



Global strength
and local focus.

Annual Report and Accounts 2016

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Business model

How our business delivers value
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Our business model is evolving to realise our vision and drive our new strategy, using our key resources and relationships to make it work:

- Our people
- Our technology
- Our market focus
- Our financial strength

Financial Highlights

	Underlying		Statutory	
	2016	2015	2016	2015
Group operating margin (%)	5.4	6.6	4.8	4.1
Cash generated from operations (£m)	135.7	142.3	140.6	114.8
Operating profit (£m)	95.3	103.4	85.2	64.7
Earnings per share (pence)	75.9	86.4	65.7	35.5
Return on capital employed (%)	15.3	20.5	13.1	12.9

Our five strategic levers

How we will achieve our vision
P.20

- 1 Growth**
Growing our product range and entering new markets, organically and by acquisition
- 2 Customers**
Building strong, customer-focused local businesses
- 3 Scale**
Leveraging the scale and expertise of the group
- 4 Engineering and Operations**
Enhancing our engineering and operational capabilities
- 5 People**
Investing in our people

KPIs

How we monitor our success
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- Ensuring good health and well-being
- Delivering quality education
- Providing working opportunities and economic growth locally
- Achieving gender equality
- Protecting the land we operate on
- Understanding our carbon contribution to climate change

Financial highlights

Group revenue up year-on-year by

14%

Underlying group operating margin down to

5.4%

Cash generated from operations before non-underlying items down to

£135.7m

Total dividend increased to

28.5p per share

Revenue

£1,780.0m

2015: £1,562.4m

Underlying operating profit

£95.3m

2015: £103.4m

Underlying earnings per share

75.9p

2015: 86.4p

Return on capital employed before non-underlying items

15.3%

2015: 20.5%

The Annual Report and Accounts includes references to 'constant currency' and 'underlying' measures. The use of these measures is explained in the Finance Director's review on page 16 and further defined and reconciled to the statutory IFRS measures in the adjusted performance measures section on page 125.

About Keller

Every day, people around the world live, work and play on ground prepared by Keller.

We are the world's largest geotechnical solutions specialist. By connecting global resources and local knowledge, we tackle the toughest engineering challenges in over 40 countries.

We have the people, expertise, experience and financial stability to respond quickly, see the job through and get it done safely.

Global strength and local focus.

Our divisions

North America

With a North America presence of over 60 years, Keller operates as the market leader with over 50 offices throughout the US and Canada.

Hayward Baker offers extensive geotechnical products and solutions across the continent. In the US, Case, McKinney and HJ are heavy foundation specialists and Suncoast provides post-tension cable systems. Keller Canada offers micro-piling, ground anchors and grouting services and a broad range of piling solutions.

EMEA

Established by Johann Keller in Germany in 1860, the heart of Keller's historical engineering capability lies in our EMEA Division, which offers our full range of geotechnical products and solutions.

EMEA now operates across 30 countries, notably in Germany, France, Poland, Austria and the UK in Europe, United Arab Emirates and Saudi Arabia in the Middle East, in South Africa and certain parts of sub-Saharan Africa, and in Brazil.

Asia-Pacific

Keller has been operating in Asia-Pacific (APAC) for over 30 years. It is the market leader in Australia, and is well-established in ASEAN and India.

APAC offers ground improvement and heavy foundation products and solutions. Austral and Waterway operate in Australia specialising in near shore marine piling and construction, a technology recently expanded to India.

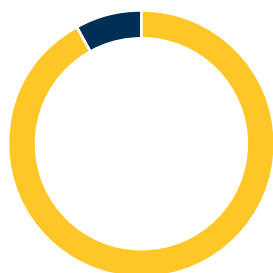
Revenue (€m)	+11.9%
€952.9m	

Operating profit* (€m)	+13.7%
€86.9m	

* Before non-underlying items.

Revenue by region (%)

US	92
Canada	8



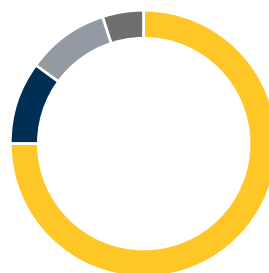
Revenue (€m)	+25.2%
€552.6m	

Operating profit* (€m)	+41.8%
€30.2m	

* Before non-underlying items.

Revenue by region (%)

Europe	75
Africa	10
Middle East	10
Other	5



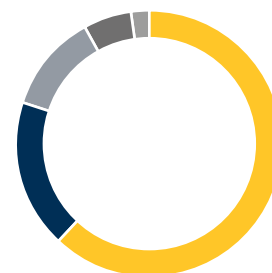
Revenue (€m)	+1.8%
€274.5m	

Operating profit* (€m)	-253.8%
€(18.0)m	

* Before non-underlying items.

Revenue by region (%)

Australia	62
Malaysia	18
Singapore	12
India	6
Other	2



Products

Keller is renowned for providing technically advanced and cost effective solutions often involving a variety of techniques.

By engaging with our customers from the earliest stage of a project, we can apply our engineering expertise to find new and better ways of getting the job done. Our ability to design optimised solutions that reduce content and cost for our clients are what set us apart and represent half of our work.

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.

Grouting

Grouting strengthens target areas in the ground and controls groundwater flow through rocks and soils by reducing their permeability. It is applicable both to new construction projects and to repair and maintenance work.

Heavy foundations

Heavy foundations are required whenever weak soils have little capacity to resist an existing load or a change in existing load. They involve the construction of structural elements to transfer loads down to stronger underlying soils or rock.

Keller offer heavy foundation solutions including bored, CFA, driven piling, marine and near shore structures, together with underpin solutions using micropiles and push piers.

Earth retention

Earth retention systems are used to solve a wide range of geotechnical solutions from slope stabilisation to excavation support.

Keller have a proven track record in the design and construction of complex retaining systems and stabilisation solutions using a single or a combination of geotechnical products such as secant walls, diaphragm walls, soil mixed walls, jet grouting, ground anchors and soil nails.

Post-tension systems

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.

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.

Approximate split of products

Heavy foundations	45%
Ground improvement	20%
Earth retention	14%
Grouting	10%
Post-tension systems	10%
Instrumentation and monitoring	1%

Chairman's statement



"The Board has decided to recommend a final dividend of 19.25p per share, this brings the total dividend per share for the year to 28.5p, an increase of 5% for the year."

Peter Hill CBE
Chairman

Group overview

Financial results

Group revenue for the year was £1,780.0m, up 14% on 2015. Constant currency revenue was up 3%, primarily as a result of strong growth in EMEA more than offsetting lower revenues from the APAC region. Constant currency revenue in North America was flat year-on-year.

Underlying operating profit was £95.3m, a reduction of 8% on the £103.4m generated in 2015. On a constant currency basis underlying operating profit was down 18%. The group underlying operating margin decreased from 6.6% to 5.4%. The reduction in profitability is attributable to the £18.0m loss reported by the APAC Division as a result of the very difficult conditions in Singapore and Australia which continued through the second half. The constant currency operating profit in North America was up 2% year-on-year, whilst EMEA's was up 30%.

After taking account of £9.7m of amortisation of acquired intangible assets and other non-underlying items, totalling a net £0.4m expense, the statutory operating profit was £85.2m (2015: £64.7m). The 2015 statutory operating profit was impacted by a £31.2m exceptional impairment of goodwill relating to Keller Canada.

On an underlying basis, after net finance costs of £10.2m (2015: £7.7m), the profit before tax was £85.1m, down 11% on the previous year's £95.7m. The effective tax rate on underlying profit before tax increased from 34.5% in 2015 to 35.0% in 2016. Underlying earnings per share were 75.9p (2015: 86.4p).

The statutory profit before tax was up 31% at £73.9m (2015: £56.3m). After the statutory tax charge of £25.9m (2015: £30.0m), statutory profit after tax was £48.0m (2015: £26.3m) and statutory earnings per share were 65.7p, compared with 35.5p in 2015.

Net debt at the year-end was £305.6m (2015: £183.0m), representing 1.9x underlying EBITDA. The financial position of the group remains strong with undrawn borrowing facilities totalling £149m. The group continues to operate well within all of its financial covenants.

Cash generated from operations before non-underlying items was £135.7m, which represents 86% of EBITDA. The group's continued focus on cash management across its business has resulted in another good cash performance.

Dividends

The Board has decided to recommend a final dividend of 19.25p per share (2015: 18.3p per share), to be paid on 9 June 2017 to shareholders on the register as at the close of business on 19 May 2017. Together with the interim dividend paid of 9.25p, this brings the total dividend per share for the year to 28.5p (2015: 27.1p), an increase of 5% for the year. Dividend cover, before non-underlying items, for the full year was 2.7x (2015: 3.2x).

Looking ahead, Ruth Cairnie, Non-executive Director and Chairman of the Remuneration Committee, has indicated to me her intention to retire from the Board at the conclusion of the Annual General Meeting in May 2017. Ruth will have been on the Board for seven years.

As part of our Board succession planning process, we commenced a selection process for an additional Non-executive Director to join the Board last year, and I am pleased to announce that Eva Lindqvist will join us with effect from 1 June 2017 as an independent Non-executive Director. Eva is a Swedish national, and brings a broad, very international management skillset in the industrial and service sectors to the Board. Eva is a Non-executive Director, and Chairman of the Remuneration Committee, at Bodycote plc.

Board

Roy Franklin announced his intention to retire as Chairman and from the Board in February 2016. Paul Withers, Senior Independent Director, led the selection process for the new Chairman and, consequently, I joined the Board as Non-executive Director and Chairman Designate with effect from the close of the Company's Annual General Meeting on 24 May 2016. Roy Franklin retired as Chairman and from the Board after its meeting on 2 July 2016 when I became Chairman of the Board. I also replaced Roy as Chairman of the Nomination Committee at that date.

In December 2016, we announced that Dr Wolfgang Sondermann was to stand down from the Board and as an Executive Director and Engineering and Operations Director of the Company with effect from the end of the year. Dr Venu Raju, who was appointed Engineering and Operations Director (Designate) at the beginning of 2016 was appointed an Executive Director from 1 January 2017.

Employees

Over 10,000 employees have contributed to the group's performance during 2016. On behalf of the Directors, I would like to thank them for their hard work and efforts.

Outlook

Conditions in the group's major markets are not expected to change materially in 2017. The US construction market is forecast to continue to grow steadily. Keller's strong US market share and large project track record means we are very well placed to benefit from any acceleration of infrastructure spending, although we believe this will likely be an opportunity for 2018 and beyond. Our main European markets should generally continue to be relatively solid, although we may see a slowdown in the UK. Elsewhere, the group's markets are expected to remain challenging and, while we expect to see a material improvement in APAC's results during 2017, we do not expect to see a return of profitability until 2018.

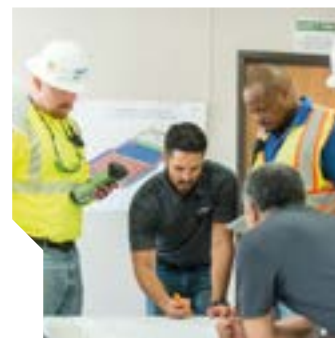
On a positive note, the group begins 2017 with a record order book, with work to be undertaken over the next 12 months 20% above last year on a constant currency basis. Also encouragingly, the order book includes some major projects in some of the most challenging markets; Australia, the Middle East, South Africa and Canada.

We are also beginning to see tangible results from a number of the strategic initiatives launched in the last year; product capabilities are being transferred faster, Global Product teams are positively impacting contract performance and real benefits are coming from improved procurement. As a result, the Board is confident in the group's prospects for 2017.

Peter Hill CBE

Chairman

27 February 2017



Building a smarter business



"The group continues to implement our strategic initiatives which we are confident will realise gross benefits of £50m by 2020, around half of which is expected to be reflected as improved profitability."

Alain Michaelis
Chief Executive Officer

Keller remains at the forefront of the geotechnical industry, offering industry-leading capability in ground improvement and a full range of foundations solutions. In 2016 we managed some 6,000 projects around the world, far in excess of any competitor. This demonstration of our customers' ongoing trust in us is something we are proud of, but something we never take for granted. We have continued to make good progress in strengthening the group and ensuring a successful future for all our stakeholders.

Strategic progress

Keller's vision is to be the world leader in geotechnical solutions. We will achieve this through five strategic levers:

- Growing our product range and entering new markets, organically and by acquisition
- Building strong, customer-focused businesses
- Leveraging the scale and expertise of the group
- Enhancing our engineering and operational capabilities
- Investing in our people

Towards the end of 2015, the group adopted a revised organisational model to enhance and accelerate efforts to progress all the strategic levers. The model was designed to make the group better connected, to improve functional capability and to facilitate both the leveraging of the group's scale and the sharing of knowledge and best practice.

Since then, we have launched a number of strategic initiatives across all the five levers, many of which are beginning to deliver real benefits. Based on our assessment of the opportunities and progress to date, the group is confident that these initiatives will realise gross benefits of £50m by 2020, around half of which is expected to be reflected as improved profitability.

Growth

The long term drivers of market growth remain robust. Our order book is at an all-time high and we've had some major contract wins including work in the Caspian Region, Zayed City in Abu Dhabi's Capital District, the East Port Said Development Complex and Clairwood Logistics Park in South Africa. We remain well placed to take advantage of any acceleration of public infrastructure spending in the developed world, a subject of much discussion in recent months. We made good progress on technology transfer, particularly in expanding our diaphragm wall capability following the acquisition of Bencor in 2015. While a relatively quiet year on the acquisitions front, we remain an active consolidator in a fragmented market.

Strong business units

All our business units continue to strengthen capability. We have consolidated sub scale units, expanded product offerings in a number of areas, and continue to invest in leadership, inter-company benchmarking and sharing of knowledge across the group. We revamped our organisational framework in late 2015, and 2016 has been a good year of implementing the changes. We have made significant cost reductions in business units in struggling markets, but have been careful to maintain base capabilities so that we are well positioned for market recovery.

Leverage of group and divisional scale

Our group and divisional scale provide a broad landscape of opportunity for Keller and are a lever for significant competitive advantage. We have reinforced our capabilities through stronger functional leadership in domains such as strategy, communication, procurement and quality. Some of the highlights were evolving our corporate identity to present a common customer look and feel for the Company brands, executing some valuable divisional procurement contracts and launching our group intranet. We are a much better connected company than a year ago.



Chief Executive Officer's review

continued



"We are a much better connected company than a year ago."

Engineering and operations

Designing and executing projects remain at the core of Keller. The design of solutions that optimise all the relevant project parameters account for more than 50% of our revenue base. We have a fleet of over a thousand rigs around the world which is part of our industry leading capability and we continue to invest in our in-house manufacture of rigs and tooling where this gives us competitive advantage in specific product ranges. Our newly formed global product teams are having a positive impact and we have continued our quality journey with the introduction of new lean tools – 5S and Total Productive Maintenance.

People

Our proven track record of successful projects would not be possible without the passion, commitment and enthusiasm of the 10,000 people who work for Keller worldwide. I would also like to thank them for their continued efforts.

We launched a broader and more comprehensive Code of Business Conduct and intensified our commitment to sustainable development. We continued to make progress on safety with another year of declining rates of incident. With our lost time injury rate of 0.34 per 100,000 hours worked, Keller is significantly better than both the UK Construction sector at 0.86 and the US Bureau of Labor at 0.75.

However, we still have too many serious and preventable incidents, and sadly saw two fatalities in 2016, so this will remain a constant focus for the years ahead.

Engineering and Operations is at our core: Dr Venu Raju replaced Dr Wolfgang Sondermann as Engineering and Operations Director on 1 January 2017, following Wolfgang's retirement from the Board and the Executive Committee. I'd like to take this opportunity to thank Wolfgang for his huge contribution to both Keller and the wider geotechnical industry.

Summary

Keller has had a mixed year, with disappointing financial results in our most challenging markets, notably Asia and Australia, overshadowing continued good progress in the US and Europe. However, we have continued to strengthen our industry position in terms of geographic reach, product range, and project scale.

Despite the ongoing challenges in APAC, cost reduction measures already implemented and the group record order book of more than £1bn gives us confidence for 2017. We also remain ideally placed to help respond to any increase in infrastructure spending in the US and beyond.

Alain Michaelis
Chief Executive Officer

27 February 2017





North America

Taken as a whole, constant currency revenue was flat in North America with underlying constant currency operating profit up 2%. The profit improvement reflects a 4% increase in the US, which represents over 90% of North American revenue, offset by a deterioration in the Canadian result. Canada recorded a small loss in 2016 compared to a small profit in 2015.

US

The US business had a strong year, helped by a steadily growing construction market. Total construction spend in the US in 2016 was up 4% on 2015, driven by private construction which grew by 6%. Public expenditure on construction marginally declined.

Keller's US revenue was flat year-on-year, reflecting lower revenue from large jobs in 2016. However, the operating margin increased by 0.4 percentage points as a result of good contract performance and better overall market conditions.

Our largest North American business, Hayward Baker, increased profits despite fewer major contracts, 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.

Suncoast, the group's post-tension business which mainly serves the residential construction market, had an outstanding year, benefiting from the continued increase in housing starts where it operates, particularly in its home state of Texas. Suncoast installed new, more automated cut-lines in its two largest facilities in the second half. While these are still relatively new, early signs are that they will lead to significant productivity improvements.

These excellent performances were offset by reduced profits in the US piling companies. Case and HJ Foundation, who both reported record results in 2015, returned to more normal levels of profitability due to fewer large jobs and increased competition in their home cities of Chicago and Miami. McKinney had a number of poorly performing projects. In response, we altered the McKinney organisation to introduce a more centralised management and organisational model.

Bencor, the diaphragm wall company acquired in August 2015, continues to perform well, with its \$135m project to repair and upgrade the East Branch Dam in Pennsylvania progressing to plan.

Canada

Canada continues to be a very tough market, especially in the west. Keller Canada continued to struggle and recorded a small loss for the year. The business has undertaken further cost reduction measures, reducing overheads, streamlining the equipment fleet and closing an office. Annualised costs have now been reduced by a total of C\$8m and we continue to look at opportunities to consolidate further and improve performance.

The Canadian result was also adversely impacted by the delay in the C\$43m project in Toronto in connection with the expansion of the city's metro system. This was originally scheduled to begin in April 2016, but is not now due to start until the spring of 2017.

Results summary

Revenue (£m)

£952.9m (+12%)

2016	952.9
2015	851.2

Underlying operating profit (£m)

£86.9m (+14%)

2016	86.9
2015	76.4

Underlying operating margin (%)

9.1%

2016	9.1
2015	9.0

KPIs

Return on net operating assets (%)*

2016	21.1
2015	21.6

Accident Frequency Rate

2016	0.12
2015	0.12

Staff turnover (%)

2016	6
2015	7

* Underlying operating profit 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.

Operating review

continued

Europe, Middle East and Africa (EMEA)

In EMEA, constant currency revenue increased by 16% and underlying constant currency operating profit increased by 30%. As a result, the underlying operating margin improved from 4.8% to 5.5%, the highest margin earned by the division since 2009. This much improved result reflects good performances from all of the most significant European businesses (the UK, Germany, Poland and Austria) and, in particular, excellent project execution at our large project in the Caspian region.

Europe

Our businesses in central Europe performed well, helped by slowly improving markets. Germany, Austria and Poland are the original heart of Keller's engineering excellence and all these countries' results continue to benefit from the introduction of new products and ongoing improvements to existing products and techniques. All are also leading the way in helping business units elsewhere in the world to expand their product ranges, offering significant expertise, resources and training.

The UK also had a good year in 2016, working on a wide variety of commercial and infrastructure projects. The business had fewer poorly performing projects than in recent years, following extensive work on tendering and execution disciplines. Whilst we have seen some market slowdown recently, much effort is currently being devoted to securing significant work on the major infrastructure projects coming up in the UK.

The major project in the Caspian region was the group's best performing contract during the year. We recently received notices to proceed for a further \$80m which will take the total project to around \$180m.

Middle East and Africa

The group had a difficult year in the Middle East and Africa. Revenue in the Middle East can be lumpy, being relatively dependent on large projects, and there were few such projects in the first half of the year. The result also suffered from a poorly executed project completed in the first half. The revenue run rate improved in the second half and should improve significantly in 2017 following the award of two major projects announced recently: the £45m East Port Said Development Complex in Egypt, and the £25m urban development project in Zayed City, Abu Dhabi.

Franki Africa had a very difficult year as the South African construction market contracted significantly as a result of the economic and political uncertainty in the country and many projects elsewhere in sub-Saharan Africa were delayed. However, cost reduction measures allowed the business to record a small profit. On a positive note, the Company recently started work on a £40m design and build contract for a foundation solution at the Clairwood Logistics Park development. This project is using a technique new to the South African market and has been introduced in conjunction with Keller experts from Europe.

Brazil

We announced the acquisition of Tecnogeo, one of Brazil's largest independent geotechnical companies, in the first quarter of 2016. Keller is now a top 3 player by market share and is well placed to benefit from the eventual market upturn. As expected, trading has been difficult in a depressed economy with political challenges. Keller's existing business is being integrated into Tecnogeo. Operations from our Rio location have been transferred to São Paulo and an existing Keller leader has recently been relocated to Brazil to manage the enlarged business.

Results summary

Revenue (€m)

£552.6m (+25%)

2016	552.6
2015	441.5

Underlying operating profit (€m)

£30.2m (+42%)

2016	30.2
2015	21.3

Underlying operating margin (%)

5.5%

2016	5.5
2015	4.8

KPIs

Return on net operating assets (%)*

2016	15.5
2015	14

Accident Frequency Rate

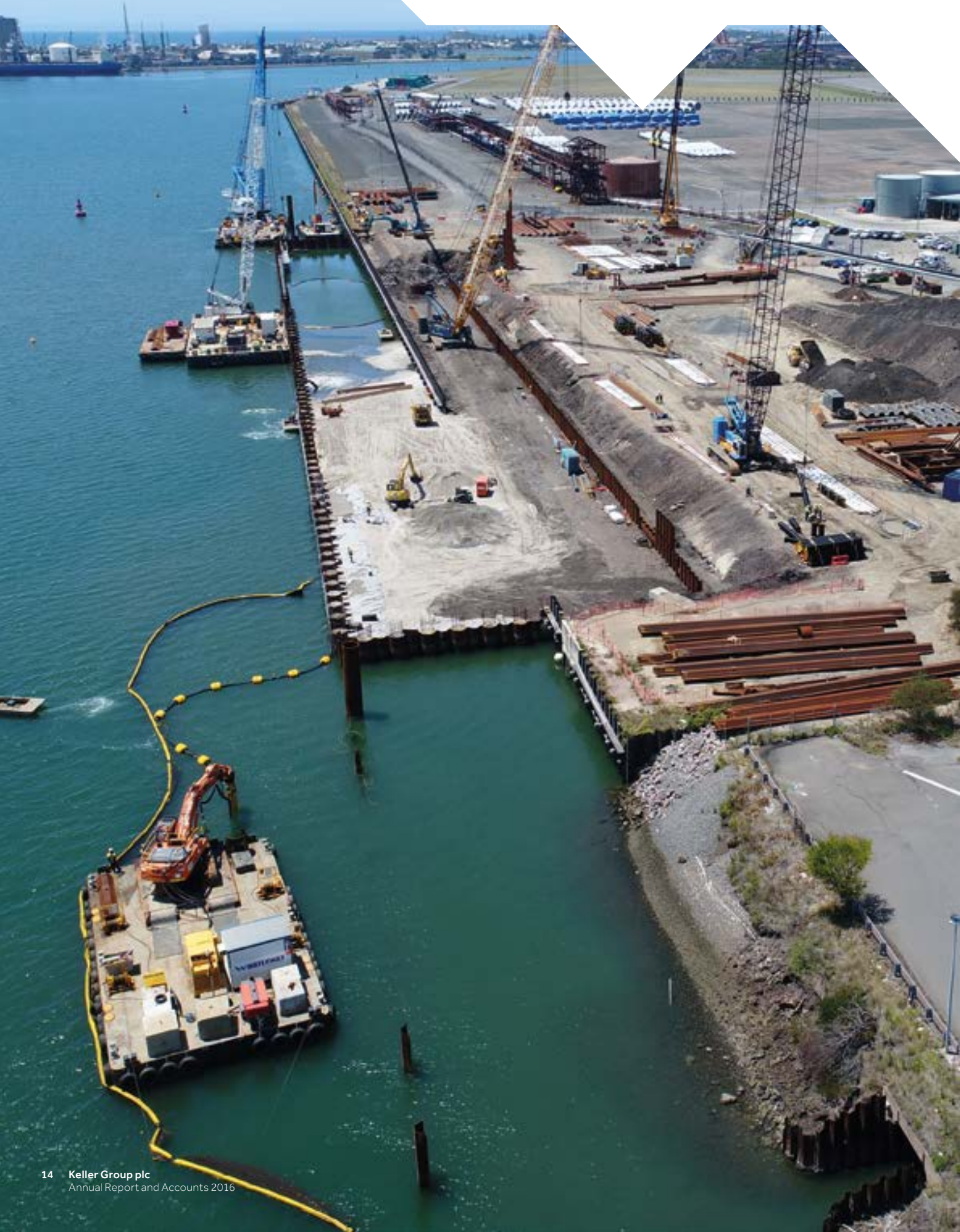
2016	0.48
2015	0.37

Staff turnover (%)

2016	5
2015	5

* Underlying operating profit 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.





Asia-Pacific (APAC)

In APAC, constant currency revenue was 8% down due to continuing very difficult market conditions, primarily faced by our Singapore and Australia businesses. The lower revenue reflects both a reduction in volumes and a very challenging pricing environment. For some of the group's more commoditised heavy foundation products, pricing levels were more than 20% down year-on-year in both Singapore and Australia.

The extremely difficult market conditions, together with a number of loss making contracts in the year, resulted in the APAC Division reporting an £18.0m underlying operating loss for the year. This compares to a profit of £11.7m in 2015, although much of that profit arose from the major, stand-alone Wheatstone project completed in that year. The 2016 loss was split broadly equally between Asia and Australia. In local currency, the second half loss was S\$4.2m (£2.4m at current exchange rates) less than that incurred in the first half. This improvement was less than expected as revenue growth was below forecast and the results of some key projects were adversely impacted by operational difficulties.

Significant restructuring has been undertaken in both Australia and ASEAN. Taken together, these measures have reduced the annualised cost base in the division by £12.0m, of which £3.3m benefited the 2016 result.

The merger of the Asia and Australia divisions was completed in the year. As anticipated, this has allowed capability in Asia to be upgraded, management costs in Australia to be reduced and increased collaboration across the businesses.

Australia

The group's geotechnical businesses in Australia had an extremely difficult year. Whilst revenue excluding Wheatstone was up 5% on a constant currency basis, contract margins were down about 4%, mainly due to the very competitive pricing environment. Proactive reorganisation has achieved significant cost savings; three piling companies were consolidated into one business unit at the end of 2015, achieving A\$7m of annualised overhead savings, whilst in 2016 the number of workshops in the country were reduced from ten to six and headcount was reduced by a further 10%.

While margins remain under pressure, there are some signs of more work being awarded recently, particularly in the infrastructure sector, and the business begins 2017 with an order book well above this time last year.

The group's near-shore marine businesses, Waterway and Austral, also had a tough year with both revenue and margins down on 2015. Austral suffered from the major miners cutting their maintenance spend, although there are signs that this is now recovering somewhat. The market for Waterway's more traditional near-shore work has become more competitive over the last year, reflecting conditions in the wider construction market.

Asia

The large loss in Asia was mainly due to the group's piling business in Singapore. A combination of intense competition and a downturn in the market has resulted in very substantial price reductions. As a result, all the major players are recording significant losses and downsizing their businesses.

Keller's piling business in Singapore was placed under new management early in 2016 and has been significantly restructured since. Headcount at the end of 2016 was less than half that at the beginning of the year and a large part of the equipment fleet has been either sold or relocated to Malaysia, where the market is much busier. Going forward, the business will be managed together with the group's existing heavy foundations business in Malaysia as a single business unit operating throughout the ASEAN region. The enlarged business will concentrate on winning multi-product, foundation solution projects, avoiding the more commoditised end of the market. It is positive that the group recently won a large station box project in Kuala Lumpur, using diaphragm wall technology for the first time in the region.

Our ground improvement business in Singapore and Malaysia has performed acceptably, although is not immune from new competition. It recorded a small profit in the year, helped by the successful large vibro-compaction contract at Changi airport.

In contrast to the rest of the region, Keller India continued to perform well in 2016. The business won its first ever diaphragm wall contract as part of the Lucknow metro project, assisted by Keller teams from Poland and Australia. It also recently won its first near-shore marine project, with support from Australia. Prospects in 2017 are encouraging.

Results summary

Revenue (£m)

£274.5m (+2%)

2016	274.5
2015	269.7

Underlying operating (loss)/profit (£m)

£(18.0m) (-254%)

2016	(18.0)
2015	11.7

Underlying operating margin (%)

(6.6)%

2016	(6.6)
2015	4.3

KPIs

Return on net operating assets (%)^{*}

2016	(12.0)
2015	10.9

Accident Frequency Rate

2016	0.34
2015	0.51

Staff turnover (%)

2016	15
2015	6

* Underlying operating profit 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.

Finance Director's review



"Group revenue for the year was £1,780.0m, up 14% on 2015."

James Hind
Finance Director

Statutory results

Revenue for the year was £1,780.0m, up 14% on 2015 (£1,562.4m). Statutory operating profit was £85.2m, an increase of 32% on the £64.7m generated in 2015, mainly due to the 2015 statutory operating profit being impacted by a £31.2m exceptional impairment of goodwill relating to Keller Canada. Statutory profit before tax was up 31% at £73.9m (2015: £56.3m). After the statutory tax charge of £25.9m (2015: £30.0m), statutory profit after tax was £48.0m (2015: £26.3m) and statutory earnings per share were 65.7p, up 85% on the 35.5p earned in 2015. These statutory results include the impact of foreign exchange movements, acquisitions and non-underlying items.

Adjusted performance measures

The group's results as reported under International Financial Reporting Standards (IFRS) and presented in the financial statements (the 'statutory results') are significantly impacted by movements in exchange rates relative to sterling, as well as by exceptional items and non-trading amounts relating to acquisitions.

As a result, adjusted performance measures have been used throughout the Annual Report and Accounts to describe the group's underlying performance. The Board and Executive Committee use these adjusted measures to assess the performance of the business because they consider them more representative of the underlying ongoing trading result and allow more meaningful comparison to prior year. Where not presented on the face of the consolidated income statement (page 88) or cash flow statement (page 91), the adjusted measures are defined and reconciled to the amounts reported under IFRS in the Adjusted performance measures section on page 125.

The constant currency basis ('constant currency') adjusts the comparative to exclude the impact of movements in exchange rates relative to sterling on the translation of the results of overseas operations. Retranslating at 2016 average exchange rates increases prior year revenue and underlying operating profit by £168.2m and £12.3m respectively.

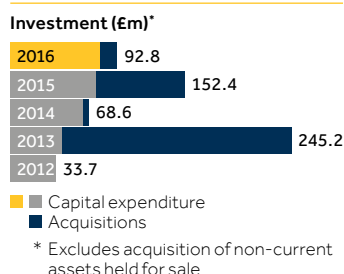
The term 'underlying' excludes the impact of exceptional items, amortisation of acquired intangible assets and other non-trading amounts relating to acquisitions (collectively 'non-underlying items'), net of any associated tax. Non-underlying items mainly comprise £9.7m amortisation of acquired intangible assets, £14.3m of exceptional restructuring costs and a £14.3m exceptional credit relating to a historic contract dispute on a project in Avonmouth, in the UK.

Underlying trading results¹

Group revenue for the year was £1,780.0m, up 14% on 2015. Constant currency revenue was up 3%, primarily as a result of strong growth in EMEA more than offsetting lower revenues from the APAC region. Constant currency revenue in North America was flat year-on-year. This significant difference between the headline and constant currency revenue growth mainly reflects the material weakening of sterling over the course of 2016, which impacted the reported results of all three divisions. The average US\$:£ rate in 2016 was 1.36, compared with 1.53 in 2015, a weakening of 11%.

EBITDA was £158.6m, compared to £155.5m in 2015, and underlying operating profit was £95.3m, a reduction of 8% on the £103.4m generated in 2015. On a constant currency basis underlying operating profit was down £20.4m, an 18% annual reduction. As a result, the group's underlying operating margin decreased from 6.6% to 5.4%. The reduction in profitability is attributable to the £18.0m loss reported by the APAC Division.

In North America, which represents over 50% of group revenue, operating profit increased by 14% from £76.4m in 2015 to £86.9m in 2016. On a constant currency basis, revenue was flat and operating profit increased by 2%. The operating margin was 9.1% (2015: 9.0%). In the US, a strong performance by Hayward Baker and Suncoast was offset by a return to more normal levels of profitability in Case and HJ, both of which generated record profits in 2015. Our business in Canada continues to experience very challenging market conditions and reported a small loss for the year.



In EMEA, reported revenue increased by 25% with constant currency revenue up 16%. Operating profit increased from £21.3m to £30.2m, a 42% increase (30% on a constant currency basis), achieving a 5.5% operating margin (2015: 4.8%). Whilst a number of markets remain challenging, the group's most significant European businesses (the UK, Germany, Poland and Austria) recorded strong growth and profitability in the year. The division also benefited from the large project in the Caspian region that continues to progress well.

In APAC, revenue was up 2% on a reported basis but constant currency revenue was down 8% due to the continuing very difficult market conditions faced by our Singapore and Australia businesses. The lower revenue reflects both a reduction in volumes and a much tighter pricing environment. As a result, the APAC Division reported a £18.0m loss for the year (2015: profit of £11.7m) with the loss split broadly equally between Asia and Australia.

Interest

Underlying net finance costs increased from £7.7m in 2015 to £10.2m in 2016. This increase is mainly attributable to interest payable on the group's higher average net borrowings during the year. The reasons for the increase in net debt are outlined in the cash flow and financing section below. Statutory net finance costs increased from £8.4m in 2015 to £11.3m in 2016.

Underlying operating profit

£95.3m

Non-underlying items

Non-underlying items before taxation totalled £11.2m in 2016. These comprise:

Amortisation

£9.7m of amortisation of acquired intangible assets (2015: £7.3m)

Exceptional restructuring charges

A £14.3m restructuring charge relating to asset write-downs, redundancy costs and other reorganisation charges in markets experiencing significantly depressed trading conditions (Singapore, Australia, Canada and South Africa). This includes a non-cash charge of £9.0m relating to the write-down of surplus equipment not being relocated to other parts of the group.

Exceptional contract dispute

A £14.3m credit as a part reversal of a £54.0m exceptional charge taken in 2014 for a contract dispute relating to a UK project completed in 2008. The project was in connection with the construction of a major warehouse and processing facility in Avonmouth, near Bristol. As noted at the time, the provision was expected to

be reduced by future insurance recoveries and the group's final liability for the dispute would also be dependent in part on the value of the property.

As previously announced, the group acquired the relevant property in May 2016 pursuant to the dispute settlement agreement for £62.0m with a view to marketing it to third parties. The marketing process continues and the group remains confident of recouping most, if not all, of the consideration on sale. The property is shown on the group year-end balance sheet as an asset held for sale at a value of £54.0m. This is based on a third party valuation and is £6.0m higher than the amount at which the property was included in the 30 June 2016 balance sheet.

Towards the end of 2016, the group received £7.5m of insurance proceeds in respect of this dispute. A further £5.9m was received in February 2017 which will be included in the 2017 results as an exceptional credit.

The group's 2016 results therefore include an exceptional credit relating to this dispute, comprising the insurance proceeds received in the year, the £6m valuation uplift and rental income from the property less operating costs.

Other non-trading items relating to acquisitions

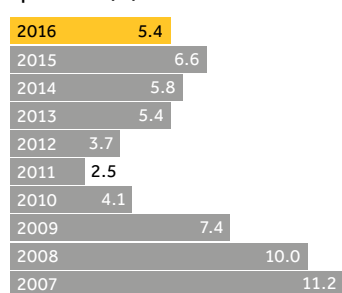
A net charge of £0.4m (2015: £0.2m) relating to changes in estimated contingent consideration payable in respect of recent acquisitions and acquisition costs.

Further details of non-underlying items are set out in note 7 of the Annual Report and Accounts.

Test	Covenant limit	Current position*
Net debt: EBITDA	< 3x	2.1x
EBITDA interest cover	> 4x	15.0x
Net worth	> £200m	£425.4m

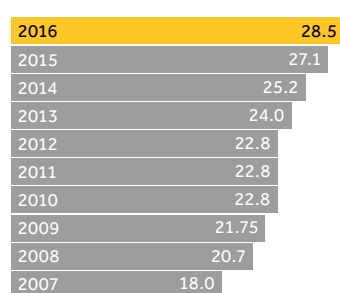
* Calculated in accordance with the covenant, with certain adjustments to net debt and net interest and EBITDA is underlying and annualised for acquisitions.

Operating margin from continuing operations (%)*

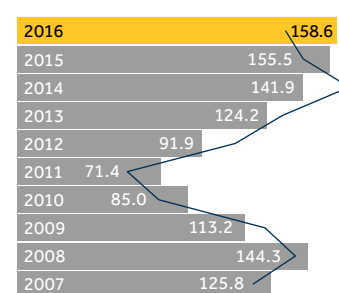


* Before non-underlying items.

Dividend per share (pence)



Cash flow history* - profits = cash



* From continuing operations and before non-underlying items.

■ EBITDA
— Group operating cash flow

Finance Director's review

continued

Tax

The group's underlying effective tax rate was 35.0%, a slight increase on the 2015 effective rate of 34.5%. The effective tax rate is high compared to the UK statutory rate because of the geographic mix of profits, with the majority of the group's 2015 underlying profit before tax being earned in the US, where the underlying combined federal and state corporate tax rates total nearly 40%.

A non-underlying tax credit of £3.9m has been recognised, representing the net tax impact of the 2016 non-underlying items.

Earnings and dividends

Underlying earnings per share (EPS) decreased by 12% to 75.9p (2015: 86.4p), in line with the reduction in the group's underlying profit after tax.

The Board has recommended a final dividend of 19.25p per share (2015: 18.3p per share), which brings the total dividend for the year to 28.5p (2015: 27.1p), an increase of 5% for the year. The 2016 dividend cover before underlying items was 2.7x (2015: 3.2x).

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 2016, underlying cash generated from operations was £135.7m, representing 86% (2015: 92%) of underlying EBITDA. 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 98% of EBITDA.

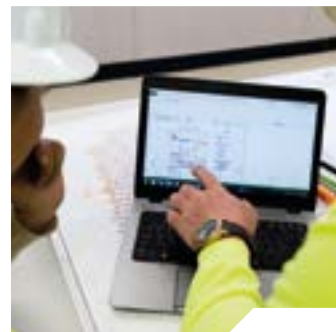
Net underlying capital expenditure, excluding the property acquisition referred to above, totalled £73.0m, compared to depreciation and amortisation of £63.3m. The group continues to invest in transferring technologies into new geographies and to upgrade the equipment fleet.

At 31 December 2016, net debt amounted to £305.6m (2015: £183.0m). The increase in net debt is explained as follows:

	£m
Net debt at	
1 January 2016	183.0
Free cash flow	(25.8)
Dividends	20.5
Foreign exchange movements	31.6
Exceptional items ³	57.1
Opening swap liability	24.6
Acquisitions	14.6
Net debt at	
31 December 2016	305.6

Based on net assets of £429.6m, year-end gearing was 71% (2015: 55%).

The group's term debt and committed facilities principally comprise \$165m of US private placements maturing between 2018 and 2024, a £250m multi-currency syndicated revolving credit facility expiring in September 2019, a \$45m revolving credit facility expiring in September 2019 and a £48m term loan expiring in May 2017, obtained for the purpose of acquiring the processing and warehousing facility. At the year end, the group had undrawn committed and uncommitted borrowing facilities totalling £149.0m.



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. The most critical is net debt to EBITDA and, at the year end the group's net debt to EBITDA ratio, calculated on a covenant basis, was 2.1x, well within the limit of 3.0x. The ratio will reduce by 0.4x should the Avonmouth property be sold.

Impact of Brexit

The UK referendum vote to leave the European Union is expected to lead to a period of prolonged economic and political uncertainty in the country. Whilst this is likely to impact our operations in the UK, Keller's UK business represents less than 4% of group revenue.

Since the Brexit vote, sterling has weakened considerably against most currencies. Virtually all Keller's earnings and most of its debt are in foreign currencies, primarily the US dollar. As a result, there has been a beneficial effect on Keller's 2016 profits when translated into sterling. Conversely, the weakening of sterling has increased the reported level of the group's net debt, adding over £30m to net debt since the end of 2015.





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 when the group's net debt to EBITDA is above 1.5 times, or where it might result in net debt exceeding 1.5x EBITDA, after taking account of other investment opportunities and the seasonality of cash flows.

Pensions

The group has defined benefit pension arrangements in the UK, Germany and Austria.

The group's UK defined benefit scheme has been closed for future benefit accrual since 2006. 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 2016 year-end IAS 19 valuation of the UK scheme showed assets of £43.4m, liabilities of £58.4m and a pre-tax deficit of £15.0m.

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 £16.4m at 31 December 2016. 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. A significant portion 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 2016, 90% 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 2016.

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

27 February 2017

- 1 Before pre-tax non-underlying items of £11.2m (2015: £39.4m). Details of the non-underlying items are set out in note 7 of the consolidated financial statements.
- 2 Before a £4.9m net cash inflow in 2016 relating to the 2014 exceptional contract provision.
- 3 £62.0m acquisition of non-current asset held for sale less £4.9m net cash inflow from non-underlying items.

Our five strategic levers

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

In 2016, we continued to make progress in delivering against our strategy. There are five levers:

Growth

1

Growing our product range and entering new markets, organically and by acquisition

Description

We have a set of target product segments based on growth, profit and strategic considerations.

We also have a set of target geographies to either consolidate market position or open up new markets.

We maintain a short-list of potential acquisitions to help us access target markets, where required.

Explanation

The acquisition of Tecnogeo gave us access to broader markets in Brazil and gave us strong presence in key geographies of São Paulo and Rio de Janeiro.

We have successfully transferred our diaphragm walling capability into India with support from Poland and Bencor.

Customers

2

Building strong, customer-focused local businesses

Description

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.

Our businesses evaluate the quality of their customer feedback (amongst other things).

Our businesses offer two routes to value creation: high operational efficiency and utilisation and/or strong technical differentiation.

Explanation

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

Business units with robust divisional and group controls framework.

In the past year we have updated and standardised our Keller branding to support the local business message.

Scale

3

Leveraging the scale and expertise of the group

Description

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.

Synergies in operating model will be selectively implemented so that we don't lose local responsiveness.

Keller's scale provides security for customers and employees through resilience to risk.

Explanation

We have expanded our procurement capability to include strong divisional level leadership and also harmonised our equipment acquisition approach.

Group scale has given us the capacity and customer credibility to take on larger projects in the Middle East, South Africa and Malaysia.

4

Enhancing our engineering and operational capabilities

Description

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.

Our global supply chain is optimised to balance equipment utilisation with efficient transport.

We aim to be a leader and investor in new technologies.

Explanation

Engineering and 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 have improved transparency on our equipment utilisation and are driving improved optimisation of fleet.

People

5

Investing in our people

Description

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.

We continue to strive for leadership in HSEQ.

Explanation

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 (Performance in 2016)

Revenue growth year on year:
year-on-year sales growth, including acquisitions

13.9%

Return on capital employed:
underlying operating profit as a net return on capital employed

15.3%

Operating margins:
underlying operating profit expressed as a percentage of revenue

5.4%

Accident frequency rate:
accident frequency per 100,000 hours; lost time injuries are calculated as any incident over one day

0.34

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

7.0%

Diaphragm walls: a first for Keller India

Strategic levers

1 Growth 2 Customers 4 Engineering and Operations

One advantage that Keller has as a global company is its ability to draw on worldwide experience and expertise to transfer techniques from one market to another to achieve growth. Keller India did just that in 2016 to secure its first ever diaphragm wall contract as part of the Lucknow metro project.

This is one of an estimated 800 metro stations planned globally for the next decade.

Securing and delivering the project was a real team effort. Keller Foundations in Australia and Keller Poland sent their diaphragm wall experts to India to help plan and prepare for the job. The global product team for diaphragm walls was also involved, drawing on experience from Bencor, which we acquired in 2015 specifically to expand our product knowledge in this area.

Keller Poland also provided a team of five to work on site and transfer knowledge to their Indian colleagues. But, as building diaphragm walls on a busy road is very different to a greenfield site, and the solution used polymer rather than bentonite as a drilling fluid, all the teams developed new skills.

Because the site was in the middle of one of Lucknow's busiest roads, trucks were only able to deliver concrete at night. Reinforcement cages were prepared at the site but there was only a road width of 11 metres to perform the task. Keller India's experience of adapting to these local conditions helped keep productivity high as per the contract estimate.





Global strength and local focus.

Proving Keller's capacity and credentials for diaphragm walls in India and Asia, this project will help secure other similar projects in the region. Indeed, we have recently won our first diaphragm wall project in Malaysia.

A stronger, more unified Keller brand

Strategic levers

／ 2 Customers ／ 3 Scale

Keller evolved and unified its corporate identity this year to emphasise that all its companies are connected and ensure that its brand is recognised around the world.

Keller has a unique ability to offer global strength and local focus. For example, our knowledge of local markets and ground conditions make us ideally placed to understand and respond to a particular local engineering challenge. Our global knowledge base then allows us to tap into a wealth of experience, and the best minds in the industry, to find the optimum solution. Emphasising this through our branding and corporate identity is an important part of our strategy to be the world leader in geotechnical solutions.

More practically, unchanged for more than 20 years, the previous Keller logo needed modernising and didn't work well in social media. Multiple logo styles also all required different artwork, assets and applications.

Now, all our geotechnical companies will use the two diamonds to symbolise global strength and local focus, and show that they're all part of one Keller family. Non Keller company names that are well-established in their local markets remain, but now all have the words 'A Keller Company' underneath.



Global strength and local focus.

Most of our clients contract with us on local and regional projects, and delivering these safely, to a high quality and on time is what builds our reputation and makes us the contractor of choice locally. At the same time our financial strength, and the resources that we can draw on globally, mean that we can tackle the largest and most demanding projects around the world. Our branding now emphasises this global strength and local focus that makes us unique.



KELLER

Global product teams at work

Strategic levers

4 Engineering and Operations 5 People

To enhance our engineering and operational capabilities, ten global product teams (GPTs) were established, covering each of our major product lines.

They're starting to make a real difference on the ground with successes on bid assistance; new design methods; technology transfer; and equipment development.

The jet grouting global product team is one example. The team spent the early part of the year consolidating Keller's jet grouting knowledge and capability and identifying where our best practices and opportunities are. This knowledge has now been collated into guidance documents and distributed to all our business units. To help manage risk, the team is also introducing a new safety procedure for protecting colleagues working below the rotary drill head.

We work with our in-house equipment business, for example, to improve the efficiency of our jet-grouting nozzles and monitors.

Reducing the amount of by-product produced is another focus area, to improve sustainability and reduce cost.

The team supports bids and projects too. Working with, for example, Keller Canada Geo-Foundations on the Yonge Eglinton Station project to assess and optimise the design.





Global strength and local focus.

As global product teams become part of our knowledge network, getting information and access to expertise is becoming much easier for everyone at Keller. Now the team are established, the main thrust going forward will be to transfer knowledge and expertise to the businesses. We can then expect to see further improvements in work winning, quality and operational efficiency – and ultimately profitability.

Partnering for success

Strategic levers

1 Growth 2 Customers 3 Scale

Like other business units in the Keller family, Hayward Baker and HJ Foundation are increasingly collaborating to secure and deliver contracts that neither would have won on their own.

Hayward Baker's expertise in soil mixing fits perfectly with HJ Foundation's expertise in deep foundations. Using strong quality control systems and logistics management, HJ installs deep foundations with continuous flight auger piles and does the excavation, and HBI executes the deep-soil mixing, offering a turnkey dry-hole solution for the client.

In 2016 the team signed multi-year agreements for some \$72m and executed projects of around \$20m.





Global strength and local focus.

Collaboration across Keller allows us to optimise the solution via the design and selection of the best combination of geotechnical products. Our customer only has to deal with one company that offers everything, rather than three or four different contractors, making the coordination of projects that much easier. And because Keller can respond quickly with expert people and specialised equipment, it also means lower costs, faster schedules and higher quality.

Remote fixes maximise productivity

Strategic levers

3 Scale 4 Engineering and Operations

As our machinery becomes more technologically advanced, so too do the methods we use for diagnosing and solving problems. Keller has a team that can fault-find, and often fix a machine almost anywhere in the world – without leaving their desks.

The Telediagnosics team in Renchen, Germany are at the end of a line – telephone and email – to help when a piece of Keller machinery isn't working as it should be.

The team is based in our in-house equipment business at Renchen in Germany, which designs and produces the specialist equipment used by many of our business units, including vibrocats and jet grouting rigs.

More than 400 of these machines are fitted with sensors that allow the team to access the various electronic control units. These include the programmable logic controller (the computer that automates processes), frequency inverter (which controls speed and torque), radar and ultrasonic sensors, and the M5 system (which produces production reports).

When they get a call from someone on-site who has a problem with their machine, they evaluate the data on the systems to determine the electronic or mechanical problem.

Once a problem is diagnosed, the team can talk the caller through steps to remedy the problem, or give them the part number so they can order a replacement to arrive the next day. About three quarters of the time the issue can be fixed there and then.





Global strength and local focus.

In an environment where delivering on time is critical, the Telediagnosics team provides an indispensable service that helps keep our machines up and running – and our projects on schedule.

Our markets

Global strength
and local focus.

Industry trends

1. Urbanisation/large scale developments:

this holds for almost all geographies. It is driving growth and increased complexity in the market. As urban areas and large developments are constructed they require increasingly sophisticated solutions.

2. Brownfield/marginal land:

typically in developed nations, means that Keller's more sophisticated ground improvement techniques come into play.

3. Infrastructure renewal:

creates new demand for us, typically operationally efficient given scale.

4. Complete solutions:

customers want to reduce their burden of managing complexity and are trusting us to take on more roles for them, this helps make our work more efficient.

5. Technical complexity:

the equipment sophistication and products required by the market are increasing in complexity. Our rigs are becoming more digital (including monitoring and automatic controls), making us more efficient and creating barriers to entry.

Keller Complete Solutions

What is a 'complete solution'?

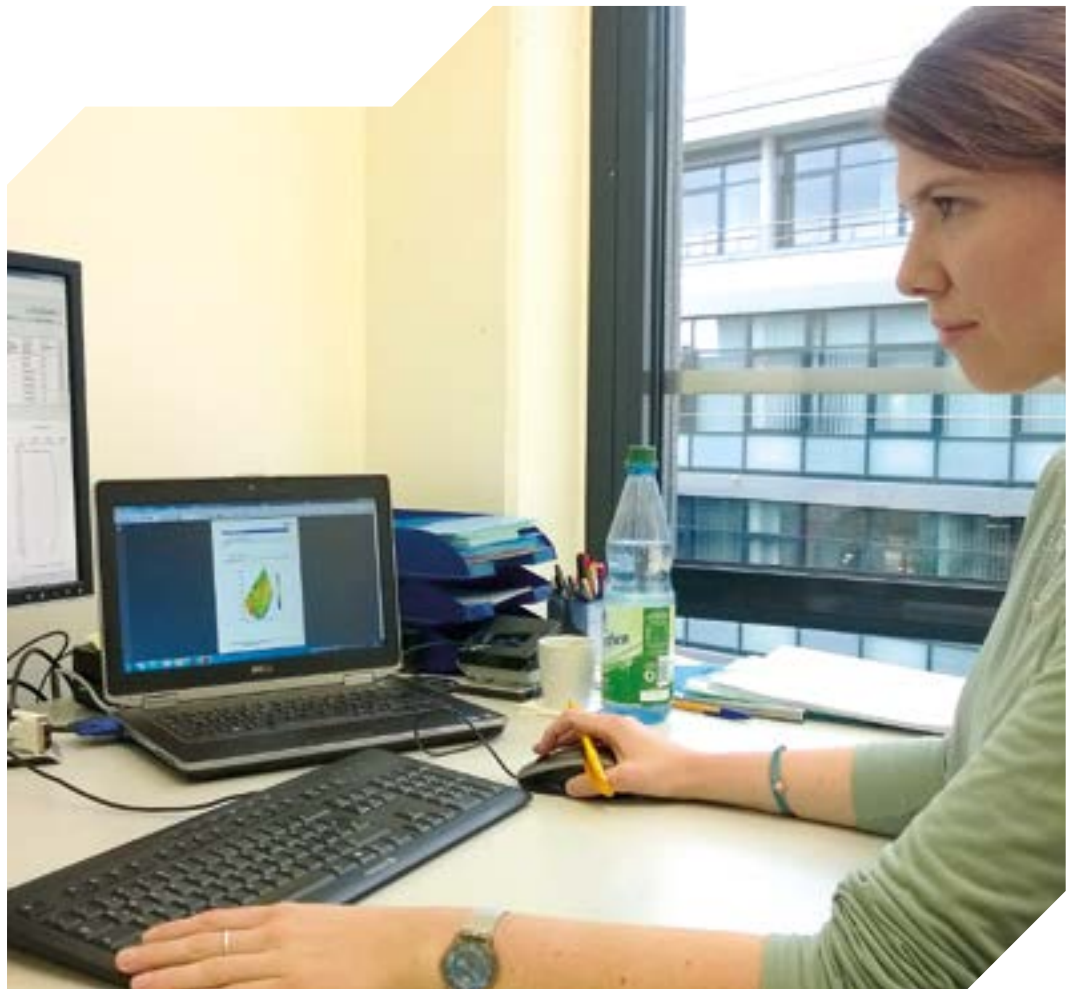
Defined as a project where Keller takes on a role beyond the pure geotechnical contracting and includes use of sub-contractors. For example, including demolition, earth removal and dewatering in addition to foundation construction.

Why does Keller offer 'complete solutions'?

There are circumstances when our geotechnical work can happen in parallel with other, related, site activities. In this situation Keller can deliver a complete solution and save the client the burden of managing and coordinating multiple suppliers. It also provides the economic benefit of having less overhead on the project.

Where does Keller offer this service?

Typically these types of projects happen in urban environments of highly developed economies – where time and space are tight and Keller has a strong history of project execution. As this service requires Keller to take on additional delivery and supplier responsibility we are very selective to avoid excessive risk.



Industry overview

\$50bn global market:

this is defined at the geotechnical contracting market within the construction industry. It includes China, Japan, Korea and Russia – markets where we don't operate. If removed, the size drops to \$25bn. It is an estimate based on data from IHS and other local sources. Typically geotechnical contracting is around 1% of the construction market.

Wide variety of projects:

variety in terms of scale, location, end use, geotechnical technique. Scale is from around £25k up to more than £10m. Locations are spread all around the globe. End use covers the full range including Infrastructure/Public Buildings, Power/Industrial, Office/Commercial and Residential. Geotechnical technique includes all our ten product groups (e.g. bored piling, driven piles, diaphragm walls, deep-soil mixing, vibro compaction, anchors/nails).

Diverse customer base:

typically no single customer is more than 1-2% of group revenues in a single year. We mostly serve as a sub-contractor working for a general contractor, however, also contract directly.

Fragmented competition:

three types of competitor with a large variation between geographies. Type one is the global geotechnical contractors (three to four of these), not all present in all markets. Type two is the general contractor-owned, national geotechnical contractor. Type three is the local, independent geotechnical contractor (typically family owned businesses).



Keller is the world's largest geotechnical contractor with over 10,000 employees

- Geotechnical solutions are a small, niche sub-sector of construction
- Growing faster than construction, reflecting:
 - More pressure to build on brownfield and marginal land
 - More ambitious development and infrastructure projects

Unrivalled geographic coverage, working in over 80 countries

- Clear market leader in the US, Canada, Australia and South Africa
- Prime positions in most established European markets
- Strong profile in many other developing markets

Generally work as a sub-contractor for main contractors

Typical contracts are

- Short duration and less than £500k
- Across the construction spectrum

A balanced geographic and customer portfolio

- Good access to all markets

Geographic revenue (%)

North America	54
EMEA	31
Asia-Pacific	15

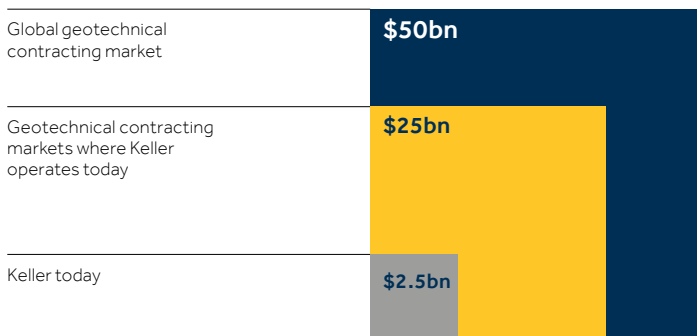


Customer segment revenues (%)

Infrastructure/Public Buildings	36
Residential	23
Power/Industrial	22
Office/Commercial	19



A strong position but plenty of room to grow



Keller has a 5% global market share and a 10% share of the markets where we operate today.

Sources: IHS Global Insight 2014, national statistics organisations, Keller accounts

Our business model

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 less than £500,000. 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.

1 Our key resources and relationships

What we need to make our business model work:

Our people

- High-quality project managers, 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

Our market focus

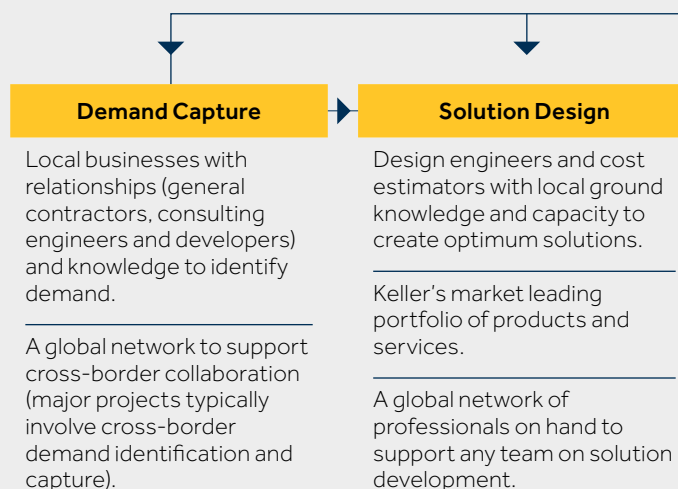
- Targeting markets that value geotechnical solutions
- Selective investment in profitable segments

Our financial strength

- Strong balance sheet

2 How we create and capture value

Knowledge and capability sharing to build the best solutions:



The Keller value proposition:

- Engineering leadership
- Extensive products and services

Underpinned by functional teams with the capacity to support the core value creation stream:

- Health & Safety
- Finance
- Procurement
- IT

3 Who benefits from that value creation

We create value for a broad range of stakeholders:

Customers

- Local knowledge with global scale and resource
- Provision of complex geotechnical solutions

Shareholders

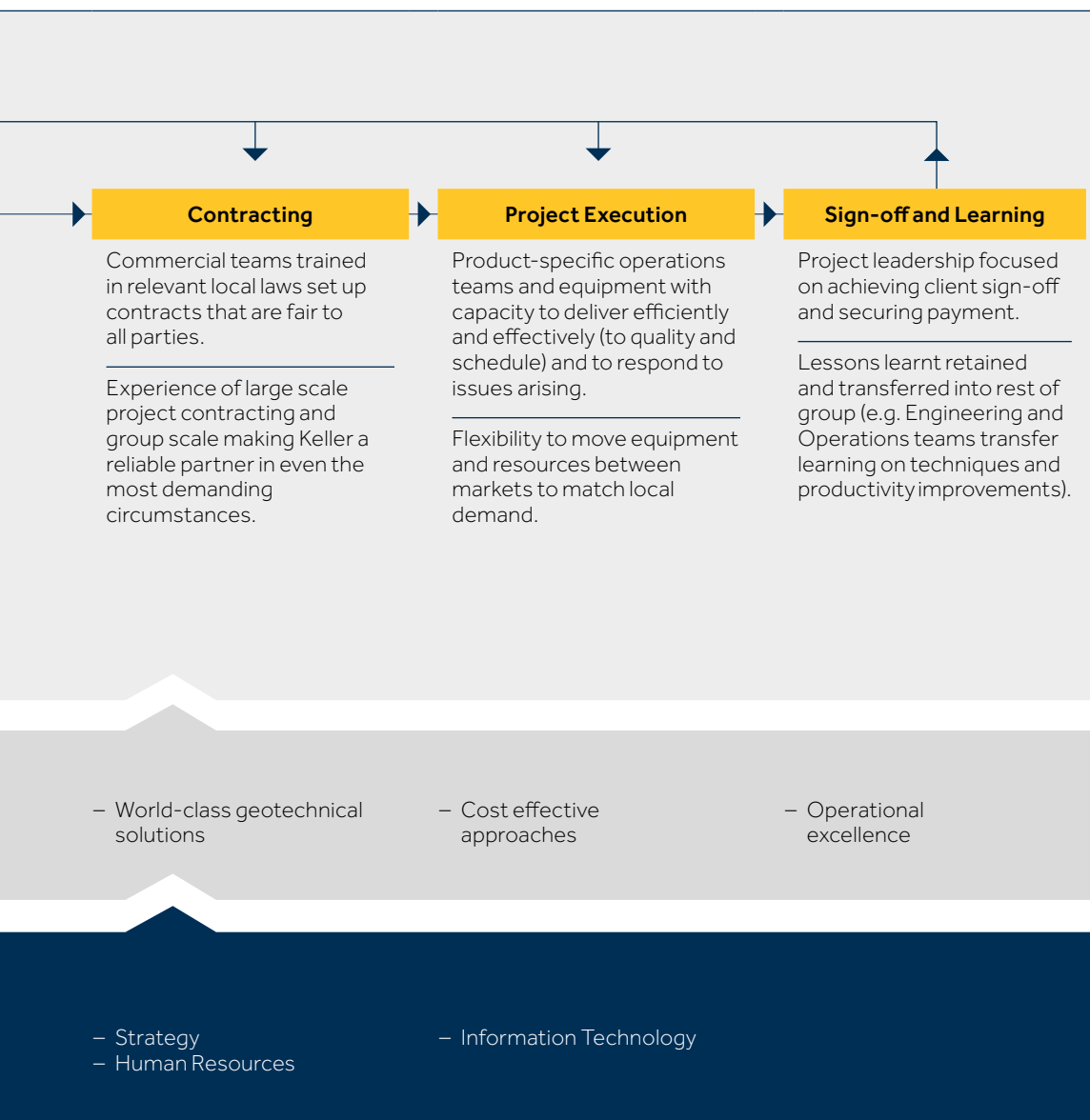
- Dividends
- Capital growth

People

- Employment
- Qualifications
- Global and local opportunities

Communities

- Employment
- Construction of facilities



As the largest geotechnical engineering company in the world, we have always seen our corporate social responsibilities as an important part of our business model. During the year, we adopted a refreshed Code of Business Conduct setting out clear and common standards of behaviour expected from all our employees along with those we do business with, and we also agreed a new Sustainability framework, based on the United Nations Global Goals for Sustainable Development (SDGs) that will assist us in developing our business and reporting on our progress in the right way.

Leadership and oversight

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 values and ways of working. The Chief Executive is ultimately accountable for the group operating in a way that is accords with our values and ways of working. During the year, the Board approved the group's refreshed Code of Business Conduct and new Sustainability framework. The Executive Committee, chaired by the Chief Executive, has responsibility for the oversight of their implementation.

Our line managers are charged with: providing leadership within their companies, delivering performance safely and with integrity; and supporting our group policies. Our line managers are supported by a network of Ethics and Compliance Officers (ECOs) who sit in each of the business units and have an independent reporting line into the three Divisional ECOs. The group ECO has oversight of the network and an independent reporting line to the Chairman of the Audit Committee.

All employees are responsible for following our group policies with the support, direction and commitment of line management.

Code of Business Conduct

Keller is known and respected for its high standards of honesty, fairness and integrity in our relations with employees, customers, suppliers, competitors and the community.

In 2012, we set out our high standards and guidance on how we work in a simple Keller Code of Business Conduct. Since that time, we have grown from 6,000 employees to over 10,000 employees and, because ethics and integrity are so important, in 2016 we refreshed the Code and launched online and face to face training across our businesses. Our new Code of Business Conduct sets out:

- **Clear and common standards of behaviour** that make it clear what's expected by everyone who works in and with Keller
- **A framework to guide decision-making** when situations aren't clear-cut
- **A positive culture** that keeps us successful and ensures we operate in a way we can all be proud of
- **A public statement of our commitment** to high standards that tells others they can rely on our integrity.

To support the Code, we agreed ten group policies to be used internally and externally covering:

- Health, Safety and Well-being
- Sustainability
- Human Resources
- Competition Compliance
- Procurement
- Anti-Bribery and Anti-Fraud;
- Share Dealing
- Information Management
- Quality & Continuous Improvement
- Whistleblowing.

The Code of Business Conduct and our ten group policies can be found on our group website at: www.keller.com/how-we-do-it/code-of-business-conduct.aspx

Our ways of working 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 – so people know our decisions are made for the right reasons.

Keeping our communications open and responsible

We communicate openly, honestly, clearly and responsibly.

Delivering excellent customer service and working 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 ways of working 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 ways of working are being undermined – so we uphold our ways of working together.



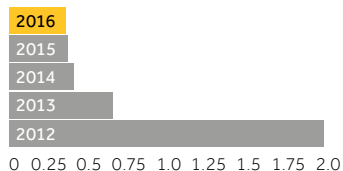
Good health and well-being

We are four years into our five-year strategy, 'Think Safe', to improve the health, safety and well-being of our people. We identified those hazards which were most important (both in terms of probability of occurrence and consequence), assessed the best way to mitigate those hazards and set out to change the health and safety culture of our organisation. Our goal was to move from a compliance based approach to one that was both motivating and sustainable.

Since its introduction in 2013, Think Safe has helped to reduce accidents in our business by approximately 44% (see below). Our systematic approach to behavioural change has improved our performance in the medium term and will achieve the cultural changes we are seeking in the longer term.

Figure 1

Keller Group AFR by year
per 100,000 hours worked



Comparative AFR 2015/16

Metric	Country	Keller	Comparative per 100,000 hours worked
UK construction sector	United Kingdom	0.34	0.86
UK specialist construction	United Kingdom	0.34	0.96
US Bureau of Labor	North America	0.34	0.75
German Construction Industry	Germany	0.34	3.53

However, despite our efforts and progress we had two tragic events during 2016, the death of an employee in Texas, USA, and the death of a sub-contractor in Slovakia. Those fatalities continue to be investigated by the local regulators. We are committed to reducing fatalities to zero and we take any loss of life very seriously. As we await the formal outcomes of the investigations, we have taken a number of measures to ensure that we learn from those events and implement any necessary changes to our procedures as a result.

Dedicated awareness campaigns and new engineering and operations controls have contributed to a positive reduction in accidents across a number of key areas for focus for our business: the number of hand injuries amongst our people reduced in 2016 to 300 (2015: 377); incidents and/or injuries requiring an employee to take one or more days off work reduced to 73 (2015: 82) and high risk incidents reduced to three (2015: six).

Benchmarking

During 2016, we benchmarked our safety performance, using the most commonly used and reported metric, 'lost time injury', against our competitors and our key customers to better understand our performance in the market. Our performance as a group compares favourably and, as illustrated below, is around 50% better than that of the UK construction and specialist construction sectors.



Keller supports the United Nations Sustainable Development Goals (SDGs) and in December 2016, management put forward a proposal as to how we would contribute to achieving the SDGs which was approved by the Health, Safety, Environment and Quality Committee.



We have chosen to focus on those SDGs that are of current material significance to our operations and will be reporting annually on our progress against each of these:

- Good health and well-being
- Quality education
- Gender equality
- Decent work and economic growth
- Climate change
- Life on land

Over time, we will extend our focus to additional Goals where we can make a difference.

On the next few pages we set out why these SDGs are important for our business and the steps we are taking to make progress towards their attainment.

Sustainability

continued

Keller's lean management programme

We believe that there is a strong correlation between good lean management processes and improved business safety, effectiveness and efficiency. In 2016, we piloted a quality improvement programme focused on enabling our people to create well-ordered sites and yards.

We will continue to implement the programme more widely across the business in 2017 and progress will be overseen by the Board's Health, Safety and Environment Committee, which has expanded its terms of reference to monitor management's deliver of quality and continuous improvement performance.



Quality education

Keller actively supports the education of its people in a variety of ways. In addition to safety, technical and competency-based training, graduate and management training programmes operate at a group and at a Divisional level.

All three Divisions are focused on improving the skills and competencies of employees and have developed a number of bespoke training programmes for employees: as a group, we are constantly looking at how we share these leading best practices across all of our businesses. Our goal is to combine the individual career aspirations of our employees with our business needs, ultimately ensuring knowledge is transferred and retained in the business as well as training our future leaders – our talent pipeline.



Case study

2016 Safety Successes: Caspian Sea region

From 2015, we have been installing piles at our major project in the Caspian Sea region. Each pile requires five separate crane lifts from its delivery on-site to installation. In 2016, a total of 64,225 crane lifts were carried out and 12,845 piles installed safely and successfully, with no lost time incidents. To date, the team has achieved 500,000 man hours without a lost time incident.



Climate action

During 2016, the business undertook a review of our energy use on a sample of projects across the world. Much of our carbon emissions come from the fuels we use in our equipment and from the materials we use in our solutions.

Based on initial findings, we will set a 2017 carbon reduction target, aligned to the need to keep global temperature increase below 2°C compared to pre-industrial temperatures.

We have already adopted the international carbon disclosure programme (CDP) which is aligned with the Global Reporting Initiative (GRI). During the 2015 and 2016 reporting periods, we improved the robustness of our data collection system¹ internally and procured an independent external audit of that data. As a result of the steps taken, we were able to clearly demonstrate our effective management of climate change-related business risks and opportunities and improved our CDP rating from D ('Disclosure') to B ('Management').

During 2016 our carbon emission intensity reduced.

Our total footprint for the year 2016 increased by 2% which is substantially in line with the like-for-like revenue increase for the group for the year. Keller's carbon intensity value fell by 10%, which is largely explained by foreign exchange movements increasing revenues on prior year.

Our carbon emissions are linked, to a degree, to the customer's demand and choice of product and solution.

We are developing, and market, a number of lower carbon products for our customers.

We are able to measure the embodied carbon in our products through our carbon calculator, enabling us to demonstrate to our customers the true carbon differences between solutions and giving them the information to make informed decisions in their choice of product.

Using the expertise of our Global Product Teams and with an increased drive for digitisation across our business, we have been able to minimise waste materials on our sites through digitally optimising mixing parameters in techniques such as wet soil mixing.

We have also been able to make use of sustainably sourced and verified timber as an alternative material for retaining walls over traditional steel sheets, producing a lower carbon intensive solution.

Global GHG emissions data

Tonnes CO ₂ e	2016	2015	2014
Scope 1	170,752	168,392	170,031
Scope 2 ²	10,319	9,032	9,531
Total	181,071	177,424	179,562
Absolute tonnes equivalent CO ₂ per £m revenue:	102	114	112

- Note that some of the fuel we use in our equipment is purchased by the main contractor which we are currently unable to report due to the difficulties with collecting accurate data on it.
- Reported under location based methodology. Please refer to Keller's CDP submission for Scope 2 emissions under market based methodology.



Gender equality

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.

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.

However, there is clearly room for improvement and more for us to do in this area. During 2017, a review of our current practices will assist us in developing a coherent strategy to attract, develop and retain under-represented groups in our workforce.

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

Level of organisation	Male	Female
Board of Directors	6	2
Executive Committee	9	1
Group Leadership Team	65	7
Senior Managers	74	8
Managers	328	50
All employees*	8,970	881

* Excludes contractors

Third-party assurance statement

Keller Group plc appointed Carbon Credentials to provide independent verification against the ISO 14064-3 standard on the Scope 1 and Scope 2 GHG accounts presented above. Their summary opinion is provided below (full opinion and recommendations are available on request):

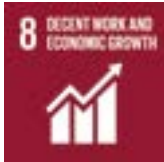
"Based on the data and information provided by Keller and the processes and procedures conducted, Carbon Credentials concludes with limited assurance there is no evidence that the GHG assertion:

- Is not materially correct;
- Is not a fair representation of the GHG emissions data and information; and
- Is not prepared in accordance with the agreed verification criteria.

It is our opinion that Keller has established appropriate systems for the collection, aggregation and analysis of quantitative data for determination of these GHG emissions for the stated period and boundaries."

Sustainability

continued



Decent work and economic growth 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. The group's Modern slavery and human trafficking statement can be found on our website.

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 on pages 10 to 15.

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, and on these projects 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.



Life on Land

During the year Keller has improved its processes for capturing and recording environmental incidents, including a number of poster campaigns amongst our employees to increase their awareness of potential hazards and ways in which to reduce our impact on the environment.

As a consequence, we have seen an increase in the number of environmental incidents and are working with our people on proactive ways in which to reduce these, primarily on-site.



Case study Think Green

Keller India's Think Green Project assisted the local community through the contribution and planting of trees to a small village in Pradesh, where villagers have been able to establish fruit tree plantations providing both long-term sustainable income and environment balance.

Principal risks and uncertainties

we expect our people to follow in their day-to-day activities, no matter where they work in the world, and tells others that they can rely on our integrity. The Code is just one element of the group's wide-reaching 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 and uncertainties 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.

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 the principal risks as a part of key agenda items. 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.

Culture

The Board is aware that the effectiveness of risk management is dependent on behaviours. In 2016 we launched a refreshed Code of Business Conduct across our group to provide a common and consistent framework for responsible business practices. It reinforces the standards that

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 borrowing facilities, to ensure that the sensitivity analysis was sufficiently rigorous.

Viability statement

In accordance with provision C.2.2 of the 2016 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 sensitivity analysis which involves 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.

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.

Risk identification and impact

The group's principal risks are analysed on a gross (pre-mitigation) and net (post-mitigation) basis.

Risk trends

The ongoing review of the group's principal risks focuses on how these risks may evolve. Since the publication of last year's Annual Report, our principal risks have changed as follows:

Increased risks

Risk 1 Market risk: a rapid downturn in our markets

With further European elections, a new US president and the UK's negotiated exit from Europe, we expect more short term volatility in the markets. We have seen market conditions in South East Asia, Australia and Canada become increasingly more challenging.

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.

Principal risks and uncertainties

continued

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.




Going concern

The group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic report. The financial position of the group, its cash flows and liquidity position are described in the Finance Director's report, with details of the group's treasury activities, long-term funding arrangements and exposure to financial risk included in note 24 to the Consolidated Financial Statements.


The group has sufficient financial resources which, together with internally generated cash flows, will continue to provide sufficient sources of liquidity to fund its current operations, including its contractual and commercial commitments and any proposed dividends. The group is therefore well placed to manage its business risks. After making enquiries, the Directors have formed the judgement at the time of approving the financial statements, that there is a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis of accounting in preparing the Consolidated Financial Statements.

To achieve our objective of being the world's leading geotechnical contractor, we recognise that we must have a good understanding of the risks we face, those inherent in our strategy and operations and those posed by external conditions. We aim to continuously monitor those risks, our risk management and internal controls systems and evolve our management accordingly.

Movement in risk

-  Increased
-  No change
-  Reduced

Financial risk

Risk	Inability to finance our business
	Losing access to the financing facilities necessary to fund the business.
Potential impact	Breach of banking covenants or failure to continue in business or meet our liabilities.
Mitigation	Procedures to monitor the effective management of cash and debt, including weekly cash reports and regular cash forecasting.

Case study

Market risk/Financial risk

Our management framework includes standard financial dashboards. These were developed at the end of 2015 and implemented from 2016. We monitor a number of financial and non-financial metrics and narrative sections of the dashboards allow local management to identify the key risks and opportunities for their business units. The dashboards are used in monitoring and reviewing Divisional and Business Unit performance on a monthly basis and in more detailed quarterly reviews by the Executive Committee. Group performance is also reported in the same format and monitored monthly by the Board.

This way of reporting is enabling us to calibrate performance consistently across our three Divisions and 21 business units. We are able to benchmark our business units and learn from those who excel in certain areas, such as cash management, and identify more quickly those business units that are under-performing and take the necessary mitigating actions.

Market risk

Risk	A rapid downturn in our markets
	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.
Potential impact	Failure to continue in operation or to meet our liabilities.
Mitigation	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.

Risk
Failure to procure new contracts
 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.

Potential impact Failure to achieve targets for revenue, profit and earnings.

Mitigation 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.

Risk
Losing our market share
 Inability to achieve sustainable growth, whether through acquisition, new products, new geographies or industry specific solutions.

Potential impact Failure to achieve targets for revenue, profits and earnings.

Mitigation 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.

Risk
Non-compliance with our Code of Business Conduct
 Not maintaining high standards of ethics and compliance in conducting our business or failing to meet legal or regulatory requirements.

Potential impact 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.

Mitigation 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.

Risk
Product and/or solution failure
 Failure of our product and/or solution to achieve the required standard.

Potential impact Financial loss and consequent damage to our brand reputation.

Mitigation Continuing to enhance our technological and operational capabilities through investment in our product teams, project managers and our engineering capabilities.

Risk
Ineffective management of our contracts
 Failure to manage our contracts to ensure that they are delivered on time and to budget.

Potential impact Failure to achieve the margins, profits and cash flows we expect from contracts.

Mitigation 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.

Risk
Causing a serious injury or fatality to an employee or member of the public
 Failure to maintain high standards of Safety and Quality.

Potential impact 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.

Mitigation 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.

Risk
Not having the right skills to deliver
 Inability to attract and develop excellent people to create a high-quality, vibrant, diverse and flexible workforce.

Potential impact Failure to maintain satisfactory performance in respect of our current contracts and failure to deliver our strategy and business targets for growth.

Mitigation Continuing to develop and implement leadership, personal development and employee engagement programmes that encourage and support all our people to achieve their full potential.

1 Peter Hill CBE
Non-executive Chairman
Nationality: British
A Mining Engineer by background, Peter was appointed as Non-executive Chairman and Chairman of the Nomination Committee in July 2016.

Peter is also Non-executive Chairman of Volution Group plc and of Imagination Technologies plc, and is a Non-executive Director of the Royal Air Force. He was previously Non-executive Chairman of Alent plc from 2012 to the end of 2015; Chief Executive of the electronics and technology group Laird PLC from 2002 to late 2011; a Non-executive Director on the Boards of Cookson Group plc, Meggitt plc and Oxford Instruments plc, and was a Non-executive Board member of UK Trade and Investment.

His early career was spent with natural resources companies Anglo American, Rio Tinto and BP; he was an Executive Director on the Board of Costain Group plc, and he has also held management positions with BTR plc and Invensys plc.

2 Alain Michaelis
Chief Executive
Nationality: British
See page 46 for biography.

3 James Hind
Finance Director
Nationality: British
See page 46 for biography.

4 Venu Raju
Engineering and Operations Director
Nationality: Singaporean
See page 46 for biography.

5 Ruth Cairnie
Independent Non-executive Director
Nationality: British
Appointed to the Board in 2010, Ruth is a member of the Nomination, Audit and Health, Safety, Environment & Quality 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. Ruth is the Industry chair of the POWERful Women Board.



6 Paul Withers
Senior Independent Director
Nationality: British

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

7 Chris Girling
Independent Non-executive Director
Nationality: British

Chris was appointed to the Board in 2011 and is a member of the Remuneration, Nomination and Health, Safety, Environment & Quality 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
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 and Quality 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
Nationality: British

See page 47 for biography.

Diversity (%)	
Female	25
Male	75



Length of tenure (%)	
<1 year	25
1-3 years	25
4-6 years	37.5
7-9 years	0
10+ years	12.5



Number of Board members with relevant industry experience	
Oil and gas	3
Technology	3
Construction	4
Engineering	6



Number of Board members with relevant regional experience	
Americas	6
Europe	7
Middle East	4
Africa	2
Asia-Pacific	6



Corporate governance report

Executive Committee

1 Alain Michaelis
Chief Executive
Nationality: British
 Alain was appointed Chief Executive of Keller in May 2015 and is a member of the Board of Directors.

He was previously Group Operations Director of Rolls-Royce plc where he also served as a major divisional head. He has held senior leadership positions at Tenneco, a Tier 1 automotive supplier and at Wolseley, the building products distributor. Alain began his career at Arup.

Alain has extensive operational and strategic management experience within international businesses across America, Asia-Pacific and EMEA. Alain has a BEng (Hons) from Imperial College and an MBA from INSEAD. He is a fellow of the Institute of Mechanical Engineers.

Alain is Chairman of the Executive Committee.

2 James Hind
Finance Director
Nationality: British
 James was appointed Finance Director in 2003 and is a member of the Board of Directors.

He was previously Group Financial Controller at DS Smith plc. James worked in the New York office of Coopers & Lybrand advising on mergers and acquisitions.

He has 12 years' experience in the engineering sector and has extensive financial and strategic management experience. He qualified as a Chartered Accountant with Coopers & Lybrand.

James has an MA (Hons) in History from Cambridge University.

Appointed to the Executive Committee on its formation in 2012.

3 Venu Raju
Engineering and Operations Director
Nationality: Singaporean
 Venu was appointed Engineering and Operations Director on 1 January 2017 and is a member of the Board of Directors.

Venu began his career with Keller in Germany in 1994 as a geotechnical engineer. He has held the roles of Managing Director Keller Singapore, Malaysia and India; Business Unit Manager, Keller Far East in 2009; and Managing Director, Asia. Venu has extensive operational and strategic management experience. Born in India, he studied civil engineering in India and the USA, has a PhD in structural engineering from Duke University and a Doctorate in geotechnical engineering from Karlsruhe University.

Venu was appointed to the Executive Committee on its formation in 2012.

4 John Rubright
President of North America
Nationality: American
 John was appointed as President of North America in January 2013.

John joined the group in 1986 and was appointed as Senior Vice-President, Southern Region, of Hayward Baker in 2005. He became President of Hayward Baker in 2011 and in 2013, John was appointed President of Keller North America. John attended Penn State University and qualified as a Civil Engineer.

John was appointed to the Executive Committee in 2013.

5 Thorsten Holl
President of EMEA
(Europe, Middle East and Africa)
Nationality: German
 Thorsten was appointed President of EMEA in November 2015.

Thorsten was Chief Executive at the ARVOS-Group (Alstom's Steam Auxiliary Components division as independent spin-off) which he successfully developed as a stand-alone business. He 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.

He qualified as an Industrial Engineer at the Technical University of Karlsruhe and has a Masters of Commerce (Finance & Accounting) from the University of Wollongong.

Thorsten was appointed to the Executive Committee in 2015.

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.



1



3



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6

6 Mark Kliner
President of APAC
(Asia-Pacific region)
Nationality: British

Mark was appointed President of APAC in January 2016, following the merger of Keller Australia and Keller Asia.

Between 2009 and 2015, he was Chief Executive Officer of Keller Australia, prior to which, he was Managing Director of Piling Contractors.

Mark has an extensive career spanning over 30 years in piling, diaphragm walling, ground improvement and marine construction, commencing in the UK in 1985. He has over 20 years of international experience including Directorships in the UK and Middle East, MD/CEO Australia and New Zealand and President ASEAN.

He is qualified as a Chartered Professional Engineer and has a Postgraduate Diploma from Oxford University.

Mark was appointed to the Executive Committee on its formation in 2012.

7 Graeme Cook
Human Resources Director
Nationality: British

Graeme was appointed HR Director in January 2017.

He joins from EnQuest, a FTSE oil and gas production company where he was the Group HR Director.

Graeme has significant international experience having been assigned to management roles in the UK, Africa and the Middle East. Graeme has over 25 years' experience in both

finance and HR leadership roles in a number of blue-chip companies. Graeme was Group Head of Talent and Leadership for Legal & General, HR Director, Mediterranean Basin and Africa region for BG Group, and spent most of his early career with Schlumberger in various HR and financial controller roles.

He received an MA (Hons) in Accountancy & Economics from the University of Dundee in 1991.

Graeme joined the Executive Committee in January 2017.

8 Kerry Porritt
Group Company Secretary
Nationality: British

Kerry was appointed Group Company Secretary in 2013.

Kerry has over 20 years' experience of company secretarial roles within international listed companies. She has also provided strategic advice and business development consultancy services and acted as a specialist advisor for IPOs. In 2015 she was appointed Group Ethics and Compliance Officer, with responsibility for the group's Ethics and Compliance programme. She oversees the group's risk, compliance and governance.

She is a Fellow of the Institute of Chartered Secretaries and Administrators and holds a degree in Law from Birmingham City University. Kerry is an Aspire Foundation mentor.

Kerry was appointed to the Executive Committee in 2013.

9 Joseph Hubback
Strategy Director
Nationality: British

Joseph was appointed Strategy Director in January 2016.

He 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. Joseph started in project engineering, building factories, before moving into operations and supply chain management and managing global client accounts.

Joseph has a MEng from Oxford University.

Joseph was appointed to the Executive Committee in January 2016.

10 Michael Sinclair-Williams
HSEQ Director
Nationality: British

Michael was appointed Health, Safety and Environment Director in 2012. In 2016, he also became responsible for Quality and Continuous Improvement.

Michael has worked on some of the world's most interesting projects in both an operational and technical role. He played instrumental roles in the transport elements of the London 2012 Olympic Games and delivery of a new high speed line in Europe and has worked extensively abroad.

Michael holds a PhD in Risk/Quality Management and is a graduate of the Saïd Business School Oxford senior leadership programme.

Michael joined the Executive Committee in 2012.

Strategy – strong link with personal objectives

From 2016, the personal objectives of the Executive Committee members have been linked to our five strategic levers. Below are a number of successful projects undertaken by Committee members during the year.

Expanding our APAC product offering

Moving our near-shore marine capability from Australia to India

Strategic lever
1 Growth

Business Unit strategy
Developing local and global BU strategies

Strategic lever
2 Customers

Procurement function
Establishing a strong Procurement function

Strategic lever
3 Scale

Data management systems
Optimising our data management systems

Strategic lever
4 Engineering and Operations

Project Manager Academy Development Programme
Investing in our global skills capabilities

Strategic lever
5 People



7



9



8



10



"I am pleased to be leading a Board with such independence, experience, diversity and knowledge."

Dear shareholder

I am pleased to introduce the Corporate Governance Report for the year ended 31 December 2016, on behalf of the Board.

I believe that a strong, effective and efficient governance framework is essential in supporting management to deliver the Company's strategy and long-term business success. Good governance has supported the Board and Executive team in progressing Keller's newly refreshed long-term strategy over the year and ensured that the business has remained resilient in delivering shorter-term performance despite a number of challenging markets.

Over the few months I have been in role as Chairman, I have been impressed by the time and commitment given by all of my Board colleagues in supporting and challenging, where required, the Executive team, whose job it is to manage the Company day to day, to drive performance and create value for our shareholders and other stakeholders.

I was delighted to be appointed Chairman of the Board, following the retirement of Roy Franklin in July 2016. The search and selection process was led by Paul Withers, the Senior Independent Director.

In December 2016, Dr Wolfgang Sondermann stepped down as an Executive Director after thirteen years on the Board. As our Engineering and Operations Director, and with 30 years' service with Keller as an employee, Wolfgang provided valuable technical and operational expertise to the Board discussions. I would like to thank him personally for his contribution to the Board and for working to provide a seamless transition for Dr Venu Raju, who was appointed an Executive Director from 1 January and who continues the role of Engineering and Operations Director.

Looking ahead, Ruth Cairnie, Non-executive Director, has indicated to me her intention to retire from the Board after this year's Annual General Meeting. After undertaking an external recruitment process, I am pleased that Eva Lindqvist will join us with effect from 1 June 2017 as a Non-executive Director. Eva is a Swedish national, and brings a broad, very international management skillset in the industrial and service sectors to the Board.

As a Board we take our governance responsibilities very seriously. At the end of 2016, I carried out an externally facilitated Board evaluation which also involved feedback from the Executive team. The results of this 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 54 and will help shape my priorities as Chairman for the 2017 year.

Further information on the Board's succession planning, the Board evaluation and the work of the Nomination Committee in 2016 can be found on pages 54 and 55 of this report.

The Board believes it is important that it collectively, and its Non-executive Directors individually, remain in touch with the Company and its people. In April, the Board visited the Company's operations in Poland, and met with local and North-East European regional management. Individual Non-executive Directors attended the annual Group Leadership conference, and made visits to operations in continental Europe, North America, Asia and Australia. Additionally, executives below Board level made presentations at the Board.

An effective Board must maintain a level of independence and objectivity and have the correct balance of experience, diversity and skills. It also needs a good understanding of the operations of the business and I am pleased to be leading a Board with such independence, experience, diversity and knowledge.

We continuously review and seek to improve our governance frameworks and systems. The terms of reference for each of the Committees were reviewed and adjusted as necessary to improve their efficiency and reflect changes in legislation and best practice.

During the second half of this year, the Board revised its delegated authorities to reflect, amongst other matters, the group's growth, the increased levels of oversight of strategy and operational matters provided by the Executive team and the increase in the number of large jobs that are bid for on a regular basis across the organisation. The Board adopted a new Code of Business Conduct, designed to promote our culture of a global Keller – just one element of our wider Ethics and Compliance programme to further 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.

In the Directors' Remuneration Report, set out on pages 59 to 78, we describe the strategic review of executive remuneration that was undertaken to ensure that Directors' remuneration remains fit for purpose and aligned to both long-term shareholders' interests and to the achievement of the Company's refreshed strategy. Consistent with good governance, an extensive consultation was conducted with our major shareholders before we arrived at our policy changes. We hope that you will support the new Remuneration Policy at the Annual General Meeting this year.

We have complied with the provisions of the UK Corporate Governance Code 2016 throughout the year (the full text of which can be found at www.frc.org) and the remainder of this report contains the narrative reporting variously required by the Code, the Listing Rules and the Disclosure and Transparency Rules, setting out in greater detail the framework and processes that Keller has in place to ensure the highest levels of corporate governance.

Yours faithfully,

Peter Hill CBE
Chairman

27 February 2017

The role of the Board and its Committees

The Board is appointed by shareholders, who are the owners of the Company. The Board's principal responsibility is to act in the best interests of shareholders as a whole, within the legal framework of the Companies Act 2006 and taking into account the interests of all stakeholders. Ultimate responsibility for the management and long-term success of Keller rests with the Board of Directors.



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"> – Being the ultimate custodian of shareholders' interests – Ensuring appropriate Board composition and succession; – 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 operational and financial business of the Company.</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 or through the Chairman.</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	HSEQ Committee	Nomination Committee	Remuneration Committee
Ruth Cairnie	6/6	4/4	4/4	2/2	4/4
Roy Franklin ¹	4/4	–	–	1/1	–
Chris Girling	6/6	4/4	4/4	2/2	4/4
Peter Hill ²	4/4	–	–	1/1	–
James Hind	6/6	–	–	–	–
Alain Michaelis	6/6	–	–	–	–
Wolfgang Sondermann	6/6	–	–	–	–
Nancy Tuor Moore	6/6	4/4	4/4	2/2	4/4
Paul Withers	6/6	4/4	4/4	2/2	4/4

1 Peter Hill superseded Roy Franklin as Chairman on 26 July 2016.

2 Peter Hill was appointed to the Board on 24 May 2016 and as Chairman from 26 July 2016.

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. We note the recent report by the Parker Review Committee on ethnic diversity on UK Boards and the Hampton Alexander Review, focused on senior women below the company board. Ethnicity and gender are important aspects of diversity to which the Chairman and the Nomination Committee must pay due regard when deciding upon the most appropriate composition of the Board and in considering wider Executive succession planning.

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 29 February 2016 – two women: six men). Within the Keller group, our overall senior management population comprises 11.4% women, our engineering/contract manager capability comprises 8% 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.

Chairman's induction

Peter has spent the past six months familiarising himself with Keller and its people. His tailored induction programme has included:

- Spending time with our corporate lawyers, our auditors and brokers both prior to joining, as part of his due diligence on Keller, and after appointment, to further his understanding of our key risks and opportunities.
- A formal induction pack on appointment which included key information on Keller's corporate governance framework; its shareholders, customers and the general contractors we work with; our financial and operational performance; and, our products and solutions.
- First hand exposure to our markets, business units and senior management through visits to our Divisional headquarters in the US, EMEA and APAC and meetings with the Divisional senior management teams. Attending a number of sites globally to see Keller in action on key projects and meet local management.
- Attended Keller's first Group Leadership Team Conference in May 2016 where Peter had the opportunity to meet the group's top 70 senior leaders and listen to management presentations setting out the new group strategy, our new organisational model and the leadership priorities for the next 18 months.



▲ Marc Woods, Paralympian and motivational speaker (right), at Keller's Global Leadership Conference 2016, with Alain Michaelis (left) and Peter Hill (centre).

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.

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 44 and 45. All of these Directors served throughout the year with the exception of Roy Franklin, who served as Non-executive Director and Chairman until 26 July 2016 and Peter Hill who was appointed a Non-executive Director and Chairman Designate on 24 May 2016.

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 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. Peter Hill was independent at the time of his appointment as Chairman on 26 July 2016. Peter's other professional commitments are as detailed on page 45.

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.

In 2016 an external Board evaluation was carried out by Lintstock, the London-based corporate advisory firm, and facilitated by the Chairman and the Company Secretary. In addition to members of the Board participating, input was also sought on the Board's performance and interaction with the Executives from the Executive management team. Further details on the evaluation and the resulting themes for development can be found in the Nomination Committee report on page 54.

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. Should a Director be unable to attend a meeting, they will be provided with all the papers and information relating to that meeting and have the opportunity to discuss issues arising directly with the Chairman and Chief Executive.

Board focus areas in 2016

Strategy

- Reviewed and approved:
 - The group's strategy and strategic levers (see page 21 for further details)
 - The acquisition and integration plan of Tecnogeo, a geotechnical engineering business in Brazil
- Attended a one day Strategy session to review progress against Strategy and agree objectives for 2017-2020

Finance

- Evaluated and approved:
 - The three-year and annual business plan and budget
 - The approach and process enabling it to make the viability statement (see page 41 of the Strategic report for the process and the statement)
 - The approach and process allowing it to make the Going Concern statement
 - The Class 2 transaction which saw Keller acquire a warehouse in Avonmouth (see page 57 of the Audit Committee report for further details)
- Reviewed the Company's forecast net debt levels, facility headroom and covenants
- Considered and agreed the 2016 interim and final dividends

Operational performance

- Attended an overseas Board visit in Warsaw, where they held meetings with the members of the Divisional and local management teams and took part in a site visit
- Received and considered strategic and operational performance presentations from the Presidents of the US, APAC and EMEA Divisions



▲ The Board participates in a site visit in Warsaw, Poland in April 2016, supervised by the local management team.

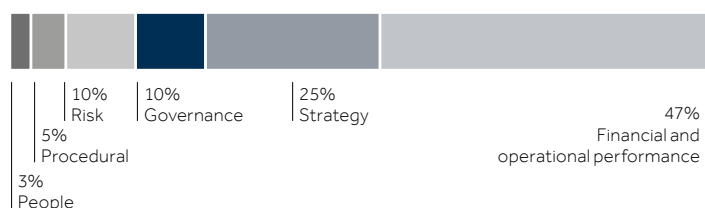
Risk

- 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

Governance

- Agreed the terms of Roy Franklin's retirement as Chairman from the Company
- Agreed the appointment of Peter Hill as Non-executive Director and Chairman Designate with effect from 24 May 2016 (for further details on each of the arrangements please refer to the Directors' remuneration report on pages 59 to 78)
- Reviewed the outcomes of an external Board evaluation
- Approved revised Board delegated authorities
- Approved a new Code of Business Conduct
- Approved a new Company Share Dealing Policy and procedures

2016 Board meetings – time spent



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 41 to 43.

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

(a) Board delegated approvals

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.

In 2016, the Board delegated authorities were revised and rolled out across the group.

(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 41 to 43.

(c) Health and safety

Regular reporting, monitoring and reviews of health and safety matters are made to the HSEQ 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) Code of Business Conduct

The group's Code of Business Conduct and ten group policies set out the standards 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 Code of Business Conduct and with the Code is considered as part of the independent reviews.

During 2016 a revised Code was launched to all employees and online training rolled out.

(l) Whistleblowing procedures

Employees are encouraged to raise genuine concerns about malpractice at the earliest possible stage. In 2016 we introduced 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 Finance Director's review on pages 16 to 19.



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

“Management has carried out an intensive review of the group’s risk assessment processes.”

Composition of the Committee

- Nancy Tuor Moore
- Ruth Cairnie
- Chris Girling
- Paul Withers

For full biographies see pages 44 and 45

Role of the Committee

Assist the Board of Directors in fulfilling its oversight responsibilities in relation to health, safety, environment, and other sustainability matters, arising out of the activities of the Company and its subsidiaries. It is also responsible for monitoring and reviewing the group’s Health and Safety Framework in line with applicable laws and regulations. The Committee evaluates and oversees the quality and integrity of the Company’s reporting to external stakeholders concerning sustainability matters.

Highlights of the Committee’s activities in 2016

2016 Health, Safety, Environment & Quality Committee meetings – time spent	%
Strategy/HSEQ	54
Sustainability	16
Governance	15
Procedural	7
Quality	7

- Approved the Company’s Sustainability framework.
- Approved the integration of quality and continuous improvement into the health and safety function and the Committee’s remit.
- Monitored progress against the year’s Safety targets and reviewed the root cause analyses for serious incidents over the year.
- Reviewed the terms of reference of the Committee.
- Reviewed the effectiveness of the Committee through the evaluation process which, for the year under review, was conducted externally.

Dear stakeholder

It is my pleasure to present the Health, Safety, Environment & Quality Committee Report for the year ended 31 December 2016.

The Committee is required to meet at least three times a year. During this financial year the Committee met four times and attendance at these meetings is shown on page 50. The Committee was particularly exercised this year by a number of serious incidents across the group, and focused on management’s understanding of the root cause analysis reports, together with shared learning and improvement actions from these events across the business.

As I reported last year, in 2015 two employees died on a site in Malaysia. Following a thorough internal investigation, validated by an independent expert and overseen by the local regulator, the local business accepted liability for the incident, resulting in a fine. Management has carried out an intensive review of the group’s risk assessment processes and subsequently rolled out improvements to every business unit.

Despite management’s resolve to achieve its goal of zero injuries, this year the Committee received reports on the unfortunate deaths of an employee on a site in Texas, USA, and of a sub-contractor on a site in Slovakia. Those fatalities continue to be investigated by local regulators. We are committed to our zero harm policy and take any loss of life seriously. As we await the formal outcomes of the regulatory investigations, management has conducted its own review and implemented corrective actions in our businesses across the group.

We did see overall improved performance in safety in 2016 across the group, and especially from the APAC Division, who have worked hard as a team, as they reorganise and consolidate the Division, to ensure that safety receives the appropriate focus in their business units.

Further detail on the Company’s HSEQ performance in 2016 can be found in our Sustainability report on pages 36 to 40.

Corporate governance

The Committee’s terms of reference, which were reviewed during the year, are available on the group’s website (www.keller.com) and on request from the Company Secretary.

The membership of the Committee comprises the Non-executive Directors of the Company. The Committee may invite members of the senior management to attend meetings where it is felt appropriate and the Chairman, Chief Executive and the group Health, Safety, Environment & Quality Director regularly attend meetings of the Committee. Divisional Presidents are required to attend to report to the Committee in the event of a major safety incident or near-miss occurrence and other members of the Executive Committee may be invited to attend on occasion.

During the year, an external evaluation was carried out on the Committee’s performance, facilitated by the Chairman and the Company Secretary. Further to the review, it was concluded that, consistent with the Code and its own terms of reference, the HSEQ Committee is discharging its obligations in an effective manner.

Nancy Tuor Moore

Chairman of the Health, Safety, Environment & Quality Committee

27 February 2017



Peter Hill CBE

Chairman of the Nomination Committee

“The Nomination Committee continues to work to balance the skills and experience of the Board members to meet the changing needs of the business.”

Composition of the Committee

- Peter Hill (Chairman from 26 July 2016)
- Roy Franklin (Chairman until 26 July 2016)
- Ruth Cairnie
- Chris Girling
- Nancy Tuor Moore
- Paul Withers

For full biographies see pages 44 and 45

Role of the Committee

Review and recommend the structure, size and composition of the Board and its Committees. It is also responsible for succession planning of the Board and Executive management. The Committee promotes the overall effectiveness of the Board and its Committees.

Highlights of the Committee’s activities in 2016

2016 Nomination Committee meetings – time spent	%
Succession planning	57
Procedural	29
Governance	14

- Succession planning for the Chairman of the Board.
- Appointment and reappointment of Board members.
- Monitored the length of tenure of the Non-executive Directors.
- Reviewed the terms of reference of the Committee.

Dear shareholder

Welcome to the report of the Nomination Committee for the year ended 31 December 2016.

The Committee keeps under review the balance of skills on the Board and the knowledge, experience, length of service and performance of the Directors. During the year, the Committee met twice and attendance at these meetings is shown on page 50.

This year, succession planning for the Chairman was a particular area of focus for the Nomination Committee. Paul Withers, Senior Independent Director, led the process and his report is set out on page 55.

Ruth Cairnie completed her second three-year term as at May 2016. Consequently, the Committee considered her independence prior to recommending to the Board that her reappointment should be extended for one year.

Succession planning

We have continued to develop and monitor succession plans at the Board level. The length of tenure for Non-executive Directors is two terms of three years each, to be followed by annual renewal of up to three years, allowing for increased flexibility in our succession planning and timing.

Board effectiveness and skills

As part of its work on the Board’s effectiveness, the Nomination Committee activities included:

- Consideration of the number of Executive and Non-executive Directors on the Board and whether the balance is appropriate to ensure optimum effectiveness.
- Reviewing the balance of industry knowledge, relevant experience, skills and diversity on the Board.
- Assessment and confirmation that all the Non-executive Directors remain independent.

This year, the Board conducted an external evaluation of its own performance. It was conducted by Linstock, the London-based corporate advisory firm, and facilitated by myself and the Company Secretary. In addition to members of the Board participating, input was also sought on the Board’s performance and interaction with the Executives from the Executive management team.

The outcomes from this review were discussed as part of the Board meeting in December 2016. The Board agreed that, overall, the Board and Committee structures were working well, and a number of development themes were identified from the evaluation:

- Increased discussion on the new strategic levers, to be addressed by the Strategy Director’s facilitation of key discussion topics in the forward agenda;
- Increased access to the Executive management team by the Board, to be addressed through more regular attendance at Board meetings going forward; and
- Increased focus on talent development in the Executive management population, to be addressed by the Chief Executive and Human Resources Director in 2017.

The Nomination Committee is confident that each Director remains committed to their role; the Board continues to work well and has an appropriate and diverse mix of skills and industry knowledge. The Directors collectively bring a range of expertise and experience of different business sectors to Board deliberations, which encourage constructive and challenging debate around the boardroom table.

The Nomination Committee continues to work to balance the skills and experience of the Board members to meet the changing needs of the business. The mix of skills keeps us relevant and up-to-date with the market and further details on the Board’s breadth of skills can be found on page 45.

Diversity

The Committee continues 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. There are, therefore, no formal targets set for female or other aspects of diversity at Board level. For further information on Boardroom diversity and diversity more generally at Keller, please refer to page 50.

Non-executive appointments and time commitments

In making recommendations to the Board on Non-executive Director appointments, the Nomination Committee will consider the expected time commitment of the proposed Non-executive Director, and other commitments they already have to ensure that they have sufficient time available to devote to the Company.

Prior to accepting any additional commitments, Non-executive Directors will, in the first instance, discuss these with the Chairman of the Board, or in the case of the Chairman, with the Senior Independent Director and the Chief Executive. Agreement of the Board is then required to ensure that any conflicts of interest are identified and that they will continue to have sufficient time available to devote to the Company.

Independence and re-election to the Board

The composition of the Board is reviewed annually by the Nomination Committee to ensure that there is an effective balance of skills, experience and knowledge.

The Committee conducted a review of the independence of Ruth Cairnie in the year as her three-year appointment was due to expire on 7 April 2016. Ruth was not present during the Committee's discussion. Having conducted its review, the Committee was satisfied that it was appropriate to recommend to the Board that Ruth's appointment should be extended for a further year.

Corporate governance

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

Only the Chairman and Non-executive Directors are members of the Committee. 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, Chief Executive, attended certain meetings during the year.

During the year, an external evaluation was carried out on the Committee's performance, facilitated by the Chairman and the Company Secretary. Further to the review, it was concluded that, consistent with the Code and its own terms of reference, the Nomination Committee is discharging its obligations in an effective manner.

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 2017, with the exception of myself, Peter Hill, and Venu Raju who will seek their first election.

Peter Hill CBE

Chairman of the Nomination Committee

27 February 2017



Paul Withers
Senior Independent Director

"Our objective was to ensure an orderly succession process."

Dear Shareholder

Roy Franklin announced his intention to retire as Chairman and from the Board in 2016. As the Senior Independent Director, I was asked to lead the search and selection process for a new Chairman on behalf of the Nomination Committee and the Board, assisted by the Group Company Secretary.

Our objective was to ensure an orderly succession process. Below I set out how that process was managed:

- Given Alain's appointment as the new Chief Executive in 2015, Roy was keen to achieve an orderly handover during 2016, allowing Alain sufficient time in role before a further key change on the Board took place.
- Roy spoke individually to each of the Non-executive Directors, including me, to see if anybody wished to be a candidate and came to the conclusion that an external appointment was required.
- The Committee worked with the Group Company Secretary to agree the profile and criteria for selection, seeking input from Roy and the Executive Directors to ensure alignment.
- A number of search firms were approached and The Zygos Partnership ('Zygos') was selected. Based on the profile and criteria selection, together with individual interviews with the Board, Zygos determined a long list of candidates for review.
- After discussion in the Committee and with Roy, a shortlist was put forward to me for which detailed references were sought by Zygos and soundings taken from our advisers.
- Agreed candidates were invited to meet with the Committee and with the Chief Executive, and the preferred candidate was identified as Peter Hill.
- The timing for handover was agreed with Peter and Roy, with a short but well-ordered transition period.

We were delighted to welcome Peter to the Board in May 2016 and as Chairman from July 2016.

Paul Withers
Senior Independent Director

27 February 2017



Chris Girling
 Chairman of the Audit Committee

"In the year ahead we will continue to ensure the group's risk management and internal controls remain robust."

Composition of the Committee

- Chris Girling
- Nancy Tuor Moore
- Ruth Cairnie
- Paul Withers

For full biographies see pages 44 and 45

Role of the Committee

The Committee is responsible for overseeing internal risk management and effective internal controls, financial reporting and appropriate external audit arrangements.

Highlights of the Committee's activities in 2016

2016 Audit Committee meetings – time spent	%
Financial Governance	82
Procedural	6
Administrative	11

- Financial reporting.
- Reviewed the group's risk (including Going Concern and Viability Statement).
- Reviewed significant judgements and fair, balanced and understandable assessment.
- Reviewed the independence and effectiveness of the external auditors.
- Reviewed the group's whistleblowing policy and procedures.
- Reviewed and agreed the process for refresh of the Code of Business Conduct.
- Reviewed and approved the group's tax strategy.
- Reviewed the effectiveness of the Committee. The evaluation process for the year under review was facilitated by an external consultant.
- Reviewed the terms of reference of the Audit Committee.

Dear Shareholder

On behalf of the Audit Committee, I am pleased to present our report for the financial year ended 31 December 2016.

The Audit Committee met four times during the year. Attendance at these meetings is shown in the table on page 50. To ensure compliance with the Code, the Committee's membership is limited to Independent Non-executive Directors of the Company. The Chairman, Chief Executive, Finance Director, Group Financial Controller and the Company's external auditors KPMG LLP ('KPMG') 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. On two occasions, the Committee met privately with KPMG without management being present and I also met with PricewaterhouseCoopers without management present.

The Board is satisfied that I have the required level of relevant financial and accounting experience required by the provisions of the Code, to perform the role of Chairman, having previously held Chief Financial Officer positions in public companies. I am also a Chartered Accountant and I continue to chair the Audit Committee for another public limited company.

The Audit Committee collectively has the contracting and international skills and experience required to fully discharge its duties. The Committee is authorised by the Board to seek any information necessary to fulfil its duties to obtain independent legal, accounting or other professional advice, at the Company's expense, which might be necessary for the fulfilment of its duties.

Activities of the Committee

During the year under review, the Committee has continued to review and report to the Board on the group's financial and narrative reporting, internal control and risk management processes and the performance, independence and effectiveness of KPMG. This report describes the Committee's main activities since my last report in 2015.

The Audit Committee ensures the integrity of financial reporting and audit processes and the maintenance of a sound internal control and risk management system, details of which are described on page 41.

The table below summarises the key agenda items covered at the Committee's meetings during this period:

- Review a report on the group's system of internal control and its effectiveness and receive regular updates on the group's principal risks.
- Review a report from management on their process for assessing the group's going concern and viability over a three-year period and report the outcomes of the assessment to the Board.
- Undertake an assessment of the effectiveness of the internal audit process.
- Approve a rolling four-year programme of internal audit reviews of aspects of the group's operations and financial controls and receive reports on all reviews carried out during the year.
- Review the need for an internal audit function.
- Review and approve KPMG's engagement letter and audit fee.
- Review KPMG's reports and the group's draft financial statements and recommend them for approval to the Board.
- Review the scope and results of the audit, its cost-effectiveness and the independence and objectivity of KPMG.
- Review the group's policy on employment of KPMG for non-audit services, specifically with regard to the updated UK Corporate Governance Code and revised Auditing and Ethical Standards.
- Review the group's policy on the employment of former employees of KPMG.

- Receive briefings on various technical issues, such as accounting standards and their practical consequences for Keller.
- Review and approve the group's tax strategy, approach to the management of tax risk and tax policy and procedures.
- Review the group's whistleblowing policy and monitor the procedures in place for employees to be able to raise matters of possible impropriety.
- Agree the process for refreshing the group's Code of Business Conduct and its programme for implementation.
- Review the Committee's effectiveness and its terms of reference.

The Audit Committee also reviewed the Company's processes for the preparation of the Annual Report and Accounts and the outcomes of those processes to ensure that it was in a position to recommend to the Board that the 2016 Annual Report and Accounts satisfy the requirement of being fair, balanced and understandable. The following processes are in place to provide this assurance:

- Co-ordination and review of the Annual Report and Accounts performed within an exacting time-frame which ran alongside the formal audit process undertaken by KPMG.
- Guidance issued to contributors at an operational level.
- Internal challenge and verification process dealing with the factual content of the information within the Annual Report and Accounts.
- Comprehensive review by senior management and external advisers to ensure consistency and overall balance.

In the first half of the year, the Audit Committee reviewed correspondence received from the Financial Reporting Council's Corporate Reporting Review team in relation to the Company's accounts for the year ended 31 December 2014. The correspondence requested a number of clarifications that were addressed and concluded to the satisfaction of the Corporate Reporting Review team.

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 judgements in connection with:

Accounting for construction contracts

The main factors considered when making those estimates and judgements 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 reviewed a report prepared by management on the key estimates and judgements relating to construction contracts having a material impact on the group's result for the year and agreed with the conclusions of this report.

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.

Valuation of non-current assets held for sale

During the year, following a contract dispute the group acquired a property which is classified as a non-current asset held for sale. Further details are set out in note 20 to the financial statements. The value of the property has been determined using an external professional valuation performed in accordance with RICS standards and the full Board received a presentation from the property's valuers in December 2016. The significant assumption underlying the valuation is the rental yield. The Committee reviewed the results of this valuation and the implied rental yield in comparison to typical UK commercial property yields. The Committee considers it a reasonable measure of fair value at the balance sheet date given the history of the property.

The Committee also examined the disclosure of items which are described as non-underlying and/or exceptional in the consolidated income statement. After consideration of compliance with emerging practice in the area of alternative performance measures in conjunction with KPMG, the Committee agreed that the revised presentation of exceptional and other non-underlying items in 2016 is appropriate.

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 KPMG the reasonableness of the assumptions made by management in arriving at their estimates and judgements underpinning the financial statements. In addition, during such meetings, the Committee meets with KPMG without management being present.

Internal audit

PricewaterhouseCoopers ('PwC') continues to provide a structured programme of independent, outsourced reviews of all material business units at least once every four years. During 2016, the Audit Committee received and considered reports from PwC which detailed the progress against the agreed work programme. This programme covered reviews of eight business units in five countries, which together represented approximately 25% of the group's revenue for the year. It included assessments of the Bencor and Austral businesses acquired in 2015; the McKinney and Suncoast businesses in the US; the Keller Foundations business in Australia; and Keller Poland. 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 PwC considered of a significant nature. In December, 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 reappointed as the Company's Auditor in 2014 subsequent to a robust retendering of the external audit process. Following the introduction of the 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 2015 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 KPMG. These include open lines of communication and reporting between KPMG 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 KPMG, which should prevent any impairment of independence and ensure compliance with the updates to the UK Corporate Governance Code and revised Auditing and Ethical Standards with regards to non-audit fees. Any work awarded to KPMG, other than audit, with a value in excess of £20,000 requires the specific pre-approval of the Audit Committee Chairman. In addition, once total approved non-audit services exceeds £50,000 in any year, every subsequent service, regardless of amount, requires pre-approval by the Audit Committee Chairman.

Over the last three years, the ratio of non-audit related fees paid to the Auditor averaged 37% of the total audit fee. The ratio of non-audit related fees paid to the Auditor in 2016 is 31% of the total audit fee. These relate predominantly to US tax compliance services. Going forward, PwC has been engaged as the Company's tax advisers.

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

Risk management and internal control

The Audit Committee has a key role in ensuring appropriate governance and challenge around risk management. It also sets the tone and culture within the organisation regarding risk management and internal control.

Key elements of the group's system of internal control include:

- A comprehensive system of financial reporting.
- An organisational and management Board structure with clearly defined levels of authority and division of responsibilities.

The group aims to continuously strengthen its risk management processes, with the involvement of the Audit Committee to ensure these processes are embedded throughout the organisation. The Audit Committee has reviewed the group's system of controls including financial, operational, compliance and risk management during the year with no significant failings or weaknesses identified. However, any such system can only provide reasonable and not absolute assurance against any material misstatement or loss.

Further information on the group's risks is detailed on pages 41 to 43.

Corporate Governance

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

A resolution to reappoint KPMG LLP will be put to shareholders at the Annual General Meeting to be held in May 2017.

As a Committee we are continually looking at opportunities to improve our effectiveness and better understand the risks and opportunities of the markets in which the group operates. During the year, an external evaluation was carried out on the Committee's performance, facilitated by the Chairman and the Company Secretary. Further to the review, it was concluded that, consistent with the Code and its own terms of reference, the Audit Committee is discharging its obligations in an effective manner.

I meet regularly with both KPMG and the Finance Director to discuss key issues relevant to the Committee's work. Ensuring these lines of communication are open and working well is vital to the success of the Committee in carrying out its work.

In the year ahead we will continue to ensure the group's risk management and internal controls remain robust.

Chris Girling

Chairman of the Audit Committee

27 February 2017

Directors' remuneration report

Annual statement from the Chairman of the Remuneration Committee



Ruth Cairnie

Chairman of the Remuneration Committee

"In 2016, the Committee consulted extensively with our largest shareholders and their representative bodies on the development of our Remuneration Policy."

Composition of the Committee

- Ruth Cairnie
- Nancy Tuor Moore
- Chris Girling
- Paul Withers

For full biographies see pages 44 and 45

Role of the Committee

Determine and make recommendations to the Board on the group's framework and policy for executive remuneration and its costs; determine individual remuneration packages for the Executive Directors, and have oversight of the remuneration packages of senior executives below Board level; exercise the powers of the Board in relation to the Company's Performance Share Plan; set and oversee the selection and appointment process of remuneration advisers to the Committee; and report to shareholders on an annual basis on the work of the Committee.

The Chairman of the Committee reports to the Board on the Committee's activities at the Board meeting immediately following each meeting.

Highlights of the Committee's activities in 2016

2016 Remuneration Committee meetings – time spent	%
Governance	83
Procedural	8
Administrative	6
People	3

- 1 Policy and consultation:
 - Reviewed the Directors' Remuneration Policy, developed recommendations for a new Policy and conducted a full shareholder consultation.
- 2 Board changes:
 - Set remuneration arrangements for the new Chairman and outgoing and incoming Engineering and Operations Executive Directors.
- 3 2016 implementation and outcomes:
 - Determined bonus outcomes for 2016.
 - Determined the vesting outcome of the 2013 Performance Share Plan awards.
 - Approved 2016 PSP awards to Executive Directors and Senior Managers.
- 4 2017 Remuneration:
 - Set base salaries and established Executive Director bonus arrangements for 2017.
 - Reviewed base salaries and bonus arrangements for the Executive Committee for 2017.
- 5 Monitored developments in Corporate Governance and market trends.
- 6 Reviewed the terms of reference of the Remuneration Committee.
- 7 Reviewed the effectiveness of the Committee through the evaluation process which, for the year under review, was conducted externally.

Dear shareholder

It is my pleasure to present the Directors' remuneration report for the year ended 31 December 2016 on behalf of the Board.

This remuneration report is split into two sections:

- The new Directors' Remuneration Policy; and
- The Annual Report on Remuneration.

Policy Review

Much of the Committee's activity in 2016 has focused on reviewing our Remuneration Policy. The revised Policy will be put to a binding vote at the Company's Annual General Meeting in May 2017.

Directors' remuneration report continued

Annual statement from the Chairman of the Remuneration Committee continued

Business context

In 2015, our new CEO Alain Michaelis set out his vision for the group, "to be the world's leading geotechnical solutions provider", and since then the Board has completed a Strategy Review, looking at how shareholder value can be maximised over the next five years. The resulting strategic plan involves five key strategic levers, details of which can be found on page 20 of the Strategic report:



The adoption by Keller of this new strategy, with clear actions and a multi-year implementation plan, sets the context for our proposed revisions to remuneration:

- It increases the importance of weighting our incentives to the longer term, linking reward to performance arising from the delivery of the plan.
- It provides a stronger opportunity to build alignment between executive and shareholder interests, for example by encouraging and facilitating the building of significant shareholding by the Executives.
- It requires reward in Keller to be competitive, to enable recruitment of new talent bringing in additional experience in driving change and strengthening functional capabilities. This talent is needed at different levels in the Keller organisation but competitiveness must start with senior roles and a coherent framework for reward across the group as a whole.

Our review also provided an opportunity to simplify some aspects of the Policy.

Proposed changes

We considered whether our remuneration structure of base salary, benefits, annual bonus and long term incentive (PSP) remains appropriate or whether alternative structures, for example restricted stock, should be considered. We concluded that pay should continue to be strongly linked to performance, specifically the delivery of the strategic plan.

We proposed a number of wording changes in the policy for the Annual Bonus Plan to make its implementation simpler and less prescriptive.

Specific changes proposed were:

- To remove the restriction in our policy wording that any bonus in excess of 100% of salary is only payable for genuinely exceptional performance, an anomaly which, although well-intentioned, has in practice hampered effective implementation. The change is not intended to weaken our commitment for any above-target payout to require very strong performance.
- To remove the prescriptive rules for adjustment of bonus outcomes (for example, related to safety or financial underperformance), and replace these with a more general discretion for the Committee to make adjustments. Again, the intention is not to weaken the role of the Committee in applying discretion, rather the opposite, but with the ability to respond to specific situations.

In addition, we proposed that deferral of any bonus in excess of 100% of salary be into shares rather than cash. This strengthens the alignment between Executives and our shareholders. No changes were proposed to the maximum bonus opportunity.

For the PSP, we concluded that EPS growth and relative TSR continue to be currently well aligned with strategic delivery. We did not propose moving away from these measures although in the policy we proposed to ensure that the Committee has flexibility to adopt different measures in the future if there are good reasons to do so. For EPS we proposed to have the flexibility to adopt EPS targets based on cumulative EPS over the three-year performance period rather than pre-defined growth rates: this will enable us to set targets appropriate to where we are in the construction cycle.

We also considered whether there should be scope for the introduction of a third performance measure or as an underpin. We proposed to include flexibility for a third measure in the Remuneration Policy but not to introduce a third measure for the 2017 cycle. We have committed to any third measure in the future being a financial measure, but will consider further the alternatives, weightings and targets as part of our implementation, and will ensure that we consult with shareholders when we have arrived at a conclusion.

Finally, we developed a package of changes to the PSP designed to strengthen our position to attract and retain talent with the right experience including from other sectors; to shift the overall balance of our incentives towards the longer term; and to strengthen the alignment between executives and shareholders via increased shareholding. The proposed changes were:

- An increase in the maximum operational award from 100% of salary for the Executive Directors.
- Introduction of a two-year holding period in addition to the three-year vesting period.
- An increase in the shareholding requirement for Executive Directors from 100% of base salary to 200% of base salary.

Based on the shareholder feedback we received (see below), we have decided not to introduce this last package of changes at this time to the PSP in this policy revision.

Shareholder engagement

In 2016, the Committee consulted extensively with our largest shareholders and their representative bodies on the development of our Remuneration Policy.

We were pleased by the level and quality of engagement and welcomed the constructive feedback provided through the consultation process and this has been taken on board in our final proposals.

We received widespread support for the adjustments proposed to the Annual Bonus Plan and for the flexibility to introduce cumulative EPS targets for the PSP. As we had anticipated, several shareholders emphasised the importance of targets being sufficiently stretching.

There was significant interest in our thinking about a possible third measure in the PSP, and interest from several shareholders in including a returns measure.

On the package of other proposed changes to the PSP policy (increase in level of opportunity, introduction of a two-year holding period, increase in shareholding requirement), the majority of shareholders were again supportive. They recognised the need for Keller reward to be competitive and the gap that has developed in the nine years since incentive levels were last increased, the benefits of a holding period and the rationale for a shift in the balance of our reward to the longer term. They also recognised the importance of senior executives having the requirement and opportunity to build significant shareholdings provided performance targets are achieved.

However, a significant minority expressed concern about making any increases to opportunities at this time. While recognising the validity of the proposed levels, they would prefer for any increases in opportunity to be delayed until our progress in implementing the new strategy is more established.

Directors' remuneration report continued

Annual statement from the Chairman of the Remuneration Committee continued

Our response and proposed way forward

The Remuneration Committee has considered all of the feedback, and continues to believe that the full set of changes originally proposed will be needed in the future to underpin Keller's future success with a well-balanced and competitive reward structure aligned to the strategic direction.

However, we take the views and concerns of our shareholders very seriously and are mindful of the heightened political attention at the moment on executive pay. We are therefore planning a measured, two-step approach:

- In our 2017 policy we are including the changes to the operation of the annual bonus described above. We are also adjusting the PSP policy to provide the potential to adopt cumulative EPS targets, and the flexibility to introduce a third financial LTIP measure, as supported in our consultation.
- The other changes to PSP are seen as a package balancing executive and shareholder expectations. We will revisit these over the course of the next year, with a likely further consultation and change in policy after one or two years when the timing is right in terms of progress in delivery of the strategic plan.

Incentive outcomes for 2016

Underlying group profit before tax declined by 11% and underlying earnings per share by 12%. Group net debt was £305.6m. Overall, annual performance was disappointing and the 2016 annual bonus outcomes reflect this performance, with the Committee determining that 2% of the maximum annual bonus opportunity in relation to financial targets should pay out for the Executive Directors. Progress against personal objectives, which are aligned to the Company's five strategic levers, was encouraging. These would have paid out at between 18% and 20% of salary, but were capped at 15% of salary as the profit performance thresholds had not been met.

The Performance Share Plan did not vest in respect of the performance period ending in 2016. The next Performance Share Plan due to vest will be based on performance ending in 2017.

Board changes

Peter Hill joined the Board as a Non-executive Director and Chairman Designate on 24 May 2016. He was appointed Chairman on 26 July 2016, following Roy Franklin's retirement from the Board and as Non-executive Chairman. Wolfgang Sondermann stepped down from the Board on 31 December 2016. Venu Raju was appointed to the Board as an Executive Director with effect from 1 January 2017. Their remuneration was treated in line with policy and further details are set out in the Annual Report on Remuneration.

2017 Salary review

Alain Michaelis and James Hind have chosen not to receive an increase in base salary for 2017.

2017 Annual General Meeting

I very much hope that you will support our proposed Remuneration Policy along with our 2016 Annual Report on Remuneration at our forthcoming Annual General Meeting in May. I will be available at the meeting to answer any questions about the work of the Committee.

Ruth Cairnie

Chairman of the Remuneration Committee

27 February 2017

Remuneration Policy report

The Remuneration Policy is set out in this section.

As described in the Chairman's letter, the Committee engaged with its major shareholders in 2016 and 2017 as part of its review of the executive remuneration policy. We wrote to 20 of our largest shareholders and the major shareholder representative bodies in November 2016 to consult on the development of our executive remuneration and, having considered the feedback, we wrote again in January 2017 to explain the outcome of the review, the changes proposed and associated rationale. Shareholders were offered the opportunity to discuss the proposals with the Remuneration Committee Chairman on both occasions and overall we were encouraged by the numbers of shareholders who took the trouble to respond and engage and are satisfied that, having taken into account both supporting views and key concerns, we have developed an appropriate way forward.

This policy will be put to shareholders for approval at the AGM to be held on 11 May 2017. The policy is intended to apply, subject to shareholder approval, for three years from 1 January 2017. Where a material change to this policy is considered, the Company will consult with major shareholders prior to submitting to all shareholders for approval. The Remuneration Policy will be displayed on the Company's website (www.keller.com) following the 2017 AGM.

Remuneration principles

Our remuneration principles underpinning Directors' remuneration and our policy are:



Directors' Remuneration Policy table

There are five main elements of the remuneration package for Executive Directors: base salary, benefits, pension, performance-related annual bonus, and performance share plan. The table below summarises these elements, how they link to strategy and discourage excessive risk-taking and their operation and performance measures. The group aims to balance the need to attract, retain and motivate Executive Directors and other senior executives of an appropriate calibre with the need to be cost effective, whilst at the same time rewarding exceptional performance. The Remuneration Policy is designed to balance these factors, taking account of prevailing best practice, investor expectations and the level of remuneration and pay made generally to employees of the group.

Directors' remuneration report continued

Remuneration policy report continued

Fixed remuneration – base salary, benefits and pension

Base salary

Purpose and link to strategy	Reflects the individual's role, experience and contribution to the Company. Set at sufficiently competitive levels to attract and retain high-calibre individuals needed to execute and deliver on the group's strategic objectives.
Operation	Paid in cash. Salaries are normally set in the home currency of the Executive Director and reviewed annually. In making salary decisions the Committee takes account of: <ul style="list-style-type: none">– Changes in the scope or responsibility of the role– Company and individual performance– Periodically, salary levels for comparable roles at relevant international comparators; and– General increases across the group.
Performance	Both the group and the individual's performance are considered when determining salary increases.
Opportunity	Positioned broadly at the median of relevant roles in similar size international companies. Increases are not expected to exceed average increases for the wider workforce taking into account relevant geography. In circumstances where there is a significant increase in the complexity, scope or responsibility of the role the Committee has discretion to award a higher level of increase.

Benefits

Purpose and link to strategy	To be market competitive for the purpose of attracting and retaining high-calibre individuals needed to execute and deliver the strategic objectives.
Operation	Benefits typically include: <ul style="list-style-type: none">– A company car or a car allowance,– Private health care,– Life assurance, and long-term disability insurance. Other benefits may be provided from time to time if considered reasonable and appropriate by the Committee. Where applicable, relocation costs may be provided, which may include but which are not limited to: removal costs, accommodation assistance, a cost of living allowance, school fees and tax equalisation. Executive Directors would also be able to participate in any all-employee share plans on the same basis as other eligible employees, should such plans be implemented by the Company.
Performance	None
Opportunity	There is no formal maximum as the cost of benefit provision can fluctuate depending on changes in provider cost, location and individual circumstances.

Pension

Purpose and link to strategy	To provide a market competitive level of retirement benefit.
Operation	Executive Directors participate in the Company pension schemes that apply in their home country. Current UK Directors can elect to receive either a contribution to a UK defined contribution ('DC') scheme or a salary cash supplement in lieu of pension benefits.
Performance	None
Opportunity	The maximum annual pension contribution/cash supplement is 18% of base salary unless the contribution rates are determined by the rules of a specific country pension plan.

Short-term variable remuneration	
Annual Bonus Plan	
Purpose and link to strategy	Rewards achievement of the short-term financial and strategic targets of the Company.
Operation	<p>At the start of each financial year, performance measures and weightings are determined and annual financial targets and personal strategic objectives are set by the Committee. Bonus outcomes are determined based on performance against those targets.</p> <p>Any bonus above 100% of salary is deferred into Company shares for three years.</p> <p>Deferred bonus shares are eligible for dividend equivalents over the period from the date the deferred award is granted, to the date of its vesting.</p> <p>Malus and clawback may operate in respect of the Annual Bonus Plan (including deferred bonuses). The Committee may apply judgement and shall have discretion to make appropriate adjustments to an individual's annual bonus payout (including, if appropriate, reduction to nil) or to recover the relevant value. Clawback will apply to the cash bonus and deferred bonus for a period of three years. These provisions could take effect in the event of financial misstatement, serious reputational damage, or material misconduct in individual cases.</p>
Performance	<p>The annual bonus is predominantly based on delivering financial performance (at least 80%) and may include financial measures such as profit before tax ('PBT') and working capital management.</p> <p>The Committee agrees targets annually for threshold and maximum payouts, ensuring targets are achievable but stretching. The award opportunity at threshold performance is 0%, with around 50% of maximum bonus normally payable for target. Payouts between threshold and target, and target and maximum are determined broadly on a straight-line basis.</p> <p>Around 20% of the bonus is based on personal strategic objectives which are linked to Keller's strategy.</p> <p>The measures are reviewed by the Committee each year and will be explained in the annual report on remuneration.</p> <p>The Committee retains full discretion to adjust the performance measures/targets/weightings on an annual basis for future years to reflect the prevailing strategic objectives of the business.</p> <p>The Committee also has discretion to adjust the bonus outcomes if it determines this is needed to achieve an appropriate outcome. This could take into account factors such as a material deterioration in safety performance, events impacting the reputation of the Company, or failure to achieve a minimum level of financial performance impacting the scope for payout under personal strategic objectives.</p>
Opportunity	The maximum annual bonus potential for Executive Directors is up to 150% of base salary.
Long-term variable remuneration	
Performance Share Plan ('PSP')	
Purpose and link to strategy	Focuses on delivering value creation for shareholders and sustainable financial performance for the Company over the long term.
Operation	<p>Awards are normally granted every year.</p> <p>Award levels are determined annually by the Committee and set within the policy maximum.</p> <p>Subject to a three-year performance period and stretching performance conditions.</p> <p>The performance measures and targets are determined at the start of each performance period in line with the Company's financial and strategic objectives.</p> <p>Dividend equivalents are accrued over the three years and payable in respect of the shares that vest.</p> <p>Malus and clawback may operate in respect of the Performance Share Plan. These provisions provide the Committee discretion to reduce (including, if appropriate, to nil) the payout or to recover the relevant value following vesting of an award. Clawback will apply to the PSP awards for a period of two years following vesting. These provisions could take effect in the event of financial misstatement, serious reputational damage, or material misconduct in individual cases.</p>
Performance	<p>Vesting of PSP awards is subject to continued service and performance against relevant financial performance measures as determined by the Committee. At least two-thirds of the award will be based on:</p> <ul style="list-style-type: none"> – Earnings per Share (EPS) measured over the three-year performance period, and – Total Shareholder Return (TSR) measured over the three-year performance period against an appropriate peer group(s) selected by the Committee. <p>The Committee retains discretion to include an additional financial performance measures or an underpin and/or adjust the weightings to reflect the prevailing strategic objectives of the Company.</p>
Opportunity	<p>The maximum award limit in each financial year is 100% of base salary.</p> <p>In exceptional circumstances (for example recruitment or retention) the Committee may make awards of up to 200% of base salary.</p> <p>For threshold performance, 25% of the award will vest. For maximum performance, 100% will vest. Vesting will operate on a straight-line basis.</p>

Shareholding Guidelines

Purpose: aligns interests of Executive Directors with those of shareholders.

Executive Directors are expected to retain 50% net of tax of shares following the vesting of share awards until the guideline is attained. The Committee encourages the Directors to buy shares on the market.

Minimum shareholding guideline for Executive Directors is 100% of (pre-tax) base salary.

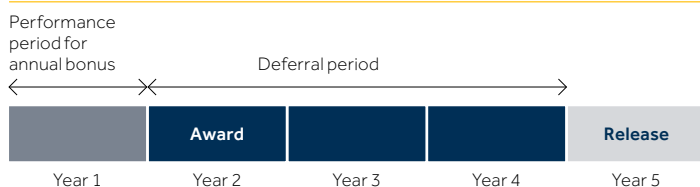
Notes to the Policy Table:

Annual Bonus and Deferred Bonus Plans

- Profit-related measures are chosen by the Committee as they support the strategic objectives of profitable growth and leveraging Keller's technical expertise globally; good management of working capital emphasises the Company's focus on efficiency of operations; personal strategic objectives allow Executive Directors to focus on strategic initiatives which support delivery of the annual business plan in any relevant year as well as laying foundations for delivery of the longer-term group strategy.

To reinforce alignment with shareholder interests, any bonus payable above 100% of salary will be deferred into the Deferred Bonus Plan ('DBP'). There are no further performance conditions applicable to the deferred bonus and it is released in the form of shares after a deferral period of three years along with dividend shares accrued over the deferral period.

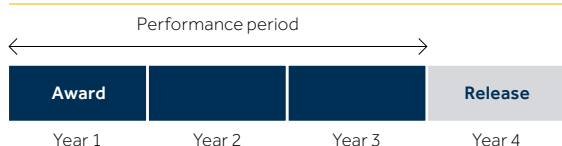
Timeline for Deferred Bonus Plan



Performance Share Plan

- The Committee believes that EPS and TSR performance measures continue to be well aligned with strategic delivery. The Committee also has flexibility to adopt different measures if there are good reasons to do so or to introduce a third financial measure.
- TSR reflects the wealth creation for shareholders and provides strong alignment with shareholder interests. TSR is currently measured as a three-year TSR outperformance of the FTSE 250 Index (excluding investment trusts). The Committee retains discretion to adjust this measurement methodology for future awards should circumstances change.
- EPS is considered as an important indicator of the revenue growth and profitability and is highly visible internally. Targets are set by the Committee taking into account internal forecasts of performance, any guidance provided to the market and market expectations, as well as historical performance.

Timeline for Performance Share Plan



Awards under previous remuneration policies

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

Committee's discretion

- 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 not materially less challenging than the original conditions.
- 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.

Pay for performance scenarios

The charts provide an illustration of the potential future reward opportunities for the Executive Directors, and the potential split between the different elements of remuneration under three different performance scenarios: 'Minimum', 'On-target' and 'Maximum'. Illustrations are intended to provide further information to shareholders regarding the pay for performance relationship.

Potential reward opportunities are based on Keller's Remuneration Policy, applied to base salaries from 1 January 2017. Note that the PSP Awards granted in a year do not normally vest until the third anniversary of the date of grant, and the projected values exclude the impact of any share price movement and dividend accrual.

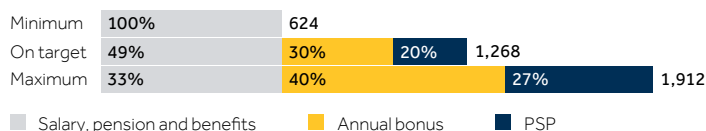
The 'minimum' scenario reflects base salary, pension and benefits (i.e. fixed remuneration). Benefit levels are assumed to be the same as the last financial year. No annual bonus payable and threshold performance under PSP is not achieved.

The 'on-target' scenario reflects fixed remuneration as above, plus bonus payout of 50% of maximum and PSP vesting at 50% of normal maximum award.

The 'maximum' scenario reflects fixed remuneration, plus full payout of all incentives.

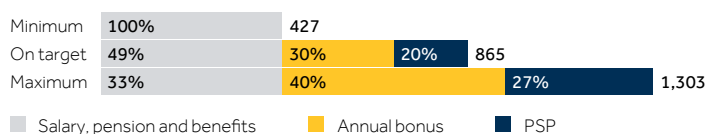
Alain Michaelis (€000)

Chief Executive



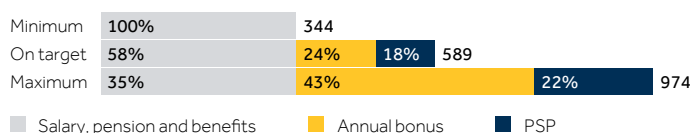
James Hind (€000)

Finance Director



Venu Raju (€000)

Engineering and Operations Director



Approach to recruitment remuneration

The Committee's approach to remuneration for newly appointed Directors (both internal and external) is consistent with that for existing Directors. However, where the Company is considering an internal promotion to the Board, the Remuneration Committee may, at its discretion, decide that any remuneration commitment agreed or entered into prior to the promotion will continue to be honoured even though that commitment may not be consistent with the prevailing policy.

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 table below summarises Committee's approach on recruitment/promotion:

Component	Approach	Maximum
Base salary	The base salaries of new appointees will be determined by reference to relevant market data, experience and skills of the individual, internal relativities and their current base salary. Where new appointees have initial basic salaries set below market, phased increases may be awarded over a period of two to three years subject to the individual's development in the role.	
Benefits	New appointees may be eligible to receive benefits in line with the policy.	
Pension	New appointees may be eligible to receive pension contributions or an equivalent cash supplement in lieu of pension in line with the policy.	
Annual bonus	The structure described in the policy table will apply to new appointees with the relevant maximum being pro-rated to reflect the proportion of employment over the year. Targets for the individual element will be tailored to each Executive.	150% of salary
Performance Share Plan	New appointees may be granted awards under the PSP on the same terms as other Executives, as described in the policy table.	200% of salary (exceptional maximum)

Directors' remuneration report continued

Remuneration policy report continued

In addition, the Committee may offer a 'buy out' payment where the Committee considers it reasonable to do so in order to recruit a particular individual. The Committee may offer compensation on a like-for-like basis, for any amounts of variable remuneration being forfeited on leaving a previous employer. In doing so, the Committee will consider relevant factors such as expected values, any performance conditions attached to these awards and the likelihood of those conditions being met, time horizons, delivery mechanism and the terms of the forfeited remuneration.

To facilitate such compensation, the Committee may also rely on exemptions, procedures or provisions contained in the Listing Rules that permit awards to be granted in exceptional circumstances. To ensure alignment from the outset with shareholders, malus and clawback provisions may also apply where appropriate and the Committee may require new Directors to acquire Company shares up to a pre-agreed level. Shareholders will be informed of any buyout arrangements at the time of appointment.

The Committee may offer to pay reasonable relocation expenses for the new Executive Director in line with the policies described in this report.

Service contracts

Executive Directors' contracts are for an indefinite term with a one year's notice. Service contracts between the Company (or other companies in the group) and current Executive Directors are summarised below. Executive Directors' 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' notice by either the Company or the Director	Maximum of basic annual salary plus pension and benefits for the unexpired portion of the notice period, subject to mitigation.
James Hind	16 May 2003		
Venu Raju ¹	1 June 2011 (modified by letter of variation dated 16 December 2016)		

¹ Venu Raju's service contract is with Keller Foundations (SE Asia) Pte Ltd.

Payment for loss of office

When considering exit payments, the Committee reviews all potential incentive outcomes to ensure they are fair to both shareholders and participants.

In a departure event, the Committee will typically consider:

- Whether any element of annual bonus should be paid for the financial year. Any bonus paid will be limited to the period served during the financial year in which the departure occurs.

The default position is that a deferred bonus awarded in prior years will be preserved in full, unless the Committee, in its discretion, chooses to apply malus or clawback.

- Whether any awards under the PSP should be preserved either in full or in part.

The default position is that an unvested PSP award or entitlement lapses on cessation of employment, unless the Committee applies discretion to preserve some or all of the awards. This provides the Committee with the maximum flexibility to review the facts and circumstances of each case, allowing differentiation between good and bad leavers and avoiding 'payment for failure'.

The Committee maintains a discretionary approach to the treatment of leavers, on the basis that the facts and circumstances of each case are unique. In an exit situation, the Committee will consider: the individual circumstances; any mitigating factors that might be relevant; the appropriate statutory and contractual position; the position under the relevant plan documentation; and the requirements of the business for speed of change.

Change of control

In the event of a change of control, the default position is for unvested PSP awards to be prorated for both the proportion of the performance period worked and the achievement of performance conditions at the relevant date. As above, the Committee retains discretion to treat awards differently, taking into account the relevant circumstances at the time.

A departing Executive Director may have a legal entitlement (under statute or otherwise) to additional amounts, which would need to be met. The Committee retains discretion to settle any other amounts reasonably due to a departing Executive Director, for example legal fees incurred by an Executive Director in connection with the termination of employment.

In certain circumstances, the Committee may approve new contractual arrangements with departing Executive Directors including (but not limited to) settlement 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.

External appointments

The Board may allow Executive Directors to accept external appointments and retain the fees; however, in accordance with the Code, the Board will not agree to a full-time executive taking on more than one Non-executive Directorship, or the chairmanship of any company. None of the Executive Directors held external appointments during 2016.

Remuneration policy for other employees

Keller's approach to remuneration is broadly consistent across the group. Consideration is given to the experience, performance and responsibilities of individuals. Senior managers are eligible to participate in the annual bonus scheme with similar performance measures to those used for the Executive Directors. Maximum opportunities vary by seniority, with business-specific measures applied where appropriate.

Senior managers (currently approximately 70 individuals) are also eligible to participate in the PSP with the same performance conditions as Executive Directors. The award sizes vary according to seniority. Pensions and benefits provision follows local country practice.

Considerations of conditions elsewhere in the group

When reviewing and setting executive remuneration, the Remuneration Committee takes into account the relevant pay and employment conditions elsewhere in the group. Specifically, the level of salary increases across the group are reviewed annually.

All senior managers are set annual objectives at the beginning of each year which support the execution of our strategic levers through delivering specific objectives relevant to their business unit. Annual bonuses payable to senior managers across the group depend on the satisfactory completion of these objectives as well as performance against local business unit financial targets.

It should be noted that the workforce employed across the group's geographically diverse businesses is not a homogenous group and pay and conditions are designed to be competitive in, and appropriate to, the local employment market. The Committee does not currently seek the views of employees on its remuneration policy.

Directors' remuneration report continued

Remuneration policy report continued

Non-executive Director Remuneration

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

All Non-executive Directors have specific terms of engagement, the dates of which are set out below. All appointments are for an initial three-year period, and thereafter are subject to review by the Nomination Committee, unless terminated by either party on three months' notice. There are no provisions for compensation payable in the event of early termination.

Non-executive Director	Appointment date, renewal date, renewal due	Fees
Peter Hill	24 May 2016 (and 26 July 2016 as Chairman) Renewal due: 24 May 2019	£180,000 p.a. (to be reviewed in 2020)
Paul Withers	17 December 2012 (renewed on 17 December 2015) Renewal due: 17 December 2018	£47,940 p.a. Plus £7,500 p.a. (Senior Independent Director)
Chris Girling	28 February 2011 (renewed on 28 February 2017) Renewal due: 28 February 2018	£47,940 p.a. Plus £7,500 p.a. (Chairman of Audit Committee)
Ruth Cairnie	1 June 2010 (renewed on 24 May 2016) Renewal due: n/a	£47,940 p.a. Plus £7,500 p.a. (Chairman of Remuneration Committee)
Nancy Tuor Moore	26 June 2014 Renewal due: 26 June 2017	£47,940 p.a. Plus £7,500 p.a. (Chairman of HSEQ Committee)

In recruiting a new Non-executive Director, the Remuneration Committee will utilise the policy as set out in the table on page 67.

Annual remuneration report

The following section provides details of how Keller's remuneration policy was implemented during the financial year ended 31 December 2016.

Single total figure of remuneration for Executive Directors (audited)

The table below sets out a single figure for the total remuneration received by each Director for the financial years ended 31 December 2015 and 2016:

	Alain Michaelis		James Hind		Wolfgang Sondermann ¹	
	2016 €000	2015 ² €000	2016 €000	2015 €000	2016 €000	2015 €000
Salary	515	315	351	340	372	313
Taxable benefits ³	16	10	13	13	7	5
Pension benefits ⁴	93	57	63	61	67	50
Annual Bonus ⁵	91	270	62	292	65	269
PSP ⁶	–	–	–	236	–	235
Total	715	652	489	942	511	872

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

2 Prorated for time in the office in 2015 (14 May 2015 to 31 December 2015).

3 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.

4 Represents cash in lieu of pension for Alain Michaelis and James Hind and for Wolfgang Sondermann for Defined Benefits pension – the annual increase net of inflation multiplied by 20, as prescribed by UK regulations, as well as Company's contribution into Defined Contribution plan.

5 Represents cash bonus paid for 2016 performance year, no deferral.

6 Represents vesting of shares following the end of the relevant performance period. Includes reinvested dividends on shares vested. The 2014 awards have lapsed.

Retirement of Engineering and Operations Director

Dr Wolfgang Sondermann stepped down as a Director of the Company with effect from 31 December 2016.

Payments and benefits

Wolfgang will remain an employee of Keller Holding GmbH until 30 April 2017 when he will retire. Until 30 April 2017, he will continue to receive his contractual salary, benefits in kind and pension contributions. Wolfgang will use all his outstanding leave days before his employment contract's termination.

Following his retirement from Keller Holding GmbH, Wolfgang will serve in an advisory capacity for two days per month representing Keller Holding GmbH as Chairman of the Board of the German Geotechnical Society. He will be paid €1,000 per day of service by Keller Holding GmbH.

Wolfgang will be treated as a 'Good Leaver' under the group's Performance Share Plan. His 2016 award under the PSP will vest based to the extent the applicable performance conditions have been achieved over the full performance period and the proportion of the performance period worked. More details regarding his 2016 award are on page 74.

No further payments will be made to Wolfgang in connection with his loss of office.

Total pension entitlements (audited)

Wolfgang Sondermann participates in the defined benefit (DB) pension arrangements operated by Keller Grundbau GmbH. In 2016, Wolfgang's accrued pension increased, net of inflation, by £289. This is reflected in the single figure table by multiplying it by a factor of 20, in accordance with the requirements of the UK regulations (giving £5,780). The normal retirement age under the scheme for Wolfgang Sondermann is 65. He also participated in the Defined Contribution Plan and received contributions in 2016 totalling 17% of salary.

Alain Michaelis and James Hind receive cash supplement of 18% of salary, which has been included in the single figure table.

Payments to past Directors

No payments were made to past Directors during the year.

Exit payments made in the year

The termination arrangements for Wolfgang Sondermann have been described above. The Company paid no other exit payments to Directors during the year.

Recruitment of Chairman

As announced on 29 April 2016, Peter Hill joined the Board as a Non-executive Director and Chairman Designate with effect from the close of the Company's Annual General Meeting on 24 May 2016 and, following the retirement of Roy Franklin from the Board after its meeting on 26 July 2016, Peter became Chairman of the Board. Following an external benchmarking exercise, Peter's fee was fixed at £180,000 per annum until 1 January 2020 by the Committee. The fee meets the criteria set out in the Company's approved Remuneration Policy.

Directors' remuneration report continued

Annual remuneration report continued

2016 Annual Bonus outcomes

Overall, annual performance was disappointing with underlying profit before tax declining by 11% and earnings per share by 12%. The 2016 annual bonus outcomes reflect this performance, with the Committee determining that 2% of the maximum annual bonus opportunity in relation to financial targets should pay out for the Executive Directors.

Progress against personal objectives, which are aligned to the Company's five strategic levers was encouraging for all Executive Directors. Further details of the personal strategic objective and the outcomes are provided in the table below.

Taking into account financial performance in 2016, the outcomes for personal strategic objectives was capped at 50% of maximum payout, in line with the current policy. The Committee also considered the two fatalities that occurred during the year, and what impact this should have on the outcome for personal strategic objectives; given the capping at 50% of maximum payout, no further discretion was applied.

The financial targets and personal strategic objectives, together with the actual performance achieved against each target and resulting bonuses, are set out below.

2016 Annual Bonus											
Measures	2016 Measurement ranges and outcome				Bonus as % of salary						
	Threshold	Target	Maximum	Outcome ²	Alain Michaelis		James Hind		Wolfgang Sondermann ¹		
					Max	Outcome	Max	Outcome	Max	Outcome	
Group PBT, £m	90	100	120	76.0	50%	0%	50%	0%	50%	0%	
Group EPS, pence	80	89	107	67.7	50%	0%	50%	0%	50%	0%	
Group Average Net Debt, £m	228	213	198	224.5	20%	2.6%	20%	2.6%	20%	2.6%	
Total group measures					120%	2.6%	120%	2.6%	120%	2.6%	
Personal strategic objectives					30%	20%	30%	20%	30%	18%	
Personal strategic objectives adjusted ³						15%		15%		15%	
Total Bonus					150%	17.6%	150%	17.6%	150%	17.6%	
Base salary						£515,000		£350,500		£371,736	
Bonus awarded³						£90,640		£61,688		£65,480	

1 Wolfgang Sondermann salary in euro is €453,900, and bonus awarded for 2016 is €79,886. The values in the table were converted using the applicable exchange rate for 2016.

2 At 2016 budget exchange rates before non-underlying items.

3 Adjusted in line with the current policy cap on personal strategic objectives if PBT or EPS are not triggered.

Personal Strategic objectives

Personal strategic objectives are measurable deliverables that are specific to the individual and are focused on supporting the delivery of Keller's key strategic levers.



Performance measures	Actual performance	Target/maximum	Outcome
Alain Michaelis			
Objectives focused on delivering business improvement measures including aligning strategy, implementing the revised Company operating model, and continuing to develop the Keller leadership team.	Strategy has been rolled out and actions are well underway. The operating model was implemented in early 2016 and continues to mature. The Keller leadership team is working well and there has been a significant influx of new talent working in combination with experienced Keller leaders.	15%/30%	20% Adjusted to 15% in line with the policy
James Hind			
Objectives included continuing to improve the financial management processes and business monitoring and reporting; revamping of the group's IT strategy, and launch of the group's Code of Conduct enhancement.	A new structure for business performance reporting was rolled out for all business units; the IT multi-year approach has been developed and communicated, while the Code of Conduct training was rolled out to all key employees.	15%/30%	20% Adjusted to 15% in line with the policy
Wolfgang Sondermann			
Objectives included further development of the group's research, development and design processes, enhancing the group's global equipment planning, usage and management, and developing and supporting Wolfgang's successor.	Good progress was made on research and development design processes, review of evaluation standards, and assessment of capabilities for future design projects; comprehensive management transition to Wolfgang's successor Venu Raju was completed.	15%/30%	18% Adjusted to 15% in line with the policy

2013 Annual Bonus deferral

The 2013 deferred annual bonuses, representing cash bonus payments of over 100% of salary made to the Executive Directors and deferred in cash for a period of three years, vested in December 2016. The deferred bonuses accumulated notional dividends over the three-year deferral period. Payout is linked to share price performance of the Company, starting from the average market value of the shares over the last quarter of 2013 in comparison with the average market value of the shares over the last quarter of 2016. The resulting value of the deferral has reflected the drop in the share price. Details are provided in the table below.

Executive Director	Total amount deferred	Share equivalent ¹ at grant	Notional dividends accumulated ²	Total amount vested ³
James Hind	£96,561	9,233	887	£80,385
Wolfgang Sondermann	£43,271 ⁴	4,138	397	£36,022

1 Using the average market value over the last quarter of 2013 of 1045.77p.

2 Dividends are not reinvested.

3 Using the average market value over the last quarter of 2016 of 794.32p.

4 Wolfgang Sondermann deferred €51,925, which was converted to sterling using applicable exchange rates.

The full annual bonus amounts, including the deferred portion, were disclosed in the Annual Report and Accounts 2013, therefore these amounts are not included in the Single Figure table for 2016 to avoid double counting.

Directors' remuneration report continued

Annual remuneration report continued

2014-2016 Performance Share Plan ('PSP') outcomes

Based on EPS and TSR performance over the three years ended 31 December 2016, the Performance Share Plan Awards made in 2014 will not vest. Details are provided in the table below:

2014-2016 Performance Share Plan						
Measures	Vesting schedule and outcome					
	% of award that will vest			Outcome	Vesting %	
50% weight	0%	25%	100%			
Three-year Earnings per share (EPS) CAGR ¹	Below 5%	5%	15%	EPS annualised growth rate was below 5%	0%	
50% weight						
Keller's TSR outperformance vs FTSE250 ² Index over three years	Below 0%	0%	10%	TSR outperformance p.a. was below 0%	0%	
Total vesting						0%

1 EPS is before non-underlying items.

2 Excluding investment trusts.

As a result, the 2014 awards have lapsed.

Executive Director	Interests held	Vesting %	Value lapsed ¹ (£000)
James Hind	28,232	0%	£224
Wolfgang Sonderrmann	30,453	0%	£242
Former Director Justin Atkinson	39,977	0%	£318

1 The market price used to calculate the value is average price for last quarter of 2016 of 794.32p.

Scheme interests awarded in 2016 (audited information)

2016-2018 Performance Share Plan ('PSP')

The three-year performance period over which performance will be measured began on 1 January 2016 and will end on 31 December 2018. Awards will vest in March 2019, subject to meeting performance conditions. Awards were made as follows:

Executive Director	Date of grant	Shares over which awards granted	Market price at date of award, p	Face value (£000)
Alain Michaelis	4 March 16	63,190	815.00	£515
James Hind	4 March 16	43,006	815.00	£350
Wolfgang Sonderrmann	4 March 16	34,438	815.00	£281

Vesting of the 2016-2018 PSP Awards is subject to achieving the following performance conditions:

2016-2018 Performance Share Plan				
Measures	Vesting schedule			
	% of award that will vest			Vesting %
50% weight	0%	25%	100%	
Three-year Earnings per share (EPS) CAGR ¹	Below 5%	5%	15%	
50% weight				
Keller's TSR outperformance vs FTSE250 ² Index over three years	Below 0%	0%	10%	

1 EPS is before non-underlying items.

2 Excluding investment trusts.

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 2016 is set out below.

None of the Directors has a beneficial interest in the shares of any other group company. Since 31 December 2016, there have been no changes in the Directors' interests in shares.

Director	Ordinary shares at 31 December 2016	Ordinary shares at 31 December 2015
Alain Michaelis	23,508	10,008
James Hind	158,685	132,166
Wolfgang Sonderrmann	195,000	180,000
Ruth Cairnie	6,000	6,000
Roy Franklin ¹	–	6,000
Chris Girling	3,000	3,000
Peter Hill	16,000	–
Paul Withers	20,000	20,000
Nancy Tuor Moore	–	–

1 Roy Franklin retired as Chairman and from the Board on 26 July 2016.

Executive Directors' shareholding guideline (audited information)

The table below shows the shareholding of each Executive Director against their respective shareholding guideline as at 31 December 2016.

	Shares held		Options held		Shareholding guideline % salary/fee	Current shareholding % ¹ salary/fee	Guidelines met?
	Owned outright or vested		Unvested and subject to performance conditions	Vested but not exercised			
Alain Michaelis	23,508		161,293	–	100%	39%	No
James Hind	158,685		137,195	–	100%	382%	Yes
Wolfgang Sonderrmann	195,000		64,891	–	100%	443%	Yes

1 Reflects closing price on 31 December 2016 of 844p.

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 2016	Awards granted during the year	Awards exercised during the year	Awards lapsed during the year	Awards held at 31 December 2016	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
4 March 2016	–	63,190	–	–	63,190	100.0p	04/03/19	03/09/19
James Hind								
20 June 2013	39,426	–	26,534	12,892	–	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
4 March 2016	–	43,006	–	–	43,006	100.0p	04/03/19	03/09/19
Wolfgang Sonderrmann								
20 June 2013	39,271	–	26,429	12,842	–	100.0p	20/06/16	19/12/16
7 March 2014	30,453	–	–	–	30,453	100.0p	07/03/17	06/09/17
4 March 2016	–	34,438	–	–	34,438	100.0p	04/03/19	03/09/19

The performance conditions for Awards made in 2013 were: 50% based on EPS (0% vesting below RPI+4% p.a.; 30% vesting for RPI+4% p.a.; 100% vesting for RPI+9% p.a. or more) and 50% based on TSR relative to the constituents of the FTSE All-Share Index (0% vesting below median; 30% vesting for median; (50th centile) performance; 100% vesting for upper quintile).

The performance conditions for Awards made in 2014, 2015 and 2016 are the same and are provided on page 74.

Directors' remuneration report continued

Annual remuneration report continued

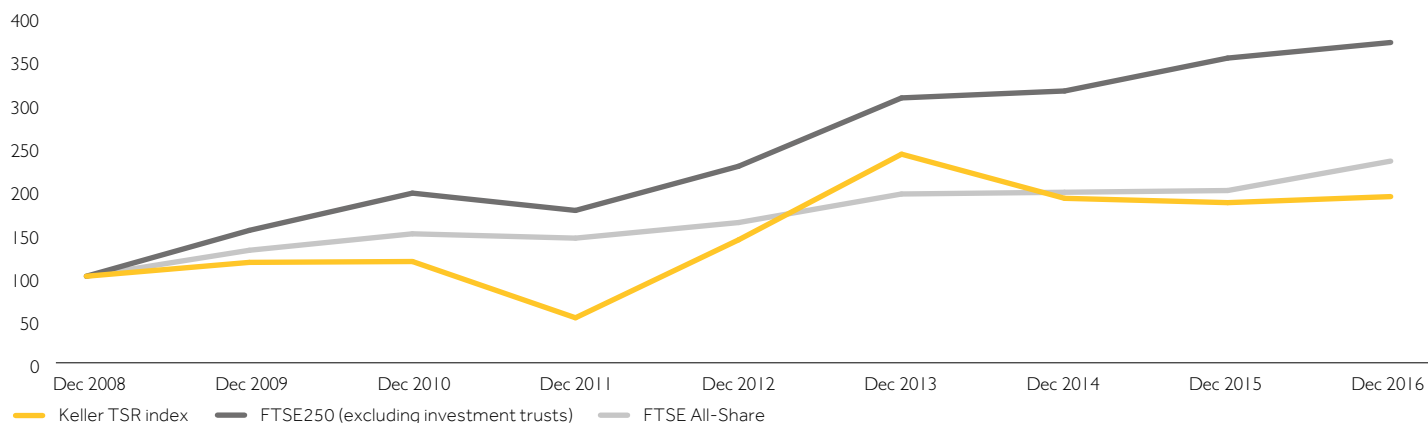
CEO pay for performance comparison

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 2017 PSP awards.

This graph shows the growth in value of a hypothetical £100 holding in Keller Group plc. ordinary shares over nine years, relative to a hypothetical £100 holding in the FTSE 250 and FTSE All-Share Indices.

Historical TSR performance

Growth in the value of a hypothetical £100 holding over the nine years to 31 December 2016 (£)



The table below details the CEO 'single figure' remuneration over the same period.

	2009	2010 ¹	2011 ¹	2012	2013	2014	2015 ²	2016
CEO single figure of remuneration (£000)	891	550	562	951	1,870	1,630	1,420	715
Annual bonus as a % of maximum opportunity	42%	0%	0%	57%	84%	22%	85%	12%
PSP vesting as a % of maximum opportunity	31%	0%	0%	0%	100%	100%	67.3%	0%

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.

Percentage change in CEO remuneration

Comparing 2016 to 2015	Salary	Benefits	Bonus
% change in CEO remuneration ¹	3%	1%	-79%
% change in comparator group remuneration ²	8.5%	3%	-14%

1 Calculated using Alain Michaelis 2015 salary set on appointment, annualised bonus for 2015 and full-year benefits entitlement.

2 The comparator group comprises population of Keller employees in the UK being professional/managerial employees based in the UK and employed on more readily comparable terms.

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 2015 and 31 December 2016, along with the percentage changes.

	2016 £m	2015 £m	% change
Distribution to shareholders ¹	20.5	19.1	7%
Remuneration paid to all employees ²	469.9	402.2	17%

1 The Directors are proposing a final dividend in respect of the financial year ended 31 December 2016 of 28.5p per ordinary share.

2 Total remuneration reflects overall employee costs. See financial statements – note 6 for further information.

Summary of implementation of the remuneration policy for 2017

Appointment of Venu Raju, Engineering and Operations Director

As announced on 14 December 2016, Dr Venu Raju was appointed to the Board as Engineering and Operations Director with effect from 1 January 2017. In accordance with the approved remuneration policy, the Committee agreed a remuneration package that was in line with current practice at the Executive Committee level in terms of the mix of fixed and variable remuneration and also appropriately positioned against the external market.

Venu will continue to be based in Singapore during 2017 employed by his current employer, Keller Foundations (SE Asia) PTE Ltd and is expected to relocate to Europe during 2018.

Payments and benefits

- Salary: £280,000 per annum (£20,000 of which will be received as fees from Keller Group plc in recognition of his role as an Executive Director of the Company).
- Pension: 18% of salary per annum. While based in Singapore, Venu will remain in the Central Provident Fund (CPF), which is the statutory authority that administers Singapore's public pension system.
- Benefits: Venu will receive a car allowance of £12,000, private health care, life assurance and long-term disability insurance.

Performance related pay

- Annual Bonus: up to 150% salary (max).
- Performance Share Plan: normal maximum annual awards of 75% of base salary per annum.

Details of the specific payments will be disclosed in the Single Figure table for the relevant reporting year.

2017 Base Salary

Alain Michaelis and James Hind have chosen not to receive an increase in base salary for 2017. Venu Raju's base salary was set on appointment as £280,000 per annum.

2017 Annual Bonus

For 2017, 80% of Executive Directors' bonus will be based on group financial results and 20% will continue to be based on personal strategic objectives. The Committee has decided to simplify the performance measures by removing Earnings per Share (EPS), which is largely duplicative of Profit Before Tax (PBT) and adjusting the weightings accordingly. PBT continues to be an important indicator of the Company's operating performance. The average net debt is replaced with working capital ratio as a percentage of revenue which is a more operational measure well used throughout the organisation and which avoids impacts of, for example, acquisitions that influence net debt. Targets for each measure are challenging but realistic and have been set in the context of the business plan and current environment. Targets will be disclosed retrospectively in the 2017 Annual Remuneration report to the extent that they are no longer considered commercially sensitive.

Any bonus in excess of 100% of salary will be deferred for three years in shares, subject to approval of the Remuneration Policy at the 2017 AGM.

2017-2019 Performance Share Plan

Shares will be awarded in March 2017 to the normal maximum of 100% of salary for Alain Michaelis and James Hind and 75% of salary for Venu Raju. The 2017-2019 PSP performance conditions will be assessed over three years based on the following measures: Total Shareholder Return (TSR) and cumulative Earnings per Share (EPS), equally weighted. These measures continue to be aligned with Keller's strategic priorities. For 2017, EPS will be measured on a cumulative basis rather than as point-to-point annual growth (subject to the approval of the Remuneration Policy at the 2017 AGM). This enables target-setting that better reflects business plans, market consensus and the position in the construction cycle. The TSR outperformance requirement for maximum payout will remain as 10% per annum which, following a review of market practice and historical achievability, the Committee believes continues to reflect at least an upper quartile level of difficulty for Keller. The targets below have been carefully assessed and the Committee considers them to be appropriately stretching given the business plans, opportunity set and investor expectations.

The Committee agreed the following targets for the 2017-2019 PSP awards:

2017-2019 Performance Share Plan			
Measures	Vesting schedule		
	% of award that will vest		
50% weight	0%	25%	100%
Cumulative Earnings per share (EPS) ¹ over three years	Below 250p	250p	290p
50% weight			
Keller's TSR outperformance vs FTSE250 ² Index over three years	Below 0%	0%	10%

1 EPS is before non-underlying items.

2 Excluding investment trusts.

Chairman and Non-executive Director fees

With effect from 1 January 2017, the basic fee payable to each Non-executive Director was increased by 2% to £47,940 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 2016. The Chairman's fee is set at £180,000 per annum with no fee review due until 1 January 2020.

Directors' remuneration report continued

Annual remuneration report continued

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 2016 and the prior year:

Non-executive Director	2016 £	2015 £
Ruth Cairnie	54,500	53,200
Roy Franklin ¹	97,883	162,900
Chris Girling	54,500	53,200
Peter Hill ²	109,153	–
Nancy Tuor Moore	54,500	53,200
Paul Withers	54,500	53,200
Total fees	£425,036	£375,700

1 Roy Franklin retired as Chairman and from the Board on 26 July 2016.

2 Peter Hill was appointed a Non-executive Director and Chairman Designate on 24 May 2016, and Chairman on 26 July 2016.

Corporate governance

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

During the year, an external evaluation was carried out on the Committee's performance, facilitated by the Chairman and the Company Secretary. Further to the review, it was concluded that, consistent with the Code and its own terms of reference, the Remuneration Committee is discharging its obligations in an effective manner.

Statement of shareholder voting

The following table sets out the results of the vote on the Remuneration report at the 2016 AGM and the Remuneration policy at the 2014 AGM:

	Votes for		Votes against		Votes cast	Votes withheld
	Number	%	Number	%	Number	Number
Remuneration report 2016	53,507,344	96.51	1,935,912	3.49	55,443,256	1,062,953
Remuneration policy 2014	47,818,830	97.87	1,042,595	2.13	48,861,425	575,571

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
- Paul Withers

During the year, the Committee received assistance from Kerry Porritt (Company Secretary) and Irina Kapustina (Head of Reward, Performance and Effectiveness) on salary increases, bonus awards, share plan awards and vesting and policy and governance matters. In determining the Executive Directors' remuneration for 2016 and 2017, the Committee has consulted the Chairman and the Chief Executive about its proposals, except (in the case of each) in relation to their own remuneration. No Director is involved in determining their own remuneration.

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

External advisers

During the year, the Committee continued to receive advice from Kepler, a brand of Mercer ('Kepler'), an independent firm of remuneration consultants appointed by the Committee after consultation with the Board. In 2016, Kepler provided independent advice on remuneration policy and the external remuneration environment and benchmarking data.

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 2016 were £67,826 on the basis of time spent. Kepler is a founding member and signatory of the Code of Conduct for Remuneration Consultants, details of which can be found at www.remunerationconsultantsgroup.com.

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



Ruth Cairnie

Chairman of the Remuneration Committee

27 February 2017

The Directors present their report together with the audited consolidated financial statements for the year ended 31 December 2016.

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 43 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 an underlying profit before taxation* of £85.1m (2015: £95.7m), are set out on pages 88 to 124. Statutory profit before tax was £73.9m (2015: £56.3m). The Directors recommend a final dividend of 19.25p per share to be paid on 9 June 2017, to members on the register at the close of business on 19 May 2017. An interim dividend of 9.25p per share was paid on 30 September 2016. The total dividend for the year of 28.5p (2015: 27.1p) will amount to £20.5m (2015: £19.4m).

Going concern and Viability statement

Information relating to the going concern and viability statements is set out on pages 41 and 42 of the Strategic report and is incorporated by reference into this report.

Financial instruments

Full details can be found in note 24 to the financial statements and in the Finance Director's review.

Post balance sheet events

A further £5.9m of insurance proceeds relating to the contract dispute settled in 2014 was received in February 2017. This will be recognised as exceptional other operating income in 2017 as the receipt of these insurance proceeds was not considered virtually certain as at 31 December 2016.

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 50. 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 59 and 78.

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 Sustainability report on pages 36 and 40.

Political donations

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

Greenhouse gas emissions

Information relating to the greenhouse gas emissions of the Company is set out on page 39 and is incorporated by reference into this report.

The Directors present their report together with the audited consolidated financial statements for the year ended 31 December 2016.

* Before non-underlying items.

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

Share capital

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

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

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

Repurchase of shares

The Company obtained shareholder authority at the last AGM (24 May 2016) 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 £2,392,493, equivalent to approximately one-third of the Company's issued share capital (excluding treasury shares) as at 29 February 2016 and to disapply pre-emption rights up to an aggregate nominal amount of £358,874, representing approximately 5% of the Company's issued share capital as at 29 February 2016.

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

Substantial shareholdings

At 27 February 2017, the Company had been notified in accordance with chapter 5 of the Disclosure and Transparency Rules of the Financial Conduct Authority of the following voting rights of shareholders in the Company:

Ordinary Shares	Number of Company's total	Percentage of the voting rights
Standard Life Investments (Holdings) Limited	8,973,708	12.47%
Old Mutual Plc	4,242,670	5.96%
Schroders plc	3,632,097	5.07%
Aberforth Partners LLP	3,589,696	5.00%
Franklin Templeton Institutional, LLC	3,557,757	4.96%
Norges Bank	2,871,741	3.99%

Auditors

The Board has decided that KPMG LLP will be proposed as the group's auditors for the year ending 31 December 2017 and a resolution to appoint KPMG LLP will be put to shareholders at the 2017 AGM.

Annual General Meeting

The 2016 AGM of the Company will take place at the offices of DLA Piper UK LLP, 3 Noble Street, London, EC2V 7EE at 11.00am on Thursday 11 May 2017. 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

Group Company Secretary
27 February 2017

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

Registered in England No. 2442580

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 judgements 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 Strategic report and 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.

The Strategic report (pages 4 to 43) and the Directors' report (pages 79 to 80) have been approved and are signed by order of the Board by:



Kerry Porritt
Group Company Secretary
27 February 2017

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

Registered in England No. 2442580

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 2016 set out on pages 88 to 124. 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 2016 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.

Overview	
Materiality: group financial statements as a whole	£4.2m (2015:£4.5m) 4.9% (2015: 4.7%) of group profit before non-underlying items and tax
Coverage	89% (2015: 94%) of group profit and loss before non-underlying items and tax
Risks of material misstatement	vs 2015
Recurring risks	Accounting for construction contracts
	Carrying value of goodwill
Event driven	New: Valuation of non-current assets held for sale

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, in decreasing order of audit significance, were as follows:

	The risk	Our response
<p>Accounting for construction contracts:</p> <p>(£1,574.3 million; 2015: £1,397.4 million)</p> <p><i>Refer to page 57 (Audit Committee Report) and page 95 (accounting policy).</i></p>	<p>Subjective estimate:</p> <p>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 calculation of stage of completion based on the proportion of contract costs incurred for the work performed to the balance sheet date, relative to the estimated total forecast costs of the contract at completion; and the outcome of claims and variations raised against customers and claims raised against the group by customers or third parties. Error in any of these estimates and judgements could result in a material variance in the amount of profit or loss recognised to date and therefore also in the current period.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> – Control design and reperformance: Testing the design and operating effectiveness of controls over contract revenue and related expenditure; – Our sector experience: Assessing the accounting judgements 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; – Historical comparisons: 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. We assessed the reliability of the group's forecast costs to complete by considering historical accuracy on completed contracts; – Test of details: 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 group's assumptions over the progress on the claims and corroborated explanations provided; considered prior experience on settlement of claims; inspected correspondence with the counterparty and with the group's legal advisers or insurers where applicable; and – Disclosures: We considered the adequacy of the group's disclosures in respect of contract accounting and the accounting estimates.

	The risk	Our response
<p>Carrying value of goodwill:</p> <p>(£166.5 million; 2015: £134.0 million)</p> <p><i>Refer to page 57 (Audit Committee Report), page 95 (accounting policy) and pages 103 and 104 (financial disclosures).</i></p>	<p>Forecast-based valuation:</p> <p>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 £34.1 million related to Keller Canada where the business is currently experiencing a downturn and the carrying amount of goodwill was impaired to its recoverable amount at 31 December 2015.</p> <p>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.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> – Historical comparisons: Assessing the reasonableness of the group's assumptions by reference to past performance; – Benchmarking assumptions: Assessing the reasonableness of the group's assumptions by reference to externally derived data, forecasts for economic factors and current order book; – Our sector experience: Our valuation specialists assisted in evaluating the reasonableness of assumptions and methodologies underlying the discount rates adopted by the group; – Sensitivity analysis: We considered the sensitivity of the level of headroom available in the calculations to reasonably possible changes in assumptions to identify inputs on which to focus our testing; and – Disclosures: 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.
<p>Valuation of non-current assets held for sale:</p> <p>(£54.0 million; 2015: Enil)</p> <p><i>Refer to page 57 (Audit Committee Report), page 95 (accounting policy) and page 106 (financial disclosures).</i></p>	<p>Subjective valuation:</p> <p>During the year the group acquired a property which is classified as a non-current asset held for sale. The valuation of the property is inherently subjective due to, among other factors, the individual nature of the property and its location.</p> <p>In determining a property's valuation the valuers take into account property-specific information such as the current tenancy agreement and rental income. They apply assumptions for yields which are influenced by prevailing market yields and comparable market transactions, to arrive at the final valuation.</p> <p>The significance of the estimates and judgements involved could result in a material misstatement and therefore the valuation of non-current assets held for sale is considered a significant audit risk.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> – Assessing the valuers' credentials: We have read the valuation report for the property and confirmed that the valuation methodology was in accordance with RICS standards and suitable for determining the fair value in the financial statements. We assessed the valuers' qualifications and expertise. We considered their terms of engagement and fee arrangements to determine whether there were any indications that their objectivity may be impaired. We also agreed 100% of the rental data provided to the valuers by the group to the underlying lease; – Benchmarking: The audit team, including our valuation specialists, held a telephone conference with the valuer at which the valuation and the key assumptions therein were discussed. We compared the investment yields used by the valuers with an estimated range of expected yields, determined via reference to published benchmarks; and – Disclosures: We assessed whether the group's disclosures about the sensitivity of the valuation of the property reflected the risks inherent in the valuation.

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 £4.2m (2015: £4.5m) determined with reference to a benchmark of group profit before taxation, normalised to exclude this year's non-underlying items as disclosed on the face of the income statement, of £11.2m (2015: £39.4m), of which it represents 4.9% (2015: 4.7%).

We report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.2m (2015: £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 and APAC. We performed specific audit procedures in Brazil which while not individually significant was included in the scope of our group reporting work in order to provide further coverage of the group's results.

The components within the scope of our work accounted for the percentages illustrated opposite.

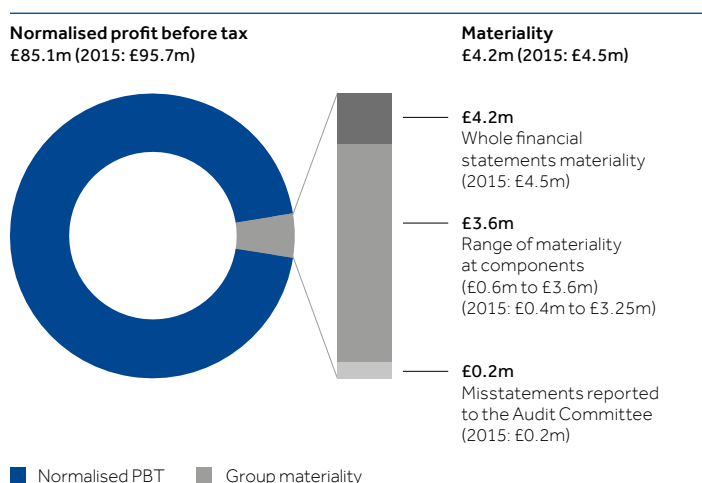
The remaining 12% of total group revenue, 10% of group profit and loss before tax and 17% of total group assets is represented by reporting components, none of which individually represented more than 2% of any of total group revenue, group profit and loss before tax or total group assets.

For these residual 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.

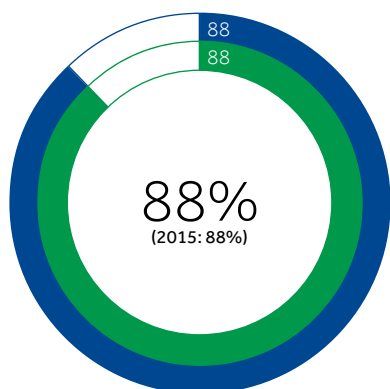
The group audit team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The group audit team approved the divisional component materialities, which ranged from £2.8m to £3.6m, having regard to the 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.

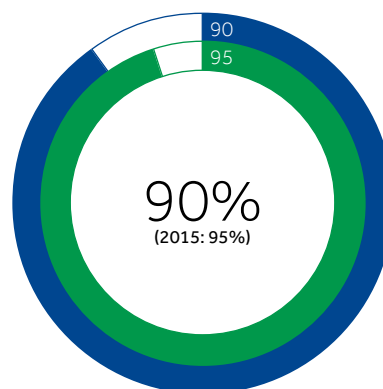
The group audit team visited the three (2015: two largest) divisional component locations in each of North America, EMEA and APAC. Telephone conference meetings were also held with these component auditors. At these visits and meetings, the findings reported to the group audit team were discussed in more detail, and any further work required by the group audit team was then performed by the component auditor.



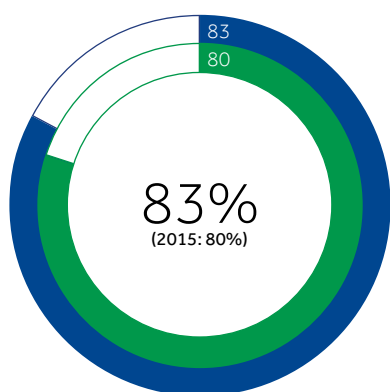
Group revenue



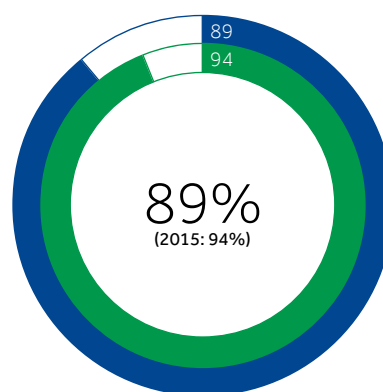
Group profit and loss before tax



Group total assets



Group profit and loss before non-underlying items and taxation



■ Full scope for group audit purposes 2016 ■ Full scope for group audit purposes 2015 □ Residual components

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 is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' Report:

- We have not identified material misstatements in those reports; and
- In our opinion, those reports have been prepared in accordance with the Companies Act 2006.

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' viability statement on pages 41 and 42, 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 2019; 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 pages 41 and 42, in relation to going concern and longer-term viability; and
- The part of the Corporate Governance Statement on page 48 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 81, 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

27 February 2017

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Consolidated income statement

For the year ended 31 December 2016

	Note	2016			2015		
		Before non-underlying items £m	Non-underlying items (note 7) £m	Statutory £m	Before non-underlying items £m	Non-underlying items (note 7) £m	Statutory £m
Revenue	3	1,780.0	–	1,780.0	1,562.4	–	1,562.4
Operating costs	5	(1,684.7)	(18.9)	(1,703.6)	(1,459.0)	(32.3)	(1,491.3)
Amortisation of acquired intangible assets		–	(9.7)	(9.7)	–	(7.3)	(7.3)
Other operating income		–	18.5	18.5	–	0.9	0.9
Operating profit	3	95.3	(10.1)	85.2	103.4	(38.7)	64.7
Finance income	8	1.6	–	1.6	0.8	–	0.8
Finance costs	9	(11.8)	(1.1)	(12.9)	(8.5)	(0.7)	(9.2)
Profit before taxation		85.1	(11.2)	73.9	95.7	(39.4)	56.3
Taxation	10	(29.8)	3.9	(25.9)	(33.0)	3.0	(30.0)
Profit for the period		55.3	(7.3)	48.0	62.7	(36.4)	26.3
Attributable to:							
Equity holders of the parent		54.5	(7.3)	47.2	61.9	(36.4)	25.5
Non-controlling interests		0.8	–	0.8	0.8	–	0.8
		55.3	(7.3)	48.0	62.7	(36.4)	26.3
Earnings per share							
Basic	12	75.9p		65.7p	86.4p		35.5p
Diluted	12	74.8p		64.7p	85.4p		35.1p

Consolidated statement of comprehensive income

For the year ended 31 December 2016

	Note	2016 £m	2015 £m
Profit for the period		48.0	26.3
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		77.0	(22.9)
Net investment hedge (losses)/gains	24	(3.8)	1.7
Cash flow hedge gains/(losses) taken to equity	24	1.9	(4.2)
Cash flow hedge transfers to income statement	24	(1.9)	4.1
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of defined benefit pension schemes	30	(7.4)	0.3
Tax on remeasurements of defined benefit pension schemes	10	1.3	(0.3)
Other comprehensive income for the period, net of tax		67.1	(21.3)
Total comprehensive income for the period		115.1	5.0
Attributable to:			
Equity holders of the parent		113.7	4.3
Non-controlling interests		1.4	0.7
		115.1	5.0


Consolidated balance sheet

As at 31 December 2016

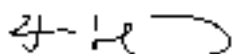
	Note	2016 £m	2015 £m
Assets			
Non-current assets			
Intangible assets	13	188.0	160.1
Property, plant and equipment	14	405.6	331.8
Deferred tax assets	10	21.6	13.4
Other assets	15	30.2	22.9
		645.4	528.2
Current assets			
Inventories	16	59.4	47.3
Trade and other receivables	17	528.5	423.2
Current tax assets		18.2	12.6
Cash and cash equivalents	19	84.4	63.1
		690.5	546.2
Non-current assets held for sale	20	54.0	–
Total assets	3	1,389.9	1,074.4
Liabilities			
Current liabilities			
Loans and borrowings	24	(54.0)	(3.5)
Current tax liabilities		(16.4)	(6.7)
Trade and other payables	21	(435.4)	(373.4)
Provisions	22	(9.9)	(34.7)
		(515.7)	(418.3)
Non-current liabilities			
Loans and borrowings	24	(336.0)	(242.6)
Retirement benefit liabilities	30	(31.4)	(23.1)
Deferred tax liabilities	10	(33.5)	(26.7)
Provisions	22	(14.7)	(7.1)
Other liabilities	23	(29.0)	(22.6)
		(444.6)	(322.1)
Total liabilities	3	(960.3)	(740.4)
Net assets	3	429.6	334.0
Equity			
Share capital	25	7.3	7.3
Share premium account		38.1	38.1
Capital redemption reserve	25	7.6	7.6
Translation reserve		59.8	(12.8)
Other reserve	25	56.9	56.9
Hedging reserve		(0.1)	(0.1)
Retained earnings		255.8	233.5
Equity attributable to equity holders of the parent		425.4	330.5
Non-controlling interests		4.2	3.5
Total equity		429.6	334.0

These financial statements were approved by the Board of Directors and authorised for issue on 27 February 2017.

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 2016

	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 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/(loss) for the period, net of tax	–	–	–	(21.1)	–	(0.1)	–	(21.2)	(0.1)	(21.3)
Total comprehensive income/(loss) 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 and 1 January 2016	7.3	38.1	7.6	(12.8)	56.9	(0.1)	233.5	330.5	3.5	334.0
Profit for the period	–	–	–	–	–	–	47.2	47.2	0.8	48.0
Other comprehensive income										
Exchange differences on translation of foreign operations	–	–	–	76.4	–	–	–	76.4	0.6	77.0
Net investment hedge losses	–	–	–	(3.8)	–	–	–	(3.8)	–	(3.8)
Cash flow hedge gains taken to equity	–	–	–	–	–	1.9	–	1.9	–	1.9
Cash flow hedge transfers to income statement	–	–	–	–	–	(1.9)	–	(1.9)	–	(1.9)
Remeasurements of defined benefit pension schemes	–	–	–	–	–	–	(7.4)	(7.4)	–	(7.4)
Tax on remeasurements of defined benefit pension schemes	–	–	–	–	–	–	1.3	1.3	–	1.3
Other comprehensive income/(loss) for the period, net of tax	–	–	–	72.6	–	–	(6.1)	66.5	0.6	67.1
Total comprehensive income for the period	–	–	–	72.6	–	–	41.1	113.7	1.4	115.1
Dividends	–	–	–	–	–	–	(19.8)	(19.8)	(0.7)	(20.5)
Share-based payments	–	–	–	–	–	–	1.0	1.0	–	1.0
At 31 December 2016	7.3	38.1	7.6	59.8	56.9	(0.1)	255.8	425.4	4.2	429.6

Consolidated cash flow statement

For the year ended 31 December 2016

	Note	2016 £m	2015 £m
Cash flows from operating activities			
Operating profit before non-underlying items		95.3	103.4
Depreciation of property, plant and equipment		62.0	50.9
Amortisation of intangible assets		1.3	1.2
Loss/(profit) on sale of property, plant and equipment		2.3	(0.3)
Other non-cash movements		(5.2)	6.4
Foreign exchange losses		0.3	0.1
Operating cash flows before movements in working capital		156.0	161.7
(Increase)/decrease in inventories		(3.1)	0.5
Increase in trade and other receivables		(7.4)	(11.1)
Decrease in trade and other payables		(2.7)	(1.4)
Change in provisions, retirement benefit and other non-current liabilities		(7.1)	(7.4)
Cash generated from operations before non-underlying items		135.7	142.3
Cash inflows from non-underlying items		9.0	–
Cash outflows from non-underlying items		(4.1)	(27.5)
Cash generated from operations		140.6	114.8
Interest paid		(12.3)	(6.6)
Income tax paid		(25.3)	(44.3)
Net cash inflow from operating activities		103.0	63.9
Cash flows from investing activities			
Interest received		0.7	0.5
Proceeds from sale of property, plant and equipment		5.8	5.1
Acquisition of subsidiaries, net of cash acquired		(14.6)	(52.5)
Acquisition of property, plant and equipment		(78.2)	(74.2)
Acquisition of non-current assets held for sale	20	(62.0)	–
Acquisition of intangible assets		(0.6)	(0.8)
Net cash outflow from investing activities		(148.9)	(121.9)
Cash flows from financing activities			
New borrowings		103.1	71.2
Repayment of borrowings		(4.2)	(9.3)
Cash flows from derivative instruments	24	(28.0)	–
Payment of finance lease liabilities		(2.9)	(1.4)
Dividends paid		(20.5)	(19.1)
Net cash inflow from financing activities		47.5	41.4
Net increase/(decrease) in cash and cash equivalents		1.6	(16.6)
Cash and cash equivalents at beginning of period		62.9	85.6
Effect of exchange rate fluctuations		19.5	(6.1)
Cash and cash equivalents at end of period	19	84.0	62.9

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 FRS 101; these are presented on pages 116 to 124.

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 on page 42.

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 2016:

- Amendments to IAS 1, 'Disclosure Initiative'
- Amendments to IAS 16 and 38, 'Clarification of Acceptable Methods of Depreciation and Amortisation'
- Amendments to IAS 27, 'Equity Method in Separate Financial Statements'
- Amendments to IFRS 10, IFRS 12 and IAS 28, 'Investment Entities – Applying the Consolidation Exception'
- Amendments to IFRS 11, 'Accounting for Acquisitions of Interests in Joint Operations'
- Annual Improvements to IFRSs 2012-2014 Cycle

IFRS 15, 'Revenue from contracts with customers' has been adopted by the EU with an effective date of 1 January 2018. This standard modifies the determination of how much revenue to recognise, and when, and provides a single, principles based five-step model to be applied to all contracts with customers. It replaces the separate models for goods, services and construction contracts under current IFRS.

The group is in the early stages of assessing the impact of the standard but based on a preliminary review, does not expect the standard to have a significant impact on the group's results. It is likely that the group will adopt a prospective transition approach to the standard.

The standard is only expected to impact those contracts that are ongoing at the end of a reporting period and have multiple performance obligations and/or contract modifications. With a typical contract size of less than £500k with short duration, for the vast majority of contracts revenue will continue to be recognised in year. It is not possible to quantify the expected financial impact on the 2017 results at this point in time as the application of the standard is dependent on the specific details of contracts ongoing at 31 December 2017. For the limited number of contracts that will be ongoing at the end of a reporting period and have multiple

performance obligations and/or contract modifications, these will need to be considered on a contract by contract basis. Given that the group's largest contract only contributed 2% of revenue in 2016, any impact of the standard on the group's reported revenue for any given year is likely to be limited. We will continue to progress our assessment of the impact of this standard.

IFRS 9, 'Financial Instruments' was adopted by the EU in November 2016 with an effective date of 1 January 2018. In addition, IFRS 16, 'Leases' has been issued during 2016 but not yet adopted by the EU. The IASB effective date of IFRS 16 is 1 January 2019. The group is in the early stages of assessing the impact of these accounting standards on the group's results.

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.

The exchange rates used in respect of principal currencies are:

	2016	2015
US dollar: average for period	1.36	1.53
US dollar: period end	1.23	1.48
Canadian dollar: average for period	1.80	1.95
Canadian dollar: period end	1.66	2.05
Euro: average for period	1.22	1.38
Euro: period end	1.17	1.36
Singapore dollar: average for period	1.87	2.10
Singapore dollar: period end	1.78	2.09
Australian dollar: average for period	1.82	2.03
Australian dollar: period end	1.71	2.03

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.

Non-current assets held for sale

The group classifies a non-current asset as held for sale when the asset is available for immediate sale and management is committed to selling the asset, an active programme to locate a buyer has been initiated and the sale is highly probable within 12 months of classification as held for sale.

At the time of classification as held for sale the non-current asset is measured at the lower of the carrying amount and the fair value less costs to sell. Any subsequent impairment losses are recognised in the income statement. Any subsequent increase in the fair value is recognised in the income statement to the extent that it is not in excess of any previous impairment.

2 Principal accounting policies continued

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.

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.

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.

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.

Non-underlying items

Non-underlying 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 judgements

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, 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 judgements 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 judgements in drawing up the group's consolidated financial statements are in connection with accounting for construction contracts, the carrying value of goodwill and the valuation of non-current assets held for sale.

Construction contracts: The group's approach to key estimates and judgements relating to construction contracts is set out in the revenue recognition policy above. The main factors considered when making those estimates and judgements include the costs of the work required to complete the contract in order to estimate the percentage completion, and the outcome of claims raised against the group by customers or third parties.

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

Valuation of non-current assets held for sale: During the year the group acquired a property which is classified as a non-current asset held for sale. Further details are set out in note 20. The value of the property has been determined using an external professional valuation, with the rental yield being the significant assumption underlying the valuation. Assuming constant annual rent, a 1% increase in the rental yield would decrease the valuation by £6m. A 1% reduction in the rental yield would increase the valuation by £8m.

The group also uses estimates in assessing the amount of any contingent consideration payable and the recoverability of deferred tax assets. Significant assumptions used in these calculations are forecast revenue growth and forecast margins and for the assessment of the recoverability of deferred tax assets, forecast taxable profits.

Notes to the consolidated financial statements continued

3 Segmental analysis

With effect from 1 January 2016, the group has implemented a new organisation structure, comprising three geographical divisions which have only one major product or service: specialist ground engineering services. Australia and Asia have been combined to form the new geographical division, APAC. North America and EMEA continue to be managed as separate geographical divisions. This is reflected in the group's management structure and in the segment information reviewed by the Chief Operating Decision Maker. Comparative information has been restated to reflect the new geographic structure.

	2016		2015	
	Revenue £m	Operating profit £m	Revenue £m	Operating profit £m
North America	952.9	86.9	851.2	76.4
EMEA ¹	552.6	30.2	441.5	21.3
APAC ²	274.5	(18.0)	269.7	11.7
	1,780.0	99.1	1,562.4	109.4
Central items and eliminations	–	(3.8)	–	(6.0)
Before non-underlying items	1,780.0	95.3	1,562.4	103.4
Non-underlying items (note 7)	–	(10.1)	–	(38.7)
	1,780.0	85.2	1,562.4	64.7

	2016					
	Segment assets £m	Segment liabilities £m	Capital employed £m	Capital additions £m	Depreciation and amortisation £m	Tangible and intangible assets £m
North America	612.1	(206.1)	406.0	33.3	24.7	294.8
EMEA ¹	413.7	(213.3)	200.4	33.0	20.7	174.6
APAC ²	229.3	(85.2)	144.1	12.3	17.8	123.6
	1,255.1	(504.6)	750.5	78.6	63.2	593.0
Central items and eliminations ³	134.8	(455.7)	(320.9)	0.2	0.1	0.6
	1,389.9	(960.3)	429.6	78.8	63.3	593.6

	2015					
	Segment assets £m	Segment liabilities £m	Capital employed £m	Capital additions £m	Depreciation and amortisation £m	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
APAC ²	199.3	(71.1)	128.2	12.5	14.8	114.8
	977.9	(419.8)	558.1	74.4	52.0	491.3
Central items and eliminations ³	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

1 Europe, Middle East and Africa.

2 Asia-Pacific.

3 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 ⁴	
	2016 £m	2015 £m	2016 £m	2015 £m
United States	870.3	773.4	245.8	196.7
Australia	171.0	161.5	73.5	69.6
Canada	80.1	77.7	69.3	64.9
Germany	82.7	62.1	42.7	34.7
United Kingdom (country of domicile)	64.7	61.8	23.7	19.2
Other	511.2	425.9	158.9	122.8
	1,780.0	1,562.4	613.9	507.9

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

4 Acquisitions

2016 acquisitions

	Tecnogeo		
	Carrying amount £m	Fair value adjustment £m	Fair value £m
Net assets acquired			
Intangible assets	–	0.8	0.8
Property, plant and equipment	6.8	–	6.8
Cash and cash equivalents	1.2	–	1.2
Receivables	4.2	(0.7)	3.5
Other assets	0.3	–	0.3
Loans and borrowings	(1.8)	–	(1.8)
Deferred tax	–	(0.3)	(0.3)
Other liabilities	(1.5)	(2.2)	(3.7)
	9.2	(2.4)	6.8
Goodwill			6.6
Total consideration			13.4
Satisfied by			
Initial cash consideration			12.8
Contingent consideration (note 24)			0.6
			13.4

On 29 February 2016, the group acquired 100% of the share capital of the Tecnogeo group of companies, a business based in São Paulo, Brazil, for an initial cash consideration of £12.8m (BRL 60.8m). 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 operating synergies that arise from the group's strengthened market position. Contingent consideration of up to £13.2m (BRL 53.0m) is payable based on total earnings before interest, tax, depreciation and amortisation in the two-year period following acquisition.

The fair value of the total trade receivables is not materially different from the gross contractual amounts receivable and is expected to be recovered in full. In the period to 31 December 2016, Tecnogeo contributed £13.4m to revenue and a net loss of £0.8m. Had the acquisition taken place on 1 January 2016, total group turnover would have been £1,782.7m and total net profit before non-underlying items would have been £55.3m.

On 4 April 2016, the group acquired assets and certain liabilities of Smithbridge Group Pty Limited, a business based in Brisbane, Australia, for an initial cash consideration of £1.8m (A\$3.4m). The purchase price reflects the fair value of the assets and liabilities acquired.

The adjustments made in respect of acquisitions in the period to 31 December 2016 are provisional and will be finalised within 12 months of the acquisition date.

4 Acquisitions continued 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 £11.7m (A\$20.0m) is payable based on total earnings before interest, tax, depreciation and amortisation in the three-year period following acquisition.

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

5 Operating costs

	Note	2016 £m	2015 £m
Raw materials and consumables		537.0	450.3
Staff costs	6	469.9	402.2
Other operating charges		542.6	493.4
Amortisation of intangible assets	13	1.3	1.2
Operating lease and short-term rental expense:			
Land and buildings		15.4	9.6
Plant, machinery and vehicles		56.5	51.4
Depreciation:			
Owned property, plant and equipment		61.4	50.5
Property, plant and equipment held under finance leases		0.6	0.4
Operating costs before non-underlying		1,684.7	1,459.0
Non-underlying items	7	18.9	32.3
		1,703.6	1,491.3
Other operating charges include:			
Redundancy and other reorganisation costs		0.6	4.4
Fees payable to the Company's auditor for the audit of the Company's Annual Accounts		0.2	0.1
Fees payable to the Company's auditor for other services:			
The audit of the Company's subsidiaries, pursuant to legislation		1.1	1.0
Tax compliance services		0.1	0.2
Tax advisory services		0.3	0.1
Other assurance services		–	0.1

6 Employees

The aggregate staff costs of the group were:

	2016 £m	2015 £m
Wages and salaries	409.1	350.0
Social security costs	48.9	40.4
Other pension costs	10.9	10.0
Share-based payments	1.0	1.8
	469.9	402.2

These costs include Directors' remuneration. The remuneration of the Board and Executive Committee, who are the key management personnel, comprised:

	2016 £m	2015 ¹ £m
Short-term employee benefits	5.1	4.9
Post-employment benefits	0.4	0.4
Termination payments	0.4	–
Share-based payments	0.5	1.4
	6.4	6.7

1 Re-presented to include all members of the Board and Executive Committee. Only Board members were included in the prior year financial statements.

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

	2016 Number	2015 Number
North America	3,820	3,841
EMEA	4,531	3,917
APAC	1,886	2,023
	10,237	9,781

7 Non-underlying items

Non-underlying items include items which are exceptional by their size or are non-trading in nature and comprise the following:

	2016 £m	2015 £m
Amortisation of acquired intangible assets	(9.7)	(7.3)
Restructuring costs	(14.3)	–
Contingent consideration: additional amounts provided	(3.9)	(0.9)
Acquisition costs	(0.7)	(0.2)
Goodwill impairment	–	(31.2)
Non-underlying items in operating costs	(18.9)	(32.3)
Contract dispute	14.3	–
Contingent consideration: provision released	4.2	0.9
Non-underlying items in other operating income	18.5	0.9
Total non-underlying items in operating profit	(10.1)	(38.7)
Non-underlying finance costs	(1.1)	(0.7)
Total non-underlying items	(11.2)	(39.4)

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

The £14.3m exceptional restructuring charge relates to asset write downs, redundancy costs and other reorganisation charges in markets experiencing significantly depressed trading conditions (Singapore, Australia, Canada and South Africa). This includes the write-down of surplus equipment to current market values where it is not being relocated to more active parts of the group.

Additional contingent consideration provided relates to the Bencor and Ellington Cross acquisitions.

The goodwill impairment in 2015 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.

£14.3m of exceptional credits relate to the contract dispute settled in 2014. These credits are attributable to insurance proceeds received after an initial settlement with insurers, rental income less operating costs from the acquired processing and warehousing facility (note 20) and the release of the portion of the contract dispute provision that was dependent on the valuation of the property.

Contingent consideration released relates to adjustments to estimated amounts payable for the Austral, Franki Africa and Geo-Foundations acquisitions.

8 Finance income

	2016 £m	2015 £m
Bank and other interest receivable	0.6	0.6
Other finance income	1.0	0.2
	1.6	0.8

9 Finance costs

	2016 £m	2015 £m
Interest payable on bank loans and overdrafts	4.6	3.0
Interest payable on other loans	3.8	2.9
Interest payable on finance leases	0.5	0.1
Net pension interest cost	0.6	0.6
Other finance costs	2.3	1.9
Finance costs before non-underlying items	11.8	8.5
Non-underlying finance costs (note 7)	1.1	0.7
	12.9	9.2

10 Taxation

	2016 £m	2015 £m
Current tax expense		
Current year	33.7	27.2
Prior years	(5.1)	0.2
Total current tax	28.6	27.4
Deferred tax expense		
Current year	(4.6)	4.5
Prior years	1.9	(1.9)
Total deferred tax	(2.7)	2.6
	25.9	30.0

UK corporation tax is calculated at 20% (2015: 20.25%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The effective tax rate can be reconciled to the UK corporation tax rate of 20% (2015: 20.25%) as follows:

	2016			2015		
	Before non-underlying items £m	Non-underlying items (note 7) £m	£m	Before non-underlying items £m	Non-underlying items (note 7) £m	£m
Profit before tax	85.1	(11.2)	73.9	95.7	(39.4)	56.3
UK corporation tax charge/(credit) at 20% (2015: 20.25%)	17.0	(2.2)	14.8	19.4	(8.0)	11.4
Tax charged at rates other than 20% (2015: 20.25%)	13.6	(1.6)	12.0	15.0	(1.8)	13.2
Tax losses and other deductible temporary differences not recognised	3.7	–	3.7	0.5	4.6	5.1
Utilisation of tax losses and other deductible temporary differences previously unrecognised	(5.5)	–	(5.5)	–	–	–
Non-deductible expenses and non-taxable income	4.2	(0.1)	4.1	(0.2)	2.2	2.0
Adjustments to tax charge in respect of previous periods	(3.2)	–	(3.2)	(1.7)	–	(1.7)
Tax charge/(credit)	29.8	(3.9)	25.9	33.0	(3.0)	30.0
Effective tax rate	35.0%	34.8%	35.0%	34.5%	7.6%	53.3%

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.

Notes to the consolidated financial statements continued

10 Taxation continued

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 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 and 1 January 2016	(13.4)	37.9	(2.5)	(10.4)	(4.9)	6.6	13.3
(Credit)/charge to the income statement	(6.1)	(0.5)	(0.4)	–	0.8	3.5	(2.7)
Credit to other comprehensive income	–	–	(1.3)	–	–	–	(1.3)
Acquired with subsidiary	–	–	–	–	–	0.3	0.3
Exchange differences	(2.7)	7.8	(0.2)	(2.2)	(0.9)	0.5	2.3
At 31 December 2016	(22.2)	45.2	(4.4)	(12.6)	(5.0)	10.9	11.9

Deferred tax assets include amounts of £11.5m (2015: £9.2m) 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:

	2016 £m	2015 £m
Deferred tax liabilities	33.5	26.7
Deferred tax assets	(21.6)	(13.4)
	11.9	13.3

At the balance sheet date, the group had unused tax losses of £80.4m (2015: £71.9m), 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, £55.9m (2015: £46.6m) may be carried forward indefinitely.

At the balance sheet date the aggregate of other deductible temporary differences for which no deferred tax asset has been recognised was £16.0m (2015: £67.7m).

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 £86.6m (2015: £93.7m). The unprovided deferred tax liability in respect of these timing differences is £3.6m (2015: £4.2m).

11 Dividends payable to equity holders of the parent

Ordinary dividends on equity shares:

	2016 £m	2015 £m
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 December 2015 of 18.3p (2014: 16.8p) per share	13.1	12.0
Interim dividend for the year ended 31 December 2016 of 9.25p (2015: 8.8p) per share	6.7	6.3
	19.8	18.3

The Board has recommended a final dividend for the year ended 31 December 2016 of £13.8m, representing 19.25p (2015: 18.3p) per share. The proposed dividend is subject to approval by shareholders at the AGM on 11 May 2017 and has not been included as a liability in these financial statements.

12 Earnings per share

Basic and diluted earnings per share are calculated as follows:

	Earnings attributable to equity holders of the parent before non-underlying items		Earnings attributable to equity holders of the parent	
	2016	2015	2016	2015
Basic and diluted earnings (£m)	54.5	61.9	47.2	25.5
Weighted average number of shares (million)				
Basic number of ordinary shares outstanding	71.8	71.7	71.8	71.7
Effect of dilutive potential ordinary shares:				
Share options and awards	1.1	0.8	1.1	0.8
Diluted number of ordinary shares outstanding	72.9	72.5	72.9	72.5
Earnings per share				
Basic earnings per share (pence)	75.9	86.4	65.7	35.5
Diluted earnings per share (pence)	74.8	85.4	64.7	35.1

13 Intangible assets

	Goodwill £m	Arising on acquisition £m	Other £m	Total £m
Cost				
At 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 and 1 January 2016	187.8	41.4	18.6	247.8
Additions	6.6	0.8	0.6	8.0
Exchange differences	37.4	9.8	3.1	50.3
At 31 December 2016	231.8	52.0	22.3	306.1
Accumulated amortisation and impairment				
At 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 and 1 January 2016	53.8	17.8	16.1	87.7
Amortisation charge for the year	–	9.7	1.3	11.0
Exchange differences	11.5	5.1	2.8	19.4
At 31 December 2016	65.3	32.6	20.2	118.1
Carrying amount				
At 31 December 2016	166.5	19.4	2.1	188.0
At 31 December 2015 and 1 January 2016	134.0	23.6	2.5	160.1
At 1 January 2015	160.5	20.1	2.9	183.5

The goodwill impairment in 2015 relates to Keller Canada.

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

13 Intangible assets continued

In 2016, for impairment testing purposes goodwill has been allocated to 18 separate cash-generating units ('CGUs'). Of these, the carrying amount of goodwill allocated to the eight CGUs with the largest goodwill balances is significant in comparison to the total carrying amount of goodwill and comprises 86% 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	2016			2015 ¹		
		Carrying value £m	Pre-tax discount rate %	Forecast growth rate %	Carrying value £m	Pre-tax discount rate %	Forecast growth rate %
Suncoast	North America	35.0	12.0	2.0	29.1	12.7	2.0
Keller Canada	North America	34.1	11.0	2.0	27.6	11.9	2.0
HJ Foundation	North America	22.5	13.9	2.0	18.7	14.9	2.0
Keller Limited	EMEA	12.1	10.7	2.0	12.1	11.9	2.0
ASEAN Heavy Foundations	APAC	12.0	12.6	2.0	10.3	13.0	2.0
Hayward Baker	North America	11.6	12.4	2.0	9.7	13.4	2.0
Waterway	APAC	8.2	13.6	2.0	6.9	14.6	1.0
Austral	APAC	7.9	13.6	2.0	6.7	14.6	2.0
Other	Various	23.1			12.9		
		166.5			134.0		

¹ Re-presented to align 2015's carrying amount of goodwill to 2016's CGU allocation as a result of changes in management structure. The goodwill in the previous CGUs of Resource Piling and Ansa have been aggregated along with the Malaysia heavy foundations business to form the ASEAN Heavy Foundations CGU.

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 2019 have been extrapolated using a steady growth rate of 2%, which does not exceed the long-term average growth rates for the markets in which the relevant CGUs operate.

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.

In 2015, the carrying value of the Keller Canada goodwill was impaired by £31.2m (C\$60.9m) due to the results of Keller Canada being 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. Keller Canada continues to operate in a very difficult market. The assumptions underlying the forecasts used in the value-in-use calculation at 31 December 2016 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 5% over the period under review and operating margins gradually recover to 9%. Based on the value in use calculation, the recoverable amount of Keller Canada exceeds the carrying amount by £23.7m (C\$39.4m). In order for the recoverable amount to equal the carrying amount, forecast revenue growth in each year, at the assumed operating margins, would have to decrease by 5.8%, which would result in a 2.3% compound annual growth rate over the period from 2017 to 2021. Alternatively, assumed operating margins in each year would have to decrease by 1.7% or the discount rate would have to increase by 2.2%.

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 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 and 1 January 2016	48.6	654.9	7.9	711.4
Additions	2.1	73.6	2.5	78.2
Disposals	(2.2)	(30.6)	–	(32.8)
Acquired with subsidiaries	0.4	12.3	–	12.7
Reclassification	2.7	2.3	(5.0)	–
Exchange differences	8.1	121.6	1.6	131.3
At 31 December 2016	59.7	834.1	7.0	900.8
Accumulated depreciation				
At 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 and 1 January 2016	12.0	367.6	–	379.6
Charge for the year	1.7	60.3	–	62.0
Impairment	–	9.0	–	9.0
Disposals	(0.6)	(23.2)	–	(23.8)
Exchange differences	1.9	66.5	–	68.4
At 31 December 2016	15.0	480.2	–	495.2
Carrying amount				
At 31 December 2016	44.7	353.9	7.0	405.6
At 31 December 2015 and 1 January 2016	36.6	287.3	7.9	331.8
At 1 January 2015	35.5	258.3	1.8	295.6

The net book value of plant, machinery and vehicles includes £2.6m (2015: £4.0m) in respect of assets held under finance leases.

The group had contractual commitments for the acquisition of property, plant and equipment of £0.9m (2015: £1.9m) at the balance sheet date. These amounts were not included in the balance sheet at the year end.

15 Other non-current assets

	2016 £m	2015 £m
Fair value of derivative financial instruments	9.4	6.5
Other assets	20.8	16.4
	30.2	22.9

16 Inventories

	2016 £m	2015 £m
Raw materials and consumables	39.3	32.7
Work in progress	1.9	1.0
Finished goods	18.2	13.6
	59.4	47.3

17 Trade and other receivables

	2016 £m	2015 £m
Trade receivables	414.1	341.6
Construction work in progress	84.2	60.3
Other receivables	15.9	12.4
Prepayments	14.1	8.9
Fair value of derivative financial instruments	0.2	–
	528.5	423.2

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

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

	2016 £m	2015 £m
At 1 January	28.5	36.5
Used during the period	(3.7)	(10.9)
Additional provisions	12.8	12.6
Unused amounts reversed	(7.9)	(9.5)
Exchange differences	5.0	(0.2)
At 31 December	34.7	28.5

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

	2016 £m	2015 £m
Overdue by less than 30 days	78.2	62.7
Overdue by between 31 and 90 days	40.2	31.3
Overdue by more than 90 days	42.8	33.7
	161.2	127.7

18 Construction contracts

Construction contracts in progress at balance sheet date:

	2016 £m	2015 £m
Aggregate amount of costs incurred and recognised profits (less recognised losses) to date	1,093.9	883.5
Retentions withheld by customers	36.1	29.3
Advances received	10.9	2.5

Construction contract revenue recognised in the year in accordance with IAS 11 totalled £1,574.3m (2015: £1,397.4m).

19 Cash and cash equivalents

	2016 £m	2015 £m
Bank balances	82.8	56.3
Short-term deposits	1.6	6.8
Cash and cash equivalents in the balance sheet	84.4	63.1
Bank overdrafts	(0.4)	(0.2)
Cash and cash equivalents in the cash flow statement	84.0	62.9

20 Non-current assets held for sale

On 12 May 2016, the group acquired the freehold of a processing and warehousing facility at Avonmouth, near Bristol, for a consideration of £62m. As set out in the 2015 Annual Report and Accounts, the group's final liability with regards to the historic contract dispute involving the property is in part dependent on the value of the property. In order to maximise this value, the group decided to acquire the property with a view to marketing it to third parties.

In accordance with IFRS 5, the property is being held at the lower of carrying amount and fair value less costs to sell. At 30 June 2016, the fair value of the property was £48m, based on an external valuation. The property was impaired by £14m at 30 June 2016, however the group previously held a £14m provision for the diminution in value of the property as part of the overall contract dispute provision, and therefore no additional impairment charge was recognised.

At 31 December 2016, the fair value of the property based on an external valuation was £54m. The £6m reversal of impairment has been recognised as exceptional other operating income (note 7).

Rental income less operating costs for the period has been included within exceptional other operating income (note 7).

21 Trade and other payables

	2016 £m	2015 £m
Trade payables	234.6	174.6
Other taxes and social security payable	11.1	8.8
Other payables	135.9	128.3
Accruals	53.8	37.1
Fair value of derivative financial instruments	–	24.6
	435.4	373.4

Other payables include contract accruals, advance billings and contingent consideration of £1.3m (2015: £0.5m).

22 Provisions

	Employee provisions £m	Restructuring provisions £m	Other provisions £m	Total £m
At 1 January 2016	11.2	3.1	27.5	41.8
Charge for the year	5.2	0.7	0.1	6.0
Used during the period	(4.7)	(0.1)	(18.2)	(23.0)
Unused amounts reversed	–	(3.4)	–	(3.4)
Exchange differences	2.2	0.4	0.6	3.2
At 31 December 2016	13.9	0.7	10.0	24.6
To be settled within one year	3.8	0.7	5.4	9.9
To be settled after one year	10.1	–	4.6	14.7
At 31 December 2016	13.9	0.7	10.0	24.6

Employee provisions comprise obligations to employees other than retirement benefit obligations. Other provisions are in respect of legal and other disputes in various group companies, including the provision for the contract dispute outlined in note 7. The majority of the provision used during the period relates to the impairment of the processing and warehousing facility acquired during the year (note 20) and the cost of remedial actions incurred. The remaining provision for this contract dispute primarily relates to the remaining remedial actions to be undertaken as part of the settlement agreement. The provision does not take into account any future insurance recoveries.

23 Other non-current liabilities

	2016 £m	2015 £m
Fair value of derivative financial instruments	2.5	–
Other liabilities	26.5	22.6
	29.0	22.6

Other liabilities include contingent consideration of £9.9m (2015: £9.1m) and deferred remuneration payable to US employees.

24 Financial instruments

Exposure to credit, interest rate and currency risks arise in the normal course of the group's business. Derivative financial instruments are used to hedge exposure to fluctuations in foreign exchange and interest rates.

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

Currency risk

The group faces currency risk principally on its net assets, most of which are in currencies other than sterling. The group aims to reduce the impact that retranslation of these net assets might have on the consolidated balance sheet, by matching the currency of its borrowings, where possible, with the currency of its assets. The majority of the group's borrowings are held in sterling, 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 2016, the fair value of foreign exchange forward contracts outstanding was £0.2m, included in current assets (2015: £0.4m, 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.

24 Financial instruments continued

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 2016. 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 109, 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 \$40m private placement repayable in 2018, a \$50m private placement repayable in 2021, a \$75m private placement repayable in 2024, a \$45m revolving credit facility expiring in 2019, a £48m term facility expiring in May 2017 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 £69.2m (2015: £51.4m) to support local requirements.

Private placements

In August 2012, \$40m was raised through a private placement with US institutions. The proceeds of the issue of \$40m 5.0% notes due 2018 were used to repay existing debt. In October and December 2014, a further \$50m and \$75m respectively were raised through a private placement with US institutions. The proceeds of the issue of \$50m 3.81% Series A notes due 2021 and \$75m 4.17% Series B notes due 2024 were used to refinance maturing private placements.

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 2016 was £136.3m (2015: £114.7m).

Hedging

In June 2006, \$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, which matured June 2016, had the same maturity as the intra-group debt and were 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 effective portion of changes in the fair value of the 2006 swaps, a loss of £3.8m (2015: £5.6m), has been taken to the hedging reserve and fully recycled through the income statement during the year. £28.0m was paid to settle the 2006 swap liability on its maturity in June 2016.

The 2012 \$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 2016 represented an asset of £6.9m (2015: £2.8m) included in other non-current assets and a liability of £2.5m (2015: £nil) included in other non-current liabilities. The effective portion of the changes in the fair value of the dollar sterling swaps, a gain of £5.5m (2015: £1.5m), 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 loss of £3.8m (2015: gain of £1.7m), 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 \$50m and \$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 2016 represented an asset of £2.5m (2015: £3.5m) which is included in other non-current assets. The effective portion of the changes in the fair value of the 2014 swaps, a loss of £1.2m (2015: gain of £0.8m), 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 a gain of £0.2m (2015: £0.2m).

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.

	2016						
	Effective interest rate %	Due within 1-2 years £m	Due within 2-5 years £m	Due after more than 5 years £m	Total non-current £m	Due within 1 year £m	Total £m
Bank overdrafts	4.0	–	–	–	–	(0.4)	(0.4)
Bank loans*	2.3	(0.4)	(195.0)	(3.3)	(198.7)	(51.0)	(249.7)
Other loans*	3.1	(32.5)	(41.1)	(62.7)	(136.3)	(0.7)	(137.0)
Obligations under finance leases*	11.1	(0.7)	(0.3)	–	(1.0)	(1.9)	(2.9)
Total loans and borrowings		(33.6)	(236.4)	(66.0)	(336.0)	(54.0)	(390.0)
Bank balances*	1.4	–	–	–	–	82.8	82.8
Short-term deposits*	3.3	–	–	–	–	1.6	1.6
Net debt		(33.6)	(236.4)	(66.0)	(336.0)	30.4	(305.6)
Derivative financial instruments		4.4	0.6	1.9	6.9	0.2	7.1

	2015						
	Effective interest rate %	Due within 1-2 years £m	Due within 2-5 years £m	Due after more than 5 years £m	Total non-current £m	Due within 1 year £m	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)

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

Loans and borrowings consist of the following:

	2016 £m	2015 £m
\$75m private placement (due December 2024)	62.7	53.1
\$50m private placement (due October 2021)	41.1	34.6
£250m syndicated revolving credit facility (expiring September 2019)	164.8	123.1
\$45m revolving credit facility (expiring September 2019)	29.8	–
\$40m private placement (due August 2018)	32.5	27.0
£48m term loan (expiring May 2017)	48.0	–
Bank overdrafts	0.4	0.2
Obligations under finance leases	2.9	3.2
Other loans and borrowings	7.8	4.9
Total loans and borrowings	390.0	246.1

In addition, there were non-interest-bearing financial liabilities comprising trade and other payables of £381.6m (2015: £311.7m) which were payable within one year. £1.3m (2015: £0.5m) of contingent consideration in respect of acquisitions is payable within one year, £4.8m (2015: £1.0m) is payable between one and two years and £5.1m (2015: £8.1m) is payable between two and five years.

Notes to the consolidated financial statements continued

24 Financial instruments continued

The group had unutilised committed banking facilities of £108.3m at 31 December 2016 (2015: £127.6m). This mainly comprised the unutilised portion of the group's £250m facility which expires on 4 September 2019. In addition, the group had unutilised uncommitted borrowing facilities totalling £40.7m at 31 December 2016 (2015: £25.9m). All of these borrowing facilities are unsecured. Future obligations under finance leases totalled £3.2m (2015: £3.5m), including interest of £0.3m (2015: £0.3m).

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 2016 and in 2015, 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).

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 2016 and in 2015, 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 (2016: 2%-31%), forecast EBITDA margins (2016: 2%-15%) and pre-tax discount rates (2016: 15%-32%).

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

	Contingent consideration £m
At 1 January 2016	9.6
Provision released (note 7)	(4.2)
Additional amounts provided (note 7)	3.9
Paid during the year	(1.0)
Assumed within business combinations (note 4)	0.6
Unwind of discounted contingent consideration (note 7)	0.3
Exchange differences ¹	2.0
At 31 December 2016	11.2

¹ Included in other comprehensive income.

The fair value measurement of the contingent consideration could be affected if the forecast revenue growth rates or forecast EBITDA margins are different to those stated above. A higher forecast revenue growth rate or higher EBITDA margin may increase the value of the contingent consideration payable.

Trade and other payables and receivables and construction work in progress

For payables and receivables with a remaining life of one year or less, the carrying amount is deemed to reflect the fair value. All other payables and receivables are discounted using market rates prevailing at the balance sheet date.

Interest rate and currency profile

The profile of the group's financial assets and financial liabilities after taking account of swaps was as follows:

	2016					Total
	Sterling	USD	Euro	CAD	Other ¹	
Weighted average fixed debt interest rate	–	–	4.3%	7.5%	16.1%	n/a
Weighted average fixed debt period (years)	–	–	2.3	1.1	1.2	n/a
	£m	£m	£m	£m	£m	£m
Fixed rate financial liabilities	–	–	(36.7)	(0.1)	(1.3)	(38.1)
Floating rate financial liabilities	(153.0)	(103.8)	(24.1)	(42.3)	(28.7)	(351.9)
Financial assets	6.4	30.3	8.4	10.0	29.3	84.4
Net debt	(146.6)	(73.5)	(52.4)	(32.4)	(0.7)	(305.6)

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

1 Included within other floating rate financial liabilities are AUD revolver loans of £6.4m (2015: £19.5m), ZAR revolver loans of £5.9m (2015: £3.4m) and SGD revolver loans of £12.1m (2015: £9.9m). Included within other financial assets are AUD cash balances of £4.3m (2015: £5.3m), ZAR cash balances of £1.5m (2015: £3.4m) and SGD cash balances of £2.4m (2015: £2.3m).

Sensitivity analysis

At 31 December 2016, it is estimated that a general increase of one percentage point in interest rates would decrease the group's profit before taxation by approximately £2.8m. The estimated impact of a one percentage point decrease in interest rates is to increase the group's profit before taxation by approximately £2.8m. 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 non-underlying items by approximately £7.2m for the year ended 31 December 2016, with the estimated impact of a 10 percentage points decrease in the value of sterling being an increase of £8.9m in the group's profit before taxation and non-underlying items. 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.

These sensitivities assume all other factors remain constant.

25 Share capital and reserves

	2016 £m	2015 £m
Allotted, called up and fully paid		
Equity share capital:		
73,099,735 ordinary shares of 10p each (2015: 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 1.1m (2015: 1.3m).

26 Related party transactions

Transactions between the parent, its subsidiaries and joint operations, which are related parties, have been eliminated on consolidation.

The remuneration of the Board and Executive Committee, who are the key management personnel and related parties of the group, is set out in note 6.

27 Commitments

(a) Capital commitments

Capital expenditure contracted for at the end of the reporting period but not yet incurred was £0.9m (2015: £1.9m) 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:

	2016			2015		
	Land and buildings £m	Plant, machinery and vehicles £m	Total £m	Land and buildings £m	Plant, machinery and vehicles £m	Total £m
Payable within one year	13.2	5.6	18.8	9.2	4.3	13.5
Payable between one and five years inclusive	32.5	7.1	39.6	20.6	4.8	25.4
Payable in over 5 years	9.7	–	9.7	9.7	0.1	9.8
	55.4	12.7	68.1	39.5	9.2	48.7

28 Contingent liabilities

Claims against the group arise in the normal course of trading. Some of these claims involve or may involve litigation and, in a few instances, the total amounts claimed against the group may be significant in relation to the size of the related contract. However, the amounts agreed, if any, are generally less than the total amount claimed, in many cases significantly so, and are normally covered by the group's insurance arrangements.

The 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 (2015: £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 2016, the group had standby letters of credit outstanding totalling £15.0m (2015: £15.2m).

As set out in note 9 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.

29 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 59 to 78.

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 2015	996,741
Granted during 2015	295,283
Lapsed during 2015	(6,289)
Exercised during 2015	(512,475)
Outstanding at 31 December 2015 and 1 January 2016	773,260
Granted during 2016	484,219
Lapsed during 2016	(90,971)
Exercised during 2016	(187,229)
Outstanding at 31 December 2016	979,279
Exercisable at 1 January 2015	–
Exercisable at 31 December 2015 and 1 January 2016	–
Exercisable at 31 December 2016	–

Exercises occurred throughout the year. The average share price during the year was 853.9p.

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:

	2016	2015
Weighted average share price	815p	1,028p
Weighted average exercise price	0.0p	0.0p
Expected volatility	31.0%	31.0%
Expected life	3 years	3 years
Risk free rate	0.45%	0.87%
Expected dividend yield	3.1%	2.40%

Expected volatility was determined by calculating the historical volatility of the group's share price over the previous three years, adjusted for any expected changes to future volatility due to publicly available information.

The group recognised total expenses (included in operating costs) of £1.0m (2015: £1.8m) related to equity-settled, share-based payment transactions.

The weighted average fair value of options granted in the year was 599.0p (2015: 748.1p).

30 Retirement benefit liabilities

The group operates pension schemes in the UK and overseas.

In the UK, the group operates the Keller Group Pension Scheme ('the Scheme'), a defined benefit scheme, which has been closed to new members since 1999 and was closed to all future benefit accrual with effect from 31 March 2006. Under the Scheme, employees are normally entitled to retirement benefits on attainment of a retirement age of 65. The Scheme is subject to UK pensions legislation which, inter alia, provides for the regulation of work-based pension schemes by the Pensions Regulator. The Trustees are aware of and adhere to the Codes of Practice issued by the Pensions Regulator. The Scheme Trustees currently comprise one member-nominated Trustee and one employer-nominated Trustee. The employer-nominated Trustee is also the Chair of the Trustees. The Scheme exposes the group to actuarial risks, such as longevity risk, interest rate risk and market (investment) risk, which are managed through the investment strategy to acceptable levels. The Scheme can invest in a wide range of asset classes including equities, bonds, cash, property, alternatives (including private equity, commodities, hedge funds, infrastructure, currency, high yield debt and derivatives) and annuity policies. Any investment in derivative instruments is only made to contribute to a reduction in the overall level of risk in the portfolio or for the purposes of efficient portfolio management. With effect from the most recent actuarial valuation date (5 April 2014), the group has agreed to pay annual contributions of £1.6m 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 2016 (2015: £nil). The total UK defined contribution pension charge for the year was £0.9m (2015: £1.3m).

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 £5.0m (2015: £3.6m).

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% (2015: 9.5%). The total Australian pension charge for the year was £3.6m (2015: £3.0m).

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

	The Keller Group Pension Scheme (UK) 2016 £m	The Keller Group Pension Scheme (UK) 2015 £m	German and Austrian Schemes 2016 £m	German and Austrian Schemes 2015 £m
Present value of the scheme liabilities	(58.4)	(48.5)	(16.4)	(12.8)
Present value of assets	43.4	38.2	–	–
Deficit in the scheme	(15.0)	(10.3)	(16.4)	(12.8)

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

	2016 %	2015 %	2016 %	2015 %
Discount rate	2.7	3.9	1.2	1.9
Interest on assets	2.7	3.9	n/a	n/a
Rate of increase in pensions in payment	3.5	3.4	2.0	2.0
Rate of increase in pensions in deferment	2.5	2.2	2.0	2.0
Rate of inflation	3.5	3.2	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) 2016	The Keller Group Pension Scheme (UK) 2015	German and Austrian Schemes 2016	German and Austrian Schemes 2015
Male currently aged 65	21.5	21.7	19.0	19.0
Female currently aged 65	23.5	23.6	23.1	23.1

30 Retirement benefit liabilities continued

The assets of the schemes were as follows:

	The Keller Group Pension Scheme (UK) 2016 £m	The Keller Group Pension Scheme (UK) 2015 £m	German and Austrian Schemes 2016 £m	German and Austrian Schemes 2015 £m
Equities	13.4	23.1	n/a	n/a
Gilts	9.5	7.6	n/a	n/a
Bonds	8.7	7.5	n/a	n/a
Cash	0.4	–	n/a	n/a
Target return funds	11.4	–	n/a	n/a
	43.4	38.2	n/a	n/a

	The Keller Group Pension Scheme (UK) 2016 £m	The Keller Group Pension Scheme (UK) 2015 £m	German and Austrian Schemes 2016 £m	German and Austrian Schemes 2015 £m
Changes in scheme liabilities				
Opening balance	(48.5)	(49.8)	(12.8)	(13.8)
Current service cost	(0.1)	(0.2)	(0.3)	(0.2)
Interest cost	(1.9)	(1.8)	(0.2)	(0.2)
Benefits paid	1.8	1.7	0.7	0.6
Exchange differences	–	–	(2.2)	0.8
Experience gain/(loss) on defined benefit obligation	1.1	–	(0.6)	0.1
Changes to demographic assumptions	0.8	–	–	–
Changes to financial assumptions	(11.6)	1.6	(1.0)	(0.1)
Closing balance	(58.4)	(48.5)	(16.4)	(12.8)
Changes in scheme assets				
Opening balance	38.2	38.2	–	–
Interest on assets	1.5	1.4	–	–
Employer contributions	1.6	1.6	–	–
Benefits paid	(1.8)	(1.7)	–	–
Return on plan assets less interest	3.9	(1.3)	–	–
Closing balance	43.4	38.2	–	–
Actual return on scheme assets	5.4	0.1	–	–
Statement of comprehensive income (SOCl)				
Return on plan assets less interest	3.9	(1.3)	–	–
Experience gain/(loss) on defined benefit obligation	1.1	–	(0.6)	0.1
Changes to demographic assumptions	0.8	–	–	–
Changes to financial assumptions	(11.6)	1.6	(1.0)	(0.1)
Remeasurements of defined benefit plans	(5.8)	0.3	(1.6)	–
Cumulative remeasurements of defined benefit plans	(25.7)	(19.9)	(7.1)	(5.5)
Expense recognised in the income statement				
Current service cost	0.1	0.2	0.3	0.2
Operating costs	0.1	0.2	0.3	0.2
Net pension interest cost	0.4	0.4	0.2	0.2
Expense recognised in the income statement	0.5	0.6	0.5	0.4
Movements in the balance sheet liability				
Net liability at start of year	10.3	11.6	12.8	13.8
Expense recognised in the income statement	0.5	0.6	0.5	0.4
Employer contributions	(1.6)	(1.6)	–	–
Benefits paid	–	–	(0.7)	(0.6)
Exchange differences	–	–	2.2	(0.8)
Remeasurements of defined benefit plans	5.8	(0.3)	1.6	–
Net liability at end of year	15.0	10.3	16.4	12.8

A reduction in the discount rate of 0.1% would increase the deficit in the schemes by £1.2m, 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 £0.8m. An increase in the mortality rate by one year would increase the deficit in the schemes by £3.3m.

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:

	2016 £m	2015 £m	2014 £m	2013 £m	2012 £m
Present value of defined benefit obligations	(74.8)	(61.3)	(63.6)	(58.1)	(52.6)
Fair value of scheme assets	43.4	38.2	38.2	35.0	34.4
Deficit in the schemes	(31.4)	(23.1)	(25.4)	(23.1)	(18.2)
Experience adjustments on scheme liabilities	(11.3)	1.6	(5.7)	(5.1)	(3.5)
Experience adjustments on scheme assets	3.9	(1.3)	1.6	(0.6)	0.7

31. Post balance sheet events

A further £5.9m of insurance proceeds relating to the contract dispute settled in 2014 was received in February 2017. This will be recognised as exceptional other operating income in 2017 as the receipt of these insurance proceeds was not considered virtually certain as at 31 December 2016.

Company balance sheet

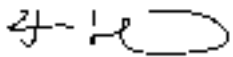
As at 31 December 2016

	Note	2016 £m	2015 £m
Assets			
Intangible assets		0.2	–
Tangible fixed assets		0.5	0.6
Investments	2	366.1	99.1
Other assets	3	9.4	6.5
Fixed assets		376.2	106.2
Amounts owed by subsidiary undertakings:			
– Amounts falling due within one year		1.6	126.3
– Amounts falling due after one year		474.0	297.0
Trade and other debtors	4	0.9	0.4
Cash and bank balances		5.4	2.1
Current assets		481.9	425.8
Bank and other loans		(48.0)	–
Trade and other creditors	5	(3.9)	(29.1)
Amounts owed to subsidiary undertakings		(0.3)	(0.3)
Creditors: Amounts falling due within one year		(52.2)	(29.4)
Net current assets		429.7	396.4
Total assets less current liabilities		805.9	502.6
Bank and other loans		(265.3)	(136.7)
Amounts owed to subsidiary undertakings		(67.7)	(29.5)
Other creditors	6	(5.0)	(2.5)
Pension liabilities	8	(2.3)	(1.6)
Creditors: Amounts falling due after more than one year		(340.3)	(170.3)
Net assets		465.6	332.3
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 reserve		56.9	56.9
Profit and loss account		355.7	222.4
Shareholders' funds		465.6	332.3

These financial statements were approved by the Board of Directors and authorised for issue on 27 February 2017.
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 2016

	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 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 1 January 2016	7.3	38.1	7.6	56.9	–	222.4	332.3
Profit for the period	–	–	–	–	–	153.0	153.0
Cash flow hedge gains taken to equity	–	–	–	–	1.9	–	1.9
Cash flow hedge transfers to income statement	–	–	–	–	(1.9)	–	(1.9)
Remeasurement of defined benefit pension schemes	–	–	–	–	–	(0.9)	(0.9)
Total comprehensive income	–	–	–	–	–	152.1	152.1
Dividends	–	–	–	–	–	(19.8)	(19.8)
Share-based payments	–	–	–	–	–	1.0	1.0
At 31 December 2016	7.3	38.1	7.6	56.9	–	355.7	465.6

Details of the capital redemption reserve and the other reserve are included in note 25 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

1 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 and reports under FRS 101.

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 25) 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 £153.0m (2015: £12.1m).

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 as it is disclosed in the consolidated financial statements.

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

	2016 £m	2015 £m
Shares at cost		
At 1 January	99.1	94.1
Additions	267.0	5.0
At 31 December	366.1	99.1

The additions during the year relate to capital injections into group companies.

The Company's investments are included in the disclosures in note 9.

3 Other assets

	2016 £m	2015 £m
Fair value of derivative financial instruments	9.4	6.5
	9.4	6.5

4 Trade and other debtors

	2016 £m	2015 £m
Other receivables	0.4	0.3
Prepayments	0.3	0.1
Fair value of derivative financial instruments	0.2	–
	0.9	0.4

5 Trade and other creditors

	2016 £m	2015 £m
Other creditors	3.1	4.1
Accruals	0.8	0.8
Fair value of derivative financial instruments	–	24.2
	3.9	29.1

6 Other creditors

	2016 £m	2015 £m
Other creditors	2.5	2.5
Fair value of derivative financial instruments	2.5	–
	5.0	2.5

7 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 2016, the Company's liability in respect of the guarantees against bank borrowings amounted to £74.3m (2015: £107.2m). In addition, standby letters of credit outstanding totalled £15.0m (2015: £15.2m). No amounts were paid or liabilities incurred relating to these guarantees during 2016 (2015: £nil).

In addition, as set out in note 9, 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.

8 Pension liabilities

In the UK, the Company participates in the Keller Group Pension Scheme, a defined benefit scheme, details of which are given in note 30 to the consolidated financial statements. The Company's share of the present value of the assets of the scheme at the date of the last actuarial valuation on 5 April 2014 was £5.6m and the actuarial valuation showed a funding level of 77%.

Details of the actuarial methods and assumptions, as well as steps taken to address the deficit in the scheme, are given in note 30 to the consolidated financial statements. 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 2016 (2015: £nil).

Notes to the Company financial statements continued

8 Pension liabilities continued

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

	2016 £m	2015 £m
Present value of the scheme liabilities	(8.8)	(7.6)
Present value of assets	6.5	6.0
Deficit in the scheme	(2.3)	(1.6)

The assets of the scheme were as follows:

	2016 £m	2015 £m
Equities	3.9	3.6
Gilts	1.3	1.2
Bonds	1.3	1.2
	6.5	6.0

	2016 £m	2015 £m
Changes in scheme liabilities		
Opening balance	(7.6)	(7.8)
Interest cost	(0.3)	(0.3)
Benefits paid	0.3	0.3
Experience gain on defined benefit obligation	0.6	–
Changes to demographic assumptions	0.1	–
Changes to financial assumptions	(1.9)	0.2
Closing balance	(8.8)	(7.6)

Changes in scheme assets		
Opening balance	6.0	6.0
Interest on assets	0.2	0.2
Employer contributions	0.3	0.3
Benefits paid	(0.3)	(0.3)
Return on plan assets less interest	0.3	(0.2)
Closing balance	6.5	6.0
Actual return on scheme assets	0.5	–

Statement of comprehensive income (SOI)		
Return on plan assets less interest	0.3	(0.2)
Experience gain on defined benefit obligation	0.6	–
Changes to demographic assumptions	0.1	–
Changes to financial assumptions	(1.9)	0.2
Remeasurements of defined benefit plans	(0.9)	–
Cumulative remeasurements of defined benefit plans	(3.5)	(2.6)

Expense recognised in the income statement		
Operating costs	–	–
Net pension interest costs	0.1	0.1
Expense recognised in the income statement	0.1	0.1

Movements in the balance sheet liability		
Net liability at start of year	1.6	1.8
Expense recognised in the income statement	0.1	0.1
Employer contributions	(0.3)	(0.3)
Remeasurements of defined benefit plans	0.9	–
Net liability at end of year	2.3	1.6

The contributions expected to be paid during 2017 are £0.3m.

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

	2016 £m	2015 £m	2014 £m	2013 £m	2012 £m
Present value of defined benefit obligations	(8.8)	(7.6)	(7.8)	(7.3)	(7.1)
Fair value of scheme assets	6.5	6.0	6.0	5.7	5.9
Deficit in the scheme	(2.3)	(1.6)	(1.8)	(1.6)	(1.2)
Experience adjustments on scheme liabilities	(1.2)	0.2	(0.4)	(0.2)	(0.5)
Experience adjustments on scheme assets	0.3	(0.2)	–	(0.4)	0.1

9 Group companies

In accordance with Section 409 of the Companies Act 2006, a full list of subsidiaries and joint ventures as at 31 December 2016 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	Key	Subsidiary undertaking	Key
Accrete Industrial Flooring Limited	01	Frankipile (Mauritius) International Limited	14
Accrete Limited	01	Frankipile Australia Pty Ltd	13
Anderson Drilling Inc.	02	Frankipile Botswana (Pty) Limited	15
Anderson Manufacturing, Inc.	02	Frankipile D.R.C. SARL ⁱⁱⁱ	16
Ansah Asia Sdn Bhd	03	Frankipile Ghana Limited	17
Austral Construction Pty Limited	04	Frankipile International Projects Limited	18
Austral Group Holdings PTY Limited	04	Frankipile Lesotho (Pty) Limited	19
Austral Investors PTY Limited	04	Frankipile Mauritius International (Seychelles) Limited	20
Austral Plant Services PTY Limited	04	Frankipile Mocambique Limitada	21
Bencor Global, Inc.	05	Frankipile Namibia (Pty) Limited	22
Bobian Limited ⁱ	06	Frankipile Swaziland (Pty) Limited	23
Capital Insurance Limited ⁱ	07	Geochemical Corporation	24
Case Atlantic Company	08	Geotechnical Engineering Contractors Limited ⁱ	25
Case Foundation Company	08	GeTec Ingenieurgesellschaft für Informations- und Planungstechnologie mbH	26
Cyntech Construction Ltd.	09	Getec North America Inc.	08
Cyntech U.S. Inc.	10	Hayward Baker Cimentaciones Sociedad Anonima	27
EB Construction Company	11	Hayward Baker, Inc.	05
EB Keller Holding Company	11	HB Puerto Rico, L.P.	28
Fondedile Foundations UK Ltd	06	HJ Foundation Company	11
Franki Geotechnical (Pty) Limited ⁱⁱ	12	HJ Keller Holding Company	11
Franki Pacific Holdings Pty Ltd	13		

Notes to the Company financial statements continued

9 Group companies continued

Subsidiary undertaking	Key	Subsidiary undertaking	Key
Intermesh Limited	29	Keller Geotechnica Srl	51
Keller (M) Sdn Bhd	30	Keller Ground Engineering Bangladesh Limited	52
Keller Angola Limited	01	Keller Ground Engineering India Private Limited	53
Keller Angola Properties Limited	01	Keller Ground Engineering LLC ^{vi}	54
Keller AsiaPacific Ltd.	31	Keller Ground Engineering Pty Ltd	13
Keller Australia Pty Limited ^v	32	Keller Grundbau Ges.m.bH	55
Keller Canada Holdings Ltd.	33	Keller Grundbau GmbH	56
Keller Canada Services Ltd	33	Keller Grundlagging AB	57
Keller Central Asia TOO	34	Keller Hellas S.A.	58
Keller Cimentaciones Chile, SpA	35	Keller Holding GmbH	56
Keller Cimentaciones de Latinoamerica SA de CV	36	Keller Holdings Limited ^d	01
Keller Cimentaciones S.A.	37	Keller Holdings, Inc.	05
Keller Cimentaciones SAC	38	Keller Investments LLP	01
Keller Cimentaciones, S.L.U.	39	Keller Limited ^d	06
Keller Colcrete Limited	06	Keller National Plant Pty Limited	59
Keller Egypt LLC	40	Keller New Zealand Limited	60
Keller EMEA Limited	01	Keller Polska Sp. z o.o.	61
Keller Engenharia Geotecnica Ltda	41	Keller Pty Limited	13
Keller Finance Australia Limited	01	Keller Qatar L.L.C. ^{vii}	62
Keller Finance Ireland Limited	42	Keller Resources Limited	01
Keller Finance Limited	01	Keller Russia LLC	63
Keller Financing	01	Keller speciálne zakladani spol. s r.o.	64
Keller Fondations Speciales SAS	43	Keller specialne zakladanie spol.s.r.o.	65
Keller Fondations Spéciales Spa ^v	44	Keller Turki Company Limited ^{viii}	66
Keller Fondazioni S.r.l	45	Keller Ukraine LLC	67
Keller Foundations (S E Asia) Pte Ltd	46	Keller West Africa S.A.	68
Keller Foundations Ltd.	33	Keller Zemin Mühendisligi Limited Sirketi	69
Keller Foundations Vietnam Co., Limited	47	Keller-MTS AG	70
Keller Foundations, LLC	05	KFS Finland Oy ^x	71
Keller Funderingstechnieken B.V.	48	KGS Keller Gerate & Service GmbH	56
Keller Funderingsteknik Danmark ApS	49	Makers Holdings Limited ^d	01
Keller Geo-Fundações, Sociedade Unipessoal, Lda	50	Makers Management Services Limited ^d	01
		Makers Services Limited	01

Subsidiary undertaking	Key	17	C205/21 Didebaa link, Abelemkpe, Accra, Ghana
Makers UK Limited	01	18	C/O DTOS Ltd, 10th floor, Raffles Tower, 19 Cybercity, Ebene, Mauritius
Mckinney Drilling Company, LLC	10	19	Maseru Book Centre Building, Maseru, Lesotho
McKinney Woodstock LLC	10	20	Maison La Rosiere, Palm Street, Victoria, Mahe, Seychelles
Nesur Tecnologia Servicios S.A.	72	21	Bairro da Matola D, Avenida Samora Machel nr. 393, Matola, Mozambique
North American Foundation Engineering Inc.	33	22	2nd floor, LA Chambers, Ausspans Plaza, Dr Agostinho Neto Road, Windhoek, Namibia
PHI Group Limited ⁱ	06	23	Umkhiwa House, 195 Kal Grant Street, Mbabane, Swaziland
Pile Test International Pty Limited	73	24	162 Spencer Place, Ridgewood, NJ, United States
Piling Contractors New Zealand Limited	74	25	462 El Horreya Avenue, Roushdy, Alexandria, Egypt
Piling Contractors Pty Limited	75	26	Mausegatt 45, 44866 Bochum, Germany
PT. Frankpile Indonesia ^x	76	27	5 Avenida 15-45, Zona 10, Edificio Centro Empresarial, Torre II, Oficina 1103-04, Guatemala
Resource Piling (M) Sdn. Bhd.	77	28	1875 Mayfield Road, Odenton, MD, 21113, United States
Resource Piling Pte Ltd	78	29	Kevan Whitehouse, Keller Limited, Oxford Road, Ryton on Dunsmore, Coventry, CV8 3EG, United Kingdom
Seaboard Foundations, Inc.	10	30	Lot 6.05, Level 6, KPMG Tower, 8, First Avenue, Bandar Utama, Petaling Jaya, Selangor, 47800, Malaysia
Speceng Engenharia E Fundações Especiais Ltda	79	31	72 Anson Road #11-03, Anson House, Singapore, 079911
Stabteco Serviços de Engenharia de Estabilização de Solos Moles Ltda.	80	32	607, 2-8 Brookhollow Avenue, Baulkham Hills, NSW 2153, Australia
Suncoast Post-Tension, Ltd.	81	33	Suite 2600, Three Bentall Centre, P.O. Box 49314, 595 Burrard Street, Vancouver BC, V7X 1 L3, Canada
Systems Geotechnique Limited	06	34	Almalinsky Rayon, Kurmangazi Str. 84, 050022 Almaty, Kazakhstan
Tecnogeo Engenharia e Fundações Ltda.	82	35	C/Huerfanos 1160 – Of.604., Comuna de Santiago, Region Metropolitana, Chile
Terratest-Keller J.V. SAPI de CV ^{xi}	83	36	Avenida del Presidente Masaryk, 62, Colonia Bosques de Chapultepec, Distrito Federal, Mexico
The Concrete Doctor, Inc.	84	37	Oceania Business Plaza, Torre 1000, piso 49, Of.A10, Calle 56 D Este, Punta Pacifica, Panama
Vibro-Pile (Aust.) Pty Limited	73	38	Avenida Javier Prado Oeste, 203, Urbanizacion San Isidro, Departamento San Isidro, Lima, Peru
Vremya LLP	85	39	Calle de la Argentina, 15, 28806 Alcala de Henares, Madrid, Spain
Wannenwetsch GmbH Hochdruckwassertechnik	86	40	2 Diplomats Street, Diplomats Towers, Maadi Corniche, Cairo, Egypt
Waterway Constructions (Vic) Pty Limited	87	41	Av Embaixador Abelardo Bueno, 01, Bl 1, Salas 702 a 708, 22.775-040 Barra, Rio de Janeiro, Brazil
Waterway Constructions Group Pty Limited	87	42	12 Merrion Square, Dublin 2, Ireland
Waterway Constructions Pty Limited	87	43	2 rue Denis Papin, 67120, Duttlenheim, France
		44	No. 35, Route de Khmiss El Khechna, Sbâat, 16012 Rouiba, w. Alger, Algeria
		45	Via della Siderurgia 10, Verona, I-37139, Italy
		46	18 Boon Lay Way, #04-104, Tradehub 21, 609966, Singapore
		47	24 Dang Thai Mai Street, Ward 7, Phu Nhuan District, Ho Chi Minh City, Vietnam
		48	Europlaan 16, 2408 BG, Alphen aan den Rijn, Netherlands
		49	Gammel Kongevej 1, 1610 Kobenhavn V, 1050, Kopenhagen K, Denmark
		50	Estrada do Porto da Areia 2600-675, Fregguesia da Castanheira, Conchelho de Vilafranca de Xira, Portugal
		51	Bucuresti Sectorul 1, Str., Uruguay, Nr. 27, Etaj 1, Ap. 2, Romania
		52	BDBL Bhaban (Level-13), 12 Kawran Bazar Commercial Area, Dhaka-1215, Bangladesh
		53	7th Floor, Eastern Wing, Centennial Square 6A, Dr Ambedkar Road, Kodambakkam, Chennai, 600024, India
		54	Flat 107, Building 79 Al Maya Supermarket Building, Al Khuwair 33, P.O. Box 1618, Ruwi, Muscat, 112, Oman
		55	Mariahilfer Strasse 127a, 1150 Wien, Austria
		56	Kaiserleistraße 8, Offenbach am Main, 63067, Germany
		57	Östra Lindomev 50, 437 34, Lindome, Sweden
		58	Keller Hellas S.A. Antheon 102, GR-57019 N. Epivates-Thessaloniki, Greece
		59	Level 4, 56 Station Road, Parramatta, NSW, Australia
		60	C/-GazeBurt, 1 Nelson Street, Auckland, 1010, New Zealand
		61	ul. Poznanska172, Ozarow Mazowiecki, PL-05805, Poland
		62	Building No: 5, Floor No: 8, Room No: 801-A, Al Diwan Street, Beside Musherib Hotel, Doha, Qatar
		63	Shchipok St 2, Office 110, Moscow, 115093, Russian Federation
		64	Na Pankraci 30, 14000 Praha 4, Czech Republic
		65	Hranica 18 – AB 6, 82105 Bratislava, Slovakia
		66	PO Box 718, Dammam, 31421, Saudi Arabia
		67	30, Vasylykivska Street, Kiev, 03022, Ukraine
		68	Abidjan-Marcory, Zone 4C – Rue Clement Ader, 01 BP 1238, Abidjan 01, Ivory Coast
		69	Harbiye Mah. Teşvikiye Caddesi No:17, D:13 İkbal Ticaret Merkezi, 34365 Şişli, Istanbul, Turkey
		70	Sonnenberstrasse 51, Ennetbaden, 5408, Switzerland
		71	Haarakaari 42, TUUSULA, 04360, Finland
		72	Union Mercantil LA, Num.33, Portal 1, Planta 5, Puerta C, 29004 Malaga, Spain
		73	Building 4, Level 2, 530 Springvale Road, Glen Waverley, VIC 3150, Australia
		74	Gaze Burt, One Nelson Street, Auckland City, 1110, New Zealand
		75	5 Jacque Court, Lawnton, QLD 4501, Australia
		76	Pusat Perkantoran Graha Kencana Blok EK, Jakarta Jl. Raya Perjuangan No. 88, Kebon Jeruk, Jakarta Barat 11530, Indonesia
		77	8A, Jalan Vivekananda, Off Jalan Tun Sambanthan, Brickfields, Kuala Lumpur, 50470, Malaysia
		78	No.1, Upper Aljunied Link (Blk A), #07-06, Joo Seng Warehouse, Singapore, 367901, Singapore
		79	City of Cotia, Avenida Vasco Massafeli, 1.444 - cj. 01, Caiapiá, Cotia, São Paulo, CEP 06703-600, Brazil
		80	Avenida Vasco Massafeli, 1.444 – cj. 02, Caiapiá, Cotia, São Paulo, CEP 06703-600, Brazil
		81	509N, Sam Houston Parkway E, Ste 300, Houston, 77060, Texas, United States
		82	Av. Eliseu de Almeida, 1415, Butantã, São Paulo, CEP 05533-000, Brazil
		83	Presidente Masarik 62, Oficina 110, Bosques de Chapultepec, Distrito Federal, 11580, Mexico
		84	CT Corporation System, 208 SO LaSalle St, Suite 814, Chicago, IL, 60604, United States
		85	Microrayan Ardager, Passage 2, Building 34, Atyrau, 060006, Kazakhstan
		86	Wolfsgrube 7, 98617 Meiningen, Germany
		87	Level 1, 104-108 Victoria Road, Rozelle, NSW, 2039, Australia
Key to registered office addresses			
01	5th Floor, 1 Sheldon Square, London, W2 6TT, United Kingdom		
02	CT Corporation System, 818 West Seventh Street, Suite 930, Los Angeles, CA, 90017, United States		
03	No.5, Lrg Kubang Buaya 49, Kuantan, 25250, Malaysia		
04	112-126 Hallam Valley Road, Dandenong, VIC, 3175, Australia		
05	The Corporation Trust Company, 1209 Orange Street, Wilmington, DE, 19801, United States		
06	Oxford Road, Ryton-on-Dunsmore, Coventry, West Midlands, CV8 3EG, United Kingdom		
07	1st Floor, Rose House, 51-59 Circular Road, Douglas, IM1 1RE, Isle of Man		
08	The Corporation Trust Incorporated, 351 West Camden Street, Baltimore, MD, 21201, United States		
09	4529, Melrose Street, Port Alberni, BC, V9Y 1K7, Canada		
10	CT Corporation System, 1999 Bryan Street, Suite 900, Dallas, TX, 75201, United States		
11	CT Corporation System, 1200 South Pine Island Road, Plantation, FL, 33324, United States		
12	674 Pretoria Main Road, Wynberg, 2090, Sandton, Gauteng, South Africa		
13	Level 1, 2-4 Burbank Place, Baulkham Hills, NSW, Australia		
14	Geoffrey Road, Bambous, Mauritius		
15	First floor, Plot 64518, Fairgrounds Office Park, Gaborone, Botswana		
16	C/O PriceWaterhouse Coopers, BCDC Building, 1st floor, No.285 Mwepu Street, Lubumbashi, Katanga, Congo		

9 Group companies continued

- i Owned directly by the Company.
- ii Share capital consists of 75.1% Ordinary shares, 10% Ordinary A shares and 14.9% Ordinary B shares. Keller Holdings Limited owns 100% of the Ordinary shares.
- iii 99% owned by Frankipile International Projects Limited.
- iv Ownership consists of 15% Ordinary A shares, 10% Ordinary B shares and 75% Ordinary C shares.
- v 51% owned by Keller Fondations Speciales SAS and other Keller companies.
- vi 70% owned by Keller Holdings Limited.
- vii 49% owned by Keller Holdings Limited.
- viii 65% owned by Keller Grundbau GmbH.
- ix Joint venture 50% owned by Keller Grundlagging AB, based in Tuusula, Finland.
The company is managed jointly by an equal number of directors from each of the two shareholder companies.
- x 67% owned by Keller Foundations (SE Asia) Pte Limited.
- xi 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.

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 2016:

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 2016:

Company	Registered number
Keller Holdings Limited	02499601
Keller Resources Limited	04592974
Keller Finance Australia Limited	06768174
Keller Finance Limited	02922459
Keller Investments LLP	OC412294
Keller Resources Limited	04592974

Adjusted performance measures

The group's results as reported under International Financial Reporting Standards (IFRS) and presented in the financial statements (the 'statutory results') are significantly impacted by movements in exchange rates relative to sterling, as well as by exceptional items and non-trading amounts relating to acquisitions.

As a result, adjusted performance measures have been used throughout the Annual Report and Accounts to describe the group's underlying performance. The Board and Executive Committee use these adjusted measures to assess the performance of the business because they consider them more representative of the underlying ongoing trading result and allow more meaningful comparison to prior year.

Underlying measures

The term 'underlying' excludes the impact of exceptional items, amortisation of acquired intangible assets and other non-trading amounts relating to acquisitions (collectively 'non-underlying items'), net of any associated tax. Underlying measures allow management and investors to compare performance without the potentially distorting effects of one-off items or non-trading items. Non-underlying 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.

Constant currency measures

The constant currency basis ('constant currency') adjusts the comparative to exclude the impact of movements in exchange rates relative to sterling. This is achieved by retranslating the 2015 results of overseas operations into sterling at the 2016 average exchange rates.

A reconciliation between the underlying results and the reported statutory results is shown on the face of the consolidated income statement, with non-underlying items detailed in note 7. A reconciliation between the 2015 underlying result and the 2015 constant currency result is shown below and compared to the underlying 2016 performance:

Revenue by segment

	2016		2015		Statutory change %	Constant currency change %
	Statutory £m	Statutory £m	Impact of exchange movements £m	Constant currency £m		
North America	952.9	851.2	103.2	954.4	+12%	–
EMEA	552.6	441.5	36.8	478.3	+25%	+16%
APAC	274.5	269.7	28.2	297.9	+2%	-8%
Group	1,780.0	1,562.4	168.2	1,730.6	+14%	+3%

Underlying operating profit by segment

	2016		2015		Underlying change %	Constant currency change %
	Underlying £m	Underlying £m	Impact of exchange movements £m	Constant currency £m		
North America	86.9	76.4	9.2	85.6	+14%	+2%
EMEA	30.2	21.3	2.0	23.3	+42%	+30%
APAC	(18.0)	11.7	1.1	12.8	-254%	-241%
Central items and eliminations	(3.8)	(6.0)	–	(6.0)	+37%	+37%
Group	95.3	103.4	12.3	115.7	-8%	-18%

Underlying operating margin

Underlying operating margin is underlying operating profit as a percentage of revenue.

Adjusted performance measures continued

Other adjusted measures

Where not presented and reconciled on the face of the consolidated income statement, consolidated balance sheet or consolidated cash flow statement, the adjusted measures are reconciled to the IFRS statutory numbers below:

EBITDA	2016	2015
	£m	£m
Operating profit before non-underlying items	95.3	103.4
Depreciation	62.0	50.9
Amortisation	1.3	1.2
Underlying EBITDA	158.6	155.5
Non-underlying items in operating costs	(18.9)	(1.1)
Non-underlying items in other operating income	18.5	0.9
EBITDA	158.2	155.3
Net finance costs	2016	2015
	£m	£m
Finance income	(1.6)	(0.8)
Finance costs before non-underlying items	11.8	8.5
Underlying net finance costs	10.2	7.7
Non-underlying finance costs	1.1	0.7
Net finance costs	11.3	8.4
Net capital expenditure	2016	2015
	£m	£m
Acquisition of property, plant and equipment	78.2	74.2
Acquisition of intangible assets	0.6	0.8
Proceeds from sale of property, plant and equipment	(5.8)	(5.1)
Net capital expenditure	73.0	69.9
Net debt	2016	2015
	£m	£m
Current loans and borrowings	54.0	3.5
Non-current loans and borrowings	336.0	242.6
Cash and cash equivalents	(84.4)	(63.1)
Net debt	305.6	183.0

Financial record

	2007 £m	2008 £m	2009 £m	2010 £m	2011 £m	2012 £m	2013 £m	2014 £m	2015 £m	2016 £m
Consolidated income statement										
Continuing operations										
Revenue	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	1,780.0
EBITDA ¹	125.8	144.3	113.2	85.0	71.4	91.9	124.2	141.9	155.5	158.6
Operating profit ¹	107.4	119.4	77.3	43.3	28.9	48.3	77.8	92.0	103.4	95.3
Net finance costs ¹	(4.2)	(6.2)	(2.6)	(3.7)	(7.0)	(4.8)	(3.7)	(6.9)	(7.7)	(10.2)
Profit before taxation ¹	103.2	113.2	74.7	39.6	21.9	43.5	74.1	85.1	95.7	85.1
Taxation ¹	(35.9)	(35.9)	(22.6)	(11.0)	(5.5)	(13.5)	(23.8)	(29.7)	(33.0)	(29.8)
Profit for the period before non-underlying items	67.3	77.3	52.1	28.6	16.4	30.0	50.3	55.4	62.7	55.3
Non-underlying items ²	–	–	–	(17.1)	–	–	(20.2)	(56.6)	(36.4)	(7.3)
Profit/(loss) for the period	67.3	77.3	52.1	11.5	16.4	30.0	30.1	(1.2)	26.3	48.0
Consolidated balance sheet										
Working capital	55.7	92.2	85.0	106.7	119.8	97.6	124.1	104.1	97.1	152.5
Property, plant and equipment	155.8	254.7	264.4	275.0	266.1	248.5	281.9	295.6	331.8	405.6
Intangible and other non-current assets	94.5	124.3	131.8	122.9	116.4	112.1	202.8	203.4	183.0	218.2
Net debt	(54.5)	(84.6)	(78.8)	(94.0)	(102.5)	(51.2)	(143.7)	(102.2)	(183.0)	(305.6)
Other net assets/liabilities	(40.0)	(84.0)	(79.1)	(79.8)	(73.0)	(71.3)	(92.5)	(154.6)	(94.9)	(41.1)
Net assets	211.5	302.6	323.3	330.8	326.8	335.7	372.6	346.3	334.0	429.6
Key performance indicators										
Basic earnings per share from continuing operations (pence) ¹	97.6	111.1	78.8	44.0	24.8	45.9	73.0	75.3	86.4	75.9
Dividend per share (pence)	18.0	20.7	21.8	22.8	22.8	22.8	24.0	25.2	27.1	28.5
Operating margin ¹	11.2%	10.0%	7.4%	4.1%	2.5%	3.7%	5.4%	5.8%	6.6%	5.4%
Return on capital employed ^{1,3}	44.6%	36.2%	19.3%	10.2%	6.6%	11.6%	16.7%	18.3%	20.5%	15.3%
Net debt: EBITDA ¹	0.4x	0.6x	0.7x	1.1x	1.4x	0.6x	1.2x	0.7x	1.2x	1.9x

1 Before non-underlying items.

2 Non-underlying items consist of costs and income related to a contract dispute, restructuring charges, 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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