy or as an additional Director, provided that the individual retires at the next Annual General Meeting ('AGM'). A Director may be removed by the Company as provided for by applicable law, in certain circumstances set out in the Company's articles of association (for example bankruptcy, or resignation), or by a special resolution of the Company. All Directors stand for re-election on an annual basis, in line with the recommendations of the Code.

Employees

The Group employed approximately 9,000 people at the end of the year.

Employment Policy

The Group gives full and fair consideration to applications for employment made by disabled persons, having regard for their respective aptitudes and abilities. The policy includes, where practicable, the continued employment of those who become disabled during their employment and the provision of training and career development and promotion, where appropriate. Information on the Group's approach to employee involvement, equal opportunities and health, safety and the environment can be found in the Resources and relationships report on pages 24 to 26.

Political donations

No political donations were made during the year. Keller has an established policy of not making donations to any political party, representative or candidate in any part of the world.

Greenhouse gas emissions

Information relating to the greenhouse gas emissions of the Company is set out on page 25 and is incorporated by reference into this report.

Research and development

The Group continues to have in-house design, development and manufacturing facilities, where staff work closely with site engineers to develop new and more effective methods of solving problems of ground conditions and behaviour. Most of the specialised ground improvement equipment used in the business is designed and built in-house and, where applicable, the development costs are included in the cost of the equipment. Further information on our latest activities can be found on page 27 of the Strategic Report.

* Before exceptional items

Directors' report
continued

Share capital
Details of the share capital, together with details of the movements in the Company's issued share capital during the year, are shown in Note 25: Share capital and reserves. The Company has one class of ordinary shares which is listed on the London Stock Exchange ('Ordinary Shares'). Ordinary Shares carry no right to a fixed income; and each Ordinary Share carries the right to one vote at general meetings of the Company.

There are no specific restrictions on the size of a shareholding, nor on the transfer of shares, which are both governed by the Articles of Association and the prevailing law. The Directors are not aware of any agreements between shareholders that may result in restrictions on voting rights and the transfer of securities. No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

Details of employee share schemes are set out in Note 29: Share-based payments. Shares held by the Keller Group plc Employee Benefit Trust are not voted.

Repurchase of shares
The Company obtained shareholder authority at the last AGM (22 May 2014) to buy back up to 7,309,974 Ordinary Shares. The authority remains outstanding until the conclusion of the 2015 AGM or 22 August 2015, whichever is the earlier. The minimum price which must be paid for each Ordinary Share is its nominal value and the maximum price is the higher of an amount equal to not more than 5% above the average of the middle market quotations for an Ordinary Share as derived from the London Stock Exchange Daily Official List for the five business days immediately before the purchase is made and an amount equal to the higher of the price of the last independent trade of an Ordinary Share and the highest current independent bid for an Ordinary Share on the trading venue where the purchase is carried out.

The Directors have not used, and have no current plans to use, this authority.

Allotment of shares and pre-emption disapplication
Shareholder authority was also given at the last AGM for the Directors to allot new shares up to a nominal amount of £2,364,573, equivalent to approximately one-third of the Company's issued share capital (excluding treasury shares) as at 3 March 2014 and to disapply pre-emption rights up to an aggregate nominal amount of £354,686, representing approximately 5% of the Company's issued share capital as at 3 March 2014.

The Directors have not used, and have no current plans to use, these authorities.

Substantial shareholdings
At 2 March 2015, the Company had been notified in accordance with chapter 5 of the Disclosure and Transparency Rules of the Financial Conduct Authority of the following voting rights of shareholders in the Company:

Ordinary Shares	Number of Company's total	Percentage of the voting rights
Franklin Templeton Institutional, LLC	7,026,927	9.91%
Standard Life Investments (Holdings) Limited	6,568,407	9.22%
Old Mutual Plc	4,242,670	5.96%
Baillie Gifford & Co	3,251,556	4.56%
Schroders plc	3,148,747	4.90%
Norges Bank	2,973,272	4.17%
Royal London Asset Management Limited	2,147,626	3.01%

Auditors
The Board has decided that KPMG LLP will be proposed as the Group's auditors for the year ending 31 December 2015 and a resolution to appoint KPMG LLP will be put to shareholders at the 2015 AGM.

Annual General Meeting
The 2015 AGM of the Company will take place at the offices of Investec, 2 Gresham Street, London, EC2V 7QP at 11.00am on Thursday, 14 May 2015. The full wording of the resolutions to be tabled at the meeting is set out in the Notice of AGM.

Disclaimer
The purpose of this Annual Report and Accounts is to provide information to the members of the Company, as a body, and no other persons.

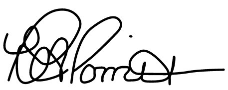
The Company, its Directors and employees, agents or advisers do not accept or assume responsibility to any other person to whom this document is shown or into whose hands it may come and any such responsibility or liability is expressly disclaimed.

The Annual Report and Accounts contain certain forward-looking statements with respect to the operations, performance and financial condition of the Group. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this Annual Report and Accounts and the Company undertakes no obligation to update these forward-looking statements. Nothing in this Annual Report and Accounts should be construed as a profit forecast.

Information included in the Directors' Report
Certain information that fulfils the requirements of the Corporate Governance Statement can be found in the Directors' Report in the sections headed 'Substantial shareholdings', 'Repurchase of shares', 'Amendment of the Company's articles of association', 'Appointment and replacement of Directors' and 'Powers of the Directors' and is incorporated into this corporate governance section by reference.

Other information
The Directors who held office at the date of approval of this Directors' report confirm that, in accordance with the provisions of section 418 of the Companies Act 2006, so far as they are each aware, there is no relevant audit information of which the Company's Auditors are unaware; and each Director has taken all the steps that he or she ought to have taken as a Director to make him or herself aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

In addition, the Directors as at the date of this report consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.



Kerry Porritt
Company Secretary

2 March 2015

Registered Office:
Capital House
25 Chapel Street
London NW1 5DH

Registered in England No. 2442580

Statement of Directors' responsibilities

Statement of Directors' responsibilities in respect of the Annual Report and the financial statements

The Directors are responsible for preparing the Annual Report and the Group and Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and applicable law and they have elected to prepare the Company financial statements in accordance with UK Accounting Standards.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of their profit or loss for that period. In preparing each of the Group and Company financial statements, the Directors are required to:

– select suitable accounting policies and then apply them consistently;
– make judgments and estimates that are reasonable and prudent;
– for the Group financial statements, state whether they have been prepared in accordance with IFRSs, as adopted by the EU;
– for the Company financial statements, state whether the applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Company financial statements; and
– prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. 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 Strategic report, Directors' report, Directors' Remuneration report and Corporate Governance Statement that complies 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.

Responsibility statement of the Directors in respect of the Annual Report and the financial statements

We confirm that to the best of our knowledge:

– the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation as a whole; and
– the Directors' report, including content contained by reference, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

The Board confirms that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the performance, strategy and business model of the Company.

Signed on behalf of the Board

Justin Atkinson
Chief Executive

James Hind
Finance Director

2 March 2015

Independent Auditor's report

To the Members of Keller Group plc only

Opinions and conclusions arising from our audit
1. Our opinion on financial statements is unmodified
We have audited the financial statements of Keller Group plc for the year ended 31 December 2014 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement and related notes. In our opinion:

– the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2014 and of the Group's loss for the year then ended;
– the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
– the parent company financial statements have been properly prepared in accordance with UK Accounting Standards; and
– the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

2. Our assessment of risks of material misstatement
In arriving at our audit opinion above on the financial statements the risks of material misstatement that had the greatest effect on our audit were as follows:

Accounting for construction contracts
Refer to page 46 (Audit Committee Report), page 73 (accounting policy) and pages 77 and 83 (financial statement disclosures).

– The risk: Revenue on construction contracts is recognised in proportion to the stage of completion of the contract. The stage of completion is calculated by comparing the costs incurred up to the balance sheet date with the total forecast costs at completion of the contract. Contract accounting is considered to be an ongoing significant audit risk to the Group as it requires a high degree of estimation and judgement of matters such as: the percentage of work completed at the balance sheet date on longer term contracts; the costs of the work required to complete the contract; and the outcome of claims and variations raised against customers and claims raised against the Group by customers or third parties, including one significant historic claim that was settled post year end and is disclosed as an exceptional item in the accounts. Error in any of these judgements could result in a material variance in the amount of profit or loss recognised to date and therefore also in the current period.
– Our response: Our audit procedures included testing controls over contract related expenditure and assessing a selection of contracts with the greatest impact on the Group's financial results, including those considered to be high risk due to such factors as known issues on the contract or the nature of work being undertaken. For a selection of contracts in progress at the balance sheet date, we challenged the Group's assumptions on costs to complete the contract through agreeing cost estimates to sub-contracts and assessing the Group's historical experience of costs on similar contracts. For contracts completed by the year end, we confirmed subsequent settlement of revenue recognised. In respect of claims and variations raised against customers and those claims raised against the Group by customers or third parties, on a selection of contracts we: challenged the progress on the claims with the Group and corroborated explanations provided; considered prior experience on settlement of claims and variations; inspected correspondence with the counterparty and with the Group's legal advisers or insurers, to identify the extent of written agreement of settlement; and confirmed recoveries to after year-end settlement where applicable. In respect of the significant historic claim that was settled post year end we have: held discussions with the Group's directors and challenged their judgements on the expected settlement costs, corroborating to the settlement agreement or other appropriate evidence, inspected correspondence with the Group's advisers; and considered the adequacy of disclosure of the matter, including of the related uncertainties.

Goodwill
Refer to page 46 (Audit Committee Report), page 73 (accounting policy) and pages 80 to 81 (financial statements disclosures).

– The risk: There is a risk of impairment of the Group's significant goodwill balances due to prolonged downturn or structural change in the relevant construction market. In particular there is increased risk on the balance of £12.1m related to Keller Limited in the UK where large infrastructure projects have come to an end, and there is less certainty as to the source of future revenue and profit, and on the £64.9m relating to Keller Canada where the oil sands business is currently experiencing a downturn in investment. The Group estimates recoverable amount based on value in use which includes significant estimation and judgement in the selection of key inputs, specifically revenue, margin and discount rates.
– Our response: Our audit procedures included detailed testing of the Group's impairment assessment for each significant goodwill balance at year end, including in particular Keller Limited in the UK and Keller Canada. For the key inputs referred to above we critically assessed the reasonableness of the Group's assumptions by reference to past performance, external data and forecasts for economic factors, and current order book. Our valuation specialists assisted in evaluating the assumptions and methodologies underlying the discount rates adopted by the Group. We considered the sensitivity of key inputs to reasonably possible changes in assumptions. We also assessed whether the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflected the risks inherent in the valuation of goodwill.

3. Our application of materiality and an overview of the scope of our audit
The materiality for the financial statements as a whole was set at £3.9m determined with reference to a benchmark of Group profit before taxation, normalized to exclude this year's exceptional items as disclosed on the face of the income statement. Materiality represents 4.6% of Group profit before tax and exceptional items as disclosed on the face of the income statement.

We report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.2m, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Audits for Group reporting purposes were performed by component auditors at the key reporting components, including North America, EMEA, Asia and Australia. The components within the scope of our work accounted for the following percentages of the Group's results:

– Group revenue – 90%
– Group profit and loss – 94%
– Group profit and loss before exceptional items and taxation – 93%
– Group total assets – 84%

The Group audit team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group audit team approved the component materialities, which ranged from £0.2m to £3.25m, having regard to the mix of size and risk profile of the Group across the components. Aside from the audit of the parent company that was performed by the Group audit team, the work on all of the components was performed by the component auditors, and none by the Group audit team.

The Group audit team visited the four divisional component locations in North America, EMEA, Asia and Australia. Telephone conference meetings were also held with these component auditors and one country component, the United Kingdom. At these visits and meetings, the findings reported to the Group audit team were discussed in more detail, and any further work required by the Group audit team was then performed by the component auditor.

4. Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion:

- the part of the Directors' Remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

5. We have nothing to report in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy; or
- the part of the Corporate Governance Report dealing with the Audit Committee on pages 46 and 47 does not appropriately address matters communicated by us to the Audit Committee.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 61, in relation to going concern; and
- the part of the Corporate Governance Statement on pages 36 to 63 relating to the company's compliance with the ten provisions of the 2012 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

Scope and responsibilities

As explained more fully in the Directors' Responsibilities Statement set out on page 63, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of accounts is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the Company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2014a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

William Meredith (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London, E14 5GL

2 March 2015

Consolidated income statement

For the year ended 31 December 2014

	Note	2014 Before exceptional items £m	2014 Exceptional items (Note 7) £m	2014 £m	2013 Before exceptional items £m	2013 Exceptional items (Note 7) £m	2013 £m
Revenue	3	**1,599.7**	**–**	**1,599.7**	1,438.2	–	1,438.2
Operating costs	5	**(1,507.7)**	**(56.7)**	**(1,564.4)**	(1,360.4)	(21.7)	(1,382.1)
Operating profit	3	**92.0**	**(56.7)**	**35.3**	77.8	(21.7)	56.1
Finance income	8	**1.5**	**–**	**1.5**	3.1	–	3.1
Finance costs	9	**(8.4)**	**(0.2)**	**(8.6)**	(6.8)	(0.4)	(7.2)
Profit before taxation		**85.1**	**(56.9)**	**28.2**	74.1	(22.1)	52.0
Taxation	10	**(29.7)**	**0.3**	**(29.4)**	(23.8)	1.9	(21.9)
Profit/(loss) for the period		**55.4**	**(56.6)**	**(1.2)**	50.3	(20.2)	30.1
Attributable to:							
Equity holders of the parent		**53.6**	**(56.6)**	**(3.0)**	49.5	(20.2)	29.3
Non-controlling interests		**1.8**	**–**	**1.8**	0.8	–	0.8
		55.4	**(56.6)**	**(1.2)**	50.3	(20.2)	30.1
Earnings/(loss) per share							
Basic	12	**75.3p**		**(4.2)p**	73.0p		43.2p
Diluted	12	**74.2p**		**(4.2)p**	71.9p		42.6p

Consolidated statement of comprehensive income

For the year ended 31 December 2014

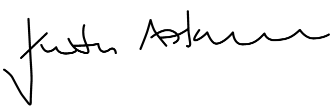
	Note	2014 £m	2013 £m
(Loss)/profit for the period		**(1.2)**	30.1
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(3.8)**	(23.9)
Net investment hedge gains/(losses)	24	**2.0**	(3.0)
Cash flow hedge (losses)/gains taken to equity	24	**(6.1)**	1.8
Cash flow hedge transfers to income statement	24	**6.1**	(1.8)
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of defined benefit pension schemes	30	**(4.1)**	(5.7)
Tax on remeasurements of defined benefit pension schemes	10	**0.2**	1.1
Other comprehensive income for the period, net of tax		**(5.7)**	(31.5)
Total comprehensive income for the period		**(6.9)**	(1.4)
Attributable to:			
Equity holders of the parent		**(8.6)**	(1.9)
Non-controlling interests		**1.7**	0.5
		(6.9)	(1.4)

Consolidated balance sheet

As at 31 December 2014

	Note	**2014 £m**	2013 £m
Assets			
Non-current assets			
Intangible assets	13	**183.5**	187.9
Property, plant and equipment	14	**295.6**	281.9
Deferred tax assets	10	**10.0**	7.9
Other assets	15	**19.9**	14.9
		509.0	492.6
Current assets			
Inventories	17	**48.6**	62.0
Trade and other receivables	18	**408.7**	414.5
Current tax assets		**4.0**	5.4
Cash and cash equivalents	20	**85.6**	53.3
		546.9	535.2
Total assets	3	**1,055.9**	1,027.8
Liabilities			
Current liabilities			
Loans and borrowings	24	**(2.7)**	(48.7)
Current tax liabilities		**(13.9)**	(8.8)
Trade and other payables	21	**(353.2)**	(352.4)
Provisions	22	**(50.0)**	(11.3)
		(419.8)	(421.2)
Non-current liabilities			
Loans and borrowings	24	**(185.1)**	(148.3)
Retirement benefit liabilities	30	**(25.4)**	(23.1)
Deferred tax liabilities	10	**(19.7)**	(21.9)
Provisions	22	**(23.3)**	(4.8)
Other liabilities	23	**(36.3)**	(35.9)
		(289.8)	(234.0)
Total liabilities	3	**(709.6)**	(655.2)
Net assets	3	**346.3**	372.6
Equity			
Share capital	25	**7.3**	7.3
Share premium account		**38.1**	38.1
Capital redemption reserve	25	**7.6**	7.6
Translation reserve		**8.3**	10.0
Other reserve	25	**56.9**	56.9
Retained earnings		**224.5**	247.9
Equity attributable to equity holders of the parent		**342.7**	367.8
Non-controlling interests		**3.6**	4.8
Total equity		**346.3**	372.6

These financial statements were approved by the Board of Directors and authorised for issue on 2 March 2015.
They were signed on its behalf by:



Justin Atkinson
Chief Executive

James Hind
Finance Director

Consolidated statement of changes in equity

For the year ended 31 December 2014

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Translation reserve £m	Other reserve £m	Hedging reserve £m	Retained earnings £m	**Attributable to equity holders of the parent £m**	Non-controlling interests £m	**Total equity £m**
At 1 January 2013	6.6	38.1	7.6	36.6	–	–	236.7	**325.6**	10.1	**335.7**
Profit for the period	–	–	–	–	–	–	29.3	**29.3**	0.8	**30.1**
Other comprehensive income										
Exchange differences on translation of foreign operations	–	–	–	(23.6)	–	–	–	**(23.6)**	(0.3)	**(23.9)**
Net investment hedge losses	–	–	–	(3.0)	–	–	–	**(3.0)**	–	**(3.0)**
Cash flow hedge gains taken to equity	–	–	–	–	–	1.8	–	**1.8**	–	**1.8**
Cash flow hedge transfers to income statement	–	–	–	–	–	(1.8)	–	**(1.8)**	–	**(1.8)**
Remeasurements of defined benefit pension schemes	–	–	–	–	–	–	(5.7)	**(5.7)**	–	**(5.7)**
Tax on remeasurements of defined benefit pension schemes	–	–	–	–	–	–	1.1	**1.1**	–	**1.1**
Other comprehensive income for the period, net of tax	–	–	–	(26.6)	–	–	(4.6)	**(31.2)**	(0.3)	**(31.5)**
Total comprehensive income for the period	–	–	–	(26.6)	–	–	24.7	**(1.9)**	0.5	**(1.4)**
Dividends	–	–	–	–	–	–	(15.4)	**(15.4)**	(0.2)	**(15.6)**
Share-based payments	–	–	–	–	–	–	1.9	**1.9**	–	**1.9**
Share capital issued	0.7	–	–	–	56.9	–	–	**57.6**	–	**57.6**
Acquisition of non-controlling interest	–	–	–	–	–	–	–	**–**	(5.6)	**(5.6)**
At 31 December 2013 and 1 January 2014	7.3	38.1	7.6	10.0	56.9	–	247.9	**367.8**	4.8	**372.6**
(Loss)/profit for the period	–	–	–	–	–	–	(3.0)	**(3.0)**	1.8	**(1.2)**
Other comprehensive income										
Exchange differences on translation of foreign operations	–	–	–	(3.7)	–	–	–	**(3.7)**	(0.1)	**(3.8)**
Net investment hedge gains	–	–	–	2.0	–	–	–	**2.0**	–	**2.0**
Cash flow hedge losses taken to equity	–	–	–	–	–	(6.1)	–	**(6.1)**	–	**(6.1)**
Cash flow hedge transfers to income statement	–	–	–	–	–	6.1	–	**6.1**	–	**6.1**
Remeasurements of defined benefit pension schemes	–	–	–	–	–	–	(4.1)	**(4.1)**	–	**(4.1)**
Tax on remeasurements of defined benefit pension schemes	–	–	–	–	–	–	0.2	**0.2**	–	**0.2**
Other comprehensive income for the period, net of tax	–	–	–	(1.7)	–	–	(3.9)	**(5.6)**	(0.1)	**(5.7)**
Total comprehensive income for the period	–	–	–	(1.7)	–	–	(6.9)	**(8.6)**	1.7	**(6.9)**
Dividends	–	–	–	–	–	–	(17.4)	**(17.4)**	(0.6)	**(18.0)**
Share-based payments	–	–	–	–	–	–	1.9	**1.9**	–	**1.9**
Acquisition of non-controlling interest	–	–	–	–	–	–	(1.0)	**(1.0)**	(2.3)	**(3.3)**
At 31 December 2014	7.3	38.1	7.6	8.3	56.9	–	224.5	**342.7**	3.6	**346.3**

Consolidated cash flow statement

For the year ended 31 December 2014

	Note	**2014 £m**	2013 £m
Cash flows from operating activities			
Operating profit before exceptional items		**92.0**	77.8
Depreciation of property, plant and equipment		**48.0**	45.0
Amortisation of intangible assets		**1.9**	1.4
Profit on sale of property, plant and equipment		**(0.3)**	(0.3)
Other non-cash movements		**8.9**	7.1
Foreign exchange losses		**0.1**	–
Operating cash flows before movements in working capital		**150.6**	131.0
Decrease/(increase) in inventories		**13.9**	(22.5)
Decrease/(increase) in trade and other receivables		**11.2**	(37.4)
(Decrease)/increase in trade and other payables		**(0.1)**	65.5
Change in provisions, retirement benefit and other non-current liabilities		**(10.2)**	(4.6)
Cash generated from operations		**165.4**	132.0
Interest paid		**(10.1)**	(5.4)
Income tax paid		**(28.4)**	(21.5)
Net cash inflow from operating activities		**126.9**	105.1
Cash flows from investing activities			
Interest received		**0.5**	0.4
Proceeds from sale of property, plant and equipment		**3.5**	3.6
Acquisition of subsidiaries, net of cash acquired		**(5.0)**	(200.4)
Acquisition of property, plant and equipment		**(63.6)**	(44.8)
Acquisition of intangible assets		**(0.9)**	(1.4)
Net cash outflow from investing activities		**(65.5)**	(242.6)
Cash flows from financing activities			
Proceeds from the issue of share capital		**–**	57.6
New borrowings		**95.3**	118.5
Repayment of borrowings		**(103.6)**	(24.2)
Payment of finance lease liabilities		**(1.2)**	(0.7)
Dividends paid		**(18.0)**	(15.6)
Net cash (outflow)/inflow from financing activities		**(27.5)**	135.6
Net increase/(decrease) in cash and cash equivalents		**33.9**	(1.9)
Cash and cash equivalents at beginning of period		**50.7**	54.8
Effect of exchange rate fluctuations		**1.0**	(2.2)
Cash and cash equivalents at end of period	20	**85.6**	50.7

Notes to the consolidated financial statements

1 General information

Keller Group plc ('the parent' or 'the Company') is a company incorporated in the United Kingdom. The consolidated financial statements are presented in pounds sterling (rounded to the nearest hundred thousand), the functional currency of the parent. Foreign operations are included in accordance with the policies set out in Note 2.

2 Principal accounting policies

Statement of compliance

The consolidated financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU.

The Company has elected to prepare its parent company financial statements in accordance with UK GAAP; these are presented on pages 92 to 97.

Basis of preparation

The financial statements are prepared on the historical cost basis except that derivative financial instruments are stated at their fair value. The carrying value of hedged items are re-measured to fair value in respect of the hedged risk. Except as noted below, these accounting policies have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by subsidiaries.

The consolidated financial statements are prepared on a going concern basis as set out in the Directors' report on page 61.

Changes in accounting policies and disclosures

There is no significant financial impact on the Group financial statements of the following new standards, amendments and interpretations that are in issue and mandatory for the financial year ending 31 December 2014:

– IFRS 10, 'Consolidated financial statements'
– IFRS 11, 'Joint arrangements'
– IFRS 12, 'Disclosure of interests in other entities'
– Amendments to IAS 27, 'Separate financial statements'
– Amendments to IAS 28, 'Investments in associates and joint ventures'
– Amendments to IAS 32, 'Financial instruments: Presentation'
– Amendments to IAS 36, 'Impairment of assets'
– Amendments to IAS 39, 'Financial instruments: Recognition and measurement'.

There are no standards, amendments or interpretations that are in issue but not yet effective that are expected to have a significant impact on the Group financial statements.

Basis of consolidation

The consolidated financial statements consolidate the accounts of the parent and its subsidiary undertakings (collectively 'the Group') made up to 31 December each year. Subsidiaries are entities controlled by the Company. Control exists when the Company has power over an entity, exposure to variable returns from its involvement with an entity and the ability to use its power over the entity to affect its returns. Where subsidiary undertakings were acquired or sold during the year, the accounts include the results for the part of the year for which they were subsidiary undertakings using the acquisition method of accounting. Intra-Group balances, and any unrealised income and expenses arising from intra-Group transactions, are eliminated in preparing the consolidated financial statements.

Joint operations

From time to time the Group undertakes contracts jointly with other parties. These fall under the category of joint operations as defined by IFRS 11. In accordance with IFRS 11, the Group accounts for its own share of assets, liabilities, revenues and expenses measured according to the terms of the agreements covering the joint operations.

Revenue recognition

Revenue represents the fair value of work done on construction contracts performed during the year on behalf of customers or the value of goods or services delivered to customers. In accordance with IAS 11, contract revenue and expenses are recognised in proportion to the stage of completion of the contract as soon as the outcome of a construction contract can be estimated reliably.

The fair value of work done is calculated using the expected final contract value, based on contracted values adjusted for the impact of any known variations, and the stage of completion, calculated as costs to date as a proportion of total expected contract costs.

In the nature of the Group's business, the results for the year include adjustments to the outcome of construction contracts, including joint operations, completed in prior years arising from claims from customers or third parties and claims on customers or third parties for variations to the original contract.

Provision against claims from customers or third parties is made in the year in which the Group becomes aware that a claim may arise. Income from claims on customers or third parties is not recognised until the outcome can be reliably measured and it is probable that the Group will receive the economic benefits.

Where it is probable that a loss will arise on a contract, full provision for this loss is made when the Group becomes aware that a loss may arise.

Revenue in respect of goods and services is recognised as the goods and services are delivered.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Property, plant and equipment acquired under finance leases are capitalised in the balance sheet at the lower of fair value or present value of minimum lease payments and depreciated in accordance with the Group's accounting policy. The capital element of the leasing commitment is included as obligations under finance leases. The rentals payable are apportioned between interest, which is charged to the income statement, and capital, which reduces the outstanding obligation.

Amounts payable under operating leases are charged to contract work in progress or operating costs on a straight-line basis over the lease term.

Foreign currencies

Balance sheet items in foreign currencies are translated into sterling at closing rates of exchange at the balance sheet date. Income statements and cash flows of overseas subsidiary undertakings are translated into sterling at average rates of exchange for the year.

Exchange differences arising from the retranslation of opening net assets and income statements at closing and average rates of exchange respectively are dealt with in other comprehensive income, along with changes in fair values of associated net investment hedges. All other exchange differences are charged to the income statement.

2 Principal accounting policies continued

The exchange rates used in respect of principal currencies are:

	2014	2013
US dollar: average for period	**1.65**	1.56
US dollar: period end	**1.55**	1.65
Canadian dollar: average for period	**1.82**	1.61
Canadian dollar: period end	**1.81**	1.76
Euro: average for period	**1.24**	1.18
Euro: period end	**1.28**	1.20
Singapore dollar: average for period	**2.09**	1.96
Singapore dollar: period end	**2.05**	2.09
Australian dollar: average for period	**1.83**	1.62
Australian dollar: period end	**1.90**	1.86

Interest income and expense
All interest income and expense is recognised in the income statement in the period in which it is incurred using the effective interest method.

Employee benefit costs
The Group operates a number of defined benefit pension arrangements, and also makes payments into defined contribution schemes for employees.

The liability in respect of defined benefit schemes is the present value of the defined benefit obligations at the balance sheet date, calculated using the projected unit credit method, less the fair value of the schemes' assets. As allowed by IAS 19, the Group recognises the current service cost and interest on scheme net liabilities in the income statement, and remeasurements of defined benefit plans in other comprehensive income in full in the period in which they occur.

Payments to defined contribution schemes are accounted for on an accruals basis.

Taxation
The tax expense represents the sum of the tax currently payable and the deferred tax charge.

Provision is made for current tax on taxable profits for the year. Taxable profit differs from profit before taxation as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Full provision is made for deferred tax on temporary differences in line with IAS 12, 'Income Taxes'. Deferred tax assets are recognised when it is considered likely that they will be utilised against future taxable profits.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity or to other comprehensive income, in which case the related deferred tax is also dealt with in equity or in other comprehensive income.

Property, plant and equipment
Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment.

Depreciation
Depreciation is not provided on freehold land.

Depreciation is provided to write off the cost less the estimated residual value of property, plant and equipment by reference to their estimated useful lives using the straight-line method.

The rates of depreciation used are:

Buildings	2%
Long-life plant and equipment	8%
Short-life plant and equipment	12%
Motor vehicles	25%
Computers	33%

The cost of leased properties is depreciated by equal instalments over the period of the lease or 50 years, whichever is the shorter.

Business combinations
The Group accounts for business combinations in accordance with IFRS 3, 'Business Combinations (2008)' using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

For acquisitions on or after 1 January 2010, costs related to the acquisition are expensed as incurred. Any contingent consideration payable is recognised at fair value at the acquisition date with subsequent changes to the fair value being recognised in profit or loss, unless the change was as a result of new information about facts or circumstances existing at the acquisition date being obtained during the measurement period, in which case the change is recognised in the balance sheet as an adjustment to goodwill. For acquisitions before 1 January 2010, transaction costs were capitalised as part of the cost of the acquisition. Any contingent consideration payable was recognised at fair value at the acquisition date with subsequent changes to the fair value being recognised in the balance sheet as an adjustment to goodwill.

Notes to the consolidated financial statements
continued

2 Principal accounting policies continued

Goodwill and other intangible assets

Goodwill

Goodwill arising on consolidation, representing the difference between the fair value of the purchase consideration and the fair value of the identifiable net assets of the subsidiary undertaking at the date of acquisition, is capitalised as an intangible asset.

The fair value of identifiable net assets in excess of the fair value of purchase consideration is credited to the income statement in the year of acquisition.

Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is reviewed for impairment annually and whenever there is an indication that the goodwill may be impaired in accordance with IAS 36, with any impairment losses being recognised immediately in the income statement. Goodwill arising prior to 1 January 1998 was taken directly to equity in the year in which it arose. Such goodwill has not been reinstated on the balance sheet.

Other intangible assets

Intangible assets, other than goodwill, include purchased licences, software, patents, customer contracts, non-compete undertakings, customer relationships, trademarks and trade names. Intangible assets are capitalised at cost and amortised on a straight-line basis over their useful economic lives from the date that they are available for use and are stated at cost less accumulated amortisation and impairment losses. Useful economic lives do not exceed seven years.

Intangible assets acquired in a business combination are accounted for initially at fair value.

Impairment of assets excluding goodwill

At each balance sheet date the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Capital work in progress

Capital work in progress represents expenditure on property, plant and equipment in the course of construction. Transfers are made to other property, plant and equipment categories when the assets are available for use.

Inventories

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

Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes party to the contractual provisions of the instrument.

Derivative financial instruments are accounted for in accordance with IAS 39 and recognised initially at fair value.

The Group uses currency and interest rate swaps to manage financial risk. Interest charges and financial liabilities are stated after taking account of these swaps.

The Group uses these swaps and other hedges to mitigate exposures to both foreign currency and interest rates.

Hedges are accounted for as follows:

Cash flow hedges: The effective part of any gain or loss on the hedging instrument is recognised directly in the hedging reserve. Any ineffective portion of the hedge is recognised immediately in the income statement. The associated cumulative gain or loss is removed from equity and recognised in the income statement in the same period or periods during which the hedged forecast transaction affects profit or loss.

Fair value hedges: Changes in the fair value of the derivative are recognised immediately in the income statement. The carrying value of the hedged item is adjusted by the change in fair value that is attributable to the risk being hedged and any gains or losses on remeasurement are recognised immediately in the income statement.

Net investment hedges: The effective portion of the change in fair value of the hedging instrument is recognised directly in the translation reserve. Any ineffectiveness is recognised immediately in the income statement.

Trade receivables

Trade receivables do not carry any interest, are initially recognised at fair value and are carried at amortised cost as reduced by appropriate allowances for estimated irrecoverable amounts.

Trade payables

Trade payables are not interest bearing, are initially recognised at fair value and are carried at amortised cost.

Borrowings

Borrowings are recognised initially at fair value less attributable issue costs. Subject to initial recognition, borrowings are stated at amortised cost.

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event and where it is probable that an outflow will be required to settle the obligation.

Financial guarantees

Where Group companies enter into financial guarantee contracts to guarantee the indebtedness or obligations of other companies within the Group, these are considered to be insurance arrangements, and accounted for as such. In this respect, the guarantee contract is treated as a contingent liability until such time as it becomes probable that the guarantor will be required to make a payment under the guarantee.

2 Principal accounting policies continued

Share-based payment

Charges for employee services received in exchange for share-based payment have been made in accordance with IFRS 2.

Options granted under the Group's employee share schemes are equity settled. The fair value of such options has been calculated using a stochastic model, based upon publicly available market data, and is charged to the income statement over the performance period with a corresponding increase in equity.

At the end of each reporting period, the Group revises its estimate of the number of options that are expected to vest based on the service and non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

Segmental reporting

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Operating Decision Maker to allocate resources to the segments and to assess their performance. The Group determines the Chief Operating Decision Maker to be the Board of Directors.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Segmental results are presented as operating profit before exceptional items. Segment assets are defined as property, plant and equipment, intangible assets, inventories and trade and other receivables. Segment liabilities are defined as trade and other payables, retirement benefit liabilities, provisions and other liabilities. The accounting policies of the operating segments are the same as the Group's accounting policies.

Dividends

Interim dividends are recorded in the Group's consolidated financial statements when paid. Final dividends are recorded in the Group's consolidated financial statements in the period in which they receive shareholder approval.

Exceptional items

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group. They are items which are exceptional by their size or are non-trading in nature, including those relating to acquisitions.

Accounting estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that and prior periods, or in the period of the revision and future periods if the revision affects both current and future periods.

The key estimates and judgments in drawing up the Group's consolidated financial statements are in connection with accounting for construction contracts and the carrying value of goodwill.

Construction contracts: The Group's approach to key estimates and judgments relating to construction contracts is set out in the revenue recognition policy above. The main factors considered when making those estimates and judgments include the percentage of work completed at the balance sheet date on longer-term contracts, the costs of the work required to complete the contract and the outcome of claims and variations raised against customers and claims raised against the Group by customers or third parties.

Carrying value of goodwill: The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy set out above. The Group estimates the recoverable amount based on value in use calculations. These calculations require the use of assumptions, the most important being the forecast revenues, operating margins and the discount rates applied.

Notes to the consolidated financial statements
continued

3 Segmental analysis
The Group is managed as four geographical divisions and has only one major product or service: specialist ground engineering services. This is reflected in the Group's management structure and in the segment information reviewed by the Chief Operating Decision Maker.

	2014 Revenue £m	2014 Operating profit £m	2013 Revenue £m	2013 Operating profit £m
North America	**775.6**	**59.9**	699.4	51.6
EMEA[1]	**451.5**	**12.9**	399.2	6.8
Asia	**111.3**	**8.3**	96.2	9.0
Australia	**261.3**	**15.7**	243.4	15.6
	1,599.7	**96.8**	1,438.2	83.0
Central items and eliminations	**–**	**(4.8)**	–	(5.2)
Before exceptional items	**1,599.7**	**92.0**	1,438.2	77.8
Exceptional items (Note 7)	**–**	**(56.7)**	–	(21.7)
	1,599.7	**35.3**	1,438.2	56.1

	2014 Segment assets £m	2014 Segment liabilities £m	2014 Capital employed £m	2014 Capital additions £m	2014 Depreciation and amortisation £m	2014 Tangible and intangible assets £m
North America	**499.4**	**(159.9)**	**339.5**	**23.3**	**17.2**	**251.6**
EMEA[1]	**283.3**	**(215.2)**	**68.1**	**23.1**	**18.9**	**127.4**
Asia	**84.7**	**(29.4)**	**55.3**	**10.8**	**5.5**	**47.4**
Australia	**85.1**	**(44.2)**	**40.9**	**7.3**	**8.2**	**52.6**
	952.5	**(448.7)**	**503.8**	**64.5**	**49.8**	**479.0**
Central items and eliminations[2]	**103.4**	**(260.9)**	**(157.5)**	**–**	**0.1**	**0.1**
	1,055.9	**(709.6)**	**346.3**	**64.5**	**49.9**	**479.1**

	2013 Segment assets £m	2013 Segment liabilities £m	2013 Capital employed £m	2013 Capital additions £m	2013 Depreciation and amortisation £m	2013 Tangible and intangible assets £m
North America	487.0	(155.4)	331.6	19.9	15.5	245.5
EMEA[1]	278.6	(141.6)	137.0	12.5	16.9	131.1
Asia	76.7	(25.0)	51.7	4.2	4.8	36.7
Australia	116.5	(63.5)	53.0	9.6	9.0	56.3
	958.8	(385.5)	573.3	46.2	46.2	469.6
Central items and eliminations[2]	69.0	(269.7)	(200.7)	–	0.2	0.2
	1,027.8	(655.2)	372.6	46.2	46.4	469.8

[1] Europe, Middle East and Africa.
[2] Central items include net debt and tax balances.

Revenue and non-current non-financial assets are analysed by country below:

	Revenue		Non-current non-financial assets[3]	
	2014 £m	2013 £m	2014 £m	2013 £m
United States	**666.5**	604.0	**155.9**	137.6
Australia	**261.3**	243.4	**52.6**	56.3
Canada	**108.2**	94.9	**122.2**	122.0
United Kingdom (country of domicile)	**67.5**	70.1	**19.2**	20.4
Other	**496.2**	425.8	**145.0**	148.4
	1,599.7	1,438.2	**494.9**	484.7

[3] Non-current non-financial assets comprise intangible assets, property, plant and equipment and other non-current non-financial assets.

4 Acquisitions

2014 acquisitions

On 14 August 2014, the Group acquired the trade and selected assets of Ansah Sdn Bhd, a business based in Kuantan, Malaysia, for an initial cash consideration of £3.5m (RM19.0m). £1.4m (RM7.6m) of the purchase price relates to property, plant and equipment, with the remaining purchase price allocated to goodwill. Contingent consideration of up to £1.5m (RM8.0m) is payable based on total earnings before interest and tax in the three-year period following acquisition. The full amount of contingent consideration is currently provided for.

On 15 May 2014, the Group acquired the remaining 45% minority shareholding of Keller Engenharia Geotecnica Ltda in Brazil for a cash consideration of £2.8m (R$10.7m) at a premium of £1.0m (R$4.1m) to net book value, which has been taken directly to reserves.

2013 acquisitions

	Keller Canada			Franki Africa			Geo-Foundations			**Total**		
	Carrying amount £m	Fair value adjustment £m	Fair value £m	Carrying amount £m	Fair value adjustment £m	Fair value £m	Carrying amount £m	Fair value adjustment £m	Fair value £m	**Carrying amount £m**	**Fair value adjustment £m**	**Fair value £m**
Net assets acquired												
Intangible assets	–	31.5	31.5	2.2	3.2	5.4	–	0.4	0.4	**2.2**	**35.1**	**37.3**
Property, plant and equipment	32.9	1.3	34.2	19.0	–	19.0	1.9	1.3	3.2	**53.8**	**2.6**	**56.4**
Cash and cash equivalents	–	–	–	4.2	–	4.2	0.2	–	0.2	**4.4**	**–**	**4.4**
Receivables	19.7	(0.4)	19.3	14.3	–	14.3	4.0	–	4.0	**38.0**	**(0.4)**	**37.6**
Other assets	9.6	–	9.6	4.6	–	4.6	0.4	–	0.4	**14.6**	**–**	**14.6**
Loans and borrowings	(3.8)	–	(3.8)	(2.4)	–	(2.4)	(0.5)	–	(0.5)	**(6.7)**	**–**	**(6.7)**
Deferred tax	–	(2.0)	(2.0)	(0.7)	(0.8)	(1.5)	(0.4)	(0.4)	(0.8)	**(1.1)**	**(3.2)**	**(4.3)**
Other liabilities	(4.2)	–	(4.2)	(13.0)	(0.9)	(13.9)	(0.9)	–	(0.9)	**(18.1)**	**(0.9)**	**(19.0)**
	54.2	30.4	84.6	28.2	1.5	29.7	4.7	1.3	6.0	**87.1**	**33.2**	**120.3**
Goodwill			74.8			2.9			–			**77.7**
Total consideration			159.4			32.6			6.0			**198.0**
Satisfied by												
Initial cash consideration			151.2			31.8			6.0			**189.0**
Contingent consideration			8.2			0.8			–			**9.0**
			159.4			32.6			6.0			**198.0**

On 1 January 2013, the Group acquired 100% of the share capital of Geo-Foundations Contractors, Inc. ('Geo-Foundations'), a business based in Toronto, Canada. The fair value of the intangible assets acquired represents the fair value of customer contracts at the date of acquisition. A further amount of up to £4.4m (C$8m) is payable based on total earnings before interest, tax, depreciation and amortisation in the five-year period following acquisition. As the payment is contingent on continued employment of the vendors until the entitlement date, this arrangement is treated as remuneration for post-acquisition services and amounts expected to be paid are accrued over the five-year period.

On 12 July 2013, the Group acquired selected assets and businesses that comprised the piling division of North American Energy Partners, Inc. (collectively 'Keller Canada'), a business based in Edmonton, Canada. The fair value of the intangible assets acquired represents the fair value of customer relationships, customer contracts at the date of acquisition, patents and trade names. Goodwill arising on acquisition is attributable to the knowledge and expertise of the assembled workforce, the expectation of future contracts and customer relationships and the opportunity to expand the use of more advanced Group technologies into a growth market. Contingent consideration of up to £51.1m (C$92.5m) is payable based on total earnings before interest, tax, depreciation and amortisation in the three-year period following acquisition.

On 21 November 2013, the Group acquired selected assets and businesses that comprised the geotechnical division of Esorfranki Limited (collectively 'Franki Africa'), a business based in Johannesburg, South Africa. The fair value of the intangible assets acquired represents the fair value of customer contracts at the date of acquisition and trade names. Goodwill arising on acquisition is attributable to the knowledge and expertise of the assembled workforce, operating synergies that arise from the Group's strengthened market position and the opportunity for the Group to accelerate its expansion in Africa using an established business. Contingent consideration of up to £8.3m (R150m) is payable based on total earnings before interest, tax, depreciation and amortisation in the three-year period following acquisition.

On 3 April 2013, the Group acquired the remaining 49% minority shareholding of Keller-Terra S.L. in Spain for a cash consideration of £5.6m (€6.7m), which was equal to the net book value of the assets and liabilities at the acquisition date.

Notes to the consolidated financial statements
continued

5 Operating costs

	Note	2014 £m	2013 £m
Raw materials and consumables		**481.5**	420.8
Staff costs	6	**404.5**	363.4
Other operating charges		**511.4**	480.2
Amortisation of intangibles		**1.9**	1.4
Operating lease and short-term rental expense:			
Land and buildings		**9.5**	7.3
Plant, machinery and vehicles		**50.9**	42.3
Depreciation:			
Owned property, plant and equipment		**47.6**	44.8
Property, plant and equipment held under finance leases		**0.4**	0.2
Operating costs before exceptional items		**1,507.7**	1,360.4
Exceptional items (Note 7)		**56.7**	21.7
		1,564.4	1,382.1
Other operating charges include:			
Redundancy and other reorganisation costs		**4.4**	2.3
Fees payable to the Company's auditor for the audit of the Company's Annual Accounts		**0.1**	0.1
Fees payable to the Company's auditor for other services:			
The audit of the Company's subsidiaries, pursuant to legislation		**1.0**	1.2
Tax compliance services		**0.2**	0.4
Tax advisory services		**0.2**	–
Other assurance services		**0.1**	0.7

6 Employees
The aggregate staff costs of the Group were:

	2014 £m	2013 £m
Wages and salaries	**350.4**	318.3
Social security costs	**41.9**	34.4
Other pension costs	**10.3**	8.8
Share-based payments	**1.9**	1.9
	404.5	363.4

These costs include Directors' remuneration. Directors' remuneration comprised:

	2014 £m	2013 £m
Short-term employee benefits	**2.0**	3.4
Post-employment benefits	**0.1**	0.1
Share-based payments	**0.9**	1.0
	3.0	4.5

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

	2014 Number	2013 Number
North America	**3,316**	3,410
EMEA	**3,900**	2,664
Asia	**1,233**	838
Australia	**674**	930
	9,123	7,842

7 Exceptional items

Exceptional items are items which are exceptional by their size or are non-trading in nature, including those relating to acquisitions. Exceptional items comprise the following:

	2014 £m	2013 £m
Contract dispute	**54.0**	–
Amortisation of acquired intangible assets	**6.6**	6.7
Acquisition costs	**0.5**	5.9
Contingent consideration and payments	**(4.7)**	6.0
Goodwill impairments	**–**	3.1
Other	**0.3**	–
Exceptional items in operating costs	**56.7**	21.7
Exceptional finance costs	**0.2**	0.4
	56.9	22.1

The contract dispute relates to a project that the Group's UK subsidiary, Keller Limited, completed in 2008. The dispute was subject to litigation proceedings involving a number of parties, but these were settled in February 2015. The final cost to Keller is subject to a number of remedial and other actions to be undertaken as part of the settlement agreement and the value of the property following these remedial actions. The exceptional charge represents management's best estimate of the net cost to Keller before taking account of future recoveries under applicable insurances, as these cannot be recognised under IFRS. The majority of these costs expect to be incurred within the next two years.

Amortisation of acquired intangible assets and acquisition costs relate to the acquisitions set out in Note 4.

The contingent consideration and payments credit in 2014 mainly relates to the release of previously provided contingent consideration for the acquisition of Keller Canada which the Group no longer expects to pay. In the prior year, the contingent consideration and payments charge primarily related to £4.8m (A$7.8m) of previously unprovided contingent consideration paid in respect of the acquisition of Waterway Constructions Group Pty Ltd due to its better than expected performance in the period since acquisition.

Goodwill impairments in 2013 mainly relate to Keller Specialni Zakladani, spol. s.r.o. (Czech Republic).

Exceptional finance costs relate to the unwind of the discounted contingent consideration to present value for the acquisitions set out in Note 4.

8 Finance income

	2014 £m	2013 £m
Bank and other interest receivable	**0.6**	0.6
Other finance income	**0.9**	2.5
	1.5	3.1

9 Finance costs

	2014 £m	2013 £m
Interest payable on bank loans and overdrafts	**3.7**	2.5
Interest payable on other loans	**1.9**	2.2
Interest payable on finance leases	**0.4**	0.1
Net pension interest cost	**0.7**	0.7
Other finance costs	**1.7**	1.3
Finance costs before exceptional items	**8.4**	6.8
Exceptional finance costs (Note 7)	**0.2**	0.4
	8.6	7.2

Notes to the consolidated financial statements
continued

10 Taxation

	2014 £m	2013 £m
Current tax expense		
Current year	**35.1**	21.9
Prior years	**(0.8)**	(1.1)
Total current tax	**34.3**	20.8
Deferred tax expense		
Current year	**(6.5)**	1.0
Prior years	**1.6**	0.1
Total deferred tax	**(4.9)**	1.1
	29.4	21.9

UK corporation tax is calculated at 21.5% (2013: 23.25%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The effective tax rate can be reconciled to the UK corporation tax rate of 21.5% as follows:

	2014 %	2013 %
UK corporation tax rate of 21.5% (2013: 23.25%)	**21.5**	23.3
Tax charged overseas at rates other than 21.5% (2013: 23.25%)	**11.0**	7.8
Tax losses	**1.0**	1.3
Non-deductible expenses	**0.5**	1.1
Adjustment to tax charge in respect of previous periods	**0.9**	(1.4)
Effective tax rate before exceptional items	**34.9**	32.1
Impact of exceptional items (Note 7)	**69.4**	10.0
Effective tax rate	**104.3**	42.1

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting periods:

	Unused tax losses £m	Accelerated capital allowances £m	Retirement benefit obligations £m	Other employee related liabilities £m	Bad debts £m	Other temporary differences £m	Total £m
At 1 January 2013	(4.8)	31.3	(1.7)	(9.6)	(3.5)	(2.5)	**9.2**
Charge/(credit) to the income statement	0.9	0.1	0.2	(1.2)	0.4	0.7	**1.1**
Credit to other comprehensive income	–	–	(1.1)	–	–	–	**(1.1)**
Acquired with subsidiaries	–	0.4	–	–	0.1	3.8	**4.3**
Exchange differences	(0.2)	(1.3)	0.3	0.8	0.1	0.8	**0.5**
Reclassification	–	1.2	(0.3)	(0.3)	(1.7)	1.1	**–**
At 31 December 2013 and 1 January 2014	(4.1)	31.7	(2.6)	(10.3)	(4.6)	3.9	**14.0**
(Credit)/charge to the income statement	(3.2)	1.1	(0.4)	0.6	(2.1)	(0.9)	**(4.9)**
Credit to other comprehensive income	–	–	(0.2)	–	–	–	**(0.2)**
Exchange differences	0.1	0.9	0.1	(0.5)	(0.2)	0.4	**0.8**
At 31 December 2014	(7.2)	33.7	(3.1)	(10.2)	(6.9)	3.4	**9.7**

The following is the analysis of the deferred tax balances:

	2014 £m	2013 £m
Deferred tax liabilities	**19.7**	21.9
Deferred tax assets	**(10.0)**	(7.9)
	9.7	14.0

At the balance sheet date, the Group had unused tax losses of £25.2m (2013: £24.6m) available for offset against future profits, on which no deferred tax asset has been recognised. Of these losses, £19.4m (2013: £19.4m) may be carried forward indefinitely.

At the balance sheet date the aggregate of temporary differences associated with investments in subsidiaries, branches and joint ventures for which no deferred tax liability has been recognised is £71.6m (2013: £51.5m). The unprovided deferred tax liability in respect of these timing differences is £3.2m (2013: £1.6m).

11 Dividends payable to equity holders of the parent

Ordinary dividends on equity shares:

	2014 £m	2013 £m
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 December 2013 of 16.0p (2012: 15.2p) per share	**11.4**	9.8
Interim dividend for the year ended 31 December 2014 of 8.4p (2013: 8.0p) per share	**6.0**	5.6
	17.4	15.4

The Board has recommended a final dividend for the year ended 31 December 2014 of £12.0m, representing 16.8p (2013: 16.0p) per share. The proposed dividend is subject to approval by shareholders at the AGM on 14 May 2015 and has not been included as a liability in these financial statements.

12 Earnings per share

Basic and diluted earnings/(loss) per share are calculated as follows:

	2014 Basic before exceptional items £m	2014 Diluted before exceptional items £m	2014 Basic £m	2014 Diluted £m	2013 Basic before exceptional items £m	2013 Diluted before exceptional items £m	2013 Basic £m	2013 Diluted £m
Earnings/(loss) (after tax and non-controlling interests), being net profits/(losses) attributable to equity holders of the parent	**53.6**	**53.6**	**(3.0)**	**(3.0)**	49.5	49.5	29.3	29.3
	Number of shares Million	**Number of shares Million**	**Number of shares Million**	**Number of shares Million**	Number of shares Million	Number of shares Million	Number of shares Million	Number of shares Million
Weighted average of ordinary shares in issue during the year	**71.2**	**71.2**	**71.2**	**71.2**	67.8	67.8	67.8	67.8
Add: weighted average of shares under option during the year	**–**	**1.0**	**–**	**1.0**	–	1.1	–	1.1
Adjusted weighted average of ordinary shares in issue	**71.2**	**72.2**	**71.2**	**72.2**	67.8	68.9	67.8	68.9
	2014 Pence	**2014 Pence**	**2014 Pence**	**2014 Pence**	2013 Pence	2013 Pence	2013 Pence	2013 Pence
Earnings/(loss) per share	**75.3**	**74.2**	**(4.2)**	**(4.2)**	73.0	71.9	43.2	42.6

13 Intangible assets

	Goodwill £m	Other intangible assets: Arising on acquisition £m	Other intangible assets: Other £m	**Total £m**
Cost				
At 1 January 2013	114.2	–	16.0	**130.2**
Additions	77.4	37.3	1.4	**116.1**
Exchange differences	(11.3)	(3.6)	(0.8)	**(15.7)**
At 31 December 2013 and 1 January 2014	180.3	33.7	16.6	**230.6**
Additions	3.2	–	0.9	**4.1**
Exchange differences	0.9	(1.0)	0.2	**0.1**
At 31 December 2014	184.4	32.7	17.7	**234.8**
Accumulated amortisation and impairment				
At 1 January 2013	21.0	–	12.0	**33.0**
Impairment charge for the year	3.1	–	–	**3.1**
Amortisation charge for the year	–	6.7	1.4	**8.1**
Exchange differences	(0.3)	(0.5)	(0.7)	**(1.5)**
At 31 December 2013 and 1 January 2014	23.8	6.2	12.7	**42.7**
Amortisation charge for the year	–	6.6	1.9	**8.5**
Exchange differences	0.1	(0.2)	0.2	**0.1**
At 31 December 2014	23.9	12.6	14.8	**51.3**
Carrying amount				
At 31 December 2014	160.5	20.1	2.9	**183.5**
At 31 December 2013 and 1 January 2014	156.5	27.5	3.9	**187.9**
At 1 January 2013	93.2	–	4.0	**97.2**

Goodwill impairments in 2013 mainly relate to Keller Specialni Zakladani, spol. s.r.o. (Czech Republic).

Other intangible assets arising on acquisition represent customer relationships, customer contracts at the date of acquisition, patents and trade names.

In 2014, for impairment testing purposes goodwill has been allocated to 16 separate cash-generating units ('CGUs'). Of these, the carrying amount of goodwill allocated to four individual CGUs (Keller Canada, Suncoast, HJ Foundations and Keller Limited) is significant in comparison to the total carrying amount of goodwill and comprises 76% of the total. The carrying amounts allocated to three further CGUs, taken together, comprise a further 15% of the total. The relevant CGUs and the carrying amount of the goodwill allocated to each are as set out below, together with the pre-tax discount rate and medium-term growth rate used in their value in use calculations:

Cash-generating unit	**Geographical segment**	**2014 Carrying value £m**	**2014 Pre-tax discount rate %**	**2014 Forecast growth rate %**	2013 Carrying value £m	2013 Pre-tax discount rate %	2013 Forecast growth rate %
Keller Canada	North America	**64.9**	**11.3**	**2.0**	66.8	11.5	2.0
Suncoast	North America	**27.7**	**13.4**	**3.0**	26.1	13.0	3.0
HJ Foundations	North America	**17.9**	**16.0**	**3.0**	16.8	16.9	3.0
Keller Limited	EMEA	**12.1**	**12.4**	**2.0**	12.1	13.0	2.0
Hayward Baker	North America	**9.0**	**16.7**	**3.0**	8.4	16.3	3.0
Resource Piling	Asia	**7.9**	**11.9**	**2.0**	7.7	11.8	2.0
Waterway	Australia	**7.4**	**15.7**	**1.0**	7.5	16.2	1.0
Other	Various	**13.6**			11.1		
		160.5			156.5		

The recoverable amount of the goodwill allocated to each CGU has been determined based on a value in use calculation. The calculations all use cash flow projections based on financial budgets and forecasts approved by management covering a five-year period.

The Group's businesses operate in cyclical markets, some of which are expected to continue to face uncertain conditions over the next couple of years. The most important factors in the value in use calculations, however, are the forecast revenues and operating margins during the forecast period and the discount rates applied to future cash flows. The key assumptions underlying the cash flow forecasts are therefore the revenue and operating margins assumed throughout the forecast period. The discount rates used in the value in use calculations are based on the weighted average cost of capital of companies comparable to the relevant CGUs, adjusted as necessary to reflect the risk associated with the asset being tested.

Management considers all the forecast revenues, margins and profits to be reasonably achievable given recent performance and the historic trading results of the relevant CGUs. Cash flows beyond 2019 have been extrapolated using a steady growth rate of between 1% and 3% (shown in the table above), which does not exceed the long-term average growth rates for the markets in which the relevant CGUs operate.

13 Intangible assets continued

Management believes that, with the exception of Keller Limited (UK) and Keller Canada (Canada), any reasonably possible change in the key assumptions on which the recoverable amounts of the CGUs identified above are based would not cause any of their carrying amounts to exceed their recoverable amounts.

Keller Limited (UK)

Although revenues are forecast to reduce in 2015 as two significant contracts were substantially completed during 2014, the assumptions underlying the forecasts in subsequent years are for a gradual recovery to more normal, mid-cycle, market conditions by 2019. Clearly, in the event that this assumption proves over optimistic and the UK construction market experiences a prolonged depression, such that demand for our products is materially below long-term historic levels, this would adversely impact the forecast cash flows and may lead to an impairment of goodwill. Based on the value in use calculation, the recoverable amount of Keller Limited exceeds the carrying amount by £11.5m. In order for the recoverable amount to equal the carrying amount, forecast revenue growth in each year, at the assumed operating margins, would have to decrease by 6.3%, which would result in a negative 2.6% compound annual growth rate over the period from 2015 to 2019. Alternatively, assumed operating margins in each year would have to decrease by 1.5%.

Keller Canada (Canada)

The 2014 results of Keller Canada are below those expected at the time of acquisition, primarily due to worsening market conditions. The assumptions underlying the forecasts in subsequent years are for a recovery in the Canadian market in the medium term. Clearly, in the event that this assumption proves over optimistic and the Canadian market experiences a prolonged depression such that demand for our products is materially below long-term historic levels, this would adversely impact the forecast cash flows and may lead to an impairment of goodwill. Based on the value in use calculation, the recoverable amount of Keller Canada exceeds the carrying amount by C$71.2m (£39.3m). In order for the recoverable amount to equal the carrying amount, forecast revenue growth in each year, at the assumed operating margins, would have to decrease by 5.1%, which would result in a 3.2% compound annual growth rate over the period from 2015 to 2019. Alternatively, assumed operating margins in each year would have to decrease by 2.5%.

14 Property, plant and equipment

	Land and buildings £m	Plant, machinery and vehicles £m	Capital work in progress £m	**Total £m**
Cost				
At 1 January 2013	39.6	491.3	0.3	**531.2**
Additions	3.2	41.6	–	**44.8**
Disposals	(1.1)	(10.0)	–	**(11.1)**
Acquired with subsidiaries	1.2	53.6	–	**54.8**
Exchange differences	(0.5)	(27.9)	–	**(28.4)**
At 31 December 2013 and 1 January 2014	42.4	548.6	0.3	**591.3**
Additions	2.9	59.2	1.5	**63.6**
Disposals	–	(11.8)	–	**(11.8)**
Acquired with subsidiaries	–	1.4	–	**1.4**
Reclassification	2.0	(2.0)	–	**–**
Exchange differences	(0.7)	0.5	–	**(0.2)**
At 31 December 2014	46.6	595.9	1.8	**644.3**
Accumulated depreciation				
At 1 January 2013	8.7	274.0	–	**282.7**
Charge for the year	0.9	44.1	–	**45.0**
Disposals	(0.1)	(7.7)	–	**(7.8)**
Exchange differences	–	(10.5)	–	**(10.5)**
At 31 December 2013 and 1 January 2014	9.5	299.9	–	**309.4**
Charge for the year	1.7	46.3	–	**48.0**
Disposals	–	(8.6)	–	**(8.6)**
Exchange differences	(0.1)	–	–	**(0.1)**
At 31 December 2014	11.1	337.6	–	**348.7**
Carrying amount				
At 31 December 2014	35.5	258.3	1.8	**295.6**
At 31 December 2013 and 1 January 2014	32.9	248.7	0.3	**281.9**
At 1 January 2013	30.9	217.3	0.3	**248.5**

The net book value of plant, machinery and vehicles includes £3.9m (2013: £5.2m) in respect of assets held under finance leases.

The Group had contractual commitments for the acquisition of property, plant and equipment of £0.9m (2013: £3.1m) at the balance sheet date. These amounts were not included in the balance sheet at the year end.

Notes to the consolidated financial statements
continued

15 Other non-current assets

	2014 £m	2013 £m
Fair value of derivative financial instruments	**3.5**	–
Other assets	**16.4**	14.9
	19.9	14.9

16 Investments
The Company's principal operating subsidiary undertakings at 31 December 2014 were as follows:

Subsidiary undertaking	Country of incorporation
Keller Limited	UK
Hayward Baker Inc	USA
Case Foundation Company	USA
McKinney Drilling Company LLC	USA
Suncoast Post-Tension Ltd	USA
HJ Foundation Company	USA
Keller Foundations Ltd	Canada
Cyntech Construction Ltd	Canada
Geo-Foundations Contractors, Inc.	Canada
Keller Grundbau GmbH	Germany
Keller Fondations Spéciales SAS	France
Keller Grundbau Ges.mbH	Austria
Keller Cimentaciones S.L.U. (previously Keller-Terra S.L.)	Spain

Subsidiary undertaking	Country of incorporation
Keller Polska Sp. z o.o.	Poland
Keller Engenharia Geotécnica Ltda	Brazil
Keller Ground Engineering India Private Ltd	India
Keller (Malaysia) Sdn. Bhd	Malaysia
Keller Foundations (South East Asia) Pte Ltd	Singapore
Resource Piling Pte Ltd	Singapore
Keller Turki Company Ltd	Saudi Arabia
Franki Geotechnical (Pty) Ltd	South Africa
Frankipile Australia Pty Ltd	Australia
Vibro-Pile (Aust.) Pty Ltd	Australia
Piling Contractors Pty Ltd	Australia
Waterway Constructions Group Pty Ltd	Australia
Keller Ground Engineering Pty Ltd	Australia

Each of the above subsidiary undertakings is directly or indirectly wholly owned by the Company apart from Keller Turki Company Ltd, which is 65% owned by Keller Grundbau GmbH. Keller Limited is held directly by the Company. All other shareholdings are held by intermediate subsidiary undertakings. All companies are engaged in the principal activities of the Group, as defined in the Directors' report.

The Company has taken advantage of the exemption in s410 of the Companies Act 2006 to disclose a list comprising solely the principal operating subsidiaries. A full list of subsidiaries is sent to Companies House with each annual return.

17 Inventories

	2014 £m	2013 £m
Raw materials and consumables	**33.8**	45.7
Work in progress	**0.5**	2.1
Finished goods	**14.3**	14.2
	48.6	62.0

18 Trade and other receivables

	2014 £m	2013 £m
Trade receivables	**319.8**	336.9
Construction work in progress	**59.6**	56.6
Other receivables	**19.3**	11.2
Prepayments	**10.0**	8.4
Fair value of derivative financial instruments	**–**	1.4
	408.7	414.5

Trade receivables are shown net of an allowance for doubtful debts.

The movement in the provision for bad and doubtful debt is as follows:

	2014 £m	2013 £m
At 1 January	**29.0**	32.8
Acquired with subsidiaries	**–**	0.8
Used during the period	**(2.1)**	(4.0)
Additional provisions	**12.3**	13.3
Unused amounts reversed	**(3.1)**	(13.5)
Exchange differences	**0.4**	(0.4)
At 31 December	**36.5**	29.0

18 Trade and other receivables continued

The ageing of trade receivables that were past due but not impaired was as follows:

	2014 £m	2013 £m
Overdue by less than 30 days	**61.5**	65.9
Overdue by between 31 and 90 days	**34.4**	36.5
Overdue by more than 90 days	**24.3**	25.9
	120.2	128.3

19 Construction contracts

Construction contracts in progress at balance sheet date:

	2014 £m	2013 £m
Aggregate amount of costs incurred and recognised profits (less recognised losses) to date	**887.5**	637.0
Retentions withheld by customers	**28.0**	23.9
Advances received	**4.9**	1.9

Construction contract revenue recognised in the year in accordance with IAS 11 totalled £1,433.2m (2013: £1,319.3m).

20 Cash and cash equivalents

	2014 £m	2013 £m
Bank balances	**79.7**	50.5
Short-term deposits	**5.9**	2.8
Cash and cash equivalents in the balance sheet	**85.6**	53.3
Bank overdrafts	**–**	(2.6)
Cash and cash equivalents in the cash flow statement	**85.6**	50.7

21 Trade and other payables

	2014 £m	2013 £m
Trade payables	**171.4**	169.5
Other taxes and social security payable	**8.8**	7.6
Other payables	**142.0**	139.7
Accruals	**30.8**	33.6
Fair value of derivative financial instruments	**0.2**	2.0
	353.2	352.4

Other payables includes contract accruals and advance billings.

22 Provisions

	Employee provisions £m	Restructuring provisions £m	Other provisions £m	**Total £m**
At 1 January 2014	10.3	1.1	4.7	**16.1**
Charge for the year	4.7	1.0	59.1	**64.8**
Used during the period	(3.9)	(0.2)	(4.1)	**(8.2)**
Unused amounts reversed	(0.1)	–	–	**(0.1)**
Exchange differences	0.6	(0.1)	0.2	**0.7**
At 31 December 2014	11.6	1.8	59.9	**73.3**
To be settled within one year	6.4	1.7	41.9	**50.0**
To be settled after one year	5.2	0.1	18.0	**23.3**
At 31 December 2014	11.6	1.8	59.9	**73.3**

Employee provisions comprise obligations to employees other than retirement benefit obligations. Other provisions are in respect of legal and other disputes in various Group companies, including the provision for the contract dispute outlined in Note 7. The majority of provisions are expected to be utilised within one year.

23 Other non-current liabilities

	2014 £m	2013 £m
Fair value of derivative financial instruments	**19.4**	14.9
Other liabilities	**16.9**	21.0
	36.3	35.9

Other liabilities include contingent consideration of £2.8m (2013: £8.5m).

24 Financial instruments

Exposure to credit, interest rate and currency risks arise in the normal course of the Group's business. Derivative financial instruments are used to hedge exposure to fluctuations in foreign exchange and interest rates.

The Group does not trade in financial instruments nor does it engage in speculative derivative transactions.

Currency risk

The Group faces currency risk principally on its net assets, most of which are in currencies other than sterling. The Group aims to reduce the impact that retranslation of these net assets might have on the consolidated balance sheet, by matching the currency of its borrowings, where possible, with the currency of its assets. The majority of the Group's borrowings are held in US dollars, Canadian dollars, Euros and South African rand, in order to provide a hedge against these currency net assets.

The Group manages its currency flows to minimise currency transaction exchange risk. Forward contracts and other derivative financial instruments are used to hedge significant individual transactions. The majority of such currency flows within the Group relate to repatriation of profits, intra-Group loan repayments and any foreign currency cash flows associated with acquisitions. The Group's foreign exchange cover is executed primarily in the UK.

At 31 December 2014, the fair value of foreign exchange forward contracts outstanding was £0.2m (2013: £nil).

Interest rate risk

Interest rate risk is managed by mixing fixed and floating rate borrowings depending upon the purpose and term of the financing.

Credit risk

The Group's principal financial assets are trade and other receivables, bank and cash balances and a limited number of investments and derivatives held to hedge certain of the Group's liabilities. These represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group has stringent procedures to manage counterparty risk and the assessment of customer credit risk is embedded in the contract tendering processes. Customer credit risk is mitigated by the Group's relatively small average contract size, its diversity, both geographically and in terms of end markets, and by taking out credit insurance in many of the countries in which the Group operates. No individual customer represented more than 5% of revenue in 2014. The counterparty risk on bank and cash balances is managed by limiting the aggregate amount of exposure to any one institution by reference to their credit rating and by regular review of these ratings. The ageing of trade receivables that were past due but not impaired is shown in Note 18.

Liquidity risk and capital management

The Group's capital structure is kept under constant review, taking account of the need for, availability and cost of various sources of finance. The capital structure of the Group consists of net debt, as shown on page 85, and equity attributable to equity holders of the parent as shown in the consolidated balance sheet. The Group maintains a balance between certainty of funding and a flexible, cost effective financing structure with all main borrowings being from committed facilities. The Group's policy continues to be to ensure that its capital structure is appropriate to support this balance and the Group's operations.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group's debt and committed facilities mainly comprise a US$40m private placement repayable in 2018, a US$50m private placement repayable in 2021, a US$75m private placement repayable in 2024 and a £250m syndicated revolving credit facility expiring in 2019. These facilities are subject to certain covenants linked to the Group's financing structure, specifically regarding the ratios of debt and interest to profit. The Group has complied with these covenants throughout the period.

At the year end, the Group also had other committed and uncommitted borrowing facilities totalling £40.7m (2013: £68.5m) to support local requirements.

Private placements

In August 2012, US$40m was raised through a private placement with US institutions. The proceeds of the issue of US$40m 5.0% notes due 2018 were used to repay existing debt. In October and December 2014, a further US$50m and US$75m respectively were raised through a private placement with US institutions. The proceeds of the issue of US$50m 3.81% Series A notes due 2021 and US$75m 4.17% Series B notes due 2024 were used to refinance the 2004 US$70m 5.48% private placement notes which matured in October 2014 and other existing debt.

The US private placement loans are accounted for on an amortised cost basis, adjusted for the impact of hedge accounting (as described below), and retranslated at the spot exchange rate at each period end. The carrying value of the private placement liabilities at 31 December 2014 was £108.8m (2013: £68.5m).

Hedging

The 2004 US$70m fixed rate private placement liabilities were swapped into floating rates, US$45m by means of US dollar interest rate swaps and US$25m through a dollar euro cross-currency and interest rate swap (together, 'the 2004 swaps'). The 2004 swaps matured at the same time as the private placement liability in October 2014 and therefore the fair value of the 2004 swaps at 31 December 2014 was £nil (2013: a net asset of £0.3m).

In June 2006, US$185m of floating rate intra-Group debt was swapped into sterling floating rates by means of dollar sterling cross-currency interest rate swaps ('the 2006 swaps'). The 2006 swaps have the same maturity as the intra-Group debt and have been designated as cash flow hedges of the Company's exposure to the variability of cash flows on the intra-Group debt resulting from changes in foreign exchange rates.

The fair value of the 2006 swaps at 31 December 2014 represented a liability of £18.5m (2013: £11.3m) included in other non-current liabilities. The effective portion of changes in the fair value of the 2006 swaps, a loss of £7.2m (2013: £2.1m gain), has been taken to the hedging reserve and fully recycled through the income statement during the year.

The 2012 US$40m fixed rate private placement liabilities were swapped into sterling by means of dollar sterling cross-currency fixed interest rate swaps. Also, on the same date, £25.5m of sterling was swapped into euros by means of sterling euro cross-currency fixed interest rate swaps. These interest rate swaps ('the 2012 swaps') have the same maturity as the private placement liability. The dollar sterling swaps have been designated as cash flow hedges of the Company's exposure to the variability of cash flows on the private placement resulting from changes in foreign exchange rates and the sterling euro swaps have been designated as net investment hedges of the Group's euro-denominated net assets.

The fair value of the 2012 swaps at 31 December 2014 represented an asset of £0.5m (2013: £nil) included in other non-current assets and a liability of £0.9m (2013: £3.6m) included in other non-current liabilities. The effective portion of the changes in the fair value of the dollar sterling swaps, a gain of £1.1m (2013: £0.3m loss), has been taken to the hedging reserve and fully recycled through the income statement during the year. The effective portion of the changes in the fair value of the sterling euro swaps, a gain of £2.0m (2013: £1.6m loss), has been taken to the translation reserve through other comprehensive income along with the foreign exchange gains and losses arising on retranslation of the euro-denominated assets they hedge.

The 2014 US$50m and US$75m fixed rate private placement liabilities were swapped into floating rate by means of US dollar interest rate swaps ('the 2014 swaps'). The 2014 swaps have the same maturity as the private placement liabilities and have been designated as fair value hedges of the Group's exposure to changes in the fair value of the US private placement loans and related interest cash flows due to changes in US dollar interest rates.

The fair value of the 2014 swaps at 31 December 2014 represented an asset of £3.0m which is included in other non-current assets. The effective portion of the changes in the fair value of the 2014 swaps, a gain of £3.0m, has been taken to the income statement along with equal and opposite movement in fair value of the corresponding hedged items.

All hedges are tested for effectiveness every six months using the cumulative dollar offset method. All hedging relationships remained effective during the year. The ineffective portion of the movement in the fair value of the hedging instruments was £nil (2013: £nil).

24 Financial instruments continued

Effective interest rates and maturity analysis

In respect of interest-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they mature.

	2014 Effective interest rate %	2014 Due within 1–2 years £m	2014 Due within 2–5 years £m	2014 Due after more than 5 years £m	2014 Total non-current £m	2014 Due within 1 year £m	2014 Total £m
Bank loans*	**1.8**	**(0.5)**	**(72.2)**	**(1.0)**	**(73.7)**	**(1.2)**	**(74.9)**
Other loans*	**2.6**	**–**	**(25.8)**	**(83.0)**	**(108.8)**	**–**	**(108.8)**
Obligations under finance leases*	**7.3**	**(1.9)**	**(0.7)**	**–**	**(2.6)**	**(1.5)**	**(4.1)**
Total loans and borrowings		**(2.4)**	**(98.7)**	**(84.0)**	**(185.1)**	**(2.7)**	**(187.8)**
Bank balances*	**1.6**	**–**	**–**	**–**	**–**	**79.7**	**79.7**
Short-term deposits*	**2.8**	**–**	**–**	**–**	**–**	**5.9**	**5.9**
Net debt		**(2.4)**	**(98.7)**	**(84.0)**	**(185.1)**	**82.9**	**(102.2)**
Derivative financial instruments		**(18.6)**	**(0.4)**	**3.1**	**(15.9)**	**(0.2)**	**(16.1)**

	2013 Effective interest rate %	2013 Due within 1–2 years £m	2013 Due within 2–5 years £m	2013 Due after more than 5 years £m	2013 Total non-current £m	2013 Due within 1 year £m	2013 Total £m
Bank overdrafts	2.0	–	–	–	–	(2.6)	(2.6)
Bank loans*	2.9	(37.0)	(82.8)	(0.5)	(120.3)	(0.2)	(120.5)
Other loans*	2.9	–	(24.2)	–	(24.2)	(44.3)	(68.5)
Obligations under finance leases*	7.5	(0.8)	(1.5)	(1.5)	(3.8)	(1.6)	(5.4)
Total loans and borrowings		(37.8)	(108.5)	(2.0)	(148.3)	(48.7)	(197.0)
Bank balances	1.6	–	–	–	–	50.5	50.5
Short-term deposits*	3.7	–	–	–	–	2.8	2.8
Net debt		(37.8)	(108.5)	(2.0)	(148.3)	4.6	(143.7)
Derivative financial instruments		–	(14.9)	–	(14.9)	(0.6)	(15.5)

* These include assets/liabilities bearing interest at a fixed rate.

Loans and borrowings consist of the following:

	2014 £m	2013 £m
US$75m private placement (due December 2024)	**50.3**	–
US$50m private placement (due October 2021)	**32.7**	–
£250m syndicated revolving credit facility (expiring September 2019)	**71.9**	–
US$70m private placement (repaid October 2014)	**–**	44.3
US$40m private placement (due August 2018)	**25.8**	24.2
£170m syndicated revolving credit facility (expired July 2014)	**–**	36.4
US$150m syndicated revolving credit facility (amended and restated July 2014)	**–**	82.4
Bank overdrafts	**–**	2.6
Obligations under finance leases	**4.1**	5.4
Other loans and borrowings	**3.0**	1.7
Total loans and borrowings	**187.8**	197.0

During 2014, the US$150m facility was amended and restated to become the £250m facility.

In addition, there were non-interest-bearing financial liabilities comprising trade and other payables of £322.2m (2013: £316.8m) which were payable within one year. Contingent consideration in respect of acquisitions taking place on or after 1 January 2010 which were payable between two and five years is £2.8m (2013: £8.5m).

The Group had unutilised committed banking facilities of £173.1m at 31 December 2014 (2013: £122.6m). This mainly comprised the unutilised portion of the Group's £250m facility which expires on 4 September 2019. In addition, the Group had unutilised uncommitted borrowing facilities totalling £24.3m at 31 December 2014 (2013: £42.7m). All of these borrowing facilities are unsecured. Future obligations under finance leases totalled £4.6m (2013: £6.0m), including interest of £0.5m (2013: £0.6m).

Fair values

The fair values of the Group's financial assets and liabilities are not materially different from their carrying values. The following summarises the major methods and assumptions used in estimating the fair values of financial instruments:

Derivatives

The fair value of interest rate and cross-currency swaps is calculated based on expected future principal and interest cash flows discounted using market rates prevailing at the balance sheet date. In 2014 and in 2013, the valuation methods of all of the Group's derivative financial instruments carried at fair value are categorised as Level 2. Level 2 is defined as inputs, other than quoted prices (unadjusted) in active markets for identical assets or liabilities, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Notes to the consolidated financial statements
continued

24 Financial instruments continued

Interest-bearing loans and borrowings

Fair value is calculated based on expected future principal and interest cash flows discounted using market rates prevailing at the balance sheet date.

Contingent consideration

Fair value is calculated based on the amounts expected to be paid, determined by reference to forecasts of future performance of the acquired businesses discounted using market rates prevailing at the balance sheet date and the probability of contingent events and targets being achieved.

In 2014 and in 2013, the valuation methods of all of the Group's contingent consideration carried at fair value are categorised as Level 3. Level 3 inputs are unobservable inputs for the asset or liability.

The significant unobservable inputs used in the fair value measurement of the Group's contingent consideration are forecast revenue growth rates (2014: 1%–10%), forecast EBITDA margins (2014: 9%–14%) and pre-tax discount rates (2014: 17%–22%).

The following table shows a reconciliation from the opening to closing balances for Level 3 fair values:

	Contingent consideration £m
At 1 January 2014	**8.5**
Provision released (Note 7)	**(7.5)**
Additional amounts provided	**0.9**
Assumed within business combinations (Note 4)	**0.9**
Unwind of contingent consideration (Note 7)	**0.2**
Exchange differences[1]	**(0.2)**
At 31 December 2014	**2.8**

[1] Included in other comprehensive income.

The fair value measurement of the contingent consideration could be affected if the forecast revenue growth rates or forecast EBITDA margins are different to those stated above. A higher forecast revenue growth rate or higher EBITDA margin may increase the value of the contingent consideration payable.

Trade and other payables and receivables and construction work in progress

For payables and receivables with a remaining life of one year or less, the carrying amount is deemed to reflect the fair value. All other payables and receivables are discounted using market rates prevailing at the balance sheet date.

Interest rate and currency profile

The profile of the Group's financial assets and financial liabilities after taking account of swaps was as follows:

	2014 Sterling	**2014 USD**	**2014 Euro**	**2014 CAD**	**2014 Other[1]**	**2014 Total**
Weighted average fixed debt interest rate	**–**	**–**	**4.4%**	**–**	**8.4%**	**n/a**
Weighted average fixed debt period (years)	**–**	**–**	**3.8**	**–**	**1.8**	**n/a**

	2014 £m	**2014 £m**	**2014 £m**	**2014 £m**	**2014 £m**	**2014 £m**
Fixed rate financial liabilities	**–**	**–**	**(27.6)**	**–**	**(0.5)**	**(28.1)**
Floating rate financial liabilities	**–**	**(83.0)**	**(19.3)**	**(40.9)**	**(16.5)**	**(159.7)**
Financial assets	**1.4**	**15.3**	**17.2**	**2.5**	**49.2**	**85.6**
Net debt	**1.4**	**(67.7)**	**(29.7)**	**(38.4)**	**32.2**	**(102.2)**

	2013 Sterling	2013 USD	2013 Euro	2013 CAD	2013 Other[1]	2013 Total
Weighted average fixed debt interest rate	–	–	5.0%	6.9%	–	n/a
Weighted average fixed debt period (years)	–	–	4.6	2.4	–	n/a

	2013 £m	2013 £m	2013 £m	2013 £m	2013 £m	2013 £m
Fixed rate financial liabilities	–	–	(25.4)	(2.9)	–	(28.3)
Floating rate financial liabilities	(2.6)	(31.2)	(21.2)	(98.3)	(15.4)	(168.7)
Financial assets	1.0	5.6	9.0	2.6	35.1	53.3
Net debt	(1.6)	(25.6)	(37.6)	(98.6)	19.7	(143.7)

[1] Included within other floating rate financial liabilities are AUD revolver loans of £nil (2013: £3.6m), ZAR revolver loans of £13.3m (2013: £9.3m) and SGD revolver loans of £2.0m (2013: £nil). Included within other financial assets are AUD cash balances of £12.0m (2013: £9.5m), ZAR cash balances of £2.8m (2013: £6.6m) and SGD cash balances of £2.8m (2013: £6.2m).

24 Financial instruments continued

Sensitivity analysis

At 31 December 2014, it is estimated that a general increase of one percentage point in interest rates would decrease the Group's profit before taxation by approximately £0.8m (2013: £1.2m). The impact of interest rate swaps has been included in this calculation.

It is estimated that a general increase of ten percentage points in the value of sterling against other principal foreign currencies would have decreased the Group's profit before taxation and exceptional items by approximately £8.2m for the year ended 31 December 2014 (2013: £7.1m). This sensitivity relates to the impact of retranslation of foreign earnings only. The impact on the Group's earnings of currency transaction exchange risk is not significant.

25 Share capital and reserves

	2014 £m	2013 £m
Allotted, called up and fully paid		
Equity share capital:		
73,099,735 ordinary shares of 10p each (2013: 73,099,735)	**7.3**	7.3

The Company has one class of ordinary shares, which carries no rights to fixed income. There are no restrictions on the transfer of these shares.

On 14 June 2013, the Group issued 6,600,000 new ordinary shares of 10p each for a total non-cash consideration (shares in a company which received the placing proceeds) of £57.6m net of £1.2m of issue costs. Merger relief has been applied under section 612 of the Companies Act 2006, with the premium on the shares issued allocated initially to a merger reserve and then to an other reserve on redemption of the shares in the company that received the placing proceeds.

The capital redemption reserve is a non-distributable reserve created when the Company's shares were redeemed or purchased other than from the proceeds of a fresh issue of shares.

The total number of shares held in Treasury was 1.8m (2013: 2.2m).

26 Related party transactions

Transactions between the parent, its subsidiaries and joint operations, which are related parties, have been eliminated on consolidation.

The remuneration of the Directors, who are the key management personnel and related parties of the Group, is set out in Note 6.

27 Commitments

(a) Capital commitments

Capital expenditure contracted for at the end of the reporting period but not yet incurred was £0.9m (2013: £3.1m) and relates to property, plant and equipment purchases.

(b) Operating lease commitments

At the balance sheet date, the Group's total commitments for future minimum lease payments under non-cancellable operating leases were as follows:

	2014 Land and buildings £m	**2014 Plant, machinery and vehicles £m**	**2014 Total £m**	2013 Land and buildings £m	2013 Plant, machinery and vehicles £m	2013 Total £m
Payable within one year	**10.0**	**6.3**	**16.3**	8.8	6.6	15.4
Payable between one and five years inclusive	**18.4**	**5.1**	**23.5**	17.6	5.8	23.4
Payable in over five years	**10.6**	**–**	**10.6**	5.0	–	5.0
	39.0	**11.4**	**50.4**	31.4	12.4	43.8

28 Contingent liabilities

Claims against the Group arise in the normal course of trading. Some of these claims involve or may involve litigation and, in a few instances, the total amounts claimed against the Group may be significant in relation to the size of the related contract. However, the amounts agreed, if any, are generally less than the total amount claimed, in many cases significantly so, and are normally covered by the Group's insurance arrangements. The Directors' best estimate, based on their knowledge as at the date of these accounts, of the likely amounts payable by the Group on account of such claims has been accrued in these accounts.

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

The Company and certain of its subsidiary undertakings have entered into a number of guarantees in the ordinary course of business, the effects of which are to guarantee or cross-guarantee certain bank borrowings and other liabilities of other Group companies.

At 31 December 2014, the Group had standby letters of credit outstanding totalling £13.0m (2013: £17.5m).

28 Contingent liabilities continued

The following subsidiaries have taken the exemption from having their financial statements audited on the basis that Keller Group plc has provided a guarantee of these subsidiaries' liabilities in respect of their financial year ended 31 December 2014 under sections 479A to 479C of the Companies Act 2006:

Company	Registered number
Keller Holdings Limited	02499601
Keller Resources Limited	04592974
Keller Finance Australia Limited	06768174
Keller Finance Limited	02922459
Keller Financing	04592933

29 Share-based payments

The Group has two share option plans, the 2001 Plans and the Performance Share Plan.

Details of the terms and conditions of the Performance Share Plan are set out in the Directors' Remuneration report on pages 48 to 60.

Under the 2001 Plans, the option price is the average of the share price for the three days preceding the date of grant. Under the Performance Share Plan, all awards have an exercise price of £1 per exercise. Options outstanding are as follows:

	2001 Plans Options	2001 Plans Weighted average exercise price	Performance Share Plan Options
Outstanding at 1 January 2013	6,000	251.0p	1,234,087
Granted during 2013	–	–	306,182
Lapsed during 2013	(6,000)	251.0p	(355,185)
Outstanding at 31 December 2013 and 1 January 2014	–	–	1,185,084
Granted during 2014	–	–	206,069
Lapsed during 2014	–	–	(54,307)
Exercised during 2014	–	–	(340,105)
Outstanding at 31 December 2014	–	–	996,741
Exercisable at 1 January 2013	6,000	251.0p	3,750
Exercisable at 31 December 2013 and 1 January 2014	–	–	3,750
Exercisable at 31 December 2014	–	–	–

Exercises occurred throughout the year. The average share price during the year was 964.3p.

Under IFRS 2, the fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of share options granted is measured based on a stochastic model. The contractual life of the option is used as an input into this model, with expectations of early exercise being incorporated into the model.

The inputs into the stochastic model are as follows:

	2014	2013
Weighted average share price	**1,171.0p**	944.0p
Weighted average exercise price	**0.0p**	0.0p
Expected volatility	**37.0%**	39.0%
Expected life	**3 years**	3 years
Risk free rate	**0.95%**	0.62%
Expected dividend yield	**2.20%**	2.40%

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous three years, adjusted for any expected changes to future volatility due to publicly available information.

The Group recognised total expenses (included in operating costs) of £1.9m (2013: £1.9m) related to equity-settled, share-based payment transactions.

The weighted average fair value of options granted in the year was 734.3p (2013: 795.4p).

30 Retirement benefit liabilities

The Group operates pension schemes in the UK and overseas.

In the UK, the Group operates the Keller Group Pension Scheme ('the Scheme'), a defined benefit scheme, which has been closed to new members since 1999 and was closed to all future benefit accrual with effect from 31 March 2006. Under the Scheme, employees are normally entitled to retirement benefits on attainment of a retirement age of 65. The Scheme is subject to UK pensions legislation which, inter alia, provides for the regulation of work-based pension schemes by the Pensions Regulator. The Trustees are aware of and adhere to the Codes of Practice issued by the Pensions Regulator. The Scheme Trustees currently comprise one member-nominated Trustee and one employer-nominated Trustee. The employer-nominated Trustee is also the Chair of the Trustees. The Scheme exposes the Group to actuarial risks, such as longevity risk, interest rate risk and market (investment) risk, which are managed through the investment strategy to acceptable levels. The Scheme can invest in a wide range of asset classes including equities, bonds, cash, property, alternatives (including private equity, commodities, hedge funds, infrastructure, currency, high yield debt and derivatives) and annuity policies. Any investment in derivative instruments is only made to contribute to a reduction in the overall level of risk in the portfolio or for the purposes of efficient portfolio management. With effect from the most recent actuarial valuation date (5 April 2014), the Group has agreed to pay annual contributions of £1.6m.

The Group has two UK defined contribution retirement benefit schemes. There were no contributions outstanding in respect of these schemes at 31 December 2014 (2013: £nil). The total UK defined contribution pension charge for the year was £1.2m (2013: £1.0m).

The Group also has defined benefit retirement obligations in Germany and Austria. Under these schemes, employees are entitled to retirement benefits on attainment of a retirement age of 65, provided they have 15 years of employment with the Group. The amount of benefit payable depends on the grade of employee and the number of years of service, up to a maximum of 40 years. Benefits under these schemes only apply to employees who joined the Group prior to 1991. These defined benefit retirement obligations are funded on the Group's balance sheet and obligations are met as and when required by the Group.

The Group operates a defined contribution scheme for employees in North America, where the Group is required to match employee contributions up to a certain level in accordance with the scheme rules. The total North America pension charge for the year was £3.0m (2013: £2.5m).

In Australia, there is a defined contribution scheme where the Group is required to ensure that a prescribed level of superannuation support of an employee's notional base earnings is made. This prescribed level of support is currently 9.5% (2013: 9.25%). The total Australian pension charge for the year was £3.9m (2013: £4.1m).

Details of the Group's defined benefit schemes are as follows:

	The Keller Group Pension Scheme (UK) Year ended 31 December 2014 £m	The Keller Group Pension Scheme (UK) Year ended 31 December 2013 £m	**German and Austrian Schemes Year ended 31 December 2014 £m**	German and Austrian Schemes Year ended 31 December 2013 £m
Present value of the scheme liabilities	**(49.8)**	(44.7)	**(13.8)**	(13.4)
Present value of assets	**38.2**	35.0	**–**	–
Deficit in the scheme	**(11.6)**	(9.7)	**(13.8)**	(13.4)

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

	31 December 2014 %	31 December 2013 %	**31 December 2014 %**	31 December 2013 %
Discount rate	**3.6**	4.5	**1.9**	2.7
Interest on assets	**3.6**	4.5	**n/a**	n/a
Rate of increase in pensions in payment	**3.3**	3.5	**2.0**	2.0
Rate of increase in pensions in deferment	**2.1**	2.7	**2.0**	2.0
Rate of inflation	**3.1**	3.5	**2.0**	2.0

The mortality rate assumptions are based on published statistics. The average remaining life expectancy, in years, of a pensioner retiring at the age of 65 at the balance sheet date is:

	The Keller Group Pension Scheme (UK) Year ended 31 December 2014	The Keller Group Pension Scheme (UK) Year ended 31 December 2013	**German and Austrian Schemes Year ended 31 December 2014**	German and Austrian Schemes Year ended 31 December 2013
Male currently aged 65	**21.6**	21.7	**18.9**	18.8
Female currently aged 65	**23.5**	23.9	**22.9**	22.8

Notes to the consolidated financial statements
continued

30 Retirement benefit liabilities continued

The assets of the schemes were as follows:

	The Keller Group Pension Scheme (UK) Value as at 31 December 2014 £m	The Keller Group Pension Scheme (UK) Value as at 31 December 2013 £m	German and Austrian Schemes Value as at 31 December 2014 £m	German and Austrian Schemes Value as at 31 December 2013 £m
Equities	**23.0**	22.8	**n/a**	n/a
Gilts	**7.6**	6.0	**n/a**	n/a
Bonds	**7.6**	6.2	**n/a**	n/a
	38.2	35.0	**n/a**	n/a

	The Keller Group Pension Scheme (UK) Year ended 31 December 2014 £m	The Keller Group Pension Scheme (UK) Year ended 31 December 2013 £m	German and Austrian Schemes Year ended 31 December 2014 £m	German and Austrian Schemes Year ended 31 December 2013 £m
Changes in scheme liabilities				
Opening balance	**(44.7)**	(41.1)	**(13.4)**	(11.5)
Current service cost	**(0.2)**	(0.1)	**(0.3)**	(0.2)
Interest cost	**(2.0)**	(1.8)	**(0.3)**	(0.4)
Benefits paid	**1.5**	1.8	**0.7**	0.6
Exchange differences	**–**	–	**0.8**	(0.3)
Experience loss on defined benefit obligation	**(0.5)**	–	**(0.1)**	–
Changes to demographic assumptions	**(0.1)**	–	**–**	–
Changes to financial assumptions	**(3.8)**	(3.5)	**(1.2)**	(1.6)
Closing balance	**(49.8)**	(44.7)	**(13.8)**	(13.4)
Changes in scheme assets				
Opening balance	**35.0**	34.4	**–**	–
Interest on assets	**1.6**	1.5	**–**	–
Employer contributions	**1.5**	1.5	**–**	–
Benefits paid	**(1.5)**	(1.8)	**–**	–
Return on plan assets less interest	**1.6**	(0.6)	**–**	–
Closing balance	**38.2**	35.0	**–**	–
Actual return on scheme assets	**3.2**	0.9	**–**	–
Statement of comprehensive income (SOCI)				
Return on plan assets less interest	**1.6**	(0.6)	**–**	–
Experience loss on defined benefit obligation	**(0.5)**	–	**(0.1)**	–
Changes to demographic assumptions	**(0.1)**	–	**–**	–
Changes to financial assumptions	**(3.8)**	(3.5)	**(1.2)**	(1.6)
Remeasurements of defined benefit plans	**(2.8)**	(4.1)	**(1.3)**	(1.6)
Cumulative remeasurements of defined benefit plans	**(20.2)**	(17.4)	**(5.5)**	(4.2)
Expense recognised in the income statement				
Current service cost	**0.2**	0.1	**0.3**	0.2
Operating costs	**0.2**	0.1	**0.3**	0.2
Net pension interest cost	**0.4**	0.3	**0.3**	0.4
Expense recognised in the income statement	**0.6**	0.4	**0.6**	0.6
Movements in the balance sheet liability				
Net liability at start of year	**9.7**	6.7	**13.4**	11.5
Expense recognised in the income statement	**0.6**	0.4	**0.6**	0.6
Employer contributions	**(1.5)**	(1.5)	**–**	–
Benefits paid	**–**	–	**(0.7)**	(0.6)
Exchange differences	**–**	–	**(0.8)**	0.3
Remeasurements of defined benefit plans	**2.8**	4.1	**1.3**	1.6
Net liability at end of year	**11.6**	9.7	**13.8**	13.4

30 Retirement benefit liabilities continued

A reduction in the discount rate of 0.1% would increase the deficit in the schemes by £1.0m (2013: £0.9m), whilst a reduction in the inflation assumption of 0.1% would decrease the deficit by £0.6m (2013: £0.8m).

The weighted average duration of the defined benefit obligation is approximately 17 years for the UK scheme and 12 years for the German and Austrian schemes.

The history of experience adjustments on scheme assets and liabilities for all the Group's defined benefit pension schemes are as follows:

	2014 £m	2013 £m	2012 £m	2011 £m	2010 £m
Present value of defined benefit obligations	**(63.6)**	(58.1)	(52.6)	(49.9)	(50.7)
Fair value of scheme assets	**38.2**	35.0	34.4	32.2	30.6
Deficit in the schemes	**(25.4)**	(23.1)	(18.2)	(17.7)	(20.1)
Experience adjustments on scheme liabilities	**(5.7)**	(5.1)	(3.5)	1.0	(2.6)
Experience adjustments on scheme assets	**1.6**	(0.6)	0.7	0.1	1.3

Company balance sheet

As at 31 December 2014

	Note	2014 £m	2013 £m
Fixed assets			
Intangible assets	4	**–**	0.1
Tangible fixed assets	5	**0.1**	0.1
Investments	6	**94.1**	127.8
		94.2	128.0
Current assets			
Debtors*	7	**452.6**	347.7
Cash and bank balances		**2.2**	–
Creditors: amounts falling due within one year	8	**(4.8)**	(53.7)
Provisions	9	**(20.0)**	–
Net current assets*		**430.0**	294.0
Total assets less current liabilities		**524.2**	422.0
Creditors: amounts falling due after more than one year	10	**(186.2)**	(85.1)
Net assets excluding pension liabilities		**338.0**	336.9
Pension liabilities	16	**(1.8)**	(1.6)
Net assets		**336.2**	335.3
Capital and reserves			
Called up share capital	11	**7.3**	7.3
Share premium account	13	**38.1**	38.1
Capital redemption reserve	13	**7.6**	7.6
Other reserve	13	**56.9**	56.9
Profit and loss account	13	**226.3**	225.4
Shareholders' funds	12	**336.2**	335.3

* Debtors and net current assets include debtors recoverable after more than one year of £451.0m (2013: £307.1m).

These financial statements were approved by the Board of Directors and authorised for issue on 2 March 2015.
They were signed on its behalf by:

J R Atkinson
Chief Executive

J W G Hind
Finance Director

Notes to the Company financial statements

1 Significant accounting policies

These financial statements have been prepared under the historical cost convention in accordance with applicable accounting standards of UK Generally Accepted Accounting Practice.

The Company has taken the exemption granted under SI 2008/489 not to disclose non-audit fees paid to its auditors.

The following accounting policies have been applied consistently.

The principal accounting policies adopted under UK GAAP are the same as the Group's accounting policies under International Financial Reporting Standards, except for those listed below:

Basis of accounting

No profit and loss account is presented for the Company as permitted by Section 408 of the Companies Act 2006.

Pension liabilities

The Company operates a defined benefit pension scheme, and also makes payments into defined contribution schemes for employees.

The liability in respect of the defined benefit scheme is the present value of the defined benefit obligations at the balance sheet date, calculated using the projected unit credit method, less the fair value of the scheme's assets.

The Company has applied the requirements of FRS 17 recognising the current service cost and interest on scheme liabilities in the profit and loss account, and actuarial gains and losses in reserves.

Payments to defined contribution schemes are accounted for on an accruals basis.

Investments

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

Deferred taxation

Except where otherwise required by FRS 19, full provision without discounting is made for all timing differences which have arisen but not reversed at the balance sheet date.

Tangible fixed assets

Tangible fixed assets principally consist of leasehold improvements which are depreciated over the term of the lease.

Accounting developments

FRS 100, 101 and 102 were recently issued by the Financial Reporting Council. FRS 101 ('IFRS with reduced disclosures') outlines the reduced disclosure framework available for use by qualifying entities choosing to report under IFRS. The Company will apply FRS 101 ('IFRS with reduced disclosures') for accounting periods beginning on or after 1 January 2015.

2 Employees

The Company has no employees other than the Directors. Directors' remuneration and details of their share-based payments are disclosed in Note 6 to the consolidated financial statements.

3 Dividends paid

Ordinary dividends paid on equity shares are disclosed in Note 11 to the consolidated financial statements.

Notes to the Company financial statements
continued

4 Intangible assets

	Development costs £m	**Total £m**
Cost		
At 1 January 2014	0.3	**0.3**
At 31 December 2014	0.3	**0.3**
Accumulated amortisation		
At 1 January 2014	0.2	**0.2**
Charge for the year	0.1	**0.1**
At 31 December 2014	0.3	**0.3**
Carrying amount		
At 1 January 2014	0.1	**0.1**
At 31 December 2014	–	**–**

5 Tangible fixed assets

	Leasehold improvements £m	**Total £m**
Cost		
At 1 January 2014	0.4	**0.4**
At 31 December 2014	0.4	**0.4**
Accumulated depreciation		
At 1 January 2014	0.3	**0.3**
Charge for the year	–	**–**
At 31 December 2014	0.3	**0.3**
Carrying amount		
At 1 January 2014	0.1	**0.1**
At 31 December 2014	0.1	**0.1**

6 Investments

Shares at cost less amounts provided for	**2014 £m**	2013 £m
At 1 January	**127.8**	127.3
Additions	**–**	1.2
Disposals	**(0.2)**	–
Amounts provided during the year	**(33.5)**	(0.7)
At 31 December	**94.1**	127.8

The amounts provided during the current year largely relate to the Group's UK subsidiary, Keller Limited, following the contract dispute on a project completed in 2008. Further details are set out in Note 7 to the consolidated financial statements.

The Company's principal investments are disclosed in Note 16 to the consolidated financial statements.

7 Debtors

	2014 £m	2013 £m
Amounts owed by subsidiary undertakings	**448.6**	345.9
Other debtors	**4.0**	1.8
	452.6	347.7
Included in the above are amounts falling due after more than one year in respect of:		
Amounts owed by subsidiary undertakings	**447.5**	307.1
Other debtors	**3.5**	–
	451.0	307.1

8 Creditors: amounts falling due within one year

	2014 £m	2013 £m
Bank overdraft	**–**	0.5
Other loans	**–**	44.3
Amounts owed to subsidiary undertakings	**0.2**	1.2
Other creditors	**3.7**	6.7
Accruals	**0.9**	1.0
	4.8	53.7

9 Provisions

	Other provisions £m	Total £m
At 1 January 2014	**–**	**–**
Charge for the year	**20.0**	**20.0**
At 31 December 2014	**20.0**	**20.0**

Other provisions relate to the Company's commitments under the settlement of a contract dispute on a project completed in 2008 and are expected to be utilised within one year. Further details are set out in Note 7 to the consolidated financial statements.

10 Creditors: amounts falling due after more than one year

	2014 £m	2013 £m
Bank loans	**31.3**	20.5
Other loans	**107.6**	24.2
Other creditors	**21.9**	14.9
Amounts owed to subsidiary undertakings	**25.4**	25.5
	186.2	85.1
Bank and other loans are repayable as follows:		
Between two and five years	**55.9**	44.7
After five years	**83.0**	–
	138.9	44.7

The Company had unutilised committed banking facilities of £163.4m at 31 December 2014 (2013: £113.4m). This comprised the unutilised portion of the Company's £250m revolving credit facility which expires in September 2019.

11 Share capital

Details of the Company's share capital are given in Note 25 to the consolidated financial statements.

12 Reconciliation of movements in shareholders' funds

	2014 £m	2013 £m
Profit for the financial year	**16.8**	21.9
Net actuarial losses	**(0.4)**	(0.6)
Dividends	**(17.4)**	(15.4)
Issue of new shares	**–**	57.6
Share-based payments	**1.9**	1.9
Net movements in shareholders' funds	**0.9**	65.4
Shareholders' funds at 1 January	**335.3**	269.9
Shareholders' funds at 31 December	**336.2**	335.3

Notes to the Company financial statements
continued

13 Reserves

	Share premium account £m	Capital redemption reserve £m	Other reserve £m	Profit and loss account £m	**Total £m**
At 1 January 2014	38.1	7.6	56.9	225.4	**328.0**
Profit for the financial year	–	–	–	16.8	**16.8**
Net actuarial losses	–	–	–	(0.4)	**(0.4)**
Dividends	–	–	–	(17.4)	**(17.4)**
Issue of new shares	–	–	–	–	**–**
Share-based payments	–	–	–	1.9	**1.9**
At 31 December 2014	38.1	7.6	56.9	226.3	**328.9**

Details of the other reserve are included in Note 25 to the consolidated financial statements.

Of the profit and loss account reserve, an amount of £100.8m attributable to profits arising on an intra-Group reorganisation is not distributable.

14 Share-based payments
Details of the Company's share option plans are given in Note 29 to the consolidated financial statements.

15 Contingent liabilities
The Company and certain of its subsidiary undertakings have entered into a number of guarantees in the ordinary course of business, the effects of which are to guarantee or cross-guarantee certain bank borrowings and other liabilities of other Group companies. At 31 December 2014, the Company's liability in respect of the guarantees against bank borrowings amounted to £50.5m (2013: £108.4m). Standby letters of credit outstanding totalled £13.0m (2013: £17.5m). No amounts were paid or liabilities incurred relating to these guarantees during 2014 (2013: £nil).

In addition, as set out in Note 28 to the consolidated financial statements, the Company has provided a guarantee of certain subsidiaries' liabilities to take the exemption from having their financial statements audited under sections 479A to 479C of the Companies Act 2006.

16 Pension liabilities
In the UK, the Company participates in the Keller Group Pension Scheme, a defined benefit scheme, details of which are given in Note 30 to the consolidated financial statements. The Company's share of the present value of the assets of the scheme at the date of the last actuarial valuation on 5 April 2014 was £5.6m and the actuarial valuation showed a funding level of 77%.

Details of the actuarial methods and assumptions, as well as steps taken to address the deficit in the scheme, are given in Note 30 to the consolidated financial statements.

There were no contributions outstanding in respect of the defined contribution schemes at 31 December 2014 (2013: £nil).

Details of the Company's share of the Keller Group Pension Scheme are as follows:

	2014 £m	2013 £m
Present value of the scheme liabilities	**(7.8)**	(7.3)
Present value of assets	**6.0**	5.7
Deficit in the scheme	**(1.8)**	(1.6)

The assets of the scheme were as follows:

	2014 £m	2013 £m
Equities	**3.6**	3.7
Gilts	**1.2**	1.0
Bonds	**1.2**	1.0
	6.0	5.7

16 Pension liabilities continued

	2014 £m	2013 £m
Changes in scheme liabilities		
Opening balance	**(7.3)**	(7.1)
Interest cost	**(0.3)**	(0.3)
Benefits paid	**0.2**	0.3
Actuarial losses	**(0.4)**	(0.2)
Closing balance	**(7.8)**	(7.3)
Changes in scheme assets		
Opening balance	**5.7**	5.9
Expected return on scheme assets	**0.3**	0.3
Employer contributions	**0.2**	0.2
Benefits paid	**(0.2)**	(0.3)
Actuarial losses	**–**	(0.4)
Closing balance	**6.0**	5.7
Actual return on scheme assets	**0.3**	(0.1)
Statement of total recognised gains and losses (STRGL)		
Actuarial losses from assets	**–**	(0.4)
Actuarial losses from liabilities	**(0.4)**	(0.2)
Net actuarial losses	**(0.4)**	(0.6)
Cumulative actuarial losses	**(2.6)**	(2.2)
Expense recognised in the profit and loss account		
Interest cost	**0.3**	0.3
Expected return on scheme assets	**(0.3)**	(0.3)
Expense recognised in the profit and loss account	**–**	–
Movements in the balance sheet liability		
Net liability at start of year	**1.6**	1.2
Employer contributions	**(0.2)**	(0.2)
Actuarial losses recognised in STRGL	**0.4**	0.6
Net liability at end of year	**1.8**	1.6

The expected return on the average value of the assets over the year was calculated using the long-term average rate of return expected over the remaining term of the scheme's liabilities. The contributions expected to be paid during 2014 are £0.2m.

The history of experience adjustments on scheme assets and liabilities is as follows:

	2014 £m	2013 £m	2012 £m	2011 £m	2010 £m
Present value of defined benefit obligations	**(7.8)**	(7.3)	(7.1)	(6.6)	(6.1)
Fair value of scheme assets	**6.0**	5.7	5.9	5.6	4.9
Deficit in the scheme	**(1.8)**	(1.6)	(1.2)	(1.0)	(1.2)
Experience adjustments on scheme liabilities	**(0.4)**	(0.2)	(0.5)	(0.4)	(0.2)
Experience adjustments on scheme assets	**–**	(0.4)	0.1	0.4	0.2

Financial record

	2005 £m	2006 £m	2007 £m	2008 £m	2009 £m	2010 £m	2011 £m	2012 £m	2013 £m	**2014 £m**
Consolidated income statement										
Continuing operations										
Revenue	685.2	857.7	955.1	1,196.6	1,037.9	1,068.9	1,154.3	1,317.5	1,438.2	**1,599.7**
EBITDA[1]	65.0	104.9	125.8	144.3	113.2	85.0	71.4	91.9	124.2	**141.9**
Operating profit[1]	55.3	89.3	107.4	119.4	77.3	43.3	28.9	48.3	77.8	**92.0**
Net finance costs[1]	(4.6)	(5.6)	(4.2)	(6.2)	(2.6)	(3.7)	(7.0)	(4.8)	(3.7)	**(6.9)**
Profit before taxation[1]	50.7	83.7	103.2	113.2	74.7	39.6	21.9	43.5	74.1	**85.1**
Taxation[1]	(20.4)	(30.7)	(35.9)	(35.9)	(22.6)	(11.0)	(5.5)	(13.5)	(23.8)	**(29.7)**
Profit for the period before exceptional items	30.3	53.0	67.3	77.3	52.1	28.6	16.4	30.0	50.3	**55.4**
Exceptional items[2]	–	3.8	–	–	–	(17.1)	–	–	(20.2)	**(56.6)**
Profit/(loss) for the period	30.3	56.8	67.3	77.3	52.1	11.5	16.4	30.0	30.1	**(1.2)**
Consolidated balance sheet										
Working capital	46.5	54.8	55.7	92.2	85.0	106.7	119.8	97.6	124.1	**104.1**
Property, plant and equipment	90.4	114.6	155.8	254.7	264.4	275.0	266.1	248.5	281.9	**295.6**
Intangible and other non-current assets	55.7	66.3	94.5	124.3	131.8	122.9	116.4	112.1	202.8	**203.4**
Net debt	(40.9)	(38.6)	(54.5)	(84.6)	(78.8)	(94.0)	(102.5)	(51.2)	(143.7)	**(102.2)**
Other net assets/liabilities	(34.5)	(38.0)	(40.0)	(84.0)	(79.1)	(79.8)	(73.0)	(71.3)	(92.5)	**(154.6)**
Net assets	117.2	159.1	211.5	302.6	323.3	330.8	326.8	335.7	372.6	**346.3**
Key performance indicators										
Basic earnings per share from continuing operations (pence)[1]	43.8	79.0	97.6	111.1	78.8	44.0	24.8	45.9	73.0	**75.3**
Dividend per share (pence)	12.0	15.6	18.0	20.7	21.8	22.8	22.8	22.8	24.0	**25.2**
Operating margin[1]	8.1%	10.4%	11.2%	10.0%	7.4%	4.1%	2.5%	3.7%	5.4%	**5.8%**
Return on net operating assets[1,3]	42%	58%	56%	43%	24%	12%	7%	12%	16%	**17%**
Net debt: EBITDA[1]	0.6x	0.4x	0.4x	0.6x	0.7x	1.1x	1.4x	0.6x	1.2x	**0.7x**

[1] Before exceptional items.
[2] Exceptional items consist of a contract dispute provision, non-recurring tax credits, goodwill impairment charges and other non-trading items relating to acquisitions which are required to be expensed under IFRS.
[3] Calculated as operating profit expressed as a percentage of average working capital and property, plant and equipment.

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