KELLER

Annual Report and Accounts 2017

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

Used alone or in combination, our techniques solve a wide range of geotechnical challenges across the entire construction spectrum.

We are the world's largest geotechnical solutions specialist. Our projects are typically for a single, local site, perhaps for a building, a basement or a bridge.

We have the financial strength, know-how, capacity and the global reach to tackle some of the largest and most demanding projects around the world.

Whatever the size of the project, we have the people, expertise, experience and financial stability to respond quickly with the optimum solution, execute safely and see it through to a successful conclusion.

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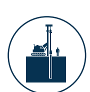
Front cover image: Tacheles project Berlin Germany.

Why invest in Keller?

We operate in the large and growing global construction and infrastructure market.



The specialist geotechnical contracting sub-sector has higher margins and favourable market trends.

We are the number one business worldwide given our size, profitability and capabilities (wide product portfolio, branch network, equipment fleet, technical leadership and operational track record).

We still have many areas for improvement and a strategy to deliver the benefits.

We have a stable business model with a long-term track record of growth and value creation.

Revenue	Underlying operating margin	Underlying earnings per share	Underlying operating profit	Order book	Dividend
£2,070.6m	5.2%	102.2p	£108.7m	£1.0bn	34.2p
16%		35%	14%	2% YOY	20%
2016: £1,780.0m	2016: 5.4%	2016: 75.9p	2016: £95.3m	2016: £1.1bn	2016: 28.5p

Financial Highlights:

	Underlying		Statutory	
	2017	2016	**2017**	2016
Operating margin (%)	**5.2**	5.4	**5.9**	4.8
Cash generated from operations (£m)	**136.1**	135.7	**146.7**	140.6
Operating profit (£m)	**108.7**	95.3	**121.3**	85.2
Earnings per share (pence)	**102.2**	75.9	**121.0**	65.7
Return on capital employed (%)	**15.1**	15.3	**16.3**	13.1

Global strength and local focus

Our purpose
To help create infrastructure that improves the world's communities

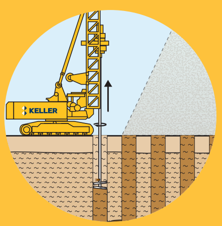
Our vision
To be the world leader in geotechnical solutions

Established
1860

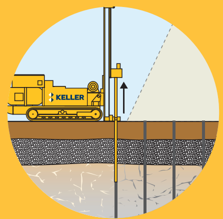
Employees
10,000

Acquisitions since 2000
20+

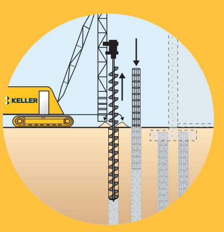
What we do
We provide solutions to a wide range of geotechnical challenges across the entire construction spectrum



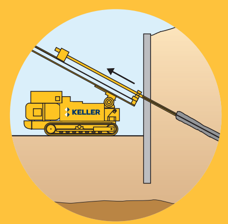
Ground improvement



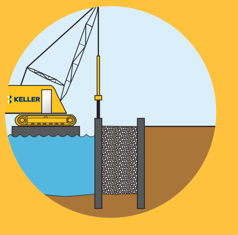
Grouting



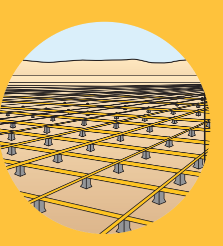
Deep foundations

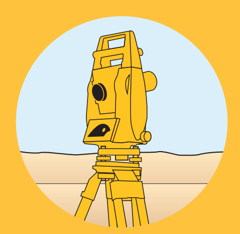


Earth retention



Marine


Post-tension systems


Instrumentation and monitoring

Countries of operation	Contracts executed annually
40+	**6,300**

Continents of operation	Typical project range
6	**£25k to £10m**

Business units	Average project value
21	**£300,000**

1 Group

Keller

3 Divisions

North America	Europe, Middle East and Africa (EMEA)	Asia-Pacific (APAC)

21 Business units

North America:
- Bencor
- Case Foundation
- Hayward Baker
- HJ Foundation
- Keller Canada
- McKinney Drilling
- Suncoast

Europe, Middle East and Africa (EMEA):
- Central Europe
- North-East Europe
- North-West Europe
- South-East Europe
- Franki
- French speaking territories
- Middle East
- Iberia and Latin America
- Brazil

Asia-Pacific (APAC):
- ASEAN
- India
- Keller Australia
- Waterway Constructions
- Austral

180 Branches

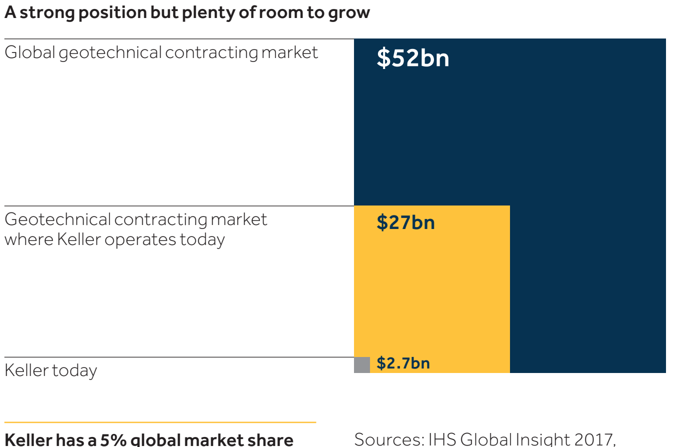
Divisional revenue (%)

North America	47
EMEA	35
APAC	18

Sector revenue (%)

Infrastructure/Public Buildings	35
Residential	24
Power/Industrial	23
Office/Commercial	18

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 have operations

Sources: IHS Global Insight 2017, national statistics organisations, Keller accounts

Industry overview

$52bn global market:
This is defined as 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 but typically short duration and around £300,000. Locations are spread all around the globe. End use covers the full range including Infrastructure/Public Buildings, Power/Industrial, Office/Commercial and Residential. Geotechnical techniques includes all our ten product groups (eg bored piling, driven piles, diaphragm walls, deep-soil mixing, vibro compaction, anchors/nails).

Diverse customer base:
Typically no single customer is more than 5% of group revenues in a single year. We mostly serve as a sub-contractor working for a general contractor, however, we also contract directly.

Fragmented competition:
Three types of competitor with a large variation between geographies. Type one is the global geotechnical contractors (three 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).

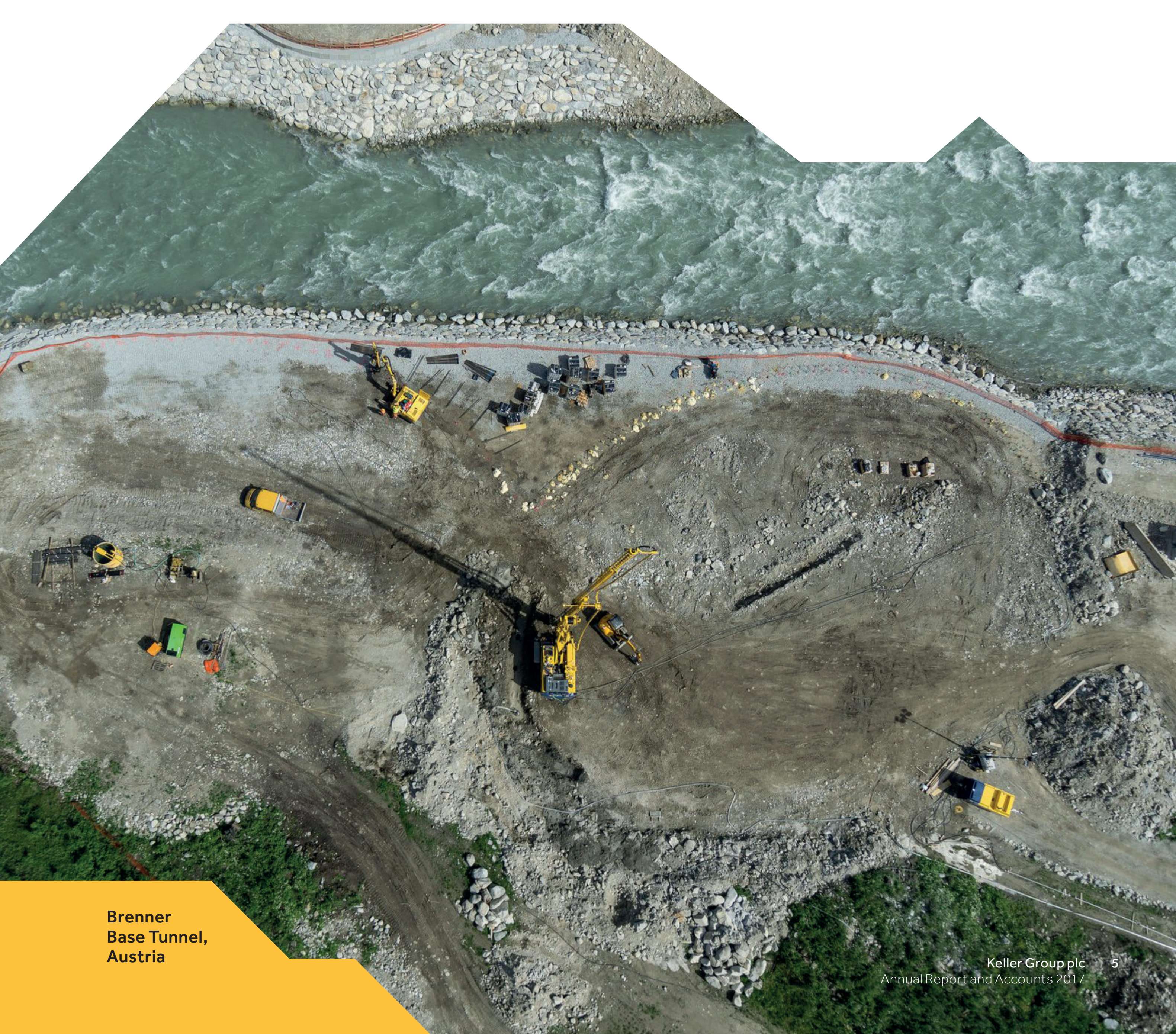
Niche sub-sector:
Geotechnical solutions are a small, niche sub-sector of construction. Growing faster than construction, reflecting:
- More pressure to build on brownfield and marginal land.
- More ambitious development and infrastructure projects.

Market demand trends

Global market trends offer positive opportunities for Keller because we excel in sophisticated geotechnical solutions.

Our group strategy is designed to capitalise on these trends and our KPIs measure our progress in doing so.

Our regional business units adapt to local market conditions in pursuit of the group strategy.



Brenner Base Tunnel, Austria

1. Urbanisation and more large-scale development projects

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.

More detail on the trend
As our cities grow we demand larger structures capable of housing more, creating new working environments, retail experiences and large-scale leisure facilities.

Why this is good for Keller
Keller has both the operational and financial scale to take on larger jobs and the largest branch network of any geotechnical contractor putting us in nearly all the major metropolitan areas around the world. This breadth of market exposure also allows us to share new techniques for working in urban areas.

2. Increasing land shortage, driving a need to use more brownfield and marginal land

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

More detail on the trend
Most of the world's development happens in cities and along coastlines, either for metropolitan development, freight or commodity terminals and ports. As new facilities are required this typically means redeveloping land for a second, third or even fourth time; it can even mean reclaiming land from the sea. All of these operations require more sophisticated geotechnical techniques.

Why this is good for Keller
With our world-leading geotechnical engineering team, our near shore marine capable businesses (Waterway and Austral) and the breadth of our product base we are able to cope with the most complex challenges when working on brownfield/marginal land sites.

3. Infrastructure renewal and expansion, eg road, rail, power

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

More detail on the trend
As populations grow and current infrastructure ages there is an imperative to invest in new, greater capacity. Given the loads involved in transport and energy infrastructure the geotechnical solution is often sophisticated and large-scale. In cramped metropolitan environments new infrastructure typically replaces old in-situ, adding complexity to the solution.

Why this is good for Keller
The combination of scale and complexity typical of infrastructure projects reduces the field of capable geotechnical contractors, meaning only those with the resources and skills to deliver are capable of working in this sector. Keller has a very strong reputation here given our project portfolio.

4. Increasing demand from customers for 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.

More detail on the trend
As projects are executed in more complex environments and to a greater scale the geotechnical solutions required are also more complex – typically requiring multiple products in one solution, plus a number of additional services alongside (eg site clearing, excavation works, groundwater management). A large urban project may require load-bearing capacity, earth retention and water sealing capabilities.

Why this is good for Keller
Keller's broad product portfolio means our engineers have more options to design an effective and efficient solution for our clients, plus our project management capabilities mean we can integrate other sub-contractors to reduce the management burden on our clients.

5. Increasing technical complexity

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

More detail on the trend
This is about working smarter, using modern digital tooling to better share information with the rest of the supply chain and clients, to better analyse how our rigs are working, drive productivity improvement and to better monitor the ground and job-site to ensure risk-free delivery.

Why this is good for Keller
Keller has a strong history of technology development, leveraging our in-house equipment manufacturing team in Germany as well as in Hayward Baker and Bencor in the USA to develop market-leading data acquisition systems. Through Getec we have very strong capabilities globally to integrate instrumentation and monitoring solutions into our geotechnical projects. Finally, where the market demands it we are BIM (Building Information Modelling) capable. All of the above contribute to greater transparency into performance and more effective collaboration in the supply chain and with clients.

Zayed City
Abu Dhabi
United Arab Emirates

1. Urbanisation and more large-scale development projects

A Middle Eastern mega project

Zayed City is part of Plan Abu Dhabi 2030, one of the UAE's most ambitious urban development projects. The 4,500 hectare site will be the focus of the government's academic and knowledge-based sectors and is strategically located to connect with both Abu Dhabi's metropolitan area and new mainland developments.

Covering 8.0m m^2, Keller Middle East's £25m joint venture with Trevi is our largest ever design and build ground improvement project in the region.

Extensive geophysical surveys and ground investigation helped identify the different soil profiles and enabled the design of the optimum ground improvement solution. To meet the requirements for bearing capacity and mitigate the risk of liquefaction, this involved a variety of techniques including vibro-replacement, cavity grouting, rapid impact compaction, dynamic compaction and replacement.

As urbanisation increases, Keller consistently demonstrates that it has the financial strength, operational know-how, and capacity to tackle even the largest and most demanding projects.

Clairwood Logistics Park
Durban
South Africa

2. Increasing land shortage, driving a need to use more brownfield and marginal land

Technology transfer supports land re-use

As land gets increasingly scarce, there's greater demand than ever for our business units to offer a wider range of innovative geotechnical techniques. A great example is Franki Africa, our Keller business in South Africa, which is helping transform Durban's former racecourse into a 368,000m^2 logistics site.

When it's completed in 2019, the Clairwood Logistics Park will house seven platforms for warehousing, ranging from 25,000m^2 to 130,000m^2. But with the site underlain by soft clays up to 38m deep, the project consultants required specialist help to stabilise the ground.

Franki tapped into global expertise to offer Columns with Mixed Moduli (CMM®). This ground-improvement technology developed by Keller combines rigid inclusions and a stone column head, carried out with a bottom-feed vibrator system. The project calls for more than 46,700 CMM® to be installed in grids of 2.5-3.5m in depths of 25m-38m.

This is Franki's first ever rigid inclusions project and reflects the successful transfer of technology from colleagues elsewhere in Keller to the local team.

It's a great example of how we can tap into our global knowledge base and draw on a wealth of experience and proven best practice methods to offer the very best solution.

Eglinton Crosstown Line
Toronto
Canada

3. Infrastructure renewal and expansion, eg road, rail, power

Keller tackles complex subway works

The C$5.3bn Eglinton Crosstown Line is Toronto's biggest ever light rapid transit expansion. Keller's toolkit of techniques, unrivalled in Canada, enabled us to win the C$43m contract for the technically complex supporting works on the line's largest and busiest interchange.

Keller is installing a temporary excavation support shoring wall, enabling the construction of a new subway station. Surface works include a 30m-deep secant pile wall, soldier piles and lagging, 40m-deep structural caissons, jet grouting and construction of the traffic deck. Subsurface work involves bracing, soil anchors, shotcrete, soil nails and low-headroom jet grouting.

With both the existing north-south Yonge subway line, and the busy Eglinton Avenue above staying open, heavy road traffic, pedestrians, utilities and overhead power lines, a well thought through design was essential, along with careful safety and logistical planning.

Infrastructure projects often require complex solutions and the ability to deliver them in busy urban environments. Keller's strong reputation in this sector and track record of projects like this prove we are more than up to the task.

Spirit
Queensland
Australia

4. Increasing demand from customers for complete solutions

Foundations for one of the tallest buildings in Australia

Queensland's Gold Coast in Australia is undergoing a huge construction boom, with billions of dollars pouring into hundreds of developments. One of the most high profile is Spirit, a A$1.2bn residential skyscraper that, at 297m, will be among the country's tallest structures.

After beating stiff competition, Keller was appointed as principal contractor for the particularly complex foundation works.

These include site investigation; site clearance and set-up; 32 x 1,800mm diameter bored piles with precast plunge columns; a 250m diaphragm wall 45m deep to form the basement; and 53 barrettes for the core foundations. Twenty-six of the barrettes have steel plunge columns weighing up to 43 tonnes, allowing for a top-down construction – a method that allows the tower to be progressively constructed above ground at the same time as the basement floor slabs are laid below.

Working closely with the client and our Diaphragm Wall Global Product Team, we were able to design a scheme that met all the requirements for the extremely high loads imposed and reduced the size and complexity of the barrettes, saving the client money.

When it comes to complex and high-profile projects, this project shows Keller is more than capable of developing the optimum solution that adds real value for the client.

Regional Connector Project
Los Angeles
United States

5. Increasing technical complexity
Monitoring success

The Regional Connector Project in Los Angeles links a series of light rail stations downtown. Keller company Hayward Baker provided compensation grouting to control settlement under the structures during twin-bore tunnelling. Sister companies Getec and Geo-Instruments provided settlement monitoring design, instrumentation, installation, software and data management throughout the project.

Due to site conditions and our commitment to stakeholders to provide a non-intrusive monitoring programme, innovative mini wireless biaxial tilt meters and water level cells were installed in properties above the tunnel route to measure structural movement, with four-second response instruments used on floor slabs. Accuracies were below 0.1mm.

To measure in-ground settlement above the tunnel boring machine, electromagnetic soundings were used to accurately drill horizontally on a curve for 450ft from the portal. Horizontal inclinometers were then installed one metre apart and programmed to read every five minutes. This allowed evaluation of the effects of face pressure and tail grouting virtually and in real time.

This high-tech instrumentation and proprietary grouting and monitoring software with the ability to read data in real time allowed complete control of structural movement through compensation grouting. And data collected on the first drive, meant the second tunnel boring drive could be completed at a record rate.

One example of how Keller is working smarter, using modern digital tooling to enable informed decision-making, reduce risk and improve productivity for our clients.

Reflecting confidence in the group's prospects, the Board recommends a 20% increase in the 2017 full year dividend.

Peter Hill CBE
Chairman

Group overview

Financial results

Group revenue for the year was £2,070.6m, up 16% on 2016. Constant currency revenue was up 10%, primarily as a result of strong organic growth in the EMEA and APAC regions. Constant currency revenue in North America was down 4% year on year.

Underlying operating profit was £108.7m, an increase of 14% on the £95.3m generated in 2016. On a constant currency basis underlying operating profit was up 10%. The group underlying operating margin decreased from 5.4% to 5.2%, mainly due to lower margins in North America offset by improved profitability in EMEA. Pre-tax Return on capital employed was stable at 15.1% (2016: 15.3%).

After taking account of £9.0m of amortisation of acquired intangible assets, a £21.0m exceptional credit relating to a historical contract dispute and other non-underlying items, totalling a net £0.6m credit, the statutory operating profit was £121.3m (2016: £85.2m). Further details on non-underlying items are given after the discussion of divisional results.

On an underlying basis, after net finance costs of £10.0m (2016: £10.2m), the profit before tax was £98.7m, up 16% on the previous year's £85.1m. The underlying effective tax rate decreased from 35.0% in 2016 to 25.0% in 2017, mainly due to a £9.7m credit for the revaluation of US deferred tax liabilities following the recent US tax reforms.

Underlying earnings per share for the year were 102.2p (2016: 75.9p), an increase of 35%. On a constant currency basis, underlying earnings per share were up 30%.

The statutory profit before tax was up 50% at £110.6m (2016: £73.9m). After the statutory tax charge of £23.1m (2016: £25.9m), statutory profit after tax was £87.5m (2016: £48.0m) and statutory earnings per share were 121.0p, compared with 65.7p in 2016.

Net debt at the year-end was £229.5m (2016: £305.6m), representing 1.3x underlying EBITDA. The financial position of the group remains strong with undrawn borrowing facilities totalling £194.9m. The group continues to operate well within all of its financial covenants.

Cash generated from operations before non-underlying items was £136.1m, which represents 77% of EBITDA. This cash conversion rate is lower than previous years due to a £28.8m increase in working capital mainly as a result of the fourth quarter's like-for-like revenue being 16% ahead of the same period in 2016.

The group continues to invest in growing and upgrading its equipment capability, with net capital expenditure of £74.5m in 2017, representing 1.1x depreciation.

Dividends

As noted above, the group's underlying earnings per share increased by 35% from 75.9p in 2016 to 102.2p in 2017. About 12p of this increase was due to the one-off revaluation of US deferred tax liabilities as a result of the recently enacted US tax reforms. As previously announced, these changes are expected to reduce the group's future effective tax rate from a percentage number in the mid-thirties to a number in the high-twenties, resulting in an ongoing earnings per share enhancement of between 5p and 10p per share each year.

As a result, and reflecting confidence in the group's prospects, the Board has decided to rebase future dividends and accordingly recommends a 20% increase in the 2017 full year dividend to 34.2p (2016: 28.5p). Full year 2017 dividend cover, before non-underlying items, is 3.0x (2016: 2.7x).

This recommendation results in a proposed 2017 final dividend of 24.5p per share (2016: 19.25p per share), a 27% increase, to be paid on 22 June 2018 to shareholders on the register as at the close of business on 1 June 2018.

The group intends to maintain a progressive dividend policy in the future.

Outlook

Our group order book of over £1bn gives us confidence as we start 2018. Most of our markets remain robust, bidding activity is at a healthy level and Keller is well positioned to address the market trends of urbanisation and infrastructure growth. Two significant loss-making contracts in APAC in 2017 masked some good progress in the region and we continue to expect the division to return to profit in 2018. Overall, despite the completion of our excellent Caspian project, we expect 2018 to be another year of underlying progress, albeit with recent currency movements expected to result in translational headwinds on reported profits.

We are now seeing tangible results from a number of the strategic initiatives launched in the last two years. We are confident that a combination of these improvement initiatives, our technical leadership, wide product portfolio, broad branch network and operational strength will continue to drive our business forward.

Peter Hill CBE
Chairman
26 February 2018

Board

As previously announced, 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.

Ruth Cairnie, Non-executive Director and Chairman of the Remuneration Committee, retired from the Board at the conclusion of the Annual General Meeting in May 2017 after seven years on the Board. Paul Withers was appointed Chairman of the Remuneration Committee with effect from Ruth's retirement.

Eva Lindqvist joined the Board on 1 June 2017 as an independent Non-executive Director after an external search. Eva is a Non-executive Director, and Chairman of the Remuneration Committee at Bodycote plc.

Road Traffic Accident

We were devastated after a serious road accident in July of 2017, near Machadodorp, South Africa, left 18 of our Franki Africa employees dead and a number seriously injured. We provided care and support to those directly impacted and trauma counselling was made available for the families of the deceased and injured as well as for colleagues. Practical and financial arrangements were also made to assist families to travel from their homes around South Africa to the various hospitals where the deceased and injured had been taken. We also advanced financial support for funeral costs and other expenses and provided assistance to families and victims to claim benefits from pension and insurance providers.

Memorial services were arranged and held in Machadodorp (jointly with our client, the Nkomati Mine), and at Franki Africa branches in Johannesburg, Cape Town and Durban.

The hundreds of messages received from all over the world via a Keller-wide online condolence board have formed a memorial book. An online portal was also established for colleagues to make voluntary financial contributions to the victims' families if they wished.

In recognition of those employees involved in the accident, Keller has recently established an educational trust to benefit the children of the deceased and injured, and partnered with Arrive Alive, a major road safety organisation, to improve road safety generally in South Africa. On behalf of the Directors, I again offer sincere condolences to all of those affected.

Employees

Over 10,000 employees continued to contribute to the group's performance during 2017. On behalf of the Directors, I would like to recognise their hard work and thank them for their efforts.

Chief Executive Officer's review

We executed 6,300 projects throughout the world in 2017.

Alain Michaelis
Chief Executive Officer

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.

Growth
In 2017 we consolidated our positions in our key markets by extending our branch network, as well as extending our product range. Examples include new branches in Hamburg and Charlotte, bringing our soil mixing capability into Singapore and Malaysia, our first diaphragm wall jobs in India and introducing new ground improvement techniques into South Africa. We also invested in a new Keller Marine team to leverage our experience in Australia in near-shore marine construction into new geographies. This team is already actively bidding work in India and Africa.

We completed two small acquisitions: Geo Instruments in North America to enhance our instrumentation and monitoring capability and, via our Finnish joint venture, Sotkamon Porapaalu, expanding our regional footprint in Finland and gaining capability in a specific type of drilled piling. In January, we announced our intention to acquire Moretrench, a geotechnical contractor in the US. If completed, this acquisition will further strengthen our US East Coast presence and add new specialist technical capabilities to the group.

Strong business units
During the year we completed the roll-out of our standard strategic planning model to all 21 business units. All business units now have detailed strategic plans in a common structure, incorporating specific action plans which are being implemented. In addition, we continue to strengthen our business units through functional engagement and active benchmarking of our key KPIs.

Since 2013, our Think Safe programme has helped reduce accidents in our business by around 77% and our Accident Frequency Rate is at an all time low.

Leverage of group and divisional scale

Our procurement capability continues to gain strength and traction, with teams now established in each division. Significant benefits from this investment are already being realised. We have also created one global IT organisation. This pulls together our efforts on infrastructure and applications, reducing the burden on local teams as well as creating economies of scale.

Enhancing engineering and operations

Our Global Product Teams are helping us focus on R&D opportunities, developing product strategies and continuing to share best practice and innovations. We also continued to make progress on operational productivity, with our 5S roll-out implemented across Keller and starting to become part of the cultural norm. We will continue to build our 'lean' capabilities in 2018.

We executed 6,300 projects throughout the world in 2017. These continue to set the standard in the industry and enhance Keller's strong reputation for providing innovative solutions, combined with excellent execution focused on our customers' needs. Average project size is still comparatively small at £300k per project. Local and smaller projects remain the foundation of Keller, supported by our extensive branch network (around 180 locations) and our skilled local teams who know their markets and customers well. We also had significant success in the large project domain with many market-leading projects across all regions. Most notably, the Caspian project has set the benchmark internally for a very well-conceived and executed effort in a challenging environment.

The vast majority of our projects were executed well and, between them, they generated around £370m of gross profit in 2017. In APAC, however, where the difficult pricing and contractual environment of the 2015/16 downturn left little project contingency, we have underperformed our expectations notably on two major Australian projects. Risk and opportunity management remain an enduring focus area and we are confident that lessons learned from all loss-making projects are being shared and absorbed around the group.

Investing in people

Throughout the year we have continued to strengthen our business unit leadership. We have appointed new leaders in a number of our business units: Canada, Middle East, North East Europe, Case and Brazil. We also launched our global Project Manager Academy. The Academy will take our younger project managers to the next level in their careers, focusing on people, commercial and technical leadership skills.

We continued to make progress in our safety accident frequency rate (AFR) performance, with another significant decline in the frequency rate from 0.34 in 2016 to 0.23 in 2017. We have cut our AFR by around 80% since the introduction of our Think Safe programme in 2013. We received many safety accolades from customers around the world, with one of our Australian business units winning the Rio Tinto worldwide safety award. However, we take nothing for granted in this domain, sadly illustrated by the tragic road traffic accident in South Africa where 18 of our colleagues lost their lives. We thank our whole community in South Africa for the support and humanity they showed to all the bereaved and their relatives in the difficult time last summer.

We continue to make progress on operational productivity with our 5S rollout in all business units.

Chief Executive Officer's review

continued

2020 benefits target

We said in our 2016 preliminary results announcement that we expected to realise £50m of annualised total gross benefits from the group's strategic initiatives by 2020, around half of which was expected to be reflected as improved profitability. We broke this down as £20m to come from procurement, £20m from operational improvements and £10m from growth. Progress against this target at the end of 2017 is set out below:

	Gross benefits (£m)	
	2020 target	Progress to date
Procurement	20.0	11.3
Operational improvements	20.0	1.3
Growth	10.0	4.6
	50.0	**17.2**

In the first year of a four-year programme we have achieved around one-third of the targeted gross benefits. We estimate that between £5m and £7m of the benefits realised to date have directly impacted profit and are sustainable. Of the rest, either their sustainability is as yet unproven or they have been leveraged to win more work, or offset by incremental investment in strategic initiatives.

Meaningful procurement savings have been achieved from national and regional agreements on categories as diverse as equipment rental, IT, haulage, spares/consumables and lodging. The benefits from Operational improvements to date mainly relate to equipment management and maintenance, as the programme to introduce lean techniques to project sites is in its infancy. Benefits under growth include both those from new offices and from a more structured approach to the transfer of technology.

Summary

Overall Keller has had a positive year with good growth in group revenue and profits. The results were extremely strong in EMEA and solid in North America, but disappointing in APAC. Ongoing operational improvements, strengthened leadership and market recovery should lead to APAC returning to profitability in 2018. Our confidence in group fundamentals and the recent US tax changes have allowed us to significantly raise the dividend to shareholders.

The order book of over £1bn gives us confidence as we start 2018. Most of our markets remain robust and bidding activity is at a healthy level. Overall, despite the completion of our excellent Caspian project, we expect 2018 to be another year of underlying progress.

Alain Michaelis
Chief Executive Officer
26 February 2018

An example of leveraging scale and expertise, the Polavaram Dam project, used our jet grouting capability which brought subject matter experts and equipment from Europe and the US to India.

Taking Keller to the next level
Around 100 leaders attended Keller's Global Leadership Conference in Dallas in October.

Themed 'Delivering excellence', the event combined presentations from the Board, Executive Committee, customers and consultants. Discussion sessions shared best practice projects, improvement initiatives and business unit performance.

Delegates also had the chance to visit the local Keller branches of Suncoast, Hayward Baker and Bencor.

But perhaps the biggest benefit of all, was the ability to network with colleagues from around the globe and discuss how we can continue to deliver excellence today whilst driving growth and improvements for the longer term.

North America

I am proud of the turnaround realised in Canada and the western US and we are confident in the strategic direction and progress we have made. Our teams are engaged and excited to see our plans through.

John Rubright
President of North America

Results summary

Revenue (£m)
£968.7m (+2%)

Year	Value
2017	968.7
2016	952.9

Underlying operating profit (£m)
£78.7m (-9%)

Year	Value
2017	78.7
2016	86.9

Underlying operating margin (%)
8.1%

Year	Value
2017	8.1
2016	9.1

KPIs

Return on net operating assets (%)*
18.8%

Year	Value
2017	18.8
2016	21.1

Accident frequency rate
0.07

Year	Value
2017	0.07
2016	0.12

Staff turnover (%)
8.5%

Year	Value
2017	8.5
2016	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.

In North America, which accounts for around half the group's revenue, reported revenue increased by 2%, although constant currency revenue was down 4%. Underlying operating profit was £78.7m, down 14% on a constant currency basis and the underlying operating margin decreased from 9.1% to 8.1%.

After first half 2017 constant currency revenue decreased 10% year-on-year, the division returned to year-on-year revenue growth in the second half. Whilst the second half profitability was lower than in 2016, this was largely due to the impact of hurricanes Harvey and Irma in the third quarter, which together had an estimated negative one-off profit impact of £3m.

Looking forward, the year-end North American order book of work to be undertaken over the next 12 months was 5% above last year. This, together with the improving trend in underlying trading, gives us confidence for 2018.

US

The US construction market as a whole remains solid, but with significant regional and sectoral variations. Total construction spend in the US in 2017 was up 4% on 2016, driven by residential construction which grew by 10%. Residential construction has the most impact on the group's Suncoast business. Elsewhere, public expenditure on construction was down 3% year-on-year whilst private non-residential spend was flat.

Keller's US business had a mixed year, with varying performances across the business units. Our largest North American business, Hayward Baker, had a very strong year, producing record results. Its business model of undertaking a wide variety of small to medium sized contracts across a broad range of products and geographies across the US continues to produce good results. Following some management changes early in 2017, there was a significant improvement in Hayward Baker's Western region, an area which has disappointed in the last two years.

This strong performance however was more than offset by lower profits at both Case and HJ Foundation which, between them, reported 2017 underlying operating profits around £16m down on 2016 and account for the margin decrease in North America. For HJ Foundation, the reduction reflects a return to more normal levels of profitability after the boom period in its home city of Miami in 2015 and 2016, which attracted a major competitor to enter the south Florida market. Case had a very disappointing year with revenue well down as a result of fewer large projects than in previous years, particularly in its Chicago base, as well as some difficult projects. Case starts 2018 with a strong order book and performance is expected to improve in 2018.

Bencor, acquired in 2015 to give the group access to diaphragm wall technology and expertise, had a steady 2017, continuing work on the major remediation project at East Branch Dam. The business is actively helping the group to bid and execute diaphragm wall jobs outside North America. McKinney, which had a disappointing 2016, reported an improved result in 2017.

Suncoast, the group's post-tension business which mainly serves the residential construction market, had healthy revenue growth in 2017, benefiting from the continued increase in housing starts where it operates, particularly in its home state of Texas. However, having benefited from raw material price decreases in 2016, in 2017 the business faced some significant raw material price increases which it was unable to recover from customers in full. As a result, profits were significantly down year-on-year.

We announced in January that the group was in discussions to acquire Moretrench, a geotechnical contracting company operating predominantly along the east coast of the US. Moretrench has a strong heritage of complex geotechnical projects and, in 2016, had revenue of US$170m, normalised operating profit of US$9.3m and EBITDA of US$13.9m. Due diligence is ongoing and the acquisition is expected to complete before the end of March.

Canada

Keller Canada continues to operate in a difficult market and in June we announced changes in leadership and some further cost-saving measures. These, together with good progress on the major C$43m subway contract in Toronto and the refocusing of the business towards urban areas, have resulted in the business returning to profit in the second half and for 2017 as a whole.

Ritz-Carlton Residences
Miami
North America

The Ritz-Carlton Residences in Miami is an opulent 649ft-high beachside apartment block. In this 14-month project, HJ Foundation installed some of the biggest augercast piles we've done. 165 x 36-inch diameter auger piles to a depth of 155ft, 104 x 18-inch diameter piles to 45ft as well as sheet piling and bottom seals.

Europe, Middle East and Africa (EMEA)

Driven by a dynamic market environment and our people embarking on a collaborative and cultural change, all our underlying metrics show significant improvements in 2017.

Thorsten Holl
President of EMEA

Results summary

Revenue (£m)
£737.2m (+33%)

Year	Value
2017	737.2
2016	552.6

Underlying operating profit (£m)
£53.3m (+76%)

Year	Value
2017	53.3
2016	30.2

Underlying operating margin (%)
7.2%

Year	Value
2017	7.2
2016	5.5

KPIs

Return on net operating assets (%)*
26%

Year	Value
2017	26
2016	15.5

Accident frequency rate
0.37

Year	Value
2017	0.37
2016	0.48

Staff turnover (%)
6.8%

Year	Value
2017	6.8
2016	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.

In EMEA, constant currency revenue increased by 26% and underlying constant currency operating profit increased by 74%. As a result, the underlying operating margin improved from 5.5% to 7.2%.

This significantly higher result is largely the result of two large projects, both of which were substantially complete at the year-end; the Caspian project and Zayed City in Abu Dhabi. Between them, these projects accounted for around £100m of revenue and £30m of operating profit in 2017, and together account for most of the year-on-year profit increase. As these are now essentially complete, EMEA's 2018 revenue and profitability will be well down on that achieved in 2017. The 2018 result however is still expected to be better than that achieved in 2016, which also benefited significantly from the Caspian project, as a result of a healthy order book and actual and further expected improvements in the underlying business.

Our core businesses in central Europe all performed well, reflecting strong project disciplines and growing construction markets in Germany, Austria and Poland. Our South East Europe business unit, centred around Austria, had its best ever year with record revenue, operating profit and operating margin. These business units have good momentum and are all also leading the way in helping business units elsewhere in the world to expand their product ranges, offering them significant expertise, resources and training.

The UK had a solid year in 2017, working on a wide variety of commercial and infrastructure projects. We have seen a notable slowdown in orders in recent months and expect 2018 to be a challenging year. However, the major infrastructure projects coming up in the UK, most notably HS2, should mean that the market for geotechnical work picks up noticeably in 2019 and 2020.

The excellent execution of a major project in the Caspian region, currently the group's largest project, continued throughout 2017. At the year-end however, the project, which is now expected to exceed US$200m in total, was over 90% complete.

The group had a very busy year in the Middle East, largely due to working on two major projects; an urban development project in Zayed City, Abu Dhabi, which is now complete, and the East Port Said Development Complex in Egypt, which will complete in the first half of 2018. As a result, revenue in 2017 was more than double that in 2016 and the operating margin was healthy. There are a number of good prospects in the region and the current challenge for the business unit is to replenish the order book.

We have now fully integrated Tecnogeo, the business we acquired in Brazil in 2016, with Keller's existing Brazilian operation. The business continues to struggle in what remains a very difficult market.

Franki Africa performed well in 2017, increasing both revenue and profitability. The £40m design and build contract for a foundation solution at the Clairwood Logistics Park development near Durban has been an excellent example of knowledge and skill transfer within Keller, with the project using a technique new to the South African market. Performance is exceeding original expectations.

The EMEA division's order book at the end of 2017, while at a healthy level, was around 20% down on this time last year reflecting the run off of the large projects. Excluding these, however, the year-end order book of work to be undertaken over the next 12 months was around 10% up year-on-year.

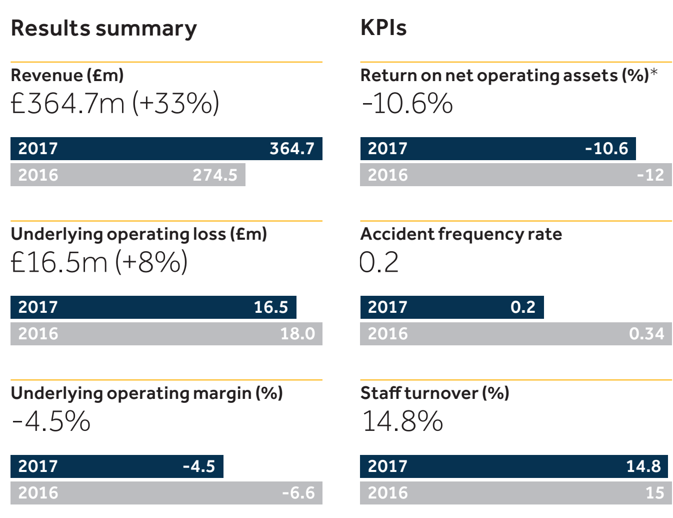
Follo Line
Oslo
Norway

The Follo Line is Norway's high-speed railway connection between Oslo central station and Ski, around 30km away. Keller Sweden installed cement columns, Keller Poland the micropiles and Keller Austria the jet grouting, along with 25,000 metres of strand anchors. But for convenience the clients only had a single Keller contact.

Asia-Pacific (APAC)

Underlying performance showed real improvement in 2017 while we were still challenged by tough competitive conditions in a couple of key markets and two exceptional loss-making outcomes on projects in Australia.

Mark Kliner
President of APAC



* 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.

In APAC, constant currency revenue was up 25% with significant increases in both Asia and Australia. However the operating loss was only slightly less than in 2016, largely as a result of two major contracts in Australia, where adverse ground conditions, technical issues and a contractual dispute resulted in a total loss on these contracts of £14m.

We are changing our leadership of the APAC division. Peter Wyton joined the business from AECOM in mid-February 2018 and will take over from Mark Kliner as President of APAC with effect from 1 April 2018.

Our difficult markets in APAC are slowly recovering, with encouraging signs of new Australian mining and infrastructure projects. The year-end APAC order book was more than 20% above last year which, combined with our ongoing internal improvements, means we remain confident of a return to divisional profitability in 2018.

Australia

The group's geotechnical business in Australia had an improved year, with revenue significantly up on 2016. Losses were materially reduced despite the loss-making joint venture mentioned in the 2017 interim results announcement. Pricing remains challenging, but investment in infrastructure in Australia is robust, the business has a good order book and we are hopeful of winning some major work on the A$11bn Melbourne Metro extension project. As a result, we are confident that this business will return to profit in 2018.

It was a very mixed year for the near-shore marine businesses. Waterway was already having a difficult year in a tough east coast market, before being hit by a surprisingly negative arbitration outcome in December in connection with a contractual dispute on a project in New South Wales. We have subsequently negotiated a settlement with the customer and are undertaking remedial works.

Austral, which was acquired in 2015 and operates mainly in the west leveraging good relationships with major mining groups, had an improved year and has been very busy bidding work in recent months as investment in the resources industry returns. The business has an excellent order book and is poised for a strong 2018.

Asia

Revenue in ASEAN was broadly flat year-on-year, with a significant increase in Malaysia as a result of an improving market and our introduction of new products, offset by a significant decrease in Singapore following the substantial downsizing of the piling business.

The ASEAN business was still loss-making in 2017, but at a lower level than in 2016. The business continued to be challenged by a very difficult pricing environment for heavy foundations projects, some legacy Resource Piling contracts and additional costs and teething problems associated with introducing new products. On the positive side, project execution improved significantly in the second half. The ground improvement side of the business was profitable, helped by the successful large vibro-compaction contract at Changi airport.

Keller India performed well in 2017. Revenue doubled, the operating margin increased and the business continues to build its structure and capabilities to enable it to grow further and continue to introduce new products.

Intervention shaft 1
Kuala Lumpur
Malaysia

Kuala Lumpur's public transport regeneration includes a new 50km metro line and Keller ASEAN won a multimillion-dollar contract for one of its intervention shafts. The client wanted a D-wall, a technique missing from the ASEAN portfolio. Drawing on the expertise of the D-wall global product team, Keller was able to demonstrate its expertise and experience to the client and ensure the necessary support before and during the project.

2017 saw underlying operating profit grow 14% and a strengthened balance sheet with net debt down to 1.3x EBITDA.

James Hind
Finance Director

Statutory results

Revenue for the year was £2,070.6m, up 16% on 2016 (£1,780.0m). Statutory operating profit was £121.3m, an increase of 42% on the £85.2m generated in 2016, mainly due to underlying operating profit being £13.4m higher, a £6.7m year-on-year increase in credits from a historical contract dispute and the 2016 statutory operating profit being impacted by a £14.3m exceptional restructuring charge. Statutory profit before tax was up 50% at £110.6m (2016: £73.9m). After the statutory tax charge of £23.1m (2016: £25.9m), statutory profit after tax was £87.5m (2016: £48.0m) and statutory earnings per share were 121.0p, up 84% on the 65.7p earned in 2016. These statutory results include the impact of foreign exchange movements and non-underlying items.

Adjusted performance measures

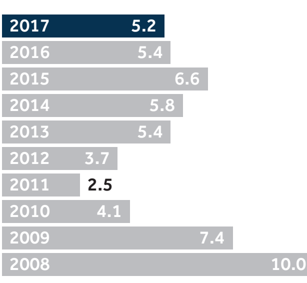
The group's results as reported under International Financial Reporting Standards (IFRS) and presented in the financial statements (the 'statutory results') are significantly impacted by movements in exchange rates relative to sterling, as well as by exceptional items and non-trading amounts relating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

Test	Covenant limit	Current position*
Net debt: EBITDA	< 3x	1.5
EBITDA interest cover	> 4x	14.3
Net worth	> £200m	£468.4m

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

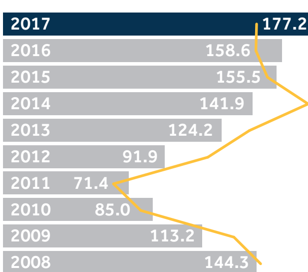
Underlying operating margin from continuing operations (%)



Dividend per share (pence)

Year	Pence
2017	34.2
2016	28.5
2015	27.1
2014	25.2
2013	24.0
2012	22.8
2011	22.8
2010	22.8
2009	21.75
2008	20.7

Underlying cash flow history – profits = cash



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 2017 average exchange rates increases prior year revenue and underlying operating profit by £106.0m and £3.5m 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 a £21.0m exceptional credit relating to a historic contract dispute on a project in Avonmouth, in the UK, and £9.0m of amortisation of acquired intangible assets.

Underlying trading results[1]
Group revenue for the year was £2,070.6m, up 16% on 2016. Constant currency revenue was up 10%, primarily as a result of strong organic growth in the EMEA and APAC regions. Constant currency revenue in North America was down 4% year-on-year. The difference between the headline and constant currency revenue growth mainly reflects the full-year benefit in 2017 of weaker average sterling following the material weakening of sterling over the course of 2016. The average US$:£ rate in 2017 was 1.29, compared with 1.36 in 2016, a weakening of 5% in the full-year average rate.

Underlying EBITDA was £177.2m, compared to £158.6m in 2016, and underlying operating profit was £108.7m, an increase of 14% on the £95.3m generated in 2016. On a constant currency basis underlying operating profit was up £9.9m, a 10% annual increase. The group's underlying operating margin decreased from 5.4% to 5.2%. The reduction in the margin is attributable to the North America Division.

In North America, which represents about half of group revenue, underlying operating profit decreased by 9% from £86.9m in 2016 to £78.7m in 2017. On a constant currency basis, revenue was down 4% and underlying operating profit decreased by 14%. The operating margin was 8.1% (2016: 9.1%), down as a result of regional softness in the Miami and Chicago markets, the home cities of HJ and Case respectively. Suncoast, after a very strong 2016, was impacted by increased raw material prices. In addition, the second half result was impacted by Hurricanes Harvey and Irma, which together cost the group around £3m. These factors were partly offset by a good performance by Hayward Baker, the group's largest US business, and Canada returning to profit.

In EMEA, reported revenue increased by 33% with constant currency revenue up 26%. Underlying operating profit increased from £30.2m to £53.3m, a 76% increase (74% on a constant currency basis), achieving a 7.2% operating margin (2016: 5.5%). EMEA's 2017 result benefited from high-performing projects in the Caspian region and Middle East which are now approaching completion. Aside from these projects, the group's European businesses recorded strong growth and profitability in the year. However, market conditions in Brazil and Sub-Saharan Africa remain challenging.

In APAC, revenue was up 33% on a reported basis with constant currency revenue up 25% mainly due to improved market conditions in Australia. The APAC Division reported a £16.5m underlying loss for the year (2016: loss of £18.0m) with the loss only slightly less than in 2016, largely as a result of two major contracts in Australia where adverse ground conditions, technical issues and a contractual dispute resulted in a total loss on these contracts of £14m. Keller India performed well in 2017, doubling revenue and increasing operating margin.

1 Before pre-tax non-underlying credits of £11.9m (2016: costs of £11.2m). Details of the non-underlying items are set out in note 7 of the consolidated financial statements.

Interest
Underlying net finance costs were £10.0m (2016: £10.2m). Although net debt has declined over the course of 2017, average net borrowings during the year were consistent with 2016. Statutory net finance costs reduced from £11.3m in 2016 to £10.7m in 2017.

Non-underlying items
Non-underlying items before taxation totalled a credit of £11.9m in 2017. These comprise:

Amortisation: £9.0m of amortisation of acquired intangible assets (2016: £9.7m).

Exceptional contract dispute: A £21.0m credit as a further 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 previously announced, the group acquired the relevant property in May 2016 pursuant to the dispute settlement agreement for £62.0m and subsequently sold it for the same amount in 2017. The property was held on the group's 2016 balance sheet as a non-current asset held for sale at a value of £54.0m. The sale therefore realised an exceptional profit before costs of £8.0m.

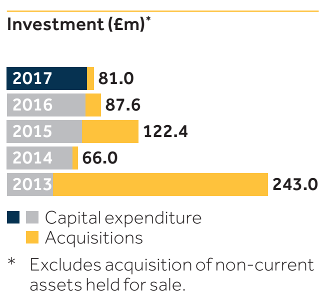
In addition, the group received £11.7m of insurance proceeds in respect of this dispute in 2017.

As noted at the time, the original provision was expected to be reduced by future insurance recoveries and the sale of the property. Taking account of credits in both 2016 and 2017, the group has recovered £35.3m of the original £54.0m provision. No significant further recoveries are expected.

Other: A net credit of £0.6m (2016: £0.3m) relating to changes in estimated contingent consideration payable in respect of recent acquisitions, offset by finance charges of £0.7m.

Further details of non-underlying items are set out in note 7 of the consolidated financial statements.

Investment (£m)*



* Excludes acquisition of non-current assets held for sale.

Finance Director's review

continued

Tax

The group's underlying effective tax rate was 25.0%, a significant reduction on the 2016 effective rate of 35.0%. This is mainly attributable to a £9.7m non-cash credit as a result of the revaluation of US deferred tax liabilities following the recent US tax reforms, as well as, to a lesser extent, a lower proportion of the group's profit before tax being earned in the US.

A non-underlying tax credit of £1.6m has been recognised, representing the net tax impact of the 2017 non-underlying items.

Earnings and dividends

Underlying earnings per share increased by 35% to 102.2p (2016: 75.9p), in line with the increase in the group's underlying profit after tax.

The Board has recommended a final dividend of 24.5p per share (2016: 19.25p per share), which brings the total dividend for the year to 34.2p (2016: 28.5p), an increase of 20% for the year. The 2017 dividend cover before non-underlying items was 3.0x (2016: 2.7x).

The group's policy on dividends is to increase the dividend sustainably so that the group is able to grow, or at least maintain, the level of dividend through the market cycle. Keller Group plc has distributable reserves of £136.3m at 31 December 2017 that are available immediately to support the dividend policy, which compares to the total proposed dividend for 2017 of £24.6m. Keller Group plc is a non-trading investment company that derives its profits from dividends paid by subsidiary companies. The dividend policy is therefore impacted by the performance of the group which is subject to the principal risks and uncertainties disclosed on pages 39 to 41 as well as the level of headroom on the group's borrowing facilities and future cash commitments and investment plans.

Cash flow and financing[1]

In 2017, underlying cash generated from operations was £136.1m (2016: £135.7m), representing 77% (2016: 86%) of underlying EBITDA. The 2017 cash conversion is below that of previous years largely as a result of constant currency fourth quarter revenue being 16% up on the equivalent period in 2016, leading to higher levels of working capital at the year end, and an increased value of inventory at Suncoast following steel price increases in the year. Historically, the group has an excellent record of converting profits into cash, with the aggregate of the last 10 years' of cash generated from operations representing 96% of EBITDA (2016: 98%).

Net underlying capital expenditure totalled £74.5m (2016: £73.0m), compared to depreciation and amortisation of £68.5m. The group continues to invest in transferring technologies into new geographies and to upgrade the equipment fleet.

At 31 December 2017, net debt amounted to £229.5m (2016: £305.6m). The decrease in net debt is explained as follows:

	£m
Net debt at 1 January 2017	(305.6)
Free cash flow	23.4
Dividends	(21.2)
Foreign exchange movements	7.8
Non-underlying items[2]	72.6
Acquisitions	(6.5)
Net debt at 31 December 2017	(229.5)

Based on net assets of £472.2m, year-end gearing was 49% (2016: 71%).

The group's term debt and committed facilities principally comprise $165m of US private placements, $40m of which matures in 2018 with the remainder maturing between 2021 and 2024, a £250m multi-currency syndicated revolving credit facility expiring in September 2019 and a $62.5m revolving credit facility expiring in September 2019. At the year end, the group had undrawn committed and uncommitted borrowing facilities totalling £194.9m.

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 1.5x, well within the limit of 3.0x.

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 3% of group revenue.

After the Brexit vote in 2016, sterling 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 full-year beneficial effect on Keller's 2017 profits when translated into sterling compared to only a part-year effect on 2016.

1 Before a £10.6m net cash inflow in 2017 relating to the 2014 exceptional contract provision.
2 £62.0m sale of non-current asset held for sale plus £10.6m net cash inflow from non-underlying items.

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 is closed for future benefit accrual. 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 actuarial valuation as at 5 April 2017 is still ongoing. The 2017 year-end IAS 19 valuation of the UK scheme showed assets of £46.1m, liabilities of £58.9m and a pre-tax deficit of £12.8m.

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 2017. 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 2017, approximately 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 2017.

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
26 February 2018

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 £300,000. We work across the construction spectrum. Very often we will partner 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 solely foundations for construction but are commonly used for other applications to solve complex geotechnical problems, such as earth retention, urban redevelopment and near-shore marine structures.

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

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
- High levels of knowledge and experience (low staff turnover) mean 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
- Ability to invest in new markets and technologies
- Ability to maintain key resources through the market cycle

How we create and capture value
Knowledge and capability sharing to build the best solutions:

Opportunity identification

Local businesses with relationships (general contractors, consulting engineers and developers) and knowledge to identify demand.

A global network to support cross-border collaboration (major projects typically involve cross-border demand identification and capture).

Proposal preparation

Design engineers and cost estimators with local ground knowledge and capacity to create optimum solutions.

Keller's market-leading portfolio of products and services.

A global network of professionals on hand to support any team on solution development.

Underpinned by functional teams...

Contract agreement

Commercial teams trained in relevant local laws set up contracts that are fair to all parties.

Experience of large scale project contracting and group scale making Keller a reliable partner in even the most demanding circumstances.

Project execution

Product-specific operations teams and equipment with capacity to deliver efficiently and effectively (to quality and schedule) and to respond to issues arising.

Flexibility to move equipment and resources between markets to match local demand.

Feedback and learning

Project leadership focused on achieving client sign-off and securing payment.

Lessons learnt retained and transferred into rest of group (eg Engineering and Operations teams transfer learning on techniques and productivity improvements).

...with the capacity to support the core value creation stream

Who benefits from our value creation

We create value for a broad range of stakeholders in line with our sustainability commitments:

Customers
- Local knowledge with global scale and resource.
- Provision of cost-effective, complex geotechnical solutions.

Shareholders
- Dividends.
- Capital growth.

People
- Employment.
- Qualifications.
- Global and local opportunities.

Communities
- Employment.
- Construction of facilities.

Our sustainable commitments are aligned to the United Nations Sustainability Goals.

Further information on Keller's approach to sustainable business can be found on pages 32 to 38.

Our five strategic levers

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

In 2017, we continued to make progress in delivering against our strategy. There are five levers:

Strategic lever
Growth **Growing our product range and entering new markets, organically and by acquisition** We have a set of target product segments based on growth, profit and strategic considerations; leveraging our 10 major product groups into new markets where relevant. 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.
Customers **Building strong, customer-focused local businesses** Geotechnical contracting 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 utilisation and/or strong technical differentiation.
Scale **Leveraging the scale and expertise of the group** 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.
Engineering and operations **Enhancing our engineering and operational capabilities** 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.
People **Investing in our people** 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.

Progress

In 2017, we introduced new products into our existing geographies with our current product range, bringing the benefit of our experience in one locale to create market-leading capabilities in another. Examples of this type of organic growth investment include bringing soil mixing capability into Malaysia and new ground improvement techniques into South Africa.

We also invested in a new Keller Marine team to leverage our strong experience in Australia (Waterway and Austral) into new geographies. This team is already active bidding work in India and Africa.

During the year we also completed two smaller strategic acquisitions. We acquired Geo Instruments in North America to complement our Getec instrumentation and monitoring capability in that Division. We also acquired Sotkamon Porapaalu in Finland, both expanding our regional footprint and gaining capability in a specific type of drilled piling.

During the year we completed our first full business unit level standard strategy roll out. All 21 businesses now have strategic plans to a high standard in a common format. While the plans were built 'bottom-up' we have been careful to align them 'top-down' with group and divisional strategies. The multi-year plans are a first for Keller in a historically short-term industry.

In 2017 we worked on our customer feedback programme to expand our understanding and insights on more projects in more local markets. This improves our ability to spot trends in our performance and better target improvement programmes. Already we are seeing the benefit that our strong customer orientation and schedule adherence has on satisfaction scores.

We have also been investing organically in strengthening our local branch network. Examples include: Charlotte, North Carolina, USA, Hamburg and Hannover, Germany, Cancun and Mexico City, Mexico. These actions typically involve adding local sales and project management capability either in new or existing offices.

Our group level procurement capability has gained real strength and traction in the last year. For instance, by combining our equipment buying power around the world we have signed new framework agreements with a number of suppliers, improving financial and service terms. Benefits from this investment are already being realised.

In our customer relationships we have also been leveraging the scale of the group this year by working with regional and global clients to bring the benefits of working with the connected companies of Keller. For example, working with a global client to develop common business around the world that previously would have been managed in silos.

This year we have taken the step to create one global IT organisation. This pulls together our efforts on infrastructure and applications, reducing the burden on local teams as well as creating economies of scale. One example of improvement is our approach to electronic security and data protection.

An example of sharing best practices on project execution over the past year is the Polavaram Dam project. The project involves the construction of a 3km long, 30m deep groundwater barrier using our jet grouting capability. Delivery of this project has included bringing subject matter experts and equipment from Poland and the US to India.

We have also continued to make progress on operational productivity, with our 5S roll out hitting all divisions and starting to become part of the cultural norm. We are already seeing productivity and safety benefits from site-level standardisation of operations, equipment and tool management and communications.

Our software algorithms help find optimal design solutions with the right balance between performance and cost. This is a unique capability and is helping us differentiate in all of our divisions.

Throughout the year we have continued to strengthen our business unit leadership. We have created new opportunities for talent in many locations, including Keller Brazil, Canada, Middle East, North East Europe and Case Foundations. Each of these changes has helped us strengthen our local teams while also demonstrating our strong internal management development pipeline.

This year we also launched our Project Manager Academy. The Academy will take our project managers to the next level in their careers, focusing on people, commercial and technical leadership skills. This programme is very important because project managers have one of the most critical roles in our company: they are involved in work winning, execution and skills development in all of our markets.

KPIs
Performance in 2017

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

16%

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

15.1%
(2016: 15.3%)

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

5.2%
(2016: 5.4%)

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

0.23
(2016: 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

8.7%
(2016: 7.0%)

Sustainability

Alain Michaelis
Chief Executive Officer

Our approach to sustainability aligns with our strategic framework. To build trust, operate responsibly and meet the expectations of our stakeholders we must make sustainable choices and act consistently with our values.

Our Sustainability framework

Our purpose
To help create infrastructure that improves the world's communities

Our vision
To be the world leader in geotechnical solutions

Our ambitions
To lead in expertise, quality, product range and customer service, and consistently out-perform our rivals

Code of Business Conduct

Underpinned by our ways of working
We live by our values, set out in our Code of Business Conduct.
By adopting responsible business practices and making sustainable choices we will be able to meet our purpose and fulfil our business strategy.

Our values
Through our company values we will deliver the sustainability commitments expected of a leading, socially responsible company; we also expect our suppliers to support our values

Integrity
We always behave with integrity towards our customers, colleagues and the communities within which we work

Collaboration
Our teams collaborate across borders and disciplines to bring our customers the best of Keller and to build a stronger business for the future

Excellence
In all we do we target excellence; whether it's geotechnical engineering, project management or people development, we strive to deliver to the highest standards

Our sustainability commitments

Our values align to the United Nations Sustainability Development Goals (SDGs) which provide a universal language for sustainability and provide a framework to guide all businesses in this area regardless of size, complexity or location.

In 2016, we set out our support for the SDGs and agreed to report annually against those aligned to our current sustainability commitments and reporting framework:

In 2017, we have defined our longer-term sustainability ambitions and commitments and in 2018 we will formalise and report on our plan for delivery for the next five years. We have started to align our ambitions with our activities and initiatives across our functions; define our targets and how we measure our progress against them; and drive an internal understanding and change within our business units.

Our functional activities include: reinvigorating our HSEQ leadership and capability; launching our HR strategic delivery plan, 'Keller People'; increased Engineering focus on sustainable products and solutions; and our refreshed ethics and compliance agenda will continue to underpin how we deliver.

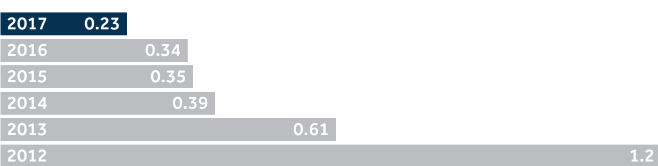
We have been working in collaboration with the University of Surrey Centre of Environment and Sustainable Development and Cambridge's Centre of Sustainable Development to further understand the impact of the SDGs with regards to the construction sector and, specifically, embodied carbon in products. Much of Keller's revenue is from client projects that are part of climate adaptation and thus provide social net benefit to many communities. Keller remains committed to better understanding its contribution to climate change and working collaboratively with stakeholders to reduce potential impacts.

Progress against our sustainability commitments

Good health and well-being

Keller's first five-year health and safety strategic plan, 'Think Safe', ran from 2013 to the end of 2017. We have made some welcome improvements in employee safety performance over the period and for 2017 we are pleased to report that the group has reached a record low in the rate of recordable incidents of 0.23 per 100,000 hours worked.

Accident Frequency Rate (AFR)



We have reduced the severity of incidents with major injuries improved by 42% since 2016, down from 19 in 2016 to 11 in 2017, and the number of incidents resulting in lost time (over one day away from work) has reduced by 12%.

We did see an increase in the number of reported property damage incidents for the year, totalling 582 (2016: 580): this is against a continued reduction in the number of overhead utility strikes (down by 46%), underground utility strikes (down by 4%) and incidents involving mobile equipment (down by 5%) compared to 2016.

Our largest challenge in 2017 related to the increase in the number of small and large rigs becoming unstable and overturning. In 2017, 15 rigs overturned on our sites (2016: 4). We were fortunate that there were no injuries to employees or third parties in these events: we have promoted a comprehensive programme of training to both our employees and our customers. Keller's HSEQ Committee provided oversight and robust challenge to management on its progress in this area during the year and further details of this can be found on page 51.

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. In 2018, we will maintain our focus on continued improvement in health, safety and wellbeing whilst we develop our plan for delivery for the next five years.

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.

We 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
Keller Project Manager Academy

In 2017, 24 project managers from around the world gathered in Park City, Utah, for Keller's first-ever Global Project Manager Academy. As Keller becomes a more interconnected global company – sharing best practice, technologies and people – it's vital that we give our clients a consistent level of service across the world. That's the aim behind a new training and development initiative, the Project Manager Academy.

The five-day Academy covered a broad range of topics, such as contracts, planning, risk assessment, change management, decision-making and finance. It also explored 'softer' skills, like communication, coaching, goal-setting, leadership and emotional intelligence. The group will reconvene for a second workshop in February in Dallas to explore how they've put into practice what they've learned. Plans are also underway for Academies in APAC and EMEA in 2018.

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, we updated our diversity and inclusiveness policies and, in 2018, will develop our plan for delivery for the next five years.

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

Level of organisation	Female	Male
Board of Directors	2	6
Executive Committee	1	9
Senior Management (GLT)	7	67
Engineers	103	1,344
All employees	1,010	8,598

Women as % of all senior managers	10%
Women as % of all managers	10%
Women as % of engineers	7%

Case study
The recent International Women in Engineering Day focused attention on the amazing careers in engineering and technical roles for girls, and celebrated the achievements of outstanding women engineers. To mark the event, we asked three Keller colleagues from around the world to share their experiences as female engineers, which can be found on our website at www.keller.com.

Katja Maihold
Branch Manager, Hamburg, Germany

"As a female engineer with Keller, my experiences in being accepted have predominantly been positive. Sometimes women are expected to be loving, friendly and more reserved. Restraint, however, is not usually a useful characteristic for running a construction site or being successful in negotiations! There's also a tendency to view women with ambitious character traits negatively compared to men. At times I've found it difficult to be accepted by customers, but over the years it has become easier – in fact I'd say that sometimes it's been a positive.

I'd like to see us playing a more active role in searching for women at universities and promoting them – challenging the established view that construction companies aren't interested in female engineers."

Decent work and economic growth

Our employees

Keller employs around 10,000 people worldwide, most of whom are working in front-line roles meeting with, and delivering for, our customers.

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.

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 18 to 23.

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.

Case study

RAPID project (ASEAN):
The largest and most complex project ever performed by Keller Malaysia was a global effort that lifted safety standards and project management capabilities across the region.

In 2015, Spanish contractor Tecnicas Reunidas won the tender for a multi-billion dollar oil and gas development in Johor, Malaysia. The company was new to Johor and required experienced local contractors to perform the works. With more than 30 years' experience in the region, Ansah (Keller's driven piling business based in Malaysia) was selected as the contractor for driven piles and micropiles works and after a good performance was invited to tender for other works on the project so that works eventually included earthworks, foundations for oil pipes and structures (such as pilecaps and sleepers), roads, storm water drains and pre-stressed bridges.

As a specialist subcontractor, most projects performed by Keller ASEAN involve less than 50 staff. However, the need for a trusted source of local expertise meant it was engaged as the main subcontractor on the RAPID project, managing more than 25 local subcontractors and coordinating the activities of more than 700 people working on-site.

The largest challenge Ansah faced was that Keller's safety standards were much higher than the local subcontractors were used to. Keller developed a large programme of activity to get them on board with our way of thinking, train them to work according to the higher standards, monitor their progress and reward them along the way. It was a huge effort, but critical to delivering the project safely and on schedule.

In February 2017, the project was awarded the best subcontractor in terms of operation and health, safety and environment performance. "It's a wonderful achievement," says Seah Yeow Teck, General Manager of New Territories for Keller ASEAN. "Not only will we deliver the project to a high standard of quality and safety, but the local subcontractors are now trained to deliver projects to this standard in the future. So we've really had an impact on the communities in which we work."

Sustainability

continued

Climate action

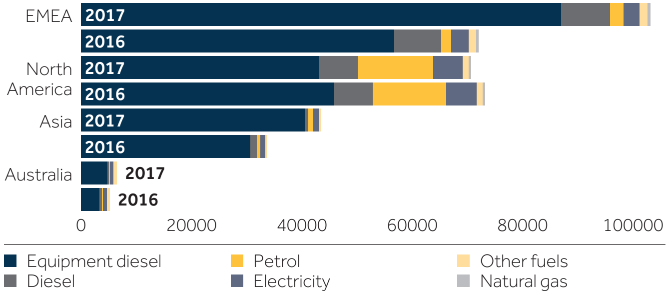
In terms of Keller's contribution to global efforts to mitigate climate change, it has committed to developing a science-based target for its Scope 1 and 2 emissions using a validated methodology and using 2016 data as a baseline. To ensure transparency to investors and other stakeholders we participate in the CDP Climate Change reporting programme annually and have seen our score increase year on year to an A- in 2017 (this relates to activities and emissions in 2016). This compares favourably with both our competitors and clients alike.

The table below illustrates Keller's total Scope 1 and 2 greenhouse gas emissions for 2017.

Tonnes CO_2e	**2017 '000**	2016 '000	2015 '000	2014 '000
Scope 1	**214**	174	168	170
Scope 2	**10**	10	9	10
Total	**224**	184	177	180
Absolute tonnes of CO_2e per £m revenue	**108**	103	114	112

Data notes:
1. We have restated our 2016 Scope 1 emissions on the receipt of more accurate data (Scope 1 emissions reported in 2016 annual report: 170,752 tCO_2e).
2. Note that some of the fuel we use in our equipment is purchased by the main contractor and we are currently unable to report on these emissions due to difficulties with collecting accurate data.
3. The Scope 2 figure provided is calculated using the location-based methodology. Please refer to Keller's CDP submission for Scope 2 emissions calculated under the market-based methodology, as well as for Scope 3 emissions data.

Keller's 2017 and 2016 Greenhouse Gas emissions (tCO_2e)



The increase in emissions in 2017 is largely attributable to an increase in use of equipment diesel in EMEA and Australia which is largely correlated with growth.

During the year, Keller undertook a survey of its energy usage and identified a number of opportunities in our facilities, yard and field environments to make impactful reductions. A group-wide internal guidance note on reducing energy usage in the business has been developed and will be rolled out in 2018.

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 (left). 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 criteria listed above.

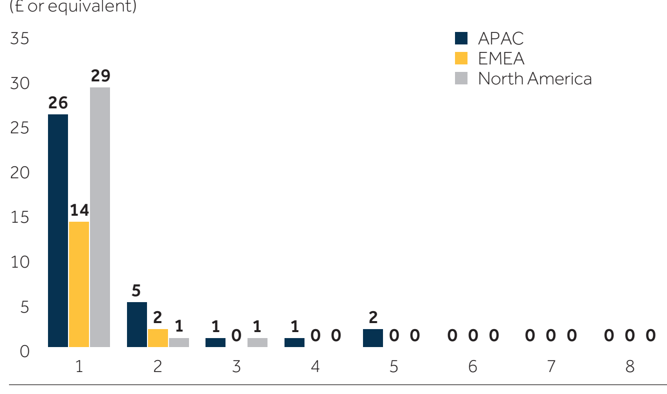
It is our opinion that Keller has established appropriate systems for the collection, aggregation and analysis of quantitative data for determination of these GHG emissions for the stated period and boundaries."

Life on land

Keller has improved its processes for the capture and recording of environmental incidents and, as a consequence, we have seen a slight increase in the number of reported environmental incidents in 2017 (12% year on year). Most incidents were low impact involving spillages from diesel and hydraulic fluid; however, we had one significant incident in Australia when 20 cubic metres of bentonite was released. Keller employees worked to contain and clean-up the affected area resulting in minimal environmental contamination of flora and fauna.

We continue to engage with our employees, primarily on-site, to reduce the potential for such incidences. The roll out of our lean techniques and continued site supervisor talks and poster campaigns will help us in reducing these incidents significantly.

Environmental incident – cost of damage
(£ or equivalent)



1. Below 1000
2. 1001 to 5000
3. 5001 to 10000
4. 10001 to 25000
5. 25001 to 100000
6. 100001 to 250000
7. 250001 to 500000
8. 500001 and above

Case study
Bat cave: AUSTRALIA

Area Mine C is an iron ore mine in the Pilbara; a large, dry, thinly populated region in the north of Western Australia. As an environmental condition of its lease, BHP Billiton had to build a new home for the resident ghost bats, so named because the thin membrane of their wings makes them appear ghostly at night. Ghost bats, or false vampire bats, are native to Australia, and with a total population of less than 10,000, are listed as a vulnerable species.

Because of the location in the middle of the desert, constructability was a real issue. While not one of their typical jobs, BHP Billiton asked Keller company Austral to construct the bat cave, due to their local relationship and knowledge.

As bats can't latch onto a smooth surface, Austral used pre-cast beams and poured rough concrete over, to create the right environment inside. To stop snakes, they also built a block wall at the entrance. They can't climb over the wall, but as the bats always fly high, they're not affected. Built four metres under the ground, the bat cave is about 20-30 metres long, with an entrance 1.3 metres high and wide.

Austral says: "They've recorded bats going in and out so we know it's being used. But you can't look inside, so it's hard to tell just how many have made it their new home."

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.

Our 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 have ten group policies 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 10 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.

Our Code of Business Conduct – continuous improvement
In 2016, we set out our high standards and guidance on how we work in a simple Keller Code of Business Conduct.

During 2017, we completed online and face to face training on our ways of working across our businesses and established a network of Ethics and Compliance Officers who work in our business units alongside management, ultimately reporting into the Company Secretary. Keller's externally facilitated whistleblowing hotline has been in place since 2015 and employees can access the hotline by post, website, email and telephone. Reports of potential breaches of our Code made to our ECOs or through the hotline are reported quarterly to the Audit Committee.

All matters were investigated internally and action taken where the complaint has been found to be substantiated.

We place a high priority on the review and refresh of our efforts each year to ensure that we mitigate risk and support our employees to do business the right way. In 2018, we are focused on further embedding awareness of our Anti-bribery and Anti-fraud Policy, Competition Compliance Policy and our supply chain management procedures through a programme of targeted training for all employees. We monitor the effectiveness of training through assessments undertaken by our ECOs and PwC, our internal auditors.

Modern slavery
The group's modern slavery and human trafficking statement can be found on our website. We continue to work to improve our policies and procedures to ensure slavery and human trafficking is not taking place anywhere in our supply chains. Work is ongoing to introduce or improve controls through our Legal, HR and Procurement functions, bringing greater oversight of our local employment practises, and standardised purchasing and invoicing processes across a greater proportion of our procurement activities. In 2018 we will continue this work and we will also gather data on our progress so far and measure the impact of our training and awareness activities.

Data protection and GDPR
Sound data protection and privacy practices are vital for Keller. The implementation of the EU General Data Protection Regulations ('GDPR') planned for May 2018 is therefore a critical project for us. We are working hard to ensure that we are ready, and our customers can be ready too. We have established a Data Governance Project Team and Committee to oversee our response to GDPR. Subject to specific local data laws, GDPR will be the standard against which we assess all of our future data protection activities.

Principal risks and uncertainties

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 and has adopted an integrated approach to risk management by regularly discussing the principal risks as a part of key agenda items.

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 Executive Committees

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

Our risk appetite

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

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. The Audit Committee and Board reviewed the group's principal risks and uncertainties at their meetings in February 2018, taking into account the recent developments in the UK construction sector and with particular regard to the under-performance of two large contracts in APAC during 2017. Following a robust discussion, the Committee concluded that our principal risks and uncertainties have remained unchanged since the publication of last year's Annual Report.

Developing the viability statement

In developing the viability statement, it was determined that a three-year period should be used, consistent with the period of the group's business planning processes and reflecting a reasonable approximation of the maximum time taken from procuring a project to completion. Management reviewed the principal risks, and considered which of these risks might threaten the group's viability. It was determined that none of the individual risks would in isolation compromise the group's viability, and so a number of different severe but plausible principal risk combinations were considered. A downside sensitivity analysis, as well as a consideration of any mitigating actions available to the group, were applied to the group's three-year cash flows forecasted as part of the business planning process and presented to the Board for discussion, further to review by the Audit Committee. The Board discussed the process undertaken by management, and also reviewed the results of stress testing performed to ensure that the sensitivity analysis was sufficiently rigorous. The Board also carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity.

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. Revenues were assumed to decrease by 10% year on year and operating margins reduced to 3%. It was also assumed that the group's working capital position deteriorated so that working capital represented 50% of three months' revenue and there was a £25m cash outflow arising from a contract dispute. It was assumed that the group's principal revolving credit facilities expiring September 2019 were refinanced.

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

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

Principal risks and uncertainties

continued

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 12 months from the date of this Annual Report and Accounts. For this reason, they continue to adopt the going concern basis of accounting in preparing the financial statements.

Principal risks

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 (No change)	**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

Working capital management

Managing working capital is a key area of management focus across the group. The working capital position of our 21 business units is reported monthly on the financial dashboards, which form a key part of our management framework. On a quarterly basis, working capital trend charts are produced for each division and business unit, as well as a chart benchmarking each of the business units against each other, showing which business units are the most improved and which business units' working capital position has deteriorated the most since the prior quarter. This analysis is the basis for discussion in the detailed quarterly reviews by the Executive Committee and allows the early identification of underperformance so the necessary mitigating actions can be taken.

The benchmarking performed allows us to identify the strongest performing business units. A working capital management guide has been created which highlights best practices and success stories that some businesses have had with regard to managing working capital and share these with the rest of the group.

Market risk

Risk (No change)	**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.

Strategic risk

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 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.

Operational risk

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.

Corporate governance report
Board of Directors

Peter Hill
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 a Non-executive Director of the Royal Air Force. He was previously Non-executive Chairman of Imagination Technologies plc from February 2017 until its sale to Canyon Bridge Partners in September 2017 and 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.

Chris Girling
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 retired from Carillion plc as Group Finance Director in 2007 and 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 an independent Chairman Trustee of a pension fund.

Nancy Tuor Moore
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., a Director of IMA Financial Group, Inc. and a member of the Board of Governors for Colorado State University.

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 as an engineering consultant.

Alain has extensive operational and strategic management experience within international businesses across America, Asia-Pacific and EMEA. He is a mechanical engineer by training. 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.

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.

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.

Eva Lindqvist
Non-executive Director
Nationality: Swedish

Appointed to the Board on 1 June 2017, Eva is a member of the Audit, Nomination, Remuneration and Health, Safety, Environment & Quality Committees.

She graduated with a Master of Science in Engineering and Applied Physics from Linköping Institute of Technology and holds an MBA from the University of Melbourne. She is a member of the Royal Swedish Academy of Engineering Sciences. Eva began her career in various positions with Ericsson working in Continental Europe, North America and Asia from 1981 to 1990 followed by director roles with Ericsson from 1993 to 1999. She joined TeliaSonera in 2000 as Senior Vice President before moving to Xelerated, initially as Chairperson and later as Chief Executive from 2007 to 2011.

She is Non-executive Director of Bodycote plc, Assa Abloy AB (until 26 April 2018), Sweco AB and ComHem Holding AB.

Paul Withers
Senior Independent Director
Nationality: British

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

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 adviser 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.

Diversity (%)

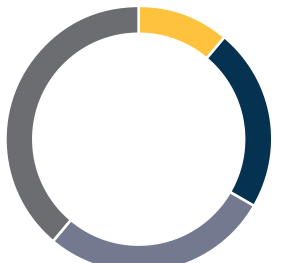
Female	25
Male	75

Length of tenure (%)

<1 year	12.5
1-3 years	37.5
4-6 years	25
7-9 years	12.5
10+ years	12.5

Number of Board members with relevant industry experience

Oil and gas	2
Technology	4
Construction	5
Engineering	7



Number of Board members with relevant regional experience

Americas	6
Europe	7
Middle East	3
Africa	2
Asia-Pacific	6

Executive Committee

Alain Michaelis
Chief Executive
See biography on page 42.

James Hind
Finance Director
See biography on page 42.

Venu Raju
Engineering and Operations Director
See biography on page 42.

Kerry Porritt
Group Company Secretary
See biography on page 43.

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.

Thorsten Holl
President of EMEA
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.

Mark Kliner
President of APAC
(until 31 March 2018)
Nationality: Australian

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.

The Committee is responsible for the formulation and delivery of the Company's strategy and all matters relating to the operational and financial performance of the Company.

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

Strategic lever – growth
- Developed a list of potential acquisition targets in North America and Europe
- Executed first marine project in India
- Developed clear strategies for the group's Global Product Teams

Strategic lever – strong business units
- Achieved a reduction in accident frequency rates in all three divisions
- Established cross-business unit working groups for two products and one geography in EMEA
- Strategic plans implemented and underway in the group's 21 business units

Peter Wyton
President of APAC
(from 1 April 2018)
Nationality: Australian

Peter joins Keller after 25 years at AECOM, a leading global infrastructure firm.

He is an experienced business leader and engineering professional with extensive knowledge of the Asia-Pacific region. He has supported the delivery of major infrastructure projects in transport, building, utilities, mining and industrial markets across APAC.

Peter received a Bachelor of Civil Engineering from the Queensland University of Technology in 1991.

Peter joins the Executive Committee in April 2018.

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 then finally into sales managing global client accounts.

Joseph has a MEng from Oxford University.

Joseph was appointed to the Executive Committee in January 2016.

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.

Michael Sinclair-Williams
HSEQ Director
(until 31 March 2018)
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 Said Business School Oxford senior leadership programme.

Michael joined the Executive Committee in 2012.

Strategic lever – leverage scale
- Transferred diaphragm wall technology and best practise from North America to APAC and EMEA
- Reinforced functional leadership in APAC
- Implemented a campaign to promote and strengthen Keller values across the group

Strategic lever – enhance engineering and operations
- Created and implemented an instrumentation and monitoring strategy in North America
- Rolled out an equipment and operations dashboard in APAC
- Developed and implemented a group strategy for design competencies development

Strategic lever – investing in people
- Rolled out the group's high-performance culture programme to senior leaders in EMEA and North America
- Established an operator training programme in each business unit in EMEA
- Launched the group's Project Manager Academy

Chairman's introduction

Good governance has supported the Board and Executive team in progressing Keller's long-term strategy over the year.

Dear shareholder
I am pleased to introduce the Corporate governance report for the year ended 31 December 2017, 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 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.

I have continued to be 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.

In May 2017, Ruth Cairnie retired as Non-executive Director and Chairman of the Remuneration Committee after seven years on the Board. Ruth provided valuable strategic insight, commercial challenge and humour to the Board discussions. I would like to thank her personally for her contribution to the Board.

After undertaking an external recruitment process, Eva Lindqvist joined 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.

At the end of 2017, I carried out an externally facilitated Board Committee evaluation. The results of this evaluation confirmed that the Committees continue to operate effectively and that each Director continues to make an effective contribution and retains a strong commitment to their role. The resulting development themes that arose from the evaluation are discussed on page 49 and will help shape the Board's priorities for the 2018 year. Paul Withers, your Senior Independent Director, carried out a review of my performance as Chairman since my appointment in July 2016 and I received constructive feedback from him which will assist my continued development in this role.

Further information on the Board's succession planning, the Board Committees evaluation and the work of the Nomination Committee in 2017 can be found on pages 52 and 53 of this report.

The Board continues to believe in the importance of collectively, and its Non-executive Directors individually, staying close with the Company and its people. In October, the Board attended the Company's Group Leadership Conference in Dallas, Texas, and met with the Company's top leadership team and local management. Individual Non-executive Directors also made visits to operations in continental Europe, North America, Asia and Australia. We continue to encourage executives below Board level to make presentations at the Board where and when appropriate.

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 in 2017 to improve their efficiency and reflect changes in legislation and best practice.

The Board continued to monitor the implementation of 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 69 to 76, 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
26 February 2018

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.

Board
Strategy development, growing shareholder value, oversight and corporate governance

- Provide entrepreneurial leadership of the group, driving it forward for the benefit, and having regard to, the views of its shareholders and other stakeholders
- Govern the group within a framework of prudent and effective controls which enable risk to be assessed and managed to an appropriate level
- Approve the group's strategic objectives
- Ensure that sufficient resources are available to enable it to meet those objectives
- It delegates authority to manage the business to the Chief Executive Officer and also delegates other matters to Board Committees and management as appropriate
- The Board has formally adopted a schedule of matters reserved to it for its decision

Audit Committee
Oversee the group's financial reporting, risk management and internal control procedures and the work of its internal and external auditors (page 54)

Health, Safety, Environment & Quality Committee
Oversee the Board's responsibilities in relation to health and safety, sustainability and quality and continuous improvement matters, arising out of the activities of the Company and its subsidiaries (page 51)

Nomination Committee
Review the composition of the Board and plan for its progressive refreshing with regard to balance and structure as well as succession planning (page 52)

Remuneration Committee
Determine the framework, policy and levels of remuneration of the CEO, Executive Directors and senior executives (page 58)

Executive Committee
Assist the CEO to develop and implement strategy, operational plans, budgets, policies and procedures, monitor operating and financial performance, assess and control risks, prioritise and allocate resource, monitor competitive forces in each area of operation (pages 44 and 45)

Disclosure Committee
Oversee the Company's compliance with its disclosure obligations and considers the materiality, accuracy, reliability and timeliness of information disclosed

Share Plans Committee
Consider matters relating to the provision of share-based employee benefits for the Company and its subsidiaries

Bank Guarantees and Facilities Committee
Consider matters related to the provision of bank guarantees and facilities for the Company and its subsidiaries

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

Key roles	Responsibilities
Chairman	Responsible for leading the Board, its effectiveness and governance. The Chairman is responsible for the following matters pertaining to the leadership of the Board: – 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	Responsible for the formulation of strategy and the operational and financial business of the Company. The Chief Executive is responsible for the following matters: – Formulating strategy proposals for the Board; – Formulating annual and medium-term plans charting how this strategy will be delivered; – Appraising the Board of all matters which materially affect the group and its performance, including any significantly underperforming business activities; and – Leadership of executive management to enable the group's businesses to deliver the requirements of shareholders: ensuring adequate, well-motivated and incentivised management resources; ensuring succession planning; and ensuring appropriate business processes. The roles of the Chairman and the CEO are quite distinct from each other and are clearly defined in written terms of reference for each role.
Senior Independent Director	Discusses any concerns with shareholders that cannot be resolved through the normal channels of communication or through the Chairman. 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.
Group Company Secretary	Ensures good information flows to the Board and its Committees and between senior management and Non-executive Directors. All Directors have access to the advice and services of the Group Company Secretary. The Group Company Secretary is responsible for ensuring that the Board operates in accordance with the governance framework it has adopted and that there are effective information flows to the Board and its Committees and between senior management and the Non-executive Directors. The appointment and resignation of the Group Company Secretary is a matter for consideration by the Board as a whole.

Leadership

Board and Committee meetings and attendance

Director	Board	Audit Committee	HSEQ Committee	Nomination Committee	Remuneration Committee
Ruth Cairnie[1]	2/2	1/1	1/1	1/1	1/1
Chris Girling	6/6	4/4	3/3	2/2	5/5
Peter Hill	6/6	–	–	2/2	–
James Hind	6/6	–	–	–	–
Eva Lindqvist[2]	3/4	2/3	2/2	1/1	3/4
Alain Michaelis	6/6	–	–	–	–
Nancy Tuor Moore	6/6	4/4	3/3	2/2	5/5
Venu Raju	6/6	–	–		
Paul Withers	6/6	4/4	3/3	2/2	5/5

1 Ruth Cairnie resigned from the Board on 11 May 2017.
2 Eva Lindqvist was appointed to the Board as a Non-executive Director on 1 June 2017. Existing diary commitments agreed with the Chairman prior to Eva's appointment, meant that Eva was unable to attend the meetings held in September.

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. 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 26 February 2018 – two women: six men). Within the Keller Group, our overall senior management population comprises 10% women, our engineering/contract manager capability comprises 7% women and women employees account for 11% 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.

Eva Lindqvist's induction

Eva has spent the past few months familiarising herself with Keller and its people. Her tailored induction programme has included:

- 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.
- Individual meetings with members of the Executive Committee and wider senior management.
- Attended Keller's Group Leadership Conference in October 2017 where Eva had the opportunity to meet the group's top 70 senior leaders and listen to management presentations setting out the leadership priorities for the next 18 months.

Eva Lindqvist (bottom right) attending Keller's Global Leadership Conference 2017 with Keller's top senior leaders.

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 42 and 43. All of these Directors served throughout the year with the exception of Ruth Cairnie, who served as Non-executive Director until 11 May 2017 and Eva Lindqvist who was appointed a Non-executive Director on 1 June 2017.

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.

Chris Girling, Eva Lindqvist, Nancy Tuor Moore and Paul Withers are all considered to be independent Non-executive Directors. Ruth Cairnie was considered an independent Non-executive Director until her retirement from the Board. 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 42.

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

Board evaluation

In 2017 an external Board Committee evaluation was carried out by Lintstock, the London-based corporate advisory firm, and facilitated by the Chairman and the Group Company Secretary. All members of the Board Committees participated.

Outcomes from this review were discussed as part of the Board meeting in January 2018. The Board agreed that, overall, the Committee structures were working well, and a number of key points and development themes were identified from the evaluation:

- Audit Committee: continued engagement by members in the development of the Company's ethics and compliance programme.
- Remuneration Committee: the change in the remuneration advisory services consultant was seen as positive.
- HSEQ Committee: continued improvement in management's ability to conduct and report on root cause analysis.
- Nomination Committee: positive steps taken on succession planning for the Board as a whole with increasing focus on Executive succession.

Paul Withers, in his role as Senior Independent Director, carried out an evaluation of the performance of the Chairman through a series of individual interviews with members of the Board and the Group Company Secretary. The key points were fed back to the Chairman.

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 meeting 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 2017

Strategy

- Reviewed and approved:
  - The group's progress against its strategic plan and future areas for prioritisation.
  - The approach and process for delivery of the group's business improvement plans.

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 39 of the Strategic report for the process and the statement).
  - The approach and process allowing it to make the Going Concern statement.
- Reviewed the Company's forecast net debt levels, facility headroom and covenants and working capital.
- Considered and agreed the 2017 interim and final dividends.

Operational performance

- Received and considered strategic and operational performance presentations from the Presidents of the US, APAC and EMEA Divisions.

Peter Hill (Chairman) on site in Cape Town, South Africa, with Freddie Zide (HSE Officer) and Graeme Cook (Group HR Director).

People

- Reviewed the organisational framework and considered the Executive Committee succession plan.

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

- Reviewed the outcomes of an external Board Committee evaluation.
- Considered feedback from shareholders and analysts after the group's full year and interim results and Capital Markets Day.

Accountability

Internal control

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

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

Details on the identification and evaluation of risk can be found in the section headed 'Principal risks and uncertainties' on pages 39 to 41.

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, the Board.

(b) Management of project risk

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

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

On average, our contracts have a duration of around six weeks but larger contracts may extend over several months or years. 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 39 to 41.

(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 10 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.

(l) Whistleblowing procedures

Employees are encouraged to raise genuine concerns about malpractice at the earliest possible stage. An externally facilitated whistleblowing hotline service was introduced in 2016 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 page 27.

Health, Safety, Environment & Quality Committee report

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

The group's overall Accident Frequency Rate continues to improve and is at an all-time low.

Composition of the Committee

- Nancy Tuor Moore
- Ruth Cairnie (until 11 May 2017)
- Chris Girling
- Paul Withers
- Eva Lindqvist (from 1 June 2017)

For full biographies see pages 42 and 43

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 2017

- Monitored progress against the group's Sustainability policy and framework.
- Monitored and reviewed the group's policies on Health, Safety & Wellbeing and Quality & Continuous Improvement.
- Monitored progress against the year's Safety targets and reviewed the root cause analyses for serious incidents over the year.
- Provided oversight of the development of the 5S programme aimed at reducing the frequency of accidents on site.
- Agreed a 20% carbon reduction target to 2025.
- 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 2017.

The Committee is required to meet at least three times a year. During this financial year the Committee met three times and attendance at these meetings is shown on page 48.

As previously reported, on 4 July 2017, a fatal incident occurred in South Africa involving a head on collision of two vehicles carrying Keller employees and a truck. Sadly, 18 colleagues died and 14 were injured. Multiple memorial services were held to honour those who had died and to support family and friends affected by this tragic event. A JustGiving site and an online condolence book was set up to give our colleagues across Keller an opportunity to show their support. In addition to the benevolence of our employees, and the financial assistance via the Company's insurance programmes, Keller has also established an Educational Trust in memory of our employees killed in the incident. Funding from the Trust is available to children of the deceased, as well as other Franki Africa employees and will run for the duration of their academic lives. I would like to commend the management team for their compassionate and collaborative response in dealing with this tragic incident.

The Committee noted a deterioration in the company's ability to reduce the number of rigs overturning during 2017. Whilst there have been no fatalities, these remain a major concern for the Committee and we challenged management to respond with an appropriate and urgent action plan. Details of management's action plan and response can be found on page 33.

At the end of 2016, the Committee approved management's proposal to support the United Nations Sustainable Development Goals. Further details and progress to date can be found in our Sustainability report on pages 32 to 38.

Despite the challenges we have faced in 2017, I am pleased to say that the group's overall Accident Frequency Rate continues to improve and is at an all-time low of 0.23 per 100,000 hours worked.

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.

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's 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 Group 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
26 February 2018

Nomination Committee report

Peter Hill CBE
Chairman of the Nomination Committee

We have continued to develop and monitor succession plans at the Board level.

Composition of the Committee

- Peter Hill (Chairman)
- Ruth Cairnie (until 11 May 2017)
- Eva Lindqvist (from 1 June 2017)
- Chris Girling
- Nancy Tuor Moore
- Paul Withers

For full biographies see pages 42 and 43

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 2017

- Recruitment of a new Non-executive Director.
- Approach to succession planning for 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 2017.

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 48.

This year, the recruitment of a new Non-executive Director was a particular area of focus for the Nomination Committee.

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.

Further to Ruth Cairnie's decision to retire from the Board in May 2017, I led the process to identify and recommend her successor. Below I set out how that process was managed:

- I worked with the Group Company Secretary to agree the profile and criteria for selection, seeking input from members of the Board 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, 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 me and the Group Company Secretary, and the preferred candidate was then invited to meet the rest of the Board.
- The Nomination Committee recommended the appointment of Eva Lindqvist, as our preferred candidate, to the Board.

We were delighted to welcome Eva to the Board in June 2017.

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.

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 43.

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 34.

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 Nancy Tuor Moore in the year as her three-year appointment expired at the end of June 2017. Nancy 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 Nancy's appointment should be extended for a further three years.

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.

The 2017 external evaluation 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 2018, with the exception of Eva Lindqvist who will seek her first election.

Peter Hill CBE
Chairman of the Nomination Committee
26 February 2018

Audit Committee report

Chris Girling
Chairman of the Audit Committee

We have paid particular attention to the Company's working capital and going concern, contract assessments and goodwill.

Composition of the Committee

- Chris Girling (Chairman)
- Eva Lindqvist (from 1 June 2017)
- Nancy Tuor Moore
- Paul Withers
- Ruth Cairnie (until 11 May 2017)

For full biographies see pages 42 and 43

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 2017
- 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 the status of implementation and compliance with the group's 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 2017.

The Audit Committee met four times during the year. Attendance at these meetings is shown in the table on page 48. 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 necessary 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 competence relevant to the sector as required by the provisions of the Code, as well as 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 and 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 2016.

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 50.

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.
- Review and approve the group's strategy for the external audit retender.
- Receive briefings on various technical issues, such as accounting standards and their practical consequences for Keller.
- Review the group's approach to assessing the impact and implementation of new accounting standards.
- Review and approve the group's tax strategy, approach to the management of tax risk and tax policy and procedures.
- Receive briefings on global tax developments which impact the group.
- Review the group's whistleblowing policy and monitor the procedures in place for employees to be able to raise matters of possible impropriety.
- Review the Executive Directors' expenses.
- Review the status of implementation and compliance with the group's Code of Business Conduct.
- 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 2017 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.

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 the Keller Canada and ASEAN Heavy Foundations cash-generating units where there is the most uncertainty surrounding the projections used in the value-in-use calculation.

The Committee also examined the disclosure of items which are described as non-underlying in the consolidated income statement and considered the appropriateness of those items listed in note 7 to the financial statements.

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 2017, 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 six countries, which together represented approximately 35% of the group's revenue for the year. It included assessments of the Hayward Baker and HJ Foundation businesses in the US; the German, French, UAE, India and Singapore businesses; and the APAC head office in Singapore. 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 September, the Committee formally reviewed the effectiveness of these arrangements and discussed them and any action plans arising with management, concluding that the internal audit arrangements were appropriate and effective.

External audit

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

KPMG, and its predecessor firms, has been the Company's auditor since the Company first listed on the London Stock Exchange in 1994. As set out in our 2013 Annual Report and Accounts, KPMG were 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 2016 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.

During the year, the 2016 external audit of the group by KPMG was reviewed by the FRC's Audit Quality Review team (AQR). The AQR routinely monitors the quality of audit work of certain UK audit firms through inspections of sample audits and related procedures at individual audit firms. The Committee and KPMG have discussed the review findings, which were incorporated into the 2017 audit work. The Committee does not consider any of the findings to have had a significant impact on KPMG's audit approach.

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 21% of the total audit fee. The ratio of non-audit related fees paid to the Auditor in 2017 is 2% of the total audit fee. These relate predominantly to finalising US tax compliance services provided in earlier years. Since 2016, 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 39 to 41.

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.

A resolution to reappoint KPMG LLP will be put to shareholders at the Annual General Meeting to be held in May 2018.

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 Group 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
26 February 2018

Relations with shareholders

Highlights from 2017

- A successful Capital Markets Day in September 2017, with presentations from the Executive Directors and Divisional Presidents on strategy.
- Consultation with shareholders on the 2018 remuneration policy.

2017 activities

Chairman's meetings with shareholders

The Board welcomes the opportunity to engage with shareholders and to understand their views on matters of importance to them. The Chief Executive, Finance Director and other members of the Board meet regularly with institutional shareholders and analysts to discuss the performance of the group and to understand their views about Keller. In 2017, management appointed a Head of Investor Relations to build capability and resource in this important area.

Key engagement issues

Strategy – the Chief Executive and the Finance Director met major shareholders following the preliminary announcement of the group's 2016 results and the announcement of the group's 2017 interim results to discuss a number of matters, including progress against the group's strategy. Following these announcements, analysts' notes were circulated to the Board.

Governance – the Chairman, the Senior Independent Director and the Chairman of the Audit Committee met major shareholders to discuss, amongst other matters, remuneration, the forthcoming audit retender, performance and risk management. Following these meetings, feedback was provided to the Board.

Remuneration – the Chairman of the Remuneration Committee led the engagement with shareholders with respect to the group's new remuneration policy and remuneration for the 2018 financial year.

Website – IR section. The investor relations section of the Company's website can be found at www.keller.com/investors. It provides information on the Company's financial calendar, dividends, annual general meetings and other areas of interest to shareholders. Copies of Annual Reports and investor presentations are available to view and download. Shareholders can also register to receive 'news alerts' relating to the group's activities.

Annual general meetings

The Board uses the AGM as an opportunity to communicate with shareholders, who are invited to attend, ask questions and meet Directors prior to, and after, the formal proceedings. The Chairs of the Board committees are present at each AGM to answer questions on the work of their committees.

The results of the voting at the 2017 AGM can be found on our website.

Directors' remuneration report

Annual statement from the Chairman of the Remuneration Committee

Paul Withers
Chairman of the Remuneration Committee

Overall, annual performance improved and 2017 annual bonus outcomes reflect this.

Composition of the Committee

- Paul Withers (Chairman) (from 11 May 2017)
- Ruth Cairnie (Chairman until 11 May 2017)
- Chris Girling
- Eva Lindqvist (from 1 June 2017)
- Nancy Tuor Moore

For full biographies see pages 42 and 43

Role of the Committee

Determine and agree with the Board the framework or broad policy for the remuneration of the Company's Chairman, Executive Directors, their direct reports and such other members of the executive management as it is designated to consider. Determine the total individual remuneration package of the Chairman, Executive Directors, the Company Secretary and other Senior Executives. Determine the measures and targets for Annual Bonus Plan objectives and outcomes for the Executive Directors and Senior Executives. 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. Monitor developments in corporate governance and, particularly, any impacts on remuneration practices. 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 2017

- Policy and consultation: reviewed the Directors' Remuneration Policy, developed recommendations for a new Policy and conducted a full shareholder consultation.
- Adviser changes: appointed new advisers for remuneration advisory services after a tender process.
- 2017 implementation and outcomes: determined bonus outcomes for 2017; determined the vesting outcome of the 2015 Performance Share Plan awards; approved 2018 PSP awards to Executive Directors and Senior Executives.
- 2018 Remuneration: set base salaries and established Executive Director bonus arrangements for 2018; reviewed base salaries and bonus arrangements for the Executive Committee for 2018.
- Monitored developments in Corporate Governance and market trends.
- Reviewed the terms of reference of the Remuneration Committee.
- Reviewed the effectiveness of the Committee.

Dear shareholder

It is my pleasure to present the Directors' remuneration report for the year ended 31 December 2017 on behalf of the Board.

This is my first year as Chairman of the Remuneration Committee following my appointment to that role in May 2017. In line with my predecessors, I am committed to an ongoing and transparent dialogue with shareholders and their representative bodies in the area of executive remuneration.

During the course of 2017, the Committee has worked to develop the proposed new Remuneration Policy outlined below which reflects the feedback received from shareholders in previous consultations and will be put to a binding vote at the Company's Annual General Meeting in May 2018.

As highlighted last year, the Committee believes that to align with the strategy set out by our CEO in 2015, management should be incentivised over the long term and have meaningful shareholding and Keller needs to provide competitive remuneration in order to attract and retain the talent required to implement the strategy.

Incentive outcomes for 2017

In respect of 2017, the annual bonus payments reflect the performance of the group. Underlying group profit before tax increased by 16% and underlying earnings per share by 35%. Group net debt was £229.5m. Overall, annual performance improved and 2017 annual bonus outcomes reflect this performance, with the Committee determining that 64.2% 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 paid out at between 20% and 24.5% of salary.

The Performance Share Plan vested at 33.9% of the maximum opportunity in respect of the performance period ending in 2017.

As a reminder, we proposed a number of changes last year to meet these goals including increasing Performance Share Plan ('PSP') awards, introducing a two-year holding period following the end of the three-year performance period of the PSP, increasing the shareholding guideline from 100% to 200% of base salary and introducing a third measure in the PSP. The majority of shareholders were supportive, recognising the need for Keller rewards 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 to the longer term. They also recognised the importance of senior executives having the requirement and opportunity to build significant shareholdings. However, a minority expressed concern about making any increase to opportunities at that time given the business context at the time.

As reported by my predecessor in our 2016 remuneration report, whilst continuing to believe that the full set of changes originally proposed are needed to underpin Keller's future success with a well balanced and competitive reward structure aligned to the strategic direction, the Committee determined to revisit these changes over the course of 2017, with a likely further consultation and change in policy after one or two years.

Since my appointment, the Committee has therefore conducted a further extensive review of executive remuneration, during which we discussed alternative remuneration structures. The Committee concluded that our current structure of bonus and PSP remains appropriate at this stage in our strategy. We also took account of the feedback received during the consultation.

Business context

Our strategic priorities remain the same: to be the world's leading geotechnical solutions provider.

Our current strategy is built around five strategic levers and we see these priorities continuing over the next three years. These are:

To be the world leader in geotechnical solutions

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

Further details on our strategy can be found on page 30 of the Strategic report.

The adoption by Keller of this strategy in 2015, with clear actions and a multi-year implementation plan, sets the context for our proposed revisions to remuneration which seek to:

- increase the importance of weighting our incentives to the longer term, linking reward to performance arising from the delivery of the plan;
- provide 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; and
- require 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.

Proposed changes

Further alignment with the strategy

When we consulted with shareholders last year, a number of shareholders expressed interest in the introduction of a third measure in the PSP, with a number expressing preference for a returns measure.

Return on Capital Employed is one of our key performance indicators and, as highlighted in our September 2017 Capital Markets Day, Keller has an aspiration to generate a ROCE of 20% (2016 ROCE stood at 15% and the average over the last five years is 16%). We have reflected on this and have concluded that ROCE would be an appropriate measure to include as a third measure in the PSP for future awards.

Part of our decision was based on the fact that we have extended participation in the PSP in 2016 to a broader group of around 70 senior managers and ROCE is a measure that we use internally and provides good line of sight for participants.

We propose to keep the weight on EPS at 50% and reduce the weight on TSR from 50% to 25% with 25% now being based on ROCE.

Consistently with the approach taken for EPS, we intend to measure ROCE on an average basis over the three-year performance period. Our intention is that the target ranges for ROCE should be applicable through the cycle. We therefore envisage using a threshold level of performance of 14% and a maximum of 20%, in line with our aspiration to generate a ROCE of 20%.

Annual statement from the Chairman of the Remuneration Committee continued

We also took the opportunity to review our TSR comparator group and our approach for measuring TSR. The Committee concluded that, although Keller's market capitalisation now stands just below the FTSE 250, given Keller's size and complexity (Keller's revenues are towards the upper quartile of the FTSE 250 and it employs 10,000 staff in over 40 countries), the FTSE 250 remains a relevant comparator group. The Committee therefore determined to keep the FTSE 250 as comparator group, excluding investment trusts and now also excluding financial services. As the PSP has been extended to senior executives, following feedback from management, the Committee determined to measure TSR on a ranked basis rather than outperformance of the index, as it is easier to understand for participants.

Full details of the PSP measures, weight and targets are set out on page 75 of the Annual remuneration report.

Increase PSP opportunity to realign with market levels and offer adequate long-term focus

There has been no change in incentive levels (bonus or PSP) at Keller in the last 10 years despite Keller's increased size and complexity as outlined earlier. We propose that the maximum PSP award granted is increased from 100% of base salary to 150% of base salary. Our intention is to make awards in 2018 of 150% of base salary for the CEO, 125% of base salary for the CFO and 75% for the Engineering and Operations Director.

The Committee is mindful of the sensitivity surrounding executive pay. Our historical pay-out shows that the Committee has a track record of setting robust targets with average bonus pay-out at 38% of the maximum opportunity over the last eight years and average PSP pay-out of 37% of the maximum opportunity over the same period.

Further alignment with shareholders

The Committee is also proposing to introduce a two-year holding period following the vesting of PSP awards.

We propose to increase the annual bonus deferral from a deferral of any bonus above 100% of salary into shares for three years (the current approach) to a straight deferral of 25% of any bonus earned into shares for two years. This will simplify the design and further increase the long-term focus. The deferral period will align with the holding period of the PSP.

We will also increase the shareholding guideline from 100% to 200% of base salary for all Executive Directors.

Shareholder engagement

In 2017 and early 2018, the Committee consulted extensively with our largest shareholders and their representative bodies on the development of our Remuneration Policy. We were very encouraged 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.

Our shareholders have been supportive towards our overall proposed approach. In particular, we received widespread support for our proposals to: increase the maximum PSP award grant from 100% of base salary to 150% of base salary; introduce a two-year holding period following the vesting of PSP awards; to increase the annual bonus deferral from a deferral of any bonus above 100% of salary into shares for three years (the current approach) to a straight deferral of 25% of any bonus earned into shares for two years; and to increase the shareholding guideline from 100% to 200% of base salary for all Executive Directors.

We also received useful feedback on the proposed application of ROCE as a third financial measure in the PSP for future awards which was taken into account in setting a target range for ROCE applicable through the cycle.

2018 Salary review

The base salaries of Alain Michaelis, James Hind and Venu Raju were increased by 2.5% in line with general pay increases of 2.5% awarded across the group.

Remuneration advisers

During the first half of the year the Committee retendered its contract for remuneration advisory services. After meetings and discussions with four advisory services firms, including the prior incumbents Kepler, the Committee appointed Deloitte as the Company's independent remuneration adviser with effect from 31 July 2017.

2018 Annual General Meeting

I very much hope that you will support our proposed Remuneration Policy along with our 2017 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.

Paul Withers
Chairman of the Remuneration Committee
26 February 2018

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 2017 as part of its review of the Executive Directors' remuneration policy. We wrote to our largest shareholders and the major shareholder representative bodies in October 2017 to consult on the development of our executive remuneration and, having considered the feedback, we wrote again in January 2018 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. We are grateful to those shareholders who responded and are satisfied that, having taken into account the feedback received, we have developed an appropriate way forward.

This policy will be put to shareholders for approval at the AGM to be held on 23 May 2018. The policy is intended to apply, subject to shareholder approval, for three years from 1 January 2018. 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 2018 AGM.

Remuneration Policy main changes

As indicated in the Chairman's letter, the Committee believes that to align with the strategy set out by our CEO in 2015, management should be incentivised over the long term and have meaningful shareholding and Keller needs to provide competitive remuneration in order to attract and retain the talent required to implement the strategy.

Summary of our proposed changes and rationale:

Increase PSP opportunity to provide competitive levels geared towards long-term performance

- Reduce the competitive gap that has developed in the 10 years since incentive levels were last increased. During that time, Keller's revenues have doubled to £2.1 billion, the number of employees has tripled to over 10,000 and Keller now operates in over 40 countries. We are proposing to increase the maximum PSP award from 100% of base salary to 150% of base salary for the CEO, 125% of base salary for the CFO and from 75% of base salary to 100% of base salary for the Engineering and Operations Director.

Further align with shareholders

- Increased shareholding requirement from 100% to 200% of base salary;
- Introduction of a two-year holding period following the end of the three-year performance period of the PSP; and
- Increased bonus deferral from a deferral of any bonus above 100% of salary (the current approach) to a straight deferral of 25% of any bonus earned for two years.

We have made other small editorial changes notably reflecting that the PSP awards is now based on three metrics.

Summary of our remuneration policy

Base salary and benefits	Competitive fixed compensation
Annual bonus	Maximum: 150% of base salary Reward for achievements against profit and working capital targets which are key financial metrics and individual objectives linked to other strategic objectives
Performance Share Plan	Maximum: 150% of base salary Reward for achievements against EPS and ROCE targets which are key financial metrics and relative TSR which rewards outperformance of alternative investment
Shareholder aligned	Shareholding requirement: 200% of base salary 25% of bonus deferred in shares for two years PSP vested shares to be retained for a further two years Malus and clawback provisions apply to bonus, deferred bonus and PSP
Internally consistent	The Remuneration Committee oversees pay structure for senior managers who are eligible to bonus and PSP. The Committee also receives information on broader employee pay and incentives across the group.

Executive Directors' Remuneration Policy table

There are five main elements of the remuneration package for Executive Directors: base salary, benefits, pension, annual bonus, and performance share plan. The table below summarises these elements, how they link to strategy and how they operate.

The policy is designed to provide market competitive pay, ensuring a strong link between pay and performance, strong alignment with shareholders and long-term focus.

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 notably takes account of: – 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	Determined having considered market practice for relevant roles in similar size international companies. Whilst there is no prescribed maximum level of salary, increases are normally not expected to exceed average increases for the wider workforce taking into account relevant geography. Larger increases could be awarded in circumstances where there is a significant increase in the complexity, scope or responsibility of the role or in the case of appointment at a level lower than a predecessor and/or market level with a view to increase over time. Current base salaries are set out in the Annual remuneration report.
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: – A company car or a car allowance; – Private health care; and – 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, reasonable relocation expenses may be provided, which may include but which are not limited to: removal costs, housing allowance, immigration assistance, reallocation and 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	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. 25% of any bonus earned is deferred into Company shares for two years. 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. Malus and clawback may be applied in the event of financial misstatement, serious reputational damage, or material misconduct in individual cases. Malus provisions allow the Committee to reduce (partly or wholly) bonus payout or share awards granted under the deferred bonus. Clawback may apply to the cash bonus and deferred bonus for a period of two years following the end of the performance period.
Performance	The annual bonus is predominantly based on delivering financial performance (usually 80%) and may include for example financial measures such as underlying profit before tax ('PBT') and working capital management. 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 normally determined broadly on a straight-line basis. Around 20% of the bonus is usually based on personal performance which is assessed by the Committee. The measures are reviewed by the Committee each year and will be explained in the annual report on remuneration. 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. The Committee also has discretion to adjust the bonus outcomes (cash bonus and deferred bonus) if it determines this is needed to achieve an appropriate outcome having considered the broader performance of the Company and/or the individual. This could for example 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.
Opportunity	The maximum annual bonus potential for Executive Directors is up to 150% of base salary.

Long-term variable remuneration	
Keller Long-Term Incentive Plan: Performance Share Plan	
Purpose and link to strategy	Focuses on delivering sustainable performance for the Company over the long term.
Operation	Subject to a performance period of at least three years with a subsequent mandatory two-year holding period making it a five-year plan. Dividends or dividend equivalents may accrue during the five-year period. Malus and clawback may apply in the event of financial misstatement, serious reputational damage, or material misconduct in individual cases. These provisions provide the Committee with 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 the end of the performance period.
Performance	The performance measures and targets are determined at the start of each performance period in line with the Company's financial and strategic objectives. Vesting of PSP awards is subject to performance against relevant share price and/or financial performance measures as determined by the Committee. For 2018, the PSP awards are based on: – Earnings per Share (EPS) with a weighting of 50%; – Total Shareholder Return (TSR) with a weighting of 25%; and – Return on Capital Employed (ROCE) with a weighting of 25%. The Committee may amend performance measures and weightings for future awards to reflect the prevailing strategic objectives of the Company. Material changes will be subject to prior consultation with shareholders.
Opportunity	The maximum annual award limit in each financial year is 150% of base salary. Individual award levels may vary and will be set out in the relevant Annual remuneration report. For 2018, the CEO will receive an award of 150% of base salary, the Finance Director an award of 125% of base salary and the Director of Engineering and Operations an award of 75% of base salary. In exceptional circumstances (for example recruitment or retention) the Committee may make awards of up to 200% of base salary. For threshold performance, 25% of the award will vest. For maximum performance, 100% will vest. Vesting will normally operate on a straight-line basis.

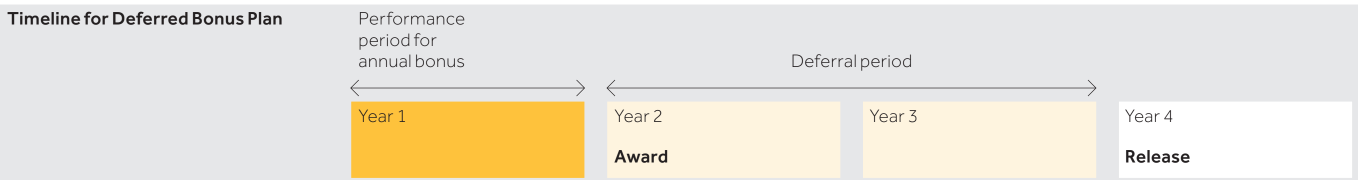
Shareholding guidelines
Purpose: aligns interests of Executive Directors with those of shareholders.

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.

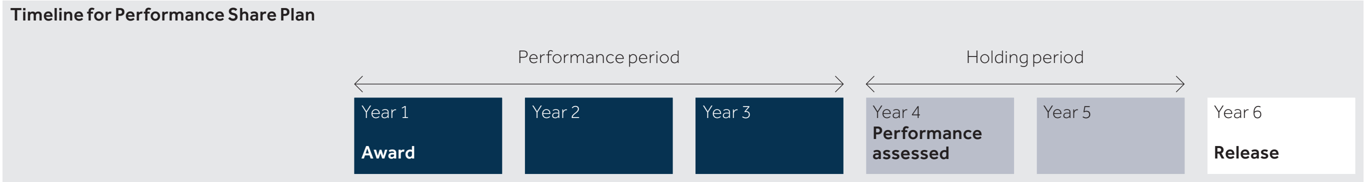
Minimum shareholding guideline for Executive Directors is 200% of (pre-tax) base salary.

Notes to the Policy Table:
The Committee believes that incentive metrics should be simple and aligned with the delivery of the annual business plan and with long-term sustainable growth.

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 performance assessed by the Committee allows the 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.



Performance Share Plan
– The Committee believes that the measures for 2018 awards (EPS, TSR and ROCE) provide a balance of performance measures aligned with strategic delivery. The Committee also has flexibility to adopt different measures to support the strategy as and when it evolves.
– From 2018, relative TSR performance will be measured by ranking against FTSE250 companies (excluding investment trusts and financial services). Under a ranked approach, a threshold vesting will be for median performance against the comparator group; maximum vesting for upper quartile performance (or above) against the comparator group. Straight-line vesting between these points. For relative TSR, we measure and rank growth based on the data points at the end of the performance period compared with those at the beginning of the period.
– Underlying EPS is considered as an important indicator of the revenue growth and profitability and is a simple and well-understood measure. 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.
– ROCE is one of our key performance indicators well-understood and used internally to drive profitability. Targets are set taking into account our aspirations of ROCE improvement, as well as historical performance. Whilst EPS targets are set for each award, it is the Committee's intention that ROCE targets should be set through the cycle, so that participants may be rewarded for achieving acceptable levels of returns with maximum awards only available for meeting our aspirational targets.



Prior commitments
The Committee reserves the right to make any remuneration payments and/or payments for loss of office (including the exercise of any discretions available to it in connection with such payments) notwithstanding that they are not in line with the Policy where the terms of the payment were (i) agreed before the 2014 AGM (when the Company's first shareholder-approved Directors' Remuneration Policy came into effect); (ii) before the Policy came into effect, provided that the terms of the payment were consistent with the shareholder-approved Directors' Remuneration Policy in force at the time they were agreed; and (iii) at a time when the individual to whom the payment is made was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company.

For these purposes, 'payments' include the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are agreed at the time the award is granted.

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.
- Awards may also be adjusted in the event of any variation of the Company's share capital or any demerger, capital distribution or other event that may materially impact the Company's share price.

The Committee has discretion in several areas of policy as set out in this Report. The Committee may also exercise operational and administrative discretions under relevant plan rules approved by shareholders as set out in those rules. In addition, the Committee has the discretion to amend the Policy with regard to minor or administrative matters where it would be, in the opinion of the Committee, disproportionate to seek or await shareholder approval.

Pay for performance scenarios

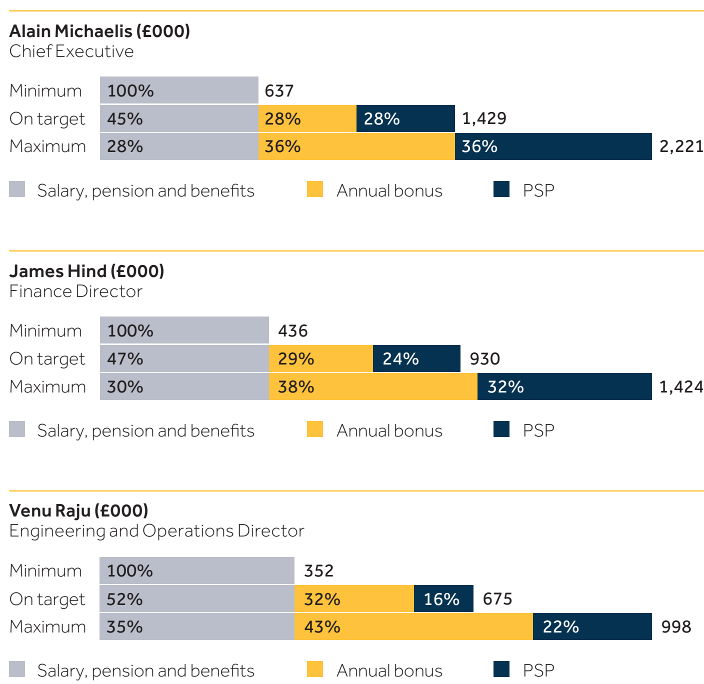
The charts provide an illustration of the potential future reward opportunities for the Executive Directors, and the potential split between the different elements of remuneration under three different performance scenarios: 'Minimum', 'On-target' and 'Maximum'. Illustrations are intended to provide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

Potential reward opportunities are based on Keller's Remuneration Policy applied from 1 January 2018 excluding the impact of any share price movement and dividend accrual during the performance period.

The 'minimum' scenario reflects base salary, pension and benefits (ie 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.



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 the 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
Keller Long Term Incentive Plan	New appointees may be granted awards under LTIP on the same terms as other Executives, as described in the policy table.	200% of salary (exceptional maximum)

In addition, the Committee may offer appropriate compensation 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.

In making any decision on the remuneration of a new Director, the Committee would balance shareholder expectations, current best practice and the circumstances of any new Director. It would strive not to pay more than is necessary to recruit the right candidate and would give full details in the next remuneration report.

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 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. From 16 April 2018, Venu Raju's service contract is with Keller Group plc.

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 rules of the share plans set out the treatment of specific categories of leavers as set out below. In other cases where an executive leaves employment, the Committee will consider the specific details of each case before determining whether to award Good Leaver status.

Injury/Ill-health/Disability: deferred bonus share awards vest in full. To the extent that performance conditions are met, PSP awards are pro-rated for service during the performance period and released at the normal vesting date.

Death, or sale of employing entity out of the group: deferred bonus share awards vest in full on cessation of employment. PSP awards will be pro-rated for service during the performance period and taking into account the extent to which performance conditions have been achieved at the relevant date, but released early.

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'.

For good leavers, deferred bonus awards will normally vest in full at the normal vesting date and PSP awards will normally continue until the normal vesting date or the end of the holding period although the Committee may allow awards to vest (and be released from any holding period) as soon as practicable after leaving where appropriate. The award will vest taking into account the extent to which performance conditions have been satisfied and, unless the Committee determines otherwise, the period of service during the performance period.

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.

The Committee reserves the right to make any other payments in connection with a Director's cessation of office or employment where the payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement of any claim arising in connection with the cessation of a Director's office or employment or for any fees for outplacement assistance and/or the Director's legal and/or professional advice fees in connection with his cessation of office or 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 are only entered into where the Committee believes that it is in the best interests of the Company and its shareholders to do so.

Change of control

In the event of a change of control, the Committee will determine the appropriate treatment of unvested PSP awards, taking into account all relevant factors at the time, including performance achieved up to the change of control date and the period of time elapsed since the grant of the award. Deferred shares earned under the annual bonus plan would vest in full.

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 2017.

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 for long-term share awards. 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.

Non-executive Director remuneration

The remuneration of the Non-executive Directors is determined by the Board annually within the limits set out in the Articles of Association. When setting the fee levels consideration is given to market practice for companies of similar size and complexity. The Chairman receives an all-inclusive fee. Non-executive Directors receive a basic fee and additional fees may be payable for chairing a committee or performing the role of Senior Independent Director. The Non-executive Directors' fees are non pensionable and Non-executive Directors are not eligible to participate in any incentive plans.

The Chairman and Non-executive Directors will be reimbursed by the Company for all reasonable expenses incurred in performing their duties. This may include costs associated with travel where required and any tax liabilities payable.

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.

Fees for a new Non-executive Director will be set according the principles set out above.

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

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	£49,000 p.a. Plus £8,000 p.a. (Senior Independent Director)
Chris Girling	28 February 2011 (renewed on 28 February 2017) Renewal due: 28 February 2018	£49,000 p.a. Plus £8,000 p.a. (Chairman of Audit Committee)
Nancy Tuor Moore	26 June 2014 (renewed on 26 June 2017) Renewal due: 26 June 2020	£49,000 p.a. Plus £8,000 p.a. (Chairman of HSEQ Committee)
Eva Lindqvist	1 June 2017 Renewal due: 1 June 2020	£49,000 p.a.

Annual remuneration report

The following section provides details of how Keller's remuneration policy was implemented during the financial year ended 31 December 2017.

Single total figure of remuneration for Executive Directors (audited)
The table below sets out a single figure for the total remuneration received by each Executive Director for the financial years ended 31 December 2016 and 2017:

	Alain Michaelis		James Hind		Venu Raju[1]	
	2017 £000	2016 £000	**2017 £000**	2016 £000	**2017 £000**	2016 £000
Salary	**515**	515	**351**	351	**280**	–
Taxable benefits[2]	**16**	16	**13**	13	**20**	–
Pension benefits[3]	**93**	93	**63**	63	**50**	–
Annual Bonus[4]	**457**	91	**306**	62	**236**	–
PSP[5]	**346**	–	**233**	0	**37**	–
Total	**1,427**	715	**966**	489	**623**	–

1 Venu Raju was appointed as Group Engineering and Operations Director as of 1 January 2017.
2 Taxable benefits consist primarily of a car allowance of £15,000 for Alain Michaelis, £12,000 for James Hind and S$36,000 for Venu Raju (converted using an average rate of 1.78) respectively; private health care; life assurance; and long-term disability insurance.
3 Represents cash in lieu of pension for Alain Michaelis and James Hind and for Venu Raju – company contributions to the Central Provident Fund (CPF) and cash in lieu as a supplement.
4 Represents cash bonus paid for 2017 performance year, no deferral.
5 The amounts reported for 2017 relate to the 2015 awards, which will vest in March 2018. The value is calculated as the product of: the gross number of shares of the original award plus accrued dividend shares; the vesting percentage; and the average share price for Q4 2017 of 941p.

Total pension entitlements (audited)
Alain Michaelis, James Hind and Venu Raju receive a cash supplement of 18% of salary, which has been included in the single figure table. A proportion of the 18% of Venu Raju's pension supplement is contributed into the Central Provident Fund (CPF), which is a compulsory comprehensive savings plan in Singapore.

Payments to past Directors
Dr Wolfgang Sondermann stepped down as a Director of the Company with effect from 31 December 2016, and was employed by Keller Holding GmbH in Germany until 30 April 2017. For this period, he received a base salary of €151,300 (£132,719) and benefits of €64,655 (£56,715).

On 4 March 2016, Wolfgang Sondermann received a PSP award with a performance period of 1 January 2015 to 31 December 2017, which is expected to vest in March 2018 at 33.9%. The estimated value at vesting of the PSP shares is €107,767 (using 4Q 2017 average share price of 941p and 1.14 exchange rate), following pro-rating. As previously disclosed in the 2014 Annual Report, the shares will not be released to Wolfgang until March 2019 to reflect the full three years from the grant of the award. Wolfgang did not receive any share award in respect of the 2016–2019 performance period. The 2014 PSP awards with performance period ending in 2016 did not vest.

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

2017 Annual Bonus outcomes
Overall, annual performance was encouraging with underlying profit before tax increasing by 16%, however working capital as percentage of revenue deteriorated. The 2017 annual bonus outcomes reflect this performance, with the Committee determining that 64.2% of the maximum annual bonus opportunity should pay for achieving the profit target and no bonus should be payable for working capital.

Progress against personal strategic objectives, which are aligned to the Company's five strategic levers was encouraging for all Executive Directors. Further details of the personal strategic objectives and the outcomes are provided in the table on page 70.

The financial targets and personal strategic objectives, together with the actual performance achieved against each target and resulting bonuses, are set out on pages 70 and 71.

2017 Annual Bonus										
Measures	2017 measurement ranges and outcome				Bonus as % of salary					
					Alain Michaelis		**James Hind**		**Venu Raju**	
	Threshold 0%	Target 50%	Maximum 100%	Performance outcome[1]	Max	Outcome	Max	Outcome	Max	Outcome
Group PBT, £m	85.5	95.0	104.5	**97.7**	100%	64.2%	100%	64.2%	100%	64.2%
Group Working Capital as % of last three months' revenue	43%	39%	35%	**43%**	20%	0%	20%	0%	20%	0%
Total group measures					**120%**	**64.2%**	**120%**	**64.2%**	**120%**	**64.2%**
Personal strategic objectives					30%	24.5%	30%	23%	30%	20%
Total Bonus					**150%**	**88.7%**	**150%**	**87.2%**	**150%**	**84.2%**
Base salary						£515,000		£350,500		£280,000
Bonus awarded						**£456,805**		**£305,636**		**£235,760**

1 At 2017 budget exchange rates before non-underlying items.

Personal strategic objectives

Personal strategic objectives are measurable deliverables that are specific to the individual and focused on supporting the delivery of Keller's key strategic levers. Each Executive Director had five broad objectives aligned to the strategic levers, with each of the five having a number of sub-objectives. Overall, each Executive Director had a target achievement which equates to 15% of base salary to a maximum of 30% of base salary.

Performance measures	Actual performance	Outcome
Alain Michaelis		**24.5%**
Foundations for further growth: To rebuild a value-added M&A pipeline and execute successfully; successfully develop new product strategies to reduce operating costs and increase market penetration; to grow the order book, and ensure satisfactory execution of major projects.	Successfully achieved the development of an M&A pipeline; successful development and execution of a major product strategy which will drive market penetration and improve efficiencies; successfully grew the order book by while maintaining bid margins.	Above target
Lead 2017 business improvement and customer penetration: To drive improvement plans for underperforming business units; to put in place effective strategies and value-driven strategic plans for all business units; to improve group safety accident frequency rate and personally engage in safety leadership	Good progress on all counts with further improvement opportunities identified in respect of the remaining underperforming businesses; excellent progress on underlying safety with Keller's lowest ever accident frequency rate.	Above target
Reinforce functional leadership leverage the expertise of the group: Successfully complete the introduction of functional expertise across the group, including in HR, strategy, technology, procurement, IT and legal; successfully oversee the establishment of a new group-wide internet and intranet; and realise a quantified overall saving in group procurement costs.	Good progress in all areas but with some further improvements to be achieved; targeted overall saving in group procurement costs achieved in full.	Above target
Engineering and Operations: Reduce contract risk and drive margin enhancement through improvement in project lifecycle management; deliver an improved design and quality management process across Keller; drive global product teams to deliver measurable annual savings through enhanced design and working; drive measurable equipment savings by leveraging asset utilisation across Keller as a whole.	Around target on all metrics, but with further improvements to be achieved across a number of the global product teams; group-wide measurement system for measuring equipment utilisation introduced with benefits to accrue in 2018.	Target
Leadership and people: Demonstrably continue to show leadership across Keller, fully establishing and setting objectives for the Executive Committee and driving this down to the newly formed Group Leadership Team, bringing this together through a successful Leadership Conference and driving 'One Keller'; complete the upskilling of the Executive Committee in its functional members; inaugurate and successfully execute Keller's 2017 Capital Markets Day with positive shareholder feedback on it.	Fully achieved the successful leadership and development of the Group Leadership Committee, and delivered a successful Capital Markets Day to positive shareholder feedback	Maximum

Performance measures	Actual performance	Outcome
James Hind		**23%**
Further improve reporting of management information:		
To establish trusted management reporting dashboards for equipment and the materials business units; review the group's cost recharging methodology and issue new guidance; and improve management's capabilities in forecasting in APAC.	Good progress on most counts with successful introduction of new equipment management information and reporting dashboards resulting in greater oversight and increased understanding of divisional productivity.	Above target
Progress functional development of Procurement and IT:		
To establish and implement a global IT leadership structure; agree an appropriate approach to procurement category strategies and achieve procurement-led business improvement financial targets.	Greatly improved IT leadership structure with consequent improvements to the robustness of Keller's IT control environment; identified procurement strategies aligned to maturity of each division; exceeded targeted overall savings in procurement costs.	Above target
Invest more in people in finance:		
To successfully execute Group Finance Conference; develop succession plans for key roles; establish and implement optimal resourcing level for investor relations; contribute to and execute Keller's 2017 Capital Markets Day with positive shareholder feedback on it.	Good progress in most areas; in particular, successful Group Finance Conference with positive delegate feedback and achieved a successful Capital Markets Day.	Above target
Avonmouth:		
To achieve a satisfactory outcome in selling the warehouse property and negotiate successful insurance recoveries on the Avonmouth project.	Excellent result in achieving disposal of the warehouse property at above expected sale price, delivering an exceptional profit of £8m reported in the 2017 interim results; exceeded targets in achieving negotiated insurance recoveries of around £12m.	Maximum
Business unit performance:		
To successfully execute improvement plans for underperforming business units.	Good progress with further improvement opportunities identified in respect of the remaining underperforming businesses.	On target
Venu Raju		**20%**
Global Product Teams:		
To continue the development of the group's Global Product Teams, including the creation of product strategies and strengthening the teams' connections with the business and achieve product team-led business improvement financial targets.	Successfully strengthened Global Product Teams and oversight capability in this area; strategies for Global Product Teams achieved with further improvements identified for 2018; met targeted overall savings.	Above target
Operations:		
To establish the group's digital acquisition systems approach by the third quarter of 2018; provide active operational support and oversight to ensure satisfactory execution of the group's largest projects; contribute to and deliver a successful 2017 Capital Markets Day.	Progress in all areas but with further improvements to be achieved with regard to the satisfactory execution of the group's largest projects; achieved a successful Capital Markets Day.	Target
Equipment:		
To support and lead the on target performance of the Equipment function and drive good progress on equipment strategy and driving improved utilisation numbers; achieve equipment-led business improvement financial targets.	Good progress on all counts with successful introduction of new monthly management information and reporting dashboards resulting in greater oversight and increased understanding of divisional productivity. Successfully achieved equipment-led business improvement financial targets.	Above target
Engineering:		
To develop a strategy for design competencies development and successfully launch; to define approach to project lifecycle management and roll out improvements; targeted reductions from loss making contracts; successfully launch a global Project Manager Academy.	Excellent results with approach to design processes developed and rollout started; project lifecycle management approach defined; Project Managers' Academy launched with very positive feedback from participants.	Maximum
Keller equipment manufacturing:		
To accelerate innovation/product development and foster better communication with and service of the business units' needs.	Good progress in strengthening both the product innovation and service teams and improving manufacturing efficiency with further improvement opportunities identified.	Target

2015-2017 Performance Share Plan ('PSP') outcomes (audited)

Based on EPS and TSR performance over the three years ended 31 December 2017, the Performance Share Plan Awards made in 2015 will vest as follows:

2015-2017 Performance Share Plan

Measures	Vesting schedule and outcome				
	% of award that will vest				
50% weight	**0%**	**25%**	**100%**	**Outcome**	**Vesting %**
Three-year Earnings per share (EPS) CAGR[1]	Below 5%	5%	15%	EPS annualised growth rate was 10.7%	33.9%
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					**33.9%**

1 EPS is before non-underlying items.
2 Excluding investment trusts.

As a result, the 2015 awards will vest.

Executive Director	Shares awarded	Shares vesting including dividends	Value of vested shares[1] £000
Alain Michaelis	98,103	36,791	346
James Hind	65,957	24,736	233
Venu Raju[2]	10,449	3,919	37

1 The market price used to calculate the value is average price for last quarter of 2017 of 941p.
2 In 2015, prior to his appointment to the Board, Venu Raju was granted a conditional award under the PSP, which had the same performance conditions as the awards to other Executive Directors.

Scheme interests awarded in 2017 (audited)

2017-2019 Performance Share Plan ('PSP')

The three-year performance period over which performance will be measured began on 1 January 2017 and will end on 31 December 2019. Awards will vest in March 2020, subject to meeting performance conditions. Awards were made as follows:

Executive Director	Date of grant	Shares over which awards granted	Market price at award, p[1]	Face value at threshold (£000)	Face value at maximum (£000)	Performance period
Alain Michaelis	3 March 17	58,590	879.00	129	515	1 Jan 17–31 Dec 19
James Hind	3 March 17	39,880	879.00	88	351	1 Jan 17–31 Dec 19
Venu Raju	3 March 17	23,900	879.00	53	210	1 Jan 17–31 Dec 19

1 The average of the daily closing price per share on the three business days following the announcement of the Company's results for the year ended 31 December 2016.

Vesting of the 2017-2019 PSP Awards is subject to achieving the following performance conditions:

2017-2019 Performance Share Plan

Measures	Vesting schedule		
	% of award that will vest		
50% weight	**0%**	**25%**	**100%**
Cumulative Earnings per share (EPS) over three years[1]	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.

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 2017 is set out below.

None of the Directors has a beneficial interest in the shares of any other group company. Since 31 December 2017, there have been no changes in the Directors' interests in shares.

Director	Ordinary shares at 31 December 2017	Ordinary shares at 31 December 2016
Alain Michaelis	**23,508**	23,508
James Hind	**158,685**	158,685
Venu Raju	**40,771**	40,771
Ruth Cairnie[1]	**–**	6,000
Chris Girling	**3,000**	3,000
Peter Hill	**16,000**	16,000
Paul Withers	**30,000**	20,000
Nancy Tuor Moore	**–**	–
Eva Lindqvist[2]	**–**	–

1 Ruth Cairnie resigned from the Board on 11 May 2017.
2 Eva Lindqvist joined the Board on 1 June 2017.

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 2017.

	Shares held	Options held			
	Owned outright or vested	Unvested and subject to performance conditions	Vested but not exercised	Shareholding guideline % salary/fee	Current shareholding %[1] salary/fee
Alain Michaelis	**23,508**	**219,883**	0	100%	44%
James Hind	**158,685**	**148,843**	0	100%	441%
Venu Raju	**40,771**	**46,672**	0	100%	142%

1 Reflects closing price on 31 December 2017 of 973p.

Supplementary information on Directors' remuneration

Outstanding PSP awards

Details of current awards outstanding to the Executive Directors are detailed in the table below:

	At 1 January 2017[1,2]	Granted during the year	Vested in year	Lapsed during the year	At 31 December 2017	Exercise price (per exercise)	Date from which exercisable	Expiry date
Alain Michaelis								
20 May 2015	98,103	–	–	–	98,103	n/a	20/05/18	19/11/18
4 March 2016	63,190	–	–	–	63,190	n/a	04/03/19	03/09/19
3 March 2017	–	58,590	–	–	58,590	n/a	03/03/20	02/09/20
James Hind								
7 March 2014[3]	28,232	–	–	28,232	–	100.0p	07/03/17	06/09/17
6 March 2015	65,957	–	–	–	65,957	n/a	06/03/18	05/09/18
4 March 2016	43,006	–	–	–	43,006	n/a	04/03/19	03/09/19
3 March 2017	–	39,880	–	–	39,880	n/a	03/03/20	02/09/20
Venu Raju								
7 March 2014[3]	9,437	–	–	9,437	–	100.0p	07/03/17	06/09/17
6 March 2015[4]	10,449	–	–	–	10,449	n/a	06/03/18	05/09/18
4 March 2016[4]	12,323	–	–	–	12,323	n/a	04/03/19	03/09/19
3 March 2017	–	23,900	–	–	23,900	n/a	03/03/20	02/09/20
Former Director								
Wolfgang Sondermann								
7 March 2014[3]	30,453	–	–	30,453	–	100.0p	07/03/17	06/09/17
4 March 2016[5]	34,438	–	–	–	34,438	n/a	04/03/19	03/09/19

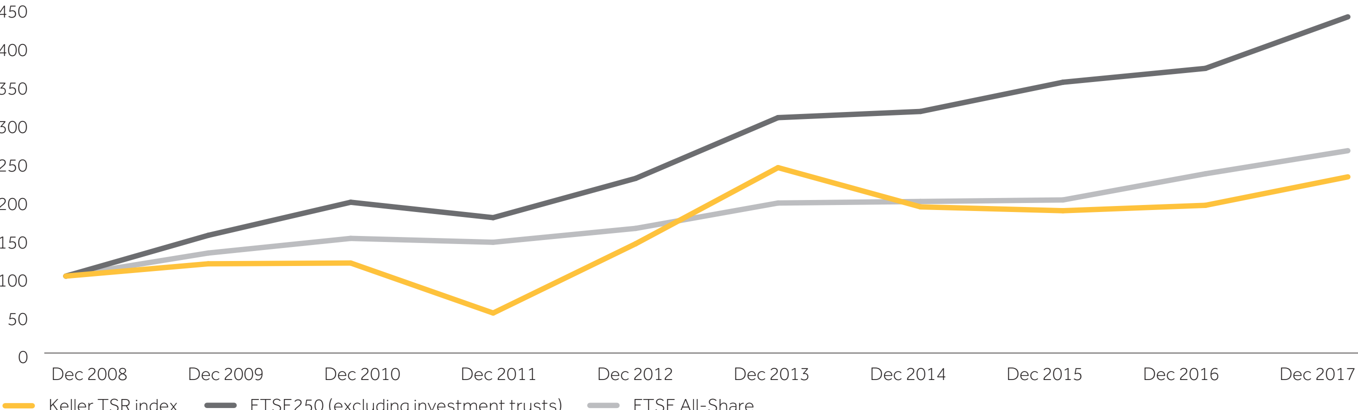
1 For awards under the 2014, 2015 and 2016 plans, performance conditions are measured 50% on TSR outperformance of the FTSE250 excluding investment trusts and 50% on EPS CAGR over three years of the performance period. Each performance period ends on 31 December of the third year.
2 For awards under the 2017 plan, performance conditions are measured 50% on TSR outperformance of the FTSE250 excluding investment trusts and 50% on cumulative EPS over three years of the performance period, which ends on 31 December 2019.
3 The 2014-2016 PSP awards lapsed on 7 March 2017.
4 Prior to his appointment to the Board, Venu Raju was granted conditional awards under the PSP, which had the same performance conditions as the awards to Executive Directors.
5 Wolfgang Sondermann's 2016 award's performance period is 2015-2017, as explained on page 69.

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 PSP awards.

This graph shows the growth in value of a hypothetical £100 holding in Keller Group plc. ordinary shares over 10 years, relative to a hypothetical £100 holding in the FTSE250 and FTSE All-Share Indices.

Historical TSR performance
Growth in the value of hypothetical £100 holding over the 10 years to 31 December 2017 (£)



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

	2009	2010[1]	2011[1]	2012	2013	2014	2015[2]	2016	**2017**
CEO single figure of remuneration (£000)	891	550	562	951	1,870	1,630	1,420	715	**1,427**
Annual bonus as a % of maximum opportunity	42%	0%	0%	57%	84%	22%	85%	12%	**59%**
PSP vesting as a % of maximum opportunity	31%	0%	0%	0%	100%	100%	67.3%	0%	**67%**

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 2017 to 2016	Salary	Benefits	Bonus
% change in CEO remuneration	0%	0%	404%
% change in comparator group remuneration[1]	7%	0%	65%

1 The comparator group comprises population of Keller UK employees 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 (ie dividends) and total employee pay expenditure for the financial years ended 31 December 2016 and 31 December 2017, along with the percentage changes.

	2017 £m	2016 £m	% change
Distribution to shareholders[1]	**21.2**	20.5	3.4%
Remuneration paid to all employees[2]	**525.9**	469.9	11.9%

1 The Directors are proposing a final dividend in respect of the financial year ended 31 December 2017 of 34.2p 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 2018

2018 Base Salary

The Committee noted that salary increases for UK-based employees across the group were generally around 2.5%. Effective from 1 January 2018, the base salaries were increased to £528,000 (+2.5%) for Alain Michaelis, CEO, £359,300 (+2.5%) for James Hind, Finance Director and £287,000 (+2.5%) for Venu Raju, Group Engineering and Operations Director.

Benefits for 2018 will remain broadly unchanged from prior years.

2018 Annual Bonus

For 2018, 80% of Executive Directors' bonus will be based on group financial results and 20% will continue to be based on personal strategic objectives. The 2017 performance measures will continue to apply: Profit before tax (PBT), an important indicator of the Company's financial and operating performance and working capital ratio as a percentage of revenue, a more operational measure. 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 2018 Annual remuneration report to the extent that they are no longer considered commercially sensitive.

25% of any bonus earned will be deferred into Company shares for two years, subject to the approval of the 2018 Remuneration Policy at the AGM.

2018-2020 Performance Share Plan

Shares will be awarded in May 2018 subject to the approval of the 2018 Remuneration Policy and the Keller Long Term Incentive Plan at the AGM. Subject to receiving these approvals, the awards will be granted as follows: 150% of salary for Alain Michaelis, 125% of salary for James Hind and 75% of salary for Venu Raju.

The 2018-2020 PSP performance conditions will be assessed over three years based on the following measures: Total Shareholder Return (TSR) (25% weight), cumulative Earnings per Share (EPS) (50% weight), and will also include a third measure – Return on Capital Employed (ROCE) (25% weight), putting greater focus on capital efficiency. These measures strongly align potential payout under the PSP with Keller's strategic priorities.

From 2018, relative TSR performance will be measured by ranking against FTSE250 companies (excluding investment trusts and financial services). Under a ranked approach, a threshold vesting (resulting in 25% of that portion of the award vesting) will be for median performance against the comparator group; maximum vesting for upper quartile performance (or above) against the comparator group. Straight-line vesting between these points.

Return on capital employed will be measured on an average basis over the three-year performance period, with a threshold level of performance of 14% (leading to 25% of that portion of the award vesting) and a maximum of 20%. Straight-line vesting between these points.

These targets have been carefully assessed and the Committee considers them to be appropriately stretching, given the Company's business plans, opportunity set and investor expectations.

In respect of the EPS element, targets will be set prior to the grant of awards following the 2018 AGM (thus allowing the Committee to consider all relevant factors prior to determining the awards). The actual targets will be disclosed when awards are granted as well as in the 2018 Remuneration report.

Chairman and Non-executive Director fees

With effect from 1 January 2018, the basic fee payable to each Non-executive Director was increased by 2% to £49,000 per annum. An additional payment of £8,000 is made to those Non-executive Directors who additionally act as Chairman of a Committee and the Senior Independent Director. The Chairman's fee is set at £180,000 per annum with no fee review due until 1 January 2020.

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 2017 and the prior year:

Non-executive Director	**2017** £	2016 £
Ruth Cairnie[1]	**23,100**	54,500
Chris Girling	**55,440**	54,500
Peter Hill[2]	**180,000**	109,153
Eva Lindqvist[3]	**27,965**	–
Nancy Tuor Moore	**55,440**	54,500
Paul Withers	**55,440**	54,500
Total fees	**£397,385**	£327,153

1 Ruth Cairnie retired from the Board on 11 May 2017.
2 Peter Hill was appointed Non-executive Director and Chairman Designate on 24 May 2016, and Chairman on 26 July 2016.
3 Eva Lindqvist was appointed a Non-executive Director on 1 June 2017.

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.

During the year, an external evaluation was carried out on the Committee's performance, facilitated by the Chairman and the Group 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 and the Remuneration Policy at the 2017 AGM:

	Votes for		Votes against		Votes cast	Votes withheld
	Number	%	Number	%	Number	Number
Remuneration report	57,306,309	98.87	655,715	1.13	57,962,024	235,256
Remuneration Policy	54,461,662	93.96	3,500,362	6.04	57,962,024	235,256

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 (until 11 May 2017)
- Eva Lindqvist (from 1 June 2017)
- Chris Girling
- Nancy Tuor Moore
- Paul Withers

During the year, the Committee received assistance from Kerry Porritt (Group Company Secretary), Graeme Cook (Group HR Director) and Irina Kapustina (Head of Reward and Performance) on salary increases, bonus awards, share plan awards and vesting and policy and governance matters. In determining the Executive Directors' remuneration for 2017 and 2018, 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.

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.

During the year, an external evaluation was carried out on the Committee's performance, facilitated by the Chairman and the Group 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.

External advisers
During the year, the Committee received advice from Kepler, a brand of Mercer ('Kepler'), an independent firm of remuneration consultants appointed by the Committee after consultation with the Board. In the first half of 2017, Kepler provided independent advice on remuneration policy and the external remuneration environment and benchmarking data.

Kepler reported directly to the Chairman of the Remuneration Committee and did not advise the Company on any other issues. Kepler's total fees for the provision of remuneration services in 2017 were £18,542 on the basis of time spent.

Following a review of remuneration advisers during 2017, which consisted of a full competitive tender process, Deloitte LLP (Deloitte) was appointed by the Committee as independent adviser to the Committee with effect from 1 August 2017. The Committee is satisfied that Deloitte is and remains independent of the Company and that the advice provided is impartial and objective. Deloitte is a founding member and signatory of the Code of Conduct for Remuneration Consultants, details of which can be found at www.remunerationconsultantsgroup.com.

During the year Deloitte also provided advice to the Group HR Director in respect of its design of the remuneration framework for the group's senior leaders and group share plans. The Committee is satisfied that the provision of these services did not impair Deloitte's ability to advise the Committee independently. Their total fees for the provision of remuneration services to the Committee since appointment to 31 December 2017 were £74,750.

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

Paul Withers
Chairman of the Remuneration Committee
26 February 2018

Directors' report

The Directors present their report together with the audited consolidated financial statements for the year ended 31 December 2017.

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 12 to 41 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 £98.7m (2016: £85.1m), are set out on pages 88 to 124. Statutory profit before tax was £110.6m (2016: £73.9m). The Directors recommend a final dividend of 24.5p per share to be paid on 22 June 2018, to members on the register at the close of business on 1 June 2018. An interim dividend of 9.7p per share was paid on 5 September 2017. The total dividend for the year of 34.2p (2016: 28.5p) will amount to £24.6m (2016: £20.5m).

Going concern and viability statement

Information relating to the going concern and viability statements is set out on pages 39 and 40 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

There were no material post balance sheet events in the period from 1 January 2018 to the date of signing the accounts.

Change of control

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

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

Transactions with related parties

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

Directors and their interests

The names of all persons who, at any time during the year, were Directors of the Company can be found on pages 42 and 43. 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 page 73.

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. The Company's Articles of Association were last amended in May 2017.

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 32 to 38.

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 36 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 2017.

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 (11 May 2017) to buy back up to 7,196,202 Ordinary Shares. The authority remains outstanding until the conclusion of the 2017 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 £2,398,734, equivalent to approximately one-third of the Company's issued share capital (excluding treasury shares) as at 27 February 2017 and to disapply pre-emption rights up to an aggregate nominal amount of £359,810, representing approximately 5% of the Company's issued share capital as at 27 February 2017.

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

Substantial shareholdings
At 26 February 2018, 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 Aberdeen plc	7,088,876	9.85%
Old Mutual Plc	4,242,670	5.96%
Artemis Investment Management LLP	4,232,798	5.88%
Aberforth Partners LLP	3,589,696	5.00%
Schroders plc	3,581,855	4.98%
Franklin Templeton Institutional, LLC	3,557,757	4.96%
Norges Bank	2,874,494	3.99%

Auditors
The Board has decided that KPMG LLP will be proposed as the group's auditors for the year ending 31 December 2018 and a resolution to appoint KPMG LLP will be put to shareholders at the 2018 AGM.

Annual General Meeting
The full details of the 2018 AGM, which will take place on 23 May 2018, are set out in the Notice of Meeting, together with the full wording of the resolutions to be tabled at the meeting.

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
26 February 2018

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

Registered in England No. 2442580

Statement of Directors' responsibilities

Statement of Directors' responsibilities in respect of the Annual Report and the financial statements
The Directors are responsible for preparing the Annual Report and the group and Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare group and Company financial statements for each financial year. Under that law they are required to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and applicable law and they have elected to prepare the Company financial statements in accordance with UK Accounting Standards, including FRS 101 Reduced Disclosure Framework.

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

- Select suitable accounting policies and then apply them consistently;
- Make 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;
- Assess the group and Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern; and
- Use the going concern basis of accounting unless they either intend to liquidate the group or the Company or to cease operations, or have no realistic alternative but to do so.

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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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 group's position and performance, business model and strategy.

The Strategic report (pages 12 to 41) and the Directors' report (pages 77 and 78) have been approved and are signed by order of the Board by:

Kerry Porritt
Group Company Secretary
26 February 2018

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

Registered in England No. 2442580

Independent Auditor's report
to the members of Keller Group plc only

1. Our opinion is unmodified

We have audited the financial statements of Keller Group plc ('the Company') for the year ended 31 December 2017 which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement, company balance sheet and company statement of changes in equity, and the related notes, including the accounting policies in note 1 to both the consolidated financial statements and company financial statements.

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 2017 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were appointed as auditor by the Company before 1994. The period of total uninterrupted engagement is for more than the 23 financial years ended 31 December 2017. We have fulfilled our ethical responsibilities under, and we remain independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview		
Materiality: group financial statements as a whole	£4.5m (2016: £4.2m) 4.6% (2016: 4.9%) of group profit before non-underlying items and tax	
Coverage	94% (2016: 89%) of group profit before non-underlying items and tax	
Risks of material misstatement		**vs 2016**
Recurring risks	Accounting for construction contracts	◀▶
	Carrying value of goodwill	◀▶
	Parent Company financial statements: Valuation of investments and recoverability of intercompany receivables	◀▶

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response

Accounting for construction contracts:
 	
(Construction revenue – £1,835.4 million; 2016: £1,574.3 million)
 	
Refer to page 55 (Audit Committee Report) and page 95 (accounting policy).
	Subjective estimate:
	
	Contract accounting is considered to be a significant audit risk as it requires a high degree of estimation and judgement including: estimation of the total forecast costs of the contract at completion which drives the recognition of revenue and profit on contracts; and assessing the likely outcome of claims and variations.
	
	Error in any of these could result in a material variance in the amount of revenue and profit or loss recognised.
		Our procedures included:
		
		– **Control design and reperformance:** Testing the design and operating effectiveness of controls over contract revenue and related expenditure.
		– **Our sector experience:** We identified contracts with the greatest impact on the group's financial results, including those considered to be high risk due to such factors as known issues on the contract or the nature of work being undertaken. For these contracts we challenged the group's assumptions on costs to complete the contract through enquiries with project managers and agreeing cost estimates to internal forecasts and sub-contracts.
		– **Historical comparisons:** We assessed the reliability of the group's forecasts of costs to complete by considering historical accuracy of their forecasts on completed contracts.
		– **Test of detail:**
		  – For contracts completed by the year end, we assessed subsequent settlement of revenue recognised.
		  – We checked that claims and variations raised against customers were recognised only once agreed with the customer or once there was a valid expectation that the additional revenue would be agreed, in which case we held discussions with in-house legal counsel and inspected project reports submitted to the customer.
		  – We challenged the group's assumptions over the progress of a selection of claims raised against the group by inspecting correspondence with the counterparty and with the group's legal advisers or insurers where applicable.
		– **Disclosures:** We considered the adequacy of the group's disclosures in respect of contract accounting and the accounting estimates.
		
		Our results
		– The results of our testing were satisfactory and we considered the amounts recognised in respect of construction contracts to be acceptable (2016: acceptable).

	The risk	Our response
Carrying value of goodwill: (£159.0 million; 2016: £166.5 million) *Refer to page 55 (Audit Committee Report), page 95 (accounting policy) and page 102 and 103 (financial disclosures).*	**Forecast-based valuation:** There is a risk of impairment of the group's significant goodwill balances due to prolonged downturn or structural change in the relevant construction markets. In particular there is increased risk with respect to: – the balance of £33.5 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; and – the balance of £11.9 million related to ASEAN Heavy Foundations where financial performance has deteriorated significantly over the last two years. 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 and discount rates.	Our procedures included: – **Historical comparisons:** We assessed the reasonableness of the group's revenue and operating margin assumptions by reference to past performance. – **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. – **Benchmarking assumptions:** We challenged 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. – **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. **Our results** – The results of our testing were satisfactory and we considered the carrying amount of goodwill to be acceptable (2016: acceptable).

	The risk	Our response
Parent Company financial statements: Valuation of investments and recoverability of intercompany receivables Investments £364.7 million (2016: £366.1 million) Intercompany receivables £419.1 million (2016: £475.6 million)	**Low risk, high value** The carrying amount of: – the company's investments in subsidiaries held at cost less impairment; and – intercompany receivables represent 99% (2016: 98%) of the company's total assets. We do not consider the valuation of these investments and recovery of intercompany receivables to be at a high risk of significant misstatement, or to be subject to a significant level of judgement. However, due to their materiality in the context of the company financial statements, this is considered to be the area that had the greatest effect on our overall parent company audit.	Our procedures included: – **Test of details:** Comparing the carrying amount of a sample of the highest value investments and intercompany receivables, representing 99% (2016: 99%) of the total investments and intercompany receivables balance with the relevant subsidiaries' draft balance sheet to identify whether their net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount. **Our results** – We found the assessment of the carrying value of investments and the recoverability of intercompany receivables to be acceptable (2016: acceptable).

In our audit report for the year ended 31 December 2016, we also had a key audit matter in respect of the valuation of non-current assets held for sale. As all these have been disposed of by the group during the year ended 31 December 2017, this is not a key audit matter in the current year.

3. Our application of materiality and an overview of the scope of our audit

Materiality for the group financial statements as a whole was set at £4.5 million (2016: £4.2 million), determined with reference to a benchmark group profit before non-underlying items and tax, of £98.7 million (2016: £85.1 million), of which it represents 4.6% (2016: 4.9%).

Materiality for the parent company financial statements as a whole was set at £3.4 million (2016: £3.2 million), determined with reference to a benchmark of company total assets of £790.8 million (2016: £858.1 million), of which it represents 0.4% (2016: 0.4%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.2 million (2016: £0.2 million), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the group's 47 (2016: 50) reporting components, we subjected 21 (2016: 22) to full scope audits for group purposes and none (2016: one) to specified risk-focused audit procedures.

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

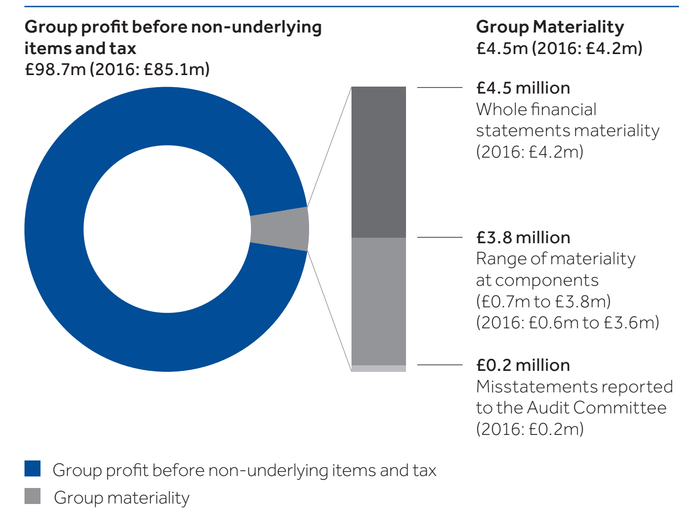
The remaining 18% (2016: 12%) of total group revenue, 7% (2016: 10%) of group profit before tax and 23% (2016: 17%) of total group assets is represented by reporting components, none of which individually represented more than 4% (2016: 2%) of any of total group revenue, group profit before tax or total 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 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 £2.8 million to £3.8 million (2016: £2.8 million to £3.6 million), having regard to the mix of size and risk profile of the group across the components.

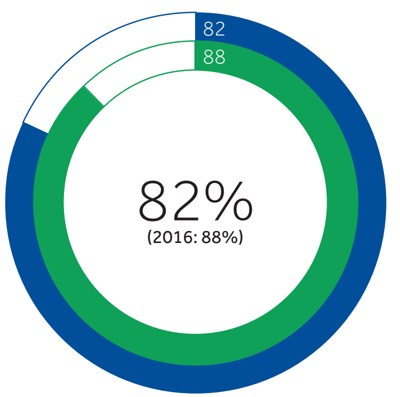
Aside from the audit of the parent company and the consolidation process that was performed by the group audit team, the work on all of the components was performed by the component auditors.

The group team performed procedures on the items excluded from group profit before non-underlying items and tax.

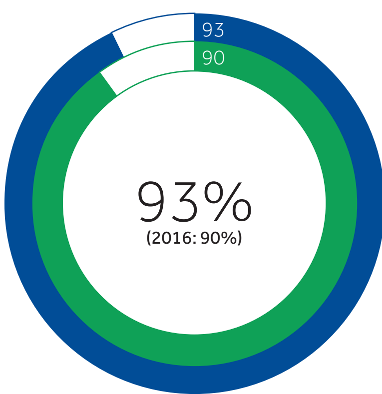
The group team visited the three (2016: three) divisional component locations in each of North America, EMEA and APAC (2016: each of North America, EMEA and APAC) to assess the audit risk and strategy. Telephone conference meetings were also held with these component auditors. At these visits and meetings, the findings reported to the group team were discussed in more detail, and any further work required by the group team was then performed by the component auditor.



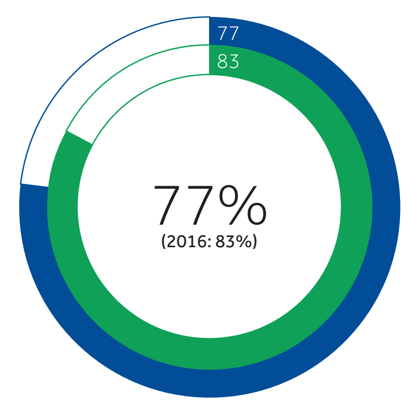
Group revenue



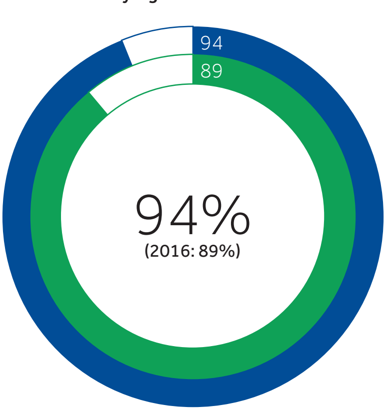
Group profit and loss before tax



Group total assets



Group profit before non-underlying items and tax



Full scope for group audit purposes 2017 | Full scope for group audit purposes 2016 | Residual components

4. We have nothing to report on going concern
We are required to report to you if:

– we have anything material to add or draw attention to in relation to the directors' statement in note 2 to the consolidated financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the group and Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements; or
– if the related statement under the Listing Rules set out on page 40 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects.

5. We have nothing to report on the other information in the Annual Report
The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report
Based solely on our work on the other information:

– we have not identified material misstatements in the strategic report and the directors' report;
– in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
– in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report
In our opinion the part of the directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of principal risks and longer-term viability
Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

– the directors' confirmation within the viability statement on page 39 that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency and liquidity;
– the Principal Risks disclosures describing these risks and explaining how they are being managed and mitigated; and
– the directors' explanation in the viability statement of how they have assessed the prospects of the group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the viability statement. We have nothing to report in this respect.

Corporate governance disclosures
We are required to report to you if:
- we have identified material inconsistencies between the knowledge we acquired during our financial statements 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 section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the eleven provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

6. We have nothing to report on the other matters on which we are required to report by exception
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.

We have nothing to report in these respects.

7. Respective responsibilities
Directors' responsibilities
As explained more fully in their statement set out on page 79, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or other irregularities (see below), or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Irregularities – ability to detect
We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience, through discussion with the directors and other management (as required by auditing standards).

We had regard to laws and regulations in areas that directly affect the financial statements including financial reporting (including related company legislation), pension and taxation legislation. We considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statements items.

In addition we considered the impact of laws and regulations in the specific areas of health and safety, building and environmental regulations, anti-bribery and employment law, recognising the nature of the group's activities. With the exception of any known or possible non-compliance, and as required by auditing standards, our work in respect of these was limited to enquiry of the directors and other management and inspection of regulatory and legal correspondence. We considered the effect of any known or possible non-compliance in these areas as part of our procedures on the related financial statements items.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the group to component audit teams of relevant laws and regulations identified at group level, with a request to report on any indications of potential existence of non-compliance with relevant laws and regulations (irregularities) in these areas, or other areas directly identified by the component team.

As with any audit, there remained a higher risk of non-detection of non-compliance with relevant laws and regulations irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

8. The purpose of our audit work and to whom we owe our responsibilities
This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

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

26 February 2018

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Consolidated income statement

For the year ended 31 December 2017

	Note	2017 Before non-underlying items £m	2017 Non-underlying items (note 7) £m	2017 Statutory £m	2016 Before non-underlying items £m	2016 Non-underlying items (note 7) £m	2016 Statutory £m
Revenue	3	**2,070.6**	**–**	**2,070.6**	1,780.0	–	1,780.0
Operating costs	5	**(1,961.9)**	**(1.6)**	**(1,963.5)**	(1,684.7)	(18.9)	(1,703.6)
Amortisation of acquired intangible assets		**–**	**(9.0)**	**(9.0)**	–	(9.7)	(9.7)
Other operating income		**–**	**23.2**	**23.2**	–	18.5	18.5
Operating profit	3	**108.7**	**12.6**	**121.3**	95.3	(10.1)	85.2
Finance income	8	**3.8**	**–**	**3.8**	1.6	–	1.6
Finance costs	9	**(13.8)**	**(0.7)**	**(14.5)**	(11.8)	(1.1)	(12.9)
Profit before taxation		**98.7**	**11.9**	**110.6**	85.1	(11.2)	73.9
Taxation	10	**(24.7)**	**1.6**	**(23.1)**	(29.8)	3.9	(25.9)
Profit for the period		**74.0**	**13.5**	**87.5**	55.3	(7.3)	48.0
Attributable to:							
Equity holders of the parent		**73.6**	**13.5**	**87.1**	54.5	(7.3)	47.2
Non-controlling interests		**0.4**	**–**	**0.4**	0.8	–	0.8
		74.0	**13.5**	**87.5**	55.3	(7.3)	48.0
Earnings per share							
Basic	12	**102.2p**		**121.0p**	75.9p		65.7p
Diluted	12	**101.8p**		**120.5p**	74.8p		64.7p

Consolidated statement of comprehensive income

For the year ended 31 December 2017

	Note	2017 £m	2016 £m
Profit for the period		**87.5**	48.0
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(27.0)**	77.0
Net investment hedge losses	24	**(0.7)**	(3.8)
Cash flow hedge (losses)/gains taken to equity	24	**(3.3)**	1.9
Cash flow hedge transfers to income statement	24	**3.4**	(1.9)
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of defined benefit pension schemes	30	**1.4**	(7.4)
Tax on remeasurements of defined benefit pension schemes	10	**(0.3)**	1.3
Other comprehensive (loss)/income for the period, net of tax		**(26.5)**	67.1
Total comprehensive income for the period		**61.0**	115.1
Attributable to:			
Equity holders of the parent		**61.0**	113.7
Non-controlling interests		**–**	1.4
		61.0	115.1

Consolidated balance sheet
As at 31 December 2017

	Note	2017 £m	2016 £m
Assets			
Non-current assets			
Intangible assets	13	**170.9**	188.0
Property, plant and equipment	14	**399.2**	405.6
Deferred tax assets	10	**39.3**	21.6
Other assets	15	**27.4**	30.2
		636.8	645.4
Current assets			
Inventories	16	**72.6**	59.4
Trade and other receivables	17	**589.2**	528.5
Current tax assets		**18.7**	18.2
Cash and cash equivalents	19	**67.7**	84.4
		748.2	690.5
Non-current assets held for sale	20	**–**	54.0
Total assets	3	**1,385.0**	1,389.9
Liabilities			
Current liabilities			
Loans and borrowings	24	**(48.3)**	(54.0)
Current tax liabilities		**(19.1)**	(16.4)
Trade and other payables	21	**(480.5)**	(435.4)
Provisions	22	**(10.3)**	(9.9)
		(558.2)	(515.7)
Non-current liabilities			
Loans and borrowings	24	**(248.9)**	(336.0)
Retirement benefit liabilities	30	**(29.2)**	(31.4)
Deferred tax liabilities	10	**(45.5)**	(33.5)
Provisions	22	**(13.0)**	(14.7)
Other liabilities	23	**(18.0)**	(29.0)
		(354.6)	(444.6)
Total liabilities	3	**(912.8)**	(960.3)
Net assets	3	**472.2**	429.6
Equity			
Share capital	25	**7.3**	7.3
Share premium account		**38.1**	38.1
Capital redemption reserve	25	**7.6**	7.6
Translation reserve		**32.5**	59.8
Other reserve	25	**56.9**	56.9
Hedging reserve		**–**	(0.1)
Retained earnings		**326.0**	255.8
Equity attributable to equity holders of the parent		**468.4**	425.4
Non-controlling interests		**3.8**	4.2
Total equity		**472.2**	429.6

These financial statements were approved by the Board of Directors and authorised for issue on 26 February 2018.

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 2017

	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 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 and 1 January 2017	7.3	38.1	7.6	59.8	56.9	(0.1)	255.8	**425.4**	4.2	**429.6**
Profit for the period	–	–	–	–	–	–	87.1	**87.1**	0.4	**87.5**
Other comprehensive income										
Exchange differences on translation of foreign operations	–	–	–	(26.6)	–	–	–	**(26.6)**	(0.4)	**(27.0)**
Net investment hedge losses	–	–	–	(0.7)	–	–	–	**(0.7)**	–	**(0.7)**
Cash flow hedge losses taken to equity	–	–	–	–	–	(3.3)	–	**(3.3)**	–	**(3.3)**
Cash flow hedge transfers to income statement	–	–	–	–	–	3.4	–	**3.4**	–	**3.4**
Remeasurements of defined benefit pension schemes	–	–	–	–	–	–	1.4	**1.4**	–	**1.4**
Tax on remeasurements of defined benefit pension schemes	–	–	–	–	–	–	(0.3)	**(0.3)**	–	**(0.3)**
Other comprehensive (loss)/income for the period, net of tax	–	–	–	(27.3)	–	0.1	1.1	**(26.1)**	(0.4)	**(26.5)**
Total comprehensive (loss)/income for the period	–	–	–	(27.3)	–	0.1	88.2	**61.0**	–	**61.0**
Dividends	–	–	–	–	–	–	(20.8)	**(20.8)**	(0.4)	**(21.2)**
Share-based payments	–	–	–	–	–	–	2.8	**2.8**	–	**2.8**
At 31 December 2017	7.3	38.1	7.6	32.5	56.9	–	326.0	**468.4**	3.8	**472.2**

Consolidated cash flow statement

For the year ended 31 December 2017

	Note	2017 £m	2016 £m
Cash flows from operating activities			
Operating profit before non-underlying items		**108.7**	95.3
Depreciation of property, plant and equipment		**67.3**	62.0
Amortisation of intangible assets		**1.2**	1.3
(Profit)/loss on sale of property, plant and equipment		**(4.0)**	2.3
Other non-cash movements		**9.5**	(5.2)
Foreign exchange losses		**0.2**	0.3
Operating cash flows before movements in working capital		**182.9**	156.0
Increase in inventories		**(15.7)**	(3.1)
Increase in trade and other receivables		**(79.1)**	(7.4)
Increase/(decrease) in trade and other payables		**53.9**	(2.7)
Change in provisions, retirement benefit and other non-current liabilities		**(5.9)**	(7.1)
Cash generated from operations before non-underlying items		**136.1**	135.7
Cash inflows from non-underlying items		**12.7**	9.0
Cash outflows from non-underlying items		**(2.1)**	(4.1)
Cash generated from operations		**146.7**	140.6
Interest paid		**(12.9)**	(12.3)
Income tax paid		**(26.0)**	(25.3)
Net cash inflow from operating activities		**107.8**	103.0
Cash flows from investing activities			
Interest received		**0.7**	0.7
Proceeds from sale of property, plant and equipment		**10.5**	5.8
Acquisition of subsidiaries, net of cash acquired		**(6.5)**	(14.6)
Acquisition of property, plant and equipment		**(84.2)**	(78.2)
Disposal/(acquisition) of non-current assets held for sale	20	**62.0**	(62.0)
Acquisition of intangible assets		**(0.8)**	(0.6)
Net cash outflow from investing activities		**(18.3)**	(148.9)
Cash flows from financing activities			
New borrowings		**41.6**	103.1
Repayment of borrowings		**(135.7)**	(4.2)
Cash flows from derivative instruments		**0.2**	(28.0)
Payment of finance lease liabilities		**(1.5)**	(2.9)
Dividends paid		**(21.2)**	(20.5)
Net cash (outflow)/inflow from financing activities		**(116.6)**	47.5
Net (decrease)/increase in cash and cash equivalents		**(27.1)**	1.6
Cash and cash equivalents at beginning of period		**84.0**	62.9
Effect of exchange rate fluctuations		**(5.6)**	19.5
Cash and cash equivalents at end of period	19	**51.3**	84.0

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 40.

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 2017:
- Amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses.
- Amendments to IAS 7 – Disclosure Initiative.

Disclosure of the changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes, has been included in note 24 as a result of adopting Amendments to IAS 7 – Disclosure Initiative.

IFRS 15 – Revenue from Contracts with Customers became effective on 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 standard will be adopted retrospectively with the cumulative effect of initially applying the standard recognised as an adjustment to retained earnings at 1 January 2018. Additional disclosures required as a result of adopting IFRS 15 will be presented in the 2018 financial statements.

Impact of IFRS 15 on construction contracts: The standard is only expected to have a potential impact on those contracts that are ongoing at the end of a reporting period and have multiple performance obligations. With a typical contract size of around £300k with short duration, revenue will continue to be recognised in year for the vast majority of contracts and the accounting for costs will remain unchanged: costs (including bid costs) will be expensed as incurred or as materials are consumed. It is expected that the amount of costs capitalised and spread over the life of contracts will not be material. Revenue on construction contracts meets the criteria for over time recognition under IFRS 15 and revenue will be recognised with reference to the input (costs) method.

In order to establish the impact of adopting IFRS 15 on construction contracts at 31 December 2017, the group completed impact assessment checklists for all contracts awarded prior to the end of November that had expected revenue greater than £2m and that were going to be in progress at 31 December 2017. A threshold of £2m was used as it is the larger contracts that are more complex and more likely to have multiple performance obligations and contracts awarded in December would not have made sufficient progress by 31 December 2017 to have a material difference in treatment under IFRS 15. Of the 150 contracts that met this criteria, it was determined that only 16 had multiple performance obligations. This low number of contracts with multiple performance obligations was as expected due to the fact that the work performed by the group under construction contracts is generally the repetitive performance of a single technique (eg driving an agreed number of piles) or where separate techniques are applied they are generally providing the client with an integrated solution, and are therefore highly interrelated. Contracts that had multiple performance obligations were typically those that were split into phases that were not highly interrelated and the work performed was not a series of distinct activities that were substantially the same. For the 16 contracts that were identified as having multiple performance obligations, an assessment of the impact of adopting IFRS 15 resulted in no material differences being identified. On this basis, the group expects there to be no material adjustment to retained earnings from construction contracts at 1 January 2018.

Impact of IFRS 15 on goods and services: The group's revenue recognised from the supply of goods and services primarily relates to the Suncoast business. Under IFRS 15, all customer contracts are considered single performance obligations because contracts that involve installation or post-delivery services provide an integrated solution and modify the materials delivered to the customer. For contracts that are just the supply of materials, revenue will continue to be recognised on delivery. For contracts that involve delivery of materials and an element of installation or post-delivery services, these now qualify for overtime recognition under IFRS 15 as the group has an enforceable right to payment for performance to date and the performance does not create an asset with an alternative use for the group. Currently all revenue is deferred on these contracts until the contract has been completed. This will result in a credit to opening retained earnings at 1 January 2018, the quantum of which is expected to be below £3m.

This assessment of the impact of IFRS 15 is provisional and will be finalised in 2018.

IFRS 9 – Financial Instruments became effective on 1 January 2018. The group has assessed the impact of adopting this standard and has concluded that there will not be a significant financial impact on the group financial statements. Additional disclosures required as a result of adopting IFRS 9 will be presented in the 2018 financial statements.

IFRS 16 – Leases becomes effective from 1 January 2019. The group is in the early stages of assessing the impact of adopting this standard.

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 arrangements
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. Where an arrangement is categorised as a joint venture, the investment in the joint venture is recognised as an asset and the group's share of the net profit or loss of the joint venture is recognised in the income statement in accordance with the equity method.

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 and is considered probable.

Income from variations and claims on customers or third parties is only recognised once agreed, or where there is a high level of certainty in receiving the claim.

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 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:

	2017	2016
US dollar: average for period	**1.29**	1.36
US dollar: period end	**1.35**	1.23
Canadian dollar: average for period	**1.67**	1.80
Canadian dollar: period end	**1.69**	1.66
Euro: average for period	**1.14**	1.22
Euro: period end	**1.13**	1.17
Singapore dollar: average for period	**1.78**	1.87
Singapore dollar: period end	**1.80**	1.78
Australian dollar: average for period	**1.68**	1.82
Australian dollar: period end	**1.73**	1.71

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 administration costs, 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.

2 Principal accounting policies continued

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.

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 non-underlying 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 amortisation of acquired intangibles and other non-trading amounts 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 and the carrying value of goodwill.

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. The group performed around 6,300 contracts during 2017, with the average contract size being approximately £300,000 and a typical range of between £25,000 and £10 million in value. The majority of contracts were completed in year and therefore there are no estimates involved in accounting for these. For contracts that are not complete at year end, the group estimates the costs to complete in order to measure progress and therefore how much revenue to recognise. The actual outcome of these contracts will differ to the estimate at 31 December and it is reasonably possible that outcomes on these contracts within the next year could be materially different in aggregate to those estimated. It is not possible to quantify the expected impact of this, however the estimated costs to complete are management's best estimate at this point in time and no individual estimate or judgement is expected to have a materially different outcome.

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. Further details on the assumptions used are set out in note 13.

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. A change in these forecasts in the next year is not expected to have a material impact on the valuation of these balances.

Notes to the consolidated financial statements
continued

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

	2017		2016	
	Revenue £m	**Operating profit £m**	Revenue £m	Operating profit £m
North America	**968.7**	**78.7**	952.9	86.9
EMEA[1]	**737.2**	**53.3**	552.6	30.2
APAC[2]	**364.7**	**(16.5)**	274.5	(18.0)
	2,070.6	**115.5**	1,780.0	99.1
Central items and eliminations	**–**	**(6.8)**	–	(3.8)
Before non-underlying items	**2,070.6**	**108.7**	1,780.0	95.3
Non-underlying items (note 7)	**–**	**12.6**	–	(10.1)
	2,070.6	**121.3**	1,780.0	85.2

	2017					
	Segment assets £m	**Segment liabilities £m**	**Capital employed £m**	**Capital additions £m**	**Depreciation and amortisation £m**	**Tangible and intangible assets £m**
North America	**582.0**	**(185.3)**	**396.7**	**24.0**	**27.8**	**263.6**
EMEA[1]	**408.6**	**(249.7)**	**158.9**	**45.7**	**23.9**	**185.3**
APAC[2]	**261.7**	**(97.5)**	**164.2**	**15.3**	**16.7**	**120.7**
	1,252.3	**(532.5)**	**719.8**	**85.0**	**68.4**	**569.6**
Central items and eliminations[3]	**132.7**	**(380.3)**	**(247.6)**	**–**	**0.1**	**0.5**
	1,385.0	**(912.8)**	**472.2**	**85.0**	**68.5**	**570.1**

	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

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]	
	2017 £m	2016 £m	**2017 £m**	2016 £m
United States	**886.6**	870.3	**225.7**	245.8
Australia	**238.7**	171.0	**73.7**	73.5
Germany	**95.9**	82.7	**32.1**	42.7
Canada	**80.2**	80.1	**59.4**	69.3
United Kingdom (country of domicile)	**61.2**	64.7	**22.4**	23.7
Other	**708.0**	511.2	**181.8**	158.9
	2,070.6	1,780.0	**595.1**	613.9

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

4 Acquisitions

2017 acquisitions

On 6 March 2017, the group acquired the assets and liabilities of Geo Instruments, an instrumentation and monitoring company based in North America, for cash consideration of £2.8m ($3.6m). The purchase price is a premium of £0.5m ($0.7m) to the fair value of the net assets acquired. This goodwill 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.

In the period to 31 December 2017, Geo Instruments contributed £3.4m to revenue and a profit for the period of £0.4m. Had the acquisition taken place on 1 January 2017, total group turnover would have been £2,071.3m and total profit for the period before non-underlying items would have been £74.1m.

The adjustments made in respect of acquisitions in the year to 31 December 2017 are provisional and will be finalised within 12 months of the acquisition date.

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			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.

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.

Notes to the consolidated financial statements
continued

5 Operating costs

	Note	**2017 £m**	2016 £m
Raw materials and consumables		**625.8**	537.0
Staff costs	6	**525.9**	469.9
Other operating charges		**661.6**	542.6
Amortisation of intangible assets	13	**1.2**	1.3
Operating lease and short-term rental expense:			
Land and buildings		**15.8**	15.4
Plant, machinery and vehicles		**64.3**	56.5
Depreciation:			
Owned property, plant and equipment		**66.4**	61.4
Property, plant and equipment held under finance leases		**0.9**	0.6
Operating costs before non-underlying items		**1,961.9**	1,684.7
Non-underlying items	7	**1.6**	18.9
		1,963.5	1,703.6
Other operating charges include:			
Redundancy and other reorganisation costs		**1.0**	0.6
Fees payable to the Company's auditor for the audit of the Company's Annual Accounts		**0.3**	0.2
Fees payable to the Company's auditor for other services:			
The audit of the Company's subsidiaries, pursuant to legislation		**1.2**	1.1
Tax compliance services		**–**	0.1
Tax advisory services		**–**	0.3
Other assurance services		**–**	–

6 Employees

The aggregate staff costs of the group were:

	2017 £m	2016 £m
Wages and salaries	**453.8**	409.1
Social security costs	**57.4**	48.9
Other pension costs	**11.9**	10.9
Share-based payments	**2.8**	1.0
	525.9	469.9

These costs include Directors' remuneration. The remuneration of the Directors is disclosed in the Directors' remuneration report on pages 58 to 76. In addition to the amounts disclosed there, for the year ended 31 December 2016 the remuneration of Wolfgang Sondermann (a former Director) totalled £511,000 and comprised £372,000 of salary, £7,000 of taxable benefits, £67,000 of pension benefits and a £65,000 annual bonus.

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

	2017 Number	2016 Number
North America	**3,813**	3,820
EMEA	**4,880**	4,531
APAC	**1,841**	1,886
	10,534	10,237

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:

	2017 £m	2016 £m
Amortisation of acquired intangible assets	**(9.0)**	(9.7)
Exceptional restructuring costs	**–**	(14.3)
Contingent consideration: additional amounts provided	**(1.6)**	(3.9)
Acquisition costs	**–**	(0.7)
Non-underlying items in operating costs	**(1.6)**	(18.9)
Exceptional contract dispute	**21.0**	14.3
Contingent consideration: provision released	**2.2**	4.2
Non-underlying items in other operating income	**23.2**	18.5
Total non-underlying items in operating profit	**12.6**	(10.1)
Non-underlying finance costs	**(0.7)**	(1.1)
Total non-underlying items before taxation	**11.9**	(11.2)

Amortisation of acquired intangible assets primarily relate to Keller Canada, Austral, Bencor and Franki Africa.

Additional contingent consideration provided relates to the Geo-Foundations and Ellington Cross acquisitions.

The £21.0m exceptional profit relating to the contract dispute represents the gain on disposal of the freehold of the processing and warehousing facility at Avonmouth, near Bristol, acquired in 2016 (note 20), rental income less operating costs to the date of disposal and insurance recoveries in the period. The £14.3m exceptional profit in 2016 relating to the contract dispute is attributable to insurance proceeds received after an initial settlement with insurers, rental income less operating costs from the acquired processing and warehousing facility and the reversal of impairment of the valuation of the property following an external valuation at 31 December 2016.

Contingent consideration released relates to adjustments to estimated amounts payable for the Austral and Ansah acquisitions.

The £14.3m exceptional restructuring charge in 2016 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.

8 Finance income

	2017 £m	2016 £m
Bank and other interest receivable	**0.7**	0.6
Other finance income	**3.1**	1.0
	3.8	1.6

9 Finance costs

	2017 £m	2016 £m
Interest payable on bank loans and overdrafts	**5.3**	4.6
Interest payable on other loans	**4.0**	3.8
Interest payable on finance leases	**0.4**	0.5
Net pension interest cost	**0.7**	0.6
Other finance costs	**3.4**	2.3
Finance costs before non-underlying items	**13.8**	11.8
Non-underlying finance costs (note 7)	**0.7**	1.1
	14.5	12.9

Notes to the consolidated financial statements
continued

10 Taxation

	2017 £m	2016 £m
Current tax expense		
Current year	**30.6**	33.7
Prior years	**(3.0)**	(5.1)
Total current tax	**27.6**	28.6
Deferred tax expense		
Current year	**5.6**	(4.6)
US tax rate adjustment relating to current year	**(1.8)**	–
Prior years	**(0.4)**	1.9
US tax rate adjustment relating to prior years	**(7.9)**	–
Total deferred tax	**(4.5)**	(2.7)
	23.1	25.9

UK corporation tax is calculated at 19.25% (2016: 20%) 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 19.25% (2016: 20%) as follows:

	2017			2016		
	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	**98.7**	**11.9**	**110.6**	85.1	(11.2)	73.9
UK corporation tax charge/(credit) at 19.25% (2016: 20%)	**19.0**	**2.3**	**21.3**	17.0	(2.2)	14.8
Tax charged at rates other than 19.25% (2016: 20%)	**12.1**	**(0.6)**	**11.5**	13.6	(1.6)	12.0
Adjustments to deferred tax arising from US tax rate changes	**(9.7)**	**–**	**(9.7)**	–	–	–
Tax losses and other deductible temporary differences not recognised	**6.0**	**–**	**6.0**	3.7	–	3.7
Utilisation of tax losses and other deductible temporary differences previously unrecognised	**(1.3)**	**(2.1)**	**(3.4)**	(5.5)	–	(5.5)
Non-deductible expenses and non-taxable income	**2.0**	**(1.2)**	**0.8**	4.2	(0.1)	4.1
Adjustments to tax charge in respect of previous periods	**(3.4)**	**–**	**(3.4)**	(3.2)	–	(3.2)
Tax charge/(credit)	**24.7**	**(1.6)**	**23.1**	29.8	(3.9)	25.9
Effective tax rate	**25.0%**	**(13.4)%**	**20.9%**	35.0%	34.8%	35.0%

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

In December 2017 the US Government approved a package of tax reform which included a reduction in the federal rate of corporation tax from 35% to 21%, effective from 1 January 2018. Whilst this benefit has been partly offset by other changes, the reforms as a whole are expected to result in a significant reduction in the group's tax costs due to the relatively large size of its US business. The tax charge for 2017 includes a credit of £9.7m from the remeasurement of deferred tax liabilities. In future the effective rate of US tax on the group's US profit before tax is expected to fall from high thirties percent to high twenties percent, inclusive of state taxes and recurring permanent adjustments.

The group is subject to taxation in over 40 countries worldwide and the risk of changes in tax legislation and interpretation from tax authorities in the jurisdictions in which it operates. The assessment of uncertain positions is subjective and subject to management's best judgement. Where tax positions are uncertain, provision is made where necessary based on interpretation of legislation, management experience and appropriate professional advice. We do not expect the outcome of these estimates to be materially different from the position taken.

The financing of group companies includes some activities which are subject to exemptions under the UK's Controlled Foreign Company Regime. The group is monitoring the EU Commission's investigation of whether such exemptions are in breach of EU State Aid rules. The investigation is not expected to be concluded within the next 12 months. No provision has been made for any additional tax that might become payable at this time due to the uncertain nature of the outcome of these investigations.

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 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 and 1 January 2017	(22.2)	45.2	(4.4)	(12.6)	(5.0)	10.9	**11.9**
(Credit)/charge to the income statement	(5.8)	(5.3)	1.1	1.3	2.1	2.1	**(4.5)**
Charge to other comprehensive income	–	–	0.3	–	–	–	**0.3**
Exchange differences	0.2	(2.7)	(0.1)	0.9	0.3	(0.1)	**(1.5)**
At 31 December 2017	**(27.8)**	**37.2**	**(3.1)**	**(10.4)**	**(2.6)**	**12.9**	**6.2**

Deferred tax assets include amounts of £23.0m (2016: £19.0m) 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 deferred tax assets predominantly arise in Canada (£5.9m) and Australia (£9.3m). Canadian tax rules currently allow tax losses to be carried forward up to 20 years and Australian tax rules currently allow tax losses to be carried forward indefinitely. We have assessed the recovery of deferred tax assets by reviewing future profit forecasts for a period of five to seven years.

The following is the analysis of the deferred tax balances:

	2017 £m	2016 £m
Deferred tax liabilities	**45.5**	33.5
Deferred tax assets	**(39.3)**	(21.6)
	6.2	11.9

At the balance sheet date, the group had unused tax losses of £72.9m (2016: £80.4m), 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, £50.4m (2016: £55.9m) 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 £3.3m (2016: £7.1m).

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 £59.2m (2016: £86.6m). The unprovided deferred tax liability in respect of these timing differences is £3.1m (2016: £3.6m).

11 Dividends payable to equity holders of the parent
Ordinary dividends on equity shares:

	2017 £m	2016 £m
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 December 2016 of 19.25p (2015: 18.3p) per share	**13.8**	13.1
Interim dividend for the year ended 31 December 2017 of 9.7p (2016: 9.25p) per share	**7.0**	6.7
	20.8	19.8

The Board has recommended a final dividend for the year ended 31 December 2017 of £17.6m, representing 24.5p (2016: 19.25p) per share. The proposed dividend is subject to approval by shareholders at the AGM on 23 May 2018 and has not been included as a liability in these financial statements.

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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	
	2017	2016	**2017**	2016
Basic and diluted earnings (£m)	**73.6**	54.5	**87.1**	47.2
Weighted average number of shares (million)				
Basic number of ordinary shares outstanding	**72.0**	71.8	**72.0**	71.8
Effect of dilutive potential ordinary shares:				
Share options and awards	**0.3**	1.1	**0.3**	1.1
Diluted number of ordinary shares outstanding	**72.3**	72.9	**72.3**	72.9
Earnings per share				
Basic earnings per share (pence)	**102.2**	75.9	**121.0**	65.7
Diluted earnings per share (pence)	**101.8**	74.8	**120.5**	64.7

13 Intangible assets

	Goodwill £m	Arising on acquisition £m	Other £m	**Total £m**
Cost				
At 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 and 1 January 2017	231.8	52.0	22.3	**306.1**
Additions	0.5	–	0.8	**1.3**
Exchange differences	(9.8)	(1.1)	(0.7)	**(11.6)**
At 31 December 2017	222.5	50.9	22.4	**295.8**
Accumulated amortisation and impairment				
At 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 and 1 January 2017	65.3	32.6	20.2	**118.1**
Amortisation charge for the year	–	9.0	1.2	**10.2**
Exchange differences	(1.8)	(0.8)	(0.8)	**(3.4)**
At 31 December 2017	63.5	40.8	20.6	**124.9**
Carrying amount				
At 31 December 2017	159.0	10.1	1.8	**170.9**
At 31 December 2016 and 1 January 2017	166.5	19.4	2.1	**188.0**
At 1 January 2016	134.0	23.6	2.5	**160.1**

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

In 2017, for impairment testing purposes goodwill has been allocated to 17 separate cash-generating units ('CGUs'). The goodwill in the previous CGUs of Tecnogeo and Keller Engenharia have been aggregated to form the Brazil CGU. 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:

		2017			2016		
Cash-generating unit	Geographical segment	**Carrying value £m**	**Pre-tax discount rate %**	**Forecast growth rate %**	Carrying value £m	Pre-tax discount rate %	Forecast growth rate %
Keller Canada	North America	**33.5**	**11.0**	**2.0**	34.1	11.0	2.0
Suncoast	North America	**31.9**	**12.4**	**2.0**	35.0	12.0	2.0
HJ Foundation	North America	**20.5**	**14.4**	**2.0**	22.5	13.9	2.0
Keller Limited	EMEA	**12.1**	**9.8**	**2.0**	12.1	10.7	2.0
ASEAN Heavy Foundations	APAC	**11.9**	**12.0**	**2.0**	12.0	12.6	2.0
Hayward Baker	North America	**11.1**	**12.1**	**2.0**	11.6	12.4	2.0
Waterway	APAC	**8.1**	**13.0**	**2.0**	8.2	13.6	2.0
Austral	APAC	**7.8**	**13.0**	**2.0**	7.9	13.6	2.0
Other	Various	**22.1**			23.1		
		159.0			166.5		

The recoverable amount of the goodwill allocated to each CGU has been determined based on a value-in-use calculation. The calculations all use cash flow projections based on financial budgets and forecasts approved by management covering a three-year period.

The group's businesses operate in cyclical markets, some of which are expected to continue to face uncertain conditions over the next couple of years. The most important factors in the value-in-use calculations, however, are the forecast revenues and operating margins during the forecast period and the discount rates applied to future cash flows. The key assumptions underlying the cash flow forecasts are therefore the revenue and operating margins assumed throughout the forecast period. The discount rates used in the value-in-use calculations are based on the weighted average cost of capital of companies comparable to the relevant CGUs, adjusted as necessary to reflect the risk associated with the asset being tested.

Management considers all the forecast revenues, margins and profits to be reasonably achievable given recent performance and the historic trading results of the relevant CGUs. Cash flows beyond 2020 have been extrapolated using a steady revenue growth rate, usually 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 and ASEAN Heavy Foundations, 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 challenging market but is seeing some improvement in margins. The assumptions underlying the forecasts used in the value-in-use calculation at 31 December 2017 are for a gradual recovery in the Canadian market in the medium term such that the operating margins gradually recover to 9%. In order for the recoverable amount to equal the carrying amount, assumed operating margins in each year would have to decrease by 2.2%. Alternatively, a 2.5% increase in the discount rate or an 8% reduction in forecast revenue, at the assumed operating margins, in each year would lead to the recoverable amount being equal to the carrying value.

Although no impairment has been recorded against the goodwill allocated to the ASEAN Heavy Foundations CGU, financial performance has deteriorated significantly over the last two years and the markets this CGU operates in remain challenging. The assumptions underlying the forecasts used in the value-in-use calculation at 31 December 2017 are for a gradual recovery in the ASEAN Heavy Foundations markets in the medium term such that operating margins gradually recover to 8%. In order for the recoverable amount to equal the carrying amount, assumed operating margins in each year would have to decrease by 1.9%. Alternatively, a 2.7% increase in the discount rate or a 4.7% reduction in forecast revenue, at the assumed operating margins, in each year would lead to the recoverable amount being equal to the carrying value.

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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 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 and 1 January 2017	59.7	834.1	7.0	**900.8**
Additions	0.9	75.2	8.1	**84.2**
Disposals	(1.2)	(26.2)	–	**(27.4)**
Acquired with subsidiaries	–	0.9	–	**0.9**
Reclassification	–	5.4	(5.4)	**–**
Exchange differences	(1.2)	(31.5)	(0.2)	**(32.9)**
At 31 December 2017	58.2	857.9	9.5	**925.6**
Accumulated depreciation				
At 1 January 2016	12.0	367.6	–	**379.6**
Impairment	–	9.0	–	**9.0**
Charge for the year	1.7	60.3	–	**62.0**
Disposals	(0.6)	(23.2)	–	**(23.8)**
Exchange differences	1.9	66.5	–	**68.4**
At 31 December 2016 and 1 January 2017	15.0	480.2	–	**495.2**
Charge for the year	2.7	64.6	–	**67.3**
Disposals	–	(20.9)	–	**(20.9)**
Exchange differences	(0.2)	(15.0)	–	**(15.2)**
At 31 December 2017	17.5	508.9	–	**526.4**
Carrying amount				
At 31 December 2017	40.7	349.0	9.5	**399.2**
At 31 December 2016 and 1 January 2017	44.7	353.9	7.0	**405.6**
At 1 January 2016	36.6	287.3	7.9	**331.8**

The net book value of plant, machinery and vehicles includes £1.0m (2016: £2.6m) in respect of assets held under finance leases.

The group had contractual commitments for the acquisition of property, plant and equipment of £7.0m (2016: £0.9m) at the balance sheet date. These amounts were not included in the balance sheet at the year end.

15 Other non-current assets

	2017 £m	2016 £m
Fair value of derivative financial instruments	**1.8**	9.4
Other assets	**25.6**	20.8
	27.4	30.2

16 Inventories

	2017 £m	2016 £m
Raw materials and consumables	**52.3**	39.3
Work in progress	**1.2**	1.9
Finished goods	**19.1**	18.2
	72.6	59.4

17 Trade and other receivables

	2017 £m	2016 £m
Trade receivables	**439.8**	414.1
Contract assets	**101.2**	84.2
Other receivables	**24.3**	15.9
Prepayments	**19.9**	14.1
Fair value of derivative financial instruments	**4.0**	0.2
	589.2	528.5

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

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

	2017 £m	2016 £m
At 1 January	**34.7**	28.5
Used during the period	**(3.7)**	(3.7)
Additional provisions	**12.2**	12.8
Unused amounts reversed	**(6.6)**	(7.9)
Exchange differences	**(1.0)**	5.0
At 31 December	**35.6**	34.7

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

	2017 £m	2016 £m
Overdue by less than 30 days	**83.1**	78.2
Overdue by between 31 and 90 days	**42.7**	40.2
Overdue by more than 90 days	**34.4**	42.8
	160.2	161.2

18 Construction contracts

Construction contracts in progress at balance sheet date:

	2017 £m	2016 £m
Aggregate amount of costs incurred and recognised profits (less recognised losses) to date	**1,456.6**	1,093.9
Retentions withheld by customers	**39.1**	36.1
Advances received	**9.1**	10.9

Construction contract revenue recognised in the year in accordance with IAS 11 totalled £1,835.4m (2016: £1,574.3m).

19 Cash and cash equivalents

	2017 £m	2016 £m
Bank balances	**66.5**	82.8
Short-term deposits	**1.2**	1.6
Cash and cash equivalents in the balance sheet	**67.7**	84.4
Bank overdrafts	**(16.4)**	(0.4)
Cash and cash equivalents in the cash flow statement	**51.3**	84.0

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 was 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 was 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 was recognised in 2016 as exceptional other operating income (note 7).

On 11 May 2017, the group disposed of the property for a consideration of £62m. The £8m gain on disposal has been recognised as an exceptional item within other operating income in the period (note 7).

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21 Trade and other payables

	2017 £m	2016 £m
Trade payables	**256.8**	234.6
Other taxes and social security payable	**16.4**	11.1
Other payables	**145.8**	135.9
Accruals	**57.8**	53.8
Fair value of derivative financial instruments	**3.7**	–
	480.5	435.4

Other payables include contract accruals, advance billings and contingent consideration of £8.0m (2016: £1.3m).

22 Provisions

	Employee provisions £m	Restructuring provisions £m	Other provisions £m	Total £m
At 1 January 2017	13.9	0.7	10.0	**24.6**
Charge for the year	2.3	1.0	4.6	**7.9**
Used during the period	(2.4)	(1.2)	(2.1)	**(5.7)**
Unused amounts reversed	(1.4)	–	(0.8)	**(2.2)**
Exchange differences	(1.0)	–	(0.3)	**(1.3)**
At 31 December 2017	11.4	0.5	11.4	**23.3**
To be settled within one year	2.9	0.5	6.9	**10.3**
To be settled after one year	8.5	–	4.5	**13.0**
At 31 December 2017	11.4	0.5	11.4	**23.3**

Employee provisions comprise obligations to employees other than retirement benefit obligations. Other provisions are in respect of legal and other disputes in various group companies.

23 Other non-current liabilities

	2017 £m	2016 £m
Fair value of derivative financial instruments	**–**	2.5
Other liabilities	**18.0**	26.5
	18.0	29.0

Other liabilities include contingent consideration of £1.3m (2016: £9.9m) 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, Emirati dirham 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 2017, the fair value of foreign exchange forward contracts outstanding was £0.5m, included in current liabilities (2016: £0.2m, included in current assets).

Interest rate risk

Interest rate risk is managed by mixing fixed and floating rate borrowings depending upon the purpose and term of the financing.

Credit risk

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

The group has stringent procedures to manage counterparty risk and the assessment of customer credit risk is embedded in the contract tendering processes. Customer credit risk is mitigated by the group's relatively small average contract size, its diversity, both geographically and in terms of end markets, and by taking out credit insurance in many of the countries in which the group operates. No individual customer represented more than 5% of revenue in 2017. 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 108, 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 $62.5m revolving credit facility expiring in 2019 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 £73.0m (2016: £69.2m) 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 2017 was £123.7m (2016: £136.3m).

Hedging

The August 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 2017 represented an asset of £4.0m, included in current assets (2016: £6.9m included in other non-current assets) and a liability of £3.2m, included in current liabilities (2016: £2.5m included in other non-current liabilities). The effective portion of the changes in the fair value of the dollar sterling swaps, a loss of £2.9m (2016: gain of £5.5m), 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 £0.7m (2016: loss of £3.8m), 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 2017 represented an asset of £1.8m (2016: £2.5m) 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 £0.7m (2016: loss of £1.2m), has been taken to the income statement along with equal and opposite movement in fair value of the corresponding hedged items.

All hedges are tested for effectiveness every six months using the cumulative dollar offset method. All hedging relationships remained effective during the year. The ineffective portion of the movement in the fair value of the hedging instruments was £nil (2016: £0.2m).

24 Financial instruments continued

Effective interest rates and maturity analysis

In respect of interest-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they mature.

	2017						
	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	**2.4**	**–**	**–**	**–**	**–**	**(16.4)**	**(16.4)**
Bank loans*	**2.4**	**(150.8)**	**(0.4)**	**(3.2)**	**(154.4)**	**(1.4)**	**(155.8)**
Other loans*	**2.7**	**–**	**(37.0)**	**(57.0)**	**(94.0)**	**(29.7)**	**(123.7)**
Obligations under finance leases*	**9.5**	**(0.3)**	**(0.2)**	**–**	**(0.5)**	**(0.8)**	**(1.3)**
Total loans and borrowings		**(151.1)**	**(37.6)**	**(60.2)**	**(248.9)**	**(48.3)**	**(297.2)**
Bank balances*	**0.4**	**–**	**–**	**–**	**–**	**66.5**	**66.5**
Short-term deposits*	**3.8**	**–**	**–**	**–**	**–**	**1.2**	**1.2**
Net debt		**(151.1)**	**(37.6)**	**(60.2)**	**(248.9)**	**19.4**	**(229.5)**
Derivative financial instruments		**–**	**0.3**	**1.5**	**1.8**	**0.3**	**2.1**

	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

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

Loans and borrowings consist of the following:

	2017 £m	2016 £m
$75m private placement (due December 2024)	**57.0**	62.7
$50m private placement (due October 2021)	**37.0**	41.1
£250m syndicated revolving credit facility (expiring September 2019)	**107.8**	164.8
$62.5m revolving credit facility (expiring September 2019)	**43.0**	29.8
$40m private placement (due August 2018)	**29.7**	32.5
£48m term loan (expiring May 2017)	**–**	48.0
Bank overdrafts	**16.4**	0.4
Obligations under finance leases	**1.3**	2.9
Other loans and borrowings	**5.0**	7.8
Total loans and borrowings	**297.2**	390.0

Changes in loans and borrowings were as follows:

	2016 £m	**Cash flows £m**	**Foreign exchange movements £m**	**Fair value changes £m**	**2017 £m**
Bank overdrafts	(0.4)	**(16.1)**	**0.1**	**–**	**(16.4)**
Bank loans	(249.7)	**93.4**	**0.5**	**–**	**(155.8)**
Other loans	(137.0)	**0.7**	**11.9**	**0.7**	**(123.7)**
Obligations under finance leases	(2.9)	**1.5**	**0.1**	**–**	**(1.3)**
Total loans and borrowings	(390.0)	**79.5**	**12.6**	**0.7**	**(297.2)**
Derivative financial instruments	7.1	**(0.2)**	**–**	**(4.8)**	**2.1**

Non-interest-bearing financial liabilities comprise trade and other payables of £419.0m (2016: £381.6m) which were payable within one year. £8.0m (2016: £1.3m) of contingent consideration in respect of acquisitions is payable within one year, £1.3m (2016: £4.8m) is payable between one and two years and £nil (2016: £5.1m) is payable between two and five years.

The group had unutilised committed banking facilities of £161.3m at 31 December 2017 (2016: £108.3m). 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 £33.6m at 31 December 2017 (2016: £40.7m). £4.6m (2016: £5.4m) of drawn facilities, including finance leases, are secured against certain assets. Future obligations under finance leases totalled £1.5m (2016: £3.2m), including interest of £0.2m (2016: £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 2017 and in 2016, 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 (ie as prices) or indirectly (ie 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 2017 and in 2016, 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.

There are no individually significant unobservable inputs used in the fair value measurement of the group's contingent consideration as at 31 December 2017. £3.0m was based on performance up to the 31 December 2017 and will be settled during 2018. £3.9m is dependent on performance in the last 2.5 years plus forecast performance to the period ended 30 June 2018. The remaining balance depends on the forecast outcome of one project.

The following table shows a reconciliation from the opening to closing balances for contingent consideration:

	2017 £m	2016 £m
At 1 January	**11.2**	9.6
Provision released (note 7)	**(2.2)**	(4.2)
Additional amounts provided (note 7)	**1.6**	3.9
Paid during the year	**(1.1)**	(1.0)
Assumed within business combinations (note 4)	**–**	0.6
Unwind of discounted contingent consideration (note 7)	**0.3**	0.3
Exchange differences[1]	**(0.5)**	2.0
At 31 December	**9.3**	11.2

1 Included in other comprehensive income.

The fair value measurement of the contingent consideration could be affected if the forecast financial performance is different to that estimated. A better than estimated performance may increase the value of the contingent consideration payable.

Payables, receivables and construction assets

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.

Notes to the consolidated financial statements

continued

24 Financial instruments continued

Interest rate and currency profile

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

	2017					
	Sterling	**USD**	**Euro**	**CAD**	**Other[1]**	**Total**
Weighted average fixed debt interest rate	**–**	**–**	**4.3%**	**–**	**8.6%**	**n/a**
Weighted average fixed debt period (years)	**–**	**–**	**1.3**	**–**	**1.0**	**n/a**

	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Fixed rate financial liabilities	**–**	**–**	**(33.3)**	**–**	**(2.1)**	**(35.4)**
Floating rate financial liabilities	**(58.7)**	**(85.4)**	**(19.5)**	**(37.3)**	**(60.9)**	**(261.8)**
Financial assets	**0.2**	**19.3**	**16.0**	**3.9**	**28.3**	**67.7**
Net debt	**(58.5)**	**(66.1)**	**(36.8)**	**(33.4)**	**(34.7)**	**(229.5)**

	2016					
	Sterling	USD	Euro	CAD	Other[1]	Total
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)

1 Included within other floating rate financial liabilities are AUD revolver loans of £23.1m (2016: £6.4m), ZAR revolver loans of £9.2m (2016: £5.9m), SGD revolver loans of £17.2m (2016: £12.1m) and AED revolver loans of 10.3m (2016: nil). Included within other financial assets are AUD cash balances of £4.6m (2016: £4.3m), ZAR cash balances of £2.3m (2016: £1.5m) and SGD cash balances of £2.4m (2016: £2.4m).

Sensitivity analysis

At 31 December 2017, it is estimated that a general increase of one percentage point in interest rates would decrease the group's profit before taxation by approximately £2.0m. The estimated impact of a one percentage point decrease in interest rates is to increase the group's profit before taxation by approximately £2.0m. 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 £10.6m for the year ended 31 December 2017, with the estimated impact of a 10 percentage points decrease in the value of sterling being an increase of £12.9m 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

	2017 £m	2016 £m
Allotted, called up and fully paid		
Equity share capital:		
73,099,735 ordinary shares of 10p each (2016: 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 (2016: 1.1m).

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, comprised:

	2017 £m	2016 £m
Short-term employee benefits	**6.3**	5.1
Post-employment benefits	**0.5**	0.4
Termination payments	**–**	0.4
Share-based payments	**0.8**	0.5
	7.6	6.4

27 Commitments

(a) Capital commitments

Capital expenditure contracted for at the end of the reporting period but not yet incurred was £7.0m (2016: £0.9m) and relates to property, plant and equipment purchases.

(b) Operating lease commitments

At the balance sheet date, the group's total commitments for future minimum lease payments under non-cancellable operating leases were as follows:

	2017			2016		
	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	**13.1**	**5.8**	**18.9**	13.2	5.6	18.8
Payable between one and five years inclusive	**36.6**	**5.6**	**42.2**	32.5	7.1	39.6
Payable in over five years	**7.1**	**–**	**7.1**	9.7	–	9.7
	56.8	**11.4**	**68.2**	55.4	12.7	68.1

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 (2016: £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 2017, the group had outstanding standby letters of credit and surety bonds for the group's captive insurance arrangements totalling £32.8m (2016: £33.7m).

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 58 to 76.

Options outstanding are as follows:

	Performance Share Plan options
Outstanding at 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 and 1 January 2017	979,279
Granted during 2017	650,155
Lapsed during 2017	(281,400)
Outstanding at 31 December 2017	1,348,034
Exercisable at 1 January 2017	–
Exercisable at 31 December 2016 and 1 January 2017	–
Exercisable at 31 December 2017	–

The average share price during the year was 887.5p.

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:

	2017	2016
Weighted average share price	**879p**	815p
Weighted average exercise price	**0.0p**	0.0p
Expected volatility	**31.0%**	31.0%
Expected life	**3 years**	3 years
Risk-free rate	**0.13%**	0.45%
Expected dividend yield	**3.06%**	3.1%

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 £2.8m (2016: £1.0m) related to equity-settled, share-based payment transactions.

The weighted average fair value of options granted in the year was 681.2p (2016: 599.0p).

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 actuarial valuation as at 5 April 2017, including discussion of the level of company contributions going forward, is still ongoing.

The group has two UK defined contribution retirement benefit schemes. There were no contributions outstanding in respect of these schemes at 31 December 2017 (2016: £nil). The total UK defined contribution pension charge for the year was £1.0m (2016: £0.9m).

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 £5.4m (2016: £5.0m).

In Australia, there is a defined contribution scheme where the group is required to ensure that a prescribed level of superannuation support of an employee's notional base earnings is made. This prescribed level of support is currently 9.5% (2016: 9.5%). The total Australian pension charge for the year was £4.1m (2016: £3.6m).

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

	The Keller Group Pension Scheme (UK) 2017 £m	The Keller Group Pension Scheme (UK) 2016 £m	**German and Austrian Schemes 2017 £m**	German and Austrian Schemes 2016 £m
Present value of the scheme liabilities	**(58.9)**	(58.4)	**(16.4)**	(16.4)
Present value of assets	**46.1**	43.4	**–**	–
Deficit in the scheme	**(12.8)**	(15.0)	**(16.4)**	(16.4)

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

	2017 %	2016 %	**2017 %**	2016 %
Discount rate	**2.5**	2.7	**1.4**	1.2
Interest on assets	**2.5**	2.7	**n/a**	n/a
Rate of increase in pensions in payment	**3.45**	3.5	**2.0**	2.0
Rate of increase in pensions in deferment	**3.4**	2.5	**2.0**	2.0
Rate of inflation	**3.4**	3.5	**2.0**	2.0

The mortality rate assumptions are based on published statistics. The average remaining life expectancy, in years, of a pensioner retiring at the age of 65 at the balance sheet date is:

	The Keller Group Pension Scheme (UK) 2017	The Keller Group Pension Scheme (UK) 2016	**German and Austrian Schemes 2017**	German and Austrian Schemes 2016
Male currently aged 65	**22.4**	21.5	**19.3**	19.0
Female currently aged 65	**23.8**	23.5	**23.3**	23.1

The assets of the schemes were as follows:

	The Keller Group Pension Scheme (UK) 2017 £m	The Keller Group Pension Scheme (UK) 2016 £m	**German and Austrian Schemes 2017 £m**	German and Austrian Schemes 2016 £m
Equities	**14.8**	13.4	**n/a**	n/a
Target return funds	**12.4**	11.4	**n/a**	n/a
Gilts	**9.5**	9.5	**n/a**	n/a
Bonds	**9.2**	8.7	**n/a**	n/a
Cash	**0.2**	0.4	**n/a**	n/a
	46.1	43.4	**n/a**	n/a

30 Retirement benefit liabilities continued

	The Keller Group Pension Scheme (UK) 2017 £m	The Keller Group Pension Scheme (UK) 2016 £m	German and Austrian Schemes 2017 £m	German and Austrian Schemes 2016 £m
Changes in scheme liabilities				
Opening balance	**(58.4)**	(48.5)	**(16.4)**	(12.8)
Current service cost	**–**	–	**(0.3)**	(0.3)
Interest cost	**(1.6)**	(1.9)	**(0.2)**	(0.2)
Benefits paid	**3.0**	1.7	**0.8**	0.7
Exchange differences	**–**	–	**(0.4)**	(2.2)
Experience gain/(loss) on defined benefit obligation	**0.8**	1.1	**–**	(0.6)
Changes to demographic assumptions	**(1.1)**	0.8	**–**	–
Changes to financial assumptions	**(1.6)**	(11.6)	**0.1**	(1.0)
Closing balance	**(58.9)**	(58.4)	**(16.4)**	(16.4)
Changes in scheme assets				
Opening balance	**43.4**	38.2	**–**	–
Interest on assets	**1.1**	1.5	**–**	–
Administration costs	**(0.2)**	(0.1)	**–**	–
Employer contributions	**1.6**	1.6	**–**	–
Benefits paid	**(3.0)**	(1.7)	**–**	–
Return on plan assets less interest	**3.2**	3.9	**–**	–
Closing balance	**46.1**	43.4	**–**	–
Actual return on scheme assets	**4.3**	5.4	**–**	–
Statement of comprehensive income (SOCI)				
Return on plan assets less interest	**3.2**	3.9	**–**	–
Experience gain/(loss) on defined benefit obligation	**0.8**	1.1	**–**	(0.6)
Changes to demographic assumptions	**(1.1)**	0.8	**–**	–
Changes to financial assumptions	**(1.6)**	(11.6)	**0.1**	(1.0)
Remeasurements of defined benefit plans	**1.3**	(5.8)	**0.1**	(1.6)
Cumulative remeasurements of defined benefit plans	**(24.4)**	(25.7)	**(7.0)**	(7.1)
Expense recognised in the income statement				
Current service cost	**–**	–	**0.3**	0.3
Administration costs	**0.2**	0.1	**–**	–
Operating costs	**0.2**	0.1	**0.3**	0.3
Net pension interest cost	**0.5**	0.4	**0.2**	0.2
Expense recognised in the income statement	**0.7**	0.5	**0.5**	0.5
Movements in the balance sheet liability				
Net liability at start of year	**15.0**	10.3	**16.4**	12.8
Expense recognised in the income statement	**0.7**	0.5	**0.5**	0.5
Employer contributions	**(1.6)**	(1.6)	**–**	–
Benefits paid	**–**	–	**(0.8)**	(0.7)
Exchange differences	**–**	–	**0.4**	2.2
Remeasurements of defined benefit plans	**(1.3)**	5.8	**(0.1)**	1.6
Net liability at end of year	**12.8**	15.0	**16.4**	16.4

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 £0.7m. An increase in the mortality rate by one year would increase the deficit in the schemes by £3.0m.

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:

	2017 £m	2016 £m	2015 £m	2014 £m	2013 £m
Present value of defined benefit obligations	**(75.3)**	(74.8)	(61.3)	(63.6)	(58.1)
Fair value of scheme assets	**46.1**	43.4	38.2	38.2	35.0
Deficit in the schemes	**(29.2)**	(31.4)	(23.1)	(25.4)	(23.1)
Experience adjustments on scheme liabilities	**(1.8)**	(11.3)	1.6	(5.7)	(5.1)
Experience adjustments on scheme assets	**3.2**	3.9	(1.3)	1.6	(0.6)

31. Post balance sheet events

There were no material post balance sheet events between the balance sheet date and the date of this report.

Company balance sheet
As at 31 December 2017

	Note	2017 £m	2016 £m
Assets			
Intangible assets		**0.1**	0.2
Tangible fixed assets		**0.5**	0.5
Investments	2	**364.7**	366.1
Other assets	3	**1.8**	9.4
Fixed assets		**367.1**	376.2
Amounts owed by subsidiary undertakings:			
– Amounts falling due within one year		**30.3**	1.6
– Amounts falling due after one year		**388.8**	474.0
Trade and other debtors	4	**4.6**	0.9
Cash and bank balances		**–**	5.4
Current assets		**423.7**	481.9
Bank and other loans		**(35.4)**	(48.0)
Current tax liabilities		**(0.2)**	–
Trade and other creditors	5	**(9.9)**	(3.9)
Amounts owed to subsidiary undertakings		**(0.4)**	(0.3)
Creditors: Amounts falling due within one year		**(45.9)**	(52.2)
Net current assets		**377.8**	429.7
Total assets less current liabilities		**744.9**	805.9
Bank and other loans		**(167.2)**	(265.3)
Amounts owed to subsidiary undertakings		**(90.2)**	(67.7)
Other creditors	6	**(2.5)**	(5.0)
Pension liabilities	8	**(2.0)**	(2.3)
Creditors: Amounts falling due after more than one year		**(261.9)**	(340.3)
Net assets		**483.0**	465.6
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
Retained earnings		**373.1**	355.7
Shareholders' funds		**483.0**	465.6

These financial statements were approved by the Board of Directors and authorised for issue on 26 February 2018.
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 2017

	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 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 1 January 2017	**7.3**	**38.1**	**7.6**	**56.9**	**–**	**355.7**	**465.6**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**35.3**	**35.3**
Cash flow hedge losses taken to equity	**–**	**–**	**–**	**–**	**(3.4)**	**–**	**(3.4)**
Cash flow hedge transfers to income statement	**–**	**–**	**–**	**–**	**3.4**	**–**	**3.4**
Remeasurement of defined benefit pension schemes	**–**	**–**	**–**	**–**	**–**	**0.1**	**0.1**
Total comprehensive income	**–**	**–**	**–**	**–**	**–**	**35.4**	**35.4**
Dividends	**–**	**–**	**–**	**–**	**–**	**(20.8)**	**(20.8)**
Share-based payments	**–**	**–**	**–**	**–**	**–**	**2.8**	**2.8**
At 31 December 2017	**7.3**	**38.1**	**7.6**	**56.9**	**–**	**373.1**	**483.0**

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 £236.8m 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 £35.3m (2016: £153.0m).

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 the Directors' remuneration report on pages 58 to 76.

2 Investments

	2017 £m	2016 £m
Shares at cost		
At 1 January	**366.1**	99.1
Additions	**–**	267.0
Allowances for impairment	**(1.4)**	–
At 31 December	**364.7**	366.1

The additions during 2016 relate to capital injections into group companies.

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

3 Other assets

	2017 £m	2016 £m
Fair value of derivative financial instruments	**1.8**	9.4
	1.8	9.4

4 Trade and other debtors

	2017 £m	2016 £m
Other receivables	**0.3**	0.4
Prepayments	**0.3**	0.3
Fair value of derivative financial instruments	**4.0**	0.2
	4.6	0.9

5 Trade and other creditors

	2017 £m	2016 £m
Trade creditors and accruals	**5.2**	3.1
Accrued interest	**1.0**	0.8
Fair value of derivative financial instruments	**3.7**	–
	9.9	3.9

6 Other creditors

	2017 £m	2016 £m
Other creditors	**2.5**	2.5
Fair value of derivative financial instruments	**–**	2.5
	2.5	5.0

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 2017, the Company's liability in respect of the guarantees against bank borrowings amounted to £80.0m (2016: £74.3m). In addition, outstanding standby letters of credit and surety bonds for the group's captive insurance arrangements totalled £32.8m (2016: £33.7m). No amounts were paid or liabilities incurred relating to these guarantees during 2017 (2016: £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%. The actuarial valuation as at 5 April 2017 is still ongoing.

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 2017 (2016: £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:

	2017 £m	2016 £m
Present value of the scheme liabilities	**(9.0)**	(8.8)
Present value of assets	**7.0**	6.5
Deficit in the scheme	**(2.0)**	(2.3)

The assets of the scheme were as follows:

	2017 £m	2016 £m
Equities	**2.2**	2.1
Target return funds	**1.9**	1.8
Gilts	**1.5**	1.3
Bonds	**1.4**	1.3
	7.0	6.5

	2017 £m	2016 £m
Changes in scheme liabilities		
Opening balance	**(8.8)**	(7.6)
Interest cost	**(0.2)**	(0.3)
Benefits paid	**0.5**	0.3
Experience gain on defined benefit obligation	**–**	0.6
Changes to demographic assumptions	**(0.2)**	0.1
Changes to financial assumptions	**(0.3)**	(1.9)
Closing balance	**(9.0)**	(8.8)
Changes in scheme assets		
Opening balance	**6.5**	6.0
Interest on assets	**0.1**	0.2
Employer contributions	**0.3**	0.3
Benefits paid	**(0.5)**	(0.3)
Return on plan assets less interest	**0.6**	0.3
Closing balance	**7.0**	6.5
Actual return on scheme assets	**0.7**	0.5
Statement of comprehensive income (SOCI)		
Return on plan assets less interest	**0.6**	0.3
Experience gain on defined benefit obligation	**–**	0.6
Changes to demographic assumptions	**(0.2)**	0.1
Changes to financial assumptions	**(0.3)**	(1.9)
Remeasurements of defined benefit plans	**0.1**	(0.9)
Cumulative remeasurements of defined benefit plans	**(3.4)**	(3.5)
Expense recognised in the income statement		
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	**2.3**	1.6
Expense recognised in the income statement	**0.1**	0.1
Employer contributions	**(0.3)**	(0.3)
Remeasurements of defined benefit plans	**(0.1)**	0.9
Net liability at end of year	**2.0**	2.3

The contributions expected to be paid during 2018 will be finalised as part of the 5 April 2017 actuarial review.

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

	2017 £m	2016 £m	2015 £m	2014 £m	2013 £m
Present value of defined benefit obligations	**(9.0)**	(8.8)	(7.6)	(7.8)	(7.3)
Fair value of scheme assets	**7.0**	6.5	6.0	6.0	5.7
Deficit in the scheme	**(2.0)**	(2.3)	(1.6)	(1.8)	(1.6)
Experience adjustments on scheme liabilities	**(0.5)**	(1.2)	0.2	(0.4)	(0.2)
Experience adjustments on scheme assets	**0.6**	0.3	(0.2)	–	(0.4)

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 2017 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
Accrete Industrial Flooring Limited	01
Accrete Limited	01
Anderson Drilling Inc.	02
Anderson Manufacturing, Inc.	02
Ansah Asia Sdn Bhd	03
Austral Construction Pty Limited	04
Austral Group Holdings PTY Limited	04
Austral Investors PTY Limited	04
Austral Plant Services PTY Limited	04
Bencor Global, Inc.	05
Capital Insurance Limited[1]	06
Case Atlantic Company	07
Case Foundation Company	07
Cyntech Construction Ltd.	08
Cyntech U.S. Inc.	09
EB Construction Company	10
EB Keller Holding Company	10
Fondedile Foundations UK Ltd	11
Franki Geotechnical (Pty) Limited[2]	12
Franki Pacific Holdings Pty Ltd	13
Frankipile (Mauritius) International Limited	14
Frankipile Australia Pty Ltd	13
Frankipile Botswana (Pty) Limited	15
Frankipile D.R.C. SARL[3]	16
Frankipile Ghana Limited	17
Frankipile International Projects Limited	18
Frankipile Lesotho (Pty) Limited	19
Frankipile Mauritius International (Seychelles) Limited	20
Frankipile Mozambique Limitada	21
Frankipile Namibia (Pty) Limited	22
Frankipile Swaziland (Pty) Limited	23
GENCO Geotechnical Engineering Contractors Limited[1]	24
Geochemical Corporation	25
GeTec Ingenieurgesellschaft fur Informations – und Planungstechnologie mbH	26
Getec North America Inc.	07
Hayward Baker Cimentaciones Sociedad Anonima	27
Hayward Baker, Inc.	05
HB Puerto Rico, L.P.	28
HJ Foundation Company	10
HJ Keller Holding Company	10
Keller (M) Sdn Bhd	03

Notes to the Company financial statements
continued

9 Group companies continued

Subsidiary undertaking	Key
Keller AsiaPacific Ltd.	29
Keller Australia Pty Limited[4]	13
Keller Canada Holdings Ltd.	30
Keller Canada Services Ltd	30
Keller Cimentaciones Chile, SpA	31
Keller Cimentaciones de Latinoamerica SA de CV	32
Keller Cimentaciones S.A.	33
Keller Cimentaciones SAC	34
Keller Cimentaciones, S.L.U.	35
Keller Colcrete Limited	11
Keller Egypt LLC	36
Keller EMEA Limited[1]	01
Keller Engenharia Geotecnica Ltda	37
Keller Finance Australia Limited	01
Keller Finance Ireland Limited	38
Keller Finance Limited	01
Keller Financing	01
Keller Fondations Speciales SAS	39
Keller Fondations Speciales SPA[5]	40
Keller Fondazioni S.r.l	41
Keller Foundations (S E Asia) Pte Ltd	42
Keller Foundations Ltd.	30
Keller Foundations Vietnam Co., Limited	43
Keller Foundations, LLC	05
Keller Funderingstechnieken B.V.	44
Keller Funderingsteknik Danmark ApS	45
Keller Geo-Fundações, Sociedade Unipessoal, Lda	46
Keller Geotehnica Srl	47
Keller Ground Engineering Bangladesh Limited	48
Keller Ground Engineering India Private Limited	49
Keller Ground Engineering LLC[6]	50
Keller Ground Engineering Pty Ltd	13

Subsidiary undertaking	Key
Keller Grundbau Ges.m.b.H.	51
Keller Grundbau GmbH	52
Keller Grundlaggning AB	53
Keller Hellas S.A.	54
Keller Holding GmbH	52
Keller Holdings Limited[1]	01
Keller Holdings, Inc.	05
Keller Investments LLP	01
Keller Limited[1]	11
Keller National Plant Pty Limited	13
Keller New Zealand Limited	55
Keller Polska Sp. z o.o.	56
Keller Pty Limited	13
Keller Qatar L.L.C.[7]	57
Keller Resources Limited	01
Keller speciálne zakladani spol. s r.o.	58
Keller specialne zakladanie spol.s.r.o.	59
Keller Turki Company Limited[8]	60
Keller Ukraine LLC	61
Keller West Africa S.A.	62
Keller Zemin Mühendisligi Limited Sirketi	63
Keller-MTS AG	64
KFS Finland Oy[9]	65
KGS Keller Gerate & Service GmbH	52
Makers Holdings Limited[1]	01
Makers Management Services Limited[1]	01
Makers Services Limited	01
Makers UK Limited	01
McKinney Drilling Company, LLC	09
McKinney Woodstock LLC	09
Nesur Tecnologia Servicios S.A.	66
North American Foundation Engineering Inc.	30
PHI Group Limited[1]	11

Subsidiary undertaking	Key
Pile Test International Pty Limited	13
Piling Contractors New Zealand Limited	55
Piling Contractors Pty Limited	13
PT. Frankipile Indonesia[10]	67
Resource Piling (M) Sdn. Bhd.	68
Resource Piling Pte Ltd	69
Seaboard Foundations, Inc.	09
Sotkamon Porapaalu Oy	70
Speceng Engenharia E Fundações Especiais Ltda	71
Stabtecno Serviços de Engenharia de Estabilização de Solos Moles Ltda.	72
Suncoast Post-Tension, Ltd.	73
Tecnogeo Engenharia e Fundações Ltda.	74
Terratest-Keller J.V. SAPI de CV[11]	75
The Concrete Doctor, Inc.	76
Vibro-Pile (Aust.) Pty Limited	13
Vremya LLP	77
Wannenwetsch GmbH Hochdruckwassertechnik	78
Waterway Constructions Group Pty Limited	79
Waterway Constructions Pty Limited	79

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 B5-10 Block B Plaza Dwitasik, Bandar Sri Permaisuri Off Jln Tasik Permaisuri 1, 56000 Kuala Lumpur, 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 1st Floor Goldie House, 1-4 Goldie Terrace, Upper Church Street, Douglas, IM1 1EB, Isle Of Man
07 The Corporation Trust Incorporated, 351 West Camden Street, Baltimore, MD, 21201, United States
08 4529, Melrose Street, Port Alberni, BC, V9Y 1K7, Canada
09 CT Corporation System, 1999 Bryan Street, Suite 900, Dallas, TX, 75201, United States
10 CT Corporation System, 1200 South Pine Island Road, Plantation, FL, 33324, United States
11 Oxford Road, Ryton-on-Dunsmore, Coventry, West Midlands, CV8 3EG, United Kingdom
12 674 Pretoria Main Road, Wynberg, 2090, Sandton, Gauteng, South Africa
13 Suite G01, 2-4 Lyonpark Road, Macquarie Park, NSW, 2113, 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
17 C205/21 Didebaa link, Abelemkpe, Accra, Ghana
18 C/O DTOS Ltd, 10th floor, Raffles Tower, 19 Cybercity, Ebene, Mauritius
19 Maseru Book Centre Building, Maseru, Lesotho
20 Maison La Rosiere, Palm Street, Victoria, Mahe, Seychelles
21 Bairro da Matola D, Avenida Samora Machel nr. 393, Matola, Mozambique
22 2nd floor, LA Chambers, Ausspann Plaza, Dr Agostinho Neto Road, Windhoek, Namibia
23 Umkhiwa House, 195 Kal Grant Street, Mbabane, Swaziland
24 462 El Horreya Avenue, Roushdy, Alexandria, Egypt
25 162 Spencer Place, Ridgewood, NJ, United States
26 Mausegatt 45, 44866 Bochum, Germany
27 5 Avenida 15-45, Zona 10, Edificio Centro Empresarial, Torre II, Oficina 1103-04, Guatemala
28 1875 Mayfield Road, Odenton, MD, 21113, United States
29 72 Anson Road #11-03, Anson House, Singapore, 079911
30 Suite 2600, Three Bentall Centre,P.O. Box 49314, 595 Burrard Street, Vancouver BC, V7X 1 L3, Canada
31 C/Huerfanos 1160 – Of.604., Comuna de Santiago, Region Metropolitana, Chile
32 Av. Presidente Masaryk 101, Int.402, Bosque de Chapultepec 1 seccion Delegacion Miguel Hidalgo, 11580 CDMX, Mexico
33 Oceania Business Plaza, Torre 1000, piso 49, Of.A10, Calle 56 D Este, Punta Pacifica, Panama
34 Avenida Javier Prado Oeste, 203. Urbanizacion San Isidro, Departamento San Isidro, Lima, Peru
35 Calle de la Argentina, 15, 28806 Alcala de Henares, Madrid, Spain
36 Sheraton Buildings, Bld. 2, El Mosheer Ahmed Ismail Street, Nozha Square, 1159 Cairo, Egypt
37 Av Embaixador Abelardo Bueno, 01, Bl 1, Salas 702 a 708, 22.775-040 Barra, Rio de Janeiro, Brazil
38 12 Merrion Square, Dublin 2, Ireland
39 2 rue Denis Papin, 67120, Duttlenheim, France
40 No. 35, Route de Khmiss El Khechna, Sbâat, 16012 Rouiba, w. Alger, Algeria
41 Via della Siderurgia 10, Verona, I-37139, Italy
42 18 Boon Lay Way, #04-104, Tradehub 21, 609966, Singapore
43 2nd Floor Van Loi Building, 24 Dang Thai Mai, Phu Nhuan District, Ho Chi Minh City, Vietnam
44 Europalaan 16, 2408 BG, Alphen aan den Rijn, Netherlands
45 Lottenborgvej 24, 2800 Kongens Lyngby, Denmark
46 Estrada do Porto da Areia 2600-675, Fregguesia da Castanheira, Conchelcho de Vilafranca de Xira, Portugal
47 Bucuresti Sectorul 1, Str., Uruguay, Nr. 27, Etaj 1, Ap. 2, Romania
48 Dream House, House # 2/4, Block A, Mohammadpur Housing Estate, Mohammadpur, Dhaka-1207, Bangladesh
49 7th Floor, Eastern Wing, Centennial Square 6A, Dr Ambedkar Road, Kodambakkam, Chennai, 600024, India
50 Flat 308, Building 79 Al Maya Supermarket Building, Al Khuwair 33, P.O. Box 1618, Ruwi, Muscat, 112, Oman
51 Guglgasse 15, BT4a/3.OG, Vienna, 1110, Austria
52 Kaiserleistraße 8, Offenbach am Main, 63067, Germany
53 Östra Lindomev 50, 437 34, Lindome, Sweden
54 Keller Hellas S.A. Antheon 102, GR-57019 N. Epivates-Thessaloniki, Greece
55 C/-GazeBurt, 1 Nelson Street, Auckland, 1010, New Zealand
56 ul. Poznanska172, Ozarow Mazowiecki, PL-05805, Poland
57 Building No: 5, Floor No: 8, Room No: 801-A, Al Diwan Street, Beside Musherib Hotel, Doha, Qatar
58 Na Pankraci 30, 14000 Praha 4, Czech Republic
59 Hranica 18 – AB 6, 82105 Bratislava, Slovakia
60 PO Box 718, Dammam, 31421, Saudi Arabia
61 30, Vasylkivska Street, Kiev, 03022, Ukraine
62 Autoroute du Nord, PK 22, Allokoi, district de Yopougon, 01 BP 7534 – Abidjan 01, Ivory Coast
63 Harbiye Mah. Teşvikiye Caddesi No:17, D:13 İkbal Ticaret Merkezi, 34365 Şişli, Istanbul, Turkey
64 Sonnenberstrasse 51, Ennetbaden, 5408, Switzerland
65 Haarakaari 42, TUUSULA, 04360, Finland
66 Union Mercantil LA, Num.33, Portal 1, Planta 5, Puerta C, 29004 Malaga, Spain
67 Pusat Perkantoran Graha Kencana Blok EK, Jakarta Jl. Raya Perjuangan No. 88, Kebon Jeruk, Jakarta Barat 11530, Indonesia
68 Wisma SP Setia, No. 05-23, Jalan Indah 15 Taman Bukit Indah 81200 Johor Bahru, Malaysia
69 18 Boon Lay Way, #04-113, Tradehub 21, 609966, Singapore
70 4, Lastaajantie, Vuokatti, 88610, Finland
71 City of Cotia, Avenida Vasco Massafeli, 1.444 – cj. 01, Caiapiá, Cotia, São Paulo, CEP 06703-600, Brazil
72 Avenida Vasco Massafeli, 1.444 – cj. 02, Caiapiá, Cotia, São Paulo, CEP 06703-600, Brazil
73 509N. Sam Houston Parkeway E, Ste 300, Houston, 77060, Texas, United States
74 Av. Eliseu de Almeida, 1415, Butantã, São Paulo, CEP 05533-000, Brazil
75 Presidente Masarik 62, Oficina 110, Bosques de Chapultepec, Distrito Federal, 11580, Mexico
76 CT Corporation System, 208 SO LaSalle St, Suite 814, Chicago, IL, 60604, United States
77 Sultan Beibars 237, 060011 Atyrau, Kazakhstan
78 Wolfsgrube 7, 98617 Meiningen, Germany
79 Level 1, 104-108 Victoria Road, Rozelle, NSW, 2039, Australia

1 Owned directly by the Company.
2 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.
3 99% owned by Frankipile International Projects Limited.
4 Ownership consists of 15% Ordinary A shares, 10% Ordinary B shares and 75% Ordinary C shares.
5 51% owned by Keller Fondations Speciales SAS and other Keller companies.
6 70% owned by Keller Holdings Limited.
7 49% owned by Keller Holdings Limited.
8 65% owned by Keller Grundbau GmbH.
9 Joint venture 50% owned by Keller Grundlaggning AB, based in Tuusula, Finland. The company is managed jointly by an equal number of directors from each of the two shareholder companies.
10 67% owned by Keller Foundations (SE Asia) Pte Limited.
11 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.

9 Group companies continued

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 2017:

Company	Registered number
Keller Financing	04592933
Keller EMEA Limited	02427060

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 2017:

Company	Registered number
Keller Holdings Limited	02499601
Keller Resources Limited	04592974
Keller Finance Australia Limited	06768174
Keller Finance Limited	02922459
Keller Investments LLP	OC412294

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 items which are exceptional by their size or are non-trading in nature, including 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.

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 2016 results of overseas operations into sterling at the 2017 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 2016 underlying result and the 2016 constant currency result is shown below and compared to the underlying 2017 performance:

Revenue by segment

	2017	2016				
	Statutory £m	Statutory £m	Impact of exchange movements £m	Constant currency £m	**Statutory change %**	**Constant currency change %**
North America	**968.7**	952.9	53.7	1,006.6	**+2%**	**-4%**
EMEA	**737.2**	552.6	34.2	586.8	**+33%**	**+26%**
APAC	**364.7**	274.5	18.1	292.6	**+33%**	**+25%**
Group	**2,070.6**	1,780.0	106.0	1,886.0	**+16%**	**+10%**

Underlying operating profit by segment

	2017	2016				
	Underlying £m	Underlying £m	Impact of exchange movements £m	Constant currency £m	**Underlying change %**	**Constant currency change %**
North America	**78.7**	86.9	4.3	91.2	**-9%**	**-14%**
EMEA	**53.3**	30.2	0.5	30.7	**+76%**	**+74%**
APAC	**(16.5)**	(18.0)	(1.3)	(19.3)	**+8%**	**+15%**
Central items and eliminations	**(6.8)**	(3.8)	–	(3.8)	**-79%**	**-79%**
Group	**108.7**	95.3	3.5	98.8	**+14%**	**+10%**

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

	2017 £m	2016 £m
Operating profit before non-underlying items	**108.7**	95.3
Depreciation of property, plant and equipment	**67.3**	62.0
Amortisation of intangible assets	**1.2**	1.3
Underlying EBITDA	**177.2**	158.6
Non-underlying items in operating costs	**(1.6)**	(18.9)
Non-underlying items in other operating income	**23.2**	18.5
EBITDA	**198.8**	158.2

Net finance costs

	2017 £m	2016 £m
Finance income	**(3.8)**	(1.6)
Finance costs before non-underlying items	**13.8**	11.8
Underlying net finance costs	**10.0**	10.2
Non-underlying finance costs	**0.7**	1.1
Net finance costs	**10.7**	11.3

Net capital expenditure

	2017 £m	2016 £m
Acquisition of property, plant and equipment	**84.2**	78.2
Acquisition of intangible assets	**0.8**	0.6
Proceeds from sale of property, plant and equipment	**(10.5)**	(5.8)
Net capital expenditure	**74.5**	73.0

Net debt

	2017 £m	2016 £m
Current loans and borrowings	**48.3**	54.0
Non-current loans and borrowings	**248.9**	336.0
Cash and cash equivalents	**(67.7)**	(84.4)
Net debt	**229.5**	305.6

Order book

The group's disclosure of its order book is aimed to provide insight into its backlog of work and future performance. The group's order book is not a measure of past performance and therefore cannot be derived from its financial statements. The group's order book comprises the unexecuted elements of orders on contracts that have been awarded. Where a contract is subject to variations, only secured variations are included in the reported order book.

Financial record

	2008 £m	2009 £m	2010 £m	2011 £m	2012 £m	2013 £m	2014 £m	2015 £m	2016 £m	**2017 £m**
Consolidated income statement										
Continuing operations										
Revenue	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	**2,070.6**
Underlying EBITDA	144.3	113.2	85.0	71.4	91.9	124.2	141.9	155.5	158.6	**177.2**
Underlying operating profit	119.4	77.3	43.3	28.9	48.3	77.8	92.0	103.4	95.3	**108.7**
Underlying net finance costs	(6.2)	(2.6)	(3.7)	(7.0)	(4.8)	(3.7)	(6.9)	(7.7)	(10.2)	**(10.0)**
Underlying profit before taxation	113.2	74.7	39.6	21.9	43.5	74.1	85.1	95.7	85.1	**98.7**
Underlying taxation	(35.9)	(22.6)	(11.0)	(5.5)	(13.5)	(23.8)	(29.7)	(33.0)	(29.8)	**(24.7)**
Underlying profit for the period	77.3	52.1	28.6	16.4	30.0	50.3	55.4	62.7	55.3	**74.0**
Non-underlying items[1]	–	–	(17.1)	–	–	(20.2)	(56.6)	(36.4)	(7.3)	**13.5**
Profit/(loss) for the period	77.3	52.1	11.5	16.4	30.0	30.1	(1.2)	26.3	48.0	**87.5**
Consolidated balance sheet										
Working capital	92.2	85.0	106.7	119.8	97.6	124.1	104.1	97.1	152.5	**181.3**
Property, plant and equipment	254.7	264.4	275.0	266.1	248.5	281.9	295.6	331.8	405.6	**399.2**
Intangible and other non-current assets	124.3	131.8	122.9	116.4	112.1	202.8	203.4	183.0	218.2	**198.3**
Net debt	(84.6)	(78.8)	(94.0)	(102.5)	(51.2)	(143.7)	(102.2)	(183.0)	(305.6)	**(229.5)**
Other net assets/liabilities	(84.0)	(79.1)	(79.8)	(73.0)	(71.3)	(92.5)	(154.6)	(94.9)	(41.1)	**(77.1)**
Net assets	302.6	323.3	330.8	326.8	335.7	372.6	346.3	334.0	429.6	**472.2**
Underlying key performance indicators										
Basic earnings per share from continuing operations (pence)	111.1	78.8	44.0	24.8	45.9	73.0	75.3	86.4	75.9	**102.2**
Dividend per share (pence)	20.7	21.8	22.8	22.8	22.8	24.0	25.2	27.1	28.5	**34.2**
Operating margin	10.0%	7.4%	4.1%	2.5%	3.7%	5.4%	5.8%	6.6%	5.4%	**5.2%**
Return on capital employed[2]	36.2%	19.3%	10.2%	6.6%	11.6%	16.7%	18.3%	20.5%	15.3%	**15.1%**
Net debt: EBITDA	0.6x	0.7x	1.1x	1.4x	0.6x	1.2x	0.7x	1.2x	1.9x	**1.3x**

1 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.
2 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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Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as 'anticipates', 'aims', 'due', 'will', 'could', 'may', 'should', 'expects', 'believes', 'intends', 'plans', 'potential', 'reasonably possible', 'targets', 'goal' or 'estimates'. By their very nature forward-looking statements are inherently unpredictable, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future.

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

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

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