



Keller Group plc
Annual Report and Accounts 2018





Global strength and local focus.

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 sector.

We are the world's largest geotechnical specialist contractor. Our projects are typically for a single, local site, perhaps for a building, a basement or a bridge. But we also have the financial strength, know-how, capacity and 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 it safely and see it through to a successful conclusion.

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Highlights

£2,224.5m 7%

Revenue

(2017: £2,070.6m)



£1.0bn No change

Order book

(2017: £1.0bn)



£96.6m 11%

Underlying operating profit

(2017: £108.7m)



£(13.8)m loss

Statutory profit after tax

(2017: £87.5m profit)



4.3%

Underlying operating margin

(2017: 5.2%)



£286.2m 25%

Net debt

(2017: £229.5m)



79.1p 22%

Underlying earnings per share

(2017: 101.8p)



35.9p 5%

Dividend

(2017: 34.2p)



Financial highlights

	Underlying		Statutory	
	2018	2017	2018	2017
Operating profit (£m)	96.6	108.7	25.0	121.3
Operating margin (%)	4.3	5.2	1.1	5.9
Earnings per share (pence)	79.1	101.8	(20.6)	120.5
Return on capital employed (%)	13.0	15.1	3.4	16.3

Details of non-underlying items are set out in note 8 of the consolidated financial statements. Reconciliations to statutory numbers are set out in the adjusted performance measures section on page 130.

Company overview

A strong investment case

Global market

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

A strong position but plenty of room to grow

Global geotechnical contracting market

\$54bn

Geotechnical contracting market where Keller operates today

\$26bn

Keller today \$2.85bn

Keller has a 5% global markets share and around a 10% share of the markets in which we operate.

Sources: IHS Markit 2018, National statistics organisations, Keller accounts.

Favourable market trends

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

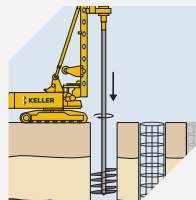
Keller underlying operating margin

4.3%

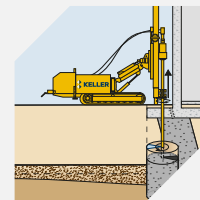
We are the number one geotechnical specialist contractor worldwide given our profitability and capability (broad product portfolio, branch network, equipment fleet, technical leadership and operational track record).

Our solutions

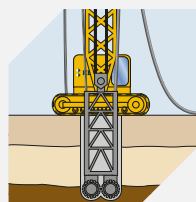
Used alone or in combination, our techniques solve a wide range of geotechnical challenges across the entire construction sector.



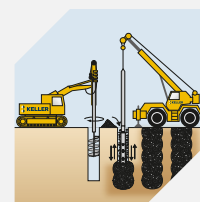
Deep foundations



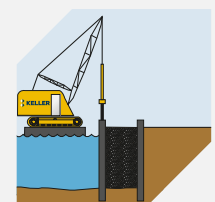
Grouting



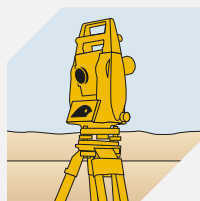
Earth retention



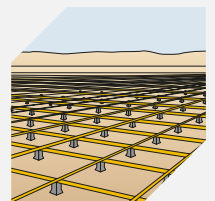
Ground improvement



Marine



Instrumentation and monitoring

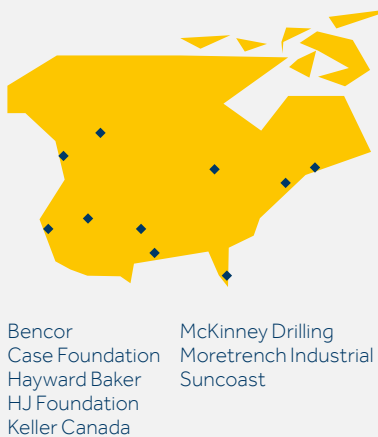


Post-tension systems

Branch network

With operations across six continents, and revenue of £2.2 billion, Keller is the largest geotechnical contractor in the world.

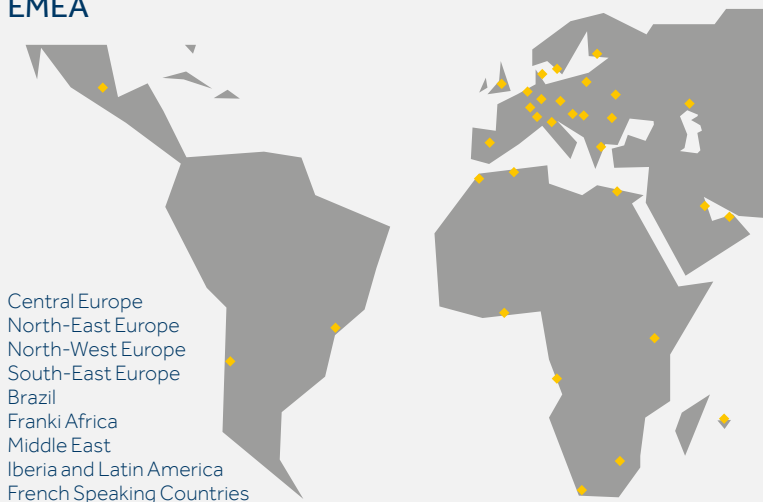
North America



Asia-Pacific



EMEA



A strategy to deliver

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

1. Growth
2. Customers
3. Scale
4. Engineering/Operations
5. People

 For more information see page 16

A stable business model

With a long-term track record of growth and value creation.

Revenue growth (£bn)



Diluted underlying EPS (p)



 For more information see page 6

Our market

Helping create the world's infrastructure

Our vision

To be the world leader in geotechnical solutions.

Market potential

Global market trends offer positive opportunities for Keller because we excel in value engineered geotechnical solutions. Our group strategy is designed to capitalise on those 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.

\$54bn 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 \$26bn. It is an estimate based on data from IHS Markit and other local sources. Typically, geotechnical contracting is around 1% of the construction market.

Fragmented competition

We have three types of competitor with a large variation between geographies. Type one is the global geotechnical contractor (of which there are three) but not all present in all markets. Type two is the general contractor-owned national geotechnical competitor. Type three is the local, independent geotechnical contractor.

Wide variety of projects

Our projects vary in terms of scale, location, end use, and geotechnical technique. Scale is from around £25k up to more than £100m but typically short duration and around £325,000. 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 include all our ten product groups (eg bored piling, driven piles, diaphragm walls, soil mixing, vibro, micropiles/anchors, rigid inclusion, grouting, jet grouting, CFA piles).

Niche sub-sector

Geotechnical solutions are a small, niche sub-sector of construction, growing faster than the overall market.

This reflects:

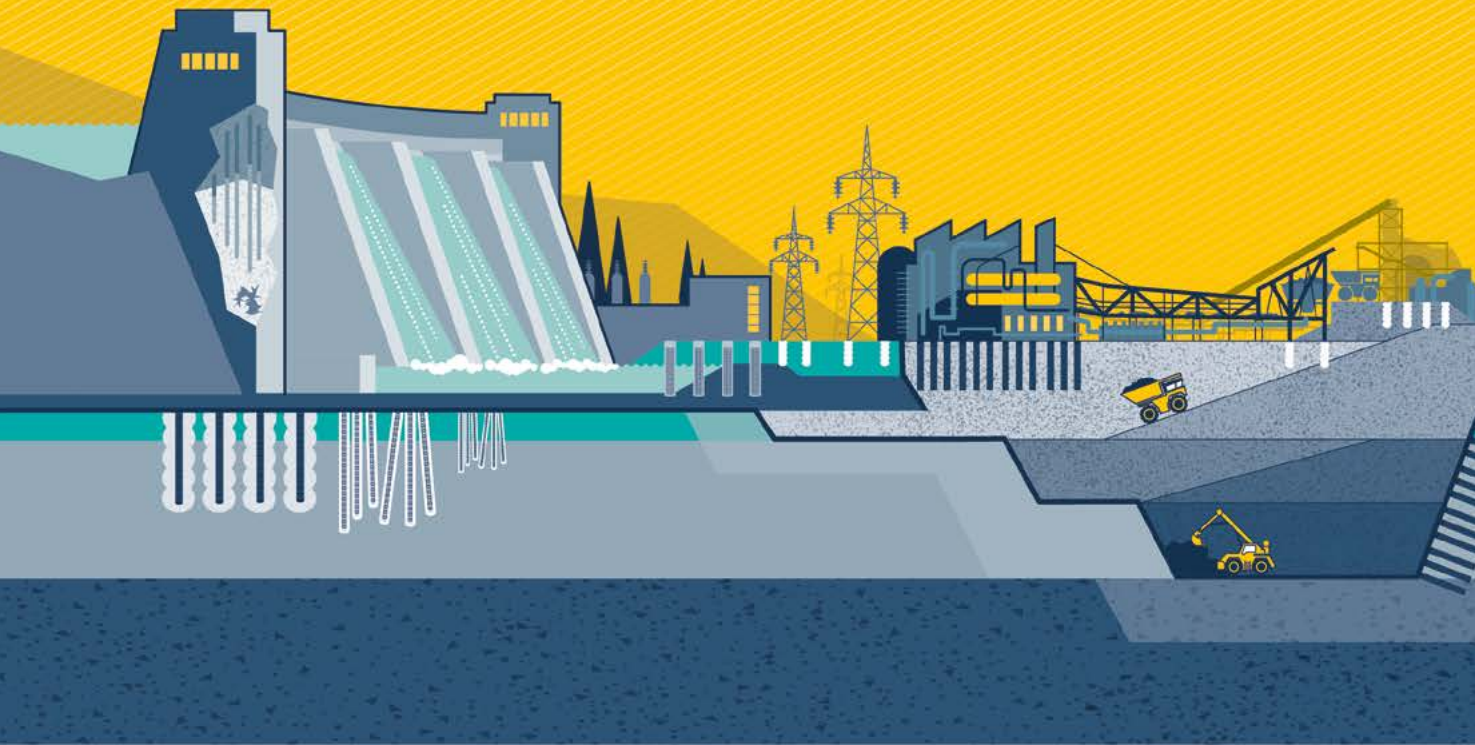
- More pressure to build on brownfield and marginal land.
- More ambitious development and infrastructure projects.

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 with ultimate client organisations.

Market potential

We are the world's largest geotechnical specialist contractor by revenue and have a stable business with a long-term track record of growth. Whilst we are the number one business worldwide given our size, profitability and capabilities we still have potential to grow with the global construction market and improve our business.



Infrastructure renewal

As populations grow and current infrastructure ages there is an imperative to invest in new and greater capacity. Given the complexity involved in transport and energy infrastructure the geotechnical solution is often sophisticated and large-scale. In cramped metropolitan environments new infrastructure typically replaces the existing often presenting technical challenges.

Only the largest geotechnical contractors possess the resources and skills to deliver on this scale. Our reputation, not just for delivery, but also our willingness to team up with our customers or joint venture partners means that we excel in this market.

Infrastructure renewal: The world will need to spend \$57 trillion on infrastructure by 2030 to keep up with global GDP growth.

The McKinsey Global Institute 2018

Demand for complete solutions

Customers want to reduce their burden of managing many different contractors and reduce interface risk. As projects are executed in more complex environments and to a greater scale the geotechnical solutions typically require multiple products to be deployed and a number of additional services alongside (eg site clearing, excavation works, or groundwater management).

Our sectors

Share of 2018 revenue

Power/industrial

23%

Infrastructure/public buildings

33%



Technical complexity

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 and deliver 'turnkey' contracts.

Increasing demand from customers for complete solutions: More demand for early involvement, partnership and collaboration throughout the construction supply chain.

The construction market is becoming more digital and our sites are increasing in sophistication and complexity. Our development work allows us to use modern technology to control and record our processes and share information with our customers and the rest of the supply chain.

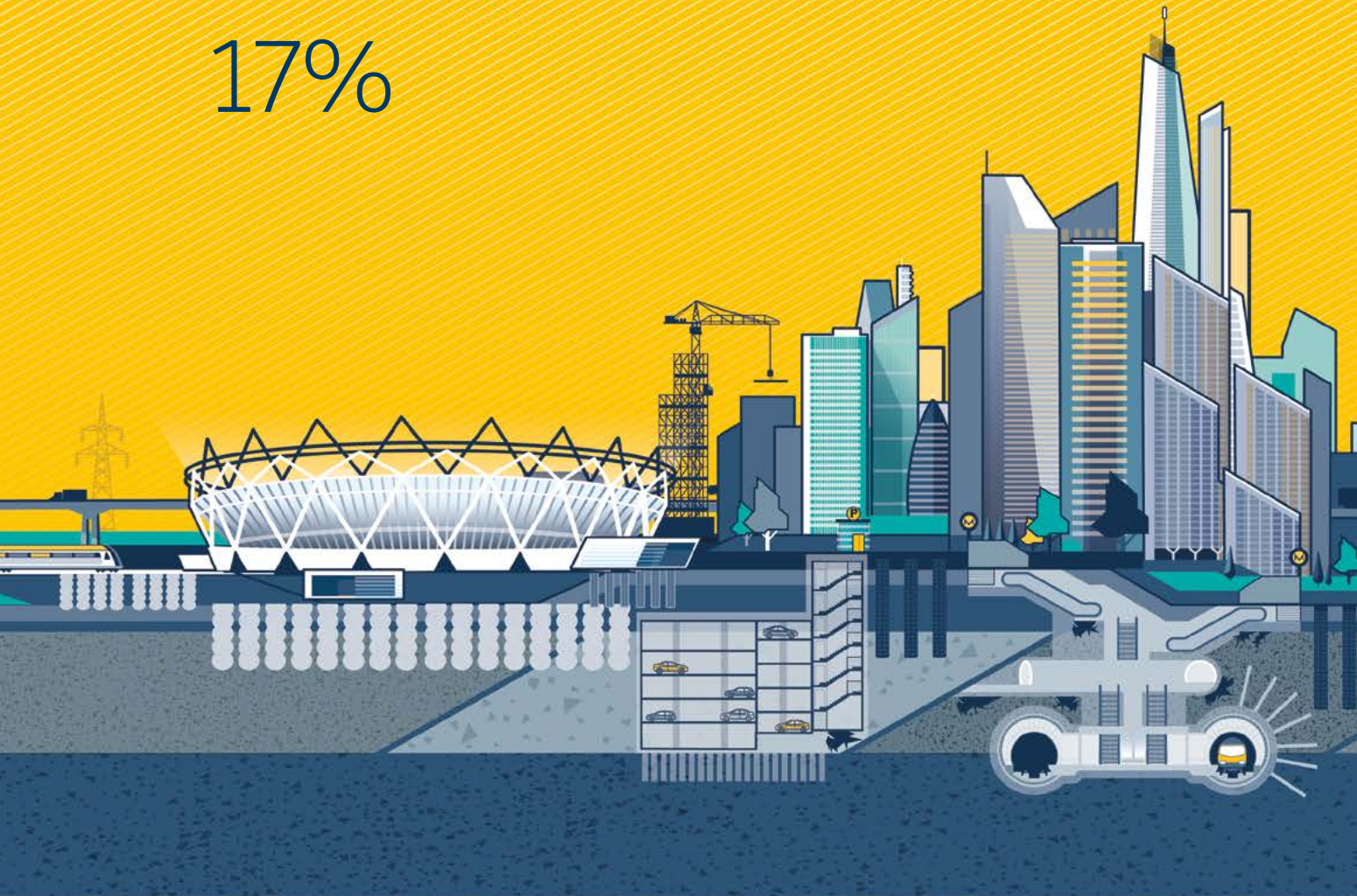
Keller has a strong history of innovation and we leverage our in-house equipment

manufacturing capacities as well as developing market-leading data acquisition systems. Through Geo-Instruments we can integrate instrumentation and monitoring solutions onto our sites and we are BIM (Building Information Modelling) capable.

Increasing technical complexity: Rising number of governments and clients are mandating the use of BIM for their projects.

Office/commercial

17%



Continued urbanisation

As the world's cities continue to expand they require increasingly sophisticated solutions. Larger, taller structures require more technically demanding foundations capable of withstanding not only the building loads but also providing resilience against acts of nature such as rising water levels or earthquakes.

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 and sustainable techniques for working in urban areas.

Continued urbanisation: More than half the world's population lives in cities. Sixty-five million people will be added to the urban population every year.

OECD – Regions and Cities at a Glance 2018

Residential

23%

Marine

4%



Development land shortage

There is a desire to convert more brownfield and marginal land. Geotechnical solutions are at the fore in releasing the development potential of otherwise sterile or derelict areas.

With our world-leading geotechnical engineering team, our near shore marine capable businesses and the breadth of our product base we are able to cope with the most complex challenges when working on brownfield or marginal land sites.

Increasing land shortage and brownfield development: More than 450,000 brownfields in the US alone.

US Environmental Protection Agency 2018



Keller is uniquely placed
in combining local
knowledge of markets
and customers with
global expertise and
experience.



Alain Michaelis
Chief Executive Officer

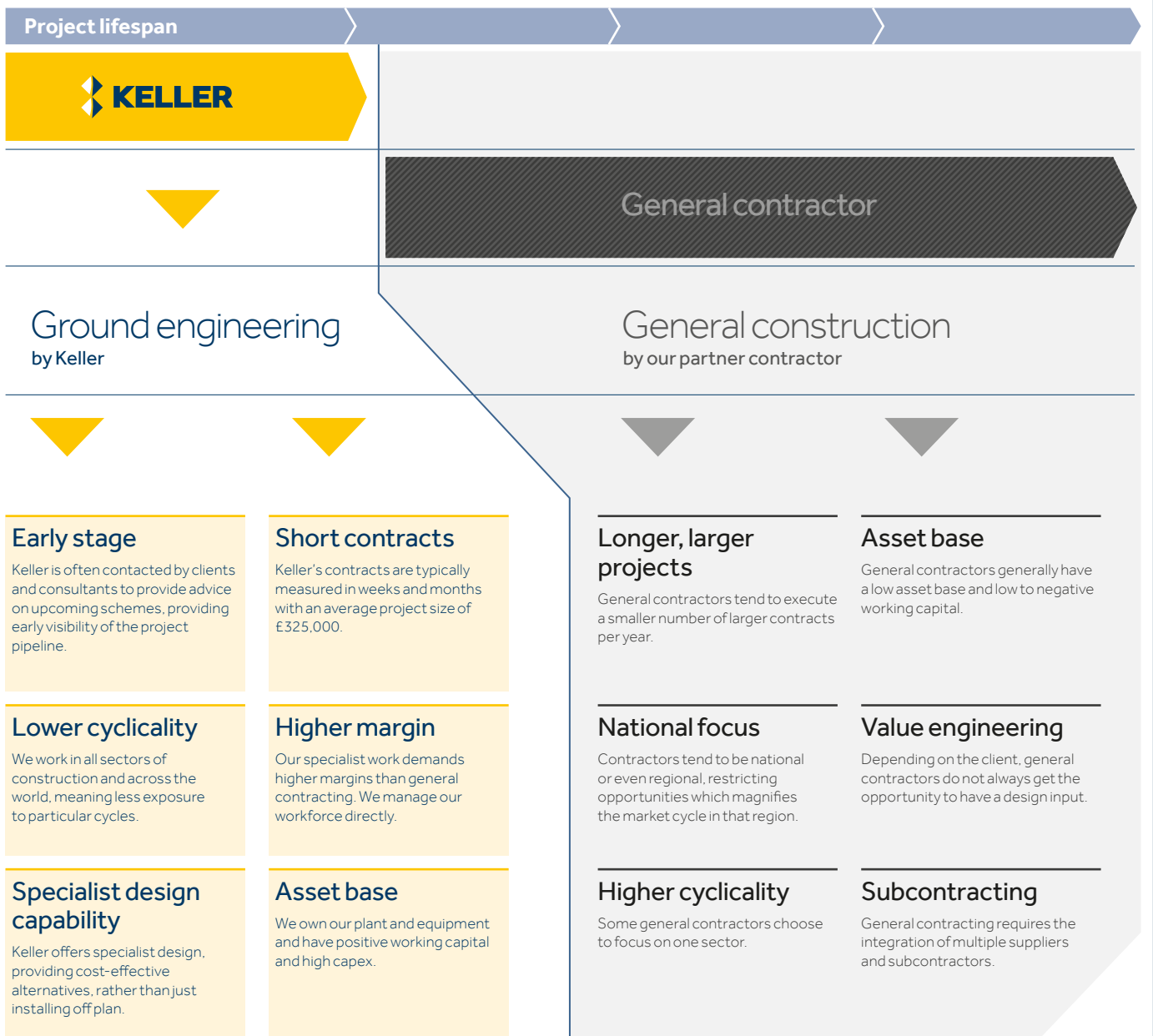


Our business model

Improving the world's infrastructure

Our market position

Contractor landscape



Key resources and relationships

Value engineering

- Industry-leading geotechnical design engineers
- Full computer aided design (CAD) and Building Information Modelling (BIM) capability

Full product range/high asset base

- The widest range of geotechnical techniques
- Over 1,200 rigs and cranes across the world

Global network, local presence

- Regional offices in all locations where we operate
- Knowledge of local soils and conditions
- Global capability to deliver the largest projects

Best practice knowledge and asset sharing

- Access to global experts and best practice
- Global product teams
- Sharing of resources across borders

Technology

- Leaders in data acquisition
- Investment in R&D and innovation

Government and regulators

- Contribute to developing codes and standards
- Present on national trade bodies

Employees

- High levels of knowledge and expertise
- Low staff turnover
- Global training standards

Safety and sustainability

- Continuing to improve our Accident Frequency Rate (AFR)
- Reducing carbon footprint

Value stream

Opportunity identification

- Local businesses with insight into our customers' needs, that we can support through group collaboration to provide expertise and to share knowledge

Proposal preparation

- Design capability to create the optimum solution supported by Keller's leading portfolio of techniques and services

Contract agreement

- Commercial teams with local knowledge ready to agree contracts that are fair to all parties. Experience of large scale major projects

Project execution

- Global product teams tasked with sharing best practice combined with the world's largest fleet of geotechnical equipment, makes Keller a reliable partner

Feedback and learning

- Lessons learnt (such as ways of improving productivity) are retained and transferred into the rest of the group

Our stakeholder outcomes

Employees

- Local and global opportunities
- Development and training
- Long-term employment

Customers

- Benefit from global strength and local focus
- Provision of cost effective geotechnical solutions

Investors

- Stable business with a long-term track record
- Continued growth opportunities

Communities

- Local employment
- Charitable events
- Sustainable commitments

The Keller value stream

We are unique in that our global strength and knowledge is joined with our local presence and focus. As a connected group of industry-leading companies, we can bring this to bear on projects of any size, anywhere in the world.

Our points of difference in action



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).

Taking basements to new depths in South Florida



 For more information see page 19

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 with solution development.

Growing the product range through the acquisition of Moretrench



 For more information see page 15

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.

Team effort delivers seamless service on Austin Marriott project



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.

A winning combination of global strength and local focus in India



 For more information see page 23

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).

Keller collaboration helps deliver Thames Tideway trial



 For more information see page 21

Chairman's statement



Significant actions have been taken to restore and improve performance.



Overview

The group overall delivered an unsatisfactory result in 2018 and as a consequence actions have been taken to restore and improve performance. North America, which accounts for half of the group's revenue, delivered good growth in revenue and flat operating profit with the benefit of the successful Moretrench acquisition offset by material price increases in Suncoast and an adverse mix of projects. The EMEA Division, despite lower total revenue and underlying operating profit as a result of the completion of two large projects, delivered an excellent result if these two contracts are excluded, whilst the APAC Division was severely impacted by the previously announced challenges in its ASEAN and Waterway businesses. Overall, group underlying profit before tax fell to £80.5m (2017: £98.7m). Significant restructuring has been carried out and tough but necessary actions taken across the group; the order book is healthy and the group is expected to show a good recovery in 2019.

Statutory profit before tax for the year fell to £8.4m (2017: £110.6m) largely as a result of previously announced non-underlying operating costs, which totalled £64.2m, of which £30.1m was goodwill impairment. The exceptional, mainly non-cash, restructuring costs of £30.1m comprised asset write-downs, redundancy costs and other reorganisation charges in ASEAN, Waterway, Brazil and Franki Africa. As a consequence of the exceptional charge, the statutory loss for the period was £13.8m (2017: profit £87.5m).

Keller took decisive actions across the group in 2018, closing its heavy foundations business in Singapore and Malaysia; restructuring its Waterway business in Australia and downsizing its operations in Brazil and Africa in response to adverse market conditions. The cost base has been reduced, as has exposure to unprofitable market segments. There is now an even greater focus on contract management and operational excellence to drive improved financial performance, and the control regime and risk management processes are being strengthened. All of these actions are expected to deliver benefits in 2019 and beyond.



The Board is recommending a 5% increase in the 2018 full year dividend.



Further to the group-wide restructuring programme in 2018, the group in 2019 will be focusing more intently on underperforming areas of its portfolio, including business units, branches, products and projects, and will remediate their performance or exit completely if there is not felt to be value potential in the medium term. Keller will focus particularly on those areas where it has leading market positions and/or market leading technologies, and will continue to look at further structural and portfolio enhancements over the medium term.

Net debt at year end was £286.2m, equivalent to leverage of 1.7x, and the group successfully refinanced its existing debt facilities, on improved terms, in late 2018. A more conservative approach is being taken regarding the balance sheet; there will be no material acquisitions in 2019; even greater focus on operational cash generation through tighter controls on working capital and capital expenditure. Whilst leverage is expected to rise slightly as usual during the first half of 2019, we expect to see a further reduction in debt during the second half. Recognising the current sentiment of the equity capital markets towards the UK construction sector, and despite a robust balance sheet and our strong cash flow generation, the group is updating its debt leverage guidance from a previous range of 1.5x-2.0x, to 1.0x-1.5x, with the 2019 year-end target to be within that range.

Safety

The safety of our employees is a priority for the group. We were particularly saddened by the deaths of three of our Keller colleagues in separate accidents during 2018. Any loss of life is taken very seriously and we continue to strive for a zero harm culture. We continue to make substantive progress regarding safety, with a strong and industry-leading track record, as demonstrated by the 69% decrease in the last five years in our overall accident frequency rate. However, we must continue to work hard in this arena. During the second half of the year we appointed a new group HSEQ Director, an experienced practitioner from the oil and gas industry.

Board

In August 2018, James Hind took up his new role as President of the North America Division, whilst remaining an Executive Director. James was succeeded by Michael Speakman as Chief Financial Officer. Michael is a highly experienced listed company Chief Financial Officer who brings significant global finance knowledge obtained in blue-chip engineering groups.

Paula Bell and Baroness Kate Rock joined the Board with effect from September 2018 as Non-executive Directors. Paula has extensive international strategic, financial, commercial and M&A experience from large listed global companies and is currently the Chief Financial Officer of Spirent Communications plc, a leading multi-national testing and solutions group. Kate has a strong international background in corporate communications and business relations. From 2014 until November 2017, Kate was a Non-executive Director and Chairman of the Remuneration Committee of Imagination Technologies plc, the former FTSE250 high technology company. Kate was appointed a Life Peer in 2015.

After eight years on the Board, Chris Girling retired as a Non-Executive Director and as Audit Committee Chairman on 1 January 2019. Chris made an enormous contribution to the Board and will be missed – we have all benefited from his wide business and contracting industry experience, judgement and sage advice. Paula Bell has succeeded Chris as Chairman of the Audit Committee.

Strong, effective and efficient governance is essential in supporting management to deliver the group's strategy and long-term business success. We will continue to develop and improve our governance regime to support the Board and executive team and ensure that the business remains responsive to opportunities and resilient to challenges.

Employees

I would like to thank all of our employees for their commitment, hard work and resilience in a difficult year. During 2018, we strengthened the organisation's leadership, not only at the Board and Executive Committee level, but also across our wider global leadership team. Management, supported by our highly-skilled, dedicated and determined employees across the globe, are committed to delivering long-term sustainable growth for our shareholders.

Dividends

In line with our progressive dividend policy, and with continued confidence in the long-term prospects for the group, the Board is recommending a 5% increase in the 2018 full year dividend to 35.9p (2017: 34.2p). Full year 2018 dividend earnings cover, before non-underlying items, was 2.2x (2017: 3.0x).

This recommendation results in a proposed 2018 final dividend of 23.9p per share (2017: 24.5p per share) to be paid on 21 June 2019 to shareholders on the register as at the close of business on 31 May 2019. The group intends to maintain its progressive dividend policy in the future.

Prospects

The group operates in the large and growing global construction and infrastructure market, and as a specialist geotechnical contractor, with a global presence and strong cash generation, will benefit from the favourable market trends of urbanisation and infrastructure growth. Alongside the proactive move to derisk the business further during 2019, the strategy to connect and professionalise the group remains in place, with specific actions taken during the year, not least in APAC, to improve performance. We are confident that the combination of these improvement initiatives, the group's technical leadership, wide product portfolio, broad branch network and operational strength will drive the business forward in 2019 and beyond.



Peter Hill
Chairman
4 March 2019



Despite unsatisfactory results, we have taken the tough but necessary actions to ensure a healthy 2019.



Strategic and operational review

We remain committed to our strategy of building a more strategic, connected and capable company. Despite Keller's many decades of success operating as a 'confederation' of local businesses, this is necessary to maximise the opportunities of scale and skill that the group possesses, and to ensure more consistent underlying performance. The disappointing results in 2018 show that this strategy remains absolutely necessary, and also demonstrate the need to accelerate in some key areas, notably in risk, control and project assurance, and to sharpen our focus on cash generation and debt levels.

Active portfolio management Our business units

Through our upgraded strategic process, we now steer our portfolio of geographic businesses, products and projects more deliberately. Keeping the portfolio in good health via active portfolio management is an important and ongoing strategic focus. We have made a number of changes in 2018 as outlined below, and will continue to monitor and evolve the portfolio where necessary during 2019.

In keeping with our strategy of 'depth over breadth' we made the significant acquisition of Moretrench in March 2018 for a consideration of \$90m. This acquisition gives us a greatly enhanced presence on the US east coast, particularly in complex projects, and synergies are being delivered ahead of plan.

We are continuing to see greater levels of co-operation and collaboration across the North American businesses, which are increasingly teaming up to win and execute work.

2018 was a difficult year for four of our business units: ASEAN, Waterway, Franki Africa and Brazil.

In ASEAN, we completed a thorough review of our product and business portfolio, in light of the political and competitive landscape. As a result of deterioration in the Malaysian market conditions and disappointing project performance, we downsized the business to focus on those product lines offering the greatest opportunity to leverage our market-leading technologies. We therefore undertook a managed exit from heavy foundations activities (bored piling, driven piling and diaphragm walls)

Lever Engineering and Operations
Trend Solutions, Technical complexity

KellerDAQ

in Singapore and Malaysia, which have become highly commoditised and continue to see heavy competitive and pricing pressure. These operations had a combined annual revenue of approximately £60m. Going forward, we are focusing on higher margin ground improvement activities (vibro, grouting and deep soil mixing). The restructuring of the business is now substantially complete although some piling projects continue through the first half of 2019.

In Australia, at Waterway we took the decision to exit the highly congested bridge superstructure market and refocus on higher margin projects. Although Austral and Waterway retain their independent brands and operations, they are now sharing key leadership roles and functional support, reducing overhead and improving business processes. We continue to expect that the legacy lower margin contracts in Waterway will be substantially completed by the end of H1 2019.

The group continues to expect that the above actions and leadership changes will return the APAC Division to profit in H2 2019.

We also announced that due to challenging market conditions in Brazil and South Africa, reflecting the difficult geopolitical environment in those countries, and as part of our continued focus on the shape of our global capacity, we were taking proactive measures to scale back our operations in these difficult markets, primarily through capacity reduction, and as a result maintaining bidding discipline. These changes are also now substantially complete but the outlook for both markets remains uncertain in 2019, despite some improving signs.

The actions described in ASEAN, Waterway, Brazil and South Africa were part of a group-wide programme of portfolio and capacity actions. The group has taken an exceptional restructuring charge of £61.4m in the full year 2018 results. £30.1m relates to goodwill and £22.8m relates to fixed asset and other impairments. Cash restructuring costs are £8.5m which we expect to be offset by income from asset disposals in 2019, with net cash costs therefore broadly neutral. These measures have also resulted in a reduction of around 700 employees.



We collect data from rigs and equipment on our job sites today, but we capture and hold it in different ways.

Keller's data acquisition system KellerDAQ – will collect, process and visualise data in the form of reports and dashboards from any equipment, whether owned by Keller or a third party, in one, easy-to-use platform.

It will give project managers a standard interface to track key information from their sites while allowing real time visibility of all Keller projects globally.

Rolled out progressively, we will launch with selected products.

Benefits to Keller

- Ability to validate bids easily and quickly
- Improved project assurance and problem solving
- Targeting of improvements in estimating design, quality and productivity



We have potentially the largest body of geotechnical data in the world. Leveraging this wealth of information will be a real game changer that sets Keller apart.



Dennis Boehm
 Head of Global Product Teams

Chief Executive's statement continued

WINNER
BRITAIN'S
MOST
ADMIRABLE
COMPANIES
2018
Management Today



Keller was named Britain's Most Admired Company in the Heavy Construction Sector 2018, taking top spot for the first time. On behalf of the company, Kerry Porritt and Graeme Cook accepted the award from The Rt Hon the Lord Heseltine at an awards dinner in December 2018.

Our products

We continue to advance our product portfolio to retain our pre-eminent positions, and address areas of competitive advantage or disadvantage. Through our Global Product Teams we have developed clear product strategies that include design know-how, core technologies, equipment and operational work streams.

The acquisition of Moretrench has given Keller new niche geotechnical products for groundwater control, such as dewatering and ground freezing. We will use the Keller network to bring these products to wider geographies and offer customers an even broader choice of solutions.

We also look for opportunities to transfer products appropriately across the group. Good examples this year include the successful transfer of our jet grouting technology to India, and our first use of cutter soil mixing in Canada.

We have also continued our equipment innovation this year with the development of a new vibro rig. This has upgraded controls automation and a new stone feed system (the 'double lock' system) that allows for uninterrupted operation and significant productivity gains.

Our projects

We worked on around 7,000 projects throughout the world in 2018. These continue to set the standard in the industry and to enhance Keller's reputation for providing innovative solutions, combined with excellent execution focused on our customers' needs. Average project size is still comparatively small at around £325k per project. Local and smaller projects remain our foundation, supported by our extensive branch network (around 190 locations) and our skilled local teams who know their markets and customers well.

However we are also taking advantage of the wider global trend towards a larger and more complex project mix which we see as an opportunity. A more connected Keller allows us to combine resources to offer solutions and compete on these projects.

Looking more broadly, while we are proud of our customer and industry reputation, we still see significant opportunity to improve project management rigour and the predictability of project outcomes. This is an area of sharpened focus for us in 2019 and beyond.

Safety

The safety of our employees is a priority for the group. We were particularly saddened by the deaths of three of our Keller colleagues in separate accidents during 2018; two in the US and one in Brazil. Any loss of life is taken very seriously and we continue to strive for a zero harm culture. The accidents have all been thoroughly investigated and analysed with lessons shared across the group.

We continue to make substantive progress regarding safety, with a strong and industry-leading track record. This is demonstrated by the 69% decrease in the last five years in our accident frequency rate. However we must continue to work hard in this arena. We are also focused on decreasing one of our major risks, rig overturns, launching a group-wide 'working platform' standard that all projects will comply with.

Group-wide Business Improvement Programme

We have also appointed a Director of LEAN and are developing a Keller LEAN programme that we will progressively embed across the group over the next few years. The early pilot events have shown significant promise. The associated tools focus on improving productivity, reducing volatility and removing waste from our processes and products. Our 5S programme across all our yards is improving safety and project performance.

In the digital arena, our KellerDAQ (Keller Data Acquisition) project will give project leaders a standard interface to track key information from their sites, allowing for improved assurance and problem solving. The standard data set will also allow global real-time visibility of all Keller projects, allowing us to further target improvement in estimating, design, quality and productivity. KellerDAQ will be progressively rolled out over the next three years.

We continue to advance our procurement efforts and have gained good traction with some of our global and continental suppliers in the last twelve months. For example in North America we now have around 40% of our external addressable spend covered by rebate deals, up from 20% in 2016.

Our business improvement initiatives are deeply embedded within the group and are driving the operational and cultural changes that were originally intended from the programme. Increasing scrutiny of externally published numbers is not compatible with the more approximate and cultural nature of our internal tracking of these initiatives and we have therefore made the decision that we will not be reporting the financial impact of these initiatives in the future. We will, however, continue to report the qualitative benefits of these initiatives externally.

People and leadership

Throughout the year we have continued to strengthen our leadership at both group and business unit level, and have bolstered the executive team with new appointments, both internally and from outside the business – including group Chief Financial Officer, Divisional President – North America, Divisional President – APAC, and group heads of both HSEQ and Strategy and Business Development. During 2018 we also strengthened our leadership in North America via the creation of a Chief Operating Officer role covering all of Keller's foundation businesses, and acquired experienced leaders via the Moretrench acquisition. In EMEA we made internal leadership appointments for our North West Europe Business Unit; and in APAC we made leadership changes in our underperforming ASEAN and Waterway Business Units.

The Project Manager Academy, which focuses on people, commercial and technical leadership skills, also continued to successfully improve core business skills. Our Field Leadership Academy provides a similar level of high-quality training for our front-line supervisors. We continue to strengthen our business units through good-quality functional engagement and proactive benchmarking of our underlying capabilities and output KPIs.

Strategic priorities for 2019

We remain committed to our strategy of connecting and professionalising the group, and this will continue to be an enduring focus for management. The restructuring of 2018 has given us a good platform from which to reduce sources of volatility, and additional sharpening of the geographic and product portfolio will be under review. We will further strengthen our risk management and controls environment

Lever Growth, Customers
Trend Infrastructure, Solutions

Growing the product range

and are creating the new role of Head of Risk Management for the group, and will continue to enhance our project management practices.

We will also take a more conservative approach regarding the balance sheet. This will be achieved through reduced capital expenditure, no material M&A and a heightened focus on operational and cash management.

Recognising the current sentiment of the equity capital markets towards the UK construction sector, and despite the robust health of our balance sheet and our strong cash flow generation, the group is updating its debt leverage guidance from a previous range of 1.5x-2.0x, to 1.0x-1.5x, with the 2019 year-end target to be in that range.

Outlook

Overall market fundamentals are healthy and we remain well-positioned to benefit from the global trends of urbanisation and infrastructure growth.

In North America the outlook is good with robust markets and solid growth expected, and an improvement in margin anticipated as cost increases at Suncoast start to be fully passed through.

In EMEA, we benefitted from the large, highly profitable projects in the first half of 2018 which will not repeat in 2019. These projects aside, the outlook in our main markets of Continental Europe is positive and we therefore expect continued progress in the core business.

In APAC, the decision to exit ASEAN heavy foundations will lead to a revenue decline in 2019. Our main APAC markets remain mixed, but we expect that the measures already taken will return the division to profit in the second half of the year.

In 2019 overall we expect revenue to be broadly flat with an improvement in margin and a good recovery in profit. The profit improvement, together with a focus on cash generation, means we expect debt leverage to reduce significantly by the year end.



Alain Michaelis
 Chief Executive Officer
 4 March 2019

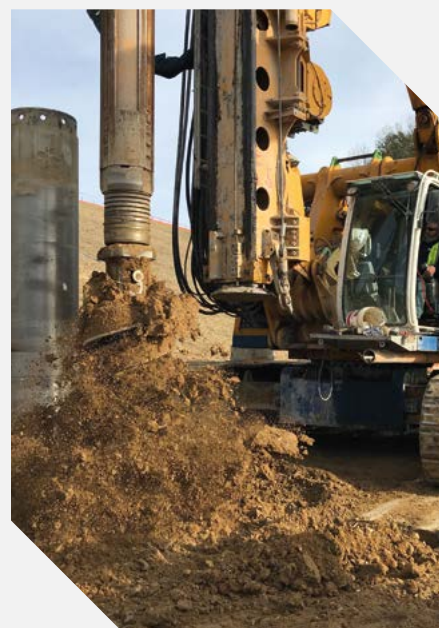
In March 2018, Keller acquired Moretrench America Corporation, a geotechnical contracting company operating predominantly along the East Coast of the US.

What we did

Moretrench is a pioneer in dewatering and groundwater control, with close to 100 years' experience in this discipline, and is also well established in ground freezing.

These techniques are important additions that further strengthen our product range. They make us by far the most capable geotechnical solutions provider on the East Coast and position us well for the expected renewal of infrastructure in the region.

The integration has gone well with cost reductions exceeding plan and post-acquisition profits ahead of expectation. We are also starting to see Moretrench's niche products being sold outside their traditional markets.



US\$90m

Gross cash consideration

c.500

Employees

Benefits to Keller

- Global access to specialised dewatering and ground freezing services
- A stronger geographical footprint
- Greater sector diversity
- Well positioned for infrastructure renewal

The acquisition of Moretrench is in line with our strategy of growing our product range and building strong customer-focused businesses.



Alain Michaelis
 Chief Executive

 [Link to Our business model on page 8](#)

Our strategy

Keller's goal is to be the world leader in geotechnical solutions. In 2018, we continued to make progress in delivering against our strategy.

Strategic lever	What we achieved in 2018
<p>Grow our product range and enter new markets</p>	<ul style="list-style-type: none"> - During the year we were pleased to announce the acquisition of Moretrench. This addition bolsters our position on the eastern seaboard of the US where we expect to be well-positioned for the expected long-term renewal of infrastructure in the region. Keller and Moretrench had partnered on a number of successful project JVs in the past, which helps speed the integration process moving forwards - We have also seen strong organic growth in our Indian market and in Nordic countries. Both of these Keller regions have enlisted cross border support to ensure that this growth is executed well - Through assistance from the other divisions and our Global Product Team (GPT) we successfully introduced jet grouting into India at our Polavaram Dam project
<p>Build strong local customer-focused businesses</p>	<ul style="list-style-type: none"> - In our customer relationships we have been leveraging our global footprint. We are effective as we can talk to international customers who are working outside of their home country and we can share our local knowledge to help drive value and reduce risk. This might be in providing teams that can speak the client's home language, or by agreeing contracts that are familiar to the customer, but unusual in the new territory and that the local supply chain is unfamiliar with - We are also able to help with our local knowledge of the soil conditions, building regulations and working practices - The acquisition of Moretrench has given Keller access to some new industrial customers which should result in good revenue and cost synergies - The restructuring of the ASEAN business unit has improved its performance, stabilising our presence in the region
<p>Leverage the scale and expertise of the group</p>	<ul style="list-style-type: none"> - We have been active in bidding for several major projects (in excess of £50m) in EMEA, North America and in APAC. These bids have involved input from around the group and are long-term prospects, in all likelihood for 2020 and beyond. The group's scale and capability gives it an advantage when tendering for this sort of project - We continue to leverage our procurement efforts and have gained traction with some of our global suppliers in the last 12 months - We continue to monitor compliance and to make sure the Keller values are upheld wherever we operate - We launched a consistent approach to sales training across the group and delivered this to 35% of our sales teams in 2018 - Through our integrated manufacturing team, we have continued to develop our equipment. One example is the double-lock system on our vibro fleet, which results in significant productivity gains
<p>Enhance our engineering and operational capabilities</p>	<ul style="list-style-type: none"> - Our global product teams are well-established and continue to set and drive up standards in their particular techniques. A good example is the work that we are currently doing to improve data acquisition. The KellerDAQ project will standardise the way we gather and process data directly from the site and will help us benchmark not only quality control but also productivity across the world - We continue with rolling out 5S, now onto our sites (having started with our fixed installations) - and have recently appointed a Director of LEAN with the intention of improving our (and indeed the industry's) take-up of these improvement philosophies - We have also introduced a global standard for the design, installation and maintenance of working platforms. This is intended to reduce the number of rig over-turning events that we suffer each year, although it will improve site conditions more generally for everyone's benefit
<p>Invest in our people</p>	<ul style="list-style-type: none"> - Throughout the year we have continued to strengthen our leadership and have bolstered the executive team with some new appointments, both internally and from outside the business - The Project Manager Academy continued successfully improving the skills of our frontline staff - Not everything went to plan in the year. Very sadly three employees lost their lives in separate work-related incidents on Keller sites in 2018. We aim to outperform our industry on safety and although our AFR is falling there is still more work to be done

Risk

- A 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
- 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
- Losing market share: Inability to achieve sustainable growth, whether through acquisition, new products, new geographies or industry-specific solutions
- 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
- Inability to finance our business: losing access to the financing facilities necessary to fund the business
- Product and/or solution failure: Failure of our product and/or solution to achieve the required standard
- Ineffective management of our contracts: Failure to manage our contracts to ensure that they are delivered on time and to budget
- Causing a serious injury or fatality to an employee or member of the public: Failure to maintain high standards of safety and quality
- Not having the right skills to deliver: Inability to attract and develop excellent people to create a high-quality, vibrant, diverse and flexible workforce

Outlook

- We will continue our organic growth development in the regions that support our corporate objectives whilst ensuring that our portfolio of businesses remains focused
- We make the most of our resources accordingly. We will continue to monitor compliance and to make sure the Keller values are upheld wherever we operate
- The Keller brand is becoming better known across the globe and we will harmonise our offer even further so that our global clients better understand the full capability of the business and where it operates. Securing large (major) projects remains a priority
- We will drive our business improvement projects and promote group-led initiatives where this adds value to our local business
- We have successfully renegotiated our financing facilities for the foreseeable future
- We continue to train our employees in ethics and compliance, including the staff of any new acquisitions
- The working platform initiative will be bedded-in and we will bolster our risk assessment capabilities both at project management level and in the business more widely
- We have re-invigorated our HSEQ leadership and capability and will continue to develop our approach to behavioural change in the organisation. We will also introduce more formal arrangements for wider employee engagement

KPIs

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

7%



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

13.0%

(2017: 15.1%)



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

4.3%

(2017: 5.2%)



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

0.19

(2017: 0.23)



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

10.2%

(2017: 8.7%)



Segmental review

North America

Business units

- _____ Bencor
- _____ Case Foundation
- _____ Hayward Baker
- _____ HJ Foundation
- _____ Keller Canada
- _____ McKinney Drilling
- _____ Moretrench Industrial
- _____ Suncoast



We are continuing to see increased levels of co-operation and collaboration across the North American businesses.

James Hind
President of North America



KPIs

Revenue (£m)

2018	1,161.4
2017	968.7

Order book – next 12 months (£m)*

2018	531.7
2017	448.1

Underlying operating profit (£m)

2018	78.6
2017	78.7

Accident frequency rate

2018	0.11
2017	0.07

Underlying operating margin (%)

2018	6.8
2017	8.1

Staff turnover (%)

2018	9.6
2017	8.5

* Comparative order book stated at constant currency

In North America, which accounts for around half the group's revenue, reported revenue increased by 20%, with constant currency revenue up 24%. Underlying operating profit was £78.6m, up 3% on a constant currency basis and the underlying operating margin decreased from 8.1% to 6.8%.

Total construction spend in the US for the year to November was 4% up on the prior year. Public expenditure on construction grew by 7%, residential by 4% and private non-residential by 3%.

All our businesses had good revenue growth, benefitting from the positive market conditions. The overall margin declined, reflecting a decrease at Suncoast because of material cost increases, as well as general adverse North America project mix, claims income and performance in the second half, as compared to a strong second half in 2017. Data centre projects were a notable highlight of the year.

The group's largest North American business, Hayward Baker, saw strong revenue growth but profit below the record 2017 level. Its business model of undertaking a wide variety of small to medium-sized contracts across a broad range of products and geographies continues to produce good results.

The integration of Moretrench, acquired in March 2018, has gone well, with the business now successfully integrated. Cost reductions have exceeded plan and the nine months of post-acquisition profits were ahead of our original expectations. We are now starting to see revenue synergies, with Moretrench's specific niche products of ground freezing and dewatering being offered through the Keller network.

Lever Engineering and Operations, Customer

Trend Continued Urbanisation, Development and Land shortage, Demand for complete Solutions, Technical complexity

Taking basements to new depths in South Florida

Turnkey solution for construction of larger, deeper basements

Elsewhere, the group's three US piling businesses (Case, McKinney and HJ Foundation) all improved both revenue and profits. In Bencor there has been no change to the position announced in November 2018 regarding the adjustment due to the scope increase on a large long-term contract. We continue to negotiate the adjustment with the client and remain confident in the position we have taken.

Suncoast, the group's post-tension business which mainly serves the residential construction market, had healthy revenue growth in 2018. However, its profits reduced by £7m year-on-year as a result of increases in steel prices that it was unable to pass on to customers in full, and the record rainfall in Texas in September and October. The run-rate margin has now been restored by passing these costs on to our customers.

Keller Canada is making good progress on the east coast but continues to operate in a difficult market in the mid-west. The business substantially grew its capability and presence in Vancouver and is now better placed to take advantage of a strong market on the west coast of Canada.

We are continuing to see increased levels of co-operation and collaboration across the North American businesses and continue to look at opportunities to run the division in a more efficient and integrated way. We are actively harmonising business processes where appropriate, looking to introduce more digitisation wherever beneficial, and taking steps to leverage the scale of the business, for example in procurement, IT and training. From a project perspective, the businesses are increasingly teaming up to win and execute work. The division's most successful major project in the year involved three Keller companies working together and we are hopeful of further work at this site in 2019.

Looking forward, the year-end North American order book of work to be undertaken over the next twelve months was 19% above last year, giving confidence for 2019.

The challenge

Constructing parking below ground is a space-saving solution that creates more sellable space above. But in South Florida where the water table is a few feet below the surface and soil and rock are highly permeable, this is a real challenge.

Historically, contractors had to pump out tremendous amounts of water but were limited as to how much they could dispose of by reinjecting it back into the soil.

The solution

Over the past six years a joint venture between HJ Foundation and Hayward Baker has refined a solution that allows clients to more easily create much larger, deeper basements.

The principle techniques are soil mixing with CFA/augercast piles. This involves injecting cement slurry into the ground through a tool that simultaneously mixes it with the in-situ soil, creating a soilcrete material that's strong and almost impermeable. This is anchored down with CFA/augercast piles that also support the structure. When applied to the perimeter and below the planned basement it creates an 'impermeable bathtub'. Excavation can then be done with minimal seepage (less than a garden hose).

But what really separates Keller from the competition is our ability to provide a guaranteed turnkey solution, including management of all logistics, essentially taking the raw site and preparing it for the contractor to begin building the structure.

12

Number of basement projects completed to date

42ft

or 4.5 stories deep. Size of basements delivered



Europe, Middle East & Africa

Business units

Central Europe
 North-East Europe
 North-West Europe
 South-East Europe
 Brazil
 Franki Africa
 Middle East
 Iberia and Latin America
 French Speaking Countries



The underlying EMEA performance improved consistently in 2018.

Thorsten Holl
 President of EMEA



KPIs

Revenue (£m)

2018	668.2
2017	737.2

Underlying operating profit (£m)

2018	39.7
2017	53.3

Underlying operating margin (%)

2018	5.9
2017	7.2

Order book – next 12 months (£m)*

2018	242.8
2017	264.1

Accident frequency rate

2018	0.29
2017	0.37

Staff turnover (%)

2018	6.6
2017	6.8

* Comparative order book stated at constant currency

In EMEA, constant currency revenue decreased by 8% and underlying constant currency operating profit decreased by 24%. The underlying operating margin decreased from 7.2% to 5.9%.

This significantly lower result is, as previously flagged, the consequence of two large projects coming to an end in the first half of 2018, including the Caspian project. The completion of these contracts resulted in a benefit to 2018 of £16m compared to the full year benefit in 2017 of £45m. Excluding the effect of these significant individual projects, the underlying EMEA performance improved considerably in 2018.

All our core businesses in continental Europe continued to benefit from a sound market environment and, as such, performed well. South East Europe recorded another record year. Our operations in Germany continued to grow on the basis of ongoing high demand and extended product offerings.

The UK, representing only 3% of overall group revenue, experienced a generally hesitant commercial investment climate. However, as major infrastructure projects are developing in the UK, including HS2, we expect the market for geotechnical work to pick up noticeably towards the end of 2019, extending well into 2020 and 2021.

Our operations in the Middle East experienced a relatively quiet year following the completion of large projects in Abu Dhabi and Egypt. New projects continue to develop slowly resulting in lower utilisation in the second half of 2018. We have secured some new projects in the region and, on the basis of improving fundamentals, we see the prospects for the Middle East as positive.

Lever Scale, Engineering and Customer
Trend Technical complexity

Keller collaboration delivers Thames Tideway trial

A grouting first brings new dimension to UK product offering

Our French Speaking Countries business unit performed solidly, helped by good project performance in the Maghreb region. Our geotechnical portfolio of near shore marine solutions, stone columns to mitigate liquefaction and a range of piling solutions, has secured some interesting projects particularly in Morocco and Algeria. The French domestic market was characterised by good demand around Paris leading to niche opportunities across the country.

Brazil and South Africa both experienced a difficult year reflecting their geopolitical and macroeconomic environments. Both countries suffered heavy margin pressure requiring us to substantially adapt our local capacity. We have taken proactive measures to scale back our operations and, as a result, to maintain bidding discipline. The challenges in South Africa have been compensated to an extent via our strong presence in the Sub-Saharan region. We continue to carefully watch the development of the geopolitical situation in Brazil and will respond appropriately to developments.

The year-end EMEA order book of work to be undertaken over the next twelve months, while at a healthy level, was around 8% down on this time last year reflecting the run-off of the large projects. Excluding these, it was 4% down and overall represents a healthy level.



The challenge

The £4.2bn Thames Tideway project is the UK water industry's largest ever infrastructure project. It involves the construction of a 15-mile tunnel under the River Thames to relieve pressure on London's 150-year old sewer system, with intersecting shafts more than 50m deep either end. However, jet grouting to these depths is unprecedented in the UK and required some serious geotechnical know-how.

The solution

Keller engineers proposed jet grouting to stabilise the granular layers that were present at depth to provide a grouted curtain that would stabilise the soils and permit the shaft to be excavated safely. However, because of the variability of the ground and the depth of the tunnel, there was a doubt that this solution was even possible, let alone economically viable.

The alternative was to install a diaphragm wall, a process that would have been expensive and difficult to achieve, given the restricted working area that was available. It would have also added many months to the project programme.

Consequently, it was agreed that the jet grouting proposal should be trialled. The UK team invited colleagues from Germany, Austria and Poland to share their knowledge, experience and resources. Working day and night to take advantage of a short window on another part of the project the trial was completed in the summer of 2017, testing the use of Keller's patented Soilcrete® system that pumps water, air and grout at high pressures and velocities. The results proved the concept would work and consequently Keller was awarded the main works in November 2018.

Projects once thought impractical due to the depth and large column diameters can now be completed successfully using this technology.



Jim De Waele
 Group Strategy and
 Business Development Director

Asia-Pacific

Business units

ASEAN
India
Keller Australia
Waterway Constructions
Austral Construction



The division recorded an operating loss of £18.0m in ASEAN and Waterway prompting strategic actions in both businesses. ▲▲

Peter Wyton
President of APAC



KPIs

Revenue (£m)

2018	394.9
2017	364.7

Order book – next 12 months (£m)*

2018	141.3
2017	246.7

Underlying operating loss (£m)

2018	18.0
2017	16.5

Accident frequency rate

2018	0.16
2017	0.2

Underlying operating margin (%)

2018	(4.6)
2017	(4.5)

Staff turnover (%)

2018	17.7
2017	14.8

* Comparative order book stated at constant currency

In APAC, constant currency revenue was up 13% with good increases in both India and Australia. However, the division recorded an operating loss of £18.0m due to deteriorating ASEAN market conditions and poor project performance in ASEAN and Waterway, prompting a strategic review of both businesses.

In ASEAN, we completed a thorough review of our product and business portfolio, in the context of the current political and competitive landscape. As a result of deterioration in the Malaysian market conditions and disappointing project performance, we took the decision to downsize the business to focus on those product lines offering the greatest opportunity to leverage our market-leading technologies. We therefore decided to undertake a managed exit of our Heavy Foundations activities (bored piling, driven piling and diaphragm walls) in Singapore and Malaysia, which have become highly commoditised and continue to see heavy competitive and pricing pressure.

These operations had a combined annual revenue of approximately £60m. Going forward, we are focusing on higher margin Ground Improvement activities (vibro, grouting and deep soil mixing). The restructuring of the business is now substantially complete although some piling projects extend through the first half of 2019.

In Waterway, we took the decision to exit the highly congested Australian bridge superstructure market and refocus on higher margin marine infrastructure projects. Whilst Austral and Waterway retain their independent brands and operations, we are sharing key leadership roles and functional support between the two business units, reducing overhead and improving business processes. We continue to expect that legacy lower margin contracts in Waterway will be substantially completed by the end of H1 2019.

Lever Scale, Customer, People
Trend Infrastructure renewal

Dam project brings jet grouting to India

A winning combination of global strength and local focus

Austral and Waterway are strategically aligning to pursue a selection of east coast marine projects predominantly in the Defence sector.

Austral, our near shore marine business which operates mainly in western Australia leveraging good relationships with major mining groups, had a record year due to a strengthening in investment by the mining industry in the Pilbara. The business has good tender and prospects lists and is set for another strong year in 2019.

The group's geotechnical business in Australia saw a year of consolidation as it adjusted to a softening in the property sector and a government shift towards major transport infrastructure expenditure. This segment of the market offers good revenue opportunities but at lower profitability levels. The business returned to profit in 2018 but the outlook for 2019 remains muted. Our large Melbourne Metro project is experiencing client-driven delays that are subject to a claim, and this claim is not yet recognised in our 2018 results.

Keller India had another good year in 2018 and has a healthy pipeline of major infrastructure prospects ahead for 2019.

The year-end APAC order book of work to be undertaken over the next twelve months was down 43% versus last year: particularly impacted by a rebasing in ASEAN, and with some softening in the three Australian businesses. All three Australian businesses have a strong prospect list however, and a higher than normal list of tenders under review. A number of significant tenders will be decided late in the first quarter of 2019. We continue to focus on better leveraging the combined strength of Keller companies in Australia.

We expect that the APAC Division will return to profit in H2 2019.

The challenge

Polavaram Dam is one of India's most high-profile national infrastructure projects, designed to provide irrigation and hydropower. Keller India was invited to bid on two cofferdams to divert water while the main dam is constructed. Jet grouting was the best option but had never been done by Keller India before.

The solution

Keller's Jet Grouting Global Product Team (GPT) stepped in to assist. Jet grouting expert, and a master driller from Hayward Baker helped plan, bid and set up the project, and trained the site team. Specialist jet grouting pumps were shipped from Bencor, a drill rig from Hayward Baker, with other rigs, spares and mechanics supplied by in-house equipment manufacturer KGS.

110,000m³

of jet grouting over a 3km stretch

In total, the project required around 110,000m³ of jet grouting over a 3km stretch, in columns of 2m diameter and up to 20m deep. Keen to apply what they'd learned, the local team completed nine columns on the first day of production, when only four were scheduled, and continued to work quickly, efficiently and safely to finish before the monsoon season.

Effective transfer of technology

Government safety award

More project opportunities



Chief Financial Officer's review



Despite a disappointing year,
the group displayed its
robust financial qualities
in its cash generation.



Michael Speakman
Chief Financial Officer



* Details of non-underlying items are set out in note 8 of the consolidated financial statements. Reconciliations to statutory numbers are set out in the Adjusted Performance Measures section on page 130.

A summary income statement with explanatory discussion of the key items is provided below:

	2018 £m	2017 £m
Revenue	2,224.5	2,070.6
Underlying operating profit*	96.6	108.7
Underlying operating profit %*	4.3%	5.2%
Non underlying items	(71.6)	12.6
Statutory operating profit	25.0	121.3

Revenue

Revenue at £2,224.5m nominally increased by 7% (2017: £2,070.6m) with a 4% headwind from foreign exchange, reflecting the strengthening of sterling, partially eroding a constant currency growth of 11%. The acquisition of Moretrench in March provided a 5% benefit to revenue and the group's organic growth at constant currency of 6% makes up the balance. North America, absent acquisitions, grew organically by 14%, whilst in EMEA the conclusion of two large projects in the Caspian region and Middle East overshadowed a growth of 10% elsewhere in the division to generate an 8% reduction overall. APAC revenue was up 13% mainly due to strong growth in Austral and Keller India.

We continue to have a good balance and diversification across geographies, product lines, market segments and end customers. Keller's largest customer represented less than 2% of the group's revenue (2017: 4%). The group's top 10 customers represent 10% of revenue (2017: 13%). The group operated on around 7,000 projects in the year with an average spend of £325k per contract, evidencing the benefit of aggregation that the group enjoys in terms of customer exposure and project execution.

2018 revenue is on an IFRS 15 basis whilst 2017 revenue is under IAS 11 and IAS 18 but there is no material difference.

Revenue split by geography

£m	North America	EMEA	APAC	Total
2018				
H1	534.3	324.7	216.1	1,075.1
H2	627.1	343.5	178.8	1,149.4
Total	1,161.4	668.2	394.9	2,224.5
2017				
H1	474.5	346.4	170.2	991.1
H2	494.2	390.8	194.5	1,079.5
Total	968.7	737.2	364.7	2,070.6

Year Ended	Revenue £m		Underlying operating profit* £m		Underlying operating profit margin* %	
	2018	2017	2018	2017	2018	2017
Division						
North America	1,161.4	968.7	78.6	78.7	6.8%	8.1%
EMEA	668.2	737.2	39.7	53.3	5.9%	7.2%
APAC	394.9	364.7	(18.0)	(16.5)	(4.6)%	(4.5)%
Central	–	–	(3.7)	(6.8)		
Group	2,224.5	2,070.6	96.6	108.7	4.3%	5.2%

Underlying operating profit

Underlying operating profit decreased to £96.6m (2017: £108.7m), with the headwind of unfavourable foreign exchange rates from stronger sterling causing a further 3% reduction to the constant currency reduction of 8%. The acquisition of Moretrench contributed 9% and the group's organic performance accounted for the remaining 17% reduction.

Organic profitability in North America, absent Moretrench, reduced 9% with the adverse raw material pricing at Suncoast being the largest single component of this decline. The conclusion of the two large Caspian region and Middle East projects accounted for a £29m reduction in EMEA year on year, with an organic growth of over 300% for the remainder of the division when the impact of these jobs is removed from both 2017 and 2018. APAC reported an underlying £18.0m loss for the year, entirely attributable to the poor business performances in ASEAN and Waterway. In 2017, the £16.5m underlying APAC loss was largely as a result of two major contracts in Australia.

Share of post-tax results from joint ventures

In 2018, the group recognised a post-tax profit of £1.6m (2017: £nil), being its share of the post-tax results from joint ventures. Dividends totalling £0.9m were received in the period.

Non-underlying operating costs

Non-underlying operating costs totalled £64.2m in 2018, including £61.4m as a result of group restructuring activities, as follows:

Exceptional restructuring costs: On 22 November 2018, the group announced a group-wide restructuring programme of portfolio and capacity actions. The group has taken a £30.1m restructuring charge, of which £21.6m was non-cash, relating to asset write-downs, redundancy costs and other reorganisation charges. Affected business units are ASEAN, Waterway, Brazil and Franki Africa. This includes the write-down of surplus equipment to current market values.

Goodwill impairment: a £30.1m goodwill impairment charge relates to the ASEAN Heavy Foundations, Waterway, Franki Africa, Brazil and Wannewetsch cash-generating units.

Other: a £1.2m impairment of intangible assets relating to the Tecnogeo and Franki Africa trade names capitalised on acquisition.

The remaining non-underlying operating costs were £0.4m of contingent consideration provided on the Geo Instruments acquisition, £1.1m of acquisition costs and a £1.3m charge relating to the estimated impact of equalising the Guaranteed Minimum Pension entitlement for men and women in the UK defined benefit pension scheme.

Amortisation of acquired intangibles

The £7.9m of amortisation of acquired intangible assets relates mainly to the Keller Canada, Austral, Bencor and Moretrench acquisitions (2017: £9.0m).

Other operating income

A £0.5m non-underlying credit (2017: £2.2m credit) relating to changes in estimated contingent consideration payable in respect of the Austral and Bencor acquisitions has been recognised.

Further details of non-underlying items are set out in note 8 to the consolidated financial statements.

Statutory operating profit

Statutory operating profit of £25.0m (2017: £121.3m) reflects an underlying operating profit of £96.6m (2017: £108.7m) and non-underlying items totalling a cost of £71.6m (2017: credit of £12.6m).

Finance costs

Underlying net finance costs were £16.1m (2017: £10.0m). Around half of the increase relates to a £3.1m credit in 2017 relating to the US non-qualifying deferred compensation plan. The majority of the remaining increase relates to the additional borrowings assumed for the acquisition of Moretrench. Excluding these additional borrowings, average net borrowings during the year were consistent with 2017 and have not had a material impact on the year-on-year interest charge. After a £0.5m non-underlying interest charge (2017: £0.7m), statutory net finance costs increased from £10.7m in 2017 to £16.6m in 2018.

Taxation

The group's underlying effective tax rate was 28.0%, compared to the 2017 effective rate of 25.0%. The 2018 tax charge benefitted from a reduction in the US corporation tax rate, however 2017 included a £9.7m non-cash credit as a result of the revaluation of US deferred tax liabilities following US tax reforms.

A non-underlying tax credit of £0.3m (2017: £1.6m) has been recognised, representing the net tax impact of the 2018 non-underlying items.

Earnings per share

Underlying diluted earnings per share decreased by 22% to 79.1p (2017: 101.8p), in line with the decrease in the group's underlying profit after tax. Statutory earnings per share decreased to (20.6)p (2017: 120.5p).

Dividend

The Board has recommended a final dividend of 23.9p per share (2017: 24.5p per share), which brings the total dividend for the year to 35.9p (2017: 34.2p), an increase of 5% for the year. The 2018 dividend earnings cover, before non-underlying items, was 2.2x (2017: 3.0x).

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 £130.8m at 31 December 2018 that are available immediately to support the dividend policy, which compares to the proposed full year dividend for 2018 of £25.9m. 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 group's principal risks and uncertainties as well as the level of headroom on the group's borrowing facilities and future cash commitments and investment plans.

Acquisitions

The group acquired Moretrench American Corporation on 29 March 2018 for a gross cash consideration of £67.7m (\$90m). The acquisition was debt funded from existing facilities. The group also acquired Sivenmark Maskintjanst AB on 13 June 2018 for £2.1m (SEK 24.6m). In 2018, the acquisitions contributed £96.3m to revenue and a £5.5m net profit.

Working capital

Net working capital increased from £181.3m in 2017 to £216.8m. The increase largely relates to working capital acquired with Moretrench and Sivenmark and exchange movements. The £26.0m cash flow from reduction in receivables during the year was broadly offset by an £8.0m increase in inventory and a £16.5m reduction in payables.

Capital expenditure

The group continues to manage its capital expenditure carefully whilst investing in upgrading and replacing equipment where appropriate. The Asset Replacement Ratio (calculated by dividing gross capex spend by the depreciation charge) decreased slightly to 122% (2017: 125%).

Free cash flow

The group's free cash flow of £58.0m (2017: £23.4m) is more than sufficient to fund, in cash terms, the full value of the payment in relation to the proposed final 2018 dividend of £17.2m (2017: £17.6m).

Chief Financial Officer's review continued

I am very pleased to have joined a group with such talented and committed people.



Michael Speakman
Chief Financial Officer

Operating and free cash flow

£m	2018	2017
Underlying operating profit	96.6	108.7
Depreciation and amortisation	70.9	68.5
Underlying EBITDA	167.5	177.2
Non-cash items	3.6	5.7
Dividends from joint ventures	0.9	–
(Increase)/decrease in working capital	1.5	(40.9)
Outflows from provisions and retirement benefit liabilities	(10.1)	(5.9)
Net capital expenditure	(77.1)	(74.5)
Sale of other non-current assets	3.5	–
Operating cashflow	89.8	61.6
Operating cashflow to operating profit	93%	57%
Net interest paid	(15.1)	(12.2)
Cash tax paid	(16.7)	(26.0)
Free cash flow	58.0	23.4
Dividends paid to shareholders	(26.3)	(21.2)
Acquisitions	(77.5)	(6.5)
Non-underlying items	(5.2)	72.6
Foreign exchange movements	(5.7)	7.8
Movement in net debt	(56.7)	76.1
Opening net debt	(229.5)	(305.6)
Closing net debt	(286.2)	(229.5)

Financing facilities and net debt

The group's term debt and committed facilities principally comprise \$125m of US private placements which mature between 2021 and 2024 and a £375m multi-currency syndicated revolving credit facility expiring in November 2023. At the year end, the group had undrawn committed and uncommitted borrowing facilities totalling £213.6m.

In November, the group agreed to renew its revolving credit facility at improved terms and rates, increasing the facility to £375m with a

£200m accordion feature. The facility has a contractual maturity of 13 November 2023, with an option to extend the facility by two further one year extensions by mutual consent.

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

group's net debt to underlying EBITDA ratio, calculated on a covenant basis, was 1.7x, well within the limit of 3.0x.

Recognising the current sentiment of the equity capital markets towards the UK construction sector, and despite the robust health of our balance sheet and our strong cash flow generation, the group is updating its debt leverage guidance from a previous range of 1.5x-2.0x, to 1.0x-1.5x, with the 2019 year-end target to be within that range.

Based on net assets of £445.3m, year-end gearing was 64% (2017: 49%), due to the acquisition of Moretrench.

The average month end net debt during 2018 was £339m and the minimum headroom during the year on the group's main banking facility was £80.5m, in addition to a cash balance at that time of £78.0m. The group had no material discounting or factoring in place during the year and given the small value and short-term nature of the majority of the group's contracts, the incidence of prepayments is very low.

Provision for pension

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

The group's UK defined benefit scheme is closed to future benefit accrual. The last actuarial valuation of the UK scheme was as at 5 April 2017, when the market value of the scheme's assets was £45.0m and the scheme was 71% funded on an ongoing basis. Following completion of the valuation, the level of contributions have increased to £2.4m a year with effect from 1 July 2018, a level which will be reviewed following the next triennial actuarial valuation. The 2018 year-end IAS 19 valuation of the UK scheme showed assets of £45.2m, liabilities of £56.6m and a pre-tax deficit of £11.4m.

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 £16.5m at 31 December 2018. 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.

Currencies

The group is exposed to both translational and, to a lesser extent, transactional foreign currency gains or losses through fluctuations in foreign exchange rates through its global operations. The group's primary currency exposures are sterling, US dollar, Canadian dollar, euro, Singapore dollar and Australian dollar.

Translational gains or losses: with the group reporting in sterling but conducting business in other currencies, fluctuation in sterling can result in significant currency translation effects on the

primary statements and associated balance sheet metrics, such as net debt and working capital.

Transactional gains or losses: With a large proportion of the group's operating costs matched with corresponding revenues in the same currency, the impacts of transactional foreign exchange gains or losses are limited and are recognised in the period in which they arise.

The following significant exchange rates applied:

	2018		2017	
	Closing	Average	Closing	Average
USD	1.27	1.33	1.35	1.29
CAD	1.74	1.73	1.69	1.67
EUR	1.11	1.13	1.13	1.14
SGD	1.74	1.80	1.80	1.78
AUD	1.80	1.79	1.73	1.68

Treasury policies

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 and Singapore dollars, 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 2018, 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 2% of revenue in 2018.

The counterparty risk on bank and cash balances is managed by limiting the aggregate amount of exposure to any one institution.

Return on capital employed

Return on capital employed is defined at group level as underlying operating profit divided by the accounting value of equity attributable to equity holders of the parent plus net debt plus retirement benefit liabilities. Return on capital employed in 2018 was 13.0%, lower than the prior year (2017: 15.1%) driven by lower profitability and higher capital employed following the acquisition of Moretrench.

ASEAN controls

On 11 October the group announced that as a consequence of deteriorating ASEAN market conditions, notably Malaysia, and a reassessment of project performance in ASEAN and Waterway there was a material downgrading in the profit performance in the APAC Division. Whilst it was changes in the management of these two business units that triggered this event, the root cause originated mainly from weaknesses in certain key project controls and to a lesser extent accounting process failings. These control weaknesses have been thoroughly investigated and a comprehensive remediation plan enacted. The execution of the plan is now substantially complete.

Impact of Brexit

The UK referendum vote to leave the European Union has led to a period of prolonged economic and political uncertainty in the country. Whilst this has impacted our operations in the UK, the group's UK business represents less than 3% of group revenue. Depending upon the nature of the final Brexit agreement, there may be further adverse operational impacts in the form of cross border raw material and personnel movements and/or additional burdens to the dividend and treasury flows within the group. Any material additional movements in exchange rates may also impact the headroom of the group's debt facilities which are mainly denominated in sterling. The Board has taken the above effects into account in its financial scenario modelling and its consideration in respect of the Viability and Going Concern Statements. Overall, the Board does not envisage any sustained material threat to the group's business performance.

IFRS 16 'Leases'

IFRS 16 'Leases' will become effective from 1 January 2019. For the avoidance of doubt, the information provided, as well as any forward-looking guidance, does not factor in the impact of this new standard. The adoption of IFRS 16 will not impact the banking covenants as the calculations will continue to be based on the existing accounting treatment.

Principal risks

The group operates globally across many geotechnical market sectors and in varied geographic markets. The group's performance and prospects may be affected by risks and uncertainties in relation to the industry and the environments in which it undertakes its operations around the world. Those risks include: financial risks – the inability to finance our business; market risk – a rapid downturn in our markets; strategic risk – the failure to procure new contracts, losing market share, non-compliance with our Code of Business Conduct; operational risk – product and/or solution failure, the ineffective management of our contracts, causing a serious injury or fatality to an employee or member of the public, not having the right skills to deliver.

The group is alert to the challenges of managing risk and has systems and procedures in place across the group to identify, assess and mitigate major business risks. As part of the long-term strategy the group continues to improve its detailed process of project risk identification and mitigation from contract tender through to project completion.

The Directors have reviewed the principal risks and uncertainties and are satisfied that they are relevant and appropriate. A full review of the group's principal risks and uncertainties is given on pages 30–31.



Michael Speakman
Chief Financial Officer
4 March 2019

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 included in the local risk assessments exercises carried out by the divisional Presidents.

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 2019, with particular regard to the underperforming businesses in ASEAN,

leading to a change in forecasted results for the year and, as part of the subsequent strategic and operational review of this region, a detailed review of the group's financial control landscape to identify areas for improvement. Following a robust discussion, the Committee concluded that a number of our principal risks and uncertainties have changed since the publication of last year's Annual Report. The group's principal risks are set out on the following pages.

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. A 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 60% of three months' revenue and there was a £25m cash outflow arising from a contract dispute. In addition, the group's forecast cash flows were sensitised for each of the group's principal risks, where a number of different severe but plausible principal risk combinations were considered.
- iii) The potential impact of Brexit was considered. The revenues earned in the United Kingdom represent only 3% of total group revenue and

therefore a potential slowdown in the United Kingdom would not have a significant impact on the group's financial position. Most of the group's revenue, profit, assets and liabilities are denominated in currencies other than sterling so exchange movements against sterling do not significantly impact the group's covenants. In addition, the impact of exchange rate movements against sterling on principal debt facility headroom was also tested. The unknown outcome of Brexit creates uncertainty and therefore potential risks may arise that cannot currently be foreseen. However, based on the information available and risks that can reasonably be foreseen at this point in time, Brexit is not expected to impact the group's viability.

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.

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 Chief Financial Officer's review, 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

Understanding our risk profile

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.

Financial risk

Risk	Potential impact	Mitigation	Risk Movement
Inability to finance our business ↓ Losing access to the financing facilities necessary to fund the business.	Breach of banking covenants or failure to continue in business or meet our liabilities.	Procedures to monitor the effective management of cash and debt, including weekly cash reports and regular cash forecasting.	Negotiated new syndicated revolving credit facility on improved terms and rates totalling £375m with a maturity of five years to November 2023, incorporating two additional one year extension options and a £200m accordion; annual bonus plan linked to executive remuneration through new operating cash metric; management programme to reduce net debt.

Market risk

Risk	Potential impact	Mitigation
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.	Failure to continue in operation or to meet our liabilities.	Diversification of our markets, both in terms of geography and market segment. Strong balance sheet. Leveraging the global scale of our group. Having strong local businesses to address geographic markets.

Strategic risk

Risk	Potential impact	Mitigation
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.	Failure to achieve targets for revenue, profit and earnings.	Continually analysing our existing and target markets to ensure we understand the opportunities that they offer. Structured bid review processes in operation throughout the group with well-defined selectivity criteria that are designed to ensure we take on contracts only where we understand and can manage the risks involved.
Losing our market share → Inability to achieve sustainable growth, whether through acquisition, new products, new geographies or industry specific solutions.	Failure to achieve targets for revenue, profits and earnings.	Continually seeking to differentiate our offering through service quality, value for money and innovation. A Business Development function focusing on our customers' requirements and understanding our competitors. Minimising the risk of acquisitions, including getting to know a target company in advance, often working in joint venture, to understand the operational and cultural differences and potential synergies, as well as undertaking these through due diligence and structured and carefully managed integration plans. Implementing annual efficiency and improvement programmes to help us remain competitive.

Key: Movement in risk

Increased risk



Constant risk



Reduced risk



Strategic risk continued

Risk	Potential impact	Mitigation
<p>Non-compliance with our Code of Business Conduct →</p> <p>Not maintaining high standards of ethics and compliance in conducting our business or failing to meet legal or regulatory requirements.</p>	<p>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.</p> <p>Substantial damage to Keller's brand and/or large financial penalties.</p>	<p>Having clear policies and procedures in respect of ethics, integrity, regulatory requirements and contract management.</p> <p>Maintaining training programmes to ensure our people fully understand these policies and requirements.</p> <p>Operating and encouraging the use of a 'whistleblowing' facility.</p>

Operational risk

Risk	Potential impact	Mitigation	Risk Movement
<p>Product and/or solution failure →</p> <p>Failure of our product and/or solution to achieve the required standard.</p>	<p>Financial loss and consequent damage to our brand reputation.</p>	<p>Continuing to enhance our technological and operational capabilities through investment in our product teams, project managers and our engineering capabilities.</p>	
<p>Ineffective management of our contracts ↑</p> <p>Failure to manage our contracts to ensure that they are delivered on time and to budget.</p>	<p>Failure to achieve the margins, profits and cash flows we expect from contracts.</p>	<p>Ensuring we understand all of our risks through the bid appraisal process and applying rigorous policies and processes to manage and monitor contract performance.</p> <p>Ensuring we have high-quality people delivering projects.</p>	<p>Increased complexity and scale of contracts demands resources and capabilities that are not yet embedded in all of our regions and business units. The volatility of contract performance increased during 2018.</p>
<p>Causing a serious injury or fatality to an employee or member of the public ↑</p> <p>Failure to maintain high standards of Safety and Quality.</p>	<p>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.</p>	<p>A Board-led commitment to achieve zero accidents.</p> <p>Visible management commitment with Safety Tours, Safety Audits and Safety Action groups.</p> <p>Implementing management systems that conform to Occupational Health and Safety Assessment System 18001.</p> <p>Extensive mandatory employee training programmes.</p>	<p>Key performance indicators continue to improve, however, the group suffered three fatalities in 2018. The upper limits for fines and scope for prosecution have increased.</p>
<p>Not having the right skills to deliver →</p> <p>Inability to attract and develop excellent people to create a high-quality, vibrant, diverse and flexible workforce.</p>	<p>Failure to maintain satisfactory performance in respect of our current contracts and failure to deliver our strategy and business targets for growth.</p>	<p>Continuing to develop and implement leadership, personal development and employee engagement programmes that encourage and support all our people to achieve their full potential.</p>	

Responsible business



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.

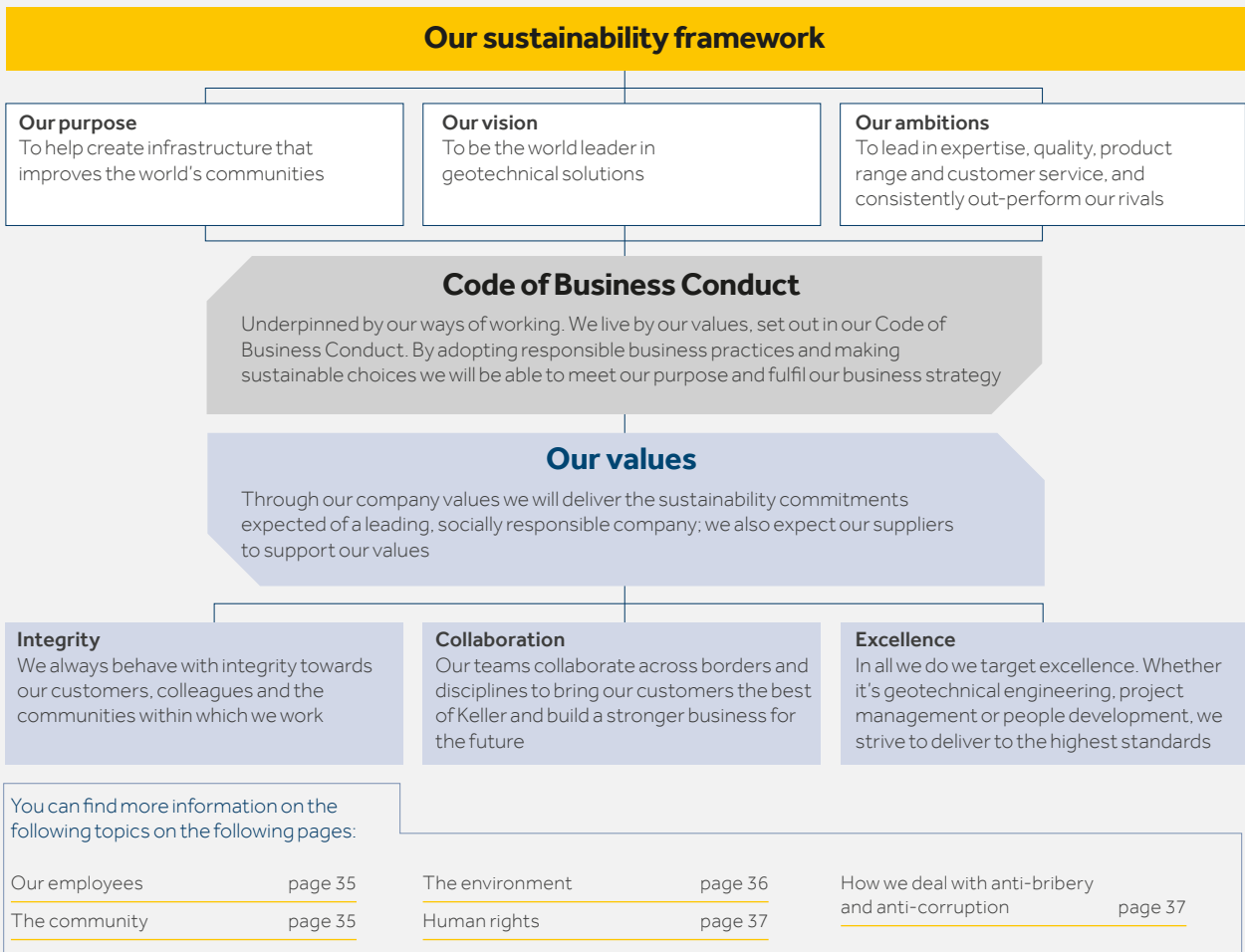
We are aligning our ambitions with our activities and initiatives across our functions; defining our targets and how we measure our progress against them; and driving an internal understanding and change within our business units. Our functional activities include: reinvigorating our HSEQ leadership 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 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.



For more information visit keller.com



Progress against our sustainability commitments



Good health and well-being

Keller's focus on delivery of a safe workplace for all its employees, workers and visitors continues to reflect in the group's overall performance with a 17% reduction in the accident frequency rate. We were reminded of the need to continue our

journey of improvement as a result of some very serious incidents in 2018. Tragically three lives were lost during the course of our work last year, two in North America and one in Brazil. These events serve as stark reminders of why we strive to improve our processes and behaviours. The care of our employees, contractors and visitors is a value that we

live by, one that we constantly re-emphasize in order to prevent future incidents. There is some evidence that the approach taken by the business to prevent rigs from over turning is beginning to deliver positive results with a reduction in reported incidents from 15 in 2017 to 8 in 2018; this effort will continue into 2019.

Accident Frequency Rate (AFR)

2018	0.19
2017	0.23
2016	0.34
2015	0.35
2014	0.39
2013	0.61
2012	1.2

Sustainability *continued*



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.



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. Find out more in our Code of Business Conduct and in our policy regarding diversity at www.keller.com/how-we-do-it/codeofbusiness-conduct.aspx

At the end of the 2018 financial year, the breakdown of male/female employees was as follows:

Level of organisation	Female	Male
Board of Directors	4	6
Executive Committee	1	10
Senior Management	6	60
Engineers	125	1,419
All employees	1,056	9,671

Women as % of all senior managers

9%

Women as % of engineers

8%

Women as % of all managers

9%

Case study

A global platform for safety

Toppling rigs is a big safety risk, so Keller has launched a group-wide working platform safety standard to ensure adequate and consistent controls are in place and everyone can stay safe on site.

The standard draws on industry best practice, and has been broadly consulted on and piloted. Areas covered include: platform design and assessment; platform installation; working platform demarcation; and Inspection, testing and maintenance.

Getting it right, every time

To ensure the standard is implemented properly, working platforms will be assessed as part of Think Safe (our group-wide health and safety programme) audits and through HSEQ and leadership site visits. Business units are also expected to measure progress against their own action plans.

Looking ahead, Keller will continue to focus on management of key HSEQ risks on site, ensuring that there is clarity on process and educating those involved to ensure responsibilities are clear and understood by all. A reinvigoration of our Think Safe programme will be at the heart of these efforts. This approach will be coupled with increased emphasis on behaviours in order to deliver the desired results.



This is about us as an organisation doing the right thing to look after our people. This isn't a box-ticking exercise or about adding requirements for no reason, it's about making sure our people can work in safety and go home to their families every day.



John Raine
Group HSEQ Director



8 DECENT WORK AND ECONOMIC GROWTH



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 22.

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

Attracting the new generation



I knew I wanted to go into engineering, but wasn't sure which type. My dad is an engineer and I've always liked problem solving.

Rhian Swan-McCay

Trainee Engineer, Phi Group (UK)

Maintaining our position as the world's largest geotechnical solutions specialist means attracting the best people early in their careers. We spoke to Trainee Engineer at Phi Group (UK), Rhian Swan-McCay, 20, about her experience so far...

Rhian joined Phi's Leeds office in October 2016. She started creating CAD drawings before getting involved in designing retaining walls and estimating and managing jobs on site.

After completing a two-year day-release course to study for a BTEC Diploma in Construction and the Built Environment, Rhian has now started a degree in Civil Engineering, something Keller is supporting her with.

Rhian was the only girl on her course when she started and relishes the chance to inspire other young women. She's joined the Wise Campaign, which promotes women in the STEM disciplines – Science, Technology, Engineering and Mathematics – and involves her visiting schools to spread the message.

Sustainability continued



Climate action

Keller is committed to delivering its solutions in a socially and environmentally conscious manner. Over recent years reporting processes have improved and performance is generally encouraging with the overall severity of incidents reported decreasing. The actual number of incidents remained in line with those reported the previous year, with most incidents being minor hydraulic leaks; this points to an increased discipline around the capturing of all incidents occurring. Keller works hard to undertake analysis and improve its processes in order to prevent recurrence.

Keller reaffirms its commitment to setting science-based targets for its Scope 1 and Scope 2 emissions with clear action plans on how those targets can be achieved; this will align with the organisation's efforts on sustainability. As in previous years, Keller disclosed performance to the Carbon Disclosure Project and were awarded a score of B for 2018. This represents a reduction in score from 2017 (A-) but is considered favourable for the sector in a year when many scores from CDP declined.

The table below illustrates Keller's total Scope 1 and 2 greenhouse gas emissions for 2018.

Tonnes CO ₂ e	2018	2017	2016	2015	2014
Scope 1	202,238	214,208	173,707	168,392	170,031
Scope 2	9,349	10,025	10,319	9,032	9,531
Total	211,587	224,233	184,025	177,424	179,562
Absolute tonnes of CO₂e per £m revenue	95	108	103	114	112

Data notes:

- 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.
- 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.
- Emissions have been independently verified by Carbon Credentials to the ISO14064-3 standard to ensure continuous improvement of our GHG reporting. The statement is available on our website.

Third-party assurance statement

Independent verification in accordance with best practices required by ISO14064-3 standard on the Scope 1 and Scope 2 GHG accounts has been provided by Carbon Credentials. 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 that the GHG assertion:

- is materially correct;
- is a fair representation of the GHG emissions data and information; and
- is 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."

Keller Group 2018 and 2017 Greenhouse Gas emissions (tCO₂e)

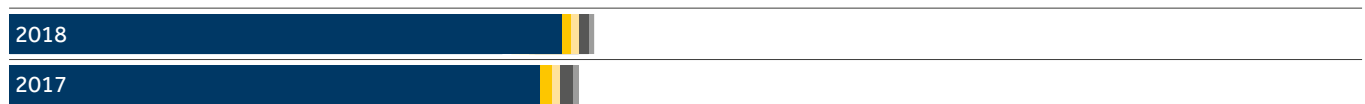
EMEA



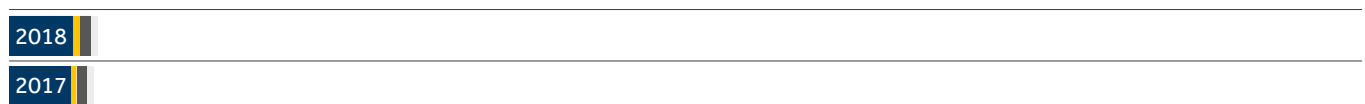
North America



Asia



Australia



There has also been a decrease in emissions per £m revenue, which is due in large part to a reduction in equipment diesel usage. Keller continues to seek improvements and innovations in its equipment and techniques to further improve upon the progress made in 2018.

Life on land



Overall, our cost of incidents declined slightly over the figures disclosed in 2017 based on an improvement in the severity of incidents reported. Primarily, the incidents that occurred in 2018 were minor hydraulic spills that were quickly contained on site. Keller continues to work to improve its processes and reduce the overall number of incidents in order to minimise the impact of our work to the environment.

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.

Keller's Innovation Conference 2018

Keller held its Innovation Conference in Germany this year with more than 120 participants gathering from across the Group. Employees at all levels involved in innovation met at the two-day conference to exchange views, discuss current developments and define priorities for the coming years.

Clemens Kummerer, Director Engineering EMEA, emphasised that digitisation is high up on our agenda, which means focusing more heavily on collaborating with universities, external specialists and start-ups.

"Developing and introducing new technologies, creating emission-free construction sites, dealing with biological materials, building information modelling (BIM) or lean management all require new ways of thinking and more collaboration across the group."

Keller's ways of working

In 2016, we communicated a refreshed Code of Conduct to our 10,000 employees, setting out clear and common standards of behaviour that make it clear what's expected by everyone who works in and with Keller. Our Code sets out a framework to guide decision-making when situations aren't clear-cut, ensures a positive culture that keeps us successful and that we operate in a way we can all be proud of and is a public statement of our commitment to high standards that tells others they can rely on our integrity. The Code is supported by our group policies and our Statement on Modern Slavery and Human Trafficking. Our ethics and compliance programme is now in its third year of supporting our employees to do the right thing – maintaining ethical and honest behaviour, respecting employees' rights and diversity and staying free from bribery and corruption.

Keller's Code of Business Conduct and group policies, together with our 2019 statement on Modern slavery and human trafficking, can be found at: www.keller.com/how-we-do-it/code-of-business-conduct.aspx

Case study

Franki to help everyone Arrive Alive



Following the tragic deaths of 18 employees in a traffic accident in 2017, Franki Africa is now partnering with campaigners Arrive Alive to improve road safety in South Africa.

The incident killed 18 Franki Africa employees and hospitalised 15 more, as the two minibuses they were in were hit by a lorry as they travelled to the Nkomati mine project near Johannesburg.

It's with this in mind that the Keller business unit has joined forces with Arrive Alive, a road-safety awareness organisation.

"The aim of this partnership with Arrive Alive is not only to promote road safety within the company, but also to benefit the wider community by lobbying government to set a legal limit on the number of hours commercial drivers are allowed to drive within a 24-hour period," says Errol, Managing Director, Franki.

Franki Africa Memorial Fund

The business unit also launched the Franki Africa Memorial Fund to support the families of those killed in the accident.

"We're supporting 35 children of the deceased victims and each one will receive a substantial bursary to support their education," Errol explains. "It will be available for five years or until they're 18."

Words can't express the loss and devastation that was felt. Our community was stunned by this tragedy, but it has also drawn us closer together and reminded us that we must take care of each other's safety and wellbeing.

Errol Braithwaite
Franki Managing Director

Board of Directors

Our leadership

1. Peter Hill CBE

Non-executive Chairman
Nationality: British

A Mining Engineer by background, Peter was appointed as Non-executive Chairman and Chairman of the Nomination Committee in July 2016.

Peter is also Non-executive Chairman of Volution Group plc. 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. He has been a Non-executive board member of UK Trade and Investment, and a Non-executive Director on the board of the Royal Air Force, chaired by the UK Secretary of State for Defence.

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

2. Dr Paul Withers

Senior Independent Director
Nationality: British

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

3. Paula Bell

Non-executive Director
Nationality: British

Paula was appointed to the Board on 1 September 2018 and is a member of the Nomination, Remuneration and Health, Safety, Environment and Quality Committees, and Chairman of the Audit Committee from January 2019.

Paula is currently the Chief Financial Officer of Spirent Communications plc, a leading multi-national testing and solutions group.

Paula has extensive FTSE 250 board experience as both an Executive and Non-executive Director. From 2013 to 2016 she was Chief Financial Officer of support services group John Menzies plc and between 2006 and 2013 was Group Finance Director of the advanced engineering group Ricardo plc. Prior to that Paula held senior management positions at BAA plc, AWG plc and Rolls-Royce plc. Paula was a Non-executive Director and Chairman of the Audit Committee of the global engineering and technology group Laird PLC from 2012 until its acquisition and delisting in July 2018, including a period as Senior Independent Director.

Paula is a Fellow of the Chartered Institute of Management Accountants and a Chartered Global Management Accountant.

4. 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 and 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, Sweco AB, Tele2 AB and Mr Green & Co AB.

5. 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.

6. Baroness Kate Rock

Non-executive Director
Nationality: British

Kate was appointed to the Board on 1 September 2018 and is a member of the Audit, Nomination, Remuneration and Health, Safety, Environment and Quality Committees.

Kate was appointed a Life Peer in 2015. She is currently a member of the House of Lords Select Committee on the Rural Economy and a member of the board of the world's first Centre for Data Ethics and Innovation. From 2017–2018 she was a member of the House of Lords Select Committee on Artificial Intelligence. She is a Non-executive Director of Real World Technologies Limited and Senior Adviser at Instinctif Partners.

From 2014 until November 2017, Kate was a Non-executive Director and Chairman of the Remuneration Committee of Imagination Technologies plc, the former global FTSE 250 high technology company.

Kate was a partner at College Hill for 12 years from 1996 and was Vice-Chairman of the Conservative Party with responsibility for business engagement until July 2016.

Kate holds a BA in Publishing and History.



7. 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.

8. Dr 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.

9. James Hind

President, North America
Nationality: British

James was appointed President, North America on 20 August 2018, having been Group Finance Director of Keller Group plc for 15 years. He has been a member of the Board of Directors since 2003.

James has 15 years' experience in the engineering sector and extensive financial and strategic management experience. His previous roles included Group Financial Controller at DS Smith plc. He qualified as a Chartered Accountant with Coopers & Lybrand and worked in their New York office advising on mergers and acquisitions.

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

Appointed to the Executive Committee on its formation in 2012.

10. Kerry Porritt

Group Company Secretary and Legal Advisor
Nationality: British

Kerry was appointed Group Company Secretary and Legal Advisor in 2013 and has been Group Ethics and Compliance Officer since 2015.

Kerry has over 20 years' experience of company secretarial roles within international listed companies. She has also provided strategic advice and business development consultancy services and acted as a specialist advisor for IPOs.

She is a Fellow of the Institute of Chartered Secretaries and Administrators and holds an honours degree in Law.

Kerry was appointed to the Executive Committee in 2013.

11. Michael Speakman

Chief Financial Officer
Nationality: British

Michael was appointed Chief Financial Officer in August 2018 and is a member of the Board of Directors.

Michael joins Keller from Cape plc, a leading international provider of industrial services, where he was Chief Financial Officer. He has over 30 years of experience across a range of industries, holding senior operational, divisional and corporate roles within TI Group plc and Smiths Group plc between 1982 and 2004, before his appointment as Chief Financial Officer for the oilfield services company Expro International Group plc.

Michael holds a BSc in Engineering and is a Fellow of the Chartered Institute of Management Accountants.

Michael joined the Executive Committee in August 2018.

Chris Girling

Non-executive Director
(until 1 January 2019)
Nationality: British

Chris was appointed to the Board in 2011 and was a member of the Remuneration, Nomination and Health, Safety, Environment and Quality Committees and was Chairman of the Audit Committee until 1 January 2019.

Executive Committee

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.

Delivering our strategy

In 2018, the Executive Committee's personal objectives continued to align to our five strategic levers. A number of the successful projects executed during the year are set out below:

Growth

- Successfully integrated the Moretrench acquisition

Strong business units

- Increased market presence for North West Europe with a focus on Scandinavia

Scale

- Set up our LEAN approach (new leadership and a clear strategy)

Engineering and operations

- Hosted inaugural Keller Innovation Conference in Germany

Investing in people

- Established a compliance framework for GDPR and implemented communications and training

1. **Alain Michaelis**
Chief Executive

2. **Michael Speakman**
Chief Financial Officer

3. **James Hind**
President, North America

4. **Dr Venu Raju**
Engineering and
Operations Director

5. **Kerry Porritt**
Group Company Secretary and
Legal Advisor

 **For biographies**
see page 39



6. 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 and Accounting) from the University of Wollongong.

Thorsten was appointed to the Executive Committee in 2015.

7. Peter Wyton

President of APAC
Nationality: Australian

Peter was appointed President of APAC in April 2018.

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 joined the Executive Committee in April 2018.

8. Eric Drooff

Chief Operating Officer, North America
Nationality: American

Eric was appointed Chief Operating Officer of North America in August 2018.

Eric has been involved in the design and construction of foundation and ground stabilisation projects for over 30 years and is President of Hayward Baker.

He has managed the successful acquisition and integration of Catox Drilling, Inc. in Syracuse, New York, G. Donaldson in Providence, Rhode Island, and Geo-Foundations in Toronto, Ontario. With a technical specialty in grouting, notable projects managed by Eric include North America's first compensation grouting project at the St. Claire River Tunnel in Sarnia, Ontario, Compaction grouting for seismic mitigation for the Paiton Power Station in Java, Indonesia, and Chemical grout ground stabilization for the CA/T, C11A1, Atlantic Avenue Tunnel.

He is a member of the ASCE Geo-Institute, the Deep Foundations Institute, and The Moles.

Eric holds a BSCE from Bucknell University.

Eric was appointed to the Executive Committee in August 2018.

9. John Raine

Group HSEQ Director
Nationality: British

John was appointed HSEQ Director in July 2018.

John is an experienced HSEQ practitioner who has lived and worked in Europe, Asia-Pacific and the US. He was, most recently, at AMEC Foster Wheeler, an international engineering and project management company, where he was Chief HSSE Officer. Before that, he was Vice President QHSE for Weatherford International, one of the world's largest multinational oil and gas service companies.

John joined the Executive Committee in July 2018.

10. Graeme Cook

Group 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 and Economics from the University of Dundee in 1991.

Graeme joined the Executive Committee in January 2017.

11. Jim De Waele

Group Strategy and Business Development Director
(from 1 January 2019)
Nationality: British

Jim was appointed as Group Strategy and Business Development Director on 1 January 2019, having been a Business Unit Manager of Keller's north west European business for over 10 years.

Jim has over 25 years' experience in the industry and has held various senior positions. He has served the UK trade association, the Federation of Piling Specialists for many years including two as the Chairman.

Jim is a chartered engineer and a fellow of the ICE and RICS.

Joseph Hubback

Group Strategy Director
(until 31 December 2018)
Nationality: British

Joseph was Strategy Director until 31 December 2018.

John Rubright

President of North America
(until 20 August 2018)
Nationality: American

John was President of North America until August 2018.

Corporate governance report



Strong, effective and efficient governance is essential in supporting management to deliver the company's strategy and long-term business success.

Dear shareholder

I am pleased to introduce the Corporate governance report for the year ended 31 December 2018, on behalf of the Board.

Strong, effective and efficient governance 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 a challenging year and ensured that the business has remained resilient despite a number of challenging markets and an unsatisfactory performance from two business units in our Asia-Pacific Division.

We have continued to strengthen the Board this year through a number of changes in its composition.

In August 2018, James Hind was succeeded by Michael Speakman as Chief Financial Officer. Michael is a highly experienced listed company Chief Financial Officer who brings significant global finance knowledge obtained in blue-chip engineering groups. James remains an Executive Director in his new role as President of the North America Division.

After undertaking an external recruitment process, Paula Bell and Baroness Kate Rock joined us with effect from 1 September 2018 as Non-executive Directors. Paula has extensive international strategic, financial, commercial and M&A experience from large listed global companies and is currently the Chief Financial Officer of Spirent Communications plc, a leading multi-national testing and solutions group. Kate has a strong international background in corporate communications and business relations. From 2014 until November 2017, Kate was a Non-executive Director and Chairman of the Remuneration Committee of Imagination Technologies plc, the former global FTSE 250 high technology company. Kate was appointed a Life Peer in 2015. You can read more on the recruitment process we undertook in our interview with Kate on page 50.

After eight years on the Board, Chris Girling retired as a Non-executive Director and as Audit Committee Chairman on 1 January 2019. Chris made an enormous contribution to the Board and will be missed - we have all benefited from his wide business and contracting industry experience, judgement and sage advice. Paula Bell has succeeded Chris as Chairman of the Audit Committee.

At the end of 2018, Lintstock carried out an externally facilitated Board and Board Committee evaluation. The results of this evaluation confirmed that each Director continues to make an effective contribution and retains a strong commitment to their role. The development themes that arose from the evaluation are discussed on page 45 and will help shape the Board's priorities for the 2019 year. Lintstock also carried out a review of my performance as Chairman and I received constructive feedback which will assist my continued development in this role. Further information on the Board's succession planning, the Board evaluation and the work of

the Nomination Committee in 2018 can be found on pages 48 and 49 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 went to Melbourne, Australia, and met with the Asia-Pacific Division's leadership team and local management. Individual Non-executive Directors also made visits to operations in continental Europe, North America and Asia. 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. During 2018, the Board and its Committees received updates on the 2018 UK Corporate Governance Code from the Company Secretary and has agreed a series of actions to address its new responsibilities. The terms of reference for each of the Committees are being reviewed and adjusted as necessary to improve their efficiency and reflect the new 2018 UK Corporate Governance Code as well as changes in legislation and best practice.

The Board continued to monitor the implementation of Keller's 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.

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
4 March 2019

The role of the Board and its Committees

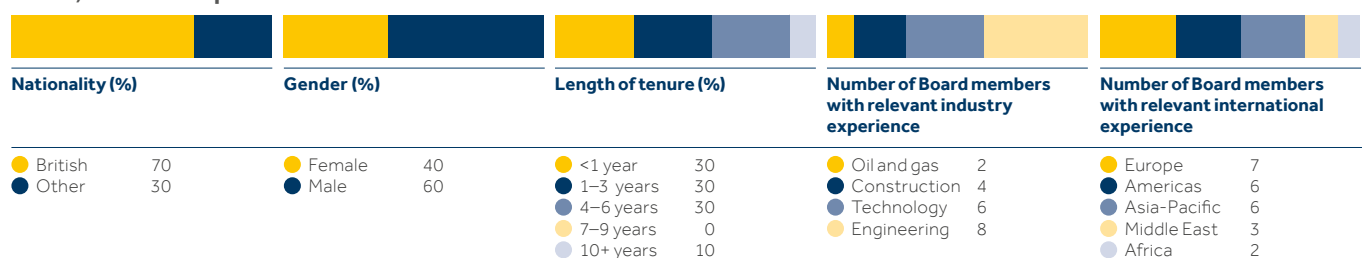
The Board is appointed by shareholders, who are the owners of the company. The Board's principal responsibility is to act in the best interests of shareholders as a whole, within the legal framework of the Companies Act 2006 and taking into account the interests of all stakeholders. Ultimate responsibility 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

Committees			
Audit Committee Oversee the group's financial reporting, risk management and internal control procedures and the work of its internal and external auditors (page 51)	Health, Safety, Environment and 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 47)	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 48)	Remuneration Committee Determine the framework, policy and levels of remuneration of the CEO, Executive Directors and senior executives (page 57)

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

Board, skills and experience



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: <ul style="list-style-type: none"> Being the ultimate custodian of shareholders' interests; Ensuring appropriate Board composition and succession; Ensuring effective Board processes; Setting the Board's agenda; Ensuring that Directors are properly briefed in order to take a full and constructive part in Board and Board Committee discussions; Ensuring effective communication with shareholders; and Ensuring constructive relations between Executive and Non-executive Directors.
Chief Executive Officer	Responsible for the formulation of strategy and the operational and financial business of the company. The Chief Executive is responsible for the following matters: <ul style="list-style-type: none"> Formulating strategy proposals for the Board; Formulating annual and medium-term plans charting how this strategy will be delivered; 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 Chief Executive 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 and Legal Advisor	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 and Legal Advisor. The group Company Secretary and Legal Advisor 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 and Legal Advisor is a matter for consideration by the Board as a whole.

Corporate governance report continued

Leadership

Board and committee meetings and attendance

Director	Board	Audit Committee	HSEQ Committee	Nomination Committee	Remuneration Committee
Paula Bell ¹	4/8	1/3	1/3	1/4	1/4
Chris Girling ²	6/8	2/3	2/3	3/4	3/4
Peter Hill	8/8	–	–	4/4	–
James Hind	8/8	–	–	–	–
Eva Lindqvist	8/8	3/3	3/3	4/4	4/4
Alain Michaelis	8/8	–	–	–	–
Nancy Tuor Moore	8/8	3/3	3/3	4/4	4/4
Venu Raju	8/8	–	–	–	–
Kate Rock ¹	4/8	1/3	1/3	1/4	1/4
Michael Speakman ³	4/8	–	–	–	–
Paul Withers	8/8	3/3	3/3	4/4	4/4

- 1 Paula Bell and Kate Rock were appointed to the Board as Non-executive Directors with effect from 1 September 2018.
- 2 Chris Girling retired from the Board with effect from 1 January 2019.
- 3 Michael Speakman was appointed to the Board as Chief Financial Officer with effect from 6 August 2018.

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 has continued to encourage and welcome interest from women, ethnic minorities (BAME), as well as from other candidates who add to the Board's diversity.

The Board, as at the date of this Annual Report and Accounts, comprises 40% (4) women and 10% (1) BAME. The Board is also pleased that its membership reflects the global operations of the group with representation from North America (US), EMEA (Sweden) and APAC (Singapore) as well as the UK.

The company does not currently propose to set targets for the percentage of women, ethnic minorities or other aspects of diversity on its Board in future years.

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 10% 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.

In 2018, the Board visited Australia and reviewed the APAC Division, receiving management presentations on APAC, Keller Australia, Austral and Waterway from the management teams. In addition, the Board visited sites where Keller Australia is working on the Melbourne Metro and spent a day at Austral's offices and equipment yard.



Eva Lindqvist (Non-executive Director) on site in Stockholm with Robert Thurner (Managing Director, Keller Grundläggning AB).



Paula Bell (Non-executive Director) on site in Sunny Isles, Florida, with Frank Fonseca (President, HJ Foundation Company).

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, five other Non-executive Directors and four Executive Directors. The names of the Directors at the date of this report, together with their biographical details, are set out on pages 38 and 39. All of these Directors served throughout the year with the exception of Paula Bell and Kate Rock who were appointed Non-executive Directors on 1 September 2018, and Michael Speakman who was appointed as an Executive Director on 6 August 2018.

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.

Paula Bell, Eva Lindqvist, Nancy Tuor Moore, Kate Rock and Paul Withers are all considered to be independent Non-executive Directors. Chris Girling was considered an independent Non-executive Director until his 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 38.

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 2018, an external evaluation of the Board and its Committees, together with the performance of the Chairman and individual directors, was carried out by Lintstock, the London-based corporate advisory firm. All members of the Board and the Board Committees, together with the Group Company Secretary, participated. Lintstock presented the conclusions of the Board and Committee evaluation reports to the Board at its meeting in February 2019.

The Board agreed that, overall, the Board and the Committees were working well. A number of key points and development themes were identified that the Chairman agreed to progress with the Board and with the assistance of the Group Company Secretary:

- Onboarding recently appointed Directors to quickly develop their understanding of Keller's operations, its business model and the context in which it operates whilst positively evolving the team spirit.
- Reviewing the Board calendar with a view to increasing the frequency of meetings and the time allowed, to take account of the newly enlarged Board, both executive and non-executive, and to allow for more in-depth discussion in consideration of newer Board members.
- Assessing the group's control environment and identifying areas for improvement.
- Continued review of the group's strategy and its options for shareholder value enhancement; reviewing the capability of the organisation against its objectives, and ensuring plans are put in place to address any perceived gaps.
- Ensuring greater clarity and a common understanding on the conclusions of Board discussions and agreed next steps.
- Enhanced focus on stakeholder oversight in line with new Governance Code requirements, including in relation to workforce engagement, culture and the overall people agenda.
- Introducing Board workshops on engineering and technology in respect of the group's geotechnical products and operations.

The evaluation of the performance of the Chairman was reported back to Paul Withers, Senior Independent Director, and will form the basis of a development discussion between Paul and the Chairman in 2019.

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 5 days 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 2018

Strategy

- Reviewed the group's progress against its strategic plan and future areas for prioritisation.
- Reviewed progress for the delivery of the group's business improvement plans.
- Agreed the acquisition of Moretrench Inc., a geotechnical contracting company for US\$90m.

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 29 of the Strategic report for the process and the statement).
 - The approach and process allowing it to make the Going Concern statement.
 - The refinancing of the group's principal debt facilities.
- Reviewed the company's forecast net debt levels, facility headroom and covenants and working capital.
- Considered and agreed the 2018 interim and final dividends.

Operational performance

- Received and considered strategic and operational performance in APAC:
 - Presentations from the President of the APAC Division.
 - Outcome of a strategic review of ASEAN and Waterway.

People

- Reviewed the organisational framework and considered the Executive Committee succession plan.
- Reviewed and approved changes to the Executive Committee.
- Approved Keller Limited's Gender Pay Gap report.

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.
- Considered the group's risk management framework in light of APAC's trading update/profit warning.
- Considered the impact of cyber security risk and reviewed insurance and IT structures to ensure sufficiently robust.

Governance

- Reviewed the outcomes of an external Board Committee evaluation.
 - Approved the group's GDPR compliance programme to strengthen the company's data governance framework.
 - Received recommendations to meet new requirements under the UK Corporate Governance Code (2018).

Corporate governance report continued

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' on pages 30 to 31.

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' on pages 30 to 31.

(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 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 Chief Financial Officer's Review on page 27.

Health, Safety, Environment and Quality Committee report



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 2018

- Monitored progress against the year's safety targets and reviewed the root cause analyses for serious incidents over the year.
- Agreed a working platform standard to address the serious challenges on rigs overturning.
- Monitored progress against the group's Sustainability policy and framework.
- 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.



We will continue to strive for a zero harm culture.

Nancy Tuor Moore

Chairman of the Health, Safety, Environment and Quality Committee

Composition of the Committee

- Nancy Tuor Moore (Chairman)
- Paula Bell (from September 2018)
- Chris Girling (until January 2019)
- Eva Lindqvist
- Kate Rock (from September 2018)
- Paul Withers

For full biographies see pages 38 and 39

Dear stakeholder

On behalf of the Board, I am pleased to present the report from the Health, Safety, Environment and Quality Committee ('HSEQ') for the year ended 31 December 2018.

Keller seeks to help create infrastructure that improves the world's communities, putting safety first and being a company that all stakeholders can rely on. We operate in a hazardous industry with unique challenges and risks relating to health, safety and environment. To be successful over the long term, we must operate responsibly and we are dependent on the shared talent, skills and values of the people within our company.

During the year, members of the HSEQ Committee visited various operational sites, allowing them to meet a number of employees and gain an understanding of the health and safety practices and culture across the group. The insights gained from these visits have informed the work and considerations of the Committee.

Tragically, there were three fatalities in 2018. The Committee received reports on the unfortunate deaths of a sub-contractor on a site in Texas, USA, an employee on site in Arizona, USA, and an employee on a site in Cotia, Brazil. An analysis on root causes and key actions taken were presented and discussed at the Committee. Management conducted investigations and appropriate corrective actions were implemented in our businesses across the group. Any loss of life is taken seriously and we will continue to strive for a zero harm culture.

More widely, safety performance continues to improve and the group's overall Accident Frequency Rate for 2018 was 0.19 per 100,000 hours worked, a reduction of 17% compared with 2017. To better measure our performance, a new performance metric, Total Recordable Incident Rate ('TRIR'), is being introduced.

Further to my report in 2017 on the deterioration of rigs overturned, management responded with a robust and effective Platform Safety Standard which has been rolled out across all businesses in the group. I am pleased to report a 47% reduction compared with 2017.

Our sustainability agenda continues to evolve and our key focus for 2019, together with progress to date on our commitments, can be found in our Sustainability report on pages 32 to 37.

With the appointment of a new HSEQ Director, which has given us the opportunity to view our

HSEQ strategy through a fresh lens, it was agreed that the areas of focus for 2019 would be the following:

- Refresh our Think Safe programme with focus on key operational risks to ensure all employees align with our core value of 'keeping everyone healthy and safe'.
- Review HSEQ's risk management processes to ensure it is sufficiently robust.
- Review our Incident Management Standard and ensure its effectiveness.
- Deliver Keller's Operating System including the launch of a field application to be rolled out globally.
- Continue to evolve our Sustainability commitments.

Corporate Governance

The remit of the Committee is set out in its Terms of Reference which were reviewed during the year and are available on the group's website (www.keller.com) and on request, from the Group Company Secretary and Legal Advisor.

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 44.

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 and 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 and Legal Advisor. 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 and Quality Committee
4 March 2019

Nomination Committee report



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 2018

- Change in role for the former Finance Director (now President, North America).
- Recruitment of a new Chief Financial Officer and two Non-executive Directors.
- 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.

Composition of the Committee

- Peter Hill (Chairman)
- Eva Lindqvist
- Paula Bell (from 1 September 2018)
- Kate Rock (from 1 September 2018)
- Chris Girling (until 1 January 2019)
- Nancy Tuor Moore
- Paul Withers

 For full biographies see pages 38 and 39

Dear shareholder

Welcome to the report of the Nomination Committee for the year ended 31 December 2018.

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 four times and attendance at these meetings is shown on page 44.

This year, the recruitment of a new Chief Financial Officer and two Non-executive Directors were particular areas of focus for the Nomination Committee.

Succession planning

We have continued to develop and monitor succession plans at 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.

Chris Girling indicated his intention to retire in 2019 and I therefore led a process to identify and recommend his successor. Further to management's recommendation that James Hind be appointed to the role of President for our North America Division, we commenced a process to recruit a new Chief Financial Officer, led by the HR Director and overseen by the Committee. Additionally, with the decision that James remain on the Board as an Executive Director, we undertook to recruit an additional Non-executive Director to ensure compliance with the Code's requirements on Board composition.

- I worked with the Group Company Secretary and Legal Advisor 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 Zygus Partnership ('Zygus') was selected. Based on the profile and criteria selection, together with individual interviews with the Board, Zygus 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 Zygus and soundings taken from our advisers.
- Agreed candidates were invited to meet with me, the Senior Independent Director, and the Group Company Secretary and Legal Advisor, and the preferred candidates were then invited to meet the rest of the Board.
- The Nomination Committee recommended the appointments of Michael Speakman, Paula Bell and Baroness Kate Rock, as our preferred candidates, to the Board.

Board evaluation

An externally facilitated review of the Board, its Committees, the Chairman and each of the Directors was carried out in 2018 by Lintstock, the London-based advisory firm. The evaluation took the form of an initial questionnaire, followed up by individual interviews with each of the Board and the Group Company Secretary. The findings of the review are described on page 45.

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 pages 44 and 34 respectively.

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 Paul Withers in the year as his second three-year appointment expired at the end of December 2018. Paul 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 Paul's appointment should be extended for a further year.

Corporate governance

The Committee's terms of reference are available on the group's website (www.keller.com) and on request from the Group Company Secretary and Legal Advisor.

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, the Chief Executive and Group HR Director, attended certain meetings during the year.

The 2018 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 Code, all members of the Board will seek re-election at the Annual General Meeting in May 2019, with the exception of Michael Speakman, Paula Bell and Baroness Kate Rock who will seek their first election.



Peter Hill CBE

Chairman of the Nomination Committee
4 March 2019



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



Peter Hill CBE

Chairman of the Nomination Committee

Nomination Committee report *continued*



We're capable
of the most
extraordinary
things.



Baroness Kate Rock
Non-executive Director



Kate Rock (Non-executive Director) site visit to Moretrench's site in New York. With Moretrench's President Tom Tuozzolo and Project Manager Mike Fattoruso.

In September 2018, Baroness Kate Rock joined the Keller Group Board as a Non-executive Director.

Can you describe the process you went through to be appointed?

I was approached by a headhunter to see if I would be interested in Keller and joining their long list of potential candidates. That became a shortlist and then I was asked for an interview.

It was a very in-depth, inquisitive interview with the Chairman, Senior Independent Director and Group Company Secretary. The interview covered my background and experience as a Non-executive Director and my time as chair of the Remuneration Committee of Imagination Technologies. There was also a wider discussion about the Keller Group, its history and structure.

I was invited back to meet the Chief Executive and the then-Finance Director. There was a Board meeting that day, so I met with the entire Board of Directors.

I was delighted to be invited to join the Board.

I arrived at the same time as the new Chief Financial Officer and another Non-executive Director, and we were all made to feel very welcomed. I'm hugely honoured to be here.

What attracted you to Keller?

I was impressed with its global reach, its technological expertise and the structure of the group. I've always been attracted to infrastructure businesses.

I felt the company had achieved a lot and evolved over many years. I was also impressed with its good reputation with the wider stakeholders I spoke to.

I'd also worked well with the Chairman before and was keen to work with him again. Basically it came down to a combination of being impressed with the business and the individual Board members, who I felt excited to work with.

What strengths do you bring to the role?

Although I'm not an engineer, I do have a strong sense of commerciality and an understanding of evolving technology and contracts. I also bring wider stakeholder engagement experience and global commercial knowledge.

Can you tell us about your induction programme?

I initially met with the Group Company Secretary, which was very useful, and was given all the previous Board and Committee papers to get up to speed on past decisions. I received a full induction pack and spent time with the Chief Executive discussing the strategy and vision for the business. I also met with the new Chief Financial Officer to go through the financials.

Crucially, I spent a lot of time getting into the actual business. I visited the US and spent the day with the North America team, which was an incredibly helpful way to see what was happening there. I really felt like I got under the hood of the company.

It was particularly good to meet with the Moretrench management team and see just how pleased they were at becoming part of Keller, which was very encouraging. I also got the chance to visit Australia and Singapore, seeing first hand some of our excellent projects there.

What were your impressions?

Probably the biggest takeout from these trips has been seeing the incredibly impressive skills base and breadth of services we have across the group. Our employees are hardworking, enthusiastic and very creative. Without doubt the technical expertise we have is second to none and I was excited to see the pride people have in what they do and in being part of the Keller Group – a pride I share.

What's your focus for 2019?

I am hugely looking forward to meeting more of our employees and discussing their roles, thoughts and ideas.

One of the factors that drew me to the company is that we're capable of the most extraordinary things with the most amazing workforce. Without us some of the world's most incredible infrastructure projects would not be possible.

Infrastructure is so critical and it's only going to become more important in the future; we're the best in the world at what we do and I want to see us capitalise on that.

Audit Committee report



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 2018

- Financial reporting.
- Reviewed the group's risk (including Going Concern and Viability Statement).
- Reviewed significant judgements and fair, balanced and understandable assessment.
- Reviewed the independence and effectiveness of the external auditors.
- Reviewed the group's whistleblowing policy and procedures.
- Reviewed and approved the group's tax strategy.
- Reviewed the effectiveness of the group's internal control systems and set out requirements for change to further develop the group's risk management framework.
- Extended the internal audit programme to provide wider and deeper coverage.
- Reviewed the impact of new accounting standards relevant to the group.
- Led the group's external audit retender process and selection of a successor to KPMG.
- Reviewed the group's anti-bribery and anti-fraud policies and procedures.
- 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.
- Reviewed findings following an in-depth review of the financial and business control landscape pertaining to ASEAN region and regular updates of implementation of improvement actions.
- Refreshed and extended audit assurance programmes for 2019.

Composition of the Committee

- | | |
|---|--|
| <ul style="list-style-type: none"> – Paula Bell
(member from September 2018 and Chairman from January 2019) – Chris Girling
(Chairman until January 2019) | <ul style="list-style-type: none"> – Eva Lindqvist – Kate Rock
(from September 2018) – Nancy Tuor Moore – Paul Withers |
|---|--|

 For full biographies see pages 38 and 39

Dear shareholder

Having joined the Audit Committee in September last year and recently taken on the role of Chairman, I am pleased to present our report for the financial year ended 31 December 2018. On behalf of the Board, I would like to thank Chris Girling for his significant contribution as member of the Committee from February 2011 and as Committee Chairman since May 2011.

As a Committee we are keen to constantly evolve our focus on financial risks that face the business as operations continue to grow globally, whilst ensuring robust reporting is underpinned by appropriate and effective process, controls and assurance. The Committee recognised the importance to keep primary areas of judgement under review and report accordingly and is committed to fulfilling its responsibilities in this regard.

The Committee received regular updates throughout the year on changes in the financial control environment and also receives assurance from external professional advisers.

The Committee engages with the business to assess the adequacy of the internal financial control environment. During the year the business was impacted by underperforming businesses in ASEAN, leading to a change in forecasted results for the year which was communicated to shareholders in October. As part of the subsequent strategic and operational review of this region, the opportunity was taken to perform a detailed review of the group's financial control landscape to identify areas for improvement.

The Committee has also reviewed and challenged the internal audit approach and depth of scope and extended the assurance plan to provide a wider coverage of the global audit universe within the group, adopting a risk-based approach.

As planned, a competitive external audit tender took place. Three audit firms, Ernst & Young LLP ('EY'), BDO LLP and Deloitte LLP were invited to submit tenders. PricewaterhouseCoopers LLP ('PwC') did not participate as they currently provide significant non-audit services, such as being the group's tax advisor, and replacing them would have presented an unacceptable business risk to the company. The audit tender process was led by the Audit Committee. A robust process was carried out and a summary of this is shown below.

We had a common set of criteria for evaluating the proposals, with the primary focus being on obtaining an audit programme focused on quality that would contribute to the continued development of the group's control environment. The key elements of the selection criteria were:

- Audit quality.
- Engagement team qualifications, experience, rapport and cultural fit.
- Industry experience and knowledge.
- Audit approach, including transition, planning and delivery.
- Fees that present value for money but do not compromise audit quality.

The proposals presented by us were subject to detailed evaluation and discussion which enabled us to recommend to the Board, who endorsed the appointment of EY as the preferred new auditor.

Corporate governance report continuedAudit Committee report continued

A summary of the audit tender process is shown below:

Audit tender process**July 2017**

Recommendation to the Keller Group plc Board on audit tender strategy process

September/October 2018

Invitation to tender and data gathering by BDO, Deloitte and EY

November 2018

Submission of written proposals by BDO, Deloitte and EY

December 2018

Keller Panel presentations and interviews

Late December 2018

Committee recommendation and Board approval

As announced in December 2018, EY will be recommended as the group's external auditor at the company's AGM in May 2019. An orderly transition plan will be implemented.

The Committee also advised the Board as to whether the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provided the information necessary for shareholders to assess the group's performance, business model and strategy. At the beginning of each financial year the Committee agrees the annual agenda of activities identifying key areas of focus and emerging topics.

The Committee is fully committed to championing good financial and risk reporting to ensure we adapt and evolve to match the organisation's strategic and operational agendas.

The Audit Committee met three times during the year. Attendance at these meetings is shown in the table on page 44.

It is intended that the Audit Committee is comprised of at least three Members, all of whom are independent Non-executive Directors of the company who have the necessary range of financial and commercial expertise to challenge management. The Code requires the inclusion of one financially qualified member (as recognised by the Consultative Committee of Accountancy Bodies) with recent financial expertise. Currently, the Chairman fulfils this requirement.

The Committee invites the Chairman, Chief Executive Officer, Chief Financial Officer, Group Financial Controller and the company's external auditors, KPMG LLP ('KPMG'), to all meetings of the Committee. PwC, 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 PwC without management present.

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 the last report in 2017.

The Audit Committee's activities principally related to financial reporting, internal control, the risk management framework and system, details of which are described on page 28 and 29, the preparation of the viability statement, the external audit and the retender of the external audit service.

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

- Reviewed 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.
- Reviewed a report on the group's system of internal control and its effectiveness and receive regular updates on the group's principal risks.
- Reviewed the responses and key themes arising from the group's annual internal control questionnaire.
- Reviewed findings following an in-depth review of the financial and business control landscape pertaining to ASEAN region and regular updates of implementation of improvement actions.
- Reviewed the effectiveness and scope of the internal audit function and recommended an enhancement of management expertise to develop the risk management framework.
- Requested and approved a refreshed three-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 to provide greater coverage of the global business and its operations.
- Reviewed and approved KPMG's engagement letter and audit fee.
- Reviewed KPMG's reports and the group's draft financial statements and recommend them for approval to the Board.
- Reviewed the scope and results of the audit, its cost-effectiveness and the independence and objectivity of KPMG.
- Reviewed 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.
- Reviewed the group's policy on the employment of former employees of KPMG.

- Retendered the group's external audit and appointed a successor to KPMG ensuring a timely and orderly transition plan is in place.
- Reviewed the group's approach to assessing the impact and implementation of new accounting standards in particular IFRS 15 and IFRS 16.
- Reviewed and approved the group's tax strategy statement.
- Received briefings on global tax developments which impact the group.
- Received updates on any matters relating to Ethics and Compliance.
- Reviewed the group's whistleblowing policy and monitored the procedures in place for employees to be able to raise matters of possible impropriety.
- Reviewed the Executive Directors' expenses.
- Reviewed 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 2018 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 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. In particular, the Committee reviewed the judgements and estimates relating to revenue recognised on a large long-term public contract where the group is currently negotiating an adjustment due to scope increase. Further details of the estimates and judgements taken are set out in note 2 of the financial statements.

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 14 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 cash-generating unit where there is the most uncertainty surrounding the projections used in the value-in-use calculation, as well as reviewing the basis for impairing the goodwill of certain cash-generating units.

The Committee also examined the disclosure of items which are described as non-underlying in the consolidated income statement, including the exceptional restructuring costs incurred in 2018, and considered the appropriateness of those items listed in note 8 to the financial statements.



Constantly evolving our focus to match the strategic and operational agendas, and championing good financial reporting and risk management.



Paula Bell

Chairman of the Audit Committee

Corporate governance report continued

Audit Committee report continued

The impact of Brexit on the going concern and viability of the group was considered. Explanation of the potential impact of Brexit is set out in the Chief Financial Officer's Review on page 27.

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

During 2018, PwC continued the structured programme of independent, outsourced reviews of all material entities at least once every four years. The Audit Committee received and considered reports from PwC which detailed the progress against the agreed work programme. This programme covered reviews of nine business units in nine countries, which together represented approximately 20% of the group's revenue for the year. It included assessments of the Case, Canada, Brazil, Spain, Austria, Malaysia, Waterway, Saudi Arabia and group Head Office entities. In the majority of reviews, findings were limited to the need for formalising certain controls to ensure they operate more effectively. Where more significant control issues were identified, the Committee reviewed the findings, discussed the remediation plans with management and received updates on the progress of remediating the control deficiencies. In addition, PwC performed a detailed review of the key financial statements in ASEAN. None of the control deficiencies identified are significant in relation to the preparation of the 2018 Annual Report and Accounts.

In December, the Committee reviewed and approved an enhanced internal audit programme which extends the existing reviews of material entities to include a review of all operational entities within a three-year period and introduces in-depth audit of certain activities across the group, from a risk-based approach.

External audit

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

We 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.

As announced on 12 December 2018, following a competitive tender process led by the Audit Committee, we intend to propose the appointment of EY as our external auditor for the financial year 31 December 2019. KPMG will remain in role until the conclusion of the audit for the financial year ended 31 December 2018 and a transition plan has been agreed. A resolution to appoint EY will be put to shareholders at the Annual General Meeting to be held in May 2019.

The Committee has undertaken an assessment of the effectiveness of the external audit process of the 2017 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; the governance and independence of the audit firm; as well as the FRC's Audit Quality Review (AQR) team's findings with regard to the external audit of the 2016 Annual Report and Accounts that were published in 2017.

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 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 10% of the total audit fee. The ratio of non-audit related fees paid to the Auditor in 2018 is 2% of the total audit fee. These relate predominantly to finalising US tax compliance services provided in earlier years, which are considered to be permitted services. 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 Chief Financial Officer is responsible for internal financial control and for ensuring that the finance function employs a level of management and specialists appropriate for maintaining financial records and processes that promote financial information that is relevant, reliable and complies with applicable laws and regulations.

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 reviewed the group's system of controls including financial, operational, compliance and risk management for the 2018 financial year. During the year, a number of significant control weaknesses were identified in ASEAN. The Committee reviewed the issues noted, approved a plan to remediate the control weaknesses and received regular progress updates on the status of the programme to establish a stronger control environment. Although these control weaknesses were identified during the year, they have been remediated to the extent that they have not had an impact on the preparation of the 2018 Annual Report and Accounts. Although the Committee reviews the group's system of internal controls, any such system can only provide reasonable and not absolute assurance against any material misstatement or loss.

The Audit Committee has made a number of recommendations to management to further improve and strengthen the group's system of internal controls and risk management processes, including the appointment of an experienced group risk manager. A dedicated group risk manager will work with management to enhance the risk identification and management framework, drive compliance with the group's minimum standards and improve the formality of the control environment and the group intends to implement this role during 2019.

Further information on the group's risks is detailed on pages 30 to 31.

Corporate governance

The Committee's terms of reference are available on the group's website (www.keller.com) and on request from the Group Company Secretary and Legal Advisor. The terms of reference were reviewed in 2018 and will be updated during 2019 to take account of any changes arising from the UK Corporate Governance Code and regulatory requirements.

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 Lintstock and the Group Company Secretary and Legal Advisor. 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 Chief Financial Officer 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.

I have refreshed the agenda for the Audit Committee for 2019 and increased the number of meetings. Our new external auditor will perform an additional review mid-year, we have determined an extended internal audit assurance programme for 2019 and with the introduction of an experienced Head of Risk, we will continue to strengthen the group's risk management and internal controls framework.



Paula Bell
Chairman of the Audit Committee
4 March 2019

Corporate governance report continued

Relations with shareholders

**Highlights from 2018**

Successful consultation with shareholders on the 2018 Remuneration Policy.

2018 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, Chief Financial Officer 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.

Key engagement issues

Strategy – the Chief Executive and the Finance Director met major shareholders following the preliminary announcement of the group's 2017 results and the announcement of the group's 2018 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.

Performance – the Chief Executive and the Chief Financial Officer met major shareholders following the group's trading update announcement in October 2018. The Chairman and Kate Rock met with shareholders to discuss group performance and risk management.

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 2018 AGM can be found on our website.

Directors' remuneration report

Annual statement from the Chairman of the Remuneration Committee

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 Share Plans. 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 2018

- Policy renewal: following a review of the 2017 Directors' Remuneration Policy, developed recommendations for a new Policy, conducted a full shareholder consultation and gained 99% shareholder approval for the new 2018 Policy at the Annual General Meeting held in May 2018.
- 2018 implementation and outcomes: determined bonus outcomes for 2018; determined the vesting outcome of the 2016-2018 Performance Share Plan awards.
- 2019 Remuneration: set base salaries and established Executive Director bonus arrangements for 2019; reviewed base salaries and bonus arrangements for the Executive Committee for 2019; approved 2019-2021 LTIP awards to Executive Directors and Senior Executives.
- Monitored developments in Corporate Governance and market trends. In particular, the Committee notes the new 2018 UK Corporate Governance Code and will report to shareholders in its 2019 DRR on its approach and policies.
- 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 2018 on behalf of the Board.

Shareholder engagement

I remain committed to an ongoing and transparent dialogue with shareholders and their representative bodies in the area of executive remuneration. During the course of 2018, the Committee concluded the development of a new Remuneration Policy, which reflected the feedback received from shareholders in previous consultations, and which was adopted by a binding vote at the company's Annual General Meeting in May 2018.

Business context

The Committee believes that to align with the strategy implemented by the Chief Executive in 2016, management should be incentivised over the long term and hold meaningful shareholdings and Keller needs to provide competitive remuneration in order to attract and retain the talent required to implement the strategy. Further details on our strategy can be found on page 16 of the Strategic report.

Incentive outcomes for 2018

The annual bonus payments reflect the financial performance of the group in 2018. Underlying operating profit decreased by 11% to £96.6m whilst underlying earnings per share were down 22% to 79.1p. Net debt increased to £286.2m (2017: £229.5m), representing 1.7 x underlying EBITDA. This disappointing financial performance was reflected in the 2018 annual bonus outcomes. The financial targets opportunity of the annual bonus did not pay out and whilst all of the Executive Directors made some progress against their personal strategic objectives the Committee exercised downwards discretion and awarded no bonus under this measure to Alain Michaelis, James Hind and Venu Raju for 2018. The Committee felt it was appropriate that the personal objectives of Michael Speakman (appointed Chief Financial Officer on 20 August 2018) paid out at 25% of salary.

Composition of the Committee

- Paul Withers (Chairman)
- Eva Lindqvist
- Nancy Tuor Moore
- Paula Bell (from 1 September 2018)
- Kate Rock (from 1 September 2018)
- Chris Girling (until 1 January 2019)

For full biographies see pages 38 and 39

The performance conditions under the Performance Share Plan were not met and no awards vested in respect of the performance period ending in 2018.

2019 Salary review

Alain Michaelis, Michael Speakman, James Hind and Venu Raju received no increase to their base salaries for 2019. General pay increases of 3% were awarded across the group.

2019 Annual General Meeting

I very much hope that you will support our 2018 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
4 March 2019

Directors' remuneration report continued

Remuneration Policy report

The Remuneration Policy is set out in this section.

The Remuneration Policy was approved by 99% of shareholders at the AGM held on 23 May 2018.

The policy aligns with the strategy set out by our Chief Executive in 2015, whereby management should be incentivised over the long term, have meaningful shareholding and Keller provide competitive remuneration in order to attract and retain the talent required to implement the strategy.

Summary of our remuneration policy

Element of Remuneration	Overview
Base salary and benefits	Competitive fixed compensation.
Annual bonus	Maximum: 150% of base salary. For 2019, reward for achievements against profit and operating cash flow targets which are key financial metrics and corporate objectives linked to other strategic objectives.
Performance Share Plan	Maximum: 150% of base salary. For 2019, reward for achievements against EPS, ROCE and relative TSR.
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 for 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 competitive market rates.
Operation	Paid in cash and reviewed annually.
Performance	Both the group and the individual's performance are considered when determining salary increases.
Opportunity	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.
Benefits	
Purpose and link to strategy	To be market-competitive for the purpose of attracting and retaining high-calibre individuals.
Operation	Benefits typically include: <ul style="list-style-type: none"> – 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.
Performance	None.
Opportunity	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	Participation in the company pension schemes that apply in their home country. Current Directors can elect to receive either a pension contribution or a cash amount in lieu of pension benefits.
Performance	None.
Opportunity	The maximum annual pension contribution/cash supplement is currently 18% of base salary.

Short-term variable remuneration	
Annual Bonus Plan	
Purpose and link to strategy	Rewards achievement of the short-term financial and strategic targets of the company.
Operation	<p>At the start of each financial year, performance measures and weightings are determined and annual financial targets and corporate objectives are set by the Committee.</p> <p>25% of any bonus earned is deferred into company shares for two years which are eligible for dividend equivalents to the date of its vesting.</p> <p>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 bonus payout. Clawback may apply to the cash bonus and deferred bonus for a period of two years following the end of the performance period.</p>
Performance	<p>The annual bonus is predominantly based on delivering financial performance (usually 80%) and includes financial measures such as underlying profit before tax ('PBT') and working capital management.</p> <p>The Committee agrees stretching targets annually. The award threshold is 0%, with around 50% of maximum bonus normally payable for target.</p> <p>Around 20% of the bonus is usually based on personal performance.</p> <p>The measures are reviewed by the Committee each year.</p> <p>The Committee retains full discretion to adjust the performance measures/targets/weightings on an annual basis for future years.</p> <p>The Committee also has discretion to adjust the bonus outcomes (cash and deferred bonus) if there are events 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 corporate objectives.</p>
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	<p>Subject to a performance period of at least three years with a subsequent mandatory two-year holding period making it a five-year plan, aligning to the UK Corporate Governance Code and the IA Principles of Remuneration for 2019.</p> <p>Dividends or dividend equivalents may accrue during the five-year period.</p> <p>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. In line with the UK Corporate Governance Code and the IA Principles of Remuneration for 2019, Executive Directors are required to sign a form of acceptance of these conditions.</p>
Performance	<p>The performance measures and targets are determined at the start of each performance period in line with the company's financial and strategic objectives.</p> <p>Vesting of PSP awards is subject to performance against relevant share price and/or financial performance measures as determined by the Committee.</p> <p>For 2018, the PSP awards are based on:</p> <ul style="list-style-type: none"> – 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%. <p>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.</p>
Opportunity	<p>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.</p> <p>In exceptional circumstances (for example recruitment or retention) the Committee may make awards of up to 200% of base salary.</p> <p>For threshold performance, 25% of the award will vest. For maximum performance, 100% will vest. Vesting will normally operate on a straight-line basis.</p>

Directors' remuneration report continued

Remuneration Policy report continued

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.

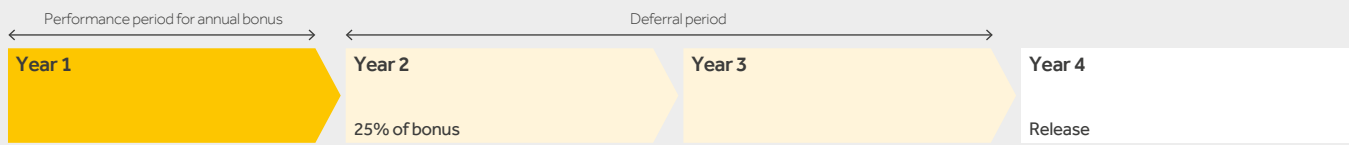
Notes to the Policy Table:

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.

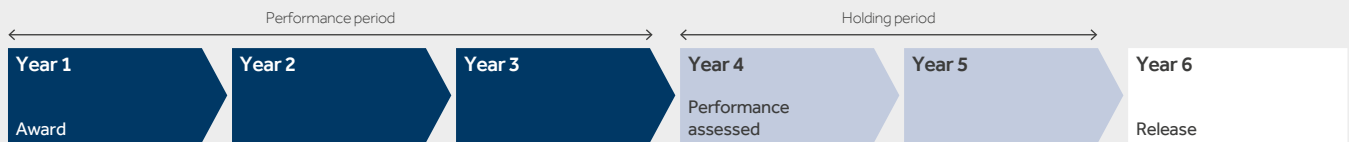
Timeline for Deferred Bonus Plan



Performance Share Plan

- The Committee believes that the measures for 2019 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 is measured by ranking against FTSE 250 companies (excluding investment trusts). Under a ranked approach, a threshold vesting is 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 profitability and growth 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, one of our key performance indicators, is 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.

Timeline for Performance Share Plan



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 2019 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.

Alain Michaelis (£000) Chief Executive

Minimum	100%			639
On target	44%	28%	28%	1,431
Maximum	28%	36%	36%	2,223

Michael Speakman (£000) Chief Financial Officer

Minimum	100%			444
On target	47%	29%	24%	946
Maximum	31%	38%	31%	1,448

James Hind (£000)¹ President, North America

Minimum	100%			486
On target	47%	29%	24%	1,034
Maximum	31%	38%	31%	1,582

Venu Raju (£000) Engineering and Operations Director

Minimum	100%			352
On target	50%	30%	20%	711
Maximum	33%	40%	27%	1,070

● Salary, pension and benefits ● Annual bonus ● PSP

1 James Hind's compensation details have been converted to sterling using a conversion rate of 1.33.

2 Benefits included are those typically available in the country of employment.

Directors' remuneration report continuedRemuneration Policy report continued**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, pro-rated for the proportion of employment over the year.	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 reasonable, in order to recruit a particular individual. The Committee may 'buy out' any remuneration being forfeited on leaving a previous employer, applying reasonable assumptions on the likelihood of the remuneration being realised.

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	20 August 2018		
Venu Raju	1 June 2011 (modified by letter of variation dated 16 December 2016)		
Michael Speakman	6 August 2018		

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.

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.

Directors' remuneration report continuedRemuneration Policy report continued**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 to 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 and 17 December 2018) Renewal due: 17 December 2019	£49,000 p.a. Plus £8,000 p.a. (Senior Independent Director) Plus £8,000 p.a. (Chairman of the Remuneration Committee)
Chris Girling	28 February 2011 (renewed on 28 February 2017) Retired on 1 January 2019	£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.
Paula Bell	1 September 2018 Renewal due: 1 September 2021	£49,000 p.a.
Kate Rock	1 September 2018 Renewal due: 1 September 2021	£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 2018.

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 2017 and 2018:

	Alain Michaelis		Michael Speakman ¹		James Hind ³		Venu Raju ⁴	
	2018 £000	2017 £000	2018 £000	2017 £000	2018 £000	2017 £000	2018 £000	2017 £000
Salary	528	515	150	–	365	351	288	280
Taxable benefits ⁶	16	16	5	–	134	13	103 ⁵	20
Pension benefits ⁷	95	93	27	–	66	63	52	50
Annual Bonus	0	457	37 ²	–	0	306	0	236
PSP	0	346	–	–	0	233	0	37
Total	639	1,427	219		565	966	443	623

1 Michael Speakman was appointed CFO as of 6 August 2018.

2 25% of Michael Speakman's bonus will be deferred for two years, in line with the Remuneration policy.

3 James Hind was appointed President, North America as of 20 August 2018. James Hind relocated from the UK to the USA during 2018. His remuneration details are all calculated in sterling using a conversion rate of 1.33. His taxable benefits paid in 2018 include relocation costs including housing, furnishing and tuition.

4 Venu Raju relocated from Singapore to the UK during 2018. His remuneration details are all calculated in sterling using a conversion rate of 1.80.

5 During the tax year Venu Raju also received relocation costs in the UK of less than £8,000 which were wholly subject to tax relief and therefore ultimately were considered to have a taxable benefit of zero for the purposes of the disclosure above.

He also received relocation cost of £30,000 in Singapore which has been included in the taxable benefits figure above.

6 Taxable benefits consist primarily of a car allowance of £15,000 for Alain Michaelis, £12,000 for Michael Speakman (prorated), James Hind and Venu Raju.

7 Pension benefits represent cash in lieu of pension for Alain Michaelis, Michael Speakman, James Hind and for Venu Raju also include company contributions to Central Provident Fund (CPF) and cash in lieu of as a supplement.

Total pension entitlements (audited)

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

Changes to Executive Directors

Michael Speakman was appointed to the post of Chief Financial Officer on 6 August 2018. James Hind was appointed to the post of President, North America on 20 August 2018.

Exit payments made in the year

The company paid no exit payments to Directors during the year.

Directors' remuneration report continuedAnnual remuneration report continued

2018 Annual Bonus

Measures	2018 measurement ranges and outcome				Bonus as % of salary							
	Threshold 0%	Target 50%	Maximum 100%	Performance outcome ¹	Alain Michaelis		Michael Speakman		James Hind		Venu Raju	
					Max	Outcome	Max	Outcome	Max	Outcome	Max	Outcome
Group PBT, £m	87	97	107	77.2¹	100%	0%	100%	0%	100%	0%	100%	0%
Group Working Capital as % of last three months' revenue	46%	41%	36%	47%	20%	0%	20%	0%	20%	0%	20%	0%
Total group measures					120%	0%	120%	0%	120%	0%	120%	0%
Personal strategic objectives					30%	0%	30%	25%	30%	0%	30%	0%
Total bonus					150%	0%	150%	25%	150%	0%	150%	0%
Base salary						£528,000		£365,000		£383,034 ²		£287,000
Bonus based on performance outcomes					14.1%	£74,448	25%	£36,800	17%	£63,654	20%	£57,400
Bonus awarded following exercise of discretion by Committee						£nil		£36,800		£nil		£nil

1 At 2018 budget exchange rates before non-underlying items.

2 James Hind's remuneration details are shown in sterling using an exchange rate of 1.33.

Personal objectives

Personal objectives are measurable deliverables that are specific to the individual and focused on supporting the delivery of Keller's key strategic levers. With the exception of the newly appointed Chief Financial Officer who had specific objectives to perform against upon commencing, each of the other Executive Directors had 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 up to a maximum of 30% of base salary.

2018 Annual Bonus outcomes

The financial targets opportunity of the annual bonus did not pay out and whilst all of the Executive Directors made some progress against their personal strategic objectives the Committee exercised downwards discretion and awarded no bonus under this measure to Alain Michaelis, James Hind and Venu Raju for 2018. The Committee felt it appropriate that the personal objectives of Michael Speakman (appointed Chief Financial Officer on 20 August 2018) paid out at 25% of salary.

Performance measures	Actual performance	Outcome
Alain Michaelis		No award following exercise of Committee discretion
Foundations for healthy growth:		
Successfully integrate Moretrench; ensure satisfactory execution of top seven large projects and that Melbourne Metro is well configured from a JV perspective; develop a Keller-wide approach to ensure sufficient skills and controls are in place to make optimised pricing offers	Successful integration of Moretrench Overall mixed execution of largest projects. Pricing focus has been on improvement of BDM health and Sales Counsellor training	Below Target
Ensure strong BUs:		
Drive improvement plans for underperforming business units; improve group safety accident frequency rate and personally engage in safety leadership; put in place effective strategies and value-driven strategic plans for all business units; reduce loss making projects	Leadership upgraded and organisational changes implemented – particularly in APAC; accident frequency rate reduced significantly however marred by three fatalities; 3 BUs performed poorly, however restructuring plans well executed	Below target
Leveraging the scale of the group:		
Continue to realise the benefits and efficiencies of functional expertise	Good progress with most functions. BIP efficiencies being realised with further work to be done	Target
Engineering and Operations:		
Ensure major product strategies are developed and actively managed; set up LEAN approach with new leadership and strategy	Product strategies in place. Innovation and Global Product Team focus has much improved. Lean leadership in place and progress made with excellent pilot events and training. 5S showing good progress	Target

Performance measures	Actual performance	Outcome
Alain Michaelis continued		
Keller leadership:		
Ensure the successful induction and embed the new APAC President; successfully transition the leadership of HSEQ; continue to build shareholder confidence in the Keller management	APAC and HSEQ leadership successfully transitioned and established as well as new CFO and divisional President and COO in North America. ASEAN and Waterway declines set back investor confidence however swift and well executed strategic review resulted in a quick response and internal remediation. Share price performance clearly disappointing	Target
Michael Speakman		
25%		
Corporate refinancing:		
Refinance credit facilities and term facility	Refinancing completed with a good cadre of banks on better terms establishing a debt foundation for the next five years	Above target
Retendering of external audit:		
In conjunction with the Chair of the Audit Committee, implement the audit tender strategy	Process completed successfully with a highly competitive tender process and structured decision criteria previously agreed with Board	Above target
Setting of financial targets for performance year 2019:		
Set appropriate financial targets for 2019 that were aligned with the Board's expectations with a particular emphasis on cash generation and a strengthening of the balance sheet via a focused reduction of net debt	2019 Budget process executed in line with existing process and aligned with Board expectations	Target
APAC financial performance:		
Investigate causes of the financial losses within the ASEAN and Waterway businesses and establish an appropriate recovery plan to restore confidence to the Board and external stakeholders	Identified key management and control issues and in the process of establishing a foundation for future business success. Helped lead the restructuring actions	Target
James Hind		
No award following exercise of Committee discretion		
Further improvement in management information/performance management:		
Improved management of working capital; implementation of disciplined dashboard reporting system for all functions	Completion of and challenges with major projects resulted in a deterioration of working capital performance as a whole; Finance dashboards embedded in the organisation	Below target
Functional development in procurement and IT:		
Optimise retention of procurement gains; secure further procurement savings; development of a three to five year roadmap for IT with improved governance	Procurement: developed approach to optimise gains which has been realised through building savings. IT: improved governance following the appointment of a Global Head; improvements in the connectivity and security of the group's IT infrastructure	Target
More proactive management of investors/analysts:		
Secure improved feedback from shareholders; develop and implement a proactive Investor Relations plan, including focussed targeting of potential shareholders	Positive shareholder feedback at interims overshadowed by APAC issues in H2	Below target
BU profitability:		
Return loss making BUs to profitability; implement leadership and organisation structure improvement plans	Poor results in 3 BUs but other businesses returned to profitability	Below target

Directors' remuneration report continuedAnnual remuneration report continued

Performance measures	Actual performance	Outcome
Venu Raju		No award following exercise of Committee discretion
Engineering:		
Functional review for all business units and action plan developed; roll out concept of project lifecycle management and pilot in divisions in order to implement for all major projects for the year	Functional review process developed and trialled in APAC and successfully completed globally; Project Lifecycle Management concept successfully implemented for all major projects	Target
Innovation, R&D:		
Drive forward the focus on innovation; monitor innovation projects and accelerate delivery	Innovation Board setup, process defined, projects funded; continued review of further innovation opportunities by the Innovation Board	Target
Global product teams:		
Develop and implement strategy for all major products	Strategies developed successfully	Target
Operations equipment:		
Refine equipment management processes; reduce equipment costs and improve utilisation; create a long-term strategy for equipment management	Equipment strategy developed and improved management process implemented; equipment costs fell short of target	Below target
Operational excellence and project resourcing:		
Optimise knowledge management; establish LEAN strategy, leadership and approach	Knowledge management team in place and majority of deliverables accomplished; Lean approach established	Target

2016–2018 Performance Share Plan ('PSP') outcomes (audited)

Based on EPS and TSR performance over the three years ended 31 December 2018, the Performance Share Plan Awards made in 2016 will not vest:

Measures	Vesting schedule and outcome				
	% of award that will vest			Outcome	Vesting %
50% weight	0%	25%	100%		
Three-year Earnings per share (EPS) CAGR ¹	Below 5%	5%	15%	EPS annualised growth rate was below 5%	0%
50% weight					
Keller's TSR outperformance vs FTSE 250 ² Index over three years	Below 0%	0%	10%	TSR outperformance p.a. was below 0%	0%
Total vesting					0%

1 EPS is before non-underlying items.

2 Excluding investment trusts.

Scheme interests awarded in 2018 (audited)**2018–2020 Performance Share Plan ('PSP')**

The three-year performance period over which performance will be measured began on 1 January 2018 and will end on 31 December 2020. Awards will vest in March 2021, subject to meeting performance conditions. Awards were made as follows:

Executive Director	Date of grant	Shares over which awards granted	Market price at award (£)	Face value at threshold (£)	Face value at maximum (£)	Performance period
Alain Michaelis	30 May 18	75,621	10.47 ¹	198,000	792,001	1 Jan 18–31 Dec 20
Michael Speakman ²	20 Aug 18	52,409	10.45 ³	136,875	547,501	1 Jan 18–31 Dec 20
James Hind	30 May 18	42,833	10.47 ¹	112,282	449,127	1 Jan 18–31 Dec 20
Venu Raju	30 May 18	20,553	10.47 ¹	53,814	215,258	1 Jan 18–31 Dec 20

1 The average of the daily closing price per share on the three business days following the AGM.

2 Michael Speakman was awarded PSPs on joining. The vesting period is three years from date of grant.

3 The average of the daily closing price per share on the three business days following his appointment (6 August 2018).

Vesting of the 2018–2020 PSP Awards is subject to achieving the following performance conditions:

2018–2020 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 310p	310p	355p
25% weight			
Keller's relative TSR performance vs FTSE 250 ² Index over three years	Below median	Median	Upper quartile
25% weight			
Return on Capital Employed (ROCE)	Below 14%	14%	20%

To reflect the impact of any changes in IFRS accounting standards, the Committee will consider adjusting financial targets appropriately for all subsisting PSP awards, ensuring that they are not materially easier or harder to satisfy than the original targets. Any amended targets determined by the Committee will be disclosed to shareholders in the next Directors' remuneration report.

- 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 2018 is set out below.

None of the Directors has a beneficial interest in the shares of any other group company. Since 31 December 2018, there have been no changes in the Directors' interests in shares.

Director	Ordinary shares at 31 December 2018	Ordinary shares at 31 December 2017
Alain Michaelis	43,837	23,508
James Hind	171,754	158,685
Venu Raju	59,690	40,771
Michael Speakman ¹	20,000	–
Chris Girling ²	3,000	3,000
Peter Hill	25,000	16,000
Paul Withers	45,000	30,000
Nancy Tuor Moore	3,000	–
Eva Lindqvist	–	–
Kate Rock ³	2,500	–
Paula Bell ⁴	–	–

- 1 Michael Speakman joined the Board on 6 August 2018.
- 2 Chris Girling resigned from the Board on 1 January 2019.
- 3 Kate Rock joined the Board on 1 September 2018.
- 4 Paula Bell joined the Board on 1 September 2018.

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 2018.

	Shares held	Awards held	Shareholding guideline % salary/fee	Current shareholding % ¹ salary/fee
	Owned outright or vested	Unvested and subject to performance conditions		
Alain Michaelis	43,837	197,401	200%	41%
Michael Speakman	20,000	52,409	200%	27%
James Hind	171,754	125,769	200%	213%
Venu Raju	59,690	56,776	200%	103%

- 1 Reflects closing price on 31 December 2018 of 494p.

Directors' remuneration report continuedAnnual remuneration report continued

Supplementary information on Directors' remuneration

Outstanding PSP awards

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

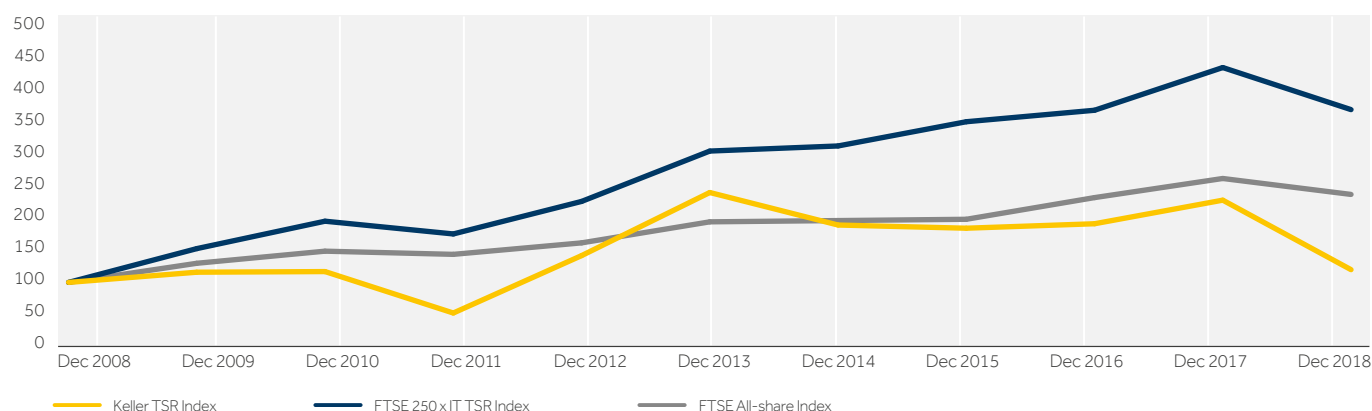
	At 1 January 2018 ^{1,2}	Granted during the year	Vested in year	Lapsed during the year	At 31 December 2018	Date from which exercisable/ vesting date	Expiry date
Alain Michaelis							
20 May 2015	98,103	–	33,257	64,846	–	20/05/18	19/11/18
4 March 2016	63,190	–	–	–	63,190	04/03/19	03/09/19
3 March 2017	58,590	–	–	–	58,590	03/03/20	02/09/20
30 May 2018	–	75,621	–	–	75,621	02/03/21	n/a
Michael Speakman							
20 August 2018	–	52,409	–	–	52,409	20/08/21	n/a
James Hind							
6 March 2015	65,957	–	22,359	43,598	–	06/03/18	05/09/18
4 March 2016	43,006	–	–	–	43,006	04/03/19	03/09/19
3 March 2017	39,880	–	–	–	39,880	03/03/20	02/09/20
30 May 2018	–	42,883	–	–	42,883	02/03/21	n/a
Venu Raju							
6 March 2015 ³	–	–	3,542	6,907	–	06/03/18	05/09/18
4 March 2016 ³	10,449	–	–	–	12,323	04/03/19	03/09/19
3 March 2017	12,323	–	–	–	23,900	03/03/20	02/09/20
30 May 2018	23,900	20,553	–	–	20,553	02/03/21	n/a

- For awards under the 2015 and 2016 plans, performance conditions are measured 50% on TSR outperformance of the FTSE 250 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.
- For awards under the 2017 plan, performance conditions are measured 50% on TSR outperformance of the FTSE 250 excluding investment trusts and 50% on cumulative EPS over three years of the performance period, which ends on 31 December 2019.
- 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.

CEO pay for performance comparison

The graph below shows the company's performance, measured by TSR, compared with the performance of the FTSE 250 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 FTSE 250 and FTSE All-Share Indices.



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

	2009	2010	2011	2012	2013	2014	2015 ²	2016	2017	2018 ²
CEO single figure of remuneration (£000)	891	550	562	951	1,870	1,630	1,420	715	1,427	639²
Annual bonus as a % of maximum opportunity	42%	0%	0%	57%	84%	22%	85%	12%	59%	0%
PSP vesting as a % of maximum opportunity	31%	0%	0%	0%	100%	100%	67.3%	0%	33.9%	0%

- The Committee exercised its discretion and applied 0% bonus.
- 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 2018 to 2017	Salary	Benefits	Bonus
% change in CEO remuneration	2.5%	0%	(100%)
% change in comparator group remuneration ¹	2.5%	1%	(12.5%)

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 2017 and 31 December 2018, along with the percentage changes.

	2018 £m	2017 £m	% change
Distribution to shareholders ¹	26.3	21.2	24%
Remuneration paid to all employees ²	570.8	525.9	9%

1 The Directors are proposing a final dividend in respect of the financial year ended 31 December 2018 of 23.9p per ordinary share.

2 Total remuneration reflects overall employee costs. See financial statements – note 7 for further information.

Summary of implementation of the remuneration policy for 2019

2019 Base Salary

The Committee noted that salary increases for UK-based employees across the group were generally around 3%, effective 1 January 2019. The Executive Directors did not receive a salary increase for 2019.

Benefits for 2019 will remain broadly unchanged from prior years.

2019 Annual Bonus

For 2019, 80% of Executive Directors' bonus will be based on group financial results and 20% will be based on shared corporate objectives. The performance measures have been updated to Profit before tax (PBT), an important indicator of the company's financial and operating performance and operating cashflow, 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 2019 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.

2019–2021 Performance Share Plan

The Committee reflected on the appropriateness of making a full 2019 PSP award given the fall in the share price in 2018 and in the context of investor guidance. The Committee determined that, given the 2018 pay outcomes (use of negative discretion to reduce bonus amounts to zero, no salary increases for executive directors and no vesting for the 2016–2018 PSP award) it was appropriate to maintain the same award levels as for 2018 in order to further align the interests of executives with investors. The Committee has additionally set very stretching targets for the 2019 PSP award as outlined below – for example, the proposed EPS targets represent growth of between c.12% and c.20% per annum when compared to our 2018 outcome.

Shares will be awarded in March 2019, the awards will be granted as follows: 150% of salary for Alain Michaelis, 125% of salary for Michael Speakman and James Hind and 100% of salary for Venu Raju.

The 2019–2021 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 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.

Relative TSR performance will be measured by ranking against FTSE 250 companies (excluding investment trusts). 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.

EPS will be measured on a cumulative basis enabling target setting to reflect business plans, market consensus and the position in the construction cycle.

Cumulative EPS of 345p over the three-year period will enable full vesting of this, performance conditions, with a threshold vesting of 25% if 300p is achieved.

ROCE 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.

Directors' remuneration report continuedAnnual remuneration report continued

2019–2021 Performance Share Plan

Measures	Vesting schedule		
	% of award that will vest		
50% weight	0%	25%	100%
Cumulative EPS over three years ¹	Below 300p	300p	345p
25% weight			
Keller's relative TSR performance vs FTSE 250 ² Index over three years	Below median	Median	Upper quartile
25% weight			
ROCE	Below 14%	14%	20%

To reflect the impact of any changes in IFRS accounting standards, the Committee will consider adjusting financial targets appropriately for all subsisting PSP awards, ensuring that they are not materially easier or harder to satisfy than the original targets. Any amended targets determined by the Committee will be disclosed to shareholders in the next Directors' remuneration report.

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

Chairman and Non-executive Director fees

The Non-executive Directors did not receive an increase in base fee for 2019. 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. The base fee for Non-executive Directors based in the US is £59,000, reflecting the extra time commitment required to fulfil the duties and responsibilities of the role.

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 2018 and the prior year:

Non-executive Director	2018 £	2017 £
Chris Girling ¹	57,000	55,440
Peter Hill	180,000	180,000
Eva Lindqvist	49,000	27,965
Nancy Tuor Moore	57,000	55,440
Paul Withers ²	65,000	55,440
Paula Bell ³	16,333	–
Kate Rock ³	16,333	–
Ruth Cairnie	–	23,100
Total fees	440,666	397,385

- 1 Chris Girling retired from the Board on 1 January 2019.
- 2 Paul Withers receives additional fees of £16,000 p.a. as Senior Independent Director and Chairman of the Remuneration Committee.
- 3 Paula Bell and Kate Rock were appointed as Non-executive Directors on 1 September 2018.

Statement of shareholder voting

The following table sets out the results of the vote on the Remuneration report and the Remuneration Policy at the 2018 AGM:

	Votes for		Votes against		Votes cast	Votes withheld
	Number	%	Number	%	Number	Number
Remuneration report	56,038,045	99.79	117,717	0.21	56,155,762	492,466
Remuneration Policy	55,910,955	98.71	732,307	1.29	56,643,262	4,967

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:

- Paul Withers
- Eva Lindqvist
- Chris Girling (retired on 1 January 2019)
- Nancy Tuor Moore
- Paula Bell (from 1 September 2018)
- Kate Rock (from 1 September 2018)

During the year, the Committee received assistance from Kerry Porritt (Group Company Secretary and Legal Advisor), Graeme Cook (Group HR Director) and Irina Kapustina (until 21 March 2018) and Banshi Shah (from 2 July) (Heads 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 2018 and 2019, 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 and Legal Advisor.

During the year, an external evaluation was carried out on the Committee's performance, facilitated by the Chairman and the Group Company Secretary and Legal Advisor. 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 Deloitte, an independent firm of remuneration consultants appointed by the Committee after consultation with the Board. 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 in relation to tax compliance and risk advisory services. 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 for 2018 were £81,350.

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



Paul Withers

Chairman of the Remuneration Committee
4 March 2019

Directors' report



Kerry Porritt
Group Company Secretary and Legal Advisor

The Directors present their report together with the audited consolidated financial statements for the year ended 31 December 2018.

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, forms 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 1 to 37 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 £80.5m (2017: £98.7m), are set out on pages 84 to 129. Statutory profit before tax was £8.4m (2017: £110.6m). The Directors recommend a final dividend of 23.9p per share to be paid on 21 June 2019, to members on the register at the close of business on 31 May 2019. An interim dividend of 12.0p per share was paid on 3 September 2018. The total dividend for the year of 35.9p (2017: 34.2p) will amount to £25.9m (2017: £24.6m).

Going concern and viability statement

Information relating to the going concern and viability statements is set out on pages 28 and 29 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 Chief Financial Officer's review.

Post balance sheet events

In February 2019, £3.4m of proceeds were received on settlement of a contributory claim relating to the 2014 exceptional contract dispute. This will be recognised as exceptional other operating income in 2019 as the receipt of these proceeds was not considered virtually certain as at 31 December 2018.

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 38 and 39. 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 70.

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 a 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 37.

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 2018.

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 (23 May 2018) to buy back up to 7,196,202 ordinary shares. The authority remains outstanding until the conclusion of the 2019 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 bid for 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 26 February 2018 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 26 February 2018.

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

Substantial shareholdings

At 4 March 2019, 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:

Company	Number of ordinary shares	Percentage of the total voting rights
Standard Life Aberdeen plc	6,171,630	8.56%
Old Mutual plc	4,242,670	5.96%
Schroders plc	3,629,637	5.04%
Aberforth Partners LLP	3,589,696	5.00%
Franklin Templeton Institutional, LLC	3,557,757	4.96%
Artemis Investment Management LLP	3,561,152	4.94%
Norges Bank	2,935,949	4.08%

Source: TR1 notifications made by shareholders to the company.

Auditors

The Board has decided that Ernst & Young LLP will be proposed as the group's auditors for the year ending 31 December 2019 and a resolution to appoint Ernst & Young LLP will be put to shareholders at the 2019 AGM.

Annual General Meeting

The full details of the 2019 AGM, which will take place on 16 May 2019, 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 and Legal Advisor
4 March 2019

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 1 to 37) and the Directors' report (pages 74 and 75) have been approved and are signed by order of the Board by:



Kerry Porritt

Group Company Secretary and Legal Advisor
4 March 2019

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

1. Our opinion is unmodified

We have audited the financial statements of Keller Group plc (the 'Company') for the year ended 31 December 2018 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 2 to the consolidated financial statements and note 1 to the 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 2018 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with UK accounting standards, 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 24 financial years ended 31 December 2018. 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	£3.6m (2017:£4.5m) 5.0% (2017: 4.6%) of normalised group profit before tax
Coverage	84% (2017: 93%) of group profits and losses before tax
Risks of material misstatement	vs 2017
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, unchanged from 2017, 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.

Independent Auditor's report *continued*

	The risk	Our response
<p>Accounting for construction contracts:</p> <p>(Construction revenue recognised on performance obligations satisfied over time – £2,124.2 million; 2017: £1,835.4 million)</p> <p><i>Refer to page 53 (Audit Committee Report) and page 94 (accounting policy).</i></p>	<p>Subjective estimate:</p> <p>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.</p> <p>In particular, we consider that the risk around contract accounting has increased this year because the Group has recognised a material amount of revenue on a large long-term public contract where the Group is currently negotiating an adjustment due to scope increases. There is a risk that the adjustment does not constitute a contract modification which creates enforceable rights. In addition there is judgement in determining the amount of revenue recognised which is highly probable not to reverse.</p> <p>The effect of these matters is that, as part of our risk assessment, we determined that the recognition of contract revenue has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly a multiple of that amount.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> – Control design and reperformance: Testing the design and operating effectiveness of controls over contract revenue and related expenditure. – Our sector experience: We identified contracts with the greatest impact on the Group's financial results, including those considered to be high risk due to factors such as known issues on the contract. For these contracts we challenged the Group's assumptions on costs to complete the contract, including through enquiries with project managers. – Historical comparisons: On a sample basis 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 details: <ul style="list-style-type: none"> – For contracts completed by the year end, we assessed subsequent settlement of revenue recognised to cash received or agreements with the customer. – For contracts in progress at the year end, we performed procedures including agreeing contract income to executed contracts and change orders, testing the accuracy of direct contract costs by agreeing to invoices or timesheets and recalculating revenue based upon percentage of completion. – We checked whether revenue arising from modifications was recognised only once the Group has an enforceable right to consideration, with reference to signed agreements or legal opinion. – 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. <p>Specifically, in relation to the revenue recognised in respect of the adjustment being negotiated on the large long-term public contract:</p> <ul style="list-style-type: none"> – Our sector experience: With the assistance of our major project specialists, we assessed the adjustment constituted a contract modification, by evaluating the contract terms, the Group's submission to their client for the requested adjustment and external legal advice provided to the Group. – Our sector experience: With the assistance of our major project specialists, we assessed the amount of revenue recognised in respect of the adjustment by inspecting the Group's submission to their client, the third party report to the Group on the impact on the contract timetable and checking equipment and labour rates to supporting documentation. With the assistance of our specialists, we performed our own assessment of the range of highly probable recovery based on our knowledge of the facts of the contract and experience in evaluating construction adjustments in similar circumstances. – Assessing transparency: We considered the adequacy of the Group's disclosures in respect of contract accounting and the accounting judgements and estimates. <p>Our results</p> <ul style="list-style-type: none"> – The results of our testing were satisfactory and we considered the amounts recognised in respect of construction contracts to be acceptable (2017: acceptable).

	The risk	Our response
<p>Carrying value of goodwill:</p> <p>(£140.9 million; 2017: £159.0 million)</p> <p><i>Refer to page 53 (Audit Committee Report), page 94 (accounting policy) and page 103 and 104 (financial disclosures).</i></p>	<p>Forecast-based valuation:</p> <p>There is a risk of impairment of certain of the Group's significant goodwill balances due to a prolonged downturn, or structural change, in the relevant construction markets. In particular there is increased risk with respect to the balance of £32.6 million related to Keller Canada where the business is still experiencing a downturn.</p> <p>The Group estimates recoverable amount based on value in use which includes significant estimation and judgement in the selection of key inputs for the future cash flows, specifically forecast revenue, operating margin and discount rates.</p> <p>The effect of these matters is that, as part of our risk assessment, we determined that the value in use has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly a multiple of that amount. The financial statements (note 14) disclose the sensitivity estimated by the Group.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> – Historical comparisons: We tested the accuracy of the Group's forecasting by comparing previous forecasts to actual 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. – Assessing transparency: We assessed whether the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflected the risks inherent in the valuation of goodwill. <p>Our results</p> <ul style="list-style-type: none"> – The results of our testing were satisfactory and we considered the carrying amount of goodwill to be acceptable (2017: acceptable).
<p>Parent Company financial statements:</p> <p>Valuation of investments and recoverability of intercompany receivables</p> <p>Investments £514.7 million (2017: £364.7 million)</p> <p>Intercompany receivables £239.0 million (2017: £419.1 million)</p>	<p>Low risk, high value</p> <p>The carrying amount of:</p> <ul style="list-style-type: none"> – the Company's investments in subsidiaries held at cost less impairment; and – intercompany receivables represent 99% (2017: 99%) of the Company's total assets. <p>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.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> – Test of details: Comparing the carrying amount of a sample of the highest value investments and intercompany receivables, representing 99% (2017: 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. – Assessing subsidiary audits: Assessing the work performed by the subsidiary audit teams on that sample of subsidiaries and considering the results of that work on those subsidiaries' profits and net assets. <p>Our results</p> <ul style="list-style-type: none"> – We found the assessment of the carrying value of investments and the recoverability of intercompany receivables to be acceptable (2017: acceptable).

Independent Auditor's report *continued*

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

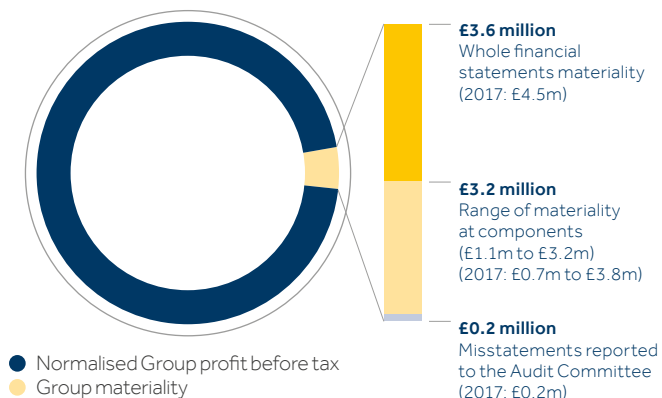
Materiality for the Group financial statements as a whole was set at £3.6 million (2017: £4.5 million), determined with reference to a benchmark of Group profit before tax normalised to exclude non-underlying items except for amortisation of acquired intangible assets (see note 8), of £72.6 million, of which it represents 5.0% (2017: Group profit before tax normalised to exclude non-underlying items, of £98.7m, of which it represents 4.6%).

Materiality for the parent Company financial statements as a whole was set at £2.7million (2017: £3.4 million), determined with reference to a benchmark of Company total assets of £760.1 million (2017: £790.8 million), of which it represents 0.4% (2017: 0.4%).

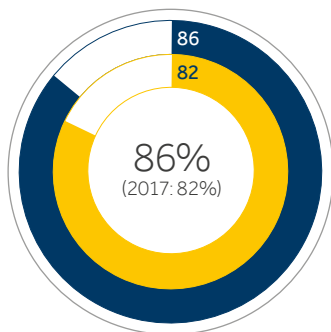
We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.2 million (2017: £0.2 million), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Normalised Group profit before tax
£72.6m (2017: £98.7m)

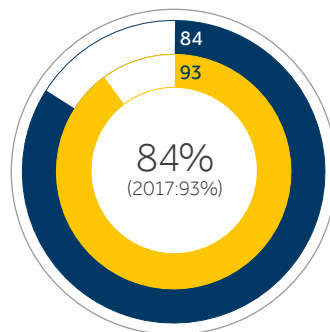
Group Materiality
£3.6m (2017: £4.5m)



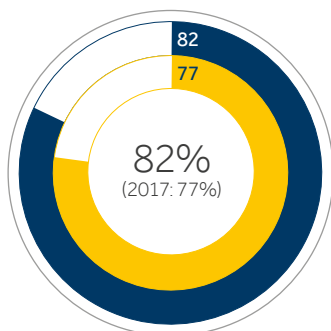
Group revenue



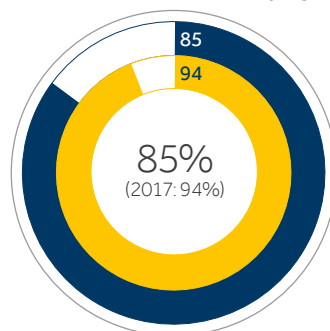
Group profits and losses before tax



Group total assets



Group profits and losses before non-underlying items and tax



- Full scope for group audit purposes 2018
- Full scope for group audit purposes 2017
- Residual components

Of the Group's five (2017: five) reporting components, we subjected five (2017: five) to full-scope audits for Group purposes. 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 following component materialities, having regard to the mix of size and risk profile of the Group across the components:

- North America division: £3.2 million (2017: £3.8 million)
- EMEA division: £2.9 million (2017: £3.2 million)
- APAC division: £2.4 million (2017: £2.8 million)
- Capital insurance component: £1.1 million (2017: £0.7 million)
- Parent Company: £2.7 million (2017: £3.4 million)

In addition, the Group team guided sub-component auditors in EMEA and APAC divisions as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back by sub-components to the divisional component audit teams. The sub-components within the scope of the EMEA and APAC divisions, the North America division, the Capital Insurance component and parent Company component accounted for the percentages illustrated opposite. For the residual sub-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.

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 and sub-component auditors.

The Group team, components and sub-component teams, where relevant, performed procedures on the items excluded from Group profit before tax.

The Group team visited the three (2017: three) divisional component locations in each of North America, EMEA and APAC (2017: each of North America, EMEA and APAC) and in 2018 the Malaysia sub-component. Telephone conference meetings were also held with these divisional component and certain sub-component auditors to assess the audit risk and strategy. 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 divisional component or sub-component auditor.

4. We have nothing to report on going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or the Group or to cease their operations, and as they have concluded that the Company's and the Group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group and the Company will continue in operation.

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Group's and Company's business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group's and Company's available financial resources over this period were:

- The risk of an economic downturn in the Group's major construction markets;
- The risk of a significant contract dispute; and
- The Group's ability to comply with covenants on debt facilities held, including the impact of significant exchange fluctuations of sterling.

As these were risks that could potentially cast significant doubt on the Group's and the Company's ability to continue as a going concern, we considered sensitivities over the level of available financial resources indicated by the Group's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from these risks individually and collectively and evaluated the achievability of the actions the Directors consider they would take to improve the position should the risks materialise. We also considered less predictable but realistic second order impacts, such as the impact of Brexit and the erosion of customer or supplier confidence.

Based on this work, 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 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
- the related statement under the Listing Rules set out on page 29 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects, and we did not identify going concern as a key audit matter.

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.

Independent Auditor's report continued

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 29 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.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgments that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

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 76, 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 general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards) and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations. 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.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, and anti-bribery, recognising the nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. These limited procedures did not identify actual or suspected non-compliance.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

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
4 March 2019

Financial statements

Consolidated income statement

For the year ended 31 December 2018

	Note	2018			2017		
		Underlying £m	Non- underlying items (note 8) £m	Statutory £m	Underlying £m	Non- underlying items (note 8) £m	Statutory £m
Revenue	4	2,224.5	–	2,224.5	2,070.6	–	2,070.6
Operating costs	6	(2,129.5)	(64.2)	(2,193.7)	(1,961.9)	(1.6)	(1,963.5)
Amortisation of acquired intangible assets		–	(7.9)	(7.9)	–	(9.0)	(9.0)
Other operating income		–	0.5	0.5	–	23.2	23.2
Share of post-tax results of joint ventures	16	1.6	–	1.6	–	–	–
Operating profit/(loss)	3	96.6	(71.6)	25.0	108.7	12.6	121.3
Finance income	9	0.6	–	0.6	3.8	–	3.8
Finance costs	10	(16.7)	(0.5)	(17.2)	(13.8)	(0.7)	(14.5)
Profit/(loss) before taxation		80.5	(72.1)	8.4	98.7	11.9	110.6
Taxation	11	(22.5)	0.3	(22.2)	(24.7)	1.6	(23.1)
Profit/(loss) for the period		58.0	(71.8)	(13.8)	74.0	13.5	87.5
Attributable to:							
Equity holders of the parent		57.0	(71.8)	(14.8)	73.6	13.5	87.1
Non-controlling interests		1.0	–	1.0	0.4	–	0.4
		58.0	(71.8)	(13.8)	74.0	13.5	87.5
Earnings/(loss) per share							
Basic	13	79.2p		(20.6)p	102.2p		121.0p
Diluted	13	79.1p		(20.6)p	101.8p		120.5p

Consolidated statement of comprehensive income

For the year ended 31 December 2018

	Note	2018 £m	2017 £m
(Loss)/profit for the period		(13.8)	87.5
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		8.8	(27.0)
Net investment hedge losses	24	–	(0.7)
Cash flow hedge gains/(losses) taken to equity	24	1.0	(3.3)
Cash flow hedge transfers to income statement	24	(1.0)	3.4
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of defined benefit pension schemes	30	0.8	1.4
Tax on remeasurements of defined benefit pension schemes	11	(0.1)	(0.3)
Other comprehensive income/(loss) for the period, net of tax		9.5	(26.5)
Total comprehensive (loss)/income for the period		(4.3)	61.0
Attributable to:			
Equity holders of the parent		(5.4)	61.0
Non-controlling interests		1.1	–
		(4.3)	61.0

Financial statements continued

Consolidated balance sheet

As at 31 December 2018

	Note	2018 €m	2017 ¹ €m
Assets			
Non-current assets			
Intangible assets	14	153.4	170.9
Property, plant and equipment	15	422.0	399.2
Investments in joint ventures	16	4.6	3.7
Deferred tax assets	11	26.9	39.3
Other assets	17	21.5	23.7
		628.4	636.8
Current assets			
Inventories	18	80.3	72.6
Trade and other receivables	19	610.9	589.2
Current tax assets		14.7	18.7
Cash and cash equivalents	20	110.5	67.7
		816.4	748.2
Total assets	3	1,444.8	1,385.0
Liabilities			
Current liabilities			
Loans and borrowings	24	(42.8)	(48.3)
Current tax liabilities		(18.6)	(19.1)
Trade and other payables	21	(474.4)	(480.5)
Provisions	22	(10.8)	(10.3)
		(546.6)	(558.2)
Non-current liabilities			
Loans and borrowings	24	(353.9)	(248.9)
Retirement benefit liabilities	30	(27.9)	(29.2)
Deferred tax liabilities	11	(37.9)	(45.5)
Provisions	22	(14.6)	(13.0)
Other liabilities	23	(18.6)	(18.0)
		(452.9)	(354.6)
Total liabilities	3	(999.5)	(912.8)
Net assets	3	445.3	472.2
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		41.2	32.5
Other reserve	25	56.9	56.9
Retained earnings		289.3	326.0
Equity attributable to equity holders of the parent		440.4	468.4
Non-controlling interests		4.9	3.8
Total equity		445.3	472.2

1 Non-current assets shown here does not correspond to the published 2017 consolidated financial statements as a result of re-presenting the comparative balance to show investments in joint ventures separate from other non-current assets. There is no impact on 2017 total non-current assets.

These financial statements were approved by the Board of Directors and authorised for issue on 4 March 2019.

They were signed on its behalf by:



Alain Michaelis
Chief Executive Officer



Michael Speakman
Chief Financial Officer

Consolidated statement of changes in equity

For the year ended 31 December 2018

	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 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 and 1 January 2018	7.3	38.1	7.6	32.5	56.9	–	326.0	468.4	3.8	472.2
Adjustment on initial application of IFRS 15	–	–	–	–	–	–	2.3	2.3	–	2.3
(Loss)/profit for the period	–	–	–	–	–	–	(14.8)	(14.8)	1.0	(13.8)
Other comprehensive income										
Exchange differences on translation of foreign operations	–	–	–	8.7	–	–	–	8.7	0.1	8.8
Cash flow hedge gains taken to equity	–	–	–	–	–	1.0	–	1.0	–	1.0
Cash flow hedge transfers to income statement	–	–	–	–	–	(1.0)	–	(1.0)	–	(1.0)
Remeasurements of defined benefit pension schemes	–	–	–	–	–	–	0.8	0.8	–	0.8
Tax on remeasurements of defined benefit pension schemes	–	–	–	–	–	–	(0.1)	(0.1)	–	(0.1)
Other comprehensive income for the period, net of tax	–	–	–	8.7	–	–	0.7	9.4	0.1	9.5
Total comprehensive income/(loss) for the period	–	–	–	8.7	–	–	(14.1)	(5.4)	1.1	(4.3)
Dividends	–	–	–	–	–	–	(26.3)	(26.3)	–	(26.3)
Share-based payments	–	–	–	–	–	–	1.4	1.4	–	1.4
At 31 December 2018	7.3	38.1	7.6	41.2	56.9	–	289.3	440.4	4.9	445.3

Financial statements continued

Consolidated cash flow statement

For the year ended 31 December 2018

	Note	2018 €m	2017 €m
Cash flows from operating activities			
Underlying operating profit (as per consolidated income statement)		96.6	108.7
Depreciation of property, plant and equipment		69.7	67.3
Amortisation of intangible assets		1.2	1.2
Share of post-tax results of joint ventures		(1.6)	–
Profit on sale of property, plant and equipment		(1.7)	(4.0)
Other non-cash movements		7.0	9.5
Foreign exchange (gains)/losses		(0.1)	0.2
Operating cash flows before movements in working capital		171.1	182.9
Increase in inventories		(8.0)	(15.7)
Decrease/(increase) in trade and other receivables		26.0	(79.1)
(Decrease)/increase in trade and other payables		(16.5)	53.9
Change in provisions, retirement benefit and other non-current liabilities		(10.1)	(5.9)
Cash generated from operations before non-underlying items		162.5	136.1
Cash inflows from non-underlying items: contract dispute		–	12.7
Cash outflows from non-underlying items: contract dispute		(0.8)	(2.1)
Cash outflows from non-underlying items: restructuring costs		(4.4)	–
Cash generated from operations		157.3	146.7
Interest paid		(15.8)	(12.9)
Income tax paid		(16.7)	(26.0)
Net cash inflow from operating activities		124.8	107.8
Cash flows from investing activities			
Interest received		0.7	0.7
Proceeds from sale of property, plant and equipment		8.5	10.5
Proceeds from sale of other non-current assets		3.5	–
Acquisition of subsidiaries, net of cash acquired		(68.4)	(6.5)
Acquisition of property, plant and equipment		(85.1)	(84.2)
Disposal of non-current assets held for sale		–	62.0
Acquisition of other intangible assets		(0.5)	(0.8)
Dividends received from joint ventures		0.9	–
Net cash outflow from investing activities		(140.4)	(18.3)
Cash flows from financing activities			
New borrowings		281.7	41.6
Repayment of borrowings		(186.1)	(135.7)
Cash flows from derivative instruments		1.5	0.2
Payment of finance lease liabilities		(1.6)	(1.5)
Dividends paid		(26.3)	(21.2)
Net cash inflow/(outflow) from financing activities		69.2	(116.6)
Net increase/(decrease) in cash and cash equivalents		53.6	(27.1)
Cash and cash equivalents at beginning of period		51.3	84.0
Effect of exchange rate fluctuations		(1.2)	(5.6)
Cash and cash equivalents at end of period	20	103.7	51.3

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.

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 29.

Changes in accounting policies and disclosures

The group has adopted IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments' from 1 January 2018. The impact of adopting these standards is set out below. There is no significant financial impact on the group financial statements of the other new standards, amendments and interpretations that are in issue for the financial year ending 31 December 2018. These are:

- IFRIC 22 – 'Foreign Currency Transactions and Advance Consideration'
- Amendments to IAS 40 – 'Transfers of Investment Property'
- Amendments to IFRS 2 – 'Classification and Measurement of Share-based Payment Transactions'
- Annual improvements to IFRS Standards 2014–2016 Cycle

IFRS 15 – 'Revenue from Contracts with Customers' – The group adopted IFRS 15 'Revenue from Contracts with Customers' from 1 January 2018. IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 'Revenue', IAS 11 'Construction Contracts' and related interpretations. The standard has been adopted retrospectively with the cumulative effect of initially applying the standard recognised as an adjustment to retained earnings at 1 January 2018. Accordingly, the information presented for 2017 has not been restated. The effect of initially applying this standard is a £2.3m credit to equity. This is due to the earlier recognition of revenue at our Suncoast business on contracts that involve installation or post-delivery services. Previously all revenue was deferred on these contracts until the contract had been completed, however under IFRS 15, these contracts qualify for over time recognition.

The following table summarises the impact of adopting IFRS 15 on the balance sheet at 1 January 2018:

	As at 1 January 2018		
	As reported under IAS 18 & IAS 11 £m	Impact of IFRS 15 £m	As reported under IFRS 15 £m
Inventories	72.6	(2.3)	70.3
Current assets	748.2	(2.3)	745.9
Total assets	1,385.0	(2.3)	1,382.7
Trade and other payables	(480.5)	4.6	(475.9)
Current liabilities	(558.2)	4.6	(553.6)
Total liabilities	(912.8)	4.6	(908.2)
Net assets	472.2	2.3	474.5
Retained earnings	326.0	2.3	328.3
Equity attributable to equity holders of the parent	468.4	2.3	470.7
Total equity	472.2	2.3	474.5

There is no material difference between the IAS 11/IAS 18 and IFRS 18 impact on the balance sheet and income statement as at 31 December 2018.

The accounting policy for revenue recognition at 31 December 2017 is replaced with the following with effect from 1 January 2018:

Revenue recognition (policy effective from 1 January 2018)

Revenue consists of contracts with customers. For each contract, revenue is the amount that is expected to be received from the customer. Where consideration is variable, this is recognised only to the extent that it is highly probable that there will not be a significant reversal. The effect of contract modifications (for example change orders, variations or claims) is accounted for only when the group considers there is an enforceable right to consideration.

Revenue from construction contracts: The majority of the group's revenue is derived from construction contracts. Typically, the group's construction contracts consist of one performance obligation, however for certain contracts (for example where contracts involve separate phases or products that are not highly interrelated) multiple performance obligations exist. Where multiple performance obligations exist, total revenue is allocated to performance obligations based on the relative standalone selling prices of each performance obligation.

Revenue attributed to each performance obligation is recognised over time based on either the input or, where considered more appropriate in relation to certain performance obligations in certain geographies, the output method:

- Input method: Revenue is recognised on the percentage of completion with reference to cost. The percentage of completion is calculated as the costs incurred to date as a percentage of the total costs expected to satisfy the performance obligation. Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in the percentage of completion calculation in the period in which the circumstances that give rise to the revision become known.

Financial statements *continued*Notes to the consolidated financial statements
continued**2 Principal accounting policies** *continued***Revenue from construction contracts** *continued*

- Output method: Revenue is recognised on the direct measurement of progress based on output, such as units of production relative to the total number of contracted production units.

Revenue is recognised in order to provide a faithful depiction of the value of the work performed by the group over time.

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

Incremental bid/tender costs and fulfilment costs are not material to the overall contract and are expensed as incurred.

Any revenues recognised in excess of billings are recognised as contract assets within trade and other receivables. Any payments received in excess of revenue recognised are recognised as contract liabilities within trade and other payables. There are no significant financing components of contract assets or liabilities.

Revenue from the sale of goods and services: The group's revenue recognised from the sale of goods and services primarily relates to the Suncoast business. These contracts all have a single performance obligation, or a series of distinct performance obligations that are substantially the same. There are typically two types of contract:

- Delivery of goods: revenue for these contracts is recognised at a point in time, on delivery of the goods to the customer.
- Delivery of goods with installation and/or post-delivery services: revenue for these contracts is recognised over time by reference to the percentage of completion. The percentage of completion is calculated as the costs incurred to date as a percentage of the total costs expected to satisfy the contract, however this results in most of the revenue being recognised on delivery of the goods to the customer as this forms the majority of the cost to Keller.

Revenue recognition (policy effective prior to 1 January 2018)

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.

IFRS 9 'Financial Instruments' – The group has adopted IFRS 9 'Financial Instruments' from 1 January 2018. IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 'Financial Instruments: Recognition and Measurement'.

The classification and measurement of financial liabilities and derivative instruments remains unchanged from IAS 39. Under IFRS 9, a financial asset is now classified on initial recognition as measured at: amortised cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or fair value through profit or loss (FVTPL). Applying this classification to the group's financial assets does not result in changes to the accounting; trade receivables continue to be recognised at amortised cost and cash and cash equivalents and certain other non-current financial assets continue to be recognised at FVTPL.

With regard to impairment of financial assets, IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The group's bad debts typically arise due to invoices being unpaid for commercial reasons rather than credit default and therefore the group's expected initial credit loss on initial recognition was not material and there has been no change in the overall bad debt provision at 1 January 2018.

As a result of adopting IFRS 9, the accounting policy for trade receivables at 31 December 2017 is replaced with the following with effect from 1 January 2018:

Trade receivables (policy effective from 1 January 2018)

Trade receivables are initially recognised at their transaction price, unless there is a significant financing component, and are carried subsequently at amortised cost. Loss allowances for expected credit losses are deducted on initial recognition from the gross carrying amount of trade receivables. Specific provisions are made where there is a known credit risk.

Trade receivables (policy effective prior to 1 January 2018)

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.

Standards issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted; however, the group has not early adopted the new or amended standards in preparing these consolidated financial statements. Of those standards that are not yet effective, IFRS 16 is expected to have a material impact on the group's financial statements in the period of initial application.

IFRS 16 'Leases' – IFRS 16 will be adopted from 1 January 2019. The standard introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. These will principally relate to operating leases for properties, machinery and vehicles. The profile of the expense incurred in the income statement for these operating leases will change because IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for the right-of-use assets and interest expense on lease liabilities. No significant impact is expected for the group's finance leases. The group is not a lessor of assets.

The group will adopt IFRS 16 using the modified retrospective approach. The cumulative effect of initially adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019.

with no restatement of comparative information. The lease liabilities on transition will be the present value of lease payments discounted using the incremental borrowing rate. The right-of-use asset will be set at either the carrying amount as if IFRS 16 had been applied since the start of the lease or at an amount equal to the lease liability. This will be determined on a lease-by-lease basis.

The group plans to apply the practical expedients to apply IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4, to not separate non-lease components from lease components of a contract, to apply a single discount rate to a portfolio of leases with reasonably similar characteristics and is likely to not apply the new lease accounting to operating leases that have a lease term that ends during 2019. The exemptions for short-term leases and leases of low value will also be applied.

In order to establish the impact of adopting IFRS 16 at 1 January 2019, the group collated details of all of its leases that had a total duration of greater than one year and input this data into a lease accounting software along with relevant inputs such as the lease specific incremental borrowing rate. Based on the information currently available and the draft policy applied, the group estimates that it will recognise an additional lease liability of between £80m and £120m. An additional right-of-use asset will be recognised, however the group is in the process of establishing which transition option will be applied to each lease. The total right-of-use asset is expected to be less than the lease liability. The tax effected difference between the right-of-use asset and lease liability will be the adjustment to opening retained earnings.

Although the adoption of IFRS 16 will replace the straight-line operating lease expense with a depreciation charge for the right-of-use asset and an interest expense on the lease liability, the group does not expect the adoption of IFRS 16 to have a material net effect on profit before tax.

The group has not finalised the testing and assessment of controls over its new lease accounting process, thus the actual impact of adopting IFRS 16 on 1 January 2019 is subject to change until the group presents its first financial statements that include the initial application of the 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 operations

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

Joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. The consolidated financial statements incorporate a share of the results, assets and liabilities of joint ventures using the equity method of accounting, whereby the investment is carried at cost plus

post-acquisition changes in the share of net assets of the joint venture, less any provision for impairment. Losses in excess of the consolidated interest in joint ventures are not recognised except where the group has a constructive commitment to make good those losses. The results of joint ventures acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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:

	2018	2017
US dollar: average for period	1.33	1.29
US dollar: period end	1.27	1.35
Canadian dollar: average for period	1.73	1.67
Canadian dollar: period end	1.74	1.69
Euro: average for period	1.13	1.14
Euro: period end	1.11	1.13
Singapore dollar: average for period	1.80	1.78
Singapore dollar: period end	1.74	1.80
Australian dollar: average for period	1.79	1.68
Australian dollar: period end	1.80	1.73

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.

Financial statements *continued*Notes to the consolidated financial statements
continued**2 Principal accounting policies** *continued***Employee benefit costs** *continued*

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.

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

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

Property, plant and equipment

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

Depreciation

Depreciation is not provided on freehold land.

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

The rates of depreciation used are:

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

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

Business combinations

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

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 IFRS 9 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 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, including those relating to acquisitions.

Notes to the consolidated financial statements

continued

2 Principal accounting policies *continued*

Accounting estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and judgements that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates 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 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. When revenue is recognised based on the output method, such as units of production, there is little judgement involved in accounting for construction contracts as the amount of revenue that has not been certified/accepted by the client is typically small and is usually based on volumes achieved at agreed rates. When revenue is recognised based on the input (cost) method, the main factors considered when making 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 7,000 contracts during 2018, with the average contract size being approximately £325,000 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.

The most significant judgement in accounting for construction contracts relates to revenue recognised on a large long-term public contract where the group is currently negotiating an adjustment due to scope increase. The amount has not yet been agreed with the customer and the timing of settlement is uncertain. However, the group has taken legal advice and concluded that there is a legal entitlement to compensation for the additional work performed and costs incurred, which constitutes an approved contract modification. On this basis, the criteria under IFRS 15 for recognising revenue on this adjustment has been met, however the amount recoverable is a key estimate. It is reasonably possible, on the basis of existing knowledge, that outcomes within the next financial year could be materially different from the estimate. The amount of revenue recognised is less than the amount expected to be recovered and represents an amount where management is confident it is highly probable that a significant reversal of revenue will not occur. Should the actual outcome be significantly less than the amount recognised as revenue, there could be a material reversal of revenue. The amount is expected to be agreed with the customer in the next financial year.

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 14. As set out in the principal risks and uncertainties in the strategic report, we expect that it is a low risk that Brexit will have a material financial impact on the group financial statements, or on the carrying value of goodwill for the Keller Limited (UK) cash-generating unit.

The group also uses estimates in assessing the recoverability of deferred tax assets, for which the significant assumption is 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.

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.

	2018		2017	
	Revenue £m	Operating profit £m	Revenue £m	Operating profit £m
North America	1,161.4	78.6	968.7	78.7
EMEA ¹	668.2	39.7	737.2	53.3
APAC ²	394.9	(18.0)	364.7	(16.5)
	2,224.5	100.3	2,070.6	115.5
Central items and eliminations	–	(3.7)	–	(6.8)
Underlying	2,224.5	96.6	2,070.6	108.7
Non-underlying items (note 8)	–	(71.6)	–	12.6
	2,224.5	25.0	2,070.6	121.3

	2018					
	Segment assets £m	Segment liabilities £m	Capital employed £m	Capital additions £m	Depreciation ⁴ and amortisation £m	Tangible and intangible assets £m
North America	692.8	(215.4)	477.4	25.8	29.1	312.6
EMEA ¹	388.0	(229.6)	158.4	37.6	25.3	176.7
APAC ²	211.2	(88.6)	122.6	22.2	16.5	85.7
	1,292.0	(533.6)	758.4	85.6	70.9	575.0
Central items and eliminations ³	152.8	(465.9)	(313.1)	–	–	0.4
	1,444.8	(999.5)	445.3	85.6	70.9	575.4

	2017					
	Segment assets £m	Segment liabilities £m	Capital employed £m	Capital additions £m	Depreciation ⁴ 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

1 Europe, Middle East and Africa.

2 Asia-Pacific.

3 Central items include net debt and tax balances.

4 Depreciation and amortisation excludes amortisation of acquired intangible assets.

Financial statements continuedNotes to the consolidated financial statements
continued**3 Segmental analysis** continued

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

	Revenue		Non-current non-financial assets ⁵	
	2018 £m	2017 £m	2018 £m	2017 £m
United States	1,068.0	886.6	260.6	225.7
Australia	255.5	238.7	64.2	73.7
Germany	113.3	95.9	32.4	32.1
Canada	93.4	80.2	54.7	59.4
United Kingdom (country of domicile)	65.4	61.2	22.8	22.4
Other	628.9	708.0	148.3	181.8
	2,224.5	2,070.6	583.0	595.1

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

4 Revenue

The group's revenue is derived from contracts with customers. The nature and effect of initially applying IFRS 15 on the group's financial statements is disclosed in note 2. In the following table, revenue is disaggregated by primary geographical market, being the group's operating segments (see note 3) and timing of revenue recognition:

	Revenue recognised on performance obligations satisfied over time £m	Revenue recognised on performance obligations satisfied at a point in time £m	Total revenue £m
North America	1,061.1	100.3	1,161.4
EMEA	668.2	–	668.2
APAC	394.9	–	394.9
	2,124.2	100.3	2,224.5

In 2017, revenue recognised on construction contracts in accordance with IAS 11 totalled £1,835.4m.

Due to the final contract value not always being agreed at the year end, the contract value, and therefore revenue allocated to a performance obligation, may change subsequent to the year end as variations and claims are agreed with the customer. The amount of revenue recognised in 2018 from performance obligations satisfied in previous periods is £10.7m.

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. As at 31st December 2018 the total order book is £958.1m. Of this amount the order book for contracts with a total duration over 1 year is £185.4m. Revenue on these contracts is expected to be recognised as follows:

	2018 £m
Less than 1 year	143.2
1 to 2 years	42.2

The following table provides information about receivables, contract assets and contract liabilities arising from contracts with customers:

	2018 £m	2017 £m
Trade receivables	451.7	439.8
Contract assets	106.3	101.2
Contract liabilities	(41.4)	(42.9)

Retentions are recognised on invoicing of the associated trade receivable. Included in the trade receivables balance is £106.7m in respect of retentions receivable. Of this amount, £75.5m are to be invoiced in one year with the remaining balance of £31.2m to be invoiced in more than one year. All contract assets and liabilities are current.

Substantially all of the opening balance of contract assets has been billed during 2018 and revenue has been recognised against substantially all of the opening contract liability.

5 Acquisitions

2018 acquisitions

On 29 March 2018, the group acquired 100% of the issued share capital of Moretrench America Corporation, a geotechnical contracting company operating predominantly along the east coast of the US, for cash consideration of £64.7m (\$86m). The fair value of the intangible assets acquired represents the fair value of customer contracts at the date of acquisition, customer relationships 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. All of the goodwill and intangible assets are expected to be deductible for tax purposes.

On 13 June 2018, the group acquired 100% of the issued share capital of Sivenmark Maskintjanst AB, a sheet piling specialist based in Sweden for cash consideration of £2.1m (SEK 24.6m). The purchase price is a premium of £0.8m (SEK 9.4m) 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.

For both acquisitions the fair value of the total trade receivables is not materially different from the gross contractual amounts receivable and is expected to be recovered in full. In the period to 31 December 2018, the acquisitions contributed £96.3m to revenue and a net profit of £5.5m. Had the acquisitions taken place on 1 January 2018, total group revenue would have been £2,257.3m and underlying profit for the period would have been £58.9m.

Any adjustments made in respect of acquisitions in the period to 31 December 2018 are provisional and will be finalised within 12 months of the acquisition date.

	Moretrench		
	Carrying amount £m	Fair value adjustment £m	Fair value £m
Net assets acquired			
Intangible assets	–	9.7	9.7
Property, plant and equipment	22.2	5.0	27.2
Cash and cash equivalents	8.8	–	8.8
Receivables	30.9	–	30.9
Other assets	11.0	–	11.0
Loans and borrowings	(9.1)	–	(9.1)
Deferred tax	0.3	–	0.3
Other liabilities	(23.1)	–	(23.1)
	41.0	14.7	55.7
Goodwill			9.0
Total consideration			64.7
Satisfied by			
Initial cash consideration			67.7
Amount receivable from Escrow			(3.0)
			64.7

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 underlying profit for the period would have been £74.1m.

Financial statements *continued*Notes to the consolidated financial statements
continued**6 Operating costs**

	Note	2018 £m	2017 ¹ £m
Raw materials and consumables		665.3	625.8
Staff costs	7	570.8	525.9
Other operating charges		642.6	572.1
Amortisation of intangible assets	14	1.2	1.2
Operating lease and short-term rental expense:			
Land and buildings		14.1	15.8
Plant, machinery and vehicles		165.8	153.8
Depreciation:			
Owned property, plant and equipment		69.1	66.4
Property, plant and equipment held under finance leases		0.6	0.9
Underlying operating costs		2,129.5	1,961.9
Non-underlying items	8	64.2	1.6
		2,193.7	1,963.5
Other operating charges include:			
Redundancy and other reorganisation costs		1.8	1.0
Fees payable to the company's auditor for the audit of the company's Annual Accounts		0.3	0.3
Fees payable to the company's auditor for other services:			
The audit of the company's subsidiaries, pursuant to legislation		1.4	1.2
Tax compliance services		–	–
Tax advisory services		–	–
Other assurance services		–	–

1 2017 operating lease and short-term rental expense for plant, machinery and vehicles has been reclassified. There is no net impact on underlying operating costs.

7 Employees

The aggregate staff costs of the group were:

	2018 £m	2017 £m
Wages and salaries	493.2	453.8
Social security costs	61.7	57.4
Other pension costs	14.5	11.9
Share-based payments	1.4	2.8
	570.8	525.9

These costs include Directors' remuneration. The remuneration of the Executive Directors is disclosed in the audited section of the Directors' remuneration report on pages 65 to 73. Fees payable to Non-Executive Directors totalled £0.4m.

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

	2018 Number	2017 Number
North America	4,134	3,813
EMEA	4,451	4,880
APAC	1,969	1,841
	10,554	10,534

8 Non-underlying items

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

	2018 £m	2017 £m
Amortisation of acquired intangible assets	(7.9)	(9.0)
Goodwill impairment	(30.1)	–
Impairment of intangible assets	(1.2)	–
Exceptional restructuring costs	(30.1)	–
Total restructuring costs	(61.4)	–
Contingent consideration: additional amounts provided	(0.4)	(1.6)
Acquisition costs	(1.1)	–
Guaranteed Minimum Pension equalisation	(1.3)	–
Non-underlying items in operating costs	(64.2)	(1.6)
Exceptional contract dispute	–	21.0
Contingent consideration: provision released	0.5	2.2
Non-underlying items in other operating income	0.5	23.2
Total non-underlying items in operating profit	(71.6)	12.6
Non-underlying finance costs	(0.5)	(0.7)
Total non-underlying items before taxation	(72.1)	11.9

Amortisation of acquired intangibles relates mainly to the Keller Canada, Austral, Bencor and Moretrench acquisitions.

The goodwill impairment relates to the ASEAN Heavy Foundations, Waterway, Franki Africa, Brazil and Wannewetsch cash-generating units, all of which are experiencing significantly depressed trading conditions.

The impairment of intangible assets relate to the impairment of the Tecnogeo and Franki Africa trade names capitalised on acquisition.

On 22 November 2018, the group announced a group-wide restructuring programme of portfolio and capacity actions. The group has taken a £30.1m restructuring charge, of which £21.6m was non-cash, relating to asset write-downs, redundancy costs and other reorganisation charges. Affected business units are ASEAN, Waterway, Brazil and Franki Africa. This includes the write-down of surplus equipment to current market values.

Additional contingent consideration provided relates to the Geo Instruments acquisition. In 2017, the additional amounts provided were in respect of the Geo-Foundations and Ellington Cross acquisitions.

A cost has been recognised in relation to the Guaranteed Minimum Pension equalisation requirement, in respect of the UK defined benefit pension scheme. Further details are set out in note 30.

The £21.0m exceptional profit in 2017 relating to the contract dispute represents the gain on disposal of a freehold property acquired in 2016, rental income less operating costs to the date of disposal and insurance recoveries in the period.

Contingent consideration released relates to adjustments to estimated amounts payable for the Austral and Bencor acquisitions. The 2017 release related to the Austral and Anshah acquisitions.

Financial statements *continued*Notes to the consolidated financial statements
continued**9 Finance income**

	2018 £m	2017 £m
Bank and other interest receivable	0.6	0.7
Other finance income	–	3.1
	0.6	3.8

10 Finance costs

	2018 £m	2017 £m
Interest payable on bank loans and overdrafts	8.9	5.3
Interest payable on other loans	4.2	4.0
Interest payable on finance leases	0.1	0.4
Net pension interest cost	0.5	0.7
Other finance costs	3.0	3.4
Underlying finance costs	16.7	13.8
Non-underlying finance costs (note 8)	0.5	0.7
	17.2	14.5

11 Taxation

	2018 £m	2017 £m
Current tax expense		
Current year	24.1	30.6
Prior years	(4.5)	(3.0)
Total current tax	19.6	27.6
Deferred tax expense		
Current year	3.5	5.6
US tax rate adjustment relating to current year	–	(1.8)
Prior years	(0.9)	(0.4)
US tax rate adjustment relating to prior years	–	(7.9)
Total deferred tax	2.6	(4.5)
	22.2	23.1

UK corporation tax is calculated at 19% (2017: 19.25%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The effective tax rate can be reconciled to the UK corporation tax rate of 19% (2017: 19.25%) as follows:

	2018			2017		
	Underlying £m	Non-underlying items (note 8) £m	Statutory £m	Underlying £m	Non-underlying items (note 8) £m	Statutory £m
Profit before tax	80.5	(72.1)	8.4	98.7	11.9	110.6
UK corporation tax charge/(credit) at 19% (2017: 19.25%)	15.3	(13.7)	1.6	19.0	2.3	21.3
Tax charged at rates other than 19% (2017: 19.25%)	4.2	(0.6)	3.6	12.1	(0.6)	11.5
Adjustments to deferred tax arising from US tax rate changes	–	–	–	(9.7)	–	(9.7)
Tax losses and other deductible temporary differences not recognised	5.0	12.4	17.4	6.0	–	6.0
Utilisation of tax losses and other deductible temporary differences previously unrecognised	(1.2)	–	(1.2)	(1.3)	(2.1)	(3.4)
Non-deductible expenses and non-taxable income	4.6	1.6	6.2	2.0	(1.2)	0.8
Adjustments to tax charge in respect of previous periods	(5.4)	–	(5.4)	(3.4)	–	(3.4)
Tax charge/(credit)	22.5	(0.3)	22.2	24.7	(1.6)	23.1
Effective tax rate	28.0%	0.4%	264.3%	25.0%	(13.4)%	20.9%

The tax credit on non-underlying items is net of a tax charge of £2.8m arising from a write-off of deferred tax assets as a consequence of the decision to restructure the related businesses.

The tax charge for 2017 includes a credit of £9.7m from the re-measurement of deferred tax liabilities following the approval of the US tax reform package in December 2017 which included a reduction in the federal rate of corporation tax from 35% to 21%, effective from 1 January 2018. The benefit of the tax rate reduction on 2018 profits is reflected in the tax charge for the year.

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. There have been no significant developments in the progress of the investigation over the last year and 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.

Financial statements *continued*Notes to the consolidated financial statements
continued**11 Taxation** *continued*

The following are the major deferred tax liabilities and assets recognised by the group and movements thereon during the current and prior reporting periods:

	Unused tax losses £m	Accelerated capital allowances £m	Retirement benefit obligations £m	Other employee related liabilities £m	Bad debts £m	Other temporary differences £m	Total £m
At 1 January 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 and 1 January 2018	(27.8)	37.2	(3.1)	(10.4)	(2.6)	12.9	6.2
Charge/(credit) to the income statement	2.0	1.4	(0.2)	2.6	(1.3)	(1.9)	2.6
Charge to other comprehensive income	–	–	0.1	–	–	–	0.1
Acquired with subsidiary	–	–	–	(0.1)	(0.2)	–	(0.3)
Exchange differences	0.5	1.8	–	(0.3)	(0.2)	0.6	2.4
Other reallocations/transfers	6.8	–	–	–	–	(6.8)	–
At 31 December 2018	(18.5)	40.4	(3.2)	(8.2)	(4.3)	4.8	11.0

Deferred tax assets include amounts of £24.3m (2017: £23.0m) 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 (£7.0m) and Australia (£10.6m). 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 the likely timing and level of future taxable profits.

The following is the analysis of the deferred tax balances:

	2018 £m	2017 £m
Deferred tax liabilities	37.9	45.5
Deferred tax assets	(26.9)	(39.3)
	11.0	6.2

At the balance sheet date, the group had unused tax losses of £115.2m (2017: £72.9m), mainly arising in the UK, Canada and Malaysia, available for offset against future profits, on which no deferred tax asset has been recognised. Of these losses, £53.5m (2017: £50.4m) 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 £2.3m (2017: £3.3m).

At the balance sheet date the aggregate of temporary differences associated with investments in subsidiaries, branches and joint ventures for which no deferred tax liability has been recognised is £54.5m (2017: £59.2m). The unprovided deferred tax liability in respect of these timing differences is £2.0m (2017: £3.1m).

12 Dividends payable to equity holders of the parent

Ordinary dividends on equity shares:

	2018 £m	2017 £m
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 December 2017 of 24.5p (2016: 19.25p) per share	17.6	13.8
Interim dividend for the year ended 31 December 2018 of 12.0p (2017: 9.7p) per share	8.7	7.0
	26.3	20.8

The Board has recommended a final dividend for the year ended 31 December 2018 of £17.2m, representing 23.9p (2017: 24.5p) per share. The proposed dividend is subject to approval by shareholders at the AGM on 16 May 2019 and has not been included as a liability in these financial statements.

13 Earnings per share

Basic and diluted earnings per share are calculated as follows:

	Underlying earnings attributable to equity holders of the parent		Earnings attributable to equity holders of the parent	
	2018	2017	2018	2017
Basic and diluted earnings (£m)	57.0	73.6	(14.8)	87.1
Weighted average number of shares (million)				
Basic number of ordinary shares outstanding	72.0	72.0	72.0	72.0
Effect of dilutive potential ordinary shares:				
Share options and awards	0.1	0.3	0.1	0.3
Diluted number of ordinary shares outstanding	72.1	72.3	72.1	72.3
Earnings per share				
Basic earnings/(loss) per share (pence)	79.2	102.2	(20.6)	121.0
Diluted earnings/(loss) per share (pence)	79.1	101.8	(20.6)	120.5

When the group makes a profit, diluted earnings per share equals the profit attributable to equity holders of the parent divided by the weighted average diluted number of shares. When the group makes a loss, diluted earnings per share equals the loss attributable to the equity holders of the parent divided by the basic average number of shares. This ensures that earnings per share on losses is shown in full and not diluted by unexercised share awards.

14 Intangible assets

	Goodwill £m	Arising on acquisition £m	Other £m	Total £m
Cost				
At 1 January 2017	231.8	52.0	22.3	306.1
Additions	–	–	0.8	0.8
Acquired with subsidiaries	0.5	–	–	0.5
Exchange differences	(9.8)	(1.1)	(0.7)	(11.6)
At 31 December 2017 and 1 January 2018	222.5	50.9	22.4	295.8
Additions	–	–	0.5	0.5
Acquired with subsidiaries	9.8	10.4	–	20.2
Exchange differences	2.7	(1.2)	0.9	2.4
At 31 December 2018	235.0	60.1	23.8	318.9
Accumulated amortisation and impairment				
At 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 and 1 January 2018	63.5	40.8	20.6	124.9
Impairment charge for the year	30.1	1.2	–	31.3
Amortisation charge for the year	–	7.9	1.2	9.1
Exchange differences	0.5	(1.1)	0.8	0.2
At 31 December 2018	94.1	48.8	22.6	165.5
Carrying amount				
At 31 December 2018	140.9	11.3	1.2	153.4
At 31 December 2017 and 1 January 2018	159.0	10.1	1.8	170.9
At 1 January 2017	166.5	19.4	2.1	188.0

Intangible assets arising on acquisition represent customer relationships, customer contracts at the date of acquisition, patents and trade names. The amounts acquired with subsidiaries in the year relate to the Moretrench (£9.7m) and Sivenmark (£0.7m) acquisitions (note 5).

Financial statements *continued*Notes to the consolidated financial statements
continued**14 Intangible assets** continued

During the year, additional goodwill of £9.8m has been recognised on the acquisition of Moretrench (£9.0m, included in the Hayward Baker cash-generating unit ('CGU')) and Sivenmark (£0.8m, included in the Keller Grundlagging CGU).

In 2018, for impairment testing purposes goodwill has been allocated to 17 separate CGUs. The carrying amount of goodwill allocated to the six CGUs with the largest goodwill balances is significant in comparison to the total carrying amount of goodwill and comprises 92% of the total. The relevant CGUs and the carrying amount of the goodwill allocated to each are as set out below, together with the pre-tax discount rate and medium-term growth rate used in their value-in-use calculations:

Cash-generating unit	Geographical segment	2018			2017		
		Carrying value £m	Pre-tax discount rate %	Forecast growth rate %	Carrying value £m	Pre-tax discount rate %	Forecast growth rate %
Suncoast	North America	33.9	10.8	2.0	31.9	12.4	2.0
Keller Canada	North America	32.6	11.4	2.0	33.5	11.0	2.0
HJ Foundation	North America	21.8	12.9	2.0	20.5	14.4	2.0
Hayward Baker	North America	21.2	11.0	2.0	11.1	12.1	2.0
Keller Limited	EMEA	12.1	9.9	2.0	12.1	9.8	2.0
Austral	APAC	7.5	12.8	2.0	7.8	13.0	2.0
Other	Various	11.8	various	various	42.1	various	various
		140.9			159.0		

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 2021 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.

In 2018, the goodwill in five CGUs, included within the 'other' category above, was fully impaired as the recoverable amount based on the value-in-use calculations does not support the carrying value of goodwill.

Cash-generating unit	Geographical segment	Impairment £m
ASEAN Heavy Foundations	APAC	12.0
Waterway	APAC	7.7
Brazil	EMEA	6.5
Franki Africa	EMEA	2.7
Wannenwetsch	EMEA	1.2
		30.1

All of the impairments relate to CGUs that are experiencing significantly depressed trading conditions.

For the remaining CGUs management believes that, with the exception of Keller Canada, any reasonably possible change in the key assumptions on which the recoverable amounts of the CGUs 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 expecting to see some improvement in margins. The assumptions underlying the forecasts used in the value-in-use calculation at 31 December 2018 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 3.2%. Alternatively, a 4.4% increase in the discount rate or a 13% reduction in forecast revenue growth, at the assumed operating margins, in each year would lead to the recoverable amount being equal to the carrying value.

15 Property, plant and equipment

	Land and buildings £m	Plant, machinery and vehicles £m	Capital work in progress £m	Total £m
Cost				
At 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 and 1 January 2018	58.2	857.9	9.5	925.6
Additions	3.5	78.0	3.6	85.1
Disposals	(2.6)	(24.3)	(0.1)	(27.0)
Transfers to held for sale	–	(30.7)	–	(30.7)
Acquired with subsidiaries	10.6	17.6	–	28.2
Reclassification	–	3.2	(3.2)	–
Exchange differences	2.0	18.0	–	20.0
At 31 December 2018	71.7	919.7	9.8	1,001.2
Accumulated depreciation				
At 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 and 1 January 2018	17.5	508.9	–	526.4
Charge for the year	2.7	67.0	–	69.7
Disposals	(0.4)	(19.8)	–	(20.2)
Transfers to held for sale	–	(25.5)	–	(25.5)
Impairments	–	16.2	–	16.2
Exchange differences	0.6	12.0	–	12.6
At 31 December 2018	20.4	558.8	–	579.2
Carrying amount				
At 31 December 2018	51.3	360.9	9.8	422.0
At 31 December 2017 and 1 January 2018	40.7	349.0	9.5	399.2
At 1 January 2017	44.7	353.9	7.0	405.6

The net book value of plant, machinery and vehicles includes £1.7m (2017: £1.0m) in respect of assets held under finance leases.

The group had contractual commitments for the acquisition of property, plant and equipment of £1.9m (2017: £7.0m) at the balance sheet date. These amounts were not included in the balance sheet at the year end.

Impairments in the year include the write-down of surplus equipment to current market values where it is not being relocated to other more active parts of the group. Further details of the restructuring programme are detailed in note 8.

Financial statements *continued*Notes to the consolidated financial statements
continued**16 Investments in joint ventures**

	£m
At 31 December 2017 and 1 January 2018	3.7
Share of post-tax results	1.6
Dividends received	(0.9)
Exchange differences	0.2
At 31 December 2018	4.6

The group's investment in joint ventures relates to a 50% interest in KFS Finland Oy, an entity incorporated in Finland.

Aggregate amounts relating to joint ventures:

	2018 £m
Revenue	18.1
Operating costs	(15.9)
Operating profit	2.2
Finance costs	(0.1)
Profit before taxation	2.1
Taxation	(0.5)
Share of post-tax results	1.6

	2018 £m
Non-current assets	4.3
Current assets	2.6
Current liabilities	(2.0)
Non-current liabilities	(0.3)
Share of net assets	4.6

17 Other non-current assets

	2018 £m	2017 ¹ £m
Fair value of derivative financial instruments	0.4	1.8
Other assets	21.1	21.9
	21.5	23.7

1 Non-current assets shown here does not correspond to the published 2017 consolidated financial statements as a result of re-presenting the comparative balance to show investments in joint ventures separate from other non-current assets. Refer to note 16.

Other assets includes £17.6m (2017: £21.2m) of assets held at fair value in connection with an ongoing non-qualifying deferred compensation plan available to certain US employees.

18 Inventories

	2018 £m	2017 £m
Raw materials and consumables	57.3	52.3
Work in progress	0.8	1.2
Finished goods	22.2	19.1
	80.3	72.6

19 Trade and other receivables

	2018 £m	2017 £m
Trade receivables	451.7	439.8
Contract assets	106.3	101.2
Other receivables	29.3	24.3
Prepayments	18.4	19.9
Assets held for sale	5.2	–
Fair value of derivative financial instruments	–	4.0
	610.9	589.2

Trade receivables are shown net of an allowance for doubtful debts. Assets held for sale relates to the net book value of equipment to be sold as part of the group-wide restructuring programme (note 8).

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

	2018 £m	2017 £m
At 1 January	35.6	34.7
Used during the period	(8.2)	(3.7)
Additional provisions	23.2	12.2
Unused amounts reversed	(7.8)	(6.6)
Acquired with subsidiary	0.6	–
Exchange differences	1.1	(1.0)
At 31 December	44.5	35.6

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

	2018 £m	2017 £m
Overdue by less than 30 days	84.5	83.1
Overdue by between 31 and 90 days	39.9	42.7
Overdue by more than 90 days	46.1	34.4
	170.5	160.2

20 Cash and cash equivalents

	2018 £m	2017 £m
Bank balances	106.4	66.5
Short-term deposits	4.1	1.2
Cash and cash equivalents in the balance sheet	110.5	67.7
Bank overdrafts	(6.8)	(16.4)
Cash and cash equivalents in the cash flow statement	103.7	51.3

21 Trade and other payables

	2018 £m	2017 ¹ £m
Trade payables	262.8	256.8
Other taxes and social security payable	12.6	16.4
Other payables	115.0	102.9
Contract liabilities	41.4	42.9
Accruals	42.5	57.8
Fair value of derivative financial instruments	0.1	3.7
	474.4	480.5

1 Other payables shown here does not correspond to the published 2017 consolidated financial statements as a result of re-presenting the comparative to show contract liabilities separate from other payables.

Other payables include contingent consideration of £0.4m (2017: £8.0m).

Financial statements continuedNotes to the consolidated financial statements
continued**22 Provisions**

	Employee provisions £m	Restructuring provisions £m	Other provisions £m	Total £m
At 1 January 2018	11.4	0.5	11.4	23.3
Charge for the year	4.9	4.1	0.8	9.8
Used during the period	(4.4)	(0.5)	(3.0)	(7.9)
Unused amounts reversed	–	–	(0.6)	(0.6)
Exchange differences	0.5	0.1	0.2	0.8
At 31 December 2018	12.4	4.2	8.8	25.4
To be settled within one year	2.4	4.2	4.2	10.8
To be settled after one year	10.0	–	4.6	14.6
At 31 December 2018	12.4	4.2	8.8	25.4

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.

Restructuring provisions include redundancy costs and other reorganisation charges in markets experiencing significantly depressed trading conditions as detailed further in note 8.

23 Other non-current liabilities

	2018 £m	2017 £m
Fair value of derivative financial instruments	0.3	–
Other liabilities	18.3	18.0
	18.6	18.0

Other liabilities include contingent consideration of £2.4m (2017: £1.3m) and £15.9m (2017: £16.7m) payable to US employees under a non-qualifying deferred compensation plan.

24 Financial instruments

The group's Board of Directors has overall responsibility for the establishment and oversight of the group's risk management framework, the setting of risk appetite and the implementation of the risk management policy. The Audit Committee ensures adequate assurance is obtained over the risks that are identified as the group's principal risks.

Exposure to credit, interest rate and currency risks arise in the normal course of the group's business and have been identified as key risks for the group. 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 2018, the fair value of foreign exchange forward contracts outstanding was £0.1m (2017: £0.5m) included in current liabilities.

Interest rate risk

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

As at 31 December 2018, approximately 90% of the group's third party borrowings bore interest at floating rates.

Hedging currency risk and interest rate risk

The group hedges currency risk and interest rate risk together. Where hedging instruments are used to hedge these significant individual transactions, it is ensured that the critical terms, such as dates, currencies, nominal amounts, interest rates and lengths of interest periods are matched exactly between the hedged item and the hedging instrument and therefore an economic relationship exists between the two. Keller uses both qualitative and quantitative methods to confirm this and to assess the effectiveness of the hedge.

The hedge ratio for such items is the cumulative changes in fair value of the hedging instrument since designation date divided by the change in fair value of the hedged item due to movements in the hedged risk.

The main source of hedge ineffectiveness for hedging currency risk is the relative movement of the forward points of the different currencies.

The main sources of hedge ineffectiveness for hedging interest rate risk include the libor rate resetting at the start of each coupon period compared to the market rate at the next reporting period, discounting of the libor rate and the movement in discount factors.

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 2% of revenue in 2018. 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 19.

The group analyses each new customer and assesses their creditworthiness before any contract is undertaken.

The group reviews contracts at each reporting period and determines whether the credit risk has increased significantly since initial recognition. Due to the nature of our contracts, where we are often on site at the initial stages and are often paid in the earlier stages of the construction project, the credit risk is generally lower. Amounts actually written off due to credit risk have historically been low.

When taking into account whether to provide against a contract and if necessary, how much the lifetime expected credit losses should equate to, the group looks at several factors, both historical and forward looking such as the financial situation of the customer, past experiences with the customer, the economic and political environment in the region and the relationship with the customer.

The group tends to be conservative in its estimation of such provisions and the group's bad and doubtful debt provision balance is significantly larger than the amount of provision actually used during the period.

The group's estimated exposure to credit risk for trade receivables and contract assets is cumulative lifetime expected credit losses of £19.9m and this is included in the bad debt provision in note 19. This amount is the accumulation of several years of provisions for known or expected credit losses.

The loss allowance is usually equal to the lifetime expected credit loss.

Expected credit loss assessment as at 31 December 2018

Consideration of future events is generally taken into account when deciding on when and how much to provide for of the group's trade receivables and contract assets. The group's bad debts typically arise due to invoices being unpaid for commercial reasons rather than credit default. The percentage of receivables on which credit losses are incurred, or expected to be incurred, is very small and therefore the initial expected credit loss is immaterial.

Notes to the consolidated financial statements

continued

24 Financial instruments continued

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 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 \$50m private placement repayable in 2021, a \$75m private placement repayable in 2024, a €35m term facility repaid in 2019 and a £375m syndicated revolving credit facility expiring in 2023, with an option to extend the facility by two further one year extensions by mutual consent. 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 £105.3m (2017: £73.0m) to support local requirements.

Private placements

In October and December 2014, \$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 2018 was £98.2m (2017: £123.7m), the decrease from 2017 due to the repayment of a \$40m private placement during the year.

Hedging

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 2018 represented an asset of £0.4m (2017: £1.8m) which is included in other non-current assets and a liability of £0.3m (2017: £nil) which is included in other non-current liabilities. The effective portion of the changes in the fair value of the 2014 swaps, a loss of £1.7m (2017: loss of £0.7m), has been taken to the income statement along with the 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 (2017: £nil).

Accounting classifications

	2018 £m	2017 £m
Financial assets measured at fair value through profit or loss		
– Non-qualifying deferred compensation plan	17.6	21.2
– Interest rate swaps	0.4	1.8
– Cross currency swaps	–	4.0
Financial assets measured at amortised cost		
– Trade receivables	451.7	439.8
– Contract assets	106.3	101.2
– Cash and cash equivalents	110.5	67.7
Financial liabilities at fair value through profit or loss		
– Interest rate swaps	(0.3)	–
– Forward exchange contracts	(0.1)	(0.5)
– Cross currency swaps	–	(3.2)
– Loans and borrowings	(100.3)	(95.3)
Financial liabilities measured at amortised cost		
– Trade payables	(262.8)	(256.8)
– Contract liabilities	(41.4)	(42.9)
– Loans and borrowings	(296.4)	(201.9)

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.

	2018						
	Effective interest rate %	Due within 1-2 years £m	Due within 2-5 years £m	Due after more than 5 years £m	Total non-current £m	Due within 1 year £m	Total £m
Bank overdrafts	5.2	–	–	–	–	(6.8)	(6.8)
Bank loans*	3.0	–	(248.4)	(3.1)	(251.5)	(34.3)	(285.8)
Other loans*	3.4	(0.8)	(41.3)	(59.4)	(101.5)	(0.5)	(102.0)
Obligations under finance leases*	7.4	(0.7)	(0.2)	–	(0.9)	(1.2)	(2.1)
Total loans and borrowings		(1.5)	(289.9)	(62.5)	(353.9)	(42.8)	(396.7)
Bank balances*	0.9	–	–	–	–	106.4	106.4
Short-term deposits*	6.0	–	–	–	–	4.1	4.1
Net debt		(1.5)	(289.9)	(62.5)	(353.9)	67.7	(286.2)
Derivative financial instruments		–	(0.3)	0.4	0.1	(0.1)	–

	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

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

Financial statements *continued*Notes to the consolidated financial statements
continued**24 Financial instruments** *continued*

Loans and borrowings consist of the following:

	2018 £m	2017 £m
\$75m private placement (due December 2024)	59.4	57.0
\$50m private placement (due October 2021)	38.8	37.0
£375m syndicated revolving credit facility (expiring November 2023*)	248.0	–
£250m syndicated revolving credit facility (repaid November 2018)	–	107.8
\$62.5m revolving credit facility (repaid November 2018)	–	43.0
\$40m private placement (repaid August 2018)	–	29.7
€35m term facility (repaid February 2019)	31.5	–
Bank overdrafts	6.8	16.4
Obligations under finance leases	2.1	1.3
Other loans and borrowings	10.1	5.0
Total loans and borrowings	396.7	297.2

* with an option to extend the facility by two further one year extensions by mutual consent.

Changes in loans and borrowings were as follows:

	2017 £m	Acquired with subsidiaries £m	Cash flows £m	Foreign exchange movements £m	Fair value changes £m	2018 £m
Bank overdrafts	(16.4)	–	9.7	(0.1)	–	(6.8)
Bank loans	(155.8)	(6.7)	(120.5)	(2.8)	–	(285.8)
Other loans	(123.7)	–	24.9	(1.7)	(1.5)	(102.0)
Obligations under finance leases	(1.3)	(2.4)	1.6	–	–	(2.1)
Total loans and borrowings	(297.2)	(9.1)	(84.3)	(4.6)	(1.5)	(396.7)
Derivative financial instruments	2.1	–	(1.5)	–	(0.6)	–

Cash flow hedges

At 31 December 2018, the group held the following instruments to hedge exposures to changes in foreign currency rates:

	Maturity			Carrying amount		Change in fair value used for calculating hedge ineffectiveness £m	Nominal amount \$m
	< 1 year £m	1-2 years £m	2-5 years £m	Asset £m	Liability ¹ £m		
Forward exchange contracts	(0.1)	–	–	–	(0.1)	–	15.0

* The average USD:GBP forward contract rate is 1.28.

The group had the following hedged items and hedge ineffectiveness relating to cash flow hedges:

	Cash flow hedge transfers to income statement ⁵ £m	(Gains)/losses in other comprehensive income £m	Cash flow hedge reserve balance £m	Foreign currency translation reserve £m	Change in value used for calculating hedge ineffectiveness £m	Hedge ineffectiveness in profit or loss ⁵ £m
Foreign currency loans	0.6	(0.6)	–	–	–	–
\$40m private placement	0.4	(0.4)	–	–	–	–

Fair value hedges

At 31 December 2018, the group held the following instruments to hedge exposures to changes in interest rates:

	Maturity				Carrying amount		Change in fair value used for calculating hedge ineffectiveness £m	Nominal amount \$m
	< 1 year £m	1-2 years £m	2-5 years £m	>5 years £m	Asset ² £m	Liability ² £m		
Interest rate swaps	–	–	(0.3)	0.4	0.4	(0.3)	0.1	24.5

* The average fixed interest rate is 4.0%

The group had the following hedged items and hedge ineffectiveness relating to the above instruments:

	Carrying amount liability ⁴ £m	Change in fair value used for calculating hedge ineffectiveness £m	Hedge ineffectiveness in profit or loss ⁵ £m
\$125m private placements	(98.5)	(0.1)	–
Fair value hedge adjustments	1.7	n/a	n/a

- 1 Included in trade and other payables.
- 2 Included in other non-current assets.
- 3 Included in other non-current liabilities.
- 4 Included in loans and borrowings.
- 5 Included in profit for the period.

Non-interest-bearing financial liabilities comprise trade payables and contract liabilities of £304.2m (2017: £299.7m) which were payable within one year.

The group had unutilised committed banking facilities of £148.8m at 31 December 2018 (2017: £161.3m). This mainly comprised the unutilised portion of the group's £375m facility which expires on 13 November 2023, with an option to extend the facility by two further one year extensions by mutual consent. In addition, the group had unutilised uncommitted borrowing facilities totalling £64.8m at 31 December 2018 (2017: £33.6m). £5.6m (2017: £4.6m) of drawn facilities, including finance leases, are secured against certain assets. Future obligations under finance leases totalled £2.3m (2017: £1.5m), including interest of £0.2m (2017: £0.2m).

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 2018 and in 2017, 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 2018 and in 2017, 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 2018. Of the total payable as at 31 December 2018, £0.4m was based on performance up to that date and will be settled during 2019. The remaining balance depends on the forecast outcome of one project.

Financial statements *continued*Notes to the consolidated financial statements
continued**24 Financial instruments** *continued*

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

	2018 €m	2017 €m
At 1 January	9.3	11.2
Provision released (note 8)	(0.5)	(2.2)
Additional amounts provided (note 8)	0.4	1.6
Paid during the year	(6.3)	(1.1)
Unwind of discounted contingent consideration	–	0.3
Exchange differences ¹	(0.1)	(0.5)
At 31 December	2.8	9.3

1 Included in other comprehensive income

€0.4m (2017: €8.0m) of contingent consideration in respect of acquisitions is payable within one year and €2.4m (2017: €1.3m) is payable between one and two years.

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.

Interest rate and currency profile

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

	2018					
	Sterling	USD	Euro	CAD	Other ¹	Total
Weighted average fixed debt interest rate	–	–	0.5%	–	11.3%	n/a
Weighted average fixed debt period (years)	–	–	0.8	–	2.1	n/a
	€m	€m	€m	€m	€m	€m
Fixed rate financial liabilities	–	–	(36.0)	–	(4.5)	(40.5)
Floating rate financial liabilities	(51.4)	(170.5)	(3.5)	(30.5)	(100.3)	(356.2)
Financial assets	9.9	34.4	24.7	6.1	35.4	110.5
Net debt	(41.5)	(136.1)	(14.8)	(24.4)	(69.4)	(286.2)
	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)

1 Included within other floating rate financial liabilities are AUD revolver loans of €39.2m (2017: €23.1m), ZAR revolver loans of €6.6m (2017: €9.2m), SGD revolver loans of €29.5m (2017: €17.2m) and AED revolver loans of €14.3m (2017: €10.3m). Included within other financial assets are AUD cash balances of €5.9m (2017: €4.6m), ZAR cash balances of €5.0m (2017: €2.3m) and SGD cash balances of €2.9m (2017: €2.4m).

Sensitivity analysis

At 31 December 2018, it is estimated that a general increase of one percentage point in interest rates would decrease the group's profit before taxation by approximately €2.6m. The estimated impact of a one percentage point decrease in interest rates is to increase the group's profit before taxation by approximately €2.6m. 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 £8.5m for the year ended 31 December 2018, with the estimated impact of a 10 percentage points decrease in the value of sterling being an increase of £8.8m 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

	2018 £m	2017 £m
Allotted, called up and fully paid		
Equity share capital:		
73,099,735 ordinary shares of 10p each (2017: 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 1,039,855 (2017: 1,137,718).

26 Related party transactions

Transactions between the parent, its subsidiaries and joint operations, which are related parties, have been eliminated on consolidation. Other related party transactions are disclosed below:

Compensation of key management personnel

The remuneration of the Board and Executive Committee, who are the key management personnel, comprised:

	2018 £m	2017 £m
Short-term employee benefits	5.1	6.3
Post-employment benefits	0.4	0.5
Termination payments	1.4	–
Share-based payments	–	0.8
	6.9	7.6

Other related party transactions

As at the year-end there was a net balance of £1.1m (2017: £2.0m) owed by the joint venture. These amounts are unsecured, have no fixed date of repayment and are repayable on demand. There were no sales by the group to joint ventures during the period.

27 Commitments

Capital commitments

Capital expenditure contracted for at the end of the reporting period but not yet incurred was £1.9m (2017: £7.0m) and relates to property, plant and equipment purchases.

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:

	2018			2017		
	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	14.6	6.5	21.1	13.1	5.8	18.9
Payable between one and five years inclusive	33.1	6.5	39.6	36.6	5.6	42.2
Payable in over five years	6.1	–	6.1	7.1	–	7.1
	53.8	13.0	66.8	56.8	11.4	68.2

Notes to the consolidated financial statements

continued

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 (2017: £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 2018, the group had outstanding standby letters of credit and surety bonds for the group's captive insurance arrangements totalling £31.2m (2017: £32.8m).

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 operates a Long Term Incentive Plan ('Plan').

Details of the terms and conditions of the Plan are set out in the audited section of the Directors' remuneration report on pages 58 to 73.

Outstanding awards are as follows:

	Number
Outstanding at 1 January 2017	979,279
Granted during 2017	650,155
Lapsed during 2017	(281,400)
Outstanding at 31 December 2017 and 1 January 2018	1,348,034
Granted during 2018	668,297
Lapsed during 2018	(278,751)
Exercised during 2018	(97,863)
Outstanding at 31 December 2018	1,639,717
Exercisable at 1 January 2017	–
Exercisable at 31 December 2017 and 1 January 2018	–
Exercisable at 31 December 2018	–

The average share price during the year was 920.0p.

Under IFRS 2, the fair value of services received in return for share awards granted is measured by reference to the fair value of share options granted. The estimate of the fair value of share awards granted is measured based on a stochastic model. The contractual life of the award 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:

	2018	2017
Share price at grant	1,036p	879p
Weighted average exercise price	0.0p	0.0p
Expected volatility	30.0%	31.0%
Expected life	3 years	3 years
Risk-free rate	0.68%	0.13%
Expected dividend yield	0.00%	3.06%

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

The group recognised total expenses (included in operating costs) of £1.4m (2017: £2.8m) related to equity-settled, share-based payment transactions.

The weighted average fair value of options granted in the year was 939.7p (2017: 681.2p).

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 2017), the group has agreed to pay annual contributions of £2.4m, to increase by 3.6% per annum, until 5 January 2024, however the level of employer contributions will be reviewed at the next actuarial review in 2020.

Between 1990 and 1997 the Scheme members accrued a Guaranteed Minimum Pension ('GMP'). This amount differed between men and women. On 26 October 2018 there was a court judgement (in the case of Lloyds Banking Group Pensions Trustees Limited v Lloyds Bank PLC) that confirmed that GMP is to be made equal for men and women. The estimated increase in the Scheme's liabilities is £1.3m, which has been recognised as a past service cost in 2018 as a charge to non-underlying items (note 8). The actual cost may differ when the GMP equalisation exercise is complete.

The group has two UK defined contribution retirement benefit schemes. There were no contributions outstanding in respect of these schemes at 31 December 2018 (2017: £nil). The total UK defined contribution pension charge for the year was £1.0m (2017: £1.0m).

The group also has defined benefit retirement obligations in Germany and Austria. Under these schemes, employees are entitled to retirement benefits on attainment of a retirement age of 65, provided they have 15 years of employment with the group. The amount of benefit payable depends on the grade of employee and the number of years of service, up to a maximum of 40 years. Benefits under these schemes only apply to employees who joined the group prior to 1991. These defined benefit retirement obligations are funded on the group's balance sheet and obligations are met as and when required by the group.

The group operates a defined contribution scheme for employees in North America, where the group is required to match employee contributions up to a certain level in accordance with the scheme rules. The total North America pension charge for the year was £5.5m (2017: £5.4m).

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% (2017: 9.5%). The total Australian pension charge for the year was £5.1m (2017: £4.1m).

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

	The Keller Group Pension Scheme (UK) 2018 £m	The Keller Group Pension Scheme (UK) 2017 £m	German and Austrian Schemes 2018 £m	German and Austrian Schemes 2017 £m
Present value of the scheme liabilities	(55.2)	(58.9)	(16.5)	(16.4)
Present value of assets	45.2	46.1	-	-
Deficit in the scheme	(10.0)	(12.8)	(16.5)	(16.4)
Irrecoverable surplus	(1.4)	-	-	-
Net defined benefit liability	(11.4)	(12.8)	(16.5)	(16.4)

Based on the net deficit of the Keller Group Pension Scheme as at 31 December 2018 and the committed payments under the Schedule of Contributions signed on 15 June 2018, there is a notional surplus of £1.4m. Management is of the view that, based on the scheme rules, it does not have an unconditional right to a refund of surplus under IFRIC 14, and therefore an additional balance sheet liability in respect of a 'minimum funding requirement' of £1.4m has been recognised.

Financial statements continuedNotes to the consolidated financial statements
continued**30 Retirement benefit liabilities** continued

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

	The Keller Group Pension Scheme (UK) 2018 %	The Keller Group Pension Scheme (UK) 2017 %	German and Austrian Schemes 2018 %	German and Austrian Schemes 2017 %
Discount rate	2.9	2.5	1.55	1.4
Interest on assets	2.9	2.5	–	–
Rate of increase in pensions in payment	3.55	3.45	2.0	2.0
Rate of increase in pensions in deferment	3.5	3.4	2.0	2.0
Rate of inflation	3.5	3.4	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) 2018	The Keller Group Pension Scheme (UK) 2017	German and Austrian Schemes 2018	German and Austrian Schemes 2017
Male currently aged 65	22.2	22.4	20.6	19.3
Female currently aged 65	23.6	23.8	24.0	23.3

The assets of the schemes were as follows:

	The Keller Group Pension Scheme (UK) 2018 £m	The Keller Group Pension Scheme (UK) 2017 £m	German and Austrian Schemes 2018 £m	German and Austrian Schemes 2017 £m
Equities	14.2	14.8	–	–
Target return funds	12.7	12.4	–	–
Gilts	9.5	9.5	–	–
Bonds	8.7	9.2	–	–
Cash	0.1	0.2	–	–
	45.2	46.1	–	–

	The Keller Group Pension Scheme (UK) 2018 £m	The Keller Group Pension Scheme (UK) 2017 £m	German and Austrian Schemes 2018 £m	German and Austrian Schemes 2017 £m
Changes in scheme liabilities				
Opening balance	(58.9)	(58.4)	(16.4)	(16.4)
Current service cost	–	–	(0.4)	(0.3)
Past service cost in respect of GMP (note 8)	(1.3)	–	–	–
Interest cost	(1.4)	(1.6)	(0.2)	(0.2)
Benefits paid	2.7	3.0	0.8	0.8
Exchange differences	–	–	(0.3)	(0.4)
Experience gain on defined benefit obligation	–	0.8	–	–
Changes to demographic assumptions	0.3	(1.1)	–	–
Changes to financial assumptions	3.4	(1.6)	–	0.1
Closing balance	(55.2)	(58.9)	(16.5)	(16.4)
Changes in scheme assets				
Opening balance	46.1	43.4	–	–
Interest on assets	1.1	1.1	–	–
Administration costs	(0.2)	(0.2)	–	–
Employer contributions	2.4	1.6	–	–
Benefits paid	(2.7)	(3.0)	–	–
Return on plan assets less interest	(1.5)	3.2	–	–
Closing balance	45.2	46.1	–	–
Actual return on scheme assets	(0.4)	4.3	–	–
Statement of comprehensive income				
Return on plan assets less interest	(1.5)	3.2	–	–
Experience gain on defined benefit obligation	–	0.8	–	–
Changes to demographic assumptions	0.3	(1.1)	–	–
Changes to financial assumptions	3.4	(1.6)	–	0.1
Change in recoverable surplus	(1.4)	–	–	–
Remeasurements of defined benefit plans	0.8	1.3	–	0.1
Cumulative remeasurements of defined benefit plans	(23.6)	(24.4)	(7.0)	(7.0)
Expense recognised in the income statement				
Current service cost	–	–	0.4	0.3
Past service cost in respect of GMP (note 8)	1.3	–	–	–
Administration costs	0.2	0.2	–	–
Operating costs	1.5	0.2	0.4	0.3
Net pension interest cost	0.3	0.5	0.2	0.2
Expense recognised in the income statement	1.8	0.7	0.6	0.5
Movements in the balance sheet liability				
Net liability at start of year	12.8	15.0	16.4	16.4
Expense recognised in the income statement	1.8	0.7	0.6	0.5
Employer contributions	(2.4)	(1.6)	–	–
Benefits paid	–	–	(0.8)	(0.8)
Exchange differences	–	–	0.3	0.4
Remeasurements of defined benefit plans	(0.8)	(1.3)	–	(0.1)
Net liability at end of year	11.4	12.8	16.5	16.4

A reduction in the discount rate of 0.1% would increase the deficit in the schemes by £1.1m, 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 £3.3m.

The weighted average duration of the defined benefit obligation is approximately 17 years for the UK scheme and 12 years for the German and Austrian schemes.

Notes to the consolidated financial statements

continued

30 Retirement benefit liabilities *continued*

The history of experience adjustments on scheme assets and liabilities for all the group's defined benefit pension schemes are as follows:

	2018 £m	2017 £m	2016 £m	2015 £m	2014 £m
Present value of defined benefit obligations	(71.7)	(75.3)	(74.8)	(61.3)	(63.6)
Fair value of scheme assets	45.2	46.1	43.4	38.2	38.2
Deficit in the schemes	(26.5)	(29.2)	(31.4)	(23.1)	(25.4)
Irrecoverable surplus	(1.4)	–	–	–	–
Net defined benefit liability	(27.9)	(29.2)	(31.4)	(23.1)	(25.4)
Experience adjustments on scheme liabilities	3.7	(1.8)	(11.3)	1.6	(5.7)
Experience adjustments on scheme assets	(1.5)	3.2	3.9	(1.3)	1.6

31 Post balance sheet events

In February 2019, £3.4m of proceeds were received on settlement of a contributory claim relating to the 2014 exceptional contract dispute. This will be recognised as exceptional other operating income in 2019 as the receipt of these proceeds was not considered virtually certain as at 31 December 2018.

Company balance sheet

As at 31 December 2018

	Note	2018 €m	2017 €m
Assets			
Intangible assets		–	0.1
Tangible fixed assets		0.4	0.5
Investments	2	514.7	364.7
Deferred tax assets		0.4	–
Other assets	3	0.4	1.8
Fixed assets		515.9	367.1
Amounts owed by subsidiary undertakings:			
– Amounts falling due within one year		0.8	30.3
– Amounts falling due after one year		238.2	388.8
Trade and other debtors	4	0.6	4.6
Cash and bank balances		4.6	–
Current assets		244.2	423.7
Bank and other loans		(31.5)	(35.4)
Current tax liabilities		(0.5)	(0.2)
Trade and other creditors	5	(4.6)	(9.9)
Amounts owed to subsidiary undertakings		(1.1)	(0.4)
Creditors: Amounts falling due within one year		(37.7)	(45.9)
Net current assets		206.5	377.8
Total assets less current liabilities		722.4	744.9
Bank and other loans		(170.7)	(167.2)
Amounts owed to subsidiary undertakings		(68.7)	(90.2)
Other creditors	6	(3.8)	(2.5)
Pension liabilities	8	(1.7)	(2.0)
Creditors: Amounts falling due after more than one year		(244.9)	(261.9)
Net assets		477.5	483.0
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		367.6	373.1
Shareholders' funds		477.5	483.0

These financial statements were approved by the Board of Directors and authorised for issue on 4 March 2019.

They were signed on its behalf by:



Alain Michaelis
Chief Executive Officer



Michael Speakman
Chief Financial Officer

Financial statements *continued*

Company statement of changes in equity

For the year ended 31 December 2018

	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 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 1 January 2018	7.3	38.1	7.6	56.9	–	373.1	483.0
Profit for the period	–	–	–	–	–	19.3	19.3
Cash flow hedge gains taken to equity	–	–	–	–	1.0	–	1.0
Cash flow hedge transfers to income statement	–	–	–	–	(1.0)	–	(1.0)
Remeasurement of defined benefit pension schemes	–	–	–	–	–	0.1	0.1
Total comprehensive income	–	–	–	–	–	19.4	19.4
Dividends	–	–	–	–	–	(26.3)	(26.3)
Share-based payments	–	–	–	–	–	1.4	1.4
At 31 December 2018	7.3	38.1	7.6	56.9	–	367.6	477.5

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 (2017: £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 12) 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 hundred thousand.

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 £19.3m (2017: £35.3m).

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. The expected credit loss on these loans with subsidiary undertakings is expected to be immaterial, both on initial recognition and subsequently.

Financial instruments

Details of the company's risk management processes and hedge accounting are included in the disclosures in note 24 of the group accounts.

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. The remuneration of the Executive Directors is disclosed in the audited section of the Directors' remuneration report on pages 65 to 73. Fees payable to Non-Executive Directors totalled £0.4m.

2 Investments

	2018 £m	2017 £m
Shares at cost		
At 1 January	364.7	366.1
Additions	150.0	–
Allowances for impairment	–	(1.4)
At 31 December	514.7	364.7

The additions during 2018 relate to capital injections into group companies.

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

3 Other assets

	2018 £m	2017 £m
Fair value of derivative financial instruments	0.4	1.8
	0.4	1.8

Financial statements continuedNotes to the Company financial statements
continued**4 Trade and other debtors**

	2018 £m	2017 £m
Other receivables	0.2	0.3
Prepayments	0.4	0.3
Fair value of derivative financial instruments	–	4.0
	0.6	4.6

5 Trade and other creditors

	2018 £m	2017 £m
Trade creditors and accruals	4.0	5.2
Accrued interest	0.5	1.0
Fair value of derivative financial instruments	0.1	3.7
	4.6	9.9

6 Other creditors

	2018 £m	2017 £m
Other creditors	3.5	2.5
Fair value of derivative financial instruments	0.3	–
	3.8	2.5

7 Contingent liabilities

The company and certain of its subsidiary undertakings have entered into a number of guarantees in the ordinary course of business, the effects of which are to guarantee or cross-guarantee certain bank borrowings and other liabilities of other group companies. At 31 December 2018, the company's liability in respect of the guarantees against bank borrowings amounted to £150.6m (2017: £80.0m). In addition, outstanding standby letters of credit and surety bonds for the group's captive insurance arrangements totalled £31.2m (2017: £32.8m). No amounts were paid or liabilities incurred relating to these guarantees during 2018 (2017: £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 2017 was £6.8m and the actuarial valuation showed a funding level of 71%.

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.

Between 1990 and 1997 the Scheme members accrued a Guaranteed Minimum Pension ('GMP'). This amount differed between men and women. On 26 October 2018 there was a court judgement (in the case of Lloyds Banking Group Pensions Trustees Limited v Lloyds Bank PLC) that confirmed that GMP is to be made equal for men and women. The estimated increase in the Scheme's liabilities is £0.2m, which has been recognised as a past service cost in 2018. The actual cost may differ when the GMP equalisation exercise is complete.

There were no contributions outstanding in respect of the defined contribution schemes at 31 December 2018 (2017: £nil).

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

	2018 £m	2017 £m
Present value of the scheme liabilities	(8.3)	(9.0)
Present value of assets	6.8	7.0
Deficit in the scheme	(1.5)	(2.0)
Irrecoverable surplus	(0.2)	–
Net defined benefit liability	(1.7)	(2.0)

Based on the net deficit of the Keller Group Pension Scheme as at 31 December 2018 and the committed payments under the Schedule of Contributions signed on 15 June 2018, there is a notional surplus of £0.2m. Management is of the view that, based on the scheme rules, it does not have an unconditional right to a refund of surplus under IFRIC 14, and therefore an additional balance sheet liability in respect of a 'minimum funding requirement' of £0.2m has been recognised.

The assets of the scheme were as follows:

	2018 £m	2017 £m
Equities	2.2	2.2
Target return funds	1.9	1.9
Gilts	1.4	1.5
Bonds	1.3	1.4
	6.8	7.0
	2018 £m	2017 £m
Changes in scheme liabilities		
Opening balance	(9.0)	(8.8)
Past service cost in respect of GMP	(0.2)	–
Interest cost	(0.2)	(0.2)
Benefits paid	0.4	0.5
Changes to demographic assumptions	0.2	(0.2)
Changes to financial assumptions	0.5	(0.3)
Closing balance	(8.3)	(9.0)
Changes in scheme assets		
Opening balance	7.0	6.5
Interest on assets	0.2	0.1
Employer contributions	0.4	0.3
Benefits paid	(0.4)	(0.5)
Return on plan assets less interest	(0.4)	0.6
Closing balance	6.8	7.0
Actual return on scheme assets	(0.2)	0.7
Statement of comprehensive income		
Return on plan assets less interest	(0.4)	0.6
Changes to demographic assumptions	0.2	(0.2)
Changes to financial assumptions	0.5	(0.3)
Change in irrecoverable surplus	(0.2)	–
Remeasurements of defined benefit plans	0.1	0.1
Cumulative remeasurements of defined benefit plans	(3.3)	(3.4)
Expense recognised in the income statement		
Net pension interest costs	–	0.1
Past service cost in respect of GMP	0.2	–
Expense recognised in the income statement	0.2	0.1
Movements in the balance sheet liability		
Net liability at start of year	2.0	2.3
Expense recognised in the income statement	0.2	0.1
Employer contributions	(0.4)	(0.3)
Remeasurements of defined benefit plans	(0.1)	(0.1)
Net liability at end of year	1.7	2.0

The contributions expected to be paid during 2019 are £0.4m.

Financial statements *continued*Notes to the Company financial statements
continued**8 Pension liabilities** continued

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

	2018 £m	2017 £m	2016 £m	2015 £m	2014 £m
Present value of defined benefit obligations	(8.3)	(9.0)	(8.8)	(7.6)	(7.8)
Fair value of scheme assets	6.8	7.0	6.5	6.0	6.0
Deficit in the scheme	(1.5)	(2.0)	(2.3)	(1.6)	(1.8)
Irrecoverable surplus	(0.2)	–	–	–	–
Net defined benefit liability	(1.7)	(2.0)	(2.3)	(1.6)	(1.8)
Experience adjustments on scheme liabilities	0.7	(0.5)	(1.2)	0.2	(0.4)
Experience adjustments on scheme assets	(0.4)	0.6	0.3	(0.2)	–

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 2018 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.

Name	Full Address	Name	Full Address
Accrete Industrial Flooring Limited	5th floor, 1 Sheldon Square, London, W2 6TT, United Kingdom	Cyntech Anchors Ltd.	c/o Blakes, Suite 2600, Three Bentall Centre, 595 Burrard Street, Vancouver, BC V7X 1L3
Accrete Limited	5th floor, 1 Sheldon Square, London, W2 6TT, United Kingdom	Cyntech Construction Ltd.	4529, Melrose Street, Port Alberni, BC, V9Y 1K7, Canada
Anderson Drilling Inc.	CT Corporation System, 818 West Seventh Street, Suite 930, Los Angeles, CA, 90017, United States	Cyntech U.S. Inc.	CT Corporation System, 1999 Bryan Street, Suite 900, Dallas, TX, 75201, United States
Anderson Manufacturing, Inc.	CT Corporation System, 818 West Seventh Street, Suite 930, Los Angeles, CA, 90017, United States	EB Construction Company	CT Corporation System, 1200 South Pine Island Road, Plantation, FL, 33324, United States
Ansah Asia Sdn Bhd	8A, Jalan Vivekananda, Off Jalan Tun Sambanthan, Brickfields, Kuala Lumpur, 50470, Malaysia	EB Keller Holding Company	CT Corporation System, 1200 South Pine Island Road, Plantation, FL, 33324, United States
Austral Construction Pty Ltd	112-126 Hallam Valley Road, Dandenong, VIC, 3175, Australia	Fondedile Foundations UK Ltd	Oxford Road, Ryton-on-Dunsmore, Coventry, West Midlands, CV8 3EG, United Kingdom
Austral Group Holdings Pty Ltd	112-126 Hallam Valley Road, Dandenong, VIC, 3175, Australia	Franki Geotechnical (Pty) Limited ²	674 Pretoria Main Road, Wynberg, 2090, Sandton, Gauteng, South Africa
Austral Investors Pty Ltd	112-126 Hallam Valley Road, Dandenong, VIC, 3175, Australia	Franki Pacific Holdings Pty Ltd	Suite G01, 2-4 Lyonpark Road, Macquarie Park, NSW, 2113, Australia
Austral Plant Services Pty Ltd	112-126 Hallam Valley Road, Dandenong, VIC, 3175, Australia	Frankipile (Mauritius) International Limited	Geoffrey Road, Bambous, Mauritius
Bencor Global, Inc.	The Corporation Trust Company, 1209 Orange Street, Wilmington, DE, 19801, United States	Frankipile Australia Pty Ltd	Suite G01, 2-4 Lyonpark Road, Macquarie Park, NSW, 2113, Australia
Capital Insurance Limited ¹	1st Floor Goldie House, 1 – 4 Goldie Terrace, Upper Church Street, Douglas, IM1 1EB, Isle Of Man	Frankipile Botswana (Pty) Limited	First floor, Plot 64518, Fairgrounds Office Park, Gaborone, Botswana
Case Atlantic Company	The Corporation Trust Incorporated, 351 West Camden Street, Baltimore, MD, 21201, United States	Frankipile D.R.C. SARL ³	C/O PriceWaterhouse Coopers, BCDC Building, 1st floor, No.285 Mwepu Street, Lubumbashi, Katanga, Congo
Case Foundation Company	The Corporation Trust Incorporated, 351 West Camden Street, Baltimore, MD, 21201, United States	Frankipile Ghana Limited	C205/21 Didebaa link, Abelemkpe, Accra, Ghana
		Frankipile International Projects Limited	C/O DTOS Ltd, 10th floor, Raffles Tower, 19 Cybercity, Ebene, Mauritius

Name	Full Address
Frankipile Mauritius International (Seychelles) Limited	Maison La Rosiere, Palm Street, Victoria, Mahe, Seychelles
Frankipile Mocambique Limitada	Bairro da Matola D, Avenida Samora Michel nr. 393, Matola, Mozambique
Frankipile Namibia (Pty) Limited	2nd floor, LA Chambers, Ausspans Plaza, Dr Agostinho Neto Road, Windhoek, Namibia
Frankipile Swaziland (Pty) Limited	Umkhiwa House, 195 Kal Grant Street, Mbabane, Swaziland
GENCO Geotechnical Engineering Contractors Limited ¹	462 El Horreya Avenue, Roushdy, Alexandria, Egypt
Geochemical Corporation	162 Spencer Place, Ridgewood, NJ, United States
Geo-Instruments GmbH	Mausegatt 45, 44866 Bochum, Germany
GEO-Instruments, Inc.	The Corporation Trust Incorporated, 351 West Camden Street, Baltimore, MD, 21201, United States
Hayward Baker Cimentaciones Sociedad Anonima	5 Avenida 15-45, Zona 10, Edificio Centro Empresarial, Torre II, Oficina 1103-04, Guatemala
Hayward Baker, Inc.	The Corporation Trust Company, 1209 Orange Street, Wilmington, DE, 19801, United States
HB Puerto Rico, L.P.	1875 Mayfield Road, Odenton, MD, 21113, United States
HJ Foundation Company	CT Corporation System, 1200 South Pine Island Road, Plantation, FL, 33324, United States
HJ Keller Holding Company	CT Corporation System, 1200 South Pine Island Road, Plantation, FL, 33324, United States
Keller (M) Sdn Bhd	Lot 6.05, Level 6, KPMG Tower, 8, First Avenue, Bandar Utama, Petaling Jaya, Selangor, 47800, Malaysia
Keller AsiaPacific Limited	72, Anson Road #11-03, Anson House, Singapore, 079911
Keller Australia Pty Limited ⁴	Suite G01, 2-4 Lyonpark Road, Macquarie Park, NSW, 2113, Australia
Keller Canada Holdings Ltd.	Suite 2600, Three Bentall Centre, P.O. Box 49314, 595 Burrard Street, Vancouver BC, V7X 1 L3, Canada
Keller Canada Services Ltd	Suite 2600, Three Bentall Centre, P.O. Box 49314, 595 Burrard Street, Vancouver BC, V7X 1 L3, Canada
Keller Central Asia LLP	21B/4 Satpayev St., Atyrau, 060006, Kazakhstan

Name	Full Address
Keller Cimentaciones Chile, SpA	Avenida Providencia 1208 Of-409 7500571 Providencia, Santiago de Chile, Chile
Keller Cimentaciones de Latinoamerica SA de CV	Av. Presidente Masaryk 101, Int. 402, Bosque de Chapultepec I Seccion Delegacion Miguel Hidalgo, 11580 CDMX, Mexico
Keller Cimentaciones S.A.	Oceania Business Plaza, Torre 1000, piso 49, Of. A10, Calle 56 D Este, Punta Pacifica, Panama
Keller Cimentaciones SAC	Avenida Javier Prado Oeste, 203, Urbanizacion San Isidro, Departamento San Isidro, Lima, Peru
Keller Cimentaciones, S.L.U.	Calle de la Argentina, 15, 28806 Alcala de Henares, Madrid, Spain
Keller Colcrete Limited	Oxford Road, Ryton-on-Dunsmore, Coventry, West Midlands, CV8 3EG, United Kingdom
Keller Egypt LLC	Sheraton Buildings, Bld. 2, El Mosheer Ahmed Ismail Street, Nozha Square, 1159 Cairo, Egypt
Keller EMEA Limited ¹	5th floor, 1 Sheldon Square, London, W2 6TT, United Kingdom
Keller Finance Australia Limited	5th floor, 1 Sheldon Square, London, W2 6TT, United Kingdom
Keller Finance Ireland Unlimited Company	12 Merrion Square, Dublin 2, Ireland
Keller Finance Limited	5th floor, 1 Sheldon square, London, W2 6TT, United Kingdom
Keller Financing	5th floor, 1 Sheldon Square, London, W2 6TT, United Kingdom
Keller Fondations Speciales SAS	2 rue Denis Papin, 67120, Duttlenheim, France
Keller Fondations Speciales SPA ⁵	No. 35, Route de Khmiss El Khechna, Sbâat, 16012 Rouiba, w. Alger, Algeria
Keller Fondazioni S.r.l	Via della Siderurgia 10, Verona, I-37139, Italy
Keller Foundations (S E Asia) Pte Ltd	18 Boon Lay Way, #04-104, Tradehub 21, 609966, Singapore
Keller Foundations Ltd.	Suite 2600, Three Bentall Centre, P.O. Box 49314, 595 Burrard Street, Vancouver BC, V7X 1 L3, Canada
Keller Foundations Vietnam Co., Limited	24 Dang Thai Mai Street, Ward 7, Phu Nhuan District, Ho Chi Minh City, Vietnam
Keller Foundations, LLC	The Corporation Trust Company, 1209 Orange Street, Wilmington, DE, 19801, United States

Financial statements *continued*Notes to the Company financial statements
continued

Name	Full Address	Name	Full Address
Keller Funderingstechnieken B.V.	Europalaan 16, 2408 BG, Alphen aan den Rijn, Netherlands	Keller Resources Limited	5th floor, 1 Sheldon Square, London, W2 6TT, United Kingdom
Keller Funderingsteknik Danmark ApS	Lottenborgvej 24, 2800 Kongens Lyngby, Denmark	Keller speciálne zakladani spol. s r.o.	Na Pankraci 30, 14000 Praha 4, Czech Republic
Keller Geo-Fundações, Sociedade Unipessoal, Lda	Estrada do Porto da Areia 2600-675, Freguesia da Castanheira, Conchelcho de Vilafranca de Xira, Portugal	Keller specialne zakladanie spol.s.r.o.	Hranica 18 – AB 6, 82105 Bratislava, Slovakia
Keller Geotecnica Srl	Bucuresti Sectorul 1, Str., Uruguay, Nr. 27, Etaj 1, Ap. 2, Romania	Keller Tecnogeo Fundacoes Ltda.	Av. Queiroz Filho, 1.560, Vila Hamburguesa, escritorio 23G, Vila G5, CEP 05319-000, City of São Paulo, State of São Paulo, Brazil
Keller Ground Engineering Bangladesh Limited	Dream House, House # 2/4, Block A, Mohammadpur Housing Estate, Mohammadpur, Dhaka-1207, Bangladesh	Keller Turki Company Limited ⁸	PO Box 718, Dammam, 31421, Saudi Arabia
Keller Ground Engineering India Private Limited	7th Floor, Eastern Wing, Centennial Square 6A, Dr Ambedkar Road, Kodambakkam, Chennai, 600024, India	Keller Ukraine LLC	30, Vasylykivska Street, Kiev, 03022, Ukraine
Keller Ground Engineering LLC ⁶	Office # 14, Building # 700, Boushar Street 51, Oman	Keller West Africa S.A.	Autoroute du Nord, PK 22, Allokoi, district de Yopougon, 01 BP 7534 – Abidjan 01, Ivory Coast
Keller Ground Engineering Pty Ltd	Suite G01, 2-4 Lyonpark Road, Macquarie Park, NSW, 2113, Australia	Keller Zemin Mühendisligi Limited Sirketi	Harbiye Mah. Tesvikiye Caddesi No:17, D:13 Ikkal Ticaret Merkezi, 34365 Sisli, Istanbul, Turkey
Keller Grundbau Ges.m.b.H.	Guglgasse 15, BT4a/3.OG, Vienna, 1110, Austria	Keller-MTS AG	Sonnenbergstrasse 51, Ennetbaden, 5408, Switzerland
Keller Grundbau GmbH	Kaiserleistraße 8, Offenbach am Main, 63067, Germany	KFS Finland Oy ⁹	Haarakaari 42, TUUSULA, 04360, Finland
Keller Grundlagning AB	Östra Lindomev 50, 437 34, Lindome, Sweden	KGS Keller Gerate & Service GmbH	Kaiserleistraße 8, Offenbach am Main, 63067, Germany
Keller Hellas S.A.	Keller Hellas S.A. Antheon 102, GR-57019 N. Epivates-Thessaloniki, Greece	Makers Holdings Limited ¹	5th floor, 1 Sheldon Square, London, W2 6TT, United Kingdom
Keller Holding GmbH	Kaiserleistraße 8, Offenbach am Main, 63067, Germany	Makers Management Services Limited ¹	5th floor, 1 Sheldon Square, London, W2 6TT, United Kingdom
Keller Holdings Limited ¹	5th floor, 1 Sheldon Square, London, W2 6TT, United Kingdom	Makers Services Limited	5th floor, 1 Sheldon Square, London, W2 6TT, United Kingdom
Keller Holdings, Inc.	The Corporation Trust Company, 1209 Orange Street, Wilmington, DE, 19801, United States	Makers UK Limited	5th floor, 1 Sheldon Square, London, W2 6TT, United Kingdom
Keller Investments LLP	5th floor, 1 Sheldon Square, London, W2 6TT, United Kingdom	Mckinney Drilling Company, LLC	CT Corporation System, 1999 Bryan Street, Suite 900, Dallas, TX, 75201, United States
Keller Limited ¹	Oxford Road, Ryton-on-Dunsmore, Coventry, West Midlands, CV8 3EG, United Kingdom	McKinney Woodstock LLC	CT Corporation System, 1999 Bryan Street, Suite 900, Dallas, TX, 75201, United States
Keller Melyepito Kft	1124 Budapest, Csörsz utca 41. 6. em., Hungary	Moretrench American Corporation	820, Bear Tavern Road, West Trenton, NJ, 08628, United States
Keller National Plant Pty Limited	Suite G01, 2-4 Lyonpark Road, Macquarie Park, NSW, 2113, Australia	Moretrench Australian Pty Ltd	c/o Corporation Service Co., Level 3, Podium, 530 Collins Street, Melbourne VIC 3000, Australia.
Keller New Zealand Limited	C/-GazeBurt, 1 Nelson Street, Auckland, 1010, New Zealand	Moretrench Industrial Inc.	820, Bear Tavern Road, West Trenton, NJ, 08628, United States
Keller Polska Sp. z o.o.	ul. Poznanska172, Ozarow Mazowiecki, PL-05805, Poland	Nesur Tecnologia Servicios S.A.	Union Mercantil LA, Num.33, Portal 1, Planta 5, Puerta C, 29004 Malaga, Spain
Keller Pty Ltd	Suite G01, 2-4 Lyonpark Road, Macquarie Park, NSW, 2113, Australia	North American Foundation Engineering Inc.	Suite 2600, Three Bentall Centre, P.O. Box 49314, 595 Burrard Street, Vancouver BC, V7X 1 L3, Canada
Keller Qatar L.L.C. ⁷	Al Matar Center – Old Airport Road, Street No. 310, Building No. 272, 2nd Floor, Office No. 49, P.O. Box 207027 Doha, Qatar	PHI Group Limited ¹	Oxford Road, Ryton-on-Dunsmore, Coventry, West Midlands, CV8 3EG, United Kingdom

Name	Full Address
Pile Test International Pty Limited	Suite G01, 2-4 Lyonpark Road, Macquarie Park, NSW, 2113, Australia
Piling Contractors New Zealand Limited	C/-GazeBurt, 1 Nelson Street, Auckland, 1010, New Zealand
Piling Contractors Pty Limited	Suite G01, 2-4 Lyonpark Road, Macquarie Park, NSW, 2113, Australia
PT. Keller Franki Indonesia ¹⁰	Pusat Perkantoran Graha Kencana Blok EK, Jakarta Jl. Raya Perjuangan No. 88, Kebon Jeruk, Jakarta Barat 11530, Indonesia
Resource Piling (M) Sdn. Bhd.	8A, Jalan Vivekananda, Off Jalan Tun Sambanthan, Brickfields, Kuala Lumpur, 50470, Malaysia
Resource Piling Pte Ltd	18 Boon Lay Way, #04-113, Tradehub 21, 609966, Singapore
Seaboard Foundations, Inc.	CT Corporation System, 1999 Bryan Street, Suite 900, Dallas, TX, 75201, United States
Sivenmark maskintjänst AB	Lerbergsvägen 90, 434 95 Kungsbacka, Sweden
Sotkamon Porapaalu Oy	4, Lastaajantie, Vuokatti, 88610, Finland
Suncoast Post-Tension, Ltd.	1209, Orange Street, Wilmington, DE, 19801, United States
Terratest-Keller J.V. SAPI de CV ¹¹	Presidente Masarik 62, Oficina 110, Bosques de Chapultepec, Distrito Federal, 11580, Mexico
The Concrete Doctor, Inc.	CT Corporation System, 208 SO LaSalle St, Suite 814, Chicago, IL, 60604, United States
Trenco Insurance Co., Ltd	c/o Willis Management (Cayman), Ltd. PO Box 30600, Grand Cayman, KY1-1203, Cayman Islands
Vibro-Pile (Aust.) Pty Limited	Suite G01, 2-4 Lyonpark Road, Macquarie Park, NSW, 2113, Australia
Wannenwetsch GmbH Hochdruckwassertechnik	Wolfgrube 7, 98617 Meiningen, Germany
Waterway Constructions Group Pty Limited	Level 1, 104-108 Victoria Road, Rozelle, NSW, 2039, Australia
Waterway Constructions Pty Ltd	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 70% owned by Keller Holdings Limited.
- 8 65% owned by Keller Grundbau GmbH.
- 9 Joint venture 50% owned by Keller Grundlagging AB, based in Tuusula, Finland. The company is managed jointly by an equal number of directors from each of the two shareholder companies.
- 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.

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 2018:

Company	Registered number
Keller Financing	04592933
Keller EMEA Limited	02427060
Keller Resources Limited	04592974
Keller Finance Australia Limited	06768174

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 2018:

Company	Registered number
Keller Holdings Limited	02499601
Keller Finance Limited	02922459
Keller Investments LLP	OC412294

Other information

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 2017 results of overseas operations into sterling at the 2018 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 8. A reconciliation between the 2017 underlying result and the 2017 constant currency result is shown below and compared to the underlying 2018 performance:

Revenue by segment

	2018		2017		Statutory change %	Constant currency change %
	Statutory £m	Statutory £m	Impact of exchange movements £m	Constant currency £m		
North America	1,161.4	968.7	(29.5)	939.2	+20%	+24%
EMEA	668.2	737.2	(12.0)	725.2	-9%	-8%
APAC	394.9	364.7	(16.6)	348.1	+8%	+13%
Group	2,224.5	2,070.6	(58.1)	2,012.5	+7%	+11%

Underlying operating profit by segment

	2018		2017		Underlying change %	Constant currency change %
	Underlying £m	Underlying £m	Impact of exchange movements £m	Constant currency £m		
North America	78.6	78.7	(2.4)	76.3	-	+3%
EMEA	39.7	53.3	(1.3)	52.0	-26%	-24%
APAC	(18.0)	(16.5)	0.2	(16.3)	-9%	-10%
Central items and eliminations	(3.7)	(6.8)	-	(6.8)	46%	46%
Group	96.6	108.7	(3.5)	105.2	-11%	-8%

Underlying operating margin

Underlying operating margin is underlying operating profit as a percentage of revenue.

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

	2018 £m	2017 £m
Underlying operating profit	96.6	108.7
Depreciation of property, plant and equipment	69.7	67.3
Amortisation of intangible assets	1.2	1.2
Underlying EBITDA	167.5	177.2
Non-underlying items in operating costs	(64.2)	(1.6)
Non-underlying items in other operating income	0.5	23.2
EBITDA	103.8	198.8

EBITDA on a covenant basis

	2018 £m
Underlying EBITDA	167.5
Estimated adjustment to include 12 months EBITDA from acquisitions	2.8
EBITDA on a covenant basis	170.3

Net finance costs

	2018 £m	2017 £m
Finance income	(0.6)	(3.8)
Underlying finance costs	16.7	13.8
Underlying net finance costs	16.1	10.0
Non-underlying finance costs	0.5	0.7
Net finance costs	16.6	10.7

Net capital expenditure

	2018 £m	2017 £m
Acquisition of property, plant and equipment	85.1	84.2
Acquisition of other intangible assets	0.5	0.8
Proceeds from sale of property, plant and equipment	(8.5)	(10.5)
Net capital expenditure	77.1	74.5

Net debt

	2018 £m	2017 £m
Current loans and borrowings	42.8	48.3
Non-current loans and borrowings	353.9	248.9
Cash and cash equivalents	(110.5)	(67.7)
Net debt	286.2	229.5

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.

Other information continued

Financial record

	2009 £m	2010 £m	2011 £m	2012 £m	2013 £m	2014 £m	2015 £m	2016 £m	2017 £m	2018 £m
Consolidated income statement										
Continuing operations										
Revenue	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	2,224.5
Underlying EBITDA	113.2	85.0	71.4	91.9	124.2	141.9	155.5	158.6	177.2	167.5
Underlying operating profit	77.3	43.3	28.9	48.3	77.8	92.0	103.4	95.3	108.7	96.6
Underlying net finance costs	(2.6)	(3.7)	(7.0)	(4.8)	(3.7)	(6.9)	(7.7)	(10.2)	(10.0)	(16.1)
Underlying profit before taxation	74.7	39.6	21.9	43.5	74.1	85.1	95.7	85.1	98.7	80.5
Underlying taxation	(22.6)	(11.0)	(5.5)	(13.5)	(23.8)	(29.7)	(33.0)	(29.8)	(24.7)	(22.5)
Underlying profit for the period	52.1	28.6	16.4	30.0	50.3	55.4	62.7	55.3	74.0	58.0
Non-underlying items ¹	–	(17.1)	–	–	(20.2)	(56.6)	(36.4)	(7.3)	13.5	(71.8)
Profit/(loss) for the period	52.1	11.5	16.4	30.0	30.1	(1.2)	26.3	48.0	87.5	(13.8)
Consolidated balance sheet										
Working capital	85.0	106.7	119.8	97.6	124.1	104.1	97.1	152.5	181.3	216.8
Property, plant and equipment	264.4	275.0	266.1	248.5	281.9	295.6	331.8	405.6	399.2	422.0
Intangible and other non-current assets	131.8	122.9	116.4	112.1	202.8	203.4	183.0	218.2	198.3	179.5
Net debt	(78.8)	(94.0)	(102.5)	(51.2)	(143.7)	(102.2)	(183.0)	(305.6)	(229.5)	(286.2)
Other net assets/liabilities	(79.1)	(79.8)	(73.0)	(71.3)	(92.5)	(154.6)	(94.9)	(41.1)	(77.1)	(86.8)
Net assets	323.3	330.8	326.8	335.7	372.6	346.3	334.0	429.6	472.2	445.3
Underlying key performance indicators										
Diluted earnings per share from continuing operations (pence)	77.4	43.2	24.4	45.0	71.9	74.2	85.4	74.8	101.8	79.1
Dividend per share (pence)	21.8	22.8	22.8	22.8	24.0	25.2	27.1	28.5	34.2	35.9
Operating margin	7.4%	4.1%	2.5%	3.7%	5.4%	5.8%	6.6%	5.4%	5.2%	4.3%
Return on capital employed ²	19.3%	10.2%	6.6%	11.6%	16.7%	18.3%	20.5%	15.3%	15.1%	13.0%
Net debt: EBITDA	0.7x	1.1x	1.4x	0.6x	1.2x	0.7x	1.2x	1.9x	1.3x	1.7x

1 Non-underlying items are items which are exceptional by their size or non-trading nature and are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial position of the group.

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.

Our offices

Head office

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North American Division

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Telephone: +1 410 551 8200
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EMEA Division

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Kaiserleistrasse 8
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Telephone: +49 69 80510
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APAC Division

Keller Asia-Pacific Limited
72 Anson Road #11-03
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Secretary and advisers

Group Company Secretary and Legal Advisor

K A A Porritt FCIS

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Registered number

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Joint brokers

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Financial advisers

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Legal advisers

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160 Aldersgate Street
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The Adelphi
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London WC2N 6HT

Registrars

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Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA

Cautionary statement

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

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

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

These factors include, but are not limited to, changes in the economies and markets in which the group operates; changes in the regulatory and competition frameworks in which the group operates; the impact of legal or other proceedings against or which affect the group; and changes in interest and exchange rates. For a more detailed description of these risks, uncertainties and other factors, please see the Risk Management Approach and Principal Risks section of the Strategic Report.

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

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

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