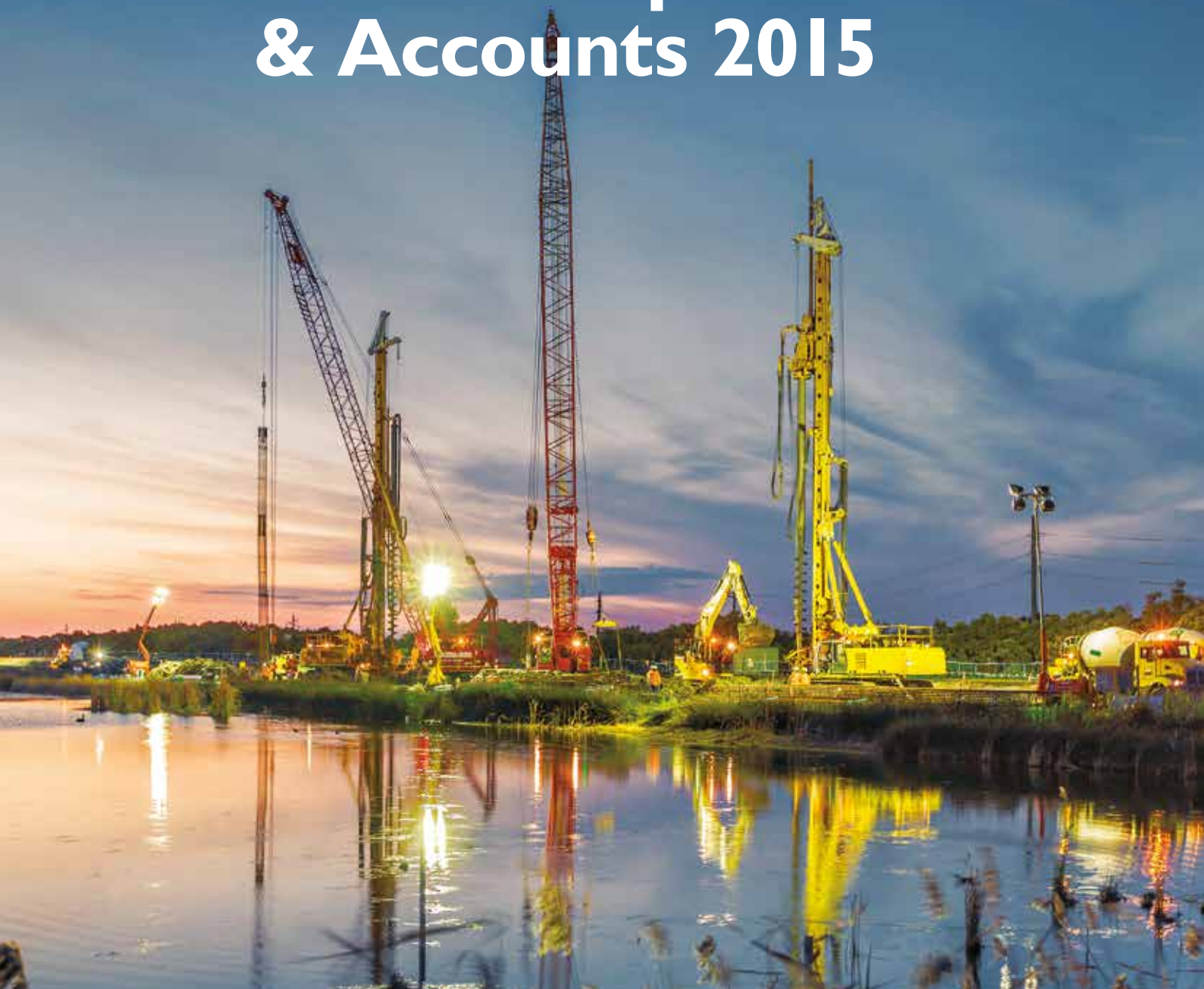




Annual Report & Accounts 2015



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.

Operational highlights

Another year of good progress.

Group revenue down year on year by

-2.3%

Operating profit* up to

£103.4m

Group operating margin* up to

6.6%

Cash generated from operations* down to

£142.3m

Earnings per share* increased to

86.4p
per share

Total dividend increased to

27.1p
per share

* Before exceptional items.



Highlights

Key financial highlights

Revenue from continuing operations (£m)

£1,562.4m

2015	1,562.4
2014	1,599.7
2013	1,438.2
2012	1,317.5
2011	1,154.3

Operating profit (£m)*

£103.4m

2015	103.4
2014	92.0
2013	77.8
2012	48.3
2011	28.9

Earnings per share (pence)*

86.4p

2015	86.4
2014	75.3
2013	73.0
2012	45.9
2011	24.8

Return on capital employed (%)*

20.5%

2015	20.5
2014	18.3
2013	16.7
2012	11.6
2011	6.6

* Before exceptional items.

Cautionary statement

This document contains certain 'forward-looking statements' with respect to Keller's financial condition, results of operations and business and certain of Keller's plans and objectives with respect to these items.

Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as 'anticipates', 'aims', 'due', 'will', 'could', 'may', 'should', 'expects', 'believes', 'intends', 'plans', 'potential', 'reasonably possible', 'targets', 'goal' or 'estimates'. By their very nature forward-looking statements are inherently unpredictable, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future.

There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements.

These factors include, but are not limited to, changes in the economies and markets in which the Group operates; changes in the regulatory and competition frameworks in which the Group operates; the impact of legal or other proceedings against or which affect the Group; and changes in interest and exchange rates.

All written or verbal forward-looking statements, made in this document or made subsequently, which are attributable to Keller or any other member of the Group or persons acting on their behalf are expressly qualified in their entirety by the factors referred to above. Keller does not intend to update these forward-looking statements.

Nothing in this document should be regarded as a profits forecast.

This document is not an offer to sell, exchange or transfer any securities of Keller Group plc or any of its subsidiaries and is not soliciting an offer to purchase, exchange or transfer such securities in any jurisdiction. Securities may not be offered, sold or transferred in the United States absent registration or an applicable exemption from the registration requirements of the US Securities Act.

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About Keller

Market leaders

We operate in over 40 countries: we are the clear market leader in North America, Australia and Sub-Saharan 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.

■ US	91%
■ Canada	9%

Revenue (£m) **+9.7%** ▲

£851.2m

Operating profit* (£m) **+27.5%** ▲

£76.4m

* Before exceptional items.

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.

■ Western Europe	50%
■ Africa	18%
■ Eastern Europe	17%
■ Middle East	8%
■ Other	7%

Revenue (£m) **-2.2%** ▼

£441.5m

Operating profit* (£m) **+65.1%** ▲

£21.3m

* Before exceptional items.

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.

■ Singapore	43%
■ Malaysia	40%
■ India	13%
■ Other	4%

Revenue (£m) **-2.8%** ▼

£108.2m

Operating profit* (£m) **-45.8%** ▼

£4.5m

* Before exceptional items.

Australia

Keller offers a range of piling services under its Keller Foundations brand. Keller Ground Engineering ('KGE') offers specialist ground improvement and geotechnical solutions. Austral Construction ('Austral') and Waterway Constructions ('Waterway') specialise in foundations for, and the maintenance of, wharves, jetties and other marine structures.

■ Keller Foundations	50%
■ Waterway	32%
■ Austral	12%
■ KGE	6%

Revenue (£m) **-38.2%** ▼

£161.5m

Operating profit* (£m) **-54.1%** ▼

£7.2m

* Before exceptional items.

Products

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

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

Approximate split of products

01	Piling and earth retention	50%
02	Ground improvement	20%
03	Anchors, nails and minipiles	10%
04	Specialty grouting	10%
05	Post-tension concrete	9%
06	Instrumentation and monitoring	1%

01

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.

> [Read more on page 14](#)



02

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.

> [Read more on page 19](#)



03

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.

> [Read more on page 21](#)



04

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.

> [Read more on page 22](#)



05

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.



06

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.

> [Read more on page 25](#)



Chairman's statement

The 2015 results demonstrate the continued strength of the Group's business.

Roy A Franklin
Chairman



Results¹

I am pleased to report another year of good progress in 2015. Whilst Group revenue fell by 2% to £1,562.4m (2014: £1,599.7m), primarily due to the completion of the Group's largest ever contract, Wheatstone in Australia, towards the end of 2014, operating profit increased by 12% to £103.4m (2014: £92.0m), and profit before tax increased to £95.7m, up 12% on the previous year's £85.1m. Earnings per share were 86.4p (2014: 75.3p).

The Group's operating margin improved to 6.6% (2014: 5.8%), achieving our through-the-cycle target of 6.5%. Return on average capital employed increased from 18.3% to 20.5%. The margin uplift reflects a combination of improving conditions in certain markets, most notably the US from where Keller derives almost 50% of its revenue, further success in our drive for improvements in all aspects of the business and some good final project settlements.

Cash generated from operations² was £142.3m, which represents 92% of EBITDA. The Group remains focused on improving working capital ratios across the business and ensuring profits turn into cash.

Year-end net debt was £183.0m (2014: £102.2m), representing 1.2x EBITDA. This increase reflects £52.5m spent on acquisitions during the year and a £27.5m cash outflow relating to the exceptional contract provision recognised in 2014. In addition, net capital expenditure of £69.9m was up on last year's £61.0m and £17.8m in excess of depreciation and amortisation. This increase in capital expenditure results from the Group's ongoing investment in higher growth markets.

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 2015 result includes an exceptional non-cash charge of £31.2m relating to an impairment of the goodwill arising on the 2013 acquisition of Keller Canada. After taking account of tax and exceptional items, the Group's post-tax result for the year was a profit of £26.3m (2014: loss of £1.2m).

Dividends

As a result of these improved 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 18.3p per share (2014: 16.8p per share), to be paid on 10 June 2016 to shareholders on the register at 20 May 2016. Together with the interim dividend paid of 8.8p, this brings the total dividend per share for the year to 27.1p (2014: 25.2p), an increase of 7.5% for the year. Dividend cover, before exceptional items, for the full year was 3.2x (2014: 3.0x).

Board

On 26 September 2014, we announced that Justin Atkinson had decided to retire as Chief Executive. Justin retired on 14 May 2015 and was succeeded by Alain Michaelis.

With a new Chief Executive now in place, I have decided that 2016 is the right time for me to retire as Chairman of the Board of Keller Group plc.

I was appointed to the Board as a Non-executive Director in July 2007 and appointed Chairman of the Board in July 2009. I have led Keller through some challenging times since my appointment and am pleased to be leaving at a time when the Group is positioned for solid growth under a new executive leadership team.

Paul Withers, Senior Independent Director, is leading the selection process for the new Chairman which is underway and making good progress. We will make an announcement on my successor in due course.

Employees

Over 10,000 employees have contributed to the strong performance of the Group during 2015. On behalf of the Directors, I would like to thank them for their hard work and efforts. The Board believes our people are a key component of our success and remains focused on providing leadership and oversight to engender the strength of the Keller culture, creating an environment in which our employees can thrive.

Outlook

The 2015 results demonstrate the continued strength of the Group's business. I am confident that the measures currently being implemented to improve operating performance, together with the organisational changes made under the new management team, will build on this strength.

The Group has performed well in 2015. We have been pleased to record another year of profit growth despite sales being lower as a result of less revenue from large projects. At the end of January, the Group order book of work to be undertaken over the next 12 months, including that of acquisitions, was 15% higher than at the same time last year, with increases in all Divisions.

Whilst conditions in our markets are varied, the ongoing strength in the US, our largest market, continuing improvements in underlying operating performance, and our strong order book mean that the Group is set for another year of progress in 2016.

Roy A Franklin
Chairman

¹ Before pre-tax exceptional items of £39.4m (2014: £56.9m). £31.2m of this relates to a partial impairment of the Keller Canada goodwill balance. The balance relates primarily to the amortisation of acquired intangible assets.

² Before £27.5m cash outflow in 2015 relating to the 2014 exceptional contract provision.



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

Chief Executive Officer's review

Keller is best placed to gain market share both organically and through further acquisitions.

Alain Michaelis
Chief Executive Officer



As Chief Executive for eight months of 2015, I'm pleased to report a year of good progress for Keller. I also wish to thank my predecessor, Justin Atkinson, for his leadership in shaping much of the results we are able to report.

Financial performance in the year has been good, but I have been similarly encouraged by progress in other areas reflecting the improving health of the Company on a number of fronts.

We executed an impressive array of projects around the world for our customers and can point to improving customer focus and operational discipline.

We have continued to evolve the organisation, adding some significant talent to the Group and strengthening our leadership team.

We have also taken some good strategic steps, notably with two important acquisitions, Bencor in the US and Austral in Australia.

With regard to safety we can report mixed news – we have continued to improve our safety performance around the world and our accident frequency rate has been cut by over two-thirds in three years, which is excellent. However, this was sadly offset by two fatalities in Malaysia due to a sinkhole accident in February 2015.

We remain in an attractive market and have many industry-leading advantages. We also have a very healthy list of opportunities to enhance the success of the Group. We are taking a significant step forward in connecting the Company more deliberately and instilling a stronger common ethos and operating model. I am confident this will bring better knowledge sharing and higher performance for our customers, employees and shareholders.

Our strategy Growth

We will continue to grow. We estimate the global ground engineering market to be worth US\$50bn, so our global market share is 5%. Even if we consider our addressable market share, this figure only rises to 10%. This is a fragmented industry which we believe will continue to consolidate. As the leading independent player and with a strong balance sheet, Keller is best placed to gain market share both organically and through further acquisitions.

Strong, customer-focused businesses

To ensure we build strong, local relationships and stay responsive and competitive in local markets, we are organised by business unit. These are fully capable Profit and Loss units with distinct market strategies and full operational capabilities. Clearly the health of the Group as a whole relies on these business units continuing to evolve and strengthen. We ensure this through a robust management framework, functional expertise and Group-wide benchmarking. Typical revenue for a business unit is £40m to £100m and we currently have 22 around the world.

Leveraging scale and expertise

We also aim to be stronger than the sum of the individual business units by sensibly leveraging the scale of our Group. Keller's brand and reputation is strong across the globe and customers are attracted to the depth of knowledge, professionalism and financial security we offer. Internally, where we find 'economies of scale' or 'economies of skill', we leverage the opportunity across multiple business units. Good examples are shared back office functions or a common legal team across a Division. We also believe we have good opportunities to purchase direct and indirect material across multiple business units.

Engineering and Operations

Engineering and Operations are the core of Keller. We are very active in design of solutions with our customers (for 45% of our revenue) where we are able to reduce content and cost of the project. This is a clear differentiator and we aim to nurture this capability.

In areas of construct only, operational efficiency is key and we have a number of business units who perform at excellent levels. Good market share is important so that efficiencies, and therefore higher margins, can be maintained. We can share information and improve productivity further. Lean techniques from other industries are applicable to Keller given the repetitive nature of much of our operations.

We have set up formal Global Product Teams in 2015 to better share and leverage knowledge on specific products, e.g. Grouting or Bored Piling. We are confident that these will be a strong driver of improvement.

We continue to invest in new facilities and equipment. In Renchen, where Keller in Germany started 155 years ago, we have added a new manufacturing hall to enable us to raise output and build the vibro and grouting machines of the future. We also made significant capital investments well above depreciation rates in 2015.

People

I would like to echo the Chairman's thanks to the people of Keller. I have been very impressed by the level of loyalty and expertise around the Group. Although all companies will say people are their foundation, this is doubly important to Keller given the high level of specific ground engineering expertise required, coupled with a very fragmented geographic and project structure. We rely on our project teams to perform far from their base. Therefore skills and training, supported by practical procedures and technological support, are vital and we will continue to invest in this domain.

We also made changes at the Executive Committee level in 2015. We hired three new executives: Thorsten Holl – President EMEA, Serge Zimmerlin – Human Resources Director and Joe Hubback – Strategy Director. This is a significant influx of talent to the Group. We also announced that Venu Raju would succeed Wolfgang Sondermann, who is retiring after a distinguished Keller career, as Engineering and Operations Director in the fourth quarter of 2016.

We combined two Divisions to form Asia Pacific (APAC) under the leadership of Mark Kliner. This has a number of natural advantages – scale effects, sharing relative strengths on products, reducing costs and an increased ability to grow in Asia. The integration is progressing well.

Keller is well placed, and I am confident this strategy will fulfil our goal of being the best geotechnical solutions company in the world.

Operating review

Conditions in our major markets

In the US, expenditure on construction increased significantly for the fourth consecutive year, with good growth in most segments of the market. Private non-residential construction grew by 12%, whilst in the residential market housing starts were up 11% year on year, with strong growth in both single-family and multi-family homes. Growth in public expenditure on construction continued, up 6% on 2014.

In Canada, construction activity in the resources markets remains very subdued although demand in the commercial and infrastructure segments fared somewhat better.

Conditions in our European markets as a whole remain mixed, with Southern Europe, in particular, remaining challenging. There are some positive signs in the central European markets of Germany, Poland and Austria, as well as in the UK.

Elsewhere, there are good opportunities in the Middle East where our construction markets have been relatively unaffected by the low oil price. The construction market in South Africa is slowing and whilst there are some exciting opportunities elsewhere in Africa, a number are in the oil and gas sector and their timing is therefore uncertain. Globally, Keller's direct exposure to oil and gas projects was 6% of revenue in 2015.

Construction expenditure in the Group's Asian markets remains varied. In India we are continuing to see signs of increasing business confidence, but the Singapore and Malaysian markets are relatively quiet.

In Australia, construction expenditure across most segments has been subdued for some time and is showing few signs of improving. An exception is the near-shore marine segment where there remain a number of projects to upgrade or expand ports and harbours.

Alain Michaelis

Chief Executive Officer

Our markets



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.

Our scale allows us to compete with local players by giving us access to more productive equipment and techniques.

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 for Local, 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.

Our experience and reliability also differentiates us from national competitors.

Global

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.

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

Where we operate

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

Algeria	Ghana	Namibia	Spain
Australia	India	Netherlands	Swaziland
Austria	Indonesia	Oman	Sweden
Brazil	Italy	Panama	Switzerland
Canada	Ivory Coast	Peru	Turkey
Chile	Kazakhstan	Poland	United Kingdom
Denmark	Lesotho	Qatar	United States
Egypt	Malaysia	Saudi Arabia	
Finland	Mexico	Singapore	
France	Morocco	Slovakia	
Germany	Mozambique	South Africa	



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 6,000 contracts with an average value of around £250,000
- our local people have knowledge of local ground conditions
- 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 creating economies of scale
- 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

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 those trends set out below:

- urbanisation and more large-scale development projects;
- increasing land shortage, driving a need to use more brownfield and marginal land;
- infrastructure renewal and expansion, e.g. road, rail, power;
- increasing demand from customers for complete solutions rather than just products; and
- increasing technical complexity.

Our business model

Our vision

To be the world leader in geotechnical solutions.

Our business model is evolving to realise our vision and drive our new strategy.

Understanding the value chain

In providing geotechnical solutions, Keller operates in the initial stages of the construction value chain. Whilst the value chain and construction process varies significantly from project to project, Keller is typically the first contractor on-site and the first off-site. Ensuring our work is done efficiently is critical for our customers in saving them money and providing a sound platform for the remaining work on a project. Our projects are often for a short duration and the majority have an average value of £250,000. We work across the construction spectrum. Very often we will joint venture with a main contractor on a bid.

Depending on the nature of a project, Keller may provide insights into design and other phases of the construction process but generally value is created and captured principally from our groundwork activities. Our products and services are not just about foundations for construction but are most commonly geotechnical solutions to complex construction projects from solving for terrain and water pressure in constructing a dam to the foundations for a major stadium.

We are unique given our market-leading positions derived from combinations of technology, scale and customer relationship leadership.

Keller was the first company to develop methods and equipment for the successful deep compaction of soil in the 1930s and has continued to develop the equipment and widened 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. These techniques have been used by Keller to improve many thousands of sites around the world.

Building Information Modelling (BIM) is a process involving the generation and management of digital representations of physical and functional characteristics of places. Current BIM software is used to plan, design, construct, operate and maintain diverse physical infrastructures.

Our capabilities to monitor solutions and our own equipment operations are providing us with a competitive edge as BIM expands in the construction market.

Key inputs

Our people

- High-quality engineers and operators capable of delivering world-class solutions
- Strong local relationships with real trust from our customers giving us insight into market developments and allowing us to drive for high-value solutions
- Highly experienced (low staff turnover) means we are more reliable than the competition
- Specialists, flexible to go to the toughest problems, ensure the customer gets the best of Keller

Our technology

- Broad coverage for all geotechnical solutions giving us resilience to market changes and supporting us to lead on innovation
- Keller unique solutions giving improved customer results and Keller profitability (see below)
- Building Information Modelling (BIM) capabilities to support digitisation of ground engineering (see below)

Our market focus

- Targeting markets that value geotechnical solutions
- Selective investment in profitable segments

Our financial strength

- Strong balance sheet



Who benefits from that value creation

- Customers**
 - Local knowledge with global scale and resource
 - Provision of complex geotechnical solutions
- Shareholders**
 - Dividends
 - Capital growth
- People**
 - Employment
 - Qualifications
 - Global and local opportunities
- Communities**
 - Employment
 - Construction of facilities

Our business model is underpinned by safety and sustainability

Our strategy

Keller's goal is to be the world leader in geotechnical solutions.

In 2015, we continued to make progress in delivering against our strategy. There are five elements:

Element	Description
<p>01</p> <p>Growing Growing our product range and entering new markets, organically and by acquisition</p>	<p>We have a set of target product segments based on growth, profit and strategic considerations.</p> <p>We also have a set of target geographies to either consolidate market position or open up new markets.</p> <p>We maintain a short-list of potential acquisitions to help us access target markets, where required.</p>
<p>02</p> <p>Building Building strong, customer-focused local businesses</p>	<p>Ground engineering is a local business that demands local expertise and relationships. We will continue to focus on and satisfy the needs of our customers at local level.</p> <p>Our businesses evaluate the quality of their customer feedback (amongst other things).</p> <p>Our businesses offer two routes to value creation: high operational efficiency and utilisation and/or strong technical differentiation.</p>
<p>03</p> <p>Leveraging Leveraging the scale and expertise of the Group</p>	<p>Keller has globally leading expertise and a corporate structure that allows us to bring the best of Keller to every customer engagement. We will be investing in the tools and processes to make this more effective and efficient.</p> <p>Synergies in operating model will be selectively implemented so that we don't lose local responsiveness.</p> <p>Keller's scale provides security for customers and employees through resilience to risk.</p>
<p>04</p> <p>Enhancing Enhancing our engineering and operational capabilities</p>	<p>We are investing in connecting our global network of engineers and project managers to share best practices on project execution, equipment management and maintenance and technology innovation.</p> <p>Our global supply chain is optimised to balance equipment utilisation with efficient transport.</p> <p>We aim to be a leader and investor in new technologies.</p>
<p>05</p> <p>Investing Investing in our people</p>	<p>We are investing in developing the talent of our employees to help deliver world-class solutions to our customers as well as creating opportunities for all to maximise their potential.</p> <p>We continue to strive for leadership in HSEQ.</p>

Explanation

The acquisition of Bencor broadened our product offering to include diaphragm wall technology.

The acquisition of Austral in Western Australia, coupled with our existing operation Waterway in Eastern Australia, consolidated our market position in Australia in marine piling.

Business units in over 40 countries provide local knowledge of both markets and ground conditions.

Business units with robust divisional and Group controls framework.

We have established a Business Development function focused on capturing our customer requirements and understanding our competitors.

In the last year, we undertook a strategic review of the Group that resulted in the following changes:

- Merger of our Asia and Australia Divisions (APAC) leading to greater capability and productivity in this Division.
- Business units are now supported by Group functions, e.g. Engineering & Operations, Quality, Procurement and Legal, to offer our greater support and provide more oversight of our operations from the centre.

Engineering & Operations function established, charged with building Group capability and expertise, to deliver superior solutions and productivity.

Global Product Teams developing minimum operating standards for the Group and sharing best practice.

We continue to invest above depreciation rates in our equipment fleet.

Executive Committee reinforced.

Talent development programme rolled out to our senior management population.

Global Leadership Team identified and programme of communications is in train.

Continued strong emphasis on safety improvement.

KPIs

Measure	Performance in 2015
Revenue growth year on year: year on year sales growth, including acquisitions	-2.3%
Return on capital employed: operating profit before exceptional items as a net return on capital employed	20.5%
Operating margins: operating profit before exceptional items expressed as a percentage of revenue	6.6%
Accident frequency rate: accident frequency per 100,000 hours; lost time injuries are calculated as any incident over one day	0.35
Staff turnover rate: managerial, professional and technical staff leaving in the period, other than through redundancy or normal retirement, expressed as a percentage of staff in this category	5.6%

Strategy in action

Products used



Piling and earth retention

Keller company

Bencor

Technologies used

Diaphragm walling

Size of contract

US\$135m

Customer

US Army Corps of Engineers

During 2015, Keller made two strategic acquisitions, one of which was Bencor in North America.

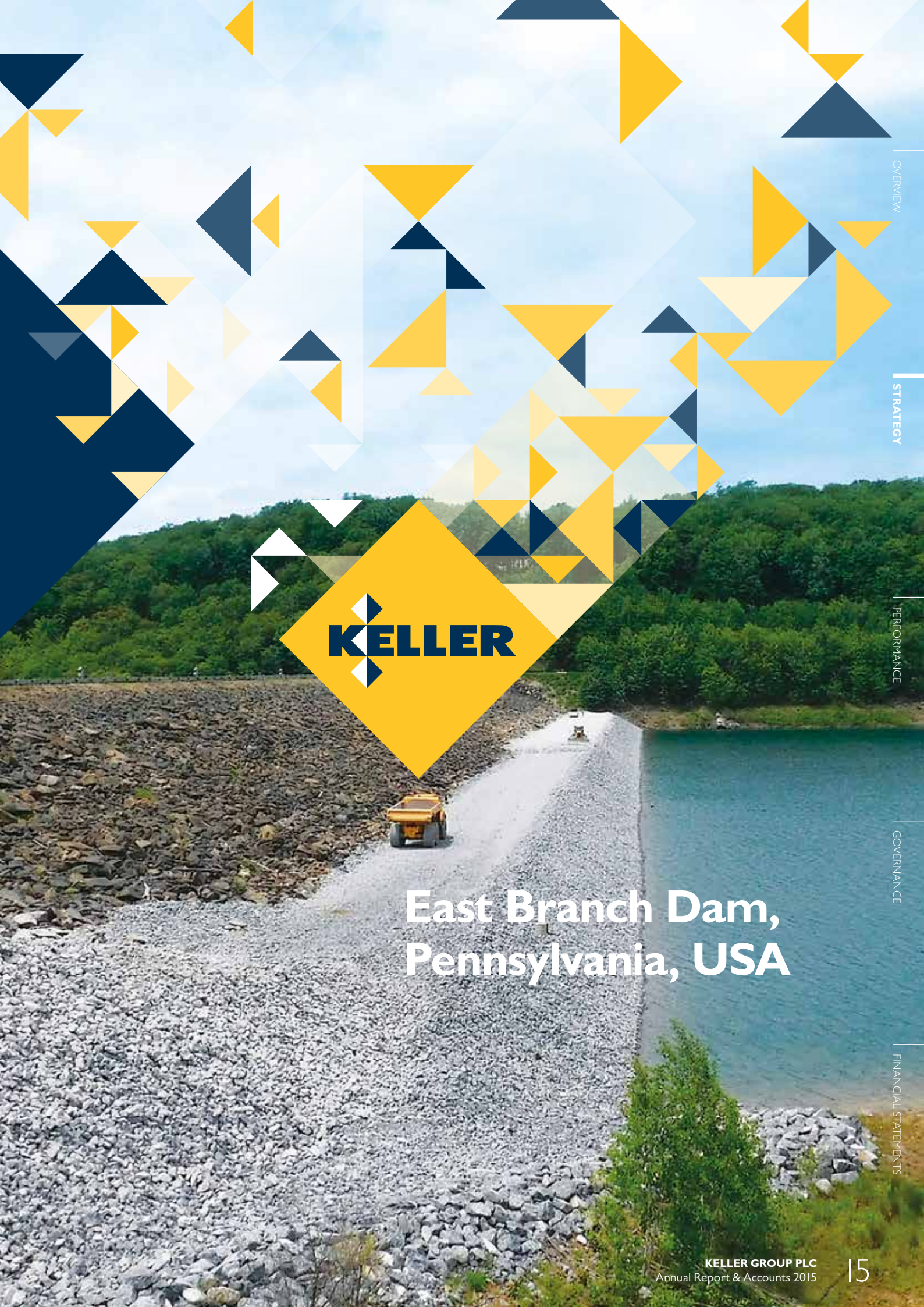
Bencor is based in Dallas and operates throughout the USA and Canada, specialising in diaphragm wall technology, a market segment in which Keller was relatively weak. The acquisition, for US\$40m, brought 150 employees and hydro-mills and associated equipment into the Group.

The acquisition of Bencor supports Keller's strategy of growing its product range, thereby being able to offer customers the full spectrum of geotechnical solutions. The acquisition provides Keller with a modern fleet of equipment and more importantly the skills, knowledge and experience to immediately be a significant player in North America. Being part of the Group, Bencor can now maximise the opportunity of growing outside of its domestic market and to expand globally.

Bencor has been appointed by the US Army Corps of Engineers as the Principal Contractor to carry out repair and upgrade works to this large earth fill dam.

Our works include 715m of cut-off wall up to 80m in depth that will be installed using hydromills. As this is a turnkey type project, Keller is also responsible for the working platform on the top of the dam, new reinforced concrete weir structures and other associated geotechnical engineering including exploratory and verification drilling, foundation drilling and grouting, and the installation of inclined drains.





KELLER

East Branch Dam, Pennsylvania, USA

Strategy in action

Products used



Piling and earth retention

Keller company

Austral Construction Pty, Limited

Technologies used

Marine piling

Size of contract

A\$80m

Customer

Rio Tinto

The second significant acquisition in 2015 was Austral Construction Pty, Limited ('Austral'). Operated from Melbourne, Victoria, the business has a particular emphasis on marine piling work and has a significant customer base in Western Australia, an area of potential geographical growth for Keller.

Acquired for an initial consideration of A\$42m, Austral brings 115 employees and material land and marine-based equipment to Keller.

The combination with Keller's existing marine business in Australia, Waterway Construction, gives a truly national footprint and enhances the Group's ability to compete for large complex projects.

Both businesses carry out turnkey projects undertaking other enabling works, in addition to pure geotechnical solutions. Austral Construction's unique market position (contractor and sub-contractor) together with Keller Australia's business mix, will significantly enhance the Australian profile in both new and existing markets and act as a real differentiator in an increasingly competitive and mature market place.

Austral Construction was engaged by Rio Tinto to complete refurbishment works of their operating Ell iron ore production wharf and access jetty.

The works comprised the design, fabrication, supply and installation of the new dolphin structures including marine piling, structural steel installation, structural welding, grouting works, major electrical and mechanical installations and corrosion protection. The redundant dolphins also had to be demolished involving sub-sea pile cutting and off-site disposal.

The jetty itself required the fabrication, supply and installation of composite steel and pre-cast concrete deck modules to replace the redundant timber decking. This included concrete and grouting works, corrosion protection, deconstruction works and service installations.

These works have extended the life expectancy of the wharf by at least 50 years and have resulted in major safety improvements for the operation of the out-loading facility.



KELLER

Dampier, Western Australia

OVERVIEW

STRATEGY

PERFORMANCE

GOVERNANCE

FINANCIAL STATEMENTS

Strategy in action

The KELLER logo is centered within a large yellow diamond shape. The word "KELLER" is written in a bold, blue, sans-serif font. A white crosshair symbol is positioned behind the letter 'E'.

**Port of Safi,
Morocco**

Products used



Ground improvement

Keller company

Keller Fondations Spéciales SAS

Technologies used

Vibro-compaction

Size of contract

€7.5m

Customer

Ministry of Equipment, Transport and Logistics,
Kingdom of Morocco

Keller is able to leverage its scale to deliver major infrastructure projects around the globe. Expertise exists across the Keller Group and by connecting this knowledge, the best geotechnical solution can be found for the customer. This engineering and operational capability has been brought to bear to deliver an offshore ground improvement project in North Africa.

In 2014, Keller began installing off-shore stone columns to depths of up to 38m to provide foundation support in a seismic region for the new Port of Safi, Morocco. The project is due for completion in 2017.

Using experts from its offices in France, Germany, Spain and Morocco, Keller has developed a scheme to treat the loose sands and compressible sediments on the seabed, so that the breakwater may be constructed without excessive settlement and to eliminate the risk of slope failure in the event of an earthquake.

Specialist equipment built in Keller's manufacturing facility in Rechen, Germany is being worked over three shifts, seven days a week.

Obviously, there are specific risks when working off-shore, especially in winter when waves can exceed heights of 10m. Working patterns are therefore carefully planned around the daily weather forecasts and special contingency measures have been designed in the event that the weather turns unexpectedly.

Strategy in action



**STAR Refinery,
Aliğa, Turkey**

Products used



Anchors, nails and minipiles

Keller company

Keller Grundbau Ges.mbH

Technologies used

Ground anchors

Size of contract

€7.2m

Customer

Yenigün Insaat, Ankara

Whilst Keller has global strength, it is also a local, customer-focused business. By working with our clients and forming partnerships with the other project stakeholders we are able to develop winning solutions.

We are currently working on a large slope stabilisation project in Turkey where by working with the Principal Contractor we have been able to set up a production hall to manufacture the anchors directly on the site. Similarly, we have developed a precast concrete anchor head, which again is made at the project location.

The Aegean Refinery Project (ARP) is one of the biggest infrastructure projects in Turkey. Permanent anchors, with up to 14 strands and lengths of 50m are being used to ensure that the soil slopes are stable and can withstand earthquakes, with anchor forces of up to 3,000 kN.

All the anchors are manufactured directly on-site in a specially built anchor hall, allowing for a fast response to any changes on-site as the project progresses. Anchor heads are precast concrete plinths, developed by Keller especially for this project. They are produced in a field factory on-site in order to meet the required quality criteria.

A new technique for anchor tensioning is also being used, which enables the testing and tensioning of 'multiple anchors' with only one tensioning jack. Using this new stressing technique, the time involved in the testing and commissioning has been dramatically decreased.



Strategy in action

Products used



Specialty grouting

Keller company
Keller Limited

Technologies used
Compensation grouting

Size of contract
£40m

Customer
BFK Joint Venture

Due to the size of the tunnels and the large excavations that were required for the stations, something had to be done to avoid damaging several important and historic buildings along the route.

Compensation grouting was pioneered by Keller, initially in Germany, and has now been used on underground projects on five continents.

Drilling from deep shafts, only 4.5m in diameter, Keller drilled and installed over 45km of grouting pipes under the critical buildings in the heart of the West End of London. Keller subsequently used these pipes to pump, under high pressure, grout into the ground, to lift the ground after the tunnelling machines had passed, compensating for any settlement. By using sophisticated instrumentation and monitoring it was possible to control movements at the ground surface to within 1mm, protecting London's assets and heritage.

Keller is the largest geotechnical contractor in the world, with a strong balance sheet. This makes it possible to be involved in some of the largest contracts. As one would expect, the Company was heavily involved in the Crossrail Project, working on many different sites for different construction teams. In all, Keller secured over £80m of geotechnical work on this one project alone.

Crossrail is currently the largest construction project in Europe. Involving the boring of 42km of twin underground railway tunnel and the building of 10 new stations, the line commences in Maidenhead and runs beneath London from Paddington to Essex and Kent in the East.





KELLER

Crossrail, London, UK

Strategy in action

The Keller logo is a stylized blue and white diamond shape with a white cross inside, positioned to the left of the word "KELLER" in a bold, blue, sans-serif font.

Wrigley Field, Chicago, USA

Products used



Piling and earth retention



Instrumentation and monitoring

Keller companies

Hayward Baker, Case Foundations and Getec UK

Technologies used

Jet grouting, micropiles, secant piles, sheet piling, ground anchors, bracing, caissons, real-time structure monitoring

Size of contract

US\$23m

Customer

Pepper Construction Company

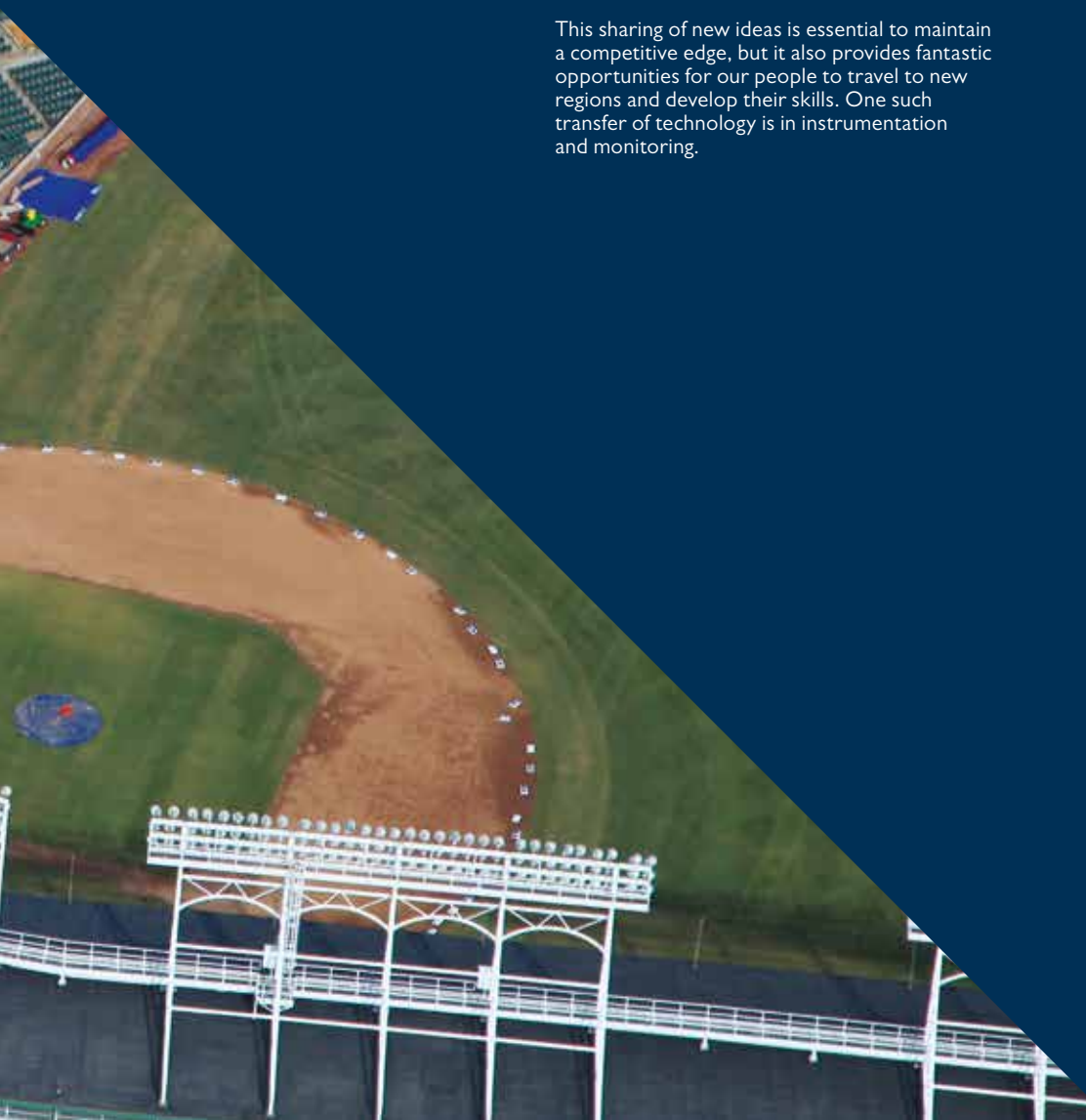
Keller companies have utilised a wide range of geotechnical solutions for the redevelopment of Wrigley Field, the iconic, 100-year-old baseball park in Chicago.

Micropiles have been used to underpin existing columns to allow for increased loading and jet grouting was utilised for both underpinning and as earth retention to develop a cut and cover tunnel extending beneath the concourse. Keller has also installed sheet piles that have been used with internal bracing and anchors, and to add to the 'toolkit' large diameter under-reamed or belled piles have been installed to the underlying rock.

It was evident from the tender stage that these works could lead to movement of the structure during the construction period and it was therefore agreed to bring monitoring technology from Getec UK to measure for settlement and rotation, using inclinometers, water level cells and tilt meters. The instruments were programmed to send movement data at 15-minute intervals and coupled with innovative visualisation software this would have alerted the site team had there been any unexpected movement.


Through sharing best practice and innovation across the Group, Keller is able to introduce new products or solutions organically into new markets. As an example, dry soil mixing, which was traditionally performed by our Scandinavian business, has been successfully used in Poland, the UK, the USA, Malaysia and Australia, by transferring the technology in-house.

This sharing of new ideas is essential to maintain a competitive edge, but it also provides fantastic opportunities for our people to travel to new regions and develop their skills. One such transfer of technology is in instrumentation and monitoring.






Principal risks and uncertainties

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.

Risk	Risk description
<p>01</p> <p>Market risk</p> <p>A rapid downturn in our markets</p> <p style="text-align: right;"></p>	<p>Inability to maintain a sustainable level of financial performance throughout the construction industry market cycle which grows more than many other industries during periods of economic expansion and falls harder than many other industries when the economy contracts.</p>
<p>02</p> <p>Strategic risks</p> <p>Failure to procure new contracts</p> <hr/> <p>Losing our market share</p> <hr/> <p>Non-compliance with our Code of Business Conduct</p> <p style="text-align: right;"></p>	<p>A failure to continue to win and retain contracts on satisfactory terms and conditions in our existing and new target markets if competition increases, customer requirements change or demand reduces due to general adverse economic conditions.</p> <hr/> <p>Inability to achieve sustainable growth, whether through acquisition, new products, new geographies or industry specific solutions.</p> <hr/> <p>Not maintaining high standards of ethics and compliance in conducting our business or failing to meet legal or regulatory requirements.</p>
<p>03</p> <p>Financial risk</p> <p>Inability to finance our business</p> <p style="text-align: right;"></p>	<p>Losing access to the financing facilities necessary to fund the business.</p>
<p>04</p> <p>Operational risks</p> <p>Product and/or solution failure</p> <hr/> <p>Ineffective management of our contracts</p> <hr/> <p>Causing a serious injury or fatality to an employee or member of the public</p> <hr/> <p>Not having the right skills to deliver</p> <p style="text-align: right;"></p>	<p>Failure of our product and/or solution to achieve the required standard.</p> <hr/> <p>Failure to manage our contracts to ensure that they are delivered on time and to budget.</p> <hr/> <p>Failure to maintain high standards of Safety and Quality.</p> <hr/> <p>Inability to attract and develop excellent people to create a high-quality, vibrant, diverse and flexible workforce.</p>

Movement in risk

-  Increased
-  No change
-  Reduced

Potential impact	Mitigation
Failure to continue in operation or to meet our liabilities.	Diversification of our markets, both in terms of geography and market segment. Strong balance sheet. Leveraging the global scale of our Group. Having strong local businesses to address geographic markets.
Failure to achieve targets for revenue, profit and earnings.	Continually analysing our existing and target markets to ensure we understand the opportunities that they offer. Structured bid review processes in operation throughout the Group with well-defined selectivity criteria that are designed to ensure we take on contracts only where we understand and can manage the risks involved.
Failure to achieve targets for revenue, profits and earnings.	Continually seeking to differentiate our offering through service quality, value for money and innovation. A Business Development function focusing on our customers' requirements and understanding our competitors. Minimising the risk of acquisitions, including getting to know a target company in advance, often working in joint venture, to understand the operational and cultural differences and potential synergies, as well as undertaking these through thorough due diligence and structured and carefully managed integration plans. Implementing annual efficiency and improvement programmes to help us remain competitive.
Losing the trust of our customers, suppliers and other stakeholders with consequent adverse effects on our ability to deliver against our strategy and business objectives. Substantial damage to Keller's brand and/or large financial penalties.	Having clear policies and procedures in respect of ethics, integrity, regulatory requirements and contract management. Maintaining training programmes to ensure our people fully understand these policies and requirements. Operating and encouraging the use of a 'whistleblowing' facility.
Breach of banking covenants or failure to continue in business or meet our liabilities.	Procedures to monitor the effective management of cash and debt, including weekly cash reports and regular cash forecasting.
Financial loss and consequent damage to our brand reputation.	Continuing to enhance our technological and operational capabilities through investment in our product teams, project managers and our engineering capabilities.
Failure to achieve the margins, profits and cash flows we expect from contracts.	Ensuring we understand all of our risks through the bid appraisal process and applying rigorous policies and processes to manage and monitor contract performance. Ensuring we have high-quality people delivering projects.
Damage to employee morale leading to an increase in employee turnover rates, loss of customer, supplier and partner confidence and damage to our brand reputation in an area that we regard as a top priority.	A Board-led commitment to achieve zero accidents. Visible management commitment with Safety Tours, Safety Audits and Safety Action Groups. Implementing management systems that conform to Occupational Health & Safety Assessment System 18001. Extensive mandatory employee training programmes.
Failure to maintain satisfactory performance in respect of our current contracts and failure to deliver our strategy and business targets for growth.	Continuing to develop and implement leadership, personal development and employee engagement programmes that encourage and support all our people to achieve their full potential.

Principal risks and uncertainties continued

Risk management

The Board is responsible for setting the Group's risk appetite and ensuring that appropriate risk management systems are in place. The Board reviews the Group's principal risks throughout the year as part of its normal agenda, adopting an integrated approach to risk management by regularly discussing our principal risks. In addition, once a year the Board formally assesses the Group's principal risks, taking the strength of the Group's control systems and our appetite for risk into account.

The Board delegates responsibility for day-to-day risk management to the Executive Committee, including the identification, evaluation and monitoring of key risks facing the Group and the implementation of Group-wide risk management processes and controls.

The Audit Committee keeps the effectiveness of the Group's risk management systems under review and reports to the Board on the results of its review. The occurrence of any material control issues, serious accidents or major commercial, financial or reputational issues, or the identification of new significant risks, are reported to the Board and/or Audit Committee as appropriate.

Following changes to the UK Corporate Governance Code in 2014, and changes to our strategy and organisation in 2015, we have carried out a robust assessment of our principal risks and uncertainties. Our revised principal risks are set out in the table on pages 26 and 27.

Culture

The Board is aware that the effectiveness of risk management is dependent on behaviours. In 2016 we will launch a refreshed Code of Business Conduct to provide a common and consistent framework for responsible business practices. It will reinforce the standards we expect our people to follow in their day-to-day activities, no matter where they work in the world, and tell others that they can rely on our integrity. It will be supported by our Ethics and Compliance programme, which aims to ensure compliance with our ethical standards.

How we identify risk

Our risk management process has been built to identify, evaluate, analyse and mitigate significant risks to the achievement of our strategy. 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's principal risks on an ongoing basis.

The Audit Committee

The Audit Committee ensures adequate assurance is obtained over the risks that are identified as the Group's principal risks. 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 management approach. The Executive Committee reviews and assesses the key strategic risks to the Group and the outputs of the assessment are sent to the Divisional Presidents for inclusion in their local risk assessment exercises.

Divisional Presidents

Divisional Presidents are responsible for the identification, reporting and ongoing management of risks in their respective regions. The outputs of these assessment exercises are reviewed and challenged by the Executive Committee as part of their assessment of the key strategic risks facing the Group.

Our risk appetite

We use an assessment of the level of risk and our associated risk appetite to ensure the appropriate focus is placed on the correct risks.

Developing the viability statement

In developing the viability statement, it was determined that a three-year period should be used, consistent with the period of the Group's business planning processes and reflecting a reasonable approximation of the maximum time taken from procuring a project to completion.

Management reviewed the principal risks, and considered which of these risks might threaten the Group's viability. It was determined that none of the individual risks would in isolation compromise the Group's viability, and so a number of different severe but plausible principal risk combinations were considered.

A downside sensitivity analysis, as well as a consideration of any mitigating actions available to the Group, were applied to the Group's three-year cash flows forecasted as part of the business planning process and presented to the Board for discussion, further to review by the Audit Committee. The Board discussed the process undertaken by management, and also reviewed the results of stress testing performed to provide an illustration of the reduction in cash flows that would be required to break the Group's covenants or exhaust all available cash, to ensure that they did not adversely impact on the Group's viability.

The Directors' viability statement is contained in the Directors' report on page 67.

Resources and relationships

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 our principles. 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 and refreshed in 2016, sets out the Group's policies and practices that support our principles. Our programme of communications, training and assurance is being updated to support the refresh and a new externally facilitated whistleblowing hotline service for employees, administered by Safecall, has been put in place.

Safety

During the year, two employees lost their lives in a sinkhole accident on-site in Malaysia. The accident was investigated by the local authorities. We have put in place support measures for the families of our deceased employees, have conducted an internal review of the accident as well as seeking out expert opinion on causation. Whilst the findings of our internal review suggest that the incident could not have been foreseen, we have taken all possible steps to communicate the circumstances and lessons learnt to our HSE experts and colleagues working in similar conditions across the Group.

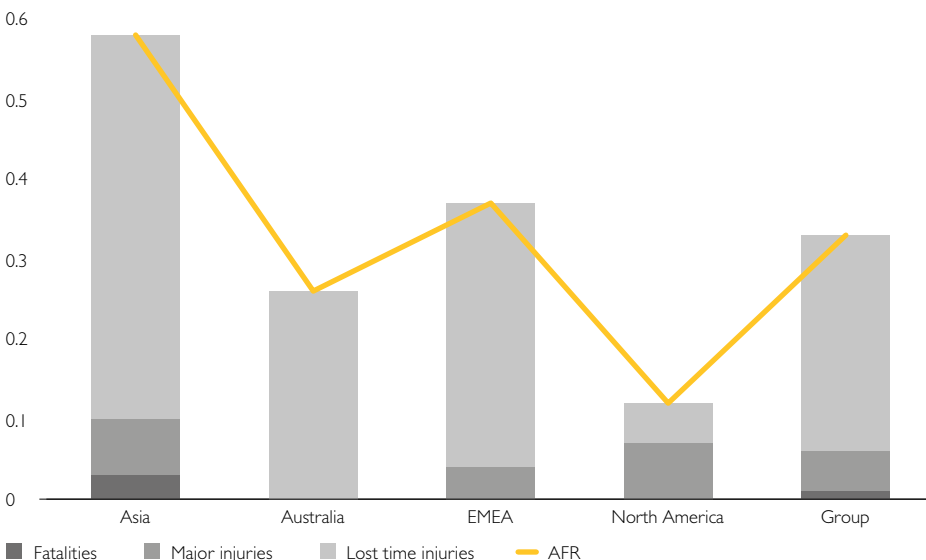
Progress against our 2015 Group-wide objectives, which cover a number of high-risk areas within the business, are described below:

Reduction in incidents associated with heavy plant and equipment

The Group continued its focus in this area and saw a continuing decline in the numbers of heavy plant and equipment overturning. 2015: 6 recorded incidents (2014: 8)

Figure 2

Keller Group 2015 AFR by Division per 100,000 hours worked



Reduction in injuries to hands and feet

Implementation of the 'Carry Glove' policy across the Group saw a continuing reduction in the number of hand injuries classified as either major or lost time. 2015: 68 recorded incidents (2014: 112)

Occupational health and wellbeing

Further to a Group-wide review of our practices, we adopted minimum standards across our businesses.

Implementation of OHSAS 18001 or an equivalent standard

Each division continues to work towards certification by 2018. The Group's Head Office retained the certification it first gained in 2013.

Reduction of our Accident Frequency Rate (AFR)

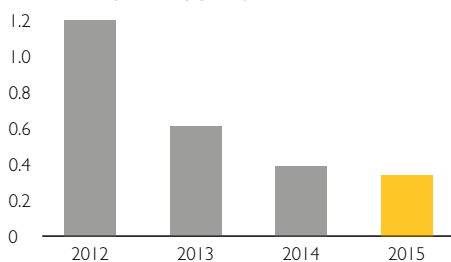
We achieved a year on year reduction in our AFR. 2015: 0.35 (2014: 0.39)

AFR by year

AFR per 100,000 hours for 2012 to 2015 is set out in figure 1 below and includes our acquisitions over the period. We have seen significant improvements in safety performance on a year by year basis.

Figure 1

Keller Group AFR by year per 100,000 hours worked



77% of our AFR is due to lost time injuries, as shown in figure 2 below.

There are a number of areas where our business impacts on society and where we have responsibilities which extend beyond our financial performance. The principles we work by apply to all of us in any of Keller's businesses.

Keeping everyone healthy and safe

We believe no one should be harmed as a result of any work we do – so everyone stays safe and well.

Supporting employees' rights and diversity

We value, support and protect the rights and dignity of the individual and the diversity of our people – so we are all treated with respect.

Maintaining ethical and honest behaviour

We are always honest, act with integrity and comply with the law – so everyone trusts us.

Staying free from bribery and corruption

We always make sure we are free from bribery and corruption and win projects fairly – so people know our decisions are made for the right reasons.

Keeping our communications open and responsible

We communicate openly, honestly, clearly and responsibly – so we stay transparent.

Delivering excellent customer service and work with our suppliers to ensure our standards are adhered to

We work to meet our customers' needs and exceed their expectations – so they work with us again and again. We ensure we build constructive relationships with our suppliers and they understand our principles and the standards we operate by.

Working within the community

We act responsibly and respectfully towards the communities we work in – because we are a part of them.

Protecting our environment

We respect and protect the environment, and minimise our impact on it – so we safeguard the future.

Standing up for what's right

We always speak up when we believe our principles are being undermined – so we uphold our principles together.

Resources and relationships continued

Keller can compare its performance with typical mega projects such as Crossrail and the 2012 Olympic Games, both of which are seen as exemplars when compared against the UK construction average. Typically, the UK construction industry has an AFR of approximately 0.55/100,000 hours worked, Crossrail compares slightly better with 0.54/100,000 hours and the 2012 Olympic Games at 0.16/100,000 hours. Keller compares very favourably when comparing the number of days after which an incident becomes recordable. Keller uses over one day whereas the above projects used the statutory definitions of over three days.

Divisional AFR

Annual AFR over the past three years shows significant improvement across the Group since 2013.

Division	AFR by year		
	2015	2014	2013
Asia	0.58	0.64	0.78
Australia	0.26	0.35	0.87
EMEA	0.37	0.42	0.88
North America	0.12	0.20	0.27
Group	0.35	0.39	0.61

Major Injury Rate

One area that has seen a significant improvement during 2015 is the rate of major injuries; this is demonstrated by figure 3 to the right.

Reporting of incidents

An area of key focus over the past two years has been to improve the reporting of minor injuries, road traffic accidents and near misses. Reporting such incidents is the first step to facilitation of improved learning and safety management. Figure 4 to the right shows how the reporting of all three areas has improved since 2013.

Our people

Keller employs around 10,000 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 fairness, encouragement and respect and we do not tolerate any behaviour or attitude that discriminates against anyone, coerces, intimidates, bullies or harasses others, or threatens them with verbal or physical violence. We support every individual's human rights and refuse the use of child labour and forced labour under any circumstances.

We promote working together to create an environment where everyone at Keller has equal opportunities to achieve their full potential, diversity can flourish, everyone is respected, and talent is recognised and developed. No employee will be discriminated against due to their age, gender, race, religion, national origin, sexual preference or gender identity. This is not only about 'being fair', it also makes sound business sense.

Figure 3

12-month rolling Major Injury Rate per 100,000 hours worked

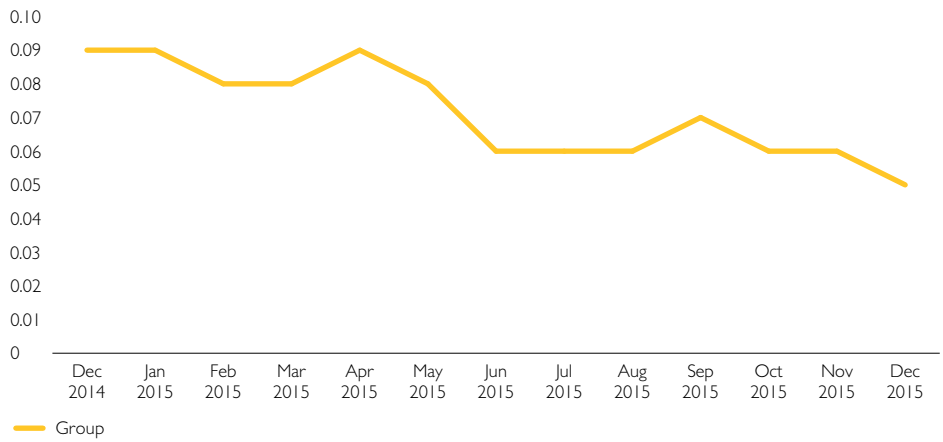
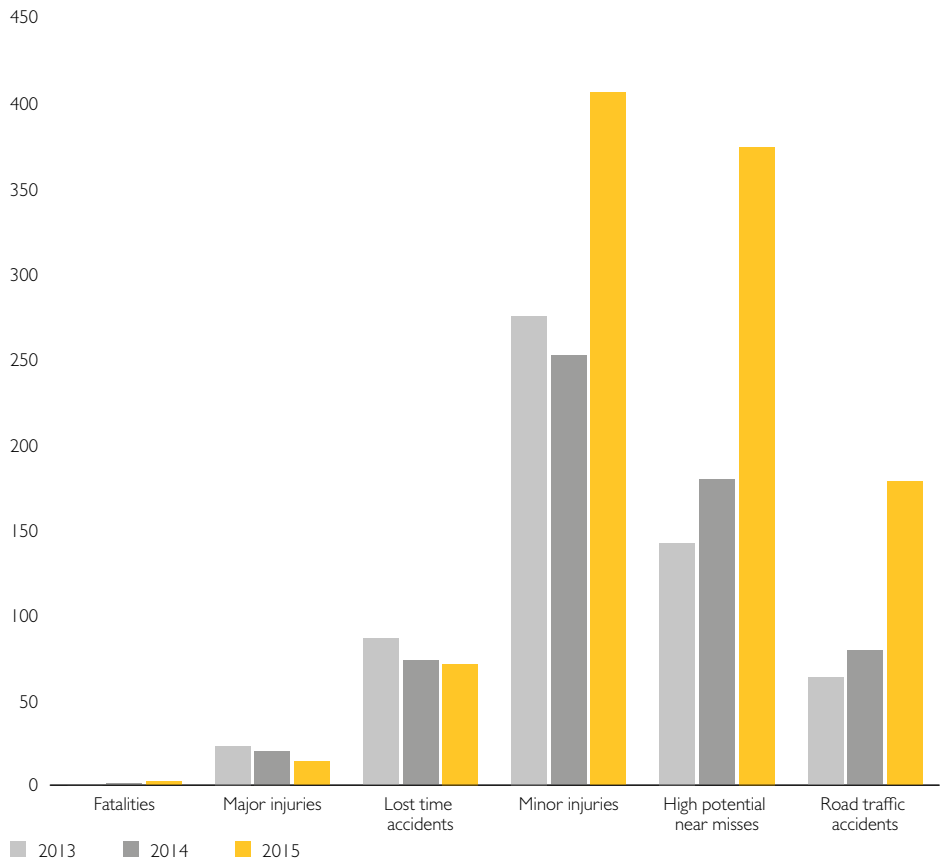


Figure 4

Reported incidents by year per 100,000 hours worked



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	168	11
Managers	1,174	128
All employees*	8,165	842

* Excludes contractors.

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.

Environment

Greenhouse gas reporting

Here we report the quantity of greenhouse gas (GHG) emissions for the year ended 31 December 2015. We have adopted the International Greenhouse Gas Protocol Corporate Accounting and Reporting Standard. In doing so, we have fulfilled our requirements concerning GHG emissions under The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 No.1970.

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 CO₂. 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 for the second year running the number of data gaps has reduced.

Last year 98% of units within the Group reported some data. This year all units reported some data on their primary emission sources, including entities acquired during the year 2015. We have accounted for these new acquisitions in our calculation of the 2015 footprint. Units also report more complete datasets than last year – more fuels reported and better coverage for the whole year.

Results

Summary Scope 1 and 2 GHG emissions for the Keller Group are shown below for 2014 and 2015.

Global GHG emissions data in tonnes of CO₂e

	2015	2014
Emissions from:		
Scope 1 – Combustion of fuel and operation of facilities	168,392	170,031
Scope 2 – Electricity, heat, steam and cooling purchased for own use	9,032	9,531
Total	177,424	179,562
Intensity measurement: Absolute tonnes equivalent CO ₂ e per £m of revenue	114	112

Our total footprint for the year 2015 has decreased by 1.2%, broadly in line with the Group's reduction in revenue. However, our carbon intensity has increased by 1.2%, from 112 to 114 tonnes CO₂e per £m of revenue. This increase is due to a number of factors including more complete reporting.

Third-party assurance statement

Keller Group plc appointed Anthesis Consulting Group to provide independent assurance on the 2015 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 concerning greenhouse gas emissions under The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 No.1970, following the methodology of the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard.”

Anthesis Consulting Group, 12 February 2016

10,000

Keller employees worldwide

39%

Reduction in injuries to hands and feet

0.35

Accident Frequency Rate (AFR)

per 100,000 hours worked
(2014: 0.39)

Executive Committee

The role of the Committee is to assist the Chief Executive in:

- developing and implementing strategy, operational plans, budgets, policies and procedures;
- monitoring operating and financial performance;
- assessing and controlling risks;
- prioritising and allocating resource; and
- monitoring competitive forces in each area in which we operate.

4



8



1



5



9



2



6



10



3



7



11



1 Alain Michaelis
Chief Executive
Age: 49
Nationality: British

Alain was appointed CEO of Keller in May 2015. A Mechanical Engineer by training, he was previously Group Operations Director of Rolls-Royce plc where he also served as a major divisional head. He has also held senior leadership positions at Tenneco, a Tier 1 automotive supplier, and at Wolseley, the building products distributor. Alain began his career as a consulting engineer at Arup.

2 James Hind
Finance Director
Age: 51
Nationality: British

James was appointed Finance Director in 2003 after joining the Group from D S Smith plc, where he was Group Financial Controller. Prior to that, after qualifying as an accountant, James worked in the New York office of Coopers & Lybrand advising on mergers and acquisitions.

3 Wolfgang Sonderrmann
Engineering and Operations Director
Age: 65
Nationality: German

A Geotechnical Engineer by training, Wolfgang joined the Group in 1986 and was appointed to the Board in 2003. In January 2016, Wolfgang was appointed Engineering and Operations Director. 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. Wolfgang will retire from the business in 2016.

4 Venu Raju
Engineering and Operations Director (Designate)
Age: 55
Nationality: Indian

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, Managing Director, Asia and to the Executive Committee in 2012, Venu was appointed Engineering and Operations Director (Designate) in 2016.

5 Mark Kliner
President of APAC (Asia-Pacific region)
Age: 51
Nationality: British

Mark joined the Group in 2006 and was appointed as Managing Director of Piling Contractors in 2007 and CEO of Keller Australia in 2010. Following the merger of Keller Australia and Keller Asia in January 2016, he was appointed President of APAC. Mark was appointed to the Executive Committee in 2012 and is a Civil and Structural Engineer by qualification.

6 John Rubright
President of North America
Age: 52
Nationality: American

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. This title was changed to President of North America with effect from January 2016. John was appointed to the Executive Committee in 2012. He is a Civil Engineer by qualification.

7 Thorsten Holl
President of EMEA (Europe, Middle East and Africa)
Age: 46
Nationality: German

Thorsten was appointed President of EMEA with effect from 16 November 2015. Thorsten has held a number of leadership roles with ABB and the Alstom Group, where he led several of its international businesses, including in China, where he built up a number of joint ventures. Most recently, he led the ARVOS-Group (Alstom's Steam Auxiliary Components division as independent spin-off) as CEO – which he successfully developed as a stand-alone business.

8 Michael Sinclair-Williams
HSEQ Director
Age: 54
Nationality: British

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 Health, Safety & Environment Director and was appointed to the Executive Committee in 2013. In January 2016, he was also made responsible for Quality.

9 Kerry Porritt
Company Secretary
Age: 45
Nationality: British

Kerry was appointed Company Secretary in 2013. Kerry is a Fellow of the ICOSA and has 20 years' experience as a company secretary in a wide range of FTSE100 companies. She joined Keller as Company Secretary in 2013 and is Secretary to the Board and all its Committees.

10 Serge Zimmerlin
Human Resources Director
Age: 51
Nationality: French

Serge was appointed Human Resources Director in December 2015. He has extensive experience in general management, human resources and communications. His 25 years of global assignments cover more than 40 countries, including Africa, Asia, Europe, the Middle East and North and South America. These include international experience in the construction industry with Bouygues Group.

11 Joseph Hubback
Strategy Director
Age: 39
Nationality: British

Joseph was appointed Strategy Director in January 2016. Joseph was previously a Partner at McKinsey & Company in London where he worked with clients in the engineering and high-tech industries. Prior to McKinsey he held a variety of roles with ICI over a 10-year period. He started in project engineering, building factories, before moving into operations and supply chain management and then finishing off in sales roles leading accounts in EMEA and globally.

Operating review

North America

Results summary and KPIs

Revenue (£m)

£851.2m

2015	851.2
2014	775.6

Operating profit (£m)*

£76.4m

2015	76.4
2014	59.9

Operating margin (%)*

9.0%

2015	9.0
2014	7.7

Return on net operating assets (%)**

2015	22
2014	17

Accident Frequency Rate

2015	0.12
2014	0.20

Staff turnover (%)

2015	7
2014	13

In North America our total revenue increased by 10%. Adjusting for acquisitions and translation differences, like-for-like revenue was up 2%. The full year operating profit of £76.4m (2014: £59.9m) reflects a much improved result from our US businesses, partly offset by lower profits in Canada.

US

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

Our largest North American business, Hayward Baker, had another good year in 2015. The business improved its results in the year, despite having fewer major projects, proving the strength of its business model of performing a wide range of small to medium sized contracts across a broad range of products and geographies.

Our US piling companies performed very well, particularly Case and HJ Foundation which had record years on the back of strong regional markets and an excellent performance on a number of large projects. Highlights for Case included major projects working on the installation of catenary poles on rail lines and at a hydroelectric plant at Red Rock Dam in Iowa. HJ Foundation benefited from buoyant conditions in its domestic south Florida market, successfully completing the foundations for a number of landmark projects in Miami, often working with other Keller companies to provide multi-product solutions.

Bencor, the diaphragm wall company acquired in August, has been successfully integrated into the Group. Work on its US\$135m project to repair and upgrade the East Branch Dam in Pennsylvania is progressing to plan.

Suncoast, the Group's post-tension business which mainly serves the residential construction market, recorded a strong performance, taking full advantage of the increase in housing starts in the year.

Canada

Keller Canada has struggled in very difficult market conditions but managed to record a small profit helped by further reductions in overheads. Despite much reduced revenue, gross margins held up well and the business successfully performed the only major piling project in the year in the Alberta oil sands. On a positive note, we have just been awarded a C\$43m multi-product, technically demanding project in downtown Toronto in connection with the expansion of the city's metro system.

Australia

Results summary and KPIs

Revenue (£m)

£161.5m

2015	161.5
2014	261.3

Operating profit (£m)*

£7.2m

2015	7.2
2014	15.7

Operating margin (%)*

4.5%

2015	4.5
2014	6.0

Return on net operating assets (%)**

2015	14
2014	30

Accident Frequency Rate

2015	0.26
2014	0.35

Staff turnover (%)

2015	10
2014	19

Australian dollar revenue decreased by around 30% and operating profit by nearly 50%, despite a good final settlement on the Wheatstone contract. This reflects a very difficult market for our traditional foundation businesses and having no replacement contract of near equivalent size for Wheatstone. The operating margin also declined following the conclusion of that project.

In response to the difficult market conditions, we announced in November a merger of the Group's three piling businesses into one, to be branded Keller Foundations. This merger is proceeding to plan and has been well received by both customers and employees. As a result of this and other cost-saving measures implemented during the year, we have reduced our Australian overheads by A\$7m on an annualised basis.

In contrast to the construction market as a whole, the near-shore marine segment has remained robust and our businesses focusing on this segment performed well. Waterway had an excellent year and Austral, which was acquired in July 2015, has had an encouraging start as part of Keller.

In the last two months, Keller Australia has won two large projects: the construction of Mayfield No7 Wharf (A\$43m) in Newcastle, New South Wales; and the foundations for the next phase of a major commercial development in Sydney (A\$37m). As a result of these, other contract awards and the acquisition of Austral, the Australian order book is now 20% higher than this time last year.

Organisational changes

With effect from 1 January 2016, the Asia and Australia divisions were merged to create a new Asia-Pacific ('APAC') division, under one leadership team, headquartered in Singapore. The new division provides much needed resource and capability to ensure we take advantage of the opportunities within the fast-growing Asia area and a number of scale efficiencies. The new division makes up around 20% of the Group's revenue (North America being over 50% and EMEA around 30%) providing a better balanced portfolio. Going forward, we will report the Group's results in three geographic divisions; North America, EMEA (Europe, Middle East and Africa) and APAC.

Europe, Middle East & Africa (EMEA)

Results summary and KPIs

Revenue (£m)

£441.5m

2015	441.5
2014	451.5

Operating profit (£m)*

£21.3m

2015	21.3
2014	12.9

Operating margin (%)*

4.8%

2015	4.8
2014	2.9

Return on net operating assets (%)**

2015	14
2014	8

Accident Frequency Rate

2015	0.37
2014	0.42

Staff turnover (%)

2015	5
2014	14

In sterling terms, revenue in EMEA as a whole decreased by 2% in 2015. On a constant currency basis however, revenue was 5% up on 2014. Operating profit grew significantly and the operating margin increased by nearly 2% to 4.8%, the highest level for six years, reflecting the benefit of continuing business improvement initiatives and a good performance on our major contract in the Caspian region.

Europe

Despite the mixed market conditions in Europe, our businesses improved their results through a focus on cost control, risk management and careful contract selection.

Our businesses in central Europe underpinned this improvement. Keller Poland benefited from the infrastructure investment in the country and was recently awarded a €17m ground

improvement contract in connection with the upgrade of the S7 motorway in northern Poland. Germany once again reported an excellent result and the Group's Austrian business performed well in a competitive market. The business is making good progress on the €31m St Kanzian contract, the major grouting project on the Koralm railway line between Graz and Klagenfurt.

The UK business also had a better year in 2015, working on a wide variety of commercial and infrastructure projects. Much effort is currently being devoted to ensure Keller secures significant work on the major infrastructure projects scheduled for the next few years in the UK.

Conditions in our larger markets in Southern Europe remain very challenging. The French construction market remains subdued whilst volumes in Spain are still at very low levels.

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

Middle East and Africa

Competition in the Middle East remains tough but the Group increased its profit from the region. This performance was aided by a good result in Saudi Arabia and a number of contract wins in Qatar where, within two years of starting a business, we have already built a reputation for reliability and quality.

Franki Africa had a good year, significantly increasing both revenue and profit on the back of a strong performance in South Africa and the successful completion of Ada Phase 2, a major jetty project off the coast of Ghana.

Asia

Results summary and KPIs

Revenue (£m)

£108.2m

2015	108.2
2014	111.3

Operating profit (£m)*

£4.5m

2015	4.5
2014	8.3

Operating margin (%)*

4.2%

2015	4.2
2014	7.5

Return on net operating assets (%)**

2015	7
2014	15

Accident Frequency Rate

2015	0.58
2014	0.64

Staff turnover (%)

2015	4
2014	11

After a very disappointing first half, both revenue and profit picked up significantly in Asia in the second half of the year. For the year as a whole, revenue was broadly flat but profit was down significantly, reflecting the break-even performance in the first half. The operating margin was 4.2%, down from 7.5%.

ASEAN

Despite a much improved second half, Keller's ASEAN businesses as a whole had a disappointing year, with revenue broadly flat and profit much reduced.

In Singapore, the market was quiet with no growth in commercial construction and a virtual stop in projects for the oil and gas industry. In addition, we suffered from significant delays on our major vibro-compaction contract at Changi airport for reasons beyond the Group's control.

The Malaysian construction market slowed significantly in the year as a result of the fall in the oil price. This slowdown, combined with a delay on one of our larger projects, meant that our traditional Malaysian business had a disappointing 2015. Encouragingly, however, Anshar, the small driven piling business acquired in 2014, far exceeded our expectations winning some substantial work on the RAPID petrochemical complex being constructed by Petronas in south eastern Malaysia. In total, Keller's work on RAPID will total nearly US\$50m.

Towards the end of 2015, we won our first major ground improvement project in Indonesia. This is a US\$25m contract to provide vibro-compaction works at Pluit City, a newly created group of islands near Jakarta.

India

Keller India performed well in 2015, helped by an improving construction market. The business has entered the near-shore marine construction market, leveraging off existing Keller expertise in Australia.

* Before exceptional items.

** 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.

Financial review

Earnings per share¹
increased to 86.4p,
an increase of 15%.

James Hind
Finance Director



Results

Trading results¹

Group revenue for the year was £1,562.4m, down 2% on 2014 and down 4% after stripping out the effects of acquisitions and foreign exchange movements. This decrease was entirely due to Australia, where revenue fell by almost £100m in the year as a result of the completion of the Wheatstone contract, the Group's largest ever project, and a continuing decline in the Australian construction market. On a constant currency basis, the Group's other three divisions all reported increases in revenue.

EBITDA was £155.5m, compared to £141.9m in 2014, and operating profit was £103.4m, an increase of 12% on the £92.0m generated in 2014. The Group operating margin increased from 5.8% to 6.6%. This increase is due to a combination of operational improvements, some good final project settlements and improving market conditions in some countries, most notably the US from where Keller derives almost 50% of its revenue.

In North America as a whole, which represented 54% of Group revenue, operating profit increased by 28% from £59.9m in 2014 to £76.4m in 2015. In constant currency, revenue was up 3% and operating profit increased by 19%, reflecting an improved performance across virtually all the Group's US businesses, in part due to the continuing steady improvement in the US construction market. Our business in Canada continues to experience very challenging market conditions, but still made a small profit in the year.

In EMEA, conditions in our key markets remained mixed, but across the region as a whole there were signs of improvement, particularly in Northern Europe and the Middle East. While reported revenue decreased slightly, it was up 5% on a constant currency basis and operating profit increased from £12.9m to £21.3m. This improvement in profitability was mainly due to excellent performances from our businesses in Central and Eastern Europe, good progress on the major project in the Caspian region and a strong result from Franki Africa.

Revenue in Asia was broadly flat and operating profit decreased from £8.3m in 2014 to £4.5m in 2015. This reduction was almost wholly in the first half of the year due to delays in the timing of some large projects and challenging market conditions in Malaysia.

In Australia, revenue was down by nearly 40% and around 30% on a constant currency basis. Operating profit was £7.2m, down from £15.7m in 2014. This reflects the substantially reduced contribution from Wheatstone and the very difficult market conditions faced by our foundation businesses.

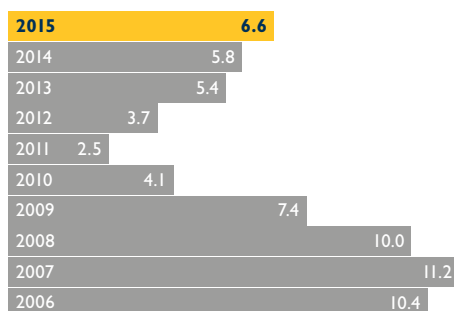
Net finance costs¹

Net finance costs increased from £6.9m in 2014 to £7.7m in 2015. This increase is attributable to lower non-cash income from financial assets. Net interest payable on the Group's net debt was £6.5m, a similar level to 2014.

£103.4m

Operating profit¹

Operating margin from continuing operations (%)^{*}

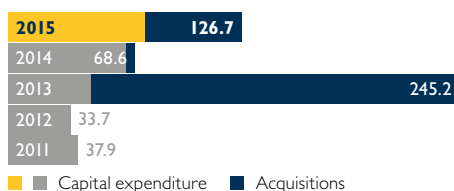


^{*} Before exceptional items.

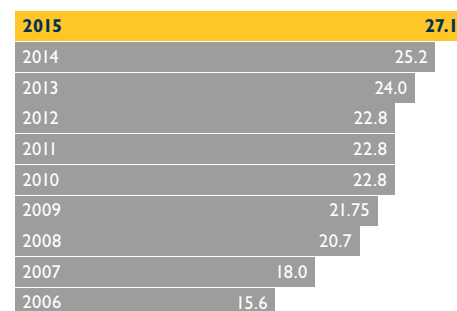
Test	Covenant limit	Current position [*]
Net debt: EBITDA	< 3x	1.5x
EBITDA interest cover	> 4x	22.2x
Net worth	> 200m	£330.5m

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

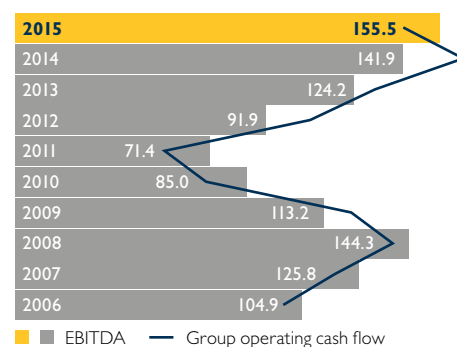
Investment (£m)



Dividend per share (pence)



Cash flow history^{*} – profits = cash



■ EBITDA — Group operating cash flow

^{*} From continuing operations

¹ Before pre-tax exceptional items of £39.4m (2014: £56.9m). £31.2m of this relates to a partial impairment of the Keller Canada goodwill balance. The balance relates primarily to the amortisation of acquired intangible assets.

Exceptional items

Exceptional items in 2015 totalled £39.4m, all of which are non-trading items relating to acquisitions. £31.2m of this relates to a partial impairment of the goodwill which arose on the acquisition of Keller Canada in 2013. This business is heavily exposed to construction in the Canadian oil sands region, which has reduced dramatically following the substantial fall in the price of oil. The remaining goodwill relating to Keller Canada amounts to £27.6m. The other 2015 exceptional items primarily relate to the amortisation of other intangible assets arising on the acquisition of businesses.

Tax

The Group's effective tax rate before exceptional items was 34.5%, slightly below the 2014 effective rate of 34.9%. The effective tax rate appears high compared to the UK statutory rate because of the geographic mix of profits, with around 70% of the Group's 2015 pre-exceptional profit before tax being earned in the US, where the combined federal and state corporate tax rates total nearly 40%.

An exceptional tax credit of £3.0m has been reflected on the 2015 exceptional items. This comprises £7.7m of credits on the exceptional charges, partly offset by a £4.7m write-down of the deferred tax asset in Canada as a result of the Keller Canada goodwill impairment.

Profit for the period

Profit for the period attributable to shareholders before exceptional items was £62.7m, a 13% increase on 2014. Profit for the period after exceptional items totalled £26.3m (2014: loss of £1.2m).

Earnings and dividends

Earnings per share (EPS) before exceptional items increased to 86.4p (2014: 75.3p), an increase of 15%, in line with the increase in the Group's profit after tax.

EPS after exceptional items was 35.5p (2014: loss per share of 4.2p).

The Board has recommended a final dividend of 18.3p per share, which brings the total dividend for the year to 27.1p, a 7.5% increase on 2014. The 2015 dividend is covered 3.2x times by earnings before exceptional items.



Cash flow and financing^{1,2}

The Group has always placed a high priority on cash generation and the active management of working capital. In 2015, cash generated from operations before exceptional items was £142.3m, representing 92% (2014: 117%) of EBITDA before exceptional items. This continues the Group's excellent record of converting profits into cash, with the aggregate of the last 10 years of cash generated from operations representing 99% of EBITDA. Year-end working capital was £97.1m, which is below the level at the end of 2014, despite making two acquisitions during the year. Net capital expenditure totalled £69.9m, compared to depreciation and amortisation of £52.1m.

At 31 December 2015, net debt amounted to £183.0m (2014: £102.2m). The increase is mainly due to expenditure of £52.5m on acquisitions during the year and an exceptional cash outflow of £27.5m relating to the exceptional contract provision announced in 2014. Based on net assets of £334.0m, year-end gearing was 55%.

The Group's term debt and committed facilities comprise US\$165m of US private placements maturing between 2018 and 2024 and a £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 £153.5m.

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 all of its covenant limits.

Capital structure and allocation

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.

The Group's objective is to deliver long-term value to its shareholders whilst maintaining a balance sheet structure that safeguards the Group's financial position through economic cycles. In this context, the Board has established clear priorities for the use of capital. In order of priority these are:

- i To fund profitable organic growth opportunities
- ii To finance bolt-on acquisitions that meet the Group's investment criteria
- iii To pay ordinary dividends at a level which allows dividend growth through the cycle
- iv Where the balance sheet allows, to deploy funds for the benefit of shareholders in the most appropriate manner.

The deployment of funds to shareholders other than through ordinary dividends is unlikely to be considered where it might result in the Group's net debt exceeding 1.5x EBITDA, after taking account of other investment opportunities and the seasonality of cash flows. Such deployment could include using the existing authority to buy back the Company's shares.

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 2015 year-end IAS 19 valuation of the UK scheme showed assets of £38.2m, liabilities of £48.5m and a pre-tax deficit of £10.3m.

In Germany and Austria, the defined benefit arrangements only apply to certain employees who joined the Group prior to 1991. The IAS 19 valuation of the defined benefit obligation totalled £12.8m at 31 December 2015. 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, Australian dollars, Singapore dollars 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 2015, 87% 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 2015.

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.

James Hind
Finance Director

Our Strategic report, from pages 4 to 39, has been reviewed and approved by the Board of Directors on 29 February 2016.

By order of the Board

A handwritten signature in black ink, appearing to read 'Kerry Porritt'.

Kerry Porritt
Company Secretary

29 February 2016



¹ Before pre-tax exceptional items of £39.4m (2014: £56.9m). £31.2m of this relates to a partial impairment of the Keller Canada goodwill balance. The balance relates primarily to the amortisation of acquired intangible assets.

² Before £27.5m cash outflow in 2015 relating to the 2014 exceptional contract provision.

Corporate governance statement

Board of Directors

1 Roy Franklin

Chairman

Age: 62

Nationality: British

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 Deputy Chairman of Statoil A/S and is a Non-executive Director of the Australian-listed company Santos Ltd. He is also an Advisory Board Member of Kerogen Capital and is Chairman of privately held Cuadrilla Resources Holdings Limited. Roy has been appointed as Non-executive Director of Amec Foster Wheeler plc, the British multinational consultancy, engineering and project management company.

2 Alain Michaelis

Chief Executive

Age: 49

Nationality: British

Alain was appointed CEO of Keller in May 2015. A Mechanical Engineer by training, he was previously Group Operations Director of Rolls-Royce plc where he also served as a major divisional head. He has also held senior leadership positions at Tenneco, a Tier 1 automotive supplier, and at Wolseley, the building products distributor. Alain began his career as a consulting engineer at Arup.

3 James Hind

Finance Director

Age: 51

Nationality: British

James was appointed Finance Director in 2003 after joining the Group from D S Smith plc, where he was Group Financial Controller. Prior to that, after qualifying as an accountant, James worked in the New York office of Coopers & Lybrand advising on mergers and acquisitions.

4 Wolfgang Sondermann

Engineering and Operations Director

Age: 65

Nationality: German

A Geotechnical Engineer by training, Wolfgang joined the Group in 1986 and was appointed to the Board in 2003. In January 2016, Wolfgang was appointed Engineering and Operations Director. 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. Wolfgang will retire from the business in 2016.

5 Ruth Cairnie

Independent Non-executive Director

Age: 62

Nationality: British

Appointed to the Board in 2010, Ruth is a member of the Nomination, Audit 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 Paul Withers
Senior Independent Director
Age: 59
Nationality: British

Appointed to the Board in 2012 and a member of the Audit, Nomination, Remuneration and Health, Safety & Environment Committees, 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.

7 Chris Girling
Independent Non-executive Director
Age: 62
Nationality: British

Chris was appointed to the Board in 2011 and is a member of the Remuneration, Nomination and Health, Safety & Environment Committees 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.

8 Nancy Tuor Moore
Independent Non-executive Director
Age: 67
Nationality: American

Nancy was appointed to the Board in 2014 and is a member of the Audit, Nomination and Remuneration Committees and 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 of Global Food Exchange and Terracon, Inc. and a member of the Board of Governors for Colorado State University.

9 Kerry Porritt
Company Secretary
Age: 45
Nationality: British

Kerry was appointed Company Secretary in 2013. Kerry is a Fellow of the ICSA and has 20 years' experience as a company secretary in a wide range of FTSE100 companies. She joined Keller as Company Secretary in 2013 and is Secretary to the Board and all its Committees.



Corporate governance statement continued

Chairman's introduction



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. We have complied with the provisions of the UK Corporate Governance Code 2014 throughout the year, however good corporate governance requires much more and I set out below how the Board has fulfilled its role in this area.

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. During the year, we reviewed and agreed a new version of our Code of Business Conduct and in 2016, the Group's Business Conduct Programme will continue to promote honesty, fairness and integrity in relations between the Company, employees and their work colleagues, customers, suppliers, competitors and the communities in which we work.

Orderly succession planning is vital in running a sustainable business. In May 2015, Justin Atkinson retired as CEO after 25 years with the business. We were delighted to announce the appointment of his successor, Alain Michaelis. Further information on how we dealt with our new CEO appointment can be found in the Nomination Committee report, together with further detail on how the Nomination Committee, under the Chairmanship of our Senior Independent Director, Paul Withers, is carrying out the search for my successor.

At the end of 2014, an internal Board evaluation was undertaken which completed in early 2015. 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 49. I have also set out how we have progressed against the areas we identified for improvement as part of the 2014-15 review.

Communications with our shareholders are given high priority by the Board. 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. 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. Our Finance Director also meets regularly with our debt investors. 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,

A handwritten signature in black ink, appearing to read 'Roy A Franklin'.

Roy A Franklin
Chairman

29 February 2016

Compliance with the UK Corporate Governance Code

Throughout the financial year ended 31 December 2015 and to the date of this report, we have complied with the provisions set out in the UK Corporate Governance Code 2014 (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 nine 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. Alain Michaelis, 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 49.

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 2015, 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 2015 AGM, as will be the case at the AGM in May 2016.

C. Accountability

C.1 Financial and Business Reporting

The Strategic report on pages 4 to 39 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 potential impacts and mitigating actions are set out on pages 26 to 28 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 Directors' remuneration report on pages 52 to 66.

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 February, 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.

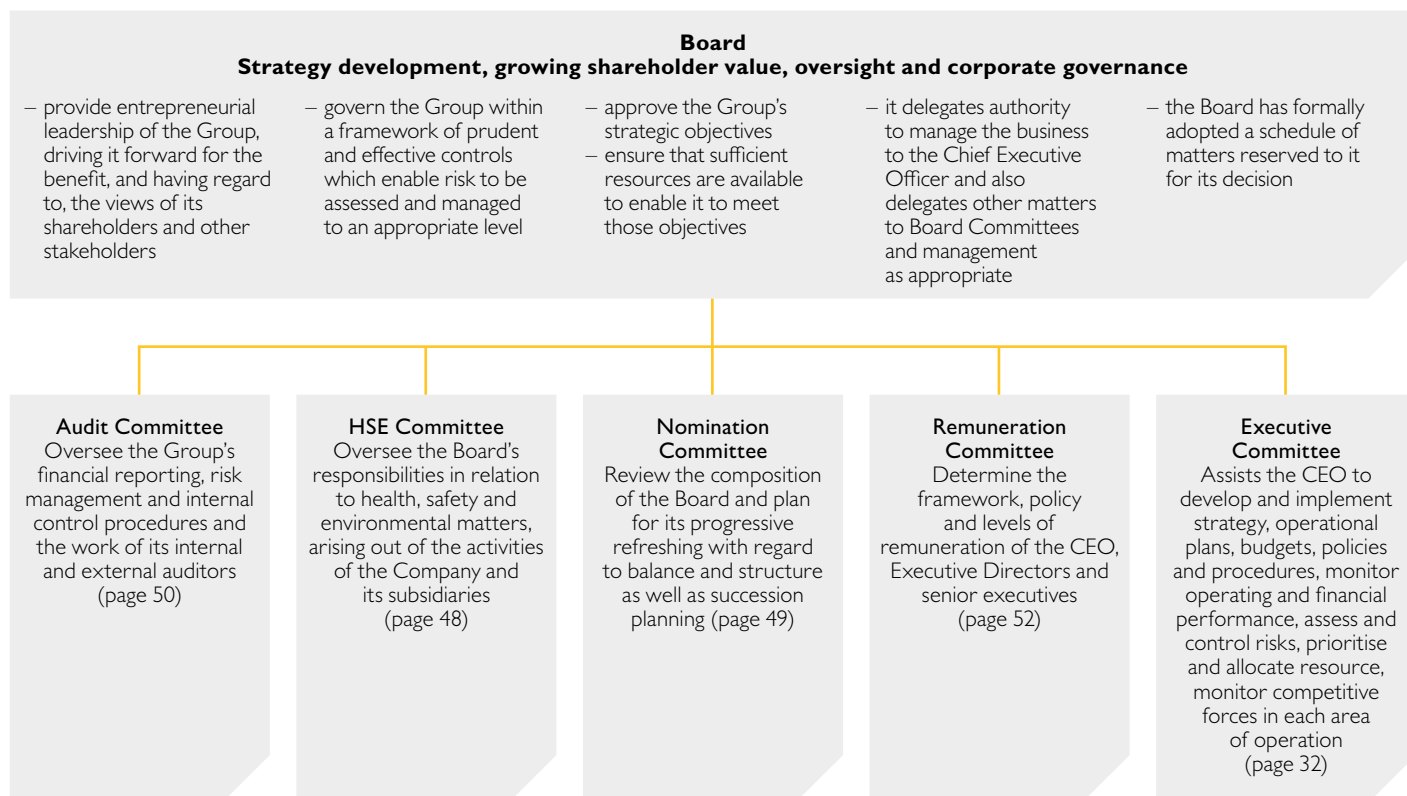
E.2 Constructive Use of the Annual General Meeting ('AGM')

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

Leadership

The role of the Board and its Committees



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	<p>Responsible for leading the Board, its effectiveness and governance.</p> <p>The Chairman is responsible for the following matters pertaining to the leadership of the Board:</p> <ul style="list-style-type: none"> – 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	<p>Responsible for the formulation of strategy and the business of the Board.</p> <p>The Chief Executive is responsible for the following matters:</p> <ul style="list-style-type: none"> – 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. <p>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.</p>
Senior Independent Director	<p>Discusses any concerns with shareholders that cannot be resolved through the normal channels of communication.</p> <p>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.</p>
Company Secretary	<p>Ensures good information flows to the Board and its Committees and between senior management and Non-executive Directors.</p> <p>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.</p> <p>The appointment and resignation of the Company Secretary is a matter for consideration by the Board as a whole.</p>

Board and Committee meetings and attendance

Director	Board	Audit Committee	HSE Committee	Nomination Committee	Remuneration Committee
Justin Atkinson ¹	4/4	–	–	–	–
Ruth Cairnie ²	9/9	2/2	3/3	3/3	3/3
Roy Franklin	9/9	–	–	3/3	–
Chris Girling ²	9/9	5/5	1/1	3/3	3/3
James Hind	9/9	–	–	–	–
Alain Michaelis ³	5/5	–	–	–	–
Wolfgang Sondermann	9/9	–	–	–	–
Nancy Tuor Moore ²	9/9	5/5	3/3	3/3	2/2
Paul Withers	9/9	5/5	3/3	3/3	3/3

- Justin retired from the Board on 14 May 2015. Justin Atkinson did not attend a Nomination Committee meeting relating to CEO succession.
- All Non-executive Directors were appointed members of all Board Committees on 24 September 2015.
- Alain Michaelis succeeded Justin Atkinson as Chief Executive Officer on 14 May 2015.

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 (25% at 2 March 2015 – two women: six men).

Within the Keller Group, our overall senior management population comprises 6% 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.

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.

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.

Corporate governance statement continued

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 pages 40 and 41. All of these Directors served throughout the year with the exception of Alain Michaelis who was appointed on 14 May 2015.

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. Roy's other professional commitments are as detailed on page 40. Roy has announced his intention to retire from the Board during 2016, once a suitable successor has been recruited.

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

Board evaluation

Further to the 2014 Board evaluation, a number of actions were taken in the areas of: Chairman and Non-executive Director succession planning and increased interaction between the Board and the Executive Committee.

Details of how those areas were addressed in 2015 can be found in the report of the Nomination Committee on page 49.

Due to changes in the Board's composition during the year, no evaluation was carried out in 2015. An external review is planned for 2016.

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 2015

Strategy

- reviewed and approved:
 - the Group's strategic review and the recommendations arising (see 'Chief Executive's review' page 6 for further details)
 - the annual budget
 - the approach and process enabling it to make the viability statement (see page 28 of the Strategic report for the process; and page 67 of the Directors' report for the statement)
- evaluated and approved:
 - the acquisition of Bencor, a business providing diaphragm wall technology in the US (see 'Strategy in action' page 14 for further details)
 - the acquisition of Austral, a marine piling business in Western Australia (see 'Strategy in action' page 16 for further details)

Risk

- considered the principal risks and uncertainties which could impact the Group
- reviewed the risk management framework with particular regard to its impact on making the viability statement

CEO succession

- agreed the terms of Justin Atkinson's retirement as CEO from the Company
- agreed the appointment of Alain Michaelis as CEO with effect from 14 May 2015 (for further details on each of the arrangements please refer to the Directors' remuneration report on pages 52 to 66)

Talent development

- reviewed and discussed progress in developing a succession plan for the Group's senior management population

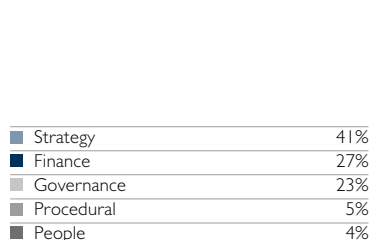
Finance

- considered and agreed the 2015 interim and final dividends

Operational performance

- received and considered strategic and operational performance presentations from the Presidents of the US, Australia, Asia and EMEA regions
- attended an overseas Board visit in Singapore, where they met with the local management team, took part in a site visit to Changhi Airport, and met with participants in the Global Engineering Programme

2015 Board meetings – time spent



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 principal 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 of the Financial Reporting Council.

Details on the identification and evaluation of risk can be found in the section headed 'Principal risks and uncertainties' on pages 26 to 28.

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

(a) 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.

(b) 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 uncertainties' on pages 26 to 28.

(c) Health and safety

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

(d) 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.

(e) 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.

(f) 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.

(g) Investments and capital expenditure

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

(h) 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.

(i) 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.

(j) 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.

(k) 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.

During 2015 the Code was revised and refreshed and its launch will take place during 2016.

(l) Whistleblowing procedures

Employees are encouraged to raise genuine concerns about malpractice at the earliest possible stage. In 2016 we are introducing a new externally facilitated whistleblowing hotline service for employees. Any issues raised under our procedures are thoroughly investigated and reported back to the Audit Committee.

The management of financial risks is described in the Financial review on pages 36 to 39.

Corporate governance statement continued

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
- Chris Girling (appointed on 24 September 2015)
- Paul Withers

Dear shareholder

It is my pleasure to present the HSE Committee Report for the year ended 31 December 2015.

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 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 membership

Further to the 2015 Board and Committee review and evaluation process, it was agreed that all of the Non-executive Directors should constitute the membership of all of the Board Committees. Accordingly, Chris Girling was appointed a member of the Committee with effect from 24 September 2015.

Committee meetings

The Chief Executive and the Group Health, Safety, Environment & Quality 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 and are required to attend to report to the Committee in the event of a major incident or near-miss occurrence.

The Committee is required to meet at least twice per year. During this financial year the Committee met three 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 2015 against its plan;
- receiving safety performance reports and updates on progress against the 2015 health, safety and environment plan;
- revising the Group's HSE Assurance Framework and receiving updates on the 2015 Assurance Programme;
- receiving reports on the implementation of Root Cause Analysis training workshops within the business;
- approving the inclusion of the Quality Management framework within the HSE functional teams;
- reviewing the positioning of the Group in relation to sustainability;
- receiving updates on our Environmental Awareness Campaign that was rolled out in 2015; and
- receiving updates on regulatory and legal developments.

Progress during the year

Whilst we made significant progress against our annual HSE targets, these were tragically overshadowed by the deaths of two employees working on site in Malaysia during the year. The incident was investigated by the local regulator. Whilst the Company has given both financial and emotional support to the colleagues and families of the employees involved, and will continue to do so, we have conducted our own investigations to ensure that the learnings are shared across those of our businesses working in similar environments and such an occurrence is prevented from happening in the future.

The introduction of Quality into the HSE function will ensure that, going forward, standard operating procedures are put in place to continuously improve our products.

Reductions

The number of rigs overturned in 2015 have reduced by 25% and there has been a 39% reduction in hands and feet injuries.

We are also pleased to report a reduction of 10% in our AFR; 30% in major injuries; and 4% in LTIs.

Further detail on the Company's HSE performance in 2015 can be found in our Strategic report on pages 29 to 31.

Nancy Tuor Moore

Chairman of the Health, Safety & Environment Committee

29 February 2016

Nomination Committee report



Roy A Franklin

Chairman of the Nomination Committee

Nomination Committee membership:

- Roy Franklin (Chairman)
- 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 2015.

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 membership

Only the Chairman and Non-executive Directors are members of the Committee.

Justin Atkinson, who retired as CEO of the Company on 14 May 2015, was a member of the Committee until his retirement but did not attend meetings where CEO succession was discussed.

Committee meetings

No one other than a member of the Committee is entitled to be present at its meetings. The Committee may invite members of the senior management to attend meetings where it is felt appropriate and Alain Michaelis, the CEO, and Jackie Holman and Serge Zimmerlin (the Group HR Director to 30 November 2015 and from 1 December 2015, respectively) attended certain meetings during the year.

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

Activities of the Committee

An evaluation of the Board and its Committees was carried out in June 2014, by means of an electronic questionnaire compiled by the Company Secretary and facilitated by Lintstock.

Two clear areas of consideration were raised by members of the Board:

- succession planning for the Chairman; and
- the constitution of the Board Committees.

The Chairman followed up these areas with the members of the Board individually in the first quarter of 2015 and the following actions have been taken:

Succession planning for the Chairman

Further to Roy Franklin's advice of his intention to retire from the Board during 2016, the Nomination Committee appointed Zygos to lead the search for the Chairman's successor. Paul Withers, as the Senior Independent Director, is leading the process on behalf of the Committee and a project timeline for the search and future appointment has been agreed.

Constitution of the Board Committees

Further to discussion regarding the membership of the Board Committees:

- all Non-executive Directors are now members of each Board Committee; and
- the CEO is no longer a member of the Nomination Committee.

Succession planning for the Non-executive Directors

In addition to the above actions, the Chairman and Company Secretary commenced a process looking at a more formal approach to Non-executive Director succession planning. It was also agreed that the traditional length of tenure of the Non-executive Director of three terms of three years each be amended to two terms of three years each, with annual renewal up to a maximum period of three years thereafter, to allow for more flexibility in the succession planning process.

Other activities of the Committee since the last report were as follows:

- CEO succession planning, culminating in the retirement of Justin Atkinson and appointment of Alain Michaelis on 14 May 2015; and
- oversight of the implementation of the Group's executive development programme.

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 45. 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 2016, with the exception of Alain Michaelis who will seek his first election.

In December 2015, the Committee formally reviewed the performance, contribution and commitment of each of the Directors retiring at this year's AGM 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

29 February 2016



Chris Girling
Chairman of the Audit Committee

Audit Committee membership:

- Chris Girling (Chairman)
- Ruth Cairnie (appointed 24 September 2015)
- Nancy Tuor Moore
- 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

The Committee assists 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 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 membership

Further to the 2015 Board and Committee review and evaluation process, it was agreed that all of the Non-executive Directors should constitute the membership of all of the Board Committees. Accordingly, Ruth Cairnie was appointed a member of the Committee with effect from 24 September 2015.

Committee meetings

The Committee is required to meet at least twice per year. During this financial year the Committee met five 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 a report on the Group's system of internal control and its effectiveness and receiving regular updates on the Group's principal risks;
- reviewing a report from management on their process for assessing the Group's viability over a three-year period and reporting the outcomes of the assessment to the Board;
- 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 whistleblowing policy and monitoring the procedures in place for employees to be able to raise matters of possible impropriety;
- reviewing the process for the refresh of the Group's Code of Business Conduct and its programme for implementation in 2016;
- 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; and
- reviewing the Group's policy on the employment of former employees of the Auditors.

The Audit Committee also reviewed the Company's processes and the outcomes of those processes to ensure that it was able to offer advice to the Board over whether the 2015 Annual Report and Accounts can be considered fair, balanced and understandable. The following processes are in place to provide this 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 included those identified in the Independent Auditor's Report. They related 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; and
- 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 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.

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 2015, the Audit Committee received and considered reports from PricewaterhouseCoopers which detailed the progress against the agreed work programme. This programme covered reviews of seven business units in six countries, which together represented approximately 20% of the Group's revenue for the year. It included, for example, assessments of our Franki Africa businesses in South Africa and Mozambique; the Case business in the US; the Waterway business in Australia; and Keller Malaysia. Although there remains scope to improve the formality of certain controls in certain businesses to ensure they operate more effectively, there were no findings that PricewaterhouseCoopers considered of a significant nature. In September, the Committee formally reviewed the effectiveness of these arrangements and discussed them and any action plans arising with management, concluding that the internal audit arrangements were appropriate and effective.

External audit

The Committee places great importance on ensuring there are high standards of quality and effectiveness in the external audit process and complied with the provisions of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 (the CMA Audit Order) throughout the year.

KPMG, and its predecessor firms, has been the Company's auditor since the Company first listed on the London Stock Exchange in 1994. As set out in our 2013 Annual Report and Accounts, KPMG were re-appointed as the Company's Auditor in 2014 subsequent to a robust retendering of the external audit process. Following the introduction of the draft UK and EU guidance on mandatory auditor rotation, the Committee anticipates retendering the external audit again for the 2019 year-end, the year after the Company's existing lead audit partner will be required to rotate off the audit of the Group.

The Committee has undertaken an assessment of the effectiveness of the external audit process of the 2014 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.

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 LLP 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. The Committee is aware of the new EU legislation, effective from mid-2016, restricting auditors from providing certain non-audit services and is monitoring the UK's adoption of those provisions. The Committee will ensure that the Company complies with the new UK guidance once implemented.

Over the last three years, the ratio of non-audit related fees paid to the Auditor averaged 57% of the total audit fee. Excluding the Reporting Accountants' work which KPMG provided on the acquisition of Keller Canada in 2013, this ratio falls to 37%. The ratio of non-audit related fees paid to the Auditor in 2015 is 40% 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 2016.

Chris Girling
Chairman of the Audit Committee

29 February 2016

Directors' remuneration report

Annual statement



Ruth Cairnie

Chairman of the Remuneration Committee

Remuneration Committee membership:

- Ruth Cairnie (Chairman)
- Chris Girling
- Nancy Tuor Moore (appointed 24 September 2015)
- Paul Withers

Dear shareholder

It is my pleasure to present the Directors' remuneration report for the year ended 31 December 2015.

Committee role, remit and membership

In 2015, the Remuneration Committee's remit and role were unchanged. Further to the 2015 Board and Committee review and evaluation process, it was agreed that all of the Non-executive Directors should constitute the membership of all of the Board Committees. Accordingly, Nancy Tuor Moore was appointed a member of the Committee with effect from 24 September 2015.

Remuneration policy

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; and
- 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.

We operate a remuneration structure comprising base salary and benefits, a bonus plan and a long-term incentive plan. Our incentives are aligned with our strategic priorities. The outcomes reflect the performance of the business and strategic progress in 2015.

We continued to apply our remuneration policy, as approved by shareholders at the Annual General Meeting ('AGM') in May 2014. No changes to the remuneration policy are proposed for 2016.

The Committee will review the remuneration policy, in the context of Keller's evolving requirements, changes in market practice and shareholder expectations, including recent guidance on time horizons and holding periods for long-term incentives and long-term executive share ownership, prior to submitting it for shareholder approval no later than the 2017 AGM, as required.

Activities of the Committee

The Committee's main regular activities during 2015 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 2015;
- we approved share awards for 2015;
- we set base salaries and established the Executive Directors' bonus arrangements for 2016;
- we reviewed the base salaries and bonus arrangements for 2016 for the Executive Committee;
- we reviewed the Directors' remuneration report; and
- 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 Alain Michaelis, who was appointed CEO during the year; and
- took advice on and agreed the remuneration arrangements for Justin Atkinson, who retired as CEO on 14 May 2015 and whose employment with the Company terminated on 31 December 2015.

Remuneration for 2015

Alain Michaelis was appointed to the Board as CEO on 14 May 2015. From this date, Alain received an annual base salary of £500,000, pension by way of salary supplement in the amount of 18% of salary, a car allowance of £15,000 and other benefits including private health care, life assurance and long-term disability insurance. Alain was also entitled to participate in the Company's annual bonus plan for 2015, pro-rated from his date of appointment to 31 December 2015, and the performance share plan.

An exceptional award of 200% of salary was made under the performance share plan, which is permitted under our approved policy to enable the recruitment of a suitably qualified candidate and with the additional benefit of creating strong alignment of the new CEO with our shareholders; we engaged our major shareholders on this matter. Justin Atkinson retired from the Board as CEO on 14 May 2015 and his employment with the Company terminated as at 31 December 2015.

Justin received his normal base salary and benefits during his employment but his bonus for 2015 was pro-rated to 30 June 2015 and he was not eligible for a share award in 2015. The financial arrangements relating to Justin's retirement were consistent with the remuneration policy and disclosed on our website from 31 December 2015.

During 2015, Wolfgang Sondermann reached retirement age. At the request of the new CEO, the Committee considered and agreed an extension to Wolfgang's employment contract which was due to expire at the end of 2015. The contract has been extended until 30 April 2017 to support the leadership transition. The previous announcement of his possible retirement meant that, as reported last year, the Committee did not make him an annual share award in 2015. To ensure equal treatment and alignment of all Executive Directors, the Committee therefore intends to make Wolfgang an award in 2016 based on the lower number of shares he would have received in 2015 had the initial announcement not been made, with a performance period of 1 January 2015 to 31 December 2017 (the same as for other participants in the 2015-17 cycle). The award will vest three years from grant, i.e. not before 2019, and will also be pro-rated over the period from grant to the date of Wolfgang's retirement. Wolfgang will not receive any share award in respect of 2016 itself.

Overall, the Group's results for 2015 demonstrated continued good progress in delivery of the strategy with profit before tax* increasing by 12% and earnings per share* by 15%. This strong performance by the Group for the year resulted in bonuses ranging from 57% to 59% of maximum for the Executive Directors under the Company's annual bonus.

Performance Share Awards granted in 2013 are measured using EPS and TSR targets based on performance to 31 December 2015. The EPS targets were met in full and the TSR targets were partially met, such that 67.3% of the Awards will vest in 2016.

Details of the remuneration decisions for 2015 and implementation of the remuneration policy for 2016 are set out in the Directors' annual remuneration report on pages 58 to 66.

Remuneration for 2016

The base salaries of Alain Michaelis, James Hind and Wolfgang Sondermann were increased by 3%, to £515,000, £350,500 and £313,367 respectively, with effect from 1 January 2016, in line with general pay increases of 3% awarded across the Group.

The Committee is not proposing any other changes to the implementation of our remuneration policy for 2016 compared to 2015.

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 54 to 57). 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 2015 and how we intend for it to apply for the year ending 31 December 2016 and it is the subject of an advisory shareholder vote at the AGM in May 2016.

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



Ruth Cairnie
Chairman of the Remuneration Committee

29 February 2016

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 Engineering & Operations 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.
- Ensuring that performance-related elements are transparent, stretching and rigorously applied.
- Monitoring remuneration for senior executives below Board level.
- Approval of share awards.

* 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 at www.keller.co.uk.

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				
<p>Short-term cash incentive up to 100% of salary based on achievement of annual financial and personal strategic objectives.</p> <p>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.</p>	<p>Drives and rewards annual performance.</p> <p>Part deferral, together with link to share price (see Operation column) focuses participants on medium-term performance and supports alignment with shareholders.</p> <p>The mix of financial and personal strategic objectives, together with Group performance, ensures an appropriate broad focus on different elements of Company performance.</p>	<p>Performance measures and weightings are set at the start of the year to reflect business priorities.</p> <p>Targets are reviewed annually and relate to financial and non-financial targets in line with the business plan.</p> <p>At the end of the year, the Remuneration Committee determines the extent to which targets have been achieved.</p> <p>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).</p> <p>Bonuses are subject to clawback in situations of material misstatement, error or gross misconduct.</p>	<p>For maximum performance – 150% of salary</p> <p>For threshold performance – 0% of salary</p> <p>Bonus up to 100% of salary for very strong performance.</p> <p>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.</p> <p>Any bonus in excess of 100% of salary only payable for genuinely exceptional performance.</p>	<p>At least 70% based on financial performance.</p> <p>Measures may include (but are not limited to):</p> <ul style="list-style-type: none"> – Profit before tax ('PBT') – Earnings per share ('EPS') – Average net debt target – Personal strategic objectives. <p>Targets will be adjusted to take account of major acquisitions.</p> <p>Payment potential for personal strategic objectives is capped at 50% of the potential payout if PBT or EPS targets are not triggered.</p> <p>Bonuses may be reduced by up to 10% if pre-defined 'lead' safety targets are not delivered.</p> <p>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.</p>

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 outperformance, 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.

Directors' remuneration report continued

Remuneration policy report continued

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 2016 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 29 February 2016)
Ruth Cairnie	8 April 2010 (renewed on 30 May 2013)	2 months
Roy Franklin	17 July 2007 (and 28 July 2009 as Chairman, renewed on 1 August 2015 ¹)	5 months
Chris Girling	11 February 2011 (renewed on 14 January 2014)	12 months
Nancy Tuor Moore	26 June 2014	15 months
Paul Withers	17 December 2012 (renewed on 16 December 2015)	33 months

¹ Roy Franklin's engagement was renewed for a period of 12 months.

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

Terms and conditions for Non-executive Directors

The appointment of Non-executive Directors is for a fixed term of three years for the first two terms, and annually renewable for up to three years afterwards. 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.

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
Alain Michaelis	14 May 2015	12 months	Maximum of basic annual salary plus the fair value of benefits for the unexpired portion of the notice period, subject to mitigation See below for treatment of incentives on termination in varying circumstances
James Hind	16 May 2003		
Wolfgang Sondermann ¹	12 February 1998 (modified by memoranda of employment dated 5 March 2004; 20 December 2011 and 9 September 2015)		
Justin Atkinson ²	6 March 2003		

¹ Wolfgang Sondermann's service contract is with Keller Holding GmbH.

² Justin Atkinson retired from the Board on 14 May 2015 and his employment with the Company terminated on 31 December 2015.

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	Time 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.

Directors' remuneration report continued

Annual remuneration report

The following section provides details of how Keller's remuneration policy was implemented during the financial year ended 31 December 2015.

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 2014 and 2015:

	Alain Michaelis		James Hind		Wolfgang Sondermann ⁵		Justin Atkinson ⁶	
	2015 £	2014 £	2015 £	2014 £	2015 £	2014 £	2015 £	2014 £
Salary	315	–	340	330	313	345	172	468
Taxable benefits ¹	10	–	13	13	5	13	6	16
Pension benefit ²	57	–	61	60	50	57	51	140
Single-year variable ³	270	–	292	109	269	102	204	156
Multiple-year variable ⁴	–	–	236	612	235	688	328	850
Total	652	–	942	1,124	872	1,205	761	1,630

¹ Taxable benefits consist primarily of a car and payment of its operating expenses or car allowance of £15,000 for Alain Michaelis and £12,000 and £5,490 for 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 2015 performance on page 60 for further details.

⁴ PSP Awards reflect those vesting based on performance to 31 December 2015. 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 2015 of 888.69p. See 2013 PSP vesting on page 61 for further details.

⁵ Wolfgang Sondermann's salary is paid locally in euro. The 2014 and 2015 totals are calculated in GBP using the average currency conversion rate applicable to those years.

⁶ Justin Atkinson retired as CEO and from the Board on 14 May 2015. The table above sets out his salary, taxable benefits and pension benefit to that date. The single year variable (annual bonus) was pro-rated to 30 June 2015.

Retirement of CEO

Justin Atkinson retired as CEO and from the Board on 14 May 2015 and his employment with the Company was terminated on 31 December 2015. Justin served 12 months' notice under his contract of employment from 31 December 2014 to 31 December 2015 and during his notice period continued to receive his contractual salary, benefits in kind, salary contributions in lieu of pension and car allowance. Justin's salary, benefits in kind, salary in lieu of pension and car allowance for the period from 15 May 2015 to 31 December 2015 totalled £407,000. He also received from the Company a contribution of £20,656 plus VAT towards professional adviser's costs and a contribution of £40,000 plus VAT in respect of outplacement service fees, to be used in building a Non-executive Director portfolio. Justin's payment under the 2015 annual bonus scheme has been pro-rated up to 30 June 2015, the date he went on garden leave and no Performance Share Plan ("PSP") Award was awarded to him for 2015.

Justin will be treated as a 'Good Leaver' under the PSP and his 2013 and 2014 Awards under the PSP 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. As disclosed in the 2013 Directors' remuneration report, £118,164 of Justin's 2013 bonus was deferred for three years commencing on 31 December 2013, and is to be satisfied in cash and adjusted in line with share price movements. This payment shall be calculated and paid in accordance with the applicable annual bonus scheme rules in or around March 2017. No further payments will be made to Justin in connection with his loss of office.

Recruitment of CEO

As announced on 23 March 2015, Alain Michaelis was appointed to the Board and as CEO with effect from 14 May 2015. The Committee received independent advice from its remuneration consultants, Kepler, on benchmarking for the appointment of an external candidate and from its corporate lawyers, DLA Piper, on governance and best practice. Alain's salary package meets the criteria set out in the Company's approved remuneration policy comprising base salary of £500,000, pension of 18% of salary, a car allowance of £15,000, together with benefits including private health care, life assurance and long-term disability insurance benefits. Performance-related pay comprises an annual bonus of up to 150% salary (max) and eligibility to participate in the long-term incentive plan. An exceptional award of 200% of salary under the long-term incentive plan was made on appointment. Going forward, our remuneration policy specifies normal awards of 100% of base salary per annum. No 'buy-out' of existing incentive arrangements was required or made.

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.

Justin was a member of the Keller Group Pension Scheme (the 'Scheme') until 31 December 2015. 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 below 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.

	Accrued pension 31 December 2015 £000	Accrued pension 31 December 2014 £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
Executive Director						
Alain Michaelis	n/a	–	–	–	57	57
James Hind	n/a	n/a	–	–	61	61
Wolfgang Sondermann ¹	5	5	–	12	50	50
Justin Atkinson ²	109	109	–	–	143	51

¹ The normal retirement age for Wolfgang Sondermann is 65.

² The normal retirement age for Justin Atkinson is 60.

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 2015 and the prior year:

	Total fees	
	2015 £	2014 £
Ruth Cairnie	53,200	52,300
Roy Franklin	162,900	159,700
Chris Girling	53,200	52,300
Nancy Tuor Moore	53,200	26,753
Paul Withers	53,200	52,300

Directors' remuneration report continued

Annual remuneration report continued

Incentive outcomes for the year ended 31 December 2015

Annual bonus in respect of 2015 performance

Under the 2015 annual bonus plan, the Executive Directors delivered strongly on both financial targets and their own personal targets, of which Alain Michaelis and Justin Atkinson had six and James Hind and Wolfgang Sondermann each had five.

Notably, on the personal objectives, Alain and Justin ensured a smooth transition in the handover of the CEO responsibilities and provided effective leadership of the business throughout; James led a successful drive for efficiencies and best practice in plant and equipment costs across the business, overseeing the establishment of a Group Procurement function; and Wolfgang continued to lead improvements in the Group's bid appraisal process, to reduce the risk from underperforming contracts.

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 two fatalities in the business in the year.

The overall outcome is an annual bonus pay-out for Executive Directors of between 85% and 88% of salary for 2015. Without the reduction of pay-outs made at the Committee's discretion on leading safety targets, annual bonus pay-outs would have been in the range of 87% and 90%.

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.

2015 performance targets and outcomes

Director	Group EPS		Group PBT		Group average net debt		Personal strategic objectives	Total
	Performance	% salary	Performance	% salary	Performance	% salary	% salary	% salary
Alain Michaelis¹								
Threshold	75p	0%	£80m	0%	£190m	0%	0%	0%
Target	85p	20%	£90m	20%				
Stretch	95p	35%	£100m	35%				
Maximum	115p	50%	£120m	50%	£160m	20%	30%	150%
Actual ³	84.3p	19%	£93m	25%	£163m	18%	24% ⁴	
Awarded (after time pro rata)		12%		16%		12%	15%	55%
James Hind								
Threshold	75p	0%	£80m	0%	£190m	0%	0%	0%
Target	85p	20%	£90m	20%				
Stretch	95p	35%	£100m	35%				
Maximum	115p	50%	£120m	50%	£160m	20%	30%	150%
Actual ³	84.3p	19%	£93m	25%	£163m	18%	24% ⁴	
Awarded		19%		25%		18%	24%	86%
Wolfgang Sondermann								
Threshold	75p	0%	£80m	0%	£190m	0%	0%	0%
Target	85p	20%	£90m	20%				
Stretch	95p	35%	£100m	35%				
Maximum	115p	50%	£120m	50%	£160m	20%	30%	150%
Actual ³	84.3p	19%	£93m	25%	£163m	18%	24% ⁴	
Awarded		19%		25%		18%	24%	86%
Justin Atkinson²								
Threshold	75p	0%	£80m	0%	£190m	0%	0%	0%
Target	85p	20%	£90m	20%				
Stretch	95p	35%	£100m	35%				
Maximum	115p	50%	£120m	50%	£160m	20%	30%	150%
Actual ³	84.3p	19%	£93m	25%	£163m	18%	24% ⁴	
Awarded (after time pro rata)		9%		13%		9%	12%	43%

¹ Pro-rated for the period 14 May 2015 to 31 December 2015.

² Pro-rated for the period 1 January 2015 to 30 June 2015.

³ At 2015 budget exchange rates before exceptional items.

⁴ Pay-outs under leading safety targets were reduced at the discretion of the Committee by 2%. Justin Atkinson elected to receive no pay-out under this target.

2013 PSP vesting

Based on EPS and TSR performance over the three years ended 31 December 2015, the Performance Share Plan Awards made in 2013 will partially vest in June 2016, demonstrating good 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+26.5% 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	52nd centile	34.7%
Total PSP vesting				67.3%

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	Estimated market price ¹	Estimated value (£000)
James Hind	39,426	67.3%	26,534	June 2016	888.69p	236
Wolfgang Sondermann	39,271	67.3%	26,429	June 2016	888.69p	235
Justin Atkinson	54,801	67.3%	36,881	June 2016	888.69p	328

¹ 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 2015, of 888.69p.

Scheme interests awarded in 2015 (audited information)

Performance Share Plan ('PSP')

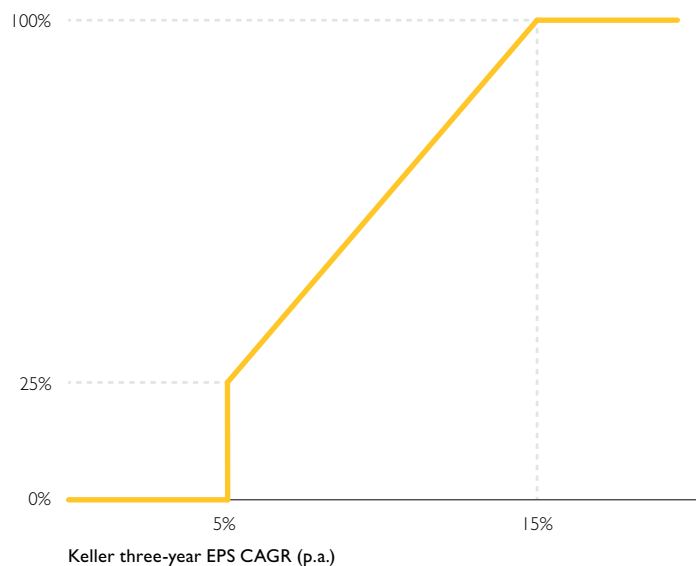
The three-year performance period over which performance will be measured began on 1 January 2015 and will end on 31 December 2017. Awards will vest on 6 March 2018, subject to meeting performance conditions. Alain Michaelis' award will vest on 20 May 2018, subject to meeting performance conditions.

Executive Director	Date of grant	Shares over which awards granted	Market price at date of award	Face value (£000)
James Hind	6 March 2015	65,957	1032p	681
Alain Michaelis	20 May 2015	98,103	1019p	1,000

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

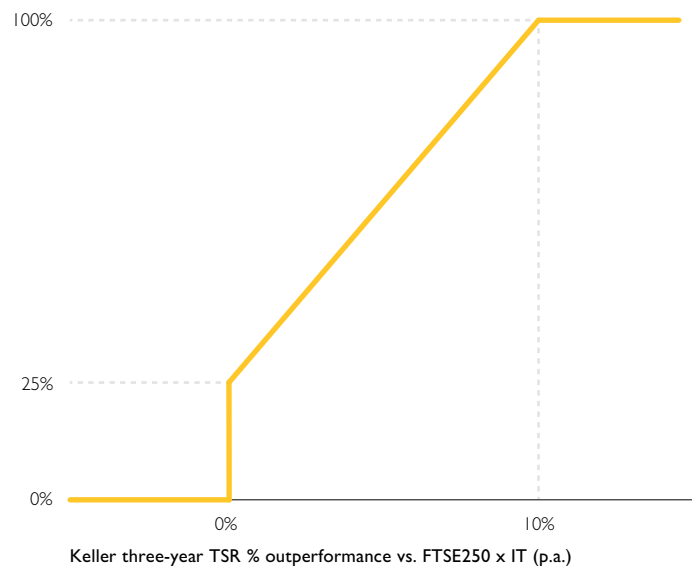
EPS vesting schedule (50% of award)

% award vesting



Relative TSR vesting schedule (50% of award)

% award vesting



Directors' remuneration report continued

Annual remuneration report continued

Payments to past Directors

No payments were made to past Directors during the year.

Exit payments made in the year

The termination arrangements for Justin Atkinson have been described on page 58. The Company paid no other exit payments to Directors 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 2015 is set out below.

None of the Directors has a beneficial interest in the shares of any other Group company. Since 31 December 2015, there have been no changes in the Directors' interests in shares.

Director	Ordinary shares at 31 December 2015	Ordinary shares at 31 December 2014
Alain Michaelis	10,008	–
James Hind	132,166	93,258
Wolfgang Sondermann	180,000	130,000
Ruth Cairnie	6,000	6,000
Roy Franklin	6,000	6,000
Chris Girling	3,000	3,000
Paul Withers	20,000	20,000
Nancy Tuor Moore	–	–
Justin Atkinson	142,657 ¹	238,586

¹ Justin retired as CEO and from the Board on 14 May 2015, and his holding is as at that date.

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 2015.

	Shares held		Options held		Shareholding requirement % salary/fee	Current shareholding % ¹ salary/fee	Requirement met?
	Owned outright or vested	Vested but subject to holding period	Unvested and subject to performance conditions	Vested but not exercised			
Alain Michaelis	10,008	–	98,103	–	100%	178%	Yes
James Hind	132,166	–	133,615	–	100%	642%	Yes
Wolfgang Sondermann	180,000	–	69,724	–	100%	655%	Yes
Justin Atkinson ²	142,657	–	94,778	–	100%	409%	Yes

¹ Reflects closing price on 31 December 2015 of 822.03p.

² Justin retired as CEO and from the Board on 14 May 2015, and his holding is at that date.

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 2015	Awards granted during the year	Awards exercised during the year	Awards lapsed during the year	Awards held at 31 December 2015	Exercise price (per exercise)	Date from which exercisable	Expiry date
Alain Michaelis								
20 May 2015	–	98,103	–	–	98,103	100.0p	20/05/18	19/11/18
James Hind								
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
6 March 2015	–	65,957	–	–	65,957	100.0p	06/03/18	05/09/18
Wolfgang Sondermann								
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
Justin Atkinson								
1 March 2012	102,340	–	102,340	–	–	100.0p	01/03/15	31/08/15
20 June 2013	54,801	–	–	–	54,801 ¹	100.0p	20/06/16	19/12/16
7 March 2014	39,977	–	–	–	39,977 ¹	100.0p	07/03/17	06/09/17

¹ Justin retired as CEO and from the Board on 14 May 2015, and his holdings are as at that date.

The performance conditions for Awards made in 2012, 2013 and 2014 are detailed on page 55. The performance conditions for the 2015 Award are detailed on page 61.

Performance graph and table

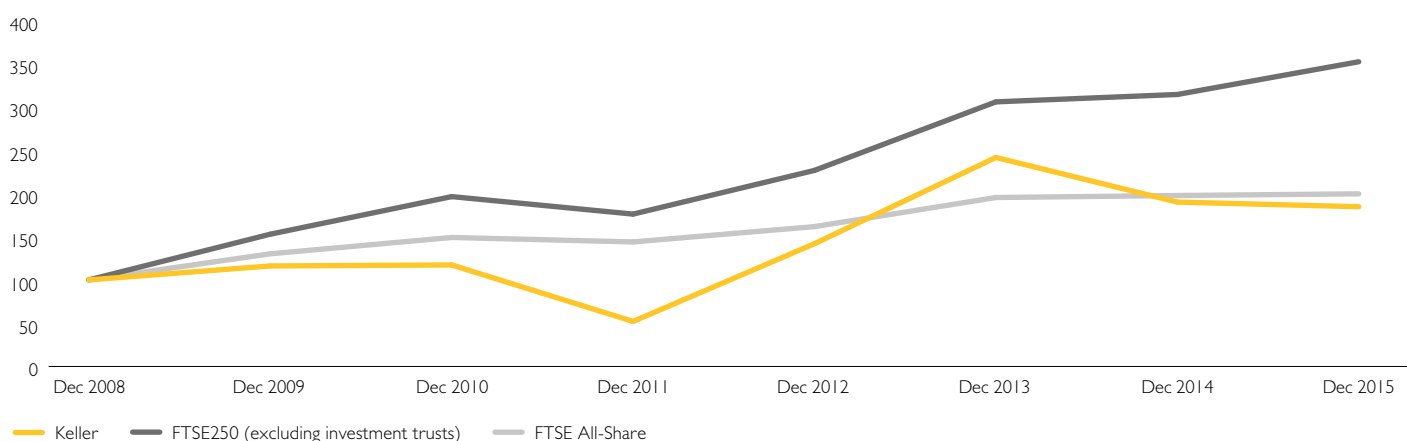
The graph below shows the Company's performance, measured by TSR, compared with the performance of the FTSE250 Index (excluding investment trusts) and the FTSE All-Share Index. These indices have been selected for consistency with the comparator groups used to measure TSR performance for outstanding as well as 2016 PSP awards.

The graph looks at the value, by the end of 2015, 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 a hypothetical £100 holding over the seven years to 31 December 2015 (£)



	2009	2010 ¹	2011 ¹	2012	2013	2014	2015 ²
Chief Executive single figure of remuneration (£000)	891	550	562	951	1,870	1,630	1,420
Annual bonus as a % of maximum opportunity	42%	0%	0%	57%	84%	22%	85%
PSP vesting as a % of maximum opportunity	31%	0%	0%	0%	100%	100%	67.3%

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

² The CEO single figure of remuneration has been calculated using Justin Atkinson's emoluments for the period from 1 January 2015 to 14 May 2015 and Alain Michaelis' emoluments for the period 14 May 2015 to 31 December 2015.

Directors' remuneration report continued

Annual remuneration report continued

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 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 2014 and 2015 populations.

	Chief Executive % change ¹ 2014-15	All other employees % change 2014-15
Base salary	5%	3%
Taxable benefits	3%	16%
Annual bonus	204%	78%
Total	35%	27%

¹ Calculated using Justin Atkinson's emoluments for the period from 1 January 2015 to 14 May 2015 and Alain Michaelis' emoluments for the period 14 May 2015 to 31 December 2015.

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 2014 and 31 December 2015, along with the percentage changes.

	2015 £m	2014 £m	% change
Distribution to shareholders	19.1	18.0	6.1%
Employee remuneration	402.2	404.5	(0.5)%

The Directors are proposing a final dividend in respect of the financial year ended 31 December 2015 of 18.3p per ordinary share.

Implementation of the remuneration policy for 2016

Base salaries in 2016

In line with the remuneration policy, the Committee reviewed pay and conditions elsewhere in the Group. The salaries of Alain Michaelis, James Hind and Wolfgang Sondermann were increased by 3% commensurate with general pay increases of 3% across the Group.

Executive Director	Salary for 2016	Salary for 2015	Increase from 2015
Alain Michaelis	£515,000	£500,000	3%
James Hind	£350,500	£340,400	3%
Wolfgang Sondermann ¹	£324,214	£355,402	3%

¹ Wolfgang Sondermann's salary is paid locally in euro. The 2015 and 2016 totals are calculated in GBP using the average currency conversion rate applicable to those years.

Pension

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 59. Wolfgang is also a member of a DC scheme and will continue to receive contributions of 17% of salary.

James and Alain will continue to receive a salary supplement each totalling 18% of salary in 2016.

Annual bonus for 2016

The financial targets for the 2016 annual bonus are based on the same performance metrics as in 2015. The actual targets for 2016 are considered to be commercially sensitive and accordingly they are not disclosed in this report, but will be disclosed retrospectively in the 2016 remuneration report.

	2016 annual bonus weightings (% of salary)				Total
	Group EPS	Group PBT	Group average net debt	Personal strategic objectives	
Alain Michaelis	50%	50%	20%	30%	150%
James Hind	50%	50%	20%	30%	150%
Wolfgang Sondermann	50%	50%	20%	30%	150%

For bonuses paid in respect of 2016, 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 2016

The performance conditions for PSP Awards made in 2016 will be unchanged compared to the 2015 Awards; the vesting schedules are as shown in the charts on page 63.

Chairman and Non-executive Director fees

With effect from 1 January 2016, fees payable to the Chairman of the Board and the basic fee payable to each Non-executive Director were increased by 3%. The Chairman's fee is £167,800 per annum and the basic fee payable to each Non-executive Director is £47,000 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 2015.

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:

- Ruth Cairnie
- Chris Girling
- Nancy Tuor Moore (appointed with effect from 24 September 2015)
- Paul Withers

During the year, the Committee received assistance from Jackie Holman (HR Director until 30 November 2015), Serge Zimmerlin (HR Director from 1 December 2015) and Kerry Porritt (Company Secretary) on salary increases and bonus awards, and policy and governance matters respectively. In determining the Executive Directors' remuneration for 2015 and 2016, the Committee has consulted the Chairman and the Chief Executive, about its proposals, except (in the case of the CEO) 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.

Directors' remuneration report continued

Annual remuneration report continued

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 2015, 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 2015 were £41,881 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. Kepler's parent company, Mercer Ltd, provides unrelated advice to Keller management in the area of Leadership Assessment which is managed completely separately. Kepler has confirmed that the appropriate segregation of personnel and information is in place to safeguard the independence of Kepler.

The Company's corporate lawyers, DLA Piper LLP, provided legal advice on CEO succession matters. Fees in 2015 relating to this matter amounted to £2,736.

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 at the 2015 AGM and the Remuneration policy at the 2014 AGM:

	Votes for		Votes against		Votes cast	Votes withheld
	Number	%	Number	%		
Remuneration report 2015	40,443,065	78.84%	10,855,829	21.16%	51,298,594	3,746,975
Remuneration policy 2014	47,818,830	97.87%	1,042,595	2.13%	48,861,425	575,571

During 2015, the Committee used its discretion to make an exceptional performance share award of 200% of salary to the Finance Director, James Hind, to provide for Executive Director continuity during the leadership transition. The Committee considers that this award, which is permitted under our approved remuneration policy, was in the interests of shareholders.

The annual remuneration report received 79% support from shareholders, reflecting the different view of a minority of shareholders and ISS. The Committee takes seriously the views of all shareholders and will consider very carefully any future exceptional award.



Ruth Cairnie

Chairman of the Remuneration Committee

29 February 2016

Directors' report

The Directors present their report together with the audited consolidated financial statements for the year ended 31 December 2015.

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 4 to 39 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 £95.7m (2014: £85.1m), are set out on pages 72 to 105. The Directors recommend a final dividend of 18.3p per share to be paid on 10 June 2016, to members on the register at the close of business on 20 May 2016. An interim dividend of 8.8p per share was paid on 4 September 2015. The total dividend for the year of 27.1p (2014: 25.2p) will amount to £19.1m (2014: £18.0m).

Going concern

The Directors consider that the Group has adequate financial resources to continue operating for a period of 12 months from the date of this report 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 23 to the accounts and the Financial review.

Viability statement

In accordance with provision C.2.2 of the 2014 revision of the Code, the Directors have assessed the prospects of the Group over a three-year period.

- i) The Board selected the three-year period as:
 - a. the Group's business planning and budget processes are carried out over a three-year period which provides the relevant estimates; and
 - b. three years is a reasonable approximation of the maximum time taken from procuring a project to completion and therefore reflects our current revenue earning cycle.
- ii) The review included cash flows and other key financial ratios over the three-year period. These metrics were subject to downside sensitivity analysis which involved flexing a number of the main assumptions underlying the forecast both individually and in unison. This downside sensitivity analysis was carried out to evaluate the potential impact on the Group if both the effects of the global financial crisis were to be repeated and there was a substantial charge arising from a contract dispute. The review also made certain assumptions about the normal level of capital recycling likely to occur and considered whether additional financing facilities would be required.

The Directors' assessment has been made with reference to the Group's current position and prospects, the Group's strategy, the Board's risk appetite and the Group's principal risks and how these are managed, as detailed in the Strategic report.

On the basis of the above and other matters considered and reviewed by the Board during the year, the Board has reasonable expectations that the Group will be able to continue in operation and meet its liabilities as they fall due over the next three years. In doing so, it is recognised that such future assessments are subject to a level of uncertainty that increases with time and, therefore, future outcomes cannot be guaranteed or predicted with certainty.

Financial instruments

Full details can be found in note 23 to the financial statements and in the Financial review.

Post balance sheet events

There were no post balance sheet events in the period from 1 January 2016 to the date of signing the accounts.

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 45. 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 62 and 63.

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 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 10,000 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 30 and 31.

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.

* Before exceptional items

Directors' report continued

Greenhouse gas emissions

Information relating to the greenhouse gas emissions of the Company is set out on page 31 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 7 of the Strategic report.

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 24: 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 28: 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 (14 May 2015) to buy back up to 7,309,974 Ordinary Shares. The authority remains outstanding until the conclusion of the 2016 AGM but could be varied or withdrawn by agreement of shareholders at an intervening General Meeting. 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 £2,375,660, equivalent to approximately one-third of the Company's issued share capital (excluding treasury shares) as at 2 March 2015 and to disapply pre-emption rights up to an aggregate nominal amount of £356,349, representing approximately 5% of the Company's issued share capital as at 2 March 2015.

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

Substantial shareholdings

At 29 February 2016, 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:

	Number of Company's total	Percentage of the voting rights
Ordinary Shares		
Standard Life Investments (Holdings) Limited	6,261,390	8.78%
Old Mutual Plc	4,946,626	6.97%
Schroders plc	3,632,097	5.07%
Franklin Templeton Institutional, LLC	3,557,757	4.96%
Norges Bank	2,973,272	4.17%

Auditors

The Board has decided that KPMG LLP will be proposed as the Group's auditors for the year ending 31 December 2016 and a resolution to appoint KPMG LLP will be put to shareholders at the 2016 AGM.

Annual General Meeting

The 2016 AGM of the Company will take place at the offices of Investec, 2 Gresham Street, London EC2V 7QP at 11.00 a.m. on Tuesday 24 May 2016. 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.



Kerry Porritt
Company Secretary

29 February 2016

Registered Office:
5th floor, 1 Sheldon Square
London W2 6TT

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, including FRS 101 Reduced Disclosure Framework.

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.

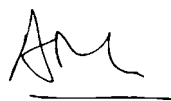
Responsibility statement of the Directors in respect of the Annual Report and the financial statements

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 and performance 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



Alain Michaelis
Chief Executive Officer



James Hind
Finance Director

29 February 2016

Independent Auditor's report

To the members of Keller Group plc only

Opinions and conclusions arising from our audit

1 Our opinion on the financial statements is unmodified

We have audited the financial statements of Keller Group plc for the year ended 31 December 2015 set out on pages 72 to 105. 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 2015 and of the Group's profit 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, including FRS 101 Reduced Disclosure Framework; 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 50 (Audit Committee report), page 79 (accounting policy) and pages 83 and 89 (financial statements disclosures).

- **The risk:** Contract accounting is considered to be an ongoing significant audit risk 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 the provision for the final outcome of a significant historic claim, which was recognised as an exceptional item in 2014. 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 the accounting judgments applied to 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 those 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 internal forecasts and to sub-contracts and assessing the reliability of the Group's forecast costs to complete by considering historical accuracy on completed contracts. For contracts completed by the year end, we assessed subsequent settlement of revenue recognised. In respect of claims and variations raised against customers, we checked that these were recognised only once agreed with the customer. In respect of those claims raised against the Group by customers or third parties, on a selection of contracts we: challenged the progress on the claims and corroborated explanations provided; considered prior experience on settlement of claims; and inspected correspondence with the counterparty and with the Group's legal advisers or insurers. We considered the adequacy of contract-related disclosure. In relation to the provision held for the significant historic claim we have held discussions with the Group's Directors and challenged their judgements on the estimated future costs to incur, including assessment of third-party documentation. We considered the adequacy of disclosures of the matter and of the related uncertainties.

Carrying value of goodwill

Refer to page 50 (Audit Committee report), page 79 (accounting policy) and pages 86 and 87 (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 £57.3m related to Keller Canada where the oil sands business is currently experiencing a downturn in investment. A partial impairment on this goodwill balance has been recognised during the year. The Group estimates recoverable amount based on value-in-use which includes significant estimation and judgement in the selection of key inputs for the future cash flows, specifically forecast revenue and operating margin along with discount rates.
- **Our response:** Our audit procedures included assessing the reasonableness of the Group's assumptions by reference to past performance, externally derived data, 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 the level of headroom available in the calculations to reasonably possible changes in assumptions to identify areas to focus our testing on. We 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 Group financial statements as a whole was set at £4.5m (2014: £3.9m) determined with reference to a benchmark of Group profit before taxation, normalised to exclude this year's exceptional items as disclosed on the face of the income statement, of £95.7m (2014: £85.1m), of which it represents 4.7% (2014: 4.6%).

We report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.2m (2014: £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 – 88%
- Group profit and loss before tax – 95%
- Group profit and loss before exceptional items and taxation – 94%
- Group total assets – 80%

The remaining 12% of total Group revenue, 5% of Group profit and loss before tax and 20% of total Group assets is represented by reporting components, none of which individually represented more than 5% of any of total Group revenue, Group profit before tax or total Group assets. For these remaining components, we performed analysis at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatement within these.

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 divisional component materialities, which ranged from £0.4m 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.

The Group audit team visited the two largest divisional component locations in North America and EMEA. Telephone conference meetings were also held with these component auditors and with the component auditors in Asia and Australia. 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 the 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 on the disclosures of principal risks

Based on the knowledge we acquired during our audit, we have nothing material to add or draw attention to in relation to:

- the Directors' statement of viability on page 67, concerning the principal risks, their management, and, based on that, the Directors' assessment and expectations of the Group's continuing in operation over the three years to 31 December 2018; or
- the disclosures in note 1 of the financial statements concerning the use of the going concern basis of accounting.

6 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 position and performance, business model and strategy; or
- the Corporate governance report 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' statements, set out on page 67, in relation to going concern and longer-term viability; and
- the part of the Corporate governance statement on page 43 relating to the Company's compliance with the eleven provisions of the 2014 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 69, 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 financial statements 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

29 February 2016

Consolidated income statement

For the year ended 31 December 2015

	Note	2015 Before exceptional items £m	2015 Exceptional items (note 7) £m	2015 £m	2014 Before exceptional items £m	2014 Exceptional items (note 7) £m	2014 £m
Revenue	3	1,562.4	–	1,562.4	1,599.7	–	1,599.7
Operating costs	5	(1,459.0)	(38.7)	(1,497.7)	(1,507.7)	(56.7)	(1,564.4)
Operating profit	3	103.4	(38.7)	64.7	92.0	(56.7)	35.3
Finance income	8	0.8	–	0.8	1.5	–	1.5
Finance costs	9	(8.5)	(0.7)	(9.2)	(8.4)	(0.2)	(8.6)
Profit before taxation		95.7	(39.4)	56.3	85.1	(56.9)	28.2
Taxation	10	(33.0)	3.0	(30.0)	(29.7)	0.3	(29.4)
Profit/(loss) for the period		62.7	(36.4)	26.3	55.4	(56.6)	(1.2)
Attributable to:							
Equity holders of the parent		61.9	(36.4)	25.5	53.6	(56.6)	(3.0)
Non-controlling interests		0.8	–	0.8	1.8	–	1.8
		62.7	(36.4)	26.3	55.4	(56.6)	(1.2)
Earnings/(loss) per share							
Basic	12	86.4p		35.5p	75.3p		(4.2)p
Diluted	12	85.4p		35.1p	74.2p		(4.2)p

Consolidated statement of comprehensive income

For the year ended 31 December 2015

	Note	2015 £m	2014 £m
Profit/(loss) for the period		26.3	(1.2)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		(22.9)	(3.8)
Net investment hedge gains	23	1.7	2.0
Cash flow hedge losses taken to equity	23	(4.2)	(6.1)
Cash flow hedge transfers to income statement	23	4.1	6.1
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of defined benefit pension schemes	29	0.3	(4.1)
Tax on remeasurements of defined benefit pension schemes	10	(0.3)	0.2
Other comprehensive income for the period, net of tax		(21.3)	(5.7)
Total comprehensive income for the period		5.0	(6.9)
Attributable to:			
Equity holders of the parent		4.3	(8.6)
Non-controlling interests		0.7	1.7
		5.0	(6.9)

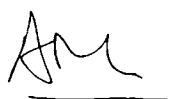
Consolidated balance sheet

As at 31 December 2015

	Note	2015 £m	2014 £m
Assets			
Non-current assets			
Intangible assets	13	160.1	183.5
Property, plant and equipment	14	331.8	295.6
Deferred tax assets	10	13.4	10.0
Other assets	15	22.9	19.9
		528.2	509.0
Current assets			
Inventories	16	47.3	48.6
Trade and other receivables	17	423.2	408.7
Current tax assets		12.6	4.0
Cash and cash equivalents	19	63.1	85.6
		546.2	546.9
Total assets	3	1,074.4	1,055.9
Liabilities			
Current liabilities			
Loans and borrowings	23	(3.5)	(2.7)
Current tax liabilities		(6.7)	(13.9)
Trade and other payables	20	(373.4)	(353.2)
Provisions	21	(34.7)	(50.0)
		(418.3)	(419.8)
Non-current liabilities			
Loans and borrowings	23	(242.6)	(185.1)
Retirement benefit liabilities	29	(23.1)	(25.4)
Deferred tax liabilities	10	(26.7)	(19.7)
Provisions	21	(7.1)	(23.3)
Other liabilities	22	(22.6)	(36.3)
		(322.1)	(289.8)
Total liabilities	3	(740.4)	(709.6)
Net assets	3	334.0	346.3
Equity			
Share capital	24	7.3	7.3
Share premium account		38.1	38.1
Capital redemption reserve	24	7.6	7.6
Translation reserve		(12.8)	8.3
Other reserve	24	56.9	56.9
Hedging reserve		(0.1)	–
Retained earnings		233.5	224.5
Equity attributable to equity holders of the parent		330.5	342.7
Non-controlling interests		3.5	3.6
Total equity		334.0	346.3

These financial statements were approved by the Board of Directors and authorised for issue on 29 February 2016.

They were signed on its behalf by:



Alain Michaelis
Chief Executive Officer



James Hind
Finance Director

Consolidated statement of changes in equity

For the year ended 31 December 2015

	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 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 and 1 January 2015	7.3	38.1	7.6	8.3	56.9	–	224.5	342.7	3.6	346.3
Profit for the period	–	–	–	–	–	–	25.5	25.5	0.8	26.3
Other comprehensive income										
Exchange differences on translation of foreign operations	–	–	–	(22.8)	–	–	–	(22.8)	(0.1)	(22.9)
Net investment hedge gains	–	–	–	1.7	–	–	–	1.7	–	1.7
Cash flow hedge losses taken to equity	–	–	–	–	–	(4.2)	–	(4.2)	–	(4.2)
Cash flow hedge transfers to income statement	–	–	–	–	–	4.1	–	4.1	–	4.1
Remeasurements of defined benefit pension schemes	–	–	–	–	–	–	0.3	0.3	–	0.3
Tax on remeasurements of defined benefit pension schemes	–	–	–	–	–	–	(0.3)	(0.3)	–	(0.3)
Other comprehensive income for the period, net of tax	–	–	–	(21.1)	–	(0.1)	–	(21.2)	(0.1)	(21.3)
Total comprehensive income for the period	–	–	–	(21.1)	–	(0.1)	25.5	4.3	0.7	5.0
Dividends	–	–	–	–	–	–	(18.3)	(18.3)	(0.8)	(19.1)
Share-based payments	–	–	–	–	–	–	1.8	1.8	–	1.8
At 31 December 2015	7.3	38.1	7.6	(12.8)	56.9	(0.1)	233.5	330.5	3.5	334.0

Consolidated cash flow statement

For the year ended 31 December 2015

	Note	2015 £m	2014 £m
Cash flows from operating activities			
Operating profit before exceptional items		103.4	92.0
Depreciation of property, plant and equipment		50.9	48.0
Amortisation of intangible assets		1.2	1.9
Profit on sale of property, plant and equipment		(0.3)	(0.3)
Other non-cash movements		6.4	8.9
Foreign exchange losses		0.1	0.1
Operating cash flows before movements in working capital		161.7	150.6
Decrease in inventories		0.5	13.9
(Increase)/decrease in trade and other receivables		(11.1)	11.2
Decrease in trade and other payables		(1.4)	(0.1)
Change in provisions, retirement benefit and other non-current liabilities		(7.4)	(10.2)
Cash generated from operations before exceptional items		142.3	165.4
Cash flows from exceptional items		(27.5)	–
Cash generated from operations		114.8	165.4
Interest paid		(6.6)	(10.1)
Income tax paid		(44.3)	(28.4)
Net cash inflow from operating activities		63.9	126.9
Cash flows from investing activities			
Interest received		0.5	0.5
Proceeds from sale of property, plant and equipment		5.1	3.5
Acquisition of subsidiaries, net of cash acquired		(52.5)	(5.0)
Acquisition of property, plant and equipment		(74.2)	(63.6)
Acquisition of intangible assets		(0.8)	(0.9)
Net cash outflow from investing activities		(121.9)	(65.5)
Cash flows from financing activities			
New borrowings		71.2	95.3
Repayment of borrowings		(9.3)	(103.6)
Payment of finance lease liabilities		(1.4)	(1.2)
Dividends paid		(19.1)	(18.0)
Net cash inflow/(outflow) from financing activities		41.4	(27.5)
Net (decrease)/increase in cash and cash equivalents		(16.6)	33.9
Cash and cash equivalents at beginning of period		85.6	50.7
Effect of exchange rate fluctuations		(6.1)	1.0
Cash and cash equivalents at end of period	19	62.9	85.6

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 prepares its parent company financial statements in accordance with FRS101; these are presented on pages 98 to 105.

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, where relevant, 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 67.

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 for the financial year ending 31 December 2015:

- Amendments to IAS 19, 'Defined benefit plans: Employee contributions'
- Annual improvements to IFRSs 2010-2012 cycle
- Annual improvements to IFRSs 2011-2013 cycle
- IFRIC interpretation 21 Levies.

There are no standards, amendments or interpretations adopted by the EU that are in issue but not yet effective that are expected to have a significant impact on the Group financial statements. The Group is considering the impact on the Group financial statements of adopting standards, amendments or interpretations not yet adopted by the EU, including IFRS 9, 'Financial instruments'; IFRS 15, 'Revenue from contracts with customers'; and IFRS 16, 'Leases'.

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. Bid costs are expensed as incurred.

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 variations and claims on customers or third parties is only recognised once agreed.

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:

	2015	2014
US dollar: average for period	1.53	1.65
US dollar: period end	1.48	1.55
Canadian dollar: average for period	1.95	1.82
Canadian dollar: period end	2.05	1.81
Euro: average for period	1.38	1.24
Euro: period end	1.36	1.28
Singapore dollar: average for period	2.10	2.09
Singapore dollar: period end	2.09	2.05
Australian dollar: average for period	2.03	1.83
Australian dollar: period end	2.03	1.90

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 raised against the Group by customers or third parties. With regards to the provision recognised in 2014 for the contract dispute outlined in note 7, the Group has estimated the expected cost of the remaining remedial actions to be undertaken as part of the settlement agreement and the value of the property following these remedial actions. The value of the property has been determined using an external professional valuation, with the future rental yields being the significant assumption underlying the valuation.

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.

The Group also uses estimates in assessing the amount of any contingent consideration payable. The significant assumptions used in these calculations are forecast revenue growth and forecast margins.

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:

	2015 Revenue £m	2015 Operating profit £m	2014 Revenue £m	2014 Operating profit £m
North America	851.2	76.4	775.6	59.9
EMEA ¹	441.5	21.3	451.5	12.9
Asia	108.2	4.5	111.3	8.3
Australia	161.5	7.2	261.3	15.7
	1,562.4	109.4	1,599.7	96.8
Central items and eliminations	–	(6.0)	–	(4.8)
Before exceptional items	1,562.4	103.4	1,599.7	92.0
Exceptional items (note 7)	–	(38.7)	–	(56.7)
	1,562.4	64.7	1,599.7	35.3

	2015 Segment assets £m	2015 Segment liabilities £m	2015 Capital employed £m	2015 Capital additions £m	2015 Depreciation and amortisation £m	2015 Tangible and intangible assets £m
North America	508.7	(165.5)	343.2	30.5	19.8	245.6
EMEA ¹	269.9	(183.2)	86.7	31.4	17.4	130.9
Asia	97.4	(32.3)	65.1	6.8	6.5	45.2
Australia	101.9	(38.8)	63.1	5.7	8.3	69.6
	977.9	(419.8)	558.1	74.4	52.0	491.3
Central items and eliminations ²	96.5	(320.6)	(224.1)	0.6	0.1	0.6
	1,074.4	(740.4)	334.0	75.0	52.1	491.9

	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

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	
	2015 £m	2014 £m	2015 £m	2014 £m
United States	773.4	666.5	196.7	155.9
Australia	161.5	261.3	69.6	52.6
Canada	77.7	108.2	64.9	122.2
United Kingdom (country of domicile)	61.8	67.5	19.2	19.2
Other	488.0	496.2	157.5	145.0
	1,562.4	1,599.7	507.9	494.9

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

4 Acquisitions

2015 acquisitions

	Bencor			Austral			Ellington Cross			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	–	3.8	3.8	–	8.7	8.7	–	0.4	0.4	–	12.9	12.9
Property, plant and equipment	16.7	–	16.7	9.6	1.5	11.1	0.6	–	0.6	26.9	1.5	28.4
Cash and cash equivalents	–	–	–	1.1	–	1.1	–	–	–	1.1	–	1.1
Receivables	10.0	–	10.0	3.9	–	3.9	1.2	–	1.2	15.1	–	15.1
Other assets	0.1	–	0.1	1.6	–	1.6	–	–	–	1.7	–	1.7
Loans and borrowings	–	–	–	(1.0)	–	(1.0)	–	–	–	(1.0)	–	(1.0)
Deferred tax	–	–	–	0.3	–	0.3	–	–	–	0.3	–	0.3
Other liabilities	(4.8)	–	(4.8)	(5.9)	–	(5.9)	(0.5)	–	(0.5)	(11.2)	–	(11.2)
	22.0	3.8	25.8	9.6	10.2	19.8	1.3	0.4	1.7	32.9	14.4	47.3
Goodwill			3.2			6.7			0.2			10.1
Total consideration			29.0			26.5			1.9			57.4
Satisfied by												
Initial cash consideration			29.0			19.9			1.9			50.8
Contingent consideration			–			6.6			–			6.6
			29.0			26.5			1.9			57.4

On 17 August 2015, the Group acquired the trade and selected assets of the GeoConstruction group ('Bencor') of Layne Christensen Company, a business based in Dallas, USA. The fair value of the intangible assets acquired represents the fair value of customer contracts at the date of acquisition and the trade name. 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 Bencor's diaphragm wall technology around the Group.

On 2 July 2015, the Group acquired 100% of the share capital of Austral Construction Pty Limited ('Austral'), a business based in Melbourne, Australia. The fair value of the intangible assets acquired represents the fair value of customer relationships and customer contracts at the date of acquisition. 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 operating synergies that arise from the Group's strengthened market position. Contingent consideration of up to £9.9m (A\$20.0m) is payable based on total earnings before interest, tax, depreciation and amortisation in the three-year period following acquisition. The full amount of contingent consideration is currently provided for.

On 17 August 2015, the Group acquired the trade and selected assets of Ellington Cross, LLC ('Ellington Cross'), a business based in Charleston, USA.

The fair value of the total receivables in all acquisitions is not materially different from the gross contractual amounts receivable and is expected to be recovered in full. In the period to 31 December 2015, Austral, Bencor and Ellington Cross contributed £35.1m to turnover and £0.5m to the net profit before exceptional items of the Group. Had the acquisitions all taken place on 1 January 2015, total Group revenue would have been £1,606.4m and total net profit before exceptional items would have been £65.0m.

The adjustments made in respect of acquisitions in the year to 31 December 2015 are provisional and will be finalised within 12 months of the acquisition date.

2014 acquisitions

On 14 August 2014, the Group acquired the trade and selected assets of Anshar 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.

Notes to the consolidated financial statements continued

5 Operating costs

	Note	2015 £m	2014 £m
Raw materials and consumables		450.3	481.5
Staff costs	6	402.2	404.5
Other operating charges		493.4	511.4
Amortisation of intangibles		1.2	1.9
Operating lease and short-term rental expense:			
Land and buildings		9.6	9.5
Plant, machinery and vehicles		51.4	50.9
Depreciation:			
Owned property, plant and equipment		50.5	47.6
Property, plant and equipment held under finance leases		0.4	0.4
Operating costs before exceptional items		1,459.0	1,507.7
Exceptional items (note 7)		38.7	56.7
		1,497.7	1,564.4
Other operating charges include:			
Redundancy and other reorganisation costs		4.4	4.4
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	1.0
Tax compliance services		0.2	0.2
Tax advisory services		0.1	0.2
Other assurance services		0.1	0.1

6 Employees

The aggregate staff costs of the Group were:

	2015 £m	2014 £m
Wages and salaries	350.0	350.4
Social security costs	40.4	41.9
Other pension costs	10.0	10.3
Share-based payments	1.8	1.9
	402.2	404.5

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

	2015 £m	2014 £m
Short-term employee benefits	2.7	2.0
Post-employment benefits	0.1	0.1
Share-based payments	0.9	0.9
	3.7	3.0

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

	2015 Number	2014 Number
North America	3,841	3,316
EMEA	3,917	3,900
Asia	1,345	1,233
Australia	678	674
	9,781	9,123

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:

	2015 £m	2014 £m
Goodwill impairment	31.2	–
Contract dispute	–	54.0
Amortisation of acquired intangible assets	7.3	6.6
Acquisition costs	0.2	0.5
Contingent consideration and payments	–	(4.7)
Other	–	0.3
Exceptional items in operating costs	38.7	56.7
Exceptional finance costs	0.7	0.2
	39.4	56.9

The goodwill impairment relates to Keller Canada. The results for Keller Canada have been below those expected at the time of the acquisition, primarily due to a severe slowdown in investment in the Canadian oil sands following the very significant reduction in the oil price since the time of acquisition. Further details are set out in note 13.

The prior year charge for a 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 until they are 'virtually certain'. Given the uncertainty associated with any future insurance recoveries, it is not currently practicable to estimate the value of these recoveries. During 2015, the Group paid net £27.5m relating to this contract dispute. The remainder of these costs are largely expected to be incurred within the next year.

Amortisation of acquired intangible assets primarily relate to Keller Canada, Franki Africa and the acquisitions set out in note 4.

The prior year credit for contingent consideration and payments mainly relates to the release of previously provided contingent consideration for the acquisition of Keller Canada which the Group no longer expects to pay.

Exceptional finance costs relate to the unwind of discounted contingent consideration to present value.

8 Finance income

	2015 £m	2014 £m
Bank and other interest receivable	0.6	0.6
Other finance income	0.2	0.9
	0.8	1.5

9 Finance costs

	2015 £m	2014 £m
Interest payable on bank loans and overdrafts	3.0	3.7
Interest payable on other loans	2.9	1.9
Interest payable on finance leases	0.1	0.4
Net pension interest cost	0.6	0.7
Other finance costs	1.9	1.7
Finance costs before exceptional items	8.5	8.4
Exceptional finance costs (note 7)	0.7	0.2
	9.2	8.6

Notes to the consolidated financial statements continued

10 Taxation

	2015 £m	2014 £m
Current tax expense		
Current year	27.2	35.1
Prior years	0.2	(0.8)
Total current tax	27.4	34.3
Deferred tax expense		
Current year	4.5	(6.5)
Prior years	(1.9)	1.6
Total deferred tax	2.6	(4.9)
	30.0	29.4

UK corporation tax is calculated at 20.25% (2014: 21.5%) 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 20.25% (2014: 21.5%) as follows:

	2015			2014		
	Before exceptional items £m	Exceptional items (note 7) £m	£m	Before exceptional items £m	Exceptional items (note 7) £m	£m
Profit before tax	95.7	(39.4)	56.3	85.1	(56.9)	28.2
UK corporation tax at 20.25% (2014: 21.5%)	19.4	(8.0)	11.4	18.3	(12.2)	6.1
Tax charged at rates other than 20.25% (2014: 21.5%)	15.0	(1.8)	13.2	9.4	(0.1)	9.3
Tax losses and other deductible temporary differences not recognised	0.5	4.6	5.1	0.9	11.6	12.5
Non-deductible expenses and non-taxable income	(0.2)	2.2	2.0	0.3	0.4	0.7
Adjustments to tax charge in respect of previous periods	(1.7)	–	(1.7)	0.8	–	0.8
Tax charge/(credit)	33.0	(3.0)	30.0	29.7	(0.3)	29.4
Effective tax rate	34.5%	7.6%	53.3%	34.9%	0.7%	104.3%

The additional tax charged at other rates of tax relates primarily to tax arising on profits from operations in North America where rates are significantly higher than in the UK.

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 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 and 1 January 2015	(7.2)	33.7	(3.1)	(10.2)	(6.9)	3.4	9.7
(Credit)/charge to the income statement	(6.9)	4.0	0.2	0.1	2.1	3.1	2.6
Charge to other comprehensive income	–	–	0.3	–	–	–	0.3
Acquired with subsidiary	–	–	–	–	–	(0.3)	(0.3)
Exchange differences	0.7	0.2	0.1	(0.3)	(0.1)	0.4	1.0
At 31 December 2015	(13.4)	37.9	(2.5)	(10.4)	(4.9)	6.6	13.3

Deferred tax assets include amounts of £9.2m (2014: £4.1m) where recovery is based on forecasts of future taxable profits that are expected to be available to offset the reversal of the associated temporary differences.

The following is the analysis of the deferred tax balances:

	2015 £m	2014 £m
Deferred tax liabilities	26.7	19.7
Deferred tax assets	(13.4)	(10.0)
	13.3	9.7

At the balance sheet date, the Group had unused tax losses of £71.9m (2014: £25.2m), mainly arising in the UK and Canada, available for offset against future profits, on which no deferred tax asset has been recognised. Of these losses, £46.6m (2014: £19.4m) may be carried forward indefinitely.

10 Taxation continued

At the balance sheet date the aggregate of other deductible temporary differences for which no deferred tax asset has been recognised was £67.7m (2014: £95.3m).

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 £93.7m (2014: £71.6m). The unprovided deferred tax liability in respect of these timing differences is £4.2m (2014: £3.2m).

11 Dividends payable to equity holders of the parent

Ordinary dividends on equity shares:

	2015	2014
	£m	£m
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 December 2014 of 16.8p (2013: 16.0p) per share	12.0	11.4
Interim dividend for the year ended 31 December 2015 of 8.8p (2014: 8.4p) per share	6.3	6.0
	18.3	17.4

The Board has recommended a final dividend for the year ended 31 December 2015 of £13.1m, representing 18.3p (2014: 16.8p) per share. The proposed dividend is subject to approval by shareholders at the AGM on 24 May 2016 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:

	2015	2015			2014	2014		
	Basic	Diluted	2015	2015	Basic	Diluted	2014	2014
	before	before	Basic	Diluted	before	before	Basic	Diluted
	exceptional	exceptional	£m	£m	exceptional	exceptional	£m	£m
	items	items			items	items		
	£m	£m			£m	£m		
Earnings/(loss) (after tax and non-controlling interests), being net profits/(losses) attributable to equity holders of the parent	61.9	61.9	25.5	25.5	53.6	53.6	(3.0)	(3.0)
	Number	Number	Number	Number	Number	Number	Number	Number
	of shares	of shares	of shares	of shares	of shares	of shares	of shares	of shares
	Million	Million	Million	Million	Million	Million	Million	Million
Weighted average of ordinary shares in issue during the year	71.7	71.7	71.7	71.7	71.2	71.2	71.2	71.2
Add: weighted average of shares under option during the year	–	0.8	–	0.8	–	1.0	–	1.0
Adjusted weighted average of ordinary shares in issue	71.7	72.5	71.7	72.5	71.2	72.2	71.2	72.2
	2015	2015	2015	2015	2014	2014	2014	2014
	Pence	Pence	Pence	Pence	Pence	Pence	Pence	Pence
Earnings/(loss) per share	86.4	85.4	35.5	35.1	75.3	74.2	(4.2)	(4.2)

Notes to the consolidated financial statements continued

13 Intangible assets

	Other intangible assets			Total £m
	Goodwill £m	Arising on acquisition £m	Other £m	
Cost				
At 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 and 1 January 2015	184.4	32.7	17.7	234.8
Additions	10.1	12.9	0.8	23.8
Exchange differences	(6.7)	(4.2)	0.1	(10.8)
At 31 December 2015	187.8	41.4	18.6	247.8
Accumulated amortisation and impairment				
At 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 and 1 January 2015	23.9	12.6	14.8	51.3
Impairment charge for the year	31.2	–	–	31.2
Amortisation charge for the year	–	7.3	1.2	8.5
Exchange differences	(1.3)	(2.1)	0.1	(3.3)
At 31 December 2015	53.8	17.8	16.1	87.7
Carrying amount				
At 31 December 2015	134.0	23.6	2.5	160.1
At 31 December 2014 and 1 January 2015	160.5	20.1	2.9	183.5
At 1 January 2014	156.5	27.5	3.9	187.9

The goodwill impairment relates to Keller Canada.

Other intangible assets arising on acquisition represent customer relationships, customer contracts at the date of acquisition, patents and trade names.

In 2015, for impairment testing purposes goodwill has been allocated to 18 separate cash-generating units ('CGUs'). Of these, the carrying amount of goodwill allocated to four individual CGUs (Suncoast, Keller Canada, HJ Foundations and Keller Limited) is significant in comparison to the total carrying amount of goodwill and comprises 65% of the total. The carrying amounts allocated to four further CGUs, taken together, comprise a further 23% 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	2015 Carrying value £m	2015 Pre-tax discount rate %	2015 Forecast growth rate %	2014 Carrying value £m	2014 Pre-tax discount rate %	2014 Forecast growth rate %
Suncoast	North America	29.1	12.7	2.0	27.7	13.4	3.0
Keller Canada	North America	27.6	11.9	2.0	64.9	11.3	2.0
HJ Foundations	North America	18.7	14.9	2.0	17.9	16.0	3.0
Keller Limited	EMEA	12.1	11.9	2.0	12.1	12.4	2.0
Hayward Baker	North America	9.7	13.4	2.0	9.0	16.7	3.0
Resource Piling	Asia	7.7	12.2	2.0	7.9	11.9	2.0
Waterway	Australia	6.9	14.6	1.0	7.4	15.7	1.0
Austral	Australia	6.7	14.6	2.0	n/a	n/a	n/a
Other	Various	15.5			13.6		
		134.0			160.5		

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 three-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 2018 have been extrapolated using a steady growth rate of between 1% and 2% (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 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.

The results for Keller Canada have been below those expected at the time of the acquisition, primarily due to a severe slowdown in investment in the Canadian oil sands following the very significant reduction in the oil price since the time of acquisition. Based on the value-in-use calculation in 2015, the recoverable amount is C\$165.1m (£80.5m) and therefore the Keller Canada goodwill has been impaired by C\$60.9m (£31.2m), with C\$56.6m (£27.6m) of goodwill remaining on the balance sheet at 31 December 2015. Therefore, in the event that the assumptions in the value-in-use calculation were to prove to be over optimistic, this would lead to a further impairment of goodwill. The assumptions underlying the forecasts used in the value-in-use calculation are for a gradual recovery in the Canadian market in the medium term, albeit to a level lower than that expected at the time of acquisition, such that the compound annual revenue growth rate is 4% over the period under review and operating margins gradually recover to 8.5%.

A 1% reduction in assumed operating margins in each year would result in a further impairment of C\$20.5m (£10.0m). Alternatively, a 1% increase in the discount rate would lead to a further impairment of C\$15.5m (£7.6m) or a 5% reduction in forecast revenue in each year, at the assumed operating margins, would result in a further impairment of C\$6.2m (£3.0m).

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 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 and 1 January 2015	46.6	595.9	1.8	644.3
Additions	1.4	64.9	7.9	74.2
Disposals	(0.4)	(18.3)	–	(18.7)
Acquired with subsidiaries	2.1	26.3	–	28.4
Reclassification	0.2	0.3	(0.5)	–
Exchange differences	(1.3)	(14.2)	(1.3)	(16.8)
At 31 December 2015	48.6	654.9	7.9	711.4
Accumulated depreciation				
At 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 and 1 January 2015	11.1	337.6	–	348.7
Charge for the year	1.2	49.7	–	50.9
Disposals	(0.1)	(13.8)	–	(13.9)
Exchange differences	(0.2)	(5.9)	–	(6.1)
At 31 December 2015	12.0	367.6	–	379.6
Carrying amount				
At 31 December 2015	36.6	287.3	7.9	331.8
At 31 December 2014 and 1 January 2015	35.5	258.3	1.8	295.6
At 1 January 2014	32.9	248.7	0.3	281.9

The net book value of plant, machinery and vehicles includes £4.0m (2014: £3.9m) in respect of assets held under finance leases.

The Group had contractual commitments for the acquisition of property, plant and equipment of £1.9m (2014: £0.9m) 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

	2015 £m	2014 £m
Fair value of derivative financial instruments	6.5	3.5
Other assets	16.4	16.4
	22.9	19.9

16 Inventories

	2015 £m	2014 £m
Raw materials and consumables	32.7	33.8
Work in progress	1.0	0.5
Finished goods	13.6	14.3
	47.3	48.6

17 Trade and other receivables

	2015 £m	2014 £m
Trade receivables	341.6	319.8
Construction work in progress	60.3	59.6
Other receivables	12.4	19.3
Prepayments	8.9	10.0
	423.2	408.7

Trade receivables are shown net of an allowance for doubtful debts.

The movement in the provision for bad and doubtful debt is as follows:

	2015 £m	2014 £m
At 1 January	36.5	29.0
Used during the period	(10.9)	(2.1)
Additional provisions	12.6	12.3
Unused amounts reversed	(9.5)	(3.1)
Exchange differences	(0.2)	0.4
At 31 December	28.5	36.5

The ageing of trade receivables that were past due but not impaired was as follows:

	2015 £m	2014 £m
Overdue by less than 30 days	62.7	61.5
Overdue by between 31 and 90 days	31.3	34.4
Overdue by more than 90 days	33.7	24.3
	127.7	120.2

18 Construction contracts

Construction contracts in progress at balance sheet date:

	2015 £m	2014 £m
Aggregate amount of costs incurred and recognised profits (less recognised losses) to date	883.5	887.5
Retentions withheld by customers	29.3	28.0
Advances received	2.5	4.9

Construction contract revenue recognised in the year in accordance with IAS 11 totalled £1,397.4m (2014: £1,433.2m).

19 Cash and cash equivalents

	2015 £m	2014 £m
Bank balances	56.3	79.7
Short-term deposits	6.8	5.9
Cash and cash equivalents in the balance sheet	63.1	85.6
Bank overdrafts	(0.2)	–
Cash and cash equivalents in the cash flow statement	62.9	85.6

20 Trade and other payables

	2015 £m	2014 £m
Trade payables	174.6	171.4
Other taxes and social security payable	8.8	8.8
Other payables	128.3	142.0
Accruals	37.1	30.8
Fair value of derivative financial instruments	24.6	0.2
	373.4	353.2

Other payables include contract accruals, advance billings and contingent consideration of £0.5m (2014: nil).

21 Provisions

	Employee provisions £m	Restructuring provisions £m	Other provisions £m	Total £m
At 1 January 2015	11.6	1.8	59.9	73.3
Charge for the year	4.5	1.6	0.1	6.2
Acquired with subsidiaries	0.8	–	–	0.8
Used during the period	(5.0)	(0.1)	(32.7)	(37.8)
Unused amounts reversed	(1.0)	(0.2)	–	(1.2)
Exchange differences	0.3	–	0.2	0.5
At 31 December 2015	11.2	3.1	27.5	41.8
To be settled within one year	4.2	3.1	27.4	34.7
To be settled after one year	7.0	–	0.1	7.1
At 31 December 2015	11.2	3.1	27.5	41.8

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 provision for this contract dispute has been estimated based on the expected cost of the remaining remedial actions to be undertaken as part of the settlement agreement and the value of the property following these remedial actions. The provision does not take into account any future insurance recoveries as it is not currently practicable to estimate the value of these recoveries. The majority of provisions are expected to be utilised within one year.

22 Other non-current liabilities

	2015 £m	2014 £m
Fair value of derivative financial instruments	–	19.4
Other liabilities	22.6	16.9
	22.6	36.3

Other liabilities include contingent consideration of £9.1m (2014: £2.8m).

Notes to the consolidated financial statements continued

23 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, Australian dollars, Singapore dollars 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 2015, the fair value of foreign exchange forward contracts outstanding was £0.4m (2014: £0.2m), included in current liabilities.

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 2015. 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 17.

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 91, 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 £51.4m (2014: £40.7m) 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 2015 was £114.7m (2014: £108.8m).

Hedging

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 2015 represented a liability of £24.2m (2014: £18.5m) included in current liabilities (2014: non-current liabilities). The effective portion of changes in the fair value of the 2006 swaps, a loss of £5.6m (2014: £7.2m), 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 2015 represented an asset of £2.8m (2014: £0.5m) included in other non-current assets and a liability of £nil (2014: £0.9m) included in other non-current liabilities. The effective portion of the changes in the fair value of the dollar sterling swaps, a gain of £1.5m (2014: £1.1m), 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 £1.7m (2014: £2.0m), 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 2015 represented an asset of £3.7m (2014: £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 £0.8m (2014: £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 £0.2m (2014: £nil).

23 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.

	2015 Effective interest rate %	2015 Due within 1-2 years £m	2015 Due within 2-5 years £m	2015 Due after more than 5 years £m	2015 Total non-current £m	2015 Due within 1 year £m	2015 Total £m
Bank overdrafts	5.0	–	–	–	–	(0.2)	(0.2)
Bank loans*	2.4	–	(123.6)	(2.9)	(126.5)	(1.2)	(127.7)
Other loans*	2.2	–	(27.0)	(87.7)	(114.7)	(0.3)	(115.0)
Obligations under finance leases*	8.8	(0.8)	(0.6)	–	(1.4)	(1.8)	(3.2)
Total loans and borrowings		(0.8)	(151.2)	(90.6)	(242.6)	(3.5)	(246.1)
Bank balances*	1.0	–	–	–	–	56.3	56.3
Short-term deposits*	3.0	–	–	–	–	6.8	6.8
Net debt		(0.8)	(151.2)	(90.6)	(242.6)	59.6	(183.0)
Derivative financial instruments		–	2.8	3.7	6.5	(24.6)	(18.1)

	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)

* These include assets/liabilities bearing interest at a fixed rate.

Loans and borrowings consist of the following:

	2015 £m	2014 £m
US\$75m private placement (due December 2024)	53.1	50.3
US\$50m private placement (due October 2021)	34.6	32.7
£250m syndicated revolving credit facility (expiring September 2019)	123.1	71.9
US\$40m private placement (due August 2018)	27.0	25.8
Bank overdrafts	0.2	–
Obligations under finance leases	3.2	4.1
Other loans and borrowings	4.9	3.0
Total loans and borrowings	246.1	187.8

In addition, there were non-interest-bearing financial liabilities comprising trade and other payables of £311.7m (2014: £322.2m) which were payable within one year: £0.5m (2014: nil) of contingent consideration in respect of acquisitions taking place on or after 1 January 2010 is payable within one year, £1.0m (2014: nil) is payable between one and two years and £8.1m (2014: £2.8m) is payable between two and five years.

The Group had unutilised committed banking facilities of £127.6m at 31 December 2015 (2014: £173.1m). 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 £25.9m at 31 December 2015 (2014: £24.3m). All of these borrowing facilities are unsecured. Future obligations under finance leases totalled £3.5m (2014: £4.6m), including interest of £0.3m (2014: £0.5m).

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 2015 and in 2014, 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

23 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 2015 and in 2014, 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 (2015: -10%–14%), forecast EBITDA margins (2015: 9%–23%) and pre-tax discount rates (2015: 15%–22%).

The following table shows a reconciliation from the opening to closing balances for Level 3 fair values:

	Contingent consideration £m
At 1 January 2015 ¹	5.5
Provision released (note 7)	(0.9)
Additional amounts provided (note 7)	0.9
Paid during the year	(2.6)
Assumed within business combinations (note 4)	6.6
Unwind of discounted contingent consideration (note 7)	0.7
Exchange differences ²	(0.6)
At 31 December 2015	9.6

¹ Restated from 31 December 2014.

² 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:

	2015 Sterling	2015 USD	2015 Euro	2015 CAD	2015 Other ¹	2015 Total
Weighted average fixed debt interest rate	–	–	3.9%	12.6%	–	n/a
Weighted average fixed debt period (years)	–	–	3.3	1.1	–	n/a

	2015 £m	2015 £m	2015 £m	2015 £m	2015 £m	2015 £m
Fixed rate financial liabilities	–	–	(29.8)	(1.1)	–	(30.9)
Floating rate financial liabilities	–	(87.7)	(23.7)	(67.7)	(36.1)	(215.2)
Financial assets	2.8	11.4	10.4	2.2	36.3	63.1
Net debt	2.8	(76.3)	(43.1)	(66.6)	0.2	(183.0)

	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)

¹ Included within other floating rate financial liabilities are AUD revolver loans of £19.5m (2014: £nil), ZAR revolver loans of £3.4m (2014: £13.3m) and SGD revolver loans of £9.9m (2014: £2.0m). Included within other financial assets are AUD cash balances of £5.3m (2014: £12.0m), ZAR cash balances of £3.4m (2014: £2.8m) and SGD cash balances of £2.3m (2014: £2.8m).

23 Financial instruments continued

Sensitivity analysis

At 31 December 2015, it is estimated that a general increase of one percentage point in interest rates would decrease the Group's profit before taxation by approximately £1.6m (2014: £0.8m). The impact of interest rate swaps has been included in this calculation.

It is estimated that a general increase of 10 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 2015 (2014: £8.2m). 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.

24 Share capital and reserves

	2015 £m	2014 £m
Allotted, called up and fully paid		
Equity share capital:		
73,099,735 ordinary shares of 10p each (2014: 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.

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 other reserve is a non-distributable reserve created when merger relief was applied to an issue of shares under section 612 of the Companies Act 2006 to part fund the acquisition of Keller Canada. The reserve becomes distributable should Keller Canada be disposed of.

The total number of shares held in Treasury was 1.3m (2014: 1.8m).

25 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.

26 Commitments

(a) Capital commitments

Capital expenditure contracted for at the end of the reporting period but not yet incurred was £1.9m (2014: £0.9m) 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:

	2015 Land and buildings £m	2015 Plant, machinery and vehicles £m	2015 Total £m	2014 Land and buildings £m	2014 Plant, machinery and vehicles £m	2014 Total £m
Payable within one year	9.2	4.3	13.5	10.0	6.3	16.3
Payable between one and five years inclusive	20.6	4.8	25.4	18.4	5.1	23.5
Payable in over five years	9.7	0.1	9.8	10.6	–	10.6
	39.5	9.2	48.7	39.0	11.4	50.4

27 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 estimated financial effect of these bonds, apart from the fees paid, is £nil (2014: £nil).

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 2015, the Group had standby letters of credit outstanding totalling £15.2m (2014: £13.0m).

As set out in note 10 of the Company financial statements, the Company has provided a guarantee of certain subsidiaries' liabilities to take the exemption from having to prepare individual accounts under section 394A and section 394C of the Companies Act 2006 and exemption from having their financial statements audited under sections 479A to 479C of the Companies Act 2006.

Notes to the consolidated financial statements continued

28 Share-based payments

The Group has a share option plan, 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 55 and 61.

Under the Performance Share Plan, all awards have an exercise price of £1 per exercise. Options outstanding are as follows:

	Performance Share Plan options
Outstanding at 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 and 1 January 2015	996,741
Granted during 2015	295,283
Lapsed during 2015	(6,289)
Exercised during 2015	(512,475)
Outstanding at 31 December 2015	773,260
Exercisable at 1 January 2014	3,750
Exercisable at 31 December 2014 and 1 January 2015	–
Exercisable at 31 December 2015	–

Exercises occurred throughout the year. The average share price during the year was 957.2p.

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:

	2015	2014
Weighted average share price	1,028p	1,171p
Weighted average exercise price	0.0p	0.0p
Expected volatility	31.0%	37.0%
Expected life	3 years	3 years
Risk free rate	0.87%	0.95%
Expected dividend yield	2.40%	2.20%

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 £1.8m (2014: £1.9m) related to equity-settled, share-based payment transactions.

The weighted average fair value of options granted in the year was 748.1p (2014: 734.3p).

29 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 until the next actuarial review in 2017.

The Group has two UK defined contribution retirement benefit schemes. There were no contributions outstanding in respect of these schemes at 31 December 2015 (2014: £nil). The total UK defined contribution pension charge for the year was £1.3m (2014: £1.2m).

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 £3.6m (2014: £3.0m).

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% (2014: 9.5%). The total Australian pension charge for the year was £3.0m (2014: £3.9m).

Details of the Group's defined benefit schemes are as follows:

	The Keller Group Pension Scheme (UK) Year ended 31 December 2015 £m	The Keller Group Pension Scheme (UK) Year ended 31 December 2014 £m	German and Austrian Schemes Year ended 31 December 2015 £m	German and Austrian Schemes Year ended 31 December 2014 £m
Present value of the scheme liabilities	(48.5)	(49.8)	(12.8)	(13.8)
Present value of assets	38.2	38.2	-	-
Deficit in the scheme	(10.3)	(11.6)	(12.8)	(13.8)

The value of the scheme liabilities has been determined by the actuary using the following assumptions:

	31 December 2015 %	31 December 2014 %	31 December 2015 %	31 December 2014 %
Discount rate	3.9	3.6	1.9	1.9
Interest on assets	3.9	3.6	n/a	n/a
Rate of increase in pensions in payment	3.4	3.3	2.0	2.0
Rate of increase in pensions in deferment	2.2	2.1	2.0	2.0
Rate of inflation	3.2	3.1	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 2015	The Keller Group Pension Scheme (UK) Year ended 31 December 2014	German and Austrian Schemes Year ended 31 December 2015	German and Austrian Schemes Year ended 31 December 2014
Male currently aged 65	21.7	21.6	19.0	18.9
Female currently aged 65	23.6	23.5	23.1	22.9

Notes to the consolidated financial statements continued

29 Retirement benefit liabilities continued

The assets of the schemes were as follows:

	The Keller Group Pension Scheme (UK) Value as at 31 December 2015 £m	The Keller Group Pension Scheme (UK) Value as at 31 December 2014 £m	German and Austrian Schemes Value as at 31 December 2015 £m	German and Austrian Schemes Value as at 31 December 2014 £m
Equities	23.1	23.0	n/a	n/a
Gilts	7.6	7.6	n/a	n/a
Bonds	7.5	7.6	n/a	n/a
	38.2	38.2	n/a	n/a

	The Keller Group Pension Scheme (UK) Year ended 31 December 2015 £m	The Keller Group Pension Scheme (UK) Year ended 31 December 2014 £m	German and Austrian Schemes Year ended 31 December 2015 £m	German and Austrian Schemes Year ended 31 December 2014 £m
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Changes in scheme liabilities

Opening balance	(49.8)	(44.7)	(13.8)	(13.4)
Current service cost	(0.2)	(0.2)	(0.2)	(0.3)
Interest cost	(1.8)	(2.0)	(0.2)	(0.3)
Benefits paid	1.7	1.5	0.6	0.7
Exchange differences	–	–	0.8	0.8
Experience (loss)/gain on defined benefit obligation	–	(0.5)	0.1	(0.1)
Changes to demographic assumptions	–	(0.1)	–	–
Changes to financial assumptions	1.6	(3.8)	(0.1)	(1.2)
Closing balance	(48.5)	(49.8)	(12.8)	(13.8)

Changes in scheme assets

Opening balance	38.2	35.0	–	–
Interest on assets	1.4	1.6	–	–
Employer contributions	1.6	1.5	–	–
Benefits paid	(1.7)	(1.5)	–	–
Return on plan assets less interest	(1.3)	1.6	–	–
Closing balance	38.2	38.2	–	–
Actual return on scheme assets	0.1	3.2	–	–

Statement of comprehensive income (SOCl)

Return on plan assets less interest	(1.3)	1.6	–	–
Experience (loss)/gain on defined benefit obligation	–	(0.5)	0.1	(0.1)
Changes to demographic assumptions	–	(0.1)	–	–
Changes to financial assumptions	1.6	(3.8)	(0.1)	(1.2)
Remeasurements of defined benefit plans	0.3	(2.8)	–	(1.3)
Cumulative remeasurements of defined benefit plans	(19.9)	(20.2)	(5.5)	(5.5)

Expense recognised in the income statement

Current service cost	0.2	0.2	0.2	0.3
Operating costs	0.2	0.2	0.2	0.3
Net pension interest cost	0.4	0.4	0.2	0.3
Expense recognised in the income statement	0.6	0.6	0.4	0.6

Movements in the balance sheet liability

Net liability at start of year	11.6	9.7	13.8	13.4
Expense recognised in the income statement	0.6	0.6	0.4	0.6
Employer contributions	(1.6)	(1.5)	–	–
Benefits paid	–	–	(0.6)	(0.7)
Exchange differences	–	–	(0.8)	(0.8)
Remeasurements of defined benefit plans	(0.3)	2.8	–	1.3
Net liability at end of year	10.3	11.6	12.8	13.8

29 Retirement benefit liabilities continued

A reduction in the discount rate of 0.1% would increase the deficit in the schemes by £1.0m, whilst a reduction in the inflation assumption of 0.1%, including its impact on the revaluation in deferment and pension increases in payment, would decrease the deficit by £0.6m. An increase in the mortality rate by one year would increase the deficit in the schemes by £2.4m.

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:

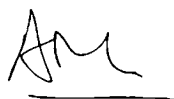
	2015 £m	2014 £m	2013 £m	2012 £m	2011 £m
Present value of defined benefit obligations	(61.3)	(63.6)	(58.1)	(52.6)	(49.9)
Fair value of scheme assets	38.2	38.2	35.0	34.4	32.2
Deficit in the schemes	(23.1)	(25.4)	(23.1)	(18.2)	(17.7)
Experience adjustments on scheme liabilities	1.6	(5.7)	(5.1)	(3.5)	1.0
Experience adjustments on scheme assets	(1.3)	1.6	(0.6)	0.7	0.1

Company balance sheet

As at 31 December 2015

	Note	2015 £m	2014 £m
Assets			
Tangible fixed assets		0.6	0.1
Investments	2	99.1	94.1
Other assets	3	6.5	3.5
Fixed assets		106.2	97.7
Amounts owed by subsidiary undertakings:			
– Amounts falling due within one year		126.3	1.1
– Amounts falling due after one year		297.0	447.5
Trade and other debtors	4	0.4	0.5
Cash and bank balances		2.1	2.2
Current assets		425.8	451.3
Trade and other creditors	5	(29.1)	(4.6)
Amounts owed to subsidiary undertakings		(0.3)	(0.2)
Provisions	6	–	(20.0)
Creditors: Amounts falling due within one year		(29.4)	(24.8)
Net current assets		396.4	426.5
Total assets less current liabilities		502.6	524.2
Bank and other loans			
		(136.7)	(138.9)
Amounts owed to subsidiary undertakings			
		(29.5)	(25.4)
Other creditors	7	(2.5)	(21.9)
Pension liabilities	9	(1.6)	(1.8)
Creditors: Amounts falling due after more than one year		(170.3)	(188.0)
Net assets		332.3	336.2
Capital and reserves			
Called up share capital		7.3	7.3
Share premium account		38.1	38.1
Capital redemption reserve		7.6	7.6
Other reserves		56.9	56.9
Profit and loss account		222.4	226.3
Shareholders' funds		332.3	336.2

These financial statements were approved by the Board of Directors and authorised for issue on 29 February 2016.
They were signed on its behalf by:



Alain Michaelis
Chief Executive Officer



James Hind
Finance Director

Company statement of changes in equity

For the year ended 31 December 2015

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Other reserve £m	Hedging reserve £m	Retained earnings £m	Total equity £m
At 1 January 2014	73	38.1	7.6	56.9	–	225.4	335.3
Profit for the period	–	–	–	–	–	16.6	16.6
Other comprehensive income	–	–	–	–	–	0.2	0.2
Cash flow hedge losses taken to equity	–	–	–	–	(6.1)	–	(6.1)
Cash flow hedge transfers to income statement	–	–	–	–	6.1	–	6.1
Remeasurement of defined benefit pension schemes	–	–	–	–	–	(0.4)	(0.4)
Total comprehensive income	–	–	–	–	–	16.4	16.4
Dividends	–	–	–	–	–	(17.4)	(17.4)
Share-based payments	–	–	–	–	–	1.9	1.9
At 1 January 2015	7.3	38.1	7.6	56.9	–	226.3	336.2
Profit for the period	–	–	–	–	–	12.1	12.1
Other comprehensive income	–	–	–	–	–	0.5	0.5
Cash flow hedge losses taken to equity	–	–	–	–	(4.2)	–	(4.2)
Cash flow hedge transfers to income statement	–	–	–	–	4.2	–	4.2
Total comprehensive income	–	–	–	–	–	12.6	12.6
Dividends	–	–	–	–	–	(18.3)	(18.3)
Share-based payments	–	–	–	–	–	1.8	1.8
At 31 December 2015	7.3	38.1	7.6	56.9	–	222.4	332.3

Details of the capital redemption reserve and the other reserve are included in note 24 of the consolidated financial statements.

Of the retained earnings, an amount of £100.8m attributable to profits arising on an intra-Group reorganisation is not distributable.

Notes to the Company financial statements

I Principal accounting policies

Basis of preparation

The separate financial statements of the Company are presented as required by the Companies Act 2006 ('the Act'). The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, in the year ended 31 December 2015 the Company has undergone transition from reporting under UK GAAP to FRS 101 as issued by the Financial Reporting Council.

On adoption of FRS 101, no significant impacts from any changes in accounting policies have been noted, and no transition adjustments were required on the prior year financial statements. Therefore the opening balance sheet on transition has not been presented. The balance sheet has been presented in accordance with the Act and the new FRS 101 format.

Except as noted below, the Company's accounting policies are consistent with those described in the consolidated financial statements of Keller Group plc. As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments, capital management, presentation of a cash flow statement, related party transactions and comparative information. Where required, equivalent disclosures are given in the consolidated financial statements. In addition, disclosures in relation to share capital (note 24) and dividends (note 11) have not been repeated here as there are no differences to those provided in the consolidated financial statements.

These financial statements have been prepared on the going concern basis and under the historical cost convention. The financial statements are presented in pounds sterling, which is the Company's functional currency, and unless otherwise stated have been rounded to the nearest £0.1m.

Profit of the parent company

The Company has taken advantage of section 408 of the Act and consequently the statement of comprehensive income (including the profit and loss account) of the parent company is not presented as part of these accounts. The profit of the parent company for the financial year amounted to £12.1m (2014: £16.6m).

Amounts owed by subsidiary undertakings

The Company holds inter-company loans with subsidiary undertakings with repayment dates being a mixture of repayable on demand or repayable on a fixed contractual date. These inter-company loans are disclosed on the face of the balance sheet. None are past due nor impaired. The carrying value of these loans approximates their fair value.

Investments

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

Audit fees

The Company has taken the exemption granted under SI 2008/489 not to disclose non-audit fees paid to its auditors.

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.

2 Investments

	2015 £m	2014 £m
Shares at cost		
At 1 January	94.1	127.8
Additions	5.0	–
Disposals	–	(0.2)
Amounts provided during the year	–	(33.5)
At 31 December	99.1	94.1

The amounts provided during 2014 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 investments are included in the disclosures in note 10.

3 Other assets

	2015 £m	2014 £m
Fair value of derivative financial instruments	6.5	3.5
	6.5	3.5

4 Trade and other debtors

	2015 £m	2014 £m
Other receivables	0.3	0.3
Prepayments	0.1	0.2
	0.4	0.5

5 Trade and other creditors

	2015 £m	2014 £m
Other creditors	4.1	3.5
Accruals	0.8	0.9
Fair value of derivative financial instruments	24.2	0.2
	29.1	4.6

6 Provisions

	Other provisions £m	Total £m
At 1 January 2015	20.0	20.0
Utilised	(20.0)	(20.0)
At 31 December 2015	-	-

Other provisions relate to the Company's commitments under the settlement of a contract dispute on a project completed in 2008. Further details are set out in note 7 to the consolidated financial statements.

7 Other creditors

	2015 £m	2014 £m
Other creditors	2.5	2.5
Fair value of derivative financial instruments	-	19.4
	2.5	21.9

8 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 2015, the Company's liability in respect of the guarantees against bank borrowings amounted to £107.2m (2014: £50.5m). In addition, standby letters of credit outstanding totalled £15.2m (2014: £13.0m). No amounts were paid or liabilities incurred relating to these guarantees during 2015 (2014: £nil).

In addition, as set out in note 10, the Company has provided a guarantee of certain subsidiaries' liabilities to take the exemption from having to prepare individual accounts under Section 394A and Section 394C of the Companies Act 2006 and exemption from having their financial statements audited under Sections 479A to 479C of the Companies Act 2006.

9 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 29 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 29 to the consolidated financial statements. The policy for determining the allocation of each participating company's pension liability is based on where each scheme member was employed.

There were no contributions outstanding in respect of the defined contribution schemes at 31 December 2015 (2014: £nil).

Details of the Company's share of the Keller Group defined benefit scheme are as follows:

	2015 £m	2014 £m
Present value of the scheme liabilities	(7.6)	(7.8)
Present value of assets	6.0	6.0
Deficit in the scheme	(1.6)	(1.8)

Notes to the Company financial statements continued

9 Pension liabilities continued

The assets of the scheme were as follows:

	2015 £m	2014 £m
Equities	3.6	3.6
Gilts	1.2	1.2
Bonds	1.2	1.2
	6.0	6.0
	2015 £m	2014 £m
Changes in scheme liabilities		
Opening balance	(7.8)	(7.3)
Interest cost	(0.3)	(0.3)
Benefits paid	0.3	0.2
Experience loss on defined benefit obligation	–	(0.1)
Changes to financial assumptions	0.2	(0.3)
Closing balance	(7.6)	(7.8)
Changes in scheme assets		
Opening balance	6.0	5.7
Interest on assets	0.2	0.3
Employer contributions	0.3	0.2
Benefits paid	(0.3)	(0.2)
Return on plan assets less interest	(0.2)	–
Closing balance	6.0	6.0
Actual return on scheme assets	–	0.3
Statement of comprehensive income (SOCl)		
Return on plan assets less interest	(0.2)	–
Experience loss on defined benefit obligation	–	(0.1)
Changes to financial assumptions	0.2	(0.3)
Remeasurements of defined benefit plans	–	(0.4)
Cumulative remeasurements of defined benefit plans	(2.6)	(2.6)
Expense recognised in the income statement		
Operating costs	–	–
Net pension interest costs	0.1	–
Expense recognised in the income statement	0.1	–
Movements in the balance sheet liability		
Net liability at start of year	1.8	1.6
Expense recognised in the income statement	0.1	–
Employer contributions	(0.3)	(0.2)
Benefits paid	–	–
Remeasurements of defined benefit plans	–	0.4
Net liability at end of year	1.6	1.8

The contributions expected to be paid during 2016 are £0.3m.

The history of experience adjustments on scheme assets and liabilities is as follows:

	2015 £m	2014 £m	2013 £m	2012 £m	2011 £m
Present value of defined benefit obligations	(7.6)	(7.8)	(7.3)	(7.1)	(6.6)
Fair value of scheme assets	6.0	6.0	5.7	5.9	5.6
Deficit in the scheme	(1.6)	(1.8)	(1.6)	(1.2)	(1.0)
Experience adjustments on scheme liabilities	0.2	(0.4)	(0.2)	(0.5)	(0.4)
Experience adjustments on scheme assets	(0.2)	–	(0.4)	0.1	0.4

10 Group companies

In accordance with Section 409 of the Companies Act 2006, a full list of subsidiaries and joint ventures as at 31 December 2015 is disclosed below. Unless otherwise stated, each of the subsidiary undertakings is wholly owned through ordinary shares by intermediate subsidiary undertakings.

All of the subsidiary undertakings are included within the consolidated financial statements.

All trading companies are engaged in the principal activities of the Group, as defined in the Director's report.

Subsidiary undertaking	Country of incorporation	Subsidiary undertaking	Country of incorporation
Keller Fondations Spéciales Spa ¹	Algeria	Esorfranki DRC S.P.R.L. ⁴	Democratic Republic of Congo
Austral Construction Pty Limited	Australia		
Austral Group Holdings Pty Limited	Australia	Keller Funderingsteknik Danmark ApS	Denmark
Austral Investors Pty Limited	Australia	Geotechnical Engineering Contractors Ltd. ⁵	Egypt
Austral Plant Services Pty Limited	Australia	Construction Requirement Company Limited	Egypt
Franki Pacific Holdings Pty Limited	Australia	Keller Egypt LLC	Egypt
Frankipile Australia Pty Limited	Australia	KFS Finland Oy ⁶	Finland
Keller National Plant Pty Limited	Australia	Keller Fondations Spéciales SAS	France
Keller Foundations Pty Limited	Australia	GeTec Ingenieurgesellschaft für Informations- und Planungstechnologie mbH	Germany
Keller Australia Pty Limited ²	Australia	Keller Grundbau GmbH	Germany
Keller Ground Engineering Pty Limited	Australia	Keller Holding GmbH	Germany
Pile Test International Pty Limited	Australia	KGS Keller Geräte & Service GmbH	Germany
Piling Contractors Pty Limited	Australia	Wannenwetsch GmbH Hochdruckwassertechnik	Germany
Vibro-Pile (Aust.) Pty Limited	Australia	Frankipile Ghana Limited	Ghana
Waterway Constructions (Vic) Pty Limited	Australia	Keller Hellas S.A.	Greece
Waterway Constructions Group Pty Limited	Australia	Hayward Baker Cimentaciones Sociedad Anonima	Guatemala
Waterway Constructions Pty Limited	Australia	Keller Grundbau Mélyépitő Kft.	Hungary
Keller Grundbau Ges.mbH	Austria	Keller Ground Engineering India Private Limited	India
Frankipile Botswana (Pty) Ltd	Botswana	P.T. Frankipile Indonesia ⁷	Indonesia
Keller Engenharia Geotécnia Ltda.	Brazil	Capital Insurance Limited ⁵	Isle of Man
Cyntech Construction Ltd.	Canada	Keller Fondazioni S.r.l.	Italy
Geo-Foundations Contractors Inc. ³	Canada	Keller West Africa SA	Ivory Coast
Hayward Baker Canada Ltd.	Canada	Keller Central Asia Too	Kazakhstan
Keller Canada Holdings Ltd.	Canada	Vremya LLP	Kazakhstan
Keller Canada Services Ltd.	Canada	Frankipile Lesotho (Pty) Ltd	Lesotho
Keller Foundations Ltd.	Canada	Keller (M) Sdn Bhd	Malaysia
North American Foundation Engineering Inc.	Canada	Ansah Asia Sdn Bhd	Malaysia
Keller Cimentaciones Chile, SpA	Chile	Resource Piling (M) Sdn Bhd	Malaysia
Keller Speciálne zakladani spol s.r.o.	Czech Rep.	Frankipile (Mauritius) International Limited	Mauritius

Notes to the Company financial statements continued

10 Group companies continued

Subsidiary undertaking	Country of incorporation	Subsidiary undertaking	Country of incorporation
Frankipile International Projects Ltd	Mauritius	Accrete Limited	UK
Keller Cimentaciones de Latinoamerica SA de CV Mexico	Mexico	Bobian Limited ⁵	UK
Terratest-Keller J.V. SAPI de CV ⁸	Mexico	Fondedile Foundations (UK) Limited	UK
Keller Fondations Spéciales SAS Succursale Maroc	Morocco	Intermesh Limited	UK
Frankipile Moçambique Limitada	Mozambique	Keller Angola Limited	UK
Frankipile Namibia (Pty) Ltd	Namibia	Keller Angola Properties Limited	UK
Keller Funderingstechnieken B.V.	Netherlands	Keller EMEA Limited	UK
Keller New Zealand Limited	New Zealand	Keller Finance Australia Limited	UK
Piling Contractors New Zealand Limited	New Zealand	Keller Finance Limited	UK
Keller Ground Engineering LLC ⁹	Oman	Keller Colcrete Limited	UK
Keller Cimentaciones, S.A.	Panama	Keller Financing	UK
Keller Cimentaciones, S.A.C	Peru	Keller Holdings Limited ⁵	UK
Keller Polska Sp. z.o.o.	Poland	Keller Limited ⁵	UK
Keller Terra Portugal Sociedade Unipessoal, Lda.	Portugal	Keller Resources Limited	UK
Keller Qatar L.L.C. ¹⁰	Qatar	Makers Holdings Limited ⁵	UK
Keller Geotehnica Srl	Romania	Makers Management Services Limited ⁵	UK
Keller Russia LLC	Russia	Makers Services Limited	UK
Keller Turki Company Ltd. ¹¹	Saudi Arabia	Makers UK Limited	UK
Frankipile Mauritius International (Seychelles) Limited	Seychelles	Phi Group Limited ⁵	UK
Keller Asia Holdings Limited	Singapore	Systems Geotechnique Limited	UK
Keller Foundations (SE Asia) Pte Limited	Singapore	Keller Ukraine LLC	Ukraine
Resource Piling PTE Limited	Singapore	Anderson Drilling Inc.	US
Keller Speciálne zakladanie spol. s.r.o.	Slovakia	Anderson Manufacturing, Inc.	US
Franki Geotechnical (Pty) Ltd ¹²	South Africa	Bencor Global Inc.	US
Keller Cimentaciones S.L.U.	Spain	Case Atlantic Company	US
Nesur Tecnologica Servicios S.A.	Spain	Case Foundation Company	US
Frankipile Swaziland (Pty) Ltd	Swaziland	Cyntech US Inc.	US
Keller Grundlaggning AB	Sweden	EB Construction Company	US
Keller-MTS AG	Switzerland	EB Keller Holding Company	US
Keller Zemin Mühendisligi Ltd. Sti.	Turkey	Geochemical Corporation	US
Accrete Industrial Flooring Limited	UK	Hayward Baker, Inc.	US

10 Group companies continued

Subsidiary undertaking	Country of incorporation
HB Puerto Rico, L. P.	US
HJ Foundation Company	US
HJ Keller Holding Company	US
Keller Environmental Inc.	US
Keller Foundations, LLC	US
Keller Holdings, Inc.	US
McKinney Drilling Company, LLC	US
McKinney Woodstock, Inc.	US
Seaboard Foundations, Inc.	US
Suncoast Post-Tension, Ltd.	US
The Concrete Doctor, Inc.	US
Keller Foundations Vietnam Company Limited	Vietnam

Keller Group plc has guaranteed the liabilities of the following subsidiaries in order that they qualify for the exemption from having to prepare individual accounts under Section 394A and Section 394C of the Companies Act 2006 in respect of the year ended 31 December 2015:

Company	Registered number
Keller Financing	04592933
Keller EMEA Ltd	02427060
Keller Angola Limited	09267942
Keller Angola Properties Limited	09267936

Keller Group plc has guaranteed the liabilities of the following subsidiaries in order that they qualify for the exemption from audit under Sections 479A to 479C of the Companies Act 2006 in respect of the year ended 31 December 2015:

Company	Registered number
Keller Holdings Limited	02499601
Keller Resources Limited	04592974
Keller Finance Australia Limited	06768174
Keller Finance Limited	02922459

¹ 51% owned by Keller Fondations Speciales SAS and other Keller companies.

² Ownership consists of 15% Ordinary A shares, 10% Ordinary B shares and 75% Ordinary C shares.

³ Ownership consists of 52% Ordinary A shares, 38% Ordinary B shares and 10% Ordinary C shares.

⁴ 99% owned by Frankipile International Projects Limited.

⁵ Owned directly by the Company.

⁶ Joint venture 50% owned by Keller Grundlaggnig AB, based in Tuusula, Finland. The company is managed jointly by an equal number of directors from each of the two shareholder companies.

⁷ 67% owned by Keller Foundations SE Asia Pte Limited.

⁸ Joint venture 50% owned by Keller Cimentaciones de Latinoamerica SA de CV Mexico, based in Mexico DF. No longer trading and due to be dissolved in 2016.

⁹ 70% owned by Keller Holdings Limited.

¹⁰ 49% owned by Keller Holdings Limited.

¹¹ 65% owned by Keller Grundbau GmbH.

¹² 75.1% owned by Keller Holdings Limited.

Financial record

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Consolidated income statement										
Continuing operations										
Revenue	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	1,562.4
EBITDA ¹	104.9	125.8	144.3	113.2	85.0	71.4	91.9	124.2	141.9	155.5
Operating profit ¹	89.3	107.4	119.4	77.3	43.3	28.9	48.3	77.8	92.0	103.4
Net finance costs ¹	(5.6)	(4.2)	(6.2)	(2.6)	(3.7)	(7.0)	(4.8)	(3.7)	(6.9)	(7.7)
Profit before taxation ¹	83.7	103.2	113.2	74.7	39.6	21.9	43.5	74.1	85.1	95.7
Taxation ¹	(30.7)	(35.9)	(35.9)	(22.6)	(11.0)	(5.5)	(13.5)	(23.8)	(29.7)	(33.0)
Profit for the period before exceptional items	53.0	67.3	77.3	52.1	28.6	16.4	30.0	50.3	55.4	62.7
Exceptional items ²	3.8	–	–	–	(17.1)	–	–	(20.2)	(56.6)	(36.4)
Profit/(loss) for the period	56.8	67.3	77.3	52.1	11.5	16.4	30.0	30.1	(1.2)	26.3
Consolidated balance sheet										
Working capital	54.8	55.7	92.2	85.0	106.7	119.8	97.6	124.1	104.1	97.1
Property, plant and equipment	114.6	155.8	254.7	264.4	275.0	266.1	248.5	281.9	295.6	331.8
Intangible and other non-current assets	66.3	94.5	124.3	131.8	122.9	116.4	112.1	202.8	203.4	183.0
Net debt	(38.6)	(54.5)	(84.6)	(78.8)	(94.0)	(102.5)	(51.2)	(143.7)	(102.2)	(183.0)
Other net assets/liabilities	(38.0)	(40.0)	(84.0)	(79.1)	(79.8)	(73.0)	(71.3)	(92.5)	(154.6)	(94.9)
Net assets	159.1	211.5	302.6	323.3	330.8	326.8	335.7	372.6	346.3	334.0
Key performance indicators										
Basic earnings per share from continuing operations (pence) ¹	79.0	97.6	111.1	78.8	44.0	24.8	45.9	73.0	75.3	86.4
Dividend per share (pence)	15.6	18.0	20.7	21.8	22.8	22.8	22.8	24.0	25.2	27.1
Operating margin ¹	10.4%	11.2%	10.0%	7.4%	4.1%	2.5%	3.7%	5.4%	5.8%	6.6%
Return on capital employed ^{1,3}	46.6%	44.6%	36.2%	19.3%	10.2%	6.6%	11.6%	16.7%	18.3%	20.5%
Net debt: EBITDA ¹	0.4x	0.4x	0.6x	0.7x	1.1x	1.4x	0.6x	1.2x	0.7x	1.2x

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 capital employed. 'Capital employed' is net assets before non-controlling interests plus net debt and net defined benefit pension liabilities.

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