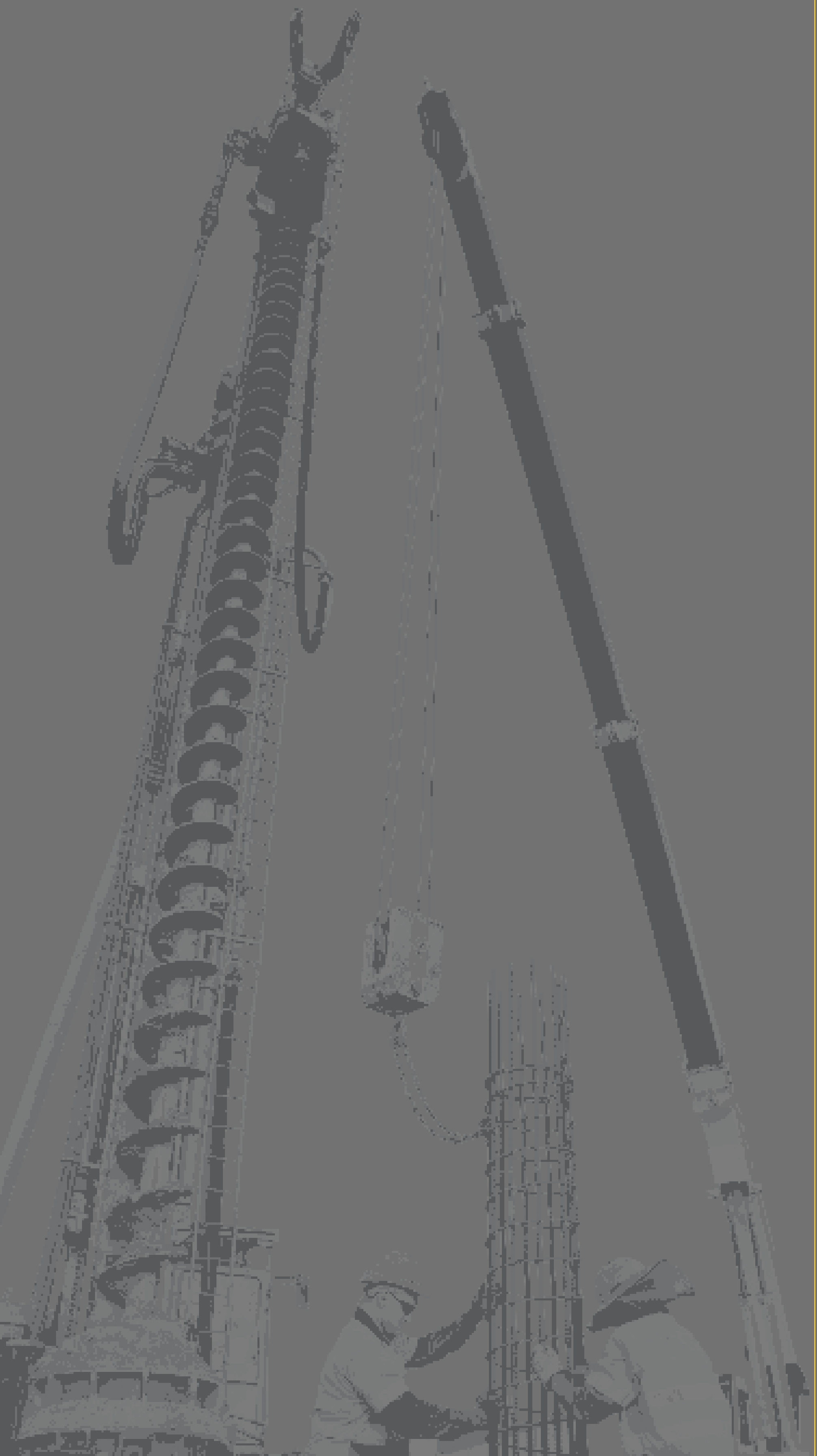
KELLER

2013

Keller Group plc

Annual Report and Accounts 2013



Contents

Cautionary statement

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

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

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

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

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

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

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

Keller Group plc

We are the world's largest independent ground engineering specialist, renowned for providing technically advanced and cost-effective foundation solutions. Our reputation is built on engineering excellence and a commitment to continual innovation.

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

With approximately 9,000 employees and annual turnover of £1.5 billion, we have unrivalled coverage in Europe, North America, Australia and South Africa with a growing presence in Asia and the Middle East.

Revenue from continuing operations
£m

2013	1,438.2
2012	1,317.5
2011	1,154.3
2010	1,068.9
2009	1,037.9

Operating profit
£m*

2013	77.8
2012	48.3
2011	28.9
2010	43.3
2009	77.3

Earnings per share
pence*

2013	73.0
2012	45.9
2011	24.8
2010	44.0
2009	78.8

* before exceptional items.

Highlights

Group revenue up by
+9%

Operating profit* up to
£77.8m

Group operating margin* up to
5.4%

Cash generated from operations up to
£132.0m

Earnings per share* increased to
73.0p
per share

Total dividend increased to
24.0p
per share

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

* before exceptional items

Chairman's statement

Roy Franklin
Chairman

I am pleased to report a year of further improvement in terms of our financial results and the progress made against our strategic objectives.

Financial results[1]
Group revenue rose by 9% to £1,438.2m (2012: £1,317.5m). Stripping out the effects of acquisitions and foreign exchange movements, the Group's revenue was up by 2%. The operating profit increased to £77.8m, compared with £48.3m in the previous year. Profit before tax increased to £74.1m (2012: £43.5m) and earnings per share were 73.0p (2012: 45.9p).

All four divisions improved their operating margin, resulting in a significant increase in the Group operating margin from 3.7% in 2012 to 5.4%. This marks further progress in raising the margin towards our through-the-cycle target of 6.5%. The margin uplift reflects a sharp focus on continuous improvement in many aspects of the business, as well as an excellent performance on several major projects and improving conditions in certain of our markets.

73.0p
earnings per share

Cash flow and net debt[2]

Cash generated from operations was £132.0m, representing 106% of EBITDA. Cash generated was significantly up on last year's £108.4m (118% of EBITDA), as a result of the Group's improved profitability and the relentless focus across the business on maximising cash generation.

Year-end net debt was £143.7m (2012: £51.2m), representing 1.2x EBITDA. The increase is due to our investment in the year in acquisitions totalling £200.4m (2012: £nil), partly offset by £57.6m of net proceeds from the placing of 6.6m shares in connection with our acquisition of North American Piling, since re-branded as Keller Canada, which completed in July 2013.

Net capital expenditure of £42.6m (2012: £32.7m) was in line with depreciation.

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

Dividends

In light of these improved results and the Board's confidence in the Group's prospects, the Board has decided to recommend a final dividend of 16.0p per share (2012: 15.2p per share), to be paid on 13 June 2014 to shareholders on the register at 6 June 2014. Together with the interim dividend paid of 8.0p, this brings the total dividend per share for the year to 24.0p (2012: 22.8p), an increase of 5%. Dividend cover for the full year was 3.0x (2012: 2.0x).

[1] 2013 results stated before exceptional items of £22.1m, before tax. These are non-trading items relating to acquisitions and comprise £6.7m of amortisation of acquired intangible assets; £5.9m of acquisition costs; £6.0m of contingent consideration and payments; £3.1m of goodwill impairments; and £0.4m of exceptional finance costs.

[2] Net debt represents total loans and borrowings less cash and short-term deposits.

Strategy

In 2013, we made good progress against our strategy – to extend further our global leadership in specialist ground engineering through both organic growth and targeted acquisitions – with the completion of three strategic acquisitions in attractive markets.

Our January acquisition of Geo-Foundations, a small geotechnical business based in Toronto, was followed by a second, much larger Canadian acquisition in July. The addition to the Group of Keller Canada, for an initial consideration of £151m, increases the Group's exposure to the North American energy and resources sector, including the Alberta oil sands segment. It also provides the opportunity to develop broader customer relationships and to expand the Group's presence in the relatively under-developed Canadian geotechnical segment. Through this acquisition, we have secured a leading position in this key target market and consolidated our position as the clear market leader in North America.

In November, we acquired Esorfranki Geotechnical, the largest ground engineering business in South Africa, for an initial consideration of £31m. The business, since re-branded as Franki Africa, offers design and build services to the mining, civil engineering and construction industries and has a strong track record of executing projects in other Sub-Saharan African countries, which accounted for around half of its revenue in recent years.

These acquisitions, together with our success in winning work by offering value-engineered solutions and a continuation of our business improvement initiatives, now embedded in our day-to-day operations, have all combined to strengthen the Group's global leadership position.

Employees

We could not have accomplished so much in the year without the hard work of our employees across the world. The Board and the Executive Committee truly appreciate the care and skill with which colleagues approach their work and, in particular, their contribution towards our safety improvement efforts. We will continue to strive to create an environment in which our employees can thrive and feel proud to work.

Board

Gerry Brown and Bob Rubright served on the Board until 23 May 2013. David Savage stood down on 3 October 2013, creating a vacancy on the Board for a Non-executive Director. We thank all three for their contributions. We commenced an externally facilitated search in November 2013, which is progressing positively and we will report on the outcome in due course.

Outlook

Looking ahead, we expect to see a continuation of the gradual improvement in certain of our markets, notably in the US. However, most of our European markets are expected to remain subdued and we anticipate that the current uncertain market conditions in Australia will continue for some time.

For the Group as a whole, contract awards remain at a healthy level and, accordingly, the value of the like-for-like order book at the end of January 2014, for work to be executed over the following 12 months, was 6% higher than at the previous January.

In 2014, our focus will be on continuing to drive margin improvement in our established businesses, together with delivering value from our recent acquisitions and achieving the synergies between them and other parts of the Group. We have made good progress in integrating the acquisitions and their full-year 2014 contribution is forecast to be in line with our expectations at the time of acquisition.

Overall, we expect 2014 to be another year of progress, despite the adverse impact of foreign exchange movements and the extreme weather conditions in North America in the first two months of the year.

Looking further ahead, we remain optimistic about our long-term prospects and we are confident that the Group is well positioned to take full advantage of future opportunities.

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

Our businesses

Here is an overview of our four business areas. Together, they are able to combine their expertise and resources to take on some of the world's most demanding projects.

North America

We are the market leader in North America, where we have had a market presence for almost 30 years. Today, we operate from locations spanning the US and Canada. **Hayward Baker** offers extensive ground engineering solutions across North America. In the US, **Case**, **McKinney** and **HJ** are heavy foundation specialists and **Suncoast** provides post-tension cable systems. In Canada, **Geo-Foundations**, acquired in January 2013, specialises in micro-piling, ground anchors, and specialty grouting services; and **Keller Canada**, our July 2013 acquisition, offers a broad range of piling solutions.

Revenue £m

£699.4m

Year	Revenue £m
2013	699.4
2012	581.9
2011	471.1
2010	425.2
2009	467.0

Operating profit £m*

£51.6m

Year	Operating profit £m*
2013	51.6
2012	32.0
2011	12.0
2010	6.9
2009	32.2

EMEA

Our EMEA division has operations across **Europe**, the **Middle East** and **Africa**, together with a developing business in Latin America. We operate as **Keller** in most of these regions, other than Sub-Saharan Africa, where our November 2013 acquisition operates under the **Franki** brand.

Revenue £m

£399.2m

Year	Revenue £m
2013	399.2
2012	358.6
2011	384.8
2010	357.8
2009	416.6

Operating profit £m*

£6.8m

Year	Operating profit £m*
2013	6.8
2012	2.2
2011	8.4
2010	8.1
2009	28.2

Asia

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

Revenue £m

£96.2m

Year	Revenue £m
2013	96.2
2012	118.6
2011	76.7
2010	92.1
2009	27.4

Operating profit £m

£9.0m

Year	Operating profit £m
2013	9.0
2012	9.5
2011	6.0
2010	11.8
2009	5.9

Australia

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

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

Revenue £m

£243.4m

Year	Revenue £m
2013	243.4
2012	258.4
2011	221.7
2010	193.8
2009	126.9

Operating profit £m*

£15.6m

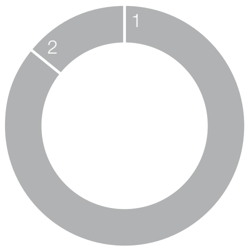
Year	Operating profit £m*
2013	15.6
2012	8.7
2011	6.7
2010	19.1
2009	16.8

* before exceptional items.

Our services

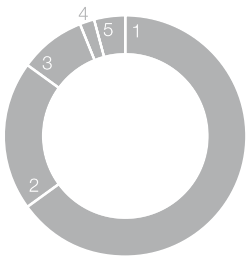
Revenue
by country

1 US	**86%**
2 Canada	**14%**



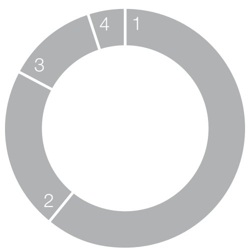
Revenue
by region

1 Western Europe	**65%**
2 Eastern Europe	**20%**
3 Middle East	**9%**
4 Africa	**2%**
5 Other	**4%**



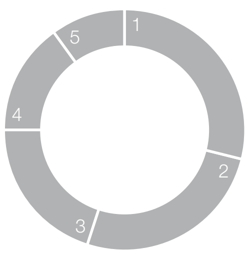
Revenue
by country

1 Singapore	**61%**
2 Malaysia	**22%**
3 India	**12%**
4 Other	**5%**



Revenue
by business unit

1 Frankipile	**29%**
2 Piling Contractors	**26%**
3 Waterway	**20%**
4 Vibro-Pile	**15%**
5 KGE	**10%**



Piling and earth retention

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

Specialty grouting

Specialty grouting strengthens target areas in the ground and controls ground water flow through rocks and soils by reducing their permeability.

It is applicable both to new construction projects and to repair and maintenance work. Other applications include excavation support, settlement control and geo-environmental services to protect adjacent ground from contamination.

Anchors, nails and minipiles

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

Ground improvement

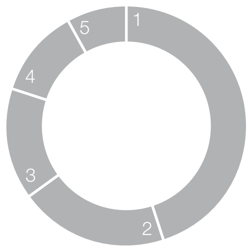
Ground improvement techniques are used to prepare the ground for new construction projects and to reduce the risk of liquefaction in areas of seismic activity.

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

Post-tension concrete

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

Approximate split of services



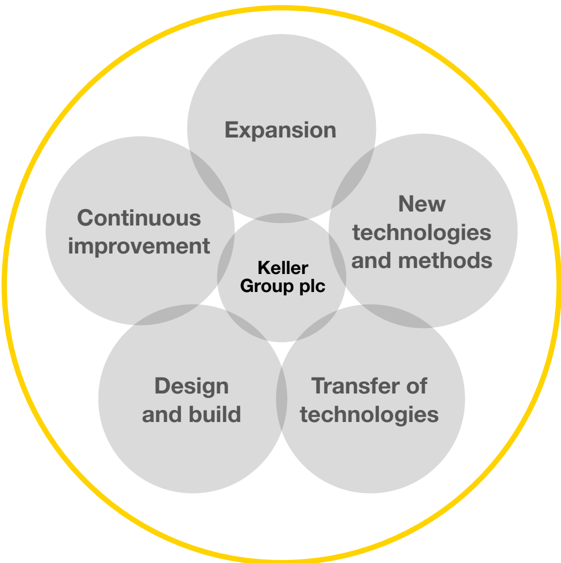
1 Piling and earth retention	**45%**
2 Ground improvement	**20%**
3 Anchors, nails and minipiles	**15%**
4 Specialty grouting	**12%**
5 Post-tension concrete	**8%**

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

Our strategy

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

In 2013, we made significant progress in delivering against our strategy. There are five elements to our strategy:



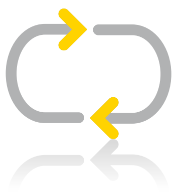
Expansion
into new, higher-growth regions

New technologies and methods
developed or acquired

Transfer of technologies
and methods within our current regions

Design and build
capability and offering alternative solutions

Continuous improvement
to maintain our competitive edge



2013 Achievements

During the year, we acquired businesses in two higher-growth regions:

- Canada (Geo-Foundations and Keller Canada); and
- Sub-Saharan Africa (Franki Africa)

The acquisition of Keller Canada has increased the Group's exposure to the North American energy and resources sector, including the Alberta oil sands segment, positioning it to benefit from growing longer-term demand from this sector.

The Franki Africa acquisition will accelerate Keller's entry into selected Sub-Saharan construction markets, where significant growth is expected over the medium to long term, fuelled by major infrastructure and resources-related projects.

We changed the structure of our EMEA division to enable us to focus fully on the growth opportunities in Africa, the Middle East and Latin America.

We also continued to strengthen our major project capability to improve access to large-scale development projects, many of which are in our new, higher-growth markets.

We acquired expertise in helical piles and pipeline anchor systems through our Keller Canada acquisition.

We continued to fund research into future technologies, including:

- selection of best drilling methods and tools;
- new materials for use in geotechnical solutions; and
- electronic data acquisition and workflow control.

Our equipment facility, which designs and manufactures our specialist plant, continued its programme of enabling new, more efficient methods through the adaptation and optimisation of our plant.

We identified further opportunities for technology transfer, including:

- taking our GETEC monitoring system to the US and Asia; and
- introducing wick drains and controlled stiffness columns in Australia.

Through our recent acquisitions we created new routes to market for the Group's geotechnical solutions in Canada and Sub-Saharan Africa, where some of our specialty geotechnical techniques are not widely available. We expect that an increasing market acceptance of these techniques over time will offer significant long-term organic growth potential.

We also continued our programme of Group-wide engineering seminars to share knowledge within Keller of some of our less widely used technologies.

Around 45% of our 2013 revenue was from design and build work, such as the following projects:

- Australia Pacific LNG, where we completed the design and build of a materials offloading facility;
- Gdansk Railway Station, Poland, where our winning alternative design drew on a range of piling and ground improvement techniques;
- Heather Marina Refurbishment Project at Vancouver Harbour, where Keller Canada designed, fabricated and installed concrete floats for 28 new boat slips;
- Slave Memorial Centre at Guadeloupe, French West Indies, where we designed and executed ground improvement works, using rigid inclusions; and
- Karimun Island Petroleum Storage Terminal, Indonesia, where we designed and installed stone columns to stabilise the ground beneath oil storage tanks.

Through global collaboration, we further improved our processes and performance in:

- risk management;
- participation in large and complex projects;
- equipment management; and
- safety management.

These improvements have been reflected in:

- a further improvement in our operating margin;
- a further increase in revenue and profit earned from large projects, building on the record levels in 2012;
- the optimisation of equipment utilisation, improving efficiency and helping to limit our capital expenditure; and
- the quality of reporting of safety incidents.

Our markets

Market drivers

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

- increasing land shortage, driving a need to use more brownfield and marginal land;
- climate change, triggering more river and dam flood protection projects;
- the prevalence of very large-scale development projects;
- the need for investment in energy capacity; and
- the renewal of outdated road and rail infrastructure.

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

Our markets and competition

Local

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

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

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

National or regional, in larger countries

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

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

Keller's advantage in this segment
We have a wide network of subsidiary companies and branch offices employing local people with knowledge of:
- national building codes;
- local language and business culture; and
- local ground conditions.

International

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

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

Keller's advantage in this segment
As the largest independent operator with a global presence, we can:
- follow known customers into new geographic markets;
- pool our global resources and expertise; and
- meet the stringent quality, safety and ethical standards of our blue chip customers.

Our business model

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

Our market positioning

We value highly the customers in our day-to-day business and we constantly strive to meet their needs through the consistent execution of many small-to-medium-sized contracts.

In addition, we will continue to increase our exposure to those sectors where the barriers to entry are highest and where we have capabilities which give us a clear competitive advantage:

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

Our management structure

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

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

Our strengths

Global Scale
International footprint and financial strength

Local Focus
Excellent service

Design Capability
Tailored and value-engineered solutions

Broad Base
Diverse customer base and end markets

Partnership
Sharing added value with our customers

Consistent Values
Performance delivered safely and with integrity

Deep Experience
Huge knowledge base

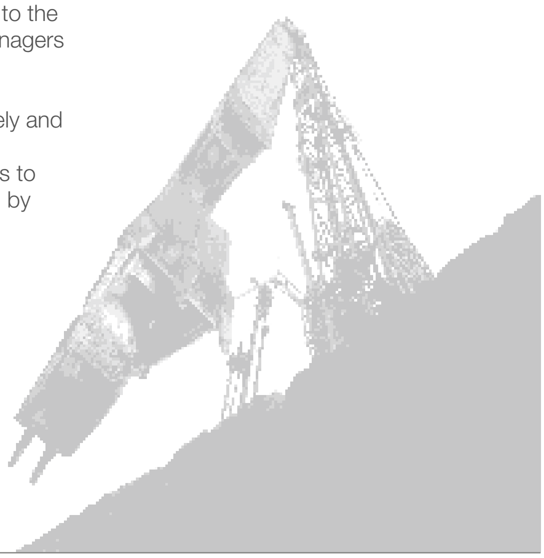
Growth Credentials
Organic and acquisition growth record

The best of being global

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

The best of being local

- our wide network of regional offices allows Keller to be responsive and competitive in local markets;
- this, in turn, means that our revenue is spread over some 6,000–7,000 contracts, with an average value of around £250,000;
- market decisions are made 'close to the ground' by highly experienced managers with real accountability;
- we can respond to the changing dynamics of our business in a timely and informed way; and
- an entrepreneurial culture allows us to compete in an industry dominated by entrepreneurs.

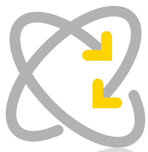


Principal risks and KPIs

Risk | **Description**

Market cycles

The Group's broad base helps to mitigate against the risk of downturn in our markets



Whilst our business will always be subject to economic cycles, market risk is reduced by the diversity of our markets, both in terms of geography and market segment.

It is also partially offset by opportunities for consolidation in our highly fragmented markets. Typically, even where we are the clear leader, we still have a relatively small share of the market. Our ability to exploit these opportunities through bolt-on acquisitions is reflected in our track record of growing sales, and doing so profitably, across market cycles.

Tendering and management of contracts

Project risk is managed throughout the life of a project from the tendering stage to completion

It is in the nature of our business that we continually assess and manage technical, and other operational, risks.

Some of the controls we have in place, particularly at the crucial stage of tendering of contracts, are set out in the table opposite.

Expansion

Our long-term growth track record is built on a combination of organic growth and acquisitions

We recognise the risks associated with acquisitions and expanding into new regions and aim to manage these to acceptable levels.

These include various country risks, including the challenges of operating within different business and safety cultures.

When considering an acquisition, we try to get to know a target company, often working in joint venture, to understand the operational and cultural differences and potential synergies.

Safety

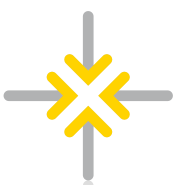
The construction industry poses significant safety challenges, but we do not view injuries as being inevitable

Keller is made up of businesses of varying sizes operating around the world, often in challenging environments.

It is essential that, as we continue to grow and move into new regions, we can be sure that our approach to safety is equally rigorous, no matter whereabouts in the world, or on which projects, we are working.

People

The accumulation of knowledge and experience is essential to helping our customers to find the best solutions



The risk of losing, or not being able to attract, good people is key.

We pride ourselves in having some of the best professional and skilled people in the industry, who are motivated by our culture and the opportunities for career growth.

Controls and mitigation | **KPIs**

- Strategy of geographic diversification:
  – operations in over 40 countries
- Broad customer base.
- Services used across all industry segments: infrastructure, industrial, commercial, residential and environmental.

Revenue growth compared with market growth

Definition and method of calculation
Year-on-year sales growth (including acquisitions) in local currency compared with growth in the total regional construction market.

As our work occurs at the start of the construction cycle, our revenue is a leading indicator for the construction market, whereas market comparators are based on the lagging indicator 'construction put in place'.

- Risk Management Framework defines Minimum Standards in the control of project risk.
- Risk-based tender approval process, with clear delegations of authority.
- Independent review of tenders.
- Training for staff in the typical risk issues they may face when tendering for jobs, negotiating contracts and executing work.
- Legal review of unusual or onerous contract terms.
- Project staff selected on the basis of their skills, experience of a particular type of project and their workload.
- Establishment of 'centres of excellence'.
- Formal handover meetings at each stage of the contract.
- Formal daily reports generated and reviewed for each contract in progress. Weekly cost reports produced for projects and reviewed by next level management.
- Periodic reviews of poorly performing contracts to establish lessons learned with the results communicated to all relevant staff.

Operating margin

Definition and method of calculation
Operating profit before exceptional items expressed as a percentage of revenue.

- Moving into new geographic markets often involves following customers with whom we have previously worked.
- We deploy trusted and experienced personnel to establish and grow our business in new regions.
- Robust operating rules, including our Think Safe framework and Code of Conduct, apply wherever in the world we are working.
- Cross-border support and sharing of expertise support the transfer of technologies.
- Acquisition targets are usually well known to Keller.
- We have thorough due diligence processes, mostly undertaken by our own management.
- Individual integration plans reflect the unique character of each acquisition.

Return on net operating assets

Definition and method of calculation
Operating profit before exceptional items expressed as a percentage of average net operating assets (including goodwill acquired through acquisitions).

'Net operating assets' excludes net debt, tax balances, deferred consideration and net defined benefit pension liabilities.

- Our safety framework, 'Think Safe', incorporates our Safety Goal, Principles, Policy and Minimum Standards.
- All business units undertake an annual safety assessment.
- From these, safety improvement plans are developed and implemented.
- Regular directors' and managers' safety tours reinforce the importance of safety.

Accident Frequency Rate ('AFR')

Definition and method of calculation
Accident frequency per 100,000 man hours.

We aim to be a responsible employer for whom our employees are proud to work.

- We provide:
  – excellent training and development opportunities;
  – experience on challenging and high-profile projects;
  – opportunities for international career growth; and
  – good engagement and two-way communications.
- We aim to treat our employees with fairness, dignity and respect.

Staff turnover rate

Definition and method of calculation
Managerial, professional and technical staff leaving in the period, other than through redundancy or normal retirement, expressed as a percentage of employees in this category.

Operating review

All four divisions improved their operating margin.

Justin Atkinson
Chief Executive

This reflects a sharp focus on continuous improvement in many aspects of the business, as well as an excellent performance on several major projects and improving conditions in certain of our markets.

The three acquisitions we completed in the year give the Group market-leading positions in target markets offering attractive, long-term growth opportunities.

Overall, we expect 2014 to be another year of progress. Looking further ahead, we remain optimistic about our long-term prospects and we are confident that the Group is well positioned to take full advantage of future opportunities.

Conditions in our major markets
In the US, which remains by far our biggest market, total construction expenditure last year was 5% ahead of 2012. The main driver of growth was once again the improving residential market, with housing starts up 17% year on year to reach their highest level since 2007. Private non-residential construction was broadly flat, with reduced construction expenditure in the power segment offset by increases in most other segments. As expected, the contraction in publicly-funded construction continued for the third consecutive year, down 3% on 2012.

In Canada, the second half of the year saw a pause in the award of major projects in the resources-related segment of the construction market, although there are early signs of activity levels now picking up. Demand in the commercial, residential and infrastructure segments remained steady.

Continued economic uncertainty in Europe meant that recovery in construction demand was patchy and somewhat fragile, with challenging conditions persisting in most of our markets, particularly in Southern Europe. Within the Middle East, we saw more projects getting underway, although competition remained intense.

Elsewhere, conditions in our Asian markets were mixed: the strength of the oil and gas sector helped to underpin demand in some parts of the region, such as Malaysia, Singapore and Indonesia; whereas in India, the start of key infrastructure projects continued to be hampered by wider economic issues. In Australia, where resources-related construction has lost much of its momentum, the commercial and infrastructure segments remained subdued.

North America

Our total revenue from North America was up by 20%, with like-for-like revenue growth of 5%.

Results summary and KPIs

Revenue £m

£699.4m

2013	699.4
2012	581.9

Operating profit £m*

£51.6m

2013	51.6
2012	32.0

Operating margin %*

7.4%

2013	7.4
2012	5.5

For definitions, see page 11.

Our US growth compared with the growth of our US markets[1] (%)
2013

Over 1 year

Our growth	8
Market growth[1]	5

Over 3 years

Our growth	51
Market growth[1]	18

[1] Market growth for the total US construction market, from data published by the US Census Bureau of the Department of Commerce on 3 February 2014.

Return on net operating assets %

2013	19
2012	15

Accident Frequency Rate

2013	0.27
2012	0.20

Staff turnover %
Foundation contracting businesses

2013	12
2012	10

Suncoast

2013	14
2012	14

* before exceptional items.

The trading environment remains competitive in many regions and sectors; however, the overall improvement in market conditions, together with measures taken to improve business efficiency, resulted in an operating margin of 7.4% (2012: 5.5%), building on the previous year's margin recovery.

The full-year operating profit of £51.6m (2012: £32.0m) reflects improvements across the board, with all five existing businesses ahead of the previous year.

US

Hayward Baker

The largest of our North American businesses, Hayward Baker, ended the year strongly. Historically, this business has been successful in undertaking a broad portfolio of small-to-medium-sized contracts. Whilst Hayward Baker remains committed to this base business, in recent years it has also targeted more major projects, to good effect. One of its best-performing contracts in 2013 was the I-635 managed lanes project in Dallas, where it is installing earth retention systems for new managed high-occupancy vehicle lanes. A good operational performance was reflected in scope changes over a period of time, which increased the value of this contract to $56m (£34m).

As part of its major projects drive, Hayward Baker teamed up with HJ during the year on an ongoing contract to install CFA piles, a piled wall and a bottom-seal slab for a luxury condominium development at Miami's South Beach. This type of project is evidence of the growing strength of the Miami commercial market. A second, larger contract to construct another bottom-seal slab for a commercial development in Florida was awarded towards the end of the year. More recently, as announced on 13 February, Hayward Baker was awarded a specialty jet grouting contract worth $41m (£25m) in connection with the City of Seattle's Elliott Bay seawall project.

Piling companies

The successful completion of two major transmission-line projects, both of which were started in 2012, made an important contribution to the 2013 results. As we anticipated, the slowdown in the transmission lines market segment, coupled with increased competition in recent years, meant there were fewer opportunities in the second half of the year, although we remain optimistic about our future participation in this market segment.

Our US piling companies worked across a broad range of other market segments, often working together on larger projects or with Hayward Baker to deliver multi-product solutions. One such project was the Hudson Yards redevelopment, where Case and Hayward Baker worked together on the foundations for Tower C, the first of the structures to be built at this project.

Suncoast

Suncoast's revenue increased by 19%, which compares favourably with a year-on-year increase in housing starts of 17%. Profit in the year was well ahead of last year, as the business continued to take full advantage of the recovery in the US residential market and a strengthening of the high-rise market throughout the country. Suncoast has been steadily increasing production to meet this growing demand and re-started fabrication at its Miami facility in the second half of the year.

Canada

In January, we acquired Geo-Foundations in Canada, a key target market for the Group. Geo-Foundations principally serves eastern Canada, where it specialises in geotechnical services which are still relatively new to the market.

Our presence in Canada was significantly scaled up through the complementary acquisition in July of Keller Canada – one of the country's largest foundations businesses, based in western Canada and employing approximately 400 people. The business offers a broad range of piling-related solutions to construction markets across Canada, including the Alberta oil sands region.

The integration of these two strategic acquisitions is progressing well; they are performing in line with our expectations at the time of acquisition; and we remain confident about the synergies that will come from further co-operation between them and our other North American businesses.

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

EMEA

Despite the challenging market conditions, like-for-like revenue from EMEA increased by 7%. Operating profit trebled, reflecting improvements in performance across most of the businesses in this division.

Results summary and KPIs

Revenue £m

£399.2m

2013	399.2
2012	358.6

Operating profit £m*

£6.8m

2013	6.8
2012	2.2

Operating margin %*

1.7%

2013	1.7
2012	0.6

For definitions, see page 11.

Our growth compared with the growth of our markets[1] (%)
2013

Over 1 year	
Our growth	-7
Market growth[1]	-3
Over 3 years	
Our growth	5
Market growth[1]	-2

[1] Market growth in the construction markets in Austria, France, Germany, Poland, Spain and UK, (which together account for over 75% of revenue from EMEA) from estimates of real annual growth plus estimated change in construction prices published by Euroconstruct in November 2013.

Return on net operating assets %

2013	5
2012	1

Accident Frequency Rate

2013	0.88
2012	1.38

Staff turnover %

2013	11
2012	10

Europe

In general, conditions in our more mature European markets were stable but still very challenging and our response was to continue with our self-help measures. This ongoing programme of cost controls and business improvements has been an important driver behind the division's profit recovery.

Once again, our German subsidiary produced a strong result, with good contributions too from the UK and several of our smaller European companies. Careful selection and execution of work in French-speaking territories overseas offset ongoing weakness in our French business's home market.

The improved result was also helped by good contributions from our large projects, several of which have recently completed or neared completion. These include the Gdansk Tunnel contract in Poland; and our largest contract to date in Russia, in connection with a new residential complex in central Moscow.

In London, we recently reached a major milestone at the Victoria Station upgrade project, with the completion of 2,000 jet grout columns. Our work on the project is expected to complete by the end of the year. At Crossrail, our second major London project, pre-treatment grouting, prior to tunnelling operations, was successfully completed during 2013, whilst ongoing grout injections concurrent with the tunnelling operations are expected to continue until mid-2014.

Middle East and Africa

Although trading in the Middle East remained relatively subdued, there were signs of revival in some of our Middle Eastern markets, with an increasing number of large projects on the horizon, albeit that the competition remains intense.

In November, we acquired Franki Africa, the largest ground engineering business in South Africa, offering design and build services to the mining, civil engineering and construction industries and with a strong track record of executing projects in other parts of the continent. We believe that this acquisition will accelerate our entry into selected Sub-Saharan construction markets, where around half of Franki Africa's revenue has been earned in recent years and where significant growth is expected over the medium to long term, fuelled by major infrastructure and resources-related projects.

The integration process, whilst still at an early stage, is progressing as planned.

Latin America

Brazil reported an improved result and the development of this business continues, with further investment in new equipment and a broadening of its product range. However, we are approaching expansion prudently and carefully managing the country-specific risks.

During the year we established small sales offices in Mexico, Chile and Panama where, in recent years, we have been deploying resources from our Spanish business to undertake selected contracts.

EMEA organisation

With an increasing share of revenue coming from outside Europe, two recent organisational changes have been introduced: firstly, Jim De Waele, who previously ran our North West Europe business, has been made responsible for our entire European business. Jim reports to Eddie Falk, who heads up the EMEA division and who is now able to devote himself more fully to our newer, high-growth markets. In addition, dedicated resource has been focused on getting maximum collaboration on large and complex projects which require design expertise and multi-product solutions. We believe these changes will sharpen our focus on the opportunities in Africa, the Middle East and Latin America.

* before exceptional items.

Asia

As we expected, revenue from Asia lagged behind the previous year, mainly reflecting the absence of a major project in Malaysia to replace the contract for Vale.

Results summary and KPIs

Revenue £m

£96.2m

2013	96.2
2012	118.6

Operating profit £m

£9.0m

2013	9.0
2012	9.5

Operating margin %

9.4%

2013	9.4
2012	8.0

For definitions, see page 11.

Our growth compared with the growth of our markets

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

Return on net operating assets %

2013	17
2012	17

Accident Frequency Rate

2013	0.78
2012	0.33

Staff turnover %

2013	14
2012	19

However, operating profit for the full year was not far behind the 2012 result, helped by a strong finish on a number of projects.

ASEAN region

The results reflect another strong contribution from Malaysia. Following a broadening of the product range to include piling services in 2012, we undertook several significant piling contracts during the year, including piled foundations for a major new shopping complex; and piling, load testing and specialty grouting works for a 70-acre mixed-use development, both in Kuala Lumpur.

Singapore reported a strong result, helped by a good performance at the Jurong Shipyard development, where we are undertaking ground improvement works for the construction of a large hull workshop. Good progress was made on our major contract at Sengkang, where we are building the foundations for a new hospital project and, with ten piling rigs currently in operation, our work there looks likely to finish ahead of the scheduled Q3 2014 completion date.

Work continued at the site of our largest job to date in Indonesia, where we are reinforcing the soils for a new oil tanks storage terminal on Karimun Island. By the year end, the job was almost complete, with 27 of the required 30 tank foundations constructed.

India

At the half year, we reported on the challenges associated with this market. Since then, there has been no discernible improvement in the trading environment and the risk of non-payment remains an issue. Our local management team has dealt with the risk prudently, by very careful contract selection and close monitoring of stage payments; however, the growth of our business in India may be impeded in the short term, until the wider economic issues are resolved.

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

Australia

As we reported at the half-year stage, the resources sector of Australia's construction market has been less buoyant than in recent years and the commercial and infrastructure segments remain subdued.

Results summary and KPIs

Revenue £m

£243.4m

2013	243.4
2012	258.4

Operating profit £m*

£15.6m

2013	15.6
2012	8.7

Operating margin %*

6.4%

2013	6.4
2012	3.4

For definitions, see page 11.

Our growth compared with the growth of our markets[1] (%)
2013

Over 1 year	
Our growth	0
Market growth[1]	2
Over 3 years	
Our growth	21
Market growth[1]	25

[1] Market growth for the total Australian construction market, from data published by the Australian Bureau of Statistics in September 2013.

Return on net operating assets %

2013	23
2012	10

Accident Frequency Rate

2013	0.87
2012	0.07

Staff turnover %

2013	9
2012	14

Overall, however, Keller Australia fared better than the market conditions might suggest, with a significant increase in operating profit on broadly flat revenue in local currency terms. This improved performance reflects a continued strengthening of its risk management processes, better contract selection and a particularly strong performance on some of its larger contracts.

Most significant of these is the A$220m (£118m) piling contract for an onshore LNG processing plant at Wheatstone in Western Australia, which is progressing well with around 9,500 piles installed at the year end, making the contract around 40% complete. Wheatstone is undoubtedly a key contract for Keller and represents an important reference project for other companies in the Group who are targeting major LNG projects elsewhere in the world.

The A$159m (£85m) Australia Pacific LNG project, which was undertaken in a 50:50 joint venture with a local civil construction company and which completed in May, provided a significant underpin to the first-half result. In the second half, good contributions came from a number of large, ongoing contracts, such as our work at the Ichthys LNG Project in Darwin, which started in May and is expected to continue through to summer 2014; and the Perth Stadium project, where we are installing wick drains and carrying out dynamic compaction.

* before exceptional items.

Financial review

The Group's total revenue in 2013 was £1,438.2m, an increase of 9% on 2012.

James Hind
Finance Director

Results

Trading results[1]

Stripping out the effects of foreign exchange movements and acquisitions made during the year, 2013 revenue was 2% up on 2012, with increases in North America and EMEA partly offset by a decrease in Asia.

EBITDA was £124.2m, compared to £91.9m in 2012, and operating profit was £77.8m, a significant increase on the £48.3m in 2012. The Group operating margin increased from 3.7% to 5.4%, with all divisions increasing their operating margins. This is due to a combination of strong margins earned on a number of large projects, the continuing benefits of our business improvement initiatives and improving market conditions in some countries.

In North America, which represented 49% of Group revenue, operating profit increased from £32.0m in 2012 to £51.6m in 2013. This was largely attributable to the much improved profitability of the Group's North American foundation contracting businesses, which are benefitting from the gradual improvement in the US private non-residential construction sector. In addition, Suncoast continues to show the benefits of many years of operational improvements as the US residential market continues to recover from all-time low levels of activity. The results were also helped by two acquisitions in Canada during the year: Geo-Foundations in January and the much larger Keller Canada in July. Taken together, these contributed revenue of £78.6m and an operating profit of £9.5m, in line with the Group's expectations at the time of acquisition.

In EMEA, conditions in our key markets remain mixed and in those regions where there have been signs of improvement, recovery continues to be somewhat fragile. Despite this, both revenue and operating profit for EMEA were higher than in 2012, with the margin improvement largely attributable to the continuing benefit of cost reductions and business improvement initiatives.

As expected, revenue and operating profit in Asia decreased compared to 2012, primarily as a result of not having a major contract in Malaysia to replace the contract for Vale that completed early in 2013. The operating margin, however, increased from 8.0% in 2012 to 9.4%.

In Australia, Australian dollar revenue was flat but revenue was down 6% on 2012 expressed in sterling, due to the weakening of the Australian dollar. However, operating profit increased from £8.7m in 2012 to £15.6m in 2013, mainly due to a strong performance on some of its larger contracts in the resources sector.

The Group's trading results are discussed more fully in the Chairman's statement and the Operating review.

£77.8m
Operating profit[1]

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

Financial review
continued

Net finance costs
Net finance costs before exceptional items decreased from £4.8m in 2012 to £3.7m in 2013. This decrease mainly reflects higher non-cash income from financial assets. Net interest on debt and cash was consistent with 2012.

Tax
The Group's effective tax rate before exceptional items was 32%, slightly up from 31% in 2012, reflecting the different geographic mix of profits.

Earnings and dividends
Earnings per share (EPS) before exceptional items increased to 73.0p (2012: 45.9p). The Board has recommended a final dividend of 16.0p per share, which brings the total dividend to be paid out of 2013 profits to 24.0p, a 5% increase on 2012. The 2013 dividend is covered 3.0 times by earnings. Earnings per share after exceptional items were 43.2p.

Exceptional items
The 2013 result includes a number of non-trading exceptional items relating to acquisitions, which are required to be expensed under IFRS. There were no such items in 2012.

The exceptional items totalled £22.1m, comprising £6.7m of amortisation of intangible assets recognised on the 2013 acquisitions, £5.9m of acquisition costs, additional contingent consideration and payments of £6.0m, £3.1m of goodwill impairments and £0.4m of exceptional finance costs. The vast majority of additional contingent consideration and payments relates to the 2010 acquisition of Waterway Constructions in Australia and is payable because its trading results exceeded expectations.

Cash flow and financing
The Group has always placed a high priority on cash generation and the active management of working capital. In 2013, cash generated from operations was £132.0m, representing 106% of EBITDA before exceptional items (2012: 118%). Year-end working capital was £124.1m, which is slightly lower than 2012 after adjusting for the impact of acquisitions. Net capital expenditure totalled £42.6m, which compares to depreciation of £45.0m.

The Group made three strategic acquisitions during the year at a total cash cost of £188.5m. These were financed through a combination of drawing down on existing bank facilities, a placing of ordinary shares, representing 10% of the then existing share capital and which raised net proceeds of £57.6m, and a new US$150m four-year revolving credit facility. Including acquisition costs, the contingent consideration paid on Waterway Constructions and the acquisition of the minority shareholding in Keller-Terra in Spain, the total expenditure on acquisitions in the year was £200.4m.

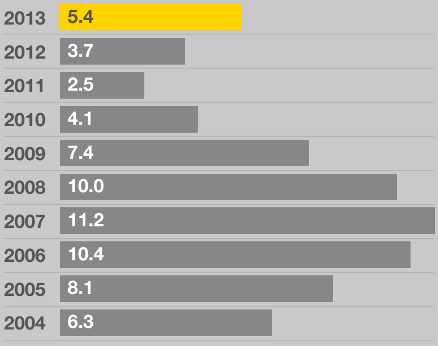
At 31 December 2013, net debt amounted to £143.7m (2012: £51.2m). Based on net assets of £372.6m, year-end gearing was 39%, compared to 15% at the beginning of the year.

The Group's term debt and committed facilities mainly comprise US$110m of US private placements, US$70m of which is repayable in October 2014 and US$40m of which is repayable in August 2018, a £170m multi-currency syndicated revolving credit facility expiring in April 2015 and a US$150m multi-currency syndicated revolving credit facility expiring in July 2017. At the year end, the Group had undrawn committed and uncommitted borrowing facilities totalling £165.3m.

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

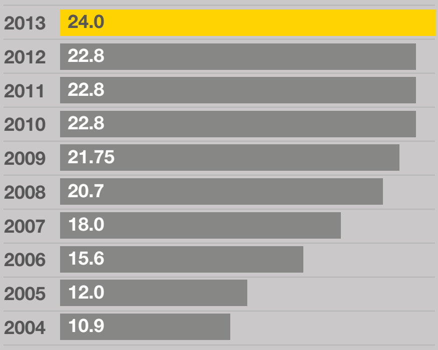
With US$70m of US private placement borrowings being repayable in October 2014 and the £170m multi-currency syndicated revolving credit facility expiring in April 2015, the Group anticipates refinancing some of its debt facilities during the course of the year.

Operating margin from continuing operations %*



* before exceptional items.

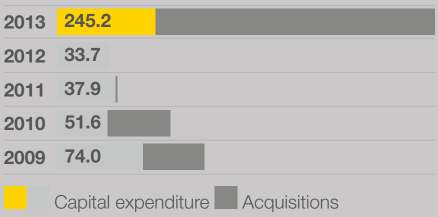
Dividend per share pence



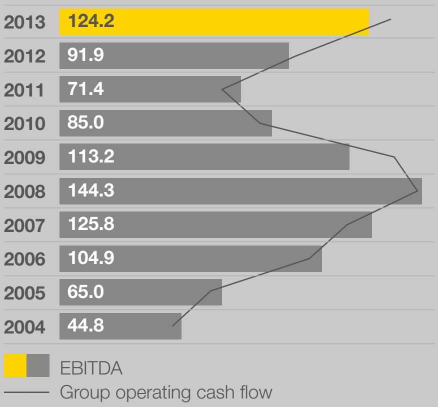
Test	Covenant limit	Current position*
Net debt: EBITDA	< 3x	1.3x
EBITDA interest cover	> 4x	24.7x
Net worth	> £200m	£367.8m

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

Investment



Cash flow history* – profits = cash



* before exceptional items and from continuing operations.

Capital structure

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

Pensions

The Group has defined benefit pension arrangements in the UK, Germany and Austria. The Group closed its UK defined benefit scheme for future benefit accrual with effect from 31 March 2006 and existing active members transferred to a new defined contribution arrangement. The last actuarial valuation of the UK scheme was as at 5 April 2011, when the market value of the scheme's assets was £31.8m and the scheme was 82% funded on an ongoing basis. Following the valuation, the level of contributions remained at £1.5m a year, a level which will be reviewed following the finalisation of the triennial actuarial valuation as at 5 April 2014.

The 2013 year-end IAS 19 valuation of the UK scheme showed assets of £35.0m, liabilities of £44.7m and a pre-tax deficit of £9.7m.

In Germany and Austria, the defined benefit arrangements only apply to certain employees who joined the Group prior to 1991. There are no segregated funds to cover these defined benefit obligations and the respective liabilities are included on the Group balance sheet. These totalled £13.4m at 31 December 2013.

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

Management of financial risks

Currency risk

The Group faces currency risk principally on its net assets, most of which are in currencies other than sterling. The Group aims to reduce the impact that retranslation of these assets might have on the balance sheet by matching the currency of its borrowings, where possible, with the currency of its assets. The majority of the Group's borrowings are held in US dollars, Canadian dollars, euros and Australian 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 2013, 86% of the Group's third-party borrowings bore interest at floating rates.

Credit risk

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

The Group has stringent procedures to manage counterparty risk and the assessment of customer credit risk is embedded in the contract tendering processes. Customer credit risk is mitigated by the Group's relatively small average contract size, its diversity, both geographically and in terms of end markets, and by taking out credit insurance in many of the countries in which the Group operates. No individual customer represented more than 5% of revenue in 2013.

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

[1] 2013 results stated before exceptional items comprising non-trading costs relating to acquisitions.

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

Corporate responsibility

Corporate responsibility is a fundamental element of the Board's duty of care to the Group's stakeholders, as well as being important to Keller's reputation and profitability.

2012

introduction of the Code of Business Conduct

The Board's role is to provide effective leadership, establish overall policy for the Group and monitor the performance of the operating companies in relation to: health and safety; the environment; responsible employment; business ethics; and our interfaces with our communities. The Chief Executive is ultimately accountable for the Group operating in a way that is socially responsible. Our line managers are charged with: delivering performance safely and with integrity; supporting Group policy; and providing leadership within their companies. All employees are responsible for following Group policy with the support, direction and commitment of line management.

Our Code of Business Conduct sets out the Group's policies and practices relating to: health and safety; competition; the environment; equal opportunities; harassment; bribery, corruption and fraud; gifts and hospitality; price-sensitive information; and whistle-blowing. The Code was introduced in 2012 through the Business Conduct Programme.

Our Code of Business Conduct can be found on our website.

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

By taking seriously these wider responsibilities, we will continue to earn the respect of our stakeholders and to improve our sustainability as an organisation.

Safety

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

Environment

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

Workplace and people

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

Communities

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

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

Safety

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

Introduction

The Board and senior management are relentlessly focused on achieving our goal of zero injuries through continuous improvement in our health and safety performance.

A strong safety culture is imperative to achieving our goal and prompted the launch of our Group-wide safety framework in 2010, Think Safe, Work Safe and Go Home Safe (Think Safe). Think Safe has been deployed across the Group and in 2013 it proved highly successful in improving employee behaviour towards safety, as well as engaging employees to help create a safe working environment.

We have built on its success, developing a suite of employee communication and awareness materials in 2013, available in 15 different languages, including a Keller Think Safe Rules campaign aimed at reinforcing awareness of Keller's minimum health, safety and environment ('HSE') standards. We have further introduced Safety Improvement Plans (SIPs), which now play a pivotal role in identifying significant safety risks across the Group and putting in place co-ordinated solutions for mitigating those risks over time.

We continue to assess levels of compliance with Think Safe across the Group using the bespoke assessment tool developed in 2012, and to strengthen our assurance processes more widely. In 2013, we used the tool to successfully deliver programme reviews for our SIPs and our assessment of the compliance of 23 business units with the Think Safe minimum standards.

Robust assessment, together with a new HSE portal established to further promote collaboration and transparency across the Group, has enabled us to prioritise our activities for 2014 whilst a new forum, comprising members of our divisional senior management, will promote further focus on our activities within the divisions.

During 2013, the Company was awarded the international ISO 9001-2008 certification for its Quality Management systems and OHSAS 18001 for its Safety Management system. These awards provide us with additional confidence that the systems we have in place are robust and appropriate to support the strong safety culture vital to our future growth plans.

2013 safety performance

Keller achieved its 2013 Group and divisional level targets. The Group's targets focused on improving communications and collaboration and this was achieved by: piloting and establishing the HSE web portal; the Think Safe Rules campaign; sending out three HSE newsletters; holding a safety conference; and developing an awards programme for operators and safety professionals.

The divisions also achieved their targets by: undertaking an annual Think Safe assessment; drafting and implementing safety improvement plans based on the outcomes of the Think Safe assessments and on their own priorities; and senior management carrying out at least four safety tours during the year and closing out at least 90% of the prior year's material findings.

At an operational level, advances were made to both leading and lagging indicators and the Group saw visible improvements at site level in compliance and awareness throughout 2013. Overall, the Group had 23 Major Injuries reported (a 22% reduction against the 2012 performance), 86 Lost Time Injuries, and 275 Minor Injuries. Although Lost Time Injuries show a slight increase, we introduced changes to our reporting system in 2013 to include incidents that resulted in over one day's absence, rather than only those that resulted in over three days' absence.[1]

Like-for-like improvements have also been made in the number of Lost Time Injuries when compared to the previous reporting requirements.

The Group 2013 Accident Frequency Rate for 2013 increased to 0.62 compared to 0.60 in 2012. Notwithstanding this rise, there were a number of improvements in the divisions. Notably, EMEA had the largest reduction in AFR during 2013, from 1.3 down to 0.8.

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

Divisional initiatives and plans

During 2013 there have been a number of notable safety initiatives undertaken by the Group and its divisions.

North America

North America maintained a low accident frequency rate throughout the year through a programme to develop employees' competencies. One example of this was the 'Driller School Programme' where each region evaluated and categorised each driller based upon experience and completion of competency examinations. These have been graded, with the best being classed 'Master Driller'. This was supplemented by running accident reduction programmes and implementing a mandatory 'carry glove' policy across the division.

EMEA

EMEA made a significant step change in its safety performance in 2013. Recognising that an important component of achieving a stronger safety culture would be the inputs from site-based leadership teams, EMEA's senior management introduced a 'Supervisors' Safe Production Forum' where supervisors and line managers were asked to put forward initiatives to enhance both production and safety. A second strategic risk reduction initiative was the implementation of a division-wide safety awareness campaign focused on hands and feet injury prevention, which has contributed to a reduction of these accidents and incidents at work.

As a mechanism for improving the competency of its rig operators, a pilot study was undertaken in Spain using a simulator. This has proved very positive in terms of being able to simulate different working conditions and emergency procedures.

As set out above, the division has reduced its AFR in 2013. Further to the acquisition of Franki Africa, management are working to identify and to mitigate the safety risks in that business.

Asia

Asia also made significant improvements in its management of safety risk. Over the year, the division focused on a number of core areas: up-skilling its employees through a tailored safety awareness programme at its sites; a safety training programme delivered across India; recruiting new staff to support the business growth in a safe way; and investing capital to refurbishing its yards and depots.

Australia

All business units in Australia had achieved certification to the Australian Safety Management System standard AS 4801 by the end of 2013. Three business units implemented a programme of safety road shows (Frankipile and Vibropile) and safety forums (Piling Contractors) whilst Waterways achieved the prestigious Australian Federal Government's Safety Accreditation, so further expanding Government work available to it in the future.

2014 and beyond

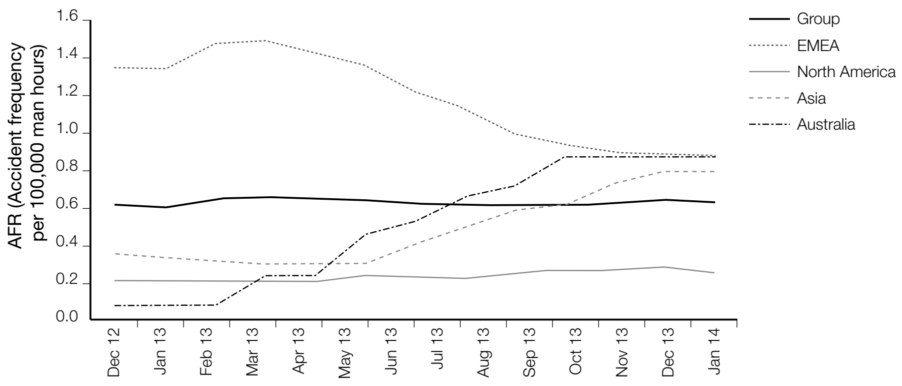
During December 2013, a formal structured HSE review was undertaken, looking at all incidents and initiatives that had taken place thoughout the year and aimed at reducing or mitigating health and safety risks. From that review, a number of longer-term, Group-wide objectives have been set by senior management and agreed by the HSE Committee.

These cover the high-risk areas of the business and include the following improvement areas that will commence in 2014, with varying completion dates up to and including 2018:

- a reduction in incidents associated with heavy plant and equipment;
- a reduction in injuries to hands and feet;
- improving our occupational health provisions across the Group; and
- further development of the Think Safe system by way of the implementation of OHSAS 18001 or an equivalent standard.

We will report on our activities and progress in meeting these objectives in next year's report.

12-month rolling AFR



Keller Group's AFR Dec 2012 – Jan 2014

[1] In considering the out-turn value however, it is important to take into consideration the following factors: the changes in reporting have increased the number, there have been consistent improvements in reporting over the last two years and new businesses have been included such as Brazil and Canada.

Environment and sustainability performance

Keller is committed to minimising its impact on the environment and complying with its statutory and regulatory obligations.

Being a global organisation, this inevitably requires constant attention and diligence at both Group and divisional level.

During 2013, an independent review was commissioned of Keller's sustainability and its environmental performance. The review presented a snapshot of many good practices that positively contribute to minimising our environmental impacts, as well as those of our clients. These included geotechnical designs to minimise carbon intensive materials (e.g. use of stone columns and plasticisers), reduction in geotechnical footprint (thus reducing materials overall) and accreditation to the international standard ISO 14001 for environmental management systems, which has now been achieved by a number of companies in the Group.

Accreditation is a significant achievement and underlines our recognition of the importance of environmental management to our clients. Keller has also invested in new photovoltaic technology in its desire to become more energy efficient and sustainable. One example of this can be found in the UK, where a full-size solar panel roof has been installed on a workshop building in Coventry, capable of generating up to 45 kWh of electrical energy, around half of which we will use ourselves whilst the rest is exported to the National Grid.

The recycling of materials has also been implemented by a number of the divisions.

Carbon reporting
This year, we have extended our carbon reporting to cover the majority of entities within the Keller Group, a significant undertaking. At the same time we have adopted a standard reporting framework: the International Greenhouse Gas Protocol Corporate Accounting and Reporting Standard.

In doing so, we have fulfilled our requirements under the UK's Greenhouse Gas Emissions (Directors' Reports) Regulations 2013.

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

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

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

Data gaps and exclusions
We believe that the collection of data in relation to our material emissions in 2013 will provide the evidence base for delivering significant energy-efficiency gains in future years.

93% of our entities were able to provide data on their primary emission sources. Next year we plan to improve upon this figure and extend our reporting to other activities and greenhouse gases.

Results

Summary Scope 1 and 2 GHG emissions for the Keller Group are shown below. Due to changes in reporting boundaries, these 2013 figures are not comparable with earlier years.

Global GHG emissions data for the year ended 31 December 2013

Emissions from:	Tonnes of CO_2e
Scope 1 – Combustion of fuel and operation of facilities	135,179
Scope 2 – Electricity, heat, steam and cooling purchased for own use	6,225
Total	**141,404**
Intensity measurement: Absolute tonnes equivalent CO_2 per £m of revenue	98

Third-party assurance statement

Keller Group plc appointed Best Foot Forward, part of the global Anthesis Consulting Group, to provide independent assurance on the 2013 Scope 1 and Scope 2 GHG accounts presented above. Their summary opinion is provided below (full opinion and recommendations are available on request):

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

Best Foot Forward, February 2014

Group-wide objectives for 2014 and beyond

The formal structured HSE review detailed in our Safety report on page 22 also looked at Keller's environmental risks. Over the longer term we will seek to ensure that we have robust assurance processes in regard to compliance with environmental regulation. We will also increase our employees' awareness of our responsibilities in this area and we will further assure the robustness and integrity of our carbon data monitoring and reporting.

Workplace and people

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

9,000
employees worldwide

Being a responsible employer

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

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

Diversity

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

Given our broad geographic footprint and our policy of employing local managers, we are culturally very diverse as a Group. Gender diversity at the Board level is discussed in the Corporate Governance Report on page 31. Below Board level, women represent 8% of our senior managers (being managing directors and their direct reports, or equivalent) and 8% of our engineers and contract managers. Our research of others in our sector indicates that these numbers are not unusual for our industry.

During 2012, we surveyed our women managers to identify what they perceive as the barriers which might prevent some women from joining the Group or progressing within it; and how they can best be supported to meet their career goals within Keller. The results showed that around 80% of respondents thought that Keller offers a female-friendly working environment, although a number of barriers to progress were identified. Mentoring and flexible working were seen by respondents as two of the most appropriate ways to improve the promotion of women to senior management positions and we continue to explore how these might be introduced in parts of the Group where they are not already in place.

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.

Communications and training

Maintaining a strong dialogue with our employees can be challenging in such a geographically diverse group, with a mix of professional, white and blue-collar workers, many of whom are site-based and often in remote locations. Our internal communications draw on a wide variety of media and forums including the internet, Company newsletters, consultative councils, suggestion schemes, roadshows, electronic messaging as well as informal, Company-wide social events.

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

In addition to safety, technical and competency-based training, management training programmes operate at a divisional level. For example, within EMEA, Keller UK, which has been an 'Investors in People' employer since 2005, has a development programme called 'Keller Futures', which includes management leadership modules specifically aimed at improving skills, competencies and behaviours of site supervisors, engineers and middle managers.

At the Group level, we run a strategic development programme, through which every 18 months some 25 senior managers from around the Group participate in three modules, each lasting one week. The last programme finished in April 2013 and the next programme will commence in June 2014.

Keller Australia has adopted a similar programme, which produced its first graduates in 2013 – 17 middle and senior managers who completed a four-module programme over two years.

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.

Communities

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

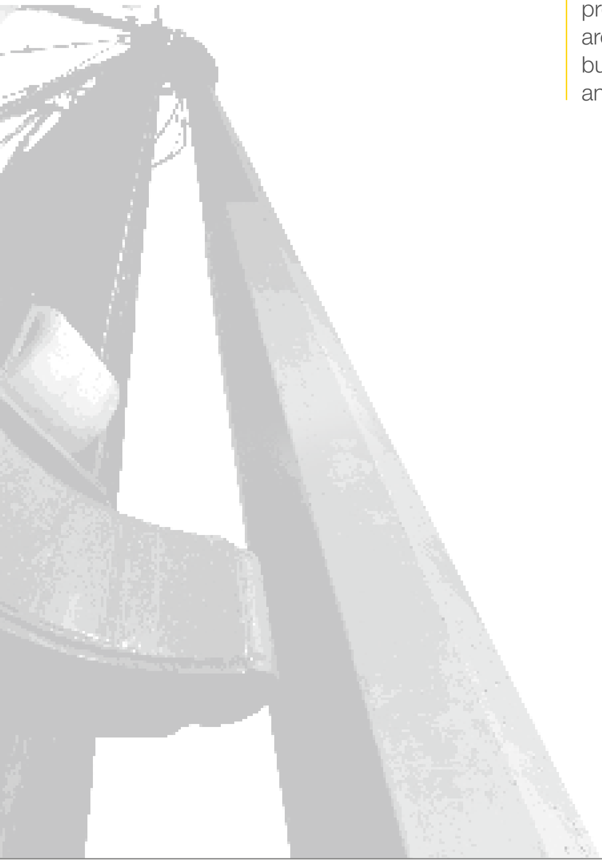
Geotechnical community
Most of our companies take a leadership role within their industry by providing employees, customers, suppliers and potential employees with technical papers, seminars, field trips and site visits. Staff from companies throughout the Group maintain close contact with partner universities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

For example, Hayward Baker has partnered with three US universities to assist in the development of rational design methods for using ground improvement for liquefaction remediation.

In the UK, we support research projects with a sustainability focus, including MSc courses run by Birmingham University which are investigating:

- the design of crib retaining wall systems for reducing granular fill;
- the use of recycled aggregates for vibro stone columns;
- fibre-reinforced stabilised walls; and
- foundations for onshore wind turbines.

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. Also, our work comes right at the start of a project and we are typically on and off the project very quickly; and our job sites are often in remote locations, where we have no interface with members of the public. There are occasions when we are working in built-up areas or in proximity to the public, such as the London Crossrail and Victoria Station Upgrade projects, and on any such projects in particular we strive to reduce our noise and dust levels and to conduct our work in a considerate manner.

Typically, where we have some community engagement, it is by supporting our employees when they get involved with community groups and local charities. The benefit of these activities is twofold: for the business there is benefit in terms of Company profile and employee satisfaction and development; and there is also a direct benefit to the communities concerned. In the UK, we operate a matching scheme, whereby donations made by employees to registered charities are matched by the Company. We also organise Work in the Community days, where employees can give up some of their working time to support worthwhile projects.

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

Our Strategic report, from page 1 to page 27, has been reviewed and approved by the Board of Directors on 3 March 2014.

By order of the Board

Kerry Porritt
Company Secretary

3 March 2014

Board of Directors

1 Justin Atkinson
Chief Executive
Joined the Group in 1990. Group Financial Controller from 1995–99. Appointed Finance Director in 1999, Chief Operating Officer in 2003 and Chief Executive in 2004. Member of the Nomination Committee. Justin is a Chartered Accountant by training. Age 53.

2 James Hind
Finance Director
Joined the Group in 2003 from D S Smith plc, where he was Group Financial Controller. Qualified as an accountant with Coopers & Lybrand, with whom he later spent two years in their New York office advising on mergers and acquisitions. Age 49.

3 Wolfgang Sondermann
Director, Global Technology & Best Practice
A Geotechnical Engineer by training, Wolfgang joined the Group in 1986. Appointed Managing Director, Keller Holding GmbH in 1998. Managing Director, CEMEA in 2001 and Director, Global Technology & Best Practice in January 2012. Appointed to the Board in 2003. Age 63.

4 Roy Franklin
Non-executive Chairman
Appointed to the Board in 2007 and as Chairman in 2009. Chairman of the Nomination Committee. Roy is a Non-executive Director of Australian-listed companies Santos Ltd and Boart Longyear Ltd. He is also an Advisory Board Member of Kerogen Capital and a Non-executive Director of privately held Cuadrilla Resources Holdings Limited. Formerly Chief Executive of Paladin Resources plc and Group Managing Director of Clyde Petroleum plc, following various senior management posts at BP. Roy is a Geologist by training. Age 60.

5 Ruth Cairnie
Non-executive Director
Appointed to the Board in 2010. Ruth is a member of the Nomination and Health, Safety & Environment Committees and is Chair of the Remuneration Committee. She is Executive Vice President Strategy & Planning at Royal Dutch Shell Plc. Her current role follows a number of senior international roles within Shell, including Vice President of their Global Commercial Fuels business and serving on the boards of Shell Pakistan Ltd and joint venture companies in Germany and Thailand. Ruth is a Physicist by qualification. Age 60.

6 Chris Girling
Non-executive Director
Appointed to the Board and the Audit, Remuneration and Nomination Committees in 2011, Chris is Chairman of the Audit Committee. He is a Non-executive Director of Arco Limited and Workspace Group PLC and the independent Chairman Trustee for Slaughter and May's pension fund. A Chartered Accountant by training, Chris was formerly Group Finance Director of Carillion plc. Age 60.

7 Paul Withers
Senior Independent Director
Appointed to the Board and as a member of the Audit, Nomination, Remuneration and Health, Safety & Environment Committees on 17 December 2012. Paul is a Non-executive Director of Devro PLC, Premier Farnell plc and Hyder Consulting PLC. A Mechanical Engineer by qualification, he was formerly Group Managing Director of BPB plc, the international building materials business, following various senior roles there. Age 57.

8 Kerry Porritt
Group Company Secretary
Appointed Group Company Secretary in 2013. Kerry is a Fellow of the Institute of Chartered Secretaries and Administrators. Age 43.

Executive Committee

1 Justin Atkinson
Chief Executive
See opposite for biography.

2 James Hind
Finance Director
See opposite for biography.

3 Wolfgang Sondermann
Director, Global Technology & Best Practice
See opposite for biography.

9 Eduard Falk
Managing Director, EMEA
Joined the Group in 1987 and, following various senior management roles, appointed as Managing Director, Continental Europe in 2010 and as Managing Director, Europe, Middle East and Africa (EMEA) in 2012. Appointed to the Group Executive Committee in 2012. Eduard is a Geotechnical Engineer by training. Age 53.

10 Venu Raju
Managing Director, Asia
A Geotechnical Engineer by training, Venu joined the Group in 1994. Appointed as Managing Director, Keller Singapore & Malaysia in 1999 and as Business Unit Manager, Keller Far East in 2009. Appointed as Managing Director, Asia and to the Group Executive Committee in 2012. Age 52.

11 Mark Kliner
Chief Executive, Keller Australia
Joined the Group in 2006 when Keller acquired Piling Contractors. Appointed as Managing Director of Piling Contractors in 2007 and as CEO of Keller Australia in 2010. Appointed to the Group Executive Committee in 2012. Mark is a Civil and Structural Engineer by qualification. Age 50.

12 John Rubright
Managing Director, Keller North America
Joined the Group in 1986. Appointed as Senior Vice-President, Southern Region, of Hayward Baker in 2005, President of Hayward Baker in 2011 and as Managing Director, Keller North America in 2013. Appointed to the Group Executive Committee in 2012. John is a Civil Engineer by qualification. Age 50.

13 Jim De Waele
Business Unit Manager, Europe
A Civil Engineer by qualification, Jim joined the Group in 2008 as Managing Director, Keller UK from Stent Foundations, where he had been Managing Director. Appointed to the Group Executive Committee in 2012 and as Business Unit Manager, Europe in 2013. Age 46.

14 Michael Sinclair-Williams
Group HSE Director
Joined Keller in 2012 as Group Health, Safety & Environment Director. With a varied background in senior safety and operational roles, Michael holds a PhD in Risk/Quality Management. Appointed to the Group Executive Committee in 2013. Age 52.

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

Corporate governance

Roy Franklin
Chairman

Chairman's letter

Dear Fellow Shareholder

Keller Group plc is subject to the UK Corporate Governance Code (the 'Code'). The Code encourages me to report personally on how its principles relating to the role and effectiveness of the Board have been applied, and I am pleased to do so.

At Keller, the Board of Directors is accountable to shareholders for ensuring that effective governance processes are in place and complied with. The Board's role is to:

- create value for shareholders;
- provide entrepreneurial leadership of the Group;
- govern the Group within a framework of prudent and effective controls which enable risk to be assessed and managed;
- approve the Group's strategic objectives; and
- ensure that sufficient resources are available to enable it to meet those objectives.

We choose to maintain the highest standards of corporate governance as we believe these should help to facilitate the success of the Company and sustain this over time. An important distinction is that management, led by the Chief Executive, is responsible for running the business while the Board, acting under my leadership, creates and oversees the Company's governance framework and provides the constructive challenge to management necessary to deliver accountability and drive performance. Our effectiveness in doing this should make a material difference in terms of the creation and preservation of value for shareholders, and to the benefit of other stakeholders.

Board composition is therefore of enormous importance and there are three critical dimensions: the balance of skills and experience; maintaining a strong level of independence and objectivity; and ensuring that all members have sufficient knowledge of the Group and the context in which we operate.

During 2013, we undertook an externally facilitated review of the performance of the Board, its Committees and individual Directors. This was a searching process managed by Spencer Stuart, an experienced independent firm of consultants with no other connection to Keller, under my direction. A fuller description of the process is set out on page 32 of this report, together with an overview of the areas for improvement resulting from the review. We will report to you next year on how we have progressed against those improvements. On page 35 I further describe the process that we commenced in November 2013 to recruit a new Non-executive Director to the Board and we will report on progress in due course.

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

Yours faithfully

Roy Franklin
Chairman

3 March 2014

Throughout the financial year ended 31 December 2013, we have complied with the provisions set out in the UK Corporate Governance Code. The Code is publicly available at the website of the Financial Reporting Council (www.frc.org.uk). This corporate governance section of the Annual Report and Accounts describes how we have applied the main principles of the Code.

The Board

The Group is controlled through its Board of Directors. The Board has formally adopted a schedule of matters reserved to it for decision, including:

- setting Group strategy and approving the annual budget;
- reviewing operational and financial performance;
- approving major acquisitions, divestments and capital expenditure;
- reviewing the Group's systems of internal controls and risk management;
- ensuring that appropriate management development and succession plans are in place;
- providing leadership for, and reviewing the Group's performance in health, safety and environmental matters;
- approving appointments to the Board;
- approving policies relating to Directors' remuneration and Directors' contracts as well as accounting, dividend and treasury policies; and
- undertaking a formal and rigorous review annually of its own performance and that of its Committees and Directors.

Directors and Directors' independence

The Board currently comprises the Chairman, three other Non-executive Directors and three Executive Directors. The names of the Directors at the date of this report, together with their biographical details, are set out on page 28. All of these Directors served throughout the year. In addition, Gerry Brown and Bob Rubright both served on the Board until 23 May 2013 and David Savage was a Director until 3 October 2013.

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

Ruth Cairnie, Chris Girling and Paul Withers are all considered to be independent Non-executive Directors and David Savage was also considered an independent Non-executive Director during his time in office. Gerry Brown was not considered to be independent under the Code as he had served on the Board for more than ten years. Roy Franklin was independent at the time of his appointment as Chairman on 1 August 2009. His other professional commitments are as detailed on page 28.

Board diversity

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

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

The Board, as at the date of this Annual Report and Accounts, comprises 14% women – one woman: six men (10% at 4 March 2013 – one woman: nine men).

Within the Keller Group, our overall senior management population comprises 8% women and women employees account for 18% of the organisation as a whole.

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

The roles of the Chairman and Chief Executive

There is a clear division of responsibilities between Roy Franklin as Non-executive Chairman and Justin Atkinson who, as Chief Executive, is the Director ultimately responsible for the running of the Group's business.

The Chairman is responsible for the following matters pertaining to the leadership of the Board:

- ensuring appropriate Board composition;
- ensuring effective Board processes;
- setting the Board's agenda;
- ensuring that Directors are properly briefed in order to take a full and constructive part in Board and Board Committee discussions;
- ensuring effective communication with shareholders; and
- ensuring constructive relations between Executive and Non-executive Directors.

The Chief Executive is responsible for the following matters:

- formulating strategy proposals for the Board;
- formulating annual and medium-term plans charting how this strategy will be delivered;
- apprising the Board of all matters which materially affect the Group and its performance, including any significantly underperforming business activities; and
- leadership of executive management to enable the Group's businesses to deliver the requirements of shareholders: ensuring adequate, well-motivated and incentivised management resources; ensuring succession planning; and ensuring appropriate business processes.

Corporate governance
continued

Senior Independent Director

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. Paul Withers, who is Senior Independent Director for Keller, is available for shareholders to consult. The Board has agreed that Paul Withers will act as Chairman of the Board in the event that Roy Franklin is unable to do so for any reason.

Company Secretary

All Directors have access to the advice and services of the Company Secretary. Jackie Holman resigned as Company Secretary with effect from 18 November 2013 to take up an executive role within Keller. Jackie was succeeded by Kerry Porritt, a qualified Chartered Secretary and a Fellow of the Institute of Chartered Secretaries and Administrators. Kerry is responsible for ensuring that the Board operates in accordance with the governance framework it has adopted and that there are effective information flows to the Board and its Committees and between senior management and the Non-executive Directors.

The appointment and resignation of the Company Secretary is a matter for consideration by the Board as a whole.

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, 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 2013, the Directors received updates on various best practice, regulatory and legislative developments, including: 2013 changes to directors' remuneration reporting regulations; and changes to the UK Corporate Governance Code impacting on the work required to be performed by the external auditor.

Board evaluation

In February 2013, the Board appointed Spencer Stuart, an experienced independent firm of consultants, to assist the Chairman in a review of the performance of the Board, its Committees and Directors.

As part of the review, present and former Board members, senior managers and a number of external advisers who interact with the Board were interviewed. The review covered: the Board dynamics, its culture and climate, working as a team and the quality of Board discussion; the organisation and working of the Board Committees, including membership, information and support materials and topics covered; the composition of the Board, including the skill sets of Directors, their knowledge of the business and the balance between Executive and Non-executive Directors; and the Board's relationships and communications with shareholders and other stakeholders.

Findings of the review were reported and discussed with the Board at its meeting in June 2013. In summary, good progress had been made since the 2012 evaluation, particularly with regard to health and safety; however, the Board agreed to take steps to ensure continued focus in the areas of: executive succession planning; Board composition; and in defining the longer-term strategy of the business.

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

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.

Board meetings

The Board had eight scheduled meetings during the year. A table showing attendance at these meetings is set out on page 33. It is usual for Directors who cannot attend a given meeting to share their views on the business of the meeting in advance with the Chairman or the Senior Independent Director.

During the financial year, the Board convened an additional number of ad hoc committee meetings, the majority of which related to acquisitions and related financing.

As part of our policy of holding at least one Board meeting a year at an operational location, one of the Board meetings in 2013 was held in the United States and another was in Australia, giving the Board an opportunity to receive presentations on markets and prospects in those regions, to visit operational sites and to meet a number of the Group's senior managers.

The number of full Board meetings attended by each Director during the year was as follows:

	Board
J R Atkinson	8/8
E G F Brown*	3/3
L R Cairnie	8/8
R A Franklin	8/8
C F Girling	8/8
J W G Hind	8/8
R M Rubright*	3/3
D G Savage**	6/6
W Sondermann	8/8
P N Withers	8/8

*Retired on 23 May 2013
**Retired on 3 October 2013

Board papers continue to be distributed by way of a secure electronic portal. Documents are normally made available on the portal five business days in advance of the meeting. The portal enables the Directors to receive papers quickly and to review these at a time convenient to them. It houses a secure reading room in which key data and documents are kept, which is maintained by the Company Secretary and is regularly updated.

Business conduct
The Group takes pride in its good reputation globally. The Business Conduct Programme continues to seek to promote honesty, fairness and integrity in relations between employees and their work colleagues, customers, suppliers, competitors and the communities in which they work. A whistle-blowing hotline is in place to facilitate the raising of any concerns, either by employees or external whistle-blowers.

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

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

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

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

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

The Chief Executive reports to the Board on significant changes in the business and the external environment that affect significant risks. The Finance Director provides the Board with monthly financial information which includes key performance and risk indicators.

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

(c) Management of project risk
Project risk is managed throughout the life of a contract from the bidding stage to completion.

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

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

Further detail on the management of project risk is provided in the section headed 'Principal risks and KPIs' on pages 10 and 11.

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

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

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

Corporate governance
continued

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

(h) Investments and capital expenditure
All significant investment decisions, including capital expenditure, are referred to the appropriate divisional or Group authority level.

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

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

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

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

(m) Whistle-blowing procedures
Employees are encouraged to raise genuine concerns about malpractice at the earliest possible stage and a confidential whistle-blowing hotline and e-mail address is available. Any issues raised are thoroughly investigated and reported back to the Audit Committee. The management of financial risks is described in the Financial review and the management of the principal risks and uncertainties facing the Group is described in the Operating review.

Relations with shareholders
A full Annual Report and Accounts is sent to all shareholders. The Group maintains a corporate website, containing a wide range of information of interest to investors, including presentations to institutional investors and analysts. The website is updated with all formal communications to the investment community immediately following their release through a regulatory news service, in compliance with Keller's obligations under the Listing Rules and Disclosure and Transparency Rules.

Throughout the year, the Chief Executive and Finance Director regularly meet with, and make presentations to, institutional investors in the UK, Continental Europe and the US. These include meetings following the announcement of the annual and interim results with the Company's largest institutional shareholders on an individual basis. All major shareholders have the opportunity on request to meet the Chairman, the Senior Independent Director or, on appointment, any new Non-executive Directors. On a regular basis, the Board is apprised of the views of the investment community through the circulation of brokers' research notes and feedback from analysts and investors, supplemented by occasional investor perception surveys.

In 2013, the Chairman of the Remuneration Committee commenced a consultation with Keller's top shareholders with regard to proposed changes to the Company's remuneration policy. Further details can be found in her report to shareholders on page 42.

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

Board Committees
The Board has established four permanent Committees that deal with significant aspects of Keller's affairs. These are: the Nomination Committee; the Audit Committee; the Health, Safety & Environment Committee; and the Remuneration Committee. The Company Secretary acts as Secretary to all the Committees. Reports of each of the Chairmen of the Committees follow.

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.

By order of the Board

Kerry Porritt
Company Secretary

3 March 2014

Roy Franklin
Chairman of the Nomination Committee

Nomination Committee

Dear Fellow Shareholder

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

The Committee keeps under review the balance of skills on the Board and the knowledge, experience, length of service and performance of the Directors. The members of the Committee in 2013 were the independent Non-executive Directors and the Chief Executive, Justin Atkinson.

During the year, the Committee: considered the composition of the Board; reviewed and agreed proposals for an executive talent development programme and recommended the appointment of a firm of external human resource consultants to facilitate the programme; approved the appointment of external search consultants to initiate a search process for a new Non-executive Director to the Board; and reviewed its terms of reference.

The resignation of David Savage in October of 2013 created an unexpected vacancy for a Non-executive Director on the Board. After meeting a number of external search consultants, the Committee appointed Heidrick & Struggles to assist with the search in December 2013. Heidrick & Struggles has no connection to Keller other than the provision of this service. The search is progressing positively and we will report on the outcome in due course.

Keller and the Committee continue to encourage and welcome interest from women, as from other candidates who will add to the Board's diversity. The Board's overriding objective is to continue to provide effective leadership and, therefore, the Committee continues to recommend for appointment only the most appropriate candidates to the Board in line with the criteria set out on page 31. There are, therefore, no formal targets set for female representation at Board level.

In accordance with the requirements of the UK Corporate Governance Code, all members of the Board will seek re-election at the Annual General Meeting in May 2014. In December 2013, the Committee formally reviewed the performance, contribution and commitment of each of the Directors retiring at this year's Annual General Meeting and seeking reappointment, and supported and recommended their reappointment to the Board. The Committee has confirmed that each Director continues to perform well both on an individual and collective basis, making a valuable contribution to the Board's deliberations and demonstrating commitment to Keller's long-term interests.

	Nomination
J R Atkinson	2/2
R A Franklin	2/2
L R Cairnie	2/2
C F Girling	2/2
D G Savage*	1/1
P N Withers	2/2

*Retired on 3 October 2013

Each Committee meeting complied with the terms of reference in that a minimum of two members were in attendance, being independent, Non-executive Directors. The full terms of reference for the Committee can be found on our website and are also available from the Company Secretary.

Corporate governance
continued

Chris Girling
Chairman of the Audit Committee

Audit Committee

Dear Fellow Shareholder

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

The Committee assists the Board in discharging its responsibility for ensuring that the Group's financial systems provide accurate and up-to-date information on its financial position and that the Group's published financial statements represent a true and fair reflection of this position. It also reviews annually the Group's systems of internal control and the processes for monitoring and evaluating the risks facing the Group. The members of the Committee in 2013 are set out below. All served on the Committee throughout the year except where indicated and all apart from Gerry Brown were considered by the Company to be independent. The Board has satisfied itself that at least one member of the Committee has recent and relevant financial experience.

C F Girling (Chairman)
E G F Brown (until 23 May 2013)
D G Savage (until 3 October 2013)
P N Withers

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

The Committee met five times during the year, all with the Company's Auditors in attendance, and on two of these occasions, the Committee met privately with the Auditors without management being present.

	Audit
E G F Brown*	1/2
C F Girling	5/5
D G Savage**	4/4
P N Withers	5/5

*Retired on 23 May 2013
**Retired on 3 October 2013

Each Committee meeting complied with the terms of reference in that a minimum of two members were in attendance, being independent, Non-executive Directors. The full terms of reference for the Committee can be found on our website and are also available from the Company Secretary.

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

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

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

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

- accounting for construction contracts. The main factors considered when making those estimates and judgments include the percentage of work completed at the balance sheet date on longer-term contracts, the costs of the work required to complete the contract and the outcome of claims and variations raised against customers and claims raised against the Group by customers or third parties. The Committee has reviewed a report prepared by management on the key estimates and judgments relating to construction contracts having a material impact on the Group's result for the year.
- accounting for acquisitions. The Group makes judgments and estimates in assessing the fair value of the assets and liabilities acquired and in estimating the fair value of any contingent consideration payable. The fair values of intangible assets and the estimate of contingent consideration is also based on assumptions, including the forecast results of the acquired businesses. For 2013, the Committee has considered the approach to the fair value exercise for the Group's acquisitions in the year, in particular the acquisition of Keller Canada. The Committee has also reviewed the assumptions used in valuing the material intangible assets and the forecast results for determining an estimate of the contingent consideration to be paid. In addition, the Committee has considered the judgments and approach in assessing the fair value of property, plant and equipment.
- the carrying value of goodwill. The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy set out in note 2 to the financial statements. The Group estimates the recoverable amount based on value in use calculations. These calculations require the use of assumptions, the most important being the forecast revenues, gross margins and the discount rate applied. The key assumptions used for the value in use calculations are set out in note 13 to the financial statements. The Committee has reviewed the key assumptions used for all impairment tests of material goodwill balances. In particular, this review has focused on Keller Limited (UK) where there is the most uncertainty surrounding the projections used in the value in use calculation.

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

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

Corporate governance
continued

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

KPMG, and its predecessor firms, has been the Company's Auditor since the Company first listed on the London Stock Exchange in 1994. During the year, the Committee recognised that the length of tenure of auditors has been a topic of much debate. In addition, following the conclusion of the 2013 audit, the Company's lead audit partner will be required to rotate off the audit of the Group. A decision was therefore taken to review the external audit arrangements and the Committee issued a request for proposal ('RFP') in September 2013 to all of the 'Big Four' audit firms (Deloitte, EY, KPMG and PricewaterhouseCoopers) to provide external audit services with effect from the 2014 financial year. Given the geographical profile of the Group, the Committee considered it appropriate to only extend the RFP to the 'Big Four' audit firms.

The key criteria in assessing each of the firms in the tender process primarily related to the experience and cultural fit of the proposed teams, including the proposed teams in key locations, and an assessment of the overall audit approach and quality.

Following a robust tender process, the Committee recommended to the Board that KPMG be re-appointed as the Company's Auditor. Going forward, the Company will comply with the relevant tendering and auditor rotation requirements applicable to the Company under UK and EU regulations.

As a result of a change to KPMG's legal structure, KPMG Audit Plc has notified the Company that it is not seeking re-appointment; KPMG LLP is seeking appointment in its place. KPMG Audit Plc has provided the Company with a statement of circumstances. The resolution to appoint KPMG LLP will be put to shareholders at the Annual General Meeting to be held in May 2014.

The Committee also undertook an assessment of the effectiveness of the external audit process of the 2012 financial statements. This assessment focused on: the calibre of the audit firm (including reputation, presence in the industry, size, resources and geographic spread); its quality control processes; the quality of the team assigned to the audit; the audit scope, fee and audit communications; and the governance and independence of the audit firm. This process was supported by the completion of a questionnaire by each material Keller business and the divisional finance teams following the conclusion of the audit. The questionnaire covered areas such as the quality of audit team, their understanding of the business, and the management of and approach to the audit. Where appropriate, actions were agreed against the points raised and will be monitored for progress.

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

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

In the previous five years, the ratio of non-audit related fees paid to the Auditor averaged 40% of the total audit fee. In 2013, this ratio increased to 84%. However, of the total non-audit related fees paid to the Auditor in 2013 of £1.1 million, £0.7 million related to the audit and accountancy work associated with the Group's acquisition of Keller Canada during the year, for which it was concluded that KPMG was best placed to support the Group. Excluding these services, the ratio of non-audit related fees paid to the Auditor reduces to 31% of the total audit fee.

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

Internal audit
PricewaterhouseCoopers continues to provide a structured programme of independent, outsourced reviews of all material business units at least once every four years. During 2013, the Audit Committee received and considered reports from PricewaterhouseCoopers which detailed the progress against the agreed work programme for 2013. This programme covered reviews of business units in eight countries, which together represented approximately 15% of the Group's turnover for the year. In October, the Committee formally reviewed the effectiveness of these arrangements, concluding that the internal audit arrangements were appropriate and effective.

Paul Withers
Interim Chairman of the HSE Committee

Health, Safety & Environment ('HSE') Committee

Dear Fellow Shareholder

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

The members of the Committee in 2013 are set out below. All served on the Committee throughout the year except where indicated and all except for Gerry Brown were considered by the Company to be independent.

D G Savage (Chairman until 3 October 2013)
P N Withers (appointed Interim Chairman from 3 October 2013)
E G F Brown (until 23 May 2013)
L R Cairnie

	Health, Safety & Environment
E G F Brown*	2/2
L R Cairnie	4/4
D G Savage**	3/3
P N Withers	4/4

*Retired on 23 May 2013
**Retired on 3 October 2013

The Chief Executive and the Group Health, Safety & Environment Director attend all meetings of the Committee.

The Committee met four times during the year and discharged its responsibilities by:

- reviewing the Group's safety performance in 2013 against its plan;
- approving the Group's 2014 health, safety and environment plan;
- receiving safety performance reports and updates on progress against the 2013 health, safety and environment plan;
- recommending to the Board a Statement of Safety Principles; and
- receiving updates on regulatory and legal developments.

Further detail on the Company's activities and progress in this area can be found in our Corporate Responsibility Report on pages 22 to 23.

Each Committee meeting complied with the terms of reference in that a minimum of two members were in attendance, being independent, Non-executive Directors. The full terms of reference for the Committee can be found on our website and they are also available from the Company Secretary.

Remuneration report

Annual statement

Ruth Cairnie
Chairman of the Remuneration Committee

Dear Fellow Shareholder,

It is my pleasure to present the Directors' Remuneration Report for the year ended 31 December 2013. This report explains the Group's remuneration policy and provides details of the remuneration paid to Executive and Non-executive Directors for services to the Company during the year.

Remuneration overview
The remuneration policy at Keller has two key purposes: firstly, to provide a clear link between performance and reward and ensure that the Executive Directors' interests are closely aligned with those of our shareholders. Accordingly, when performance has been disappointing, remuneration has reduced sharply and, equally, it is appropriate for improved performance to be reflected in higher rewards. Secondly, the remuneration policy should help us to attract, retain and motivate high-calibre executives to manage the business and deliver against our strategy.

During 2013, the Committee carried out a thorough review of our executive remuneration policy in anticipation of our current Performance Share Plan expiring this year. Our review confirmed that the current remuneration arrangements fit with our policy, being broadly competitive, rewarding measures that are well aligned to the business strategy and producing outcomes that have been a reasonable reflection of performance. The Committee did, however, identify a number of improvements that could be made to strengthen cross-regional collaboration, better mitigate the impact of cyclicality on incentive outcomes, and to simplify our incentives.

We are therefore proposing some adjustments to the operation of our annual bonus plan and Performance Share Plan while maintaining the overall remuneration opportunity broadly in line with prior arrangements. We have proactively engaged with our major shareholders on the proposed changes to the remuneration policy for 2014 onwards and I am pleased to report that there has been widespread support for our proposals.

Key changes to the operation of the annual bonus plan for 2014 onwards
- The introduction of discretion for the Committee to reduce bonuses (down to zero, if appropriate) in exceptional circumstances to take into account factors adversely impacting on the Company's reputation. This discretion would be in addition to the current safety underpin whereby bonuses may be reduced by up to 10% if pre-defined 'lead' safety targets are not delivered.
- An increase in the weighting placed on Group performance for all divisional Managing Directors to strengthen cross-regional collaboration.

Key changes to the operation of the Keller Group Performance Share Plan 2014
- For Awards to be made in 2014, it is proposed that the EPS performance range will be widened, with vesting at threshold reduced from 30% to 25% of maximum. The wider range is intended to help mitigate the impact of year-on-year volatility and help ensure awards remain motivational throughout the performance period.
- In light of Keller's return to the FTSE250 from the FTSE Small Cap, and to reflect better the Company's geographic footprint, we are proposing that the TSR comparator group be changed from the FTSE All-Share to the FTSE250 (excluding investment trusts) for 2014 Awards.
- We are also proposing TSR be calibrated using outperformance of the index (rather than a ranking), such that 25% of an Award will vest for performance in line with the Index, rising on a straight-line basis to full vesting if Keller's TSR exceeds that of the FTSE250 by 10% p.a. or more.

In 2012, we introduced formal shareholding guidelines for Executive Directors and clawback provisions to the annual bonus plan and the Performance Share Plan. These remain unchanged.

Further detail is provided later in the report.

Remuneration for 2013

Details of the remuneration decisions for 2013 are set out in the Directors' annual remuneration report following. The Committee is confident that the remuneration outcomes fairly reflect the strong performance over the year. In summary, for the year ended 31 December 2013, profit before tax* increased by 70% and earnings per share* by 59%. Annual bonus payments for 2013 (including any deferred amounts) will be made as follows: Justin Atkinson £564,064; James Hind £417,361; Wolfgang Sondermann €467,325; and Bob Rubright US$578,365.

Performance Share Awards granted in 2011 are measured using EPS and TSR targets; these targets were met in full and 100% of the Awards will vest in March 2014.

Remuneration for 2014

The Committee has set the Chief Executive's base salary at £468,000 with effect from 1 January 2014, an increase of 5%. In reaching its decision, the Committee considered the excellent performance delivered in 2013, which resulted in 82.7% growth in market-cap over the year, the increased scope and complexity of his role resulting from the three acquisitions made by the Company in 2013 and the fact that an average increase of some 2.1% over the last four years had resulted in a market positioning some 9% below median, evidenced by a benchmarking exercise undertaken during the year.

The base salaries of James Hind and Wolfgang Sondermann were also benchmarked during the year, and given that these were felt to be broadly competitive, their salaries were increased by 3% in line with general pay increases of between 3-5% across the Group. There has been no change to the quantum for any other element of Executive Director remuneration for 2014.

Remuneration disclosure

This report has been prepared in accordance with the provisions of the Companies Act 2006 and Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. It also meets the requirements of the UK Listing Authority's Listing Rules and the Disclosure and Transparency Rules.

The report is in two sections:

– The Directors' remuneration policy report (pages 42 – 47). This section contains details of the remuneration policy that we propose will apply from the Annual General Meeting ('AGM') on 22 May 2014; and
– The Directors' annual remuneration report. This section sets out the details of how our remuneration policy was implemented for the year ended 31 December 2013 and how we intend for the policy to apply for the year ending 31 December 2014.

At the AGM in May 2014:

– the Directors' remuneration policy report will be put to a binding shareholder vote;
– the Directors' annual remuneration report will be put to an advisory vote; and
– the Keller Group Performance Share Plan 2014 will be proposed to shareholders for approval.

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

Ruth Cairnie
Chairman of the Remuneration Committee
3 March 2014

*before exceptional items.

Remuneration report
continued

Remuneration policy

Directors' remuneration policy
Keller's remuneration policy is to provide a clear link between performance and reward and ensure that the Executive Directors' interests are closely aligned with those of our shareholders. The Company is subject to long construction business cycles, and its profits tend to follow those cycles. Accordingly, when performance has been disappointing, remuneration has reduced sharply – for example, Awards made under the Performance Share Plan in 2009 and 2010 did not vest – and, equally, it is appropriate for improved performance to be reflected in improved rewards. The remuneration policy should also help us to attract, retain and motivate high-calibre executives to manage the business and deliver against our strategy. The Committee believes that the remuneration policy outlined below, which, if supported, will apply from the date of the AGM, is correctly positioned to meet these two objectives.

Executive Directors are assessed individually on their performance against a mix of financial and personal strategic objectives so that their remuneration is directly related to their performance. The Committee has adopted the principle that basic salary should be set broadly in line with the median for executives in roles of comparable standing and that Executive Directors should be able to achieve total remuneration at the market upper quartile level when justified by exceptional performance.

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

Policy table

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

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

Remuneration report
continued

Remuneration policy continued

Notes to the policy table

Performance measure selection and approach to target setting
The measures used under the annual bonus plan are selected annually to reflect the Group's plans for the year and reflect both financial and non-financial priorities. The recent review of remuneration concluded that the measures and associated weightings used for 2013 remain appropriate and will therefore be broadly maintained for 2014. Performance targets are set annually to be stretching but achievable, with regard to the particular strategic priorities and economic environment in a given year.

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

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

Remuneration policy for other employees
Whilst the main elements of remuneration referred to in the table above are broadly reflected in the remuneration of the Group's senior managers, regional differences in some elements reflect local custom and practice. Participation in the Group's PSP is not offered outside of the senior management group and annual bonus plans have no deferred element, other than the US Retention Plan, which is offered to some 53 managers in North America. Generally, remuneration packages are designed to be locally competitive and appropriate to the jurisdiction in which they apply.

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

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

Non-executive Director remuneration

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.

Director	Date of engagement letter	Unexpired term (months as at 3 March 2014)
L R Cairnie	8 April 2010 (renewed on 30 May 2013)	27 months
R A Franklin	17 July 2007 (and 28 July 2009 as Chairman, renewed on 19 June 2012)	16 months
C F Girling	11 February 2011 (renewed on 14 January 2014)	36 months
P N Withers	17 December 2012	22 months

The Non-executive Directors are not eligible to participate in any incentive plans or pension arrangements. Details of the policy on fees paid to Non-executive Directors are set out in the table below:

Function	Operation	Opportunity	Performance metrics
Chairman and Non-executive Director fees. To attract and retain NEDs of the highest calibre with broad commercial and other experience relevant to the Company. Non-executive Directors do not participate in any incentive scheme.	Fee levels are reviewed annually, with any adjustments effective 1 January. The determination of fees, including that of the Chairman, has been delegated by the Board to the Executive Directors, who are guided by independent surveys of fees paid to NEDS of similar companies. The Chairman is paid a single, consolidated fee. The Non-executive Directors are paid a basic fee, plus additional fees for the chairing of a Board Committee and to the Senior Independent Director, which reflects the time commitment and responsibilities of their roles.	No maximum, but positioned broadly at median. It is not expected that increases will exceed those for the wider workforce or market NED fee inflation rates. However, in the event that there is a material change in the complexity, responsibility or time commitment required to fulfil a non-executive role, the Board has overall discretion to make an appropriate adjustment to fee levels. Aggregate fees are subject to the limit in the Company's articles of £500,000. Fees for the year commencing 1 January 2014 are set out in the Annual Report on Remuneration.	None.

Pay for performance scenarios

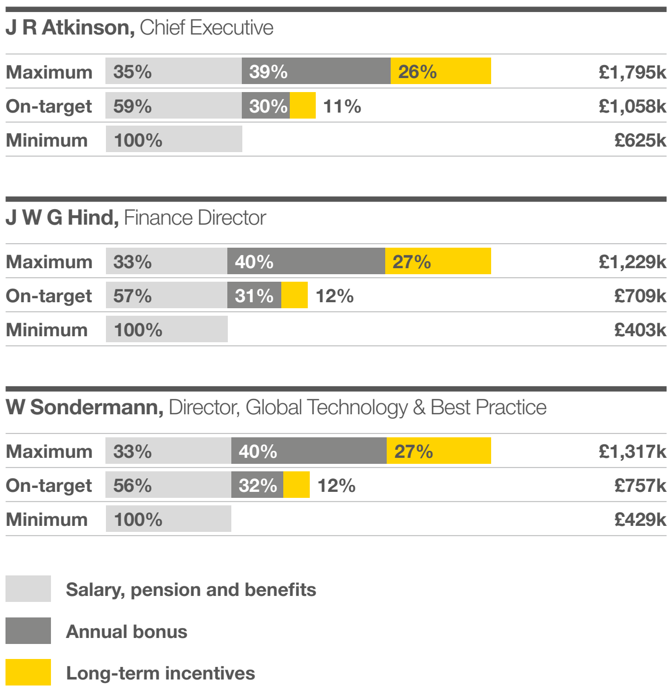
The charts opposite provide an illustration of the potential future reward opportunities for the Executive Directors, and the potential split between the different elements of remuneration under three different performance scenarios: 'Minimum', 'On-target' and 'Maximum'.

Potential reward opportunities are based on Keller's remuneration policy, applied to base salaries from 1 January 2014. Note that the PSP Awards granted in a year do not normally vest until the third anniversary of the date of grant, and the projected values exclude the impact of any share price movement on the value of underlying shares.

The 'minimum' scenario reflects base salary, pension and benefits (i.e. fixed remuneration), which are the only elements of the Executives' remuneration packages not linked to performance.

The 'on-target' scenario reflects fixed remuneration as above, plus bonus payout of 45% of maximum and PSP threshold vesting at 25% of maximum award.

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



Remuneration report
continued

Remuneration policy continued

Approach to recruitment remuneration

External Executive Director hires

In the case of appointing a new Executive Director from outside the Company, the Remuneration Committee may make use of all the existing components of remuneration, as follows:

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.	
Pension	New appointees may be eligible to receive pension contributions or an equivalent cash supplement in line with policy.	
Benefits	New appointees may be eligible to receive benefits in line with policy.	
Annual bonus	The structure described in the policy table will apply to new appointees with the relevant maximum being pro-rated to reflect the proportion of employment over the year. Targets for the individual element will be tailored to each executive.	150% of salary
Long-term incentives	New appointees may be granted awards under the PSP on the same terms as other executives, as described in the policy table.	200% of salary

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

Internal promotions to the Board

In cases of appointing a new Executive Director by way of internal promotion, the Remuneration Committee will apply the policy consistently as for external appointees detailed above. Where an individual has contractual commitments made prior to their promotion to Executive Director level, the Company will continue to honour these arrangements. The remuneration policy for other employees is set out on page 47. Incentive opportunities for below Board level employees are typically no higher than Executive Directors, but measures may vary.

Non-executive Directors

In recruiting a new Non-executive Director, the Remuneration Committee will utilise the policy as set out in the table on page 45.

Service contracts and exit payment policy

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

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

Director	Date of service contract	Notice period	Termination payment
J R Atkinson	6 March 2003	12 months	Maximum of basic annual salary plus the fair value of benefits for the unexpired portion of the notice period, subject to mitigation See opposite for treatment of incentives on termination in varying circumstances
J W G Hind	16 May 2003		
R M Rubright*	8 August 1977 (modified by memoranda of employment dated 5 March 2004 and 20 December 2011)		
W Sondermann**	12 February 1998 (modified by memoranda of employment dated 5 March 2004 and 20 December 2011)		

* Bob Rubright's service contract is with Hayward Baker Inc.
** Wolfgang Sondermann's service contract is with Keller Holding GmbH.

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

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

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

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

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

External appointments

The Board may allow Executive Directors to accept external appointments; however, in accordance with the Code, the Board will not agree to a full-time executive taking on more than one non-executive directorship, or the chairmanship of any company. None of the Executive Directors held external appointments during 2013.

Consideration of conditions elsewhere in the Group

When finalising the current policy for Executive Directors, the Committee considered pay and conditions elsewhere in the Group. The 5% increase in salary for the Chief Executive in 2014 compares with an average increase across the Group of 3–5%. However, when considering salary increases of the Executive Directors with those of the wider workforce, it should be noted that the workforce employed across the Group's geographically diverse businesses is not a homogenous group and its pay and conditions are designed to be competitive in, and appropriate to, the local employment market. The Committee does not seek the views of employees on its remuneration policy.

Consideration of shareholder views

The Committee does engage with its major shareholders, as appropriate. As part of our review of executive remuneration, in November 2013 we wrote to 17 of our largest shareholders and the major shareholder representative bodies to explain the outcome of the review, the changes proposed and associated rationale. Shareholders were offered the opportunity to discuss the proposals with the Remuneration Committee Chairman, and a small number had such discussions. No major concerns were raised, and overall we were encouraged at the widespread support for our proposals.

Remuneration report
continued

Annual remuneration report

The following section provides details of how Keller's remuneration policy was implemented during the financial year ended 31 December 2013. Where required, data has been audited by KPMG Audit Plc and this is indicated appropriately.

Single total figure of remuneration for Executive Directors

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

	J R Atkinson		J W G Hind		R M Rubright[1]		W Sondermann	
	2013 £	2012 £	**2013 £**	2012 £	**2013 £**	2012 £	**2013 £**	2012 £
Salary	**446**	433	**321**	311	**170**	392	**353**	328
Taxable benefits[2]	**16**	16	**13**	13	**7**	18	**13**	12
Pension benefit[3]	**134**	130	**58**	56	**18**	59	**59**	58
Single-year variable[4]	**564**	372	**417**	277	**209**	498	**397**	266
Multiple-year variable[5]	**710**	–	**511**	–	**622**	–	**576**	–
Total	**1,870**	951	**1,320**	657	**1,026**	967	**1,398**	664

This table and the associated footnotes have been subject to audit by KPMG Audit Plc.

[1] Bob Rubright retired from the Board on 23 May 2013.

[2] Taxable benefits consist primarily of a car and payment of its operating expenses or car allowance (£15,000, £12,000, £3,994 and £6,431 for Justin Atkinson, James Hind, Bob Rubright and Wolfgang Sondermann respectively), private health care; life assurance; and long-term disability insurance.

[3] See table on page 52 for a breakdown of pension benefits. 2012 figures have been restated to be calculated on a consistent basis with the revised reporting regulations.

[4] Bonus payments in excess of 100% of salary are deferred (satisfied in cash, adjusted in line with share price movements) over the three-year deferral period, commencing on the last day of the year to which the bonus relates (£118,164, £96,561, €51,925 and $108,532 for Justin Atkinson, James Hind, Wolfgang Sondermann and Bob Rubright respectively). See Annual Bonus in respect of 2013 performance on page 49 for further details.

[5] PSP Awards reflect those vesting based on performance to 31 December 2013. The market price on the date of vesting is currently unknown; the value is estimated using the average market value over the last quarter of 2013 of 1045.77p. See 2011 PSP vesting on page 50 for further details.

A significant proportion of the remuneration received by Directors during 2013 was due to share price appreciation on 2011 PSP Awards of some 70% since the date of grant. For this reason the total remuneration received was higher than the maximum remuneration opportunity shown on page 45.

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 2013 and the prior year:

	Total fees	
	2013 £	2012 £
E G F Brown[1]	**21,250**	49,000
L R Cairnie	**51,000**	47,000
R A Franklin	**155,000**	150,000
C F Girling	**51,000**	49,000
D G Savage[1]	**42,500**	49,000
P N Withers	**51,000**	2,000

This table and the associated footnotes have been subject to audit by KPMG Audit Plc.

[1] Gerry Brown retired from the Board on 23 May 2013. David Savage stood down on 3 October 2013.

Incentive outcomes for the year ended 31 December 2013

Annual bonus in respect of 2013 performance

The financial targets, together with the actual performance achieved against each target, are set out in the table below. The Committee did not exercise any discretion in relation to the financial performance targets. In addition, an element of bonus was linked to personal strategic objectives. This element related to up to 30% of salary for Justin Atkinson, James Hind and Bob Rubright and up to 40% of salary for Wolfgang Sondermann. In each case, up to 10% of total bonus was at risk if leading safety targets were not met.

Director	**2013 performance targets & outcomes**					
J R Atkinson	Group EPS	Group PBT	Group average net debt	–	Personal strategic objectives	Total
Weighting (% salary)	50%	50%	20%		30%	150%
Threshold	48p	£48.5m	£144m			
Target	55.6p	£54m	£134m			
Maximum	78p	£81m	£124m			
Actual	72.8p	£73.7m	£111.7m			
Awarded	42.3%	41.2%	20%		23%	126.5%
J W G Hind	Group EPS	Group PBT	Group average net debt	–	Personal strategic objectives	
Weighting (% salary)	50%	50%	20%		30%	150%
Threshold	48p	£48.5m	£144m			
Target	55.6p	£54m	£134m			
Maximum	78p	£81m	£124m			
Actual	72.8p	£73.7m	£111.7m			
Awarded	42.3%	41.2%	20%		26.6%	130.1%
R M Rubright	Group EPS	Group PBT	Local operating profit	Local average net debt	Personal strategic objectives	
Weighting (% salary)	15%	15%	70%	20%	30%	150%
Threshold	48p	£48.5m	$62m	$225m		
Target	55.6p	£54m	$72.5m	$215m		
Maximum	78p	£81m	$97m	$205m		
Actual	72.8p	£73.7m	$90.5m	$210.5m		
Awarded	12.1%	12.4%	62.1%	14.5%	22%	123.1%
W Sondermann	Group EPS	Group PBT	Group average net debt	Brazilian operating profit	Personal strategic objectives	
Weighting (% salary)	40%	40%	10%	20%	40%	150%
Threshold	48p	£48.5m	£144m	€2.2m		
Target	55.6p	£54m	£134m	€2.9m		
Maximum	78p	£81m	£124m	€3.6m		
Actual	72.8p	£73.7m	£111.7m	€2.1m		
Awarded	34.8%	34.2%	10%	0%	33.5%	112.5%

Justin Atkinson, James Hind and Wolfgang Sondermann delivered strongly against their personal strategic objectives for 2013, leading to award levels of 23%, 26.6% and 33.5%, respectively. Bob Rubright, who resigned as an Executive Director of the Board with effect from 23 May 2013 but who remains an employee of the Group, partially achieved his strategic objectives for 2013 which were pro-rated to reflect his time as a Director.

Notably, achievements against personal strategic objectives included: driving actions to improve safety throughout the Group; reducing the effects of poorly performing contracts on the Group's operating margin; and developing and exploiting appropriate acquisition opportunities.

Remuneration report
continued

Annual remuneration report continued

Overall, this resulted in the Chief Executive receiving a bonus equal to 84% of the maximum for the year; the Finance Director receiving a bonus equal to 87% of maximum for the year; Wolfgang Sondermann receiving a bonus equal to 75% of maximum for the year; and Bob Rubright receiving a bonus equal to 82% of maximum for the year (pro-rated); the maximum being 150% in each case.

2011 PSP vesting

Performance Share Plan Awards made in 2011 fully vested in March 2014 based on EPS and TSR performance over the three years ended 31 December 2013. Further details, including vesting schedules and performance against each of the metrics, are provided in the table below:

Measure	Weighting	Targets	Outcome	Vest %
Earnings per share (EPS)	50%	0% vesting below RPI+4% p.a. 30% vesting for RPI+4% p.a. 100% vesting for RPI+9% p.a. or more; Straight-line vesting between these points	RPI+17.6% p.a.	100%
TSR relative to the constituents of the FTSE All-Share Index	50%	0% vesting below median 30% vesting for median (50th centile) performance 100% vesting for upper quintile (80th centile) performance; Straight-line vesting between these points	80.4th centile	100%
	Total PSP vesting			100%

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

Executive Director	Interests held	Vesting %	Interests vesting	Date vested	Market price on vesting	Value (£000)
J R Atkinson	67,936	100%	67,936	3 March 2014	1045.77p	710
J W G Hind	48,879		48,879			511
R M Rubright	59,463		59,463			622
W Sondermann	55,041		55,041			576

The market price on the date of vesting is currently unknown; the value is estimated using the average market value over the last quarter of 2013.

Percentage change in Chief Executive remuneration

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

The Chief Executive's remuneration includes base salary, taxable benefits and annual bonus. The pay for all other employees is calculated using the increase in the earnings of full-time employees. The analysis excludes part-time employees and is based on a consistent set of employees, i.e. the same individuals appear in the 2012 and 2013 populations.

	Chief Executive	All other employees
	% change 2012-13	% change 2012-13
Base salary	3%	3%
Taxable benefits	0%	0%
Annual bonus	52%	55%
Total	25%	14%

Relative importance of spend on pay

The table below shows shareholder distributions (i.e. dividends) and total employee pay expenditure for the financial years ended 31 December 2012 and 31 December 2013, along with the percentage changes.

	2013 £m	2012 £m	% change
Distribution to shareholders	**15.4**	14.7	4.8%
Employee remuneration	**361.5**	325.0	11.2%*

*excluding the three acquisitions made in 2013, the percentage change to employee remuneration was 4.8%.

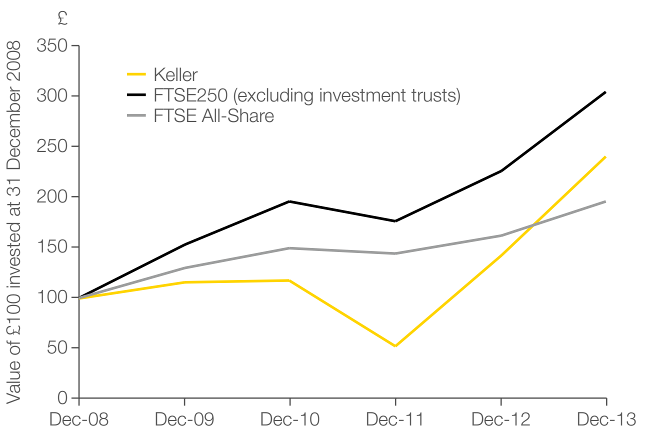
The Directors are proposing a final dividend in respect of the financial year ended 31 December 2013 of 16.0p per ordinary share. Employee remuneration excludes social security costs.

Performance graph and table

The graph below shows the Company's performance, measured by TSR, compared with the performance of the FTSE250 Index (excluding investment trusts) and the FTSE All-Share Index. These indices have been selected for consistency with the comparator groups used to measure TSR performance for outstanding as well as 2014 PSP awards. The graph looks at the value, by the end of 2013, of £100 invested in Keller on 31 December 2008 compared with the value of £100 invested in each index. The table below details the Chief Executive's 'single figure' remuneration over the same period.

Historical TSR performance

Growth in the value of hypothetical £100 holding over the five years to 31 December 2013 is set out below against the FTSE All-Share Index and the FTSE250 Index.



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

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

Scheme interests awarded in 2013

Performance Share Plan ('PSP')

The rules of the Keller Group PSP 2004 require Awards to be granted within six weeks of the announcement of the Company's full year results and usual practice has been to make Awards on the fourth business day following the announcement. When the Company announced its results in 2013, on 4 March, it was in a close period due to ongoing negotiations regarding the proposed acquisition of Keller Canada. The Committee decided the level of Award that would have applied under the usual practice, but used an exception available to it under the rules to defer the grant until such time as these exceptional circumstances concluded.

Due to an increase in share price by 17% during the period between the decision and grant, the market value of the Awards to the Executive Directors increased from 100% of basic salary to 117% of basic salary. The Committee is comfortable that this effective exercise of its discretion to grant Awards of up to 200% of salary is justified.

The three-year performance period over which performance will be measured began on 1 January 2013 and will end on 31 December 2015. Awards will vest on 20 June 2016 subject to meeting performance conditions.

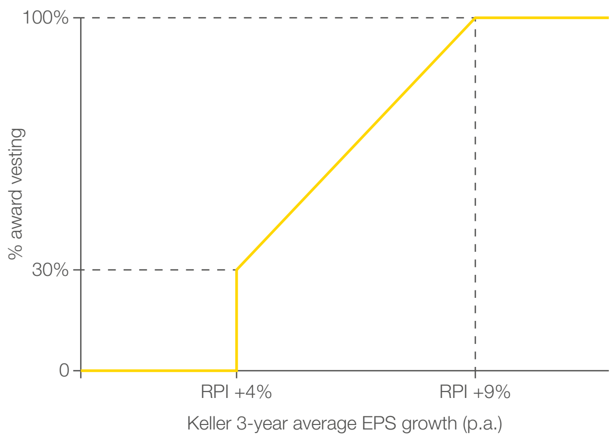
Executive Director	Date of grant	Shares over which awards granted	Market price at date of award	Face value
J R Atkinson	20 June 2013	54,801	954p	£522,802
J W G Hind		39,426		£376,124
W Sondermann		39,271		£374,645
R M Rubright		48,976		£467,231

*This table and the associated disclosures have been subject to audit by KPMG Audit Plc.

As in 2012, vesting of the PSP Awards is dependent on two equally-weighted measures over a three-year performance period: EPS and TSR relative to the FTSE All-Share Index. There is no retest provision. Details of the vesting schedules are provided below:

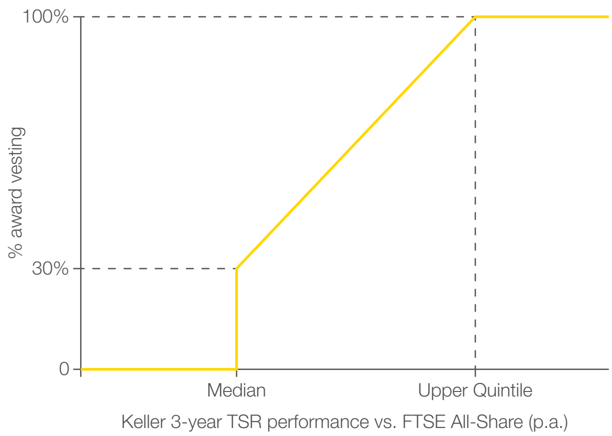
EPS vesting schedule

(50% of award)



Relative TSR vesting schedule

(50% of award)



Remuneration report
continued

Annual remuneration report continued

Total pension entitlements

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

Executive Director	Accrued pension 31 December 2013 £000	Accrued pension 31 December 2012 £000	Increase in accrued benefit (net of inflation and Directors' contributions) £000	Value of DB scheme benefits £000	Pension allowance/DC contribution £000	Total pension included in single figure table £000
J R Atkinson[2]	**106**	103	–	–	134	134
J W G Hind	**n/a**	–	–	–	58	58
R M Rubright[1]	**–**	–	–	–	18	18
W Sondermann[3]	**5**	4	–	2	59	59

This table and the associated footnotes have been subject to audit by KPMG Audit Plc.
[1] Bob Rubright retired from the Board on 23 May 2013.
[2] The normal retirement age for Justin Atkinson is 60.
[3] The normal retirement age for Wolfgang Sondermann is 65.

Exit payments made in the year

The Company paid no exit payments during the year. Bob Rubright retired from the Board during the year and continues to be an employee of the Group. This disclosure has been subject to audit by KPMG Audit Plc.

Payments to past Directors

Bob Rubright, who stood down as a Director of the Company on 23 May 2013, received £328,083 by way of salary, bonus, pension and benefits as an employee of the Group for the period 1 June 2013 – 31 December 2013.

During the year, £17,025 was paid to Mike Martin, for services provided to the Company's pension fund. Mike West received £188,933 in pension payments.

This disclosure has been subject to audit by KPMG Audit Plc.

Implementation of Executive Director remuneration policy for 2014

Base salary

The Committee conducted a benchmarking exercise of Executive Director pay during 2013, the first time since 2007. Pay levels were benchmarked against the lower half of the FTSE250, and a group of companies of similar size with more than 50% of their revenue overseas excluding sectors not considered relevant e.g. financial services, media, retail, software and pharmaceuticals. Against the blended benchmark, the Chief Executive's salary was 9% below median and the fair value of total remuneration 15% below median. The Finance Director's salary was around median and his total remuneration was 4% below median.

The Committee further considered: the excellent performance delivered in 2013, which resulted in a 82.7% growth in market cap during the year; and the increased scope and complexity of the Chief Executive's role further to the three acquisitions made in 2013. In light of this review, and reflecting an expected average increase in salaries across the workforce of around 3–5%, the Committee has agreed salary increases of 5% for the Chief Executive and 3% for the Finance Director and Director of Technology & Best Practice, effective from 1 January 2014.

Executive Director	Salary for 2013	Salary for 2014 in local currency	Increase from 2013
J R Atkinson	**£445,900**	£468,000	5%
J W G Hind	**£320,800**	£330,500	3%
W Sondermann	**€415,400**	€427,800	3%

Pension

Justin Atkinson is a member of the Keller Group Pension Scheme (the 'Scheme'). The Scheme provides a pension based upon a percentage of final salary and pensions for dependants on death in service or following retirement. The table above shows Justin Atkinson's accrued Scheme benefits. The Scheme closed to future benefit accrual with effect from 31 March 2006, since when he has received a salary supplement in lieu of a Company contribution to an alternative pension arrangement equivalent to 30% of salary. The salary supplement is not taken into account in determining bonuses or any other form of remuneration.

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

Wolfgang Sondermann is also a member of a DC scheme, as is James Hind. For 2014, they will continue to receive contributions and/or a salary supplement totalling 17% and 18% of salary respectively.

Annual bonus

For 2014, the annual bonus structure will remain broadly unchanged from 2013. The financial targets for 2014 are based on the same performance metrics as those which applied in 2013. The actual targets for 2014 are considered to be commercially sensitive and accordingly they are not disclosed in this report, but will be disclosed retrospectively in the 2014 remuneration report.

	2014 annual bonus weightings (% of salary)				
Director	**Group EPS**	**Group PBT**	**Group average net debt**	**Personal strategic objectives**	**Total**
J R Atkinson	50%	50%	20%	30%	150%
J W G Hind	50%	50%	20%	30%	150%
W Sondermann	50%	50%	20%	30%	150%

For bonuses paid in respect of 2014, the Committee will have discretion to reduce bonuses in exceptional circumstances (down to zero, if appropriate) to take into account factors adversely impacting the Company's reputation. This discretion is in addition to the safety underpin whereby bonuses may be reduced by up to 10% if pre-defined 'lead' safety targets are not delivered.

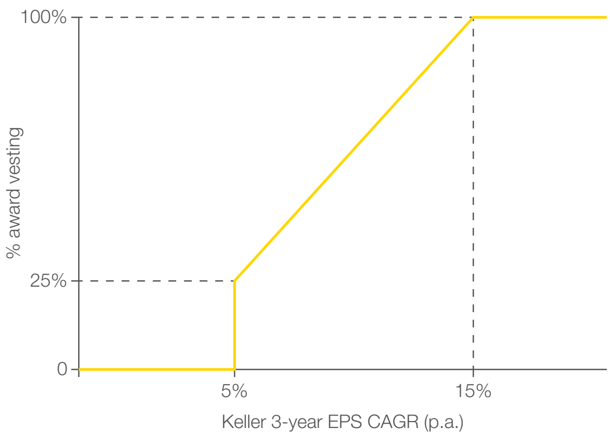
Performance Share Plan (PSP)

For PSP Awards to be made in 2014, the Committee has agreed some adjustments to the EPS and TSR measurements. The EPS performance range has been widened from RPI+4% – 9% p.a. (which would be equivalent to 7% – 12% p.a. assuming RPI of 3% p.a.) to 5% – 15% p.a. Vesting at threshold has been reduced from 30% to 25% of maximum. The Committee believes that nominal EPS growth is simpler and easier to calculate, more visible internally and externally, more salient to overseas participants and reflects the limited relevance of UK retail price inflation to Keller's profits. The wider range is intended to help mitigate the impact of year-on-year volatility and help ensure awards remain motivational throughout the performance period. These targets have also been reviewed against analyst estimates, historical performance and EPS performance ranges used at other FTSE250 companies.

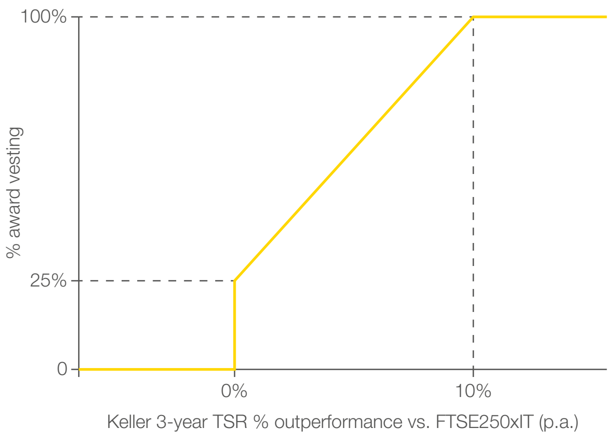
In light of Keller's return to the FTSE250 from the FTSE Small Cap and to reflect better the Company's geographic footprint, the TSR comparator group has also been changed from the FTSE All-Share to the FTSE250 (excluding investment trusts) for 2014 Awards. TSR will be calibrated using % outperformance, i.e. Keller's TSR is compared to the FTSE250 Total Return Index, rather than ranked relative to all Index constituents. This approach is simpler and easier to calculate. Vesting for performance in line with the index will be reduced from 30% to 25%, rising on a straight-line basis to full vesting if Keller's TSR exceeds that of the FTSE250 by 10% p.a. or more. This target for full vesting has been determined on the basis of an historical analysis of the median to upper quartile spread and is in line with typical market practice for a company of Keller's size.

The Committee expects to make Awards under the PSP in line with the proposed remuneration policy.

EPS vesting schedule
(50% of award)



Relative TSR vesting schedule
(50% of award)



Remuneration report
continued

Annual remuneration report continued

Implementation of Non-executive Director remuneration policy for 2014

Chairman and Non-executive Director fees

With effect from 1 January 2014, the fee payable to the Chairman of the Board is £159,700 per annum (an increase of 3%) and the basic fee payable to each Non-executive Director is £44,800 per annum (an increase of 3%). An additional payment of £7,500 is made to those Non-executive Directors who additionally act as Chairman of a Committee and the Senior Independent Director. The additional fee remains unchanged from 2013.

Directors' interests

A table setting out the beneficial interests of the Directors and their families in the share capital of the Company as at 31 December 2013 is set out below.

None of the Directors has a beneficial interest in the shares of any other Group company. Since 31 December 2013, there have been no changes in the Directors' interests in shares.

Details of Directors' PSP Awards are set out in the table opposite.

	Ordinary Shares at 31 December 2013	Ordinary Shares at 31 December 2012
J R Atkinson	**202,693**	202,693
J W G Hind	**67,434**	67,434
W Sondermann	**90,000**	90,000
L R Cairnie	**6,000**	6,000
R A Franklin	**6,000**	6,000
C F Girling	**3,000**	3,000
P N Withers	**10,000**	10,000

This table has been subject to audit by KPMG Audit Plc.

Executive Directors' shareholding requirements

The table below shows the shareholding of each Executive Director against their respective shareholding requirement as at 31 December 2013:

	Shares held		Options held				
	Owned outright or vested	Vested but subject to holding period	Unvested and subject to performance conditions	Vested but not exercised	Shareholding requirement % salary/fee	*Current shareholding % salary/fee	Requirement met?
J R Atkinson	202,693	0	225,077	0	100%	522%	yes
J W G Hind	67,434	0	161,946	0	100%	241%	yes
W Sondermann	90,000	0	177,219	0	100%	293%	yes

*reflects closing price on 31 December 2013 of 1149p

Directors' interests in options under long-term incentives

	Awards held at 1 January 2013	Awards granted during the year	Awards exercised during the year	Awards lapsed during the year	**Awards held at 31 December 2013**	Exercise price (per exercise)	Date from which exercisable	Expiry date
J R Atkinson								
5 March 2010	**62,232**	–	–	62,232	**–**	100.0p	05/03/13	04/09/13
3 March 2011	**67,936**	–	–	–	**67,936**	100.0p	03/03/14	02/09/14
1 March 2012	**102,340**	–	–	–	**102,340**	100.0p	01/03/15	31/08/15
20 June 2013	**–**	54,801	–	–	**54,801**	100.0p	20/06/16	19/12/16
J W G Hind								
5 March 2010	**44,776**	–	–	44,776	**–**	100.0p	05/03/13	04/09/13
3 March 2011	**48,879**	–	–	–	**48,879**	100.0p	03/03/14	02/09/14
1 March 2012	**73,641**	–	–	–	**73,641**	100.0p	01/03/15	31/08/15
20 June 2013	**–**	39,426	–	–	**39,426**	100.0p	20/06/16	19/12/16
R M Rubright								
5 March 2010	**54,734**	–	–	54,734	**–**	100.0p	05/03/13	04/09/13
3 March 2011	**59,463**	–	–	–	**59,463**	100.0p	03/03/14	02/09/14
1 March 2012	**88,688**	–	–	–	**88,688**	100.0p	01/03/15	31/08/15
20 June 2013	**–**	48,976	–	–	**48,976**	100.0p	20/06/16	19/12/16
W Sondermann								
5 March 2010	**50,419**	–	–	50,419	**–**	100.0p	05/03/13	04/09/13
3 March 2011	**55,041**	–	–	–	**55,041**	100.0p	03/03/14	02/09/14
1 March 2012	**82,907**	–	–	–	**82,907**	100.0p	01/03/15	31/08/15
20 June 2013	**–**	39,271	–	–	**39,271**	100.0p	20/06/16	19/12/16

This table has been subject to audit by KPMG Audit Plc.

The 2011, 2012 and 2013 Awards are subject to two performance conditions linked to EPS and TSR, as detailed on page 51.

Remuneration report
continued

Annual remuneration report continued

Remuneration Committee membership in 2013
The names of members of the Committee as at 31 December 2013 are given below. All members served on the Committee throughout the year except where indicated and all except for Gerry Brown were considered by the Company to be independent.

Committee members
- L R Cairnie (Chairman)
- E G F Brown (until May 2013)
- C F Girling
- P N Withers

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.

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

- agreeing the framework and policy for the remuneration of the Group's senior management;
- determining, on behalf of the Board, the remuneration packages of the Executive Directors and other senior management including recruitment, pension arrangements and termination terms;
- monitoring the level and structure of remuneration for senior management;
- annually reviewing and noting remuneration trends across the Group;
- approving the design and targets for any annual incentive schemes for Executive Directors and senior managers;
- agreeing the design and targets of all share incentive plans requiring shareholder approval;
- selecting, appointing and setting the terms of reference for remuneration consultants advising the Company; and
- assessing the appropriateness and subsequent achievement of the performance targets for the incentive share plan.

The Committee met five times during the year. Attendance at Committee meetings is shown below:

	Remuneration Committee
L R Cairnie	5/5
C F Girling	4/5
P N Withers	4/5
E G F Brown	2/2

Each Committee meeting complied with the terms of reference, in that a minimum of two members were in attendance, being independant, Non-executive Directors.

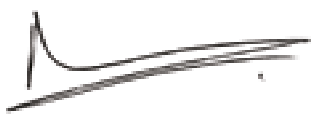
Advisers
In determining the Executive Directors' remuneration for 2013, the Committee has consulted Roy Franklin, the Chairman, and Justin Atkinson, the Chief Executive, about its proposals, except (in the case of Justin) in relation to his own remuneration. No Director is involved in determining his own remuneration.

During the year, the Committee appointed Kepler Associates ('Kepler') to provide advice on Executive Directors' remuneration. Prior to Kepler's appointment, advice was also received from New Bridge Street. The Committee will undertake due diligence periodically to ensure that Kepler remains independent and that the advice provided is impartial and objective. Kepler is a founding member and signatory of the Code of Conduct for Remuneration Consultants, details of which can be found at www.remunerationconsultantsgroup.com. In 2013, Kepler provided independent advice on remuneration policy and the external remuneration environment; benchmarking data; and supported the review of executive incentives. Kepler reports directly to the Chairman of the Remuneration Committee and does not advise the Company on any other issues. Their total fees for the provision of remuneration services in 2013 were £77,525 on the basis of time spent.

Tapestry Compliance LLP provided advice on the legal disclosures made in the Directors' Remuneration Report and assisted in the preparation of the Keller Group Performance Share Plan 2014 rules.

Summary of shareholder voting at the 2013 AGM
The following table shows the results of the advisory vote on the 2012 Remuneration Report at the 2013 AGM:

	Total number of votes	% of votes cast
For (including discretionary)	41,866,147	99.38%
Against	262,265	0.62%
Total votes cast (excluding withheld votes)	42,128,412	100.0%
Votes withheld	209,580	
Total votes cast (including withheld votes)	42,337,992	



Ruth Cairnie
Chairman of the Remuneration Committee

3 March 2014

Directors' report

The Directors present their report together with the audited consolidated financial statements for the year ended 31 December 2013.

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

The Strategic report and Corporate Governance statement, including the Audit Committee report, form part of this Directors' report. Disclosures elsewhere in the Annual Report and Accounts are cross-referenced where appropriate. Taken together, they fulfil the combined requirements of company law, the Disclosure and Transparency Rules and Listing Rules.

Results and dividends
The results for the year, showing a profit before taxation* of £74.1m (2012: £43.5m), are set out on pages 64-99. The Directors recommend a final dividend of 16.0p per share to be paid on 13 June 2014, to members on the register at the close of business on 6 June 2014. An interim dividend of 8.0p per share was paid on 1 November 2013. The total dividend for the year of 24.0p (2012: 22.8p) will amount to £15.4m (2012: £14.7m).

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

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

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

Post-balance sheet events and future developments
There have been no material events from 31 December 2013 to the date of this report.

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.

*before exceptional items.

Transactions with related parties
During the year, the Group acquired the remaining 49% minority shareholding of Keller-Terra S.L. for a cash consideration of £5.6m (€6.7m). The acquisition, as announced on 3 April 2013 and in our interim report for the half year ended 30 June 2013, was from GTCEISU Construcción S.A. a connected person of Mr López Jiménez, who retired as a Director in 2012. Further information is contained in note 26.

Directors and their interests
The names of all persons who, at any time during the year, were Directors of the Company can be found on page 31. The interests of the Directors holding office at the end of the year in the issued ordinary share of the Company and any interests in its performance share plan are given in the Directors' remuneration report on pages 54 and 55.

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.

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

Employees
The Group employed approximately 9,000 people at the end of the year. Information on the Group's approach to employee involvement, equal opportunities and health, safety and the environment can be found in the Corporate Responsibility report on pages 21 to 27.

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.

Political donations
No contributions were made to any political party 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.

Directors' report
continued

Greenhouse gas emissions
The disclosures concerning greenhouse gas emissions required by law are included in the Corporate Responsibility report.

Research and development
The Group continues to have in-house design, development and manufacturing facilities, where staff work closely with site engineers to develop new and more effective methods of solving problems of ground conditions and behaviour. Most of the specialised ground improvement equipment used in the business is designed and built in-house and, where applicable, the development costs are included in the cost of the equipment.

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 2013) to buy back up to 6,649,974 Ordinary Shares. The authority remains outstanding until the conclusion of the 2014 AGM or 23 August 2014, whichever is the earlier. The minimum price which must be paid for each Ordinary Share is its nominal value and the maximum price is the higher of an amount equal to but more than 5% above the average of the middle market quotations for an Ordinary Share as derived from the London Stock Exchange Daily Official List for the five business days immediately before the purchase is made and an amount equal to the higher of the price of the last independent trade of an Ordinary Share and the highest current independent bid for an Ordinary Share on the trading venue where the purchase is carried out.

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

Allotment of shares and pre-emption disapplication
Shareholder authority was also given at the last AGM for the Directors to allot new shares up to a nominal amount of £2,144,574, equivalent to approximately one-third of the Company's issued share capital (excluding treasury shares) as at 4 March 2013 and to disapply pre-emption rights up to an aggregate nominal amount of £321,686, representing approximately 5% of the Company's issued share capital as at 4 March 2013.

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

Placing of shares
On 28 June 2013, shareholders in General Meeting approved the proposed acquisition of Keller Canada, which completed on 12 July 2013. The acquisition was partly funded by a placing of 6,600,000 new Ordinary Shares of 10 pence each in the share capital of the Company, placed at a price of 890 pence per share raising gross proceeds of £58.7 million. The shares issued represented approximately 9.9 per cent of the Company's existing issued ordinary share capital as at that date.

Substantial shareholdings
At 3 March 2014, the Company had been notified in accordance with chapter 5 of the Disclosure and Transparency Rules of the Financial Conduct Authority of the following voting rights of shareholders in the Company:

	Number of Ordinary Shares	Percentage of the Company's total voting rights
Franklin Templeton Institutional LLC	7,101,632	10.01%
BlackRock Inc*	6,139,283	9.54%
Old Mutual Global Investors (UK) Limited	4,011,578	5.49%
Franklin Resources Inc	3,408,196	5.30%
Schroders plc	3,148,747	4.89%
BlackRock Special	-	-
Situations Fund	2,365,848	3.68%
Legal & General Group plc	3,551,961	5.00%

*Including Financial Instruments with similar economic effect to Qualifying Financial Instruments.

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.

Auditors
As a result of a change to KPMG's legal structure, KPMG Audit Plc has notified the Company that it is not seeking re-appointment; KPMG LLP is seeking appointment in its place. KPMG Audit Plc has provided the Company with a statement of circumstances. The resolution to appoint KPMG LLP will be put to shareholders at the 2014 AGM.

Annual General Meeting
The 2014 AGM of the Company will take place at the offices of Investec, 2 Gresham Street, London, EC2V 7QP at 11.00am on Thursday, 22 May 2014. The full wording of the resolutions to be tabled at the meeting is set out in the Notice of AGM.

Disclaimer
The purpose of this Annual Report and Accounts is to provide information to the members of the Company. The Annual Report and Accounts have been prepared for, and only for, 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 provided by the Company pursuant to the Disclosure and Transparency Rules is publicly available via the regulatory information services and on our website (www.keller.co.uk).

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

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

On behalf of the Board

Kerry Porritt
Secretary

3 March 2014

Registered Office:
Capital House
25 Chapel Street
London NW1 5DH
Registered in England – No: 2442580

Statement of Directors' responsibilities

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

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

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

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of their profit or loss for that period. In preparing each of the Group and Company financial statements, the Directors are required to:
- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs, as adopted by the EU;
- for the Company financial statements, state whether the applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic report, Directors' report, Directors' remuneration report and Corporate Governance statement including the Audit Committee report that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

We confirm that to the best of our knowledge:

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

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

Signed on behalf of the Board

Justin Atkinson
Chief Executive

James Hind
Finance Director

3 March 2014

Independent Auditor's Report
to the Members of Keller Group plc only

Opinions and conclusions arising from our audit

1. Our opinion on financial statements is unmodified
We have audited the financial statements of Keller Group plc for the year ended 31 December 2013 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement and related notes. In our opinion:
– the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2013 and of the Group's profit for the year then ended;
– the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
– the parent company financial statements have been properly prepared in accordance with UK Accounting Standards; and
– the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

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

Accounting for construction contracts
Refer to page 37 (Audit Committee report), page 69 (accounting policy).
– The risk: The Group's revenue represents the value of work done on construction contracts performed during the year on behalf of customers. Contract revenue and expenses are recognised in proportion to the stage of completion of the contract. The stage of completion is calculated by comparing the costs incurred up to the balance sheet date with the total forecast costs at completion of the contract. Contract accounting is considered to be an ongoing significant audit risk to the Group as it requires a high degree of estimation and judgment of matters such as: the percentage of work completed at the balance sheet date on longer-term contracts, the costs of the work required to complete the contract and the outcome of claims and variations raised against customers and claims raised against the Group by customers or third parties.
– Our response: In this area our audit procedures included, among others, considering a selection of contracts with the greatest impact on the Group's financial results, including those considered to be high risk due to such factors as known issues on the contract or the nature of work being undertaken. For contracts in progress at the balance sheet date, we challenged the Group's assumptions on costs to complete the contract through: agreeing cost estimates to sub-contracts; the Group's historical experience of costs on similar contracts; and industry norms. For contracts completed by the year end, we confirmed subsequent settlement of revenue recognised. In respect of claims and variations raised against customers and those claims raised against the Group by customers or third parties, on a selection of contracts we: discussed the progress on the claims with the Group and corroborated explanations provided; considered prior experience on settlement of claims and variations; inspected correspondence with the counterparty and with the Group's legal advisers or insurers, to identify the extent of written agreement of settlement; and confirmed recoveries to after year-end settlement.

Accounting for acquisitions
Refer to page 37 (Audit Committee report), page 70 (accounting policy) and page 74 (financial statements disclosures).
– The risk: During the year, the Group acquired the piling operations of North American Energy Partners Inc in Canada. Under the requirements of relevant accounting standards, the Group has assessed the fair value of the assets and liabilities acquired in this transaction and estimated the fair value of the contingent consideration payable. Due to the size of the Canadian operation, which contributed 8% of Group turnover in the second half of the year, and the inherent judgment involved in estimating the fair value of the intangible assets, property, plant and equipment, and contingent consideration, we considered these to be significant audit risks.
– Our response: In this area our audit procedures included, among others:
  – With respect to the valuation of intangible assets we challenged the assumptions and methodologies used by the Group and its external valuer to derive the fair value of the intangible assets. We were assisted by our valuation specialists and our procedures included discussing the approach taken with the Group and their external valuer and corroborating the explanations provided by comparing key assumptions to: market data; underlying accounting records; past performance of the acquired business; our past experience of similar transactions; and the Group's forecasts supporting the acquisition. We also considered the competence of the external valuer. We have also considered the adequacy of the disclosure of the fair value of intangible assets.

Independent Auditor's Report
to the Members of Keller Group plc only Continued

- With respect to the valuation of property, plant and equipment we critically assessed the methodology used by the Group and its external valuer to derive the fair value of the property, plant and equipment. We have also considered the competence of the external valuer. We were assisted by our valuation specialists.
- With respect to the contingent consideration our work was focused on the forecast results of the acquired business which is the basis on which the estimate of the contingent consideration has been determined. The assumptions underlying those forecasts were compared with the historical trading performance of the acquired operation, results since the acquisition date, order book at year end, and the Group's planned development of the business.

Goodwill
Refer to page 37 (Audit Committee report), page 70 (accounting policy) and pages 79 to 80 (financial statements disclosures).

- The risk: There is a risk of impairment of the Group's significant goodwill balances due to prolonged downturn or structural change in the relevant construction market. In particular there is increased risk on the balance of £12.1m related to Keller Limited in the UK where large infrastructure projects are coming to an end, and there is less certainty as to the source of future revenue and profit. The Group estimates recoverable amount based on value in use.
- Our response: In this area our audit procedures included, among others, detailed testing of the Group's impairment assessment for each significant goodwill balance at year end, including in particular Keller Limited in the UK. Certain of the key inputs, specifically revenue, margin and discount rates, require significant estimation and judgment in their selection, and can have a significant impact on the derived recoverable amount. For these key inputs we critically assessed the reasonableness of the Group's assumptions by reference to past performance, external data and forecasts for economic factors, and current order book. We were assisted by our valuation specialists in evaluating the assumptions and methodologies underlying the discount rates adopted by the Group. We considered the sensitivity of key inputs to reasonably possible changes in assumptions. We also assessed whether the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflected the risks inherent in the valuation of goodwill.

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

The materiality for the financial statements as a whole was set at £4.0m. This has been determined with reference to a benchmark of Group profit before taxation which we consider to be one of the principal considerations for members of the Company in assessing the financial performance of the Group. Materiality represents 6.7% of Group profit before tax and 4.7% of Group profit before tax and exceptional items as disclosed on the face of the income statement.

We agreed with the Audit Committee to report to it: all uncorrected misstatements we identified through our audit with a value in excess of £175,000; those material misstatements identified during the course of the audit that were corrected by management which we consider should be communicated to the Audit Committee in order to assist it in fulfilling its governance responsibilities; and any other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

Audits for Group reporting purposes were performed by component auditors at the key reporting components, including North America, EMEA, Asia and Australia. Audits of one or more account balances or disclosures were performed by component auditors in South Africa, Mauritius and Mozambique. Specified audit procedures were performed by component auditors in Russia. The component auditors' work covered 93% of total Group revenue; 95% of Group profit before exceptional items and taxation; and 93% of total Group assets.

The audits undertaken for Group reporting purposes at the key reporting components of the Group were all performed to local materiality levels, subject to a cap of £3.25m for component audits. As such, these local materiality levels ranged from £0.1m to £3.25m.

Detailed audit instructions were sent to all the auditors in these locations. These instructions covered the significant audit areas that should be covered by these audits (which included the relevant risks of material misstatement detailed above) and set out the information required to be reported back to the group audit team. The group audit team attended in person the final audit meetings for each of the Group's regions, including North America, Europe, Middle East and Africa, Asia and Australia.

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

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

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

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

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

- we have identified material inconsistencies between the knowledge we acquired during our audit and the Directors' statement that they consider that the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy; or
- the part of the Corporate Governance report dealing with the Audit Committee on pages 36 to 38 does not appropriately address matters communicated by us to the Audit Committee.

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

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

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 57, in relation to going concern; and
- the part of the Corporate Governance Statement on pages 30 to 60 relating to the Company's compliance with the nine provisions of the 2010 UK Corporate Governance Code specified for our review.

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

Scope of report and responsibilities

As explained more fully in the Directors' Responsibilities Statement set out on page 60, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of accounts is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the Company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2013a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

Andrew Marshall (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
15 Canada Square
London E14 5GL

3 March 2014

Consolidated income statement
For the year ended 31 December 2013

	Note	2013 Before exceptional items £m	2013 Exceptional items (note 7) £m	2013 £m	2012 £m
Revenue	3	**1,438.2**	**–**	**1,438.2**	1,317.5
Operating costs	5	**(1,360.4)**	**(21.7)**	**(1,382.1)**	(1,269.2)
Operating profit	3	**77.8**	**(21.7)**	**56.1**	48.3
Finance income	8	**3.1**	**–**	**3.1**	1.9
Finance costs	9	**(6.8)**	**(0.4)**	**(7.2)**	(6.7)
Profit before taxation		**74.1**	**(22.1)**	**52.0**	43.5
Taxation	10	**(23.8)**	**1.9**	**(21.9)**	(13.5)
Profit for the period		**50.3**	**(20.2)**	**30.1**	30.0
Attributable to:					
Equity holders of the parent		**49.5**	**(20.2)**	**29.3**	29.5
Non-controlling interests		**0.8**	**–**	**0.8**	0.5
		50.3	**(20.2)**	**30.1**	30.0
Earnings per share					
Basic earnings per share	12	**73.0p**		**43.2p**	45.9p
Diluted earnings per share	12	**71.9p**		**42.6p**	45.0p

Consolidated statement of comprehensive income
For the year ended 31 December 2013

	Note	2013 £m	2012 £m
Profit for the period		**30.1**	30.0
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(23.9)**	(5.9)
Net investment hedge losses		**(3.0)**	(0.5)
Cash flow hedge gains taken to equity	24	**1.8**	4.4
Cash flow hedge transfers to income statement	24	**(1.8)**	(4.4)
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of defined benefit pension schemes	30	**(5.7)**	(2.8)
Tax on remeasurements of defined benefit pension schemes	10	**1.1**	0.7
Other comprehensive income for the period, net of tax		**(31.5)**	(8.5)
Total comprehensive income for the period		**(1.4)**	21.5
Attributable to:			
Equity holders of the parent		**(1.9)**	21.4
Non-controlling interests		**0.5**	0.1
		(1.4)	21.5

Consolidated balance sheet
As at 31 December 2013

	Note	2013 £m	2012 £m
Assets			
Non-current assets			
Intangible assets	13	**187.9**	97.2
Property, plant and equipment	14	**281.9**	248.5
Deferred tax assets	10	**7.9**	9.3
Other assets	15	**14.9**	14.9
		492.6	369.9
Current assets			
Inventories	17	**62.0**	41.3
Trade and other receivables	18	**414.5**	347.1
Current tax assets		**5.4**	6.9
Cash and cash equivalents	20	**53.3**	57.0
		535.2	452.3
Total assets	3	**1,027.8**	822.2
Liabilities			
Current liabilities			
Loans and borrowings	24	**(48.7)**	(3.5)
Current tax liabilities		**(8.8)**	(11.2)
Trade and other payables	21	**(352.4)**	(290.8)
Provisions	22	**(11.3)**	(8.1)
		(421.2)	(313.6)
Non-current liabilities			
Loans and borrowings	24	**(148.3)**	(104.7)
Retirement benefit liabilities	30	**(23.1)**	(18.2)
Deferred tax liabilities	10	**(21.9)**	(18.5)
Provisions	22	**(4.8)**	(4.4)
Other liabilities	23	**(35.9)**	(27.1)
		(234.0)	(172.9)
Total liabilities	3	**(655.2)**	(486.5)
Net assets	3	**372.6**	335.7
Equity			
Share capital	25	**7.3**	6.6
Share premium account		**38.1**	38.1
Capital redemption reserve	25	**7.6**	7.6
Translation reserve		**10.0**	36.6
Other reserve	25	**56.9**	–
Retained earnings		**247.9**	236.7
Equity attributable to equity holders of the parent		**367.8**	325.6
Non-controlling interests		**4.8**	10.1
Total equity		**372.6**	335.7

These financial statements were approved by the Board of Directors and authorised for issue on 3 March 2014.
They were signed on its behalf by:

J R Atkinson
Chief Executive

J W G Hind
Finance Director

Consolidated statement of changes in equity

For the year ended 31 December 2013

	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 2012	6.6	38.1	7.6	42.6	–	–	222.7	**317.6**	9.2	**326.8**
Profit for the period	–	–	–	–	–	–	29.5	**29.5**	0.5	**30.0**
Other comprehensive income										
Exchange differences on translation of foreign operations	–	–	–	(5.5)	–	–	–	**(5.5)**	(0.4)	**(5.9)**
Net investment hedge losses	–	–	–	(0.5)	–	–	–	**(0.5)**	–	**(0.5)**
Cash flow hedge gains taken to equity	–	–	–	–	–	4.4	–	**4.4**	–	**4.4**
Cash flow hedge transfers to income statement	–	–	–	–	–	(4.4)	–	**(4.4)**	–	**(4.4)**
Remeasurements of defined benefit pension schemes	–	–	–	–	–	–	(2.8)	**(2.8)**	–	**(2.8)**
Tax on remeasurements of defined benefit pension schemes	–	–	–	–	–	–	0.7	**0.7**	–	**0.7**
Other comprehensive income for the period, net of tax	–	–	–	(6.0)	–	–	(2.1)	**(8.1)**	(0.4)	**(8.5)**
Total comprehensive income for the period	–	–	–	(6.0)	–	–	27.4	**21.4**	0.1	**21.5**
Dividends	–	–	–	–	–	–	(14.7)	**(14.7)**	(0.7)	**(15.4)**
Share-based payments	–	–	–	–	–	–	1.3	**1.3**	–	**1.3**
Capital contribution from non-controlling interest	–	–	–	–	–	–	–	**–**	1.7	**1.7**
Acquisition of non-controlling interest	–	–	–	–	–	–	–	**–**	(0.2)	**(0.2)**
At 31 December 2012 and 1 January 2013	6.6	38.1	7.6	36.6	–	–	236.7	**325.6**	10.1	**335.7**
Profit for the period	–	–	–	–	–	–	29.3	**29.3**	0.8	**30.1**
Other comprehensive income										
Exchange differences on translation of foreign operations	–	–	–	(23.6)	–	–	–	**(23.6)**	(0.3)	**(23.9)**
Net investment hedge losses	–	–	–	(3.0)	–	–	–	**(3.0)**	–	**(3.0)**
Cash flow hedge gains taken to equity	–	–	–	–	–	1.8	–	**1.8**	–	**1.8**
Cash flow hedge transfers to income statement	–	–	–	–	–	(1.8)	–	**(1.8)**	–	**(1.8)**
Remeasurements of defined benefit pension schemes	–	–	–	–	–	–	(5.7)	**(5.7)**	–	**(5.7)**
Tax on remeasurements of defined benefit pension schemes	–	–	–	–	–	–	1.1	**1.1**	–	**1.1**
Other comprehensive income for the period, net of tax	–	–	–	(26.6)	–	–	(4.6)	**(31.2)**	(0.3)	**(31.5)**
Total comprehensive income for the period	–	–	–	(26.6)	–	–	24.7	**(1.9)**	0.5	**(1.4)**
Dividends	–	–	–	–	–	–	(15.4)	**(15.4)**	(0.2)	**(15.6)**
Share-based payments	–	–	–	–	–	–	1.9	**1.9**	–	**1.9**
Share capital issued	0.7	–	–	–	56.9	–	–	**57.6**	–	**57.6**
Acquisition of non-controlling interest	–	–	–	–	–	–	–	**–**	(5.6)	**(5.6)**
At 31 December 2013	7.3	38.1	7.6	10.0	56.9	–	247.9	**367.8**	4.8	**372.6**

Consolidated cash flow statement
For the year ended 31 December 2013

	Note	2013 £m	2012 £m
Cash flows from operating activities			
Operating profit before exceptional items		**77.8**	48.3
Depreciation of property, plant and equipment		**45.0**	42.1
Amortisation of intangible assets		**1.4**	1.5
(Profit)/loss on sale of property, plant and equipment		**(0.3)**	0.8
Other non-cash movements		**7.1**	2.5
Foreign exchange losses		**–**	(1.0)
Operating cash flows before movements in working capital		**131.0**	94.2
Increase in inventories		**(22.5)**	(5.2)
Increase in trade and other receivables		**(37.4)**	(21.3)
Increase in trade and other payables		**65.5**	44.2
Change in provisions, retirement benefit and other non-current liabilities		**(4.6)**	(3.5)
Cash generated from operations		**132.0**	108.4
Interest paid		**(5.4)**	(4.6)
Income tax paid		**(21.5)**	(10.7)
Net cash inflow from operating activities		**105.1**	93.1
Cash flows from investing activities			
Interest received		**0.4**	0.5
Proceeds from sale of property, plant and equipment		**3.6**	1.9
Acquisition of subsidiaries, net of cash acquired		**(200.4)**	–
Acquisition of property, plant and equipment		**(44.8)**	(33.7)
Acquisition of intangible assets		**(1.4)**	(0.9)
Net cash outflow from investing activities		**(242.6)**	(32.2)
Cash flows from financing activities			
Proceeds from the issue of share capital		**57.6**	–
Capital contribution from non-controlling interest		**–**	1.7
New borrowings		**118.5**	20.5
Repayment of borrowings		**(24.2)**	(60.0)
Payment of finance lease liabilities		**(0.7)**	(0.7)
Dividends paid		**(15.6)**	(15.4)
Net cash inflow/(outflow) from financing activities		**135.6**	(53.9)
Net (decrease)/increase in cash and cash equivalents		**(1.9)**	7.0
Cash and cash equivalents at beginning of period		**54.8**	43.3
Effect of exchange rate fluctuations		**(2.2)**	4.5
Cash and cash equivalents at end of period	20	**50.7**	54.8

Notes to the consolidated financial statements

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

2 Principal accounting policies
Statement of compliance
The consolidated financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU.

The Company has elected to prepare its parent company financial statements in accordance with UK GAAP; these are presented on pages 93 to 98.

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

The consolidated financial statements are prepared on a going concern basis as set out in the Directors' report on page 57.

Changes in accounting policies and disclosures
(a) New and amended standards adopted by the Group:

There is no significant financial impact on the Group financial statements of the new standards, amendments and interpretations that are in issue and mandatory for the financial year ended 31 December 2013:

- Amendments to IAS 19, 'Employee benefits'. There is no material change as a result of adopting the amendments to IAS 19. The financial impact of adopting this standard has been reflected in the current period statement of comprehensive income. The comparative period has therefore not been restated to reflect the financial impact of adopting this standard but the comparative period finance income and finance costs have been reclassified in both the income statement and in the notes to the consolidated financial statements to net the expected return on pension scheme assets and pension interest cost into a single net pension interest cost line (effective for annual periods beginning on or after 1 January 2013)
- Amendments to IAS 1, 'Financial statement presentation' (effective for annual periods beginning on or after 1 July 2012)
- IFRS 13, 'Fair value measurement' (effective for annual periods beginning on or after 1 January 2013)
- Amendments to IFRS 7, 'Financial instruments: Disclosures' (effective for annual periods beginning on or after 1 January 2013)

(b) New standards, amendments and interpretations issued but not effective for the financial year ending 31 December 2013:

- IFRS 10, 'Consolidated financial statements' changes the definition of control in determining the scope of consolidation, assisting in particular the determination of control where this is difficult to assess. Given there are few, if any, entities in the Group where control is difficult to assess, there is likely to be no significant impact on the Group financial statements (effective for annual periods beginning on or after 1 January 2014)
- IFRS 11, 'Joint arrangements' introduces new categories of joint arrangements, being joint operations or joint ventures. Joint operations will be proportionally consolidated and joint ventures will be accounted for using the equity method. There are no material joint arrangements that are expected to be classified as joint ventures and therefore implementing this standard is unlikely to have a significant impact on the Group financial statements (effective for annual periods beginning on or after 1 January 2014)
- IFRS 12, 'Disclosure of interests in other entities' combines the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities within a comprehensive disclosure standard. The Group intends to adopt IFRS 12 no later than the accounting period beginning 1 January 2014 (effective for annual periods beginning on or after 1 January 2014)
- Amendments to IAS 27, 'Separate financial statements'. There have been no substantial changes from the previous version of the standard (effective for annual periods beginning on or after 1 January 2014)
- Amendments to IAS 28, 'Investments in associates and joint ventures' regarding accounting for joint ventures using the equity method. Implementing this standard is unlikely to have a significant impact on the Group financial statements (effective for annual periods beginning on or after 1 January 2014)
- Amendments to IAS 32, 'Financial instruments: Presentation' provides new guidance on offsetting financial assets and liabilities. The Group intends to adopt IAS 32 no later than the accounting period beginning 1 January 2014 (effective for annual periods beginning on or after 1 January 2014)
- Amendments to IAS 36, 'Impairment of assets' clarifies the disclosure requirements of recoverable amounts for non-financial assets. The Group intends to adopt IAS 36 no later than the accounting period beginning 1 January 2014 (effective for annual periods beginning on or after 1 January 2014)
- Amendments to IAS 39, 'Financial instruments: Recognition and measurement' states that hedge accounting is discontinued when a hedging instrument is expired or is sold, terminated or exercised. Implementing this standard is unlikely to have a significant impact on the Group financial statements (effective for annual periods beginning on or after 1 January 2014)

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

2 Principal accounting policies continued

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 the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. 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.

Jointly controlled operations

From time to time the Group undertakes contracts jointly with other parties. These fall under the category of jointly controlled operations as defined by IAS 31. In accordance with IAS 31, the Group accounts for its own share of sales, profits, assets, liabilities and cash flows measured according to the terms of the agreements covering the jointly controlled operations.

Revenue recognition

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

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

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

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

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

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

Leases

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

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

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

Foreign currencies

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

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

The exchange rates used in respect of principal currencies are:

	2013	2012
US dollar: average for period	**1.56**	1.58
US dollar: period end	**1.65**	1.62
Canadian dollar: average for period	**1.61**	1.58
Canadian dollar: period end	**1.76**	1.60
Euro: average for period	**1.18**	1.23
Euro: period end	**1.20**	1.22
Singapore dollar: average for period	**1.96**	1.98
Singapore dollar: period end	**2.09**	1.98
Australian dollar: average for period	**1.62**	1.53
Australian dollar: period end	**1.86**	1.56

Interest income and expense

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

Employee benefit costs

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

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

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

Taxation

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

Notes to the consolidated financial statements
Continued

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

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

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

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

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

Depreciation
Depreciation is not provided on freehold land.

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

The rates of depreciation used are:	
Buildings	2%
Long-life plant and equipment	8%
Short-life plant and equipment	12%
Motor vehicles	25%
Computers	33%

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

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

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

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.

2 Principal accounting policies continued

Financial instruments

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

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

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

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

Hedges are accounted for as follows:

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

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

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

Trade receivables

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

Trade payables

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

Borrowings

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

Provisions

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

Financial guarantees

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

Share-based payment

Charges for employee services received in exchange for share-based payment have been made for all options granted after 7 November 2002, that had not vested by 1 January 2005, in accordance with IFRS 2.

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

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

Segmental reporting

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

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

Dividends

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

Exceptional items

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

Notes to the consolidated financial statements
Continued

2 Principal accounting policies continued

Accounting estimates and judgments

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

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

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

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

Acquisitions: When accounting for acquisitions, the Group makes judgments and estimates in assessing the fair value of the assets and liabilities acquired and in estimating the fair value of any contingent consideration payable. The fair values of intangible assets and the estimate of contingent consideration is also based on assumptions, including the forecast results of the acquired businesses.

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, gross margins and the discount rates applied.

3 Segmental analysis

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

	2013 Revenue £m	2013 Operating profit £m	2012 Revenue £m	2012 Operating profit £m
North America	**699.4**	**51.6**	581.9	32.0
EMEA[1]	**399.2**	**6.8**	358.6	2.2
Asia	**96.2**	**9.0**	118.6	9.5
Australia	**243.4**	**15.6**	258.4	8.7
	1,438.2	**83.0**	1,317.5	52.4
Central items and eliminations	**–**	**(5.2)**	–	(4.1)
Before exceptional items	**1,438.2**	**77.8**	1,317.5	48.3
Exceptional items (Note 7)	**–**	**(21.7)**	–	–
	1,438.2	**56.1**	1,317.5	48.3

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

	2012 Segment assets £m	2012 Segment liabilities £m	2012 Capital employed £m	2012 Capital additions £m	2012 Depreciation and amortisation £m	2012 Tangible and intangible assets £m
North America	307.1	(113.2)	193.9	9.4	13.2	123.5
EMEA[1]	246.3	(119.5)	126.8	14.2	16.4	114.5
Asia	74.2	(22.7)	51.5	3.4	4.5	40.4
Australia	118.6	(54.4)	64.2	7.6	9.2	67.1
	746.2	(309.8)	436.4	34.6	43.3	345.5
Central items and eliminations[2]	76.0	(176.7)	(100.7)	–	0.3	0.2
	822.2	(486.5)	335.7	34.6	43.6	345.7

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

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

	Revenue		Non-current non-financial assets[3]	
	2013 £m	2012 £m	2013 £m	2012 £m
United States	**604.0**	556.8	**137.6**	135.6
Australia	**243.4**	258.4	**56.3**	67.1
Canada	**94.9**	25.2	**122.0**	–
United Kingdom (country of domicile)	**70.1**	62.6	**20.4**	21.7
Other	**425.8**	414.5	**148.4**	134.2
	1,438.2	1,317.5	**484.7**	358.6

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

The impact of acquisitions is detailed in note 4.

Notes to the consolidated financial statements
Continued

4 Acquisitions

	Keller Canada			Franki Africa			Geo-Foundations			**Total**		
	Carrying amount £m	Fair value adjust-ment £m	Fair value £m	Carrying amount £m	Fair value adjust-ment £m	Fair value £m	Carrying amount £m	Fair value adjust-ment £m	Fair value £m	**Carrying amount £m**	**Fair value adjust-ment £m**	**Fair value £m**
Net assets acquired												
Intangible assets	–	31.5	31.5	2.2	3.2	5.4	–	0.4	0.4	**2.2**	**35.1**	**37.3**
Property, plant and equipment	32.9	1.3	34.2	17.4	–	17.4	1.9	1.3	3.2	**52.2**	**2.6**	**54.8**
Cash and cash equivalents	–	–	–	5.2	–	5.2	0.2	–	0.2	**5.4**	**–**	**5.4**
Receivables	19.7	(0.4)	19.3	16.2	–	16.2	4.0	–	4.0	**39.9**	**(0.4)**	**39.5**
Other assets	9.6	–	9.6	3.4	–	3.4	0.4	–	0.4	**13.4**	**–**	**13.4**
Loans and borrowings	(3.8)	–	(3.8)	(2.4)	–	(2.4)	(0.5)	–	(0.5)	**(6.7)**	**–**	**(6.7)**
Deferred tax	–	(2.0)	(2.0)	(0.7)	(0.8)	(1.5)	(0.4)	(0.4)	(0.8)	**(1.1)**	**(3.2)**	**(4.3)**
Other liabilities	(4.2)	–	(4.2)	(14.2)	–	(14.2)	(0.9)	–	(0.9)	**(19.3)**	**–**	**(19.3)**
	54.2	30.4	84.6	27.1	2.4	29.5	4.7	1.3	6.0	**86.0**	**34.1**	**120.1**
Goodwill			74.8			2.6			–			**77.4**
Total consideration			159.4			32.1			6.0			**197.5**
Satisfied by												
Initial cash consideration			151.2			31.3			6.0			**188.5**
Contingent consideration			8.2			0.8			–			**9.0**
			159.4			32.1			6.0			**197.5**

On 1 January 2013, the Group acquired 100% of the share capital of Geo-Foundations Contractors, Inc. ('Geo-Foundations'), a business based in Toronto, Canada. The fair value of the intangible assets acquired represents the fair value of customer contracts at the date of acquisition. A further amount of up to £4.5m (CDN$8m) is payable based on total earnings before interest, tax, depreciation and amortisation in the five-year period following acquisition. As the payment is contingent on continued employment of the vendors until the entitlement date, this arrangement is treated as remuneration for post-acquisition services and amounts expected to be paid are accrued over the five-year period.

On 12 July 2013, the Group acquired selected assets and businesses that comprised the piling division of North American Energy Partners, Inc. (collectively 'Keller Canada'), a business based in Edmonton, Canada. The fair value of the intangible assets acquired represents the fair value of customer relationships, customer contracts at the date of acquisition, patents and trade names. Goodwill arising on acquisition is attributable to the knowledge and expertise of the assembled workforce, the expectation of future contracts and customer relationships and the opportunity to expand the use of more advanced Group technologies into a growth market. Contingent consideration of up to £52.6m (CDN$92.5m) is payable based on total earnings before interest, tax, depreciation and amortisation in the three-year period following acquisition.

On 21 November 2013, the Group acquired selected assets and businesses that comprised the geotechnical division of Esorfranki Limited (collectively 'Franki Africa'), a business based in Johannesburg, South Africa. The fair value of the intangible assets acquired represents the fair value of customer contracts at the date of acquisition and trade names. Goodwill arising on acquisition is attributable to the knowledge and expertise of the assembled workforce, operating synergies that arise from the Group's strengthened market position and the opportunity for the Group to accelerate its expansion in Africa using an established business. Contingent consideration of up to £8.7m (R150m) is payable based on total earnings before interest, tax, depreciation and amortisation in the three-year period following acquisition.

The fair value of the total receivables in all acquisitions is not materially different from the gross contractual amounts receivable and is expected to be recovered in full. In the period to 31 December 2013, Keller Canada, Franki Africa and Geo-Foundations contributed £78.6m to turnover and £8.3m to the net profit before exceptional items of the Group. Had the acquisitions all taken place on 1 January 2013, total Group revenue would have been £1,548.8m and total net profit before exceptional items would have been £60.8m.

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

The adjustments made in respect of acquisitions in the year to 31 December 2013 are provisional and will be finalised within 12 months of the acquisition date.

5 Operating costs

	Note	2013 £m	2012 £m
Raw materials and consumables		**420.8**	404.0
Staff costs	6	**361.5**	325.0
Other operating charges		**482.1**	448.8
Amortisation of intangibles		**1.4**	1.5
Operating lease expense:			
Land and buildings		**7.3**	7.5
Plant, machinery and vehicles		**42.3**	40.3
Depreciation:			
Owned property, plant and equipment		**44.8**	41.9
Property, plant and equipment held under finance leases		**0.2**	0.2
Operating costs before exceptional items		**1,360.4**	1,269.2
Exceptional items (note 7)		**21.7**	–
		1,382.1	1,269.2
Other operating charges include:			
Redundancy and other reorganisation costs		**2.3**	5.3
Fees payable to the Company's auditor for the audit of the Company's Annual Accounts		**0.1**	0.1
Fees payable to the Company's auditor for other services:			
The audit of the Company's subsidiaries, pursuant to legislation		**1.2**	0.9
Tax compliance services		**0.4**	0.4
Other assurance services		**0.7**	–

6 Employees

The aggregate staff costs of the Group were:	2013 £m	2012 £m
Wages and salaries	**318.3**	286.1
Social security costs	**34.4**	30.5
Other pension costs	**8.8**	8.4
	361.5	325.0

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

	2013 £m	2012 £m
Short-term employee benefits	**3.4**	3.4
Post-employment benefits	**0.1**	0.3
Share-based payments	**1.0**	0.8
	4.5	4.5

The average number of persons, including Directors, employed by the Group during the year was:	2013 Number	2012 Number
North America	**3,410**	2,414
EMEA	**2,664**	2,510
Asia	**838**	907
Australia	**930**	959
	7,842	6,790

Notes to the consolidated financial statements
Continued

7 Exceptional items

In 2013, exceptional items are those non-trading items relating to acquisitions which are required to be expensed under IFRS. Exceptional items comprise the following:

	2013 £m	2012 £m
Amortisation of acquired intangible assets	**6.7**	–
Acquisition costs	**5.9**	–
Contingent consideration and payments	**6.0**	–
Goodwill impairments	**3.1**	–
Exceptional items in operating costs	**21.7**	–
Exceptional finance costs	**0.4**	–
	22.1	–

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

Contingent consideration and payments primarily relates to £4.8m (A$7.8m) of previously unprovided contingent consideration payable in respect of the acquisition of Waterway Constructions Group Pty Ltd due to its better than expected performance during the period.

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

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

8 Finance income

	2013 £m	2012 £m
Bank and other interest receivable	**0.6**	0.5
Other finance income	**2.5**	1.4
	3.1	1.9

9 Finance costs

	2013 £m	2012 £m
Interest payable on bank loans and overdrafts	**2.5**	3.3
Interest payable on other loans	**2.2**	1.4
Interest payable on finance leases	**0.1**	–
Net pension interest cost	**0.7**	0.8
Other finance costs	**1.3**	1.2
Finance costs before exceptional items	**6.8**	6.7
Exceptional finance costs (note 7)	**0.4**	–
	7.2	6.7

10 Taxation

	2013 £m	2012 £m
Current tax expense		
Current year	**21.9**	18.4
Prior years	**(1.1)**	–
Total current tax	**20.8**	18.4
Deferred tax expense		
Current year	**1.0**	(2.1)
Prior years	**0.1**	(2.8)
Total deferred tax	**1.1**	(4.9)
	21.9	13.5

UK corporation tax is calculated at 23.25% (2012: 24.5%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The effective tax rate can be reconciled to the UK corporation tax rate of 23.25% as follows:	2013 %	2012 %
UK corporation tax rate of 23.25% (2012: 24.5%)	**23.3**	24.5
Tax charged overseas at rates other than 23.25% (2012: 24.5%)	**7.8**	4.7
Tax losses	**1.3**	3.9
Non-deductible expenses	**1.1**	4.5
Adjustment to tax charge in respect of previous periods	**(1.4)**	(6.6)
Effective tax rate before exceptional items	**32.1**	31.0
Impact of exceptional items (Note 7)	**10.0**	–
Effective tax rate	**42.1**	31.0

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 2012	(4.8)	35.2	(1.7)	(12.7)	(2.9)	2.7	**15.8**
Charge/(credit) to the income statement	0.2	(2.0)	0.4	(0.6)	(0.6)	(2.3)	**(4.9)**
Credit to other comprehensive income	–	–	(0.7)	–	–	–	**(0.7)**
Exchange differences	(0.2)	(1.9)	0.3	0.7	–	0.1	**(1.0)**
Reclassification	–	–	–	3.0	–	(3.0)	**–**
At 31 December 2012 and 1 January 2013	(4.8)	31.3	(1.7)	(9.6)	(3.5)	(2.5)	**9.2**
Charge/(credit) to the income statement	0.9	0.1	0.2	(1.2)	0.4	0.7	**1.1**
Credit to other comprehensive income	–	–	(1.1)	–	–	–	**(1.1)**
Acquired with subsidiaries	–	0.4	–	–	0.1	3.8	**4.3**
Exchange differences	(0.2)	(1.3)	0.3	0.8	0.1	0.8	**0.5**
Reclassification	–	1.2	(0.3)	(0.3)	(1.7)	1.1	**–**
At 31 December 2013	(4.1)	31.7	(2.6)	(10.3)	(4.6)	3.9	**14.0**

The following is the analysis of the deferred tax balances:	2013 £m	2012 £m
Deferred tax liabilities	**21.9**	18.5
Deferred tax assets	**(7.9)**	(9.3)
	14.0	9.2

At the balance sheet date, the Group had unused tax losses of £24.6m (2012: £19.5m) available for offset against future profits, on which no deferred tax asset has been recognised. Of these losses, £19.4m (2012: £16.1m) may be carried forward indefinitely.

At the balance sheet date the aggregate of temporary differences associated with investments in subsidiaries, branches and joint ventures for which no deferred tax liability has been recognised is £51.5m (2012: £39.0m). The unprovided deferred tax liability in respect of these timing differences is £1.6m (2012: £1.0m).

Notes to the consolidated financial statements
Continued

11 Dividends payable to equity holders of the parent

Ordinary dividends on equity shares:	2013 £m	2012 £m
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 December 2012 of 15.2p (2011 of 15.2p) per share	**9.8**	9.8
Interim dividend for the year ended 31 December 2013 of 8.0p (2012 of 7.6p) per share	**5.6**	4.9
	15.4	14.7

The Board has recommended a final dividend for the year ended 31 December 2013 of £11.3m, representing 16.0p (2012: 15.2p) per share. The proposed dividend is subject to approval by shareholders at the AGM on 22 May 2014 and has not been included as a liability in these financial statements.

12 Earnings per share

Basic and diluted earnings per share are calculated as follows:	2013 Basic before exceptional items £m	2013 Diluted before exceptional items £m	2013 Basic £m	2013 Diluted £m	2012 Basic £m	2012 Diluted £m
Earnings (after tax and non-controlling interests), being net profits attributable to equity holders of the parent	**49.5**	**49.5**	**29.3**	**29.3**	29.5	29.5
	Number of shares Million	**Number of shares Million**	**Number of shares Million**	**Number of shares Million**	Number of shares Million	Number of shares Million
Weighted average of ordinary shares in issue during the year	**67.8**	**67.8**	**67.8**	**67.8**	64.3	64.3
Add: weighted average of shares under option during the year	**–**	**1.1**	**–**	**1.1**	–	1.2
Adjusted weighted average of ordinary shares in issue	**67.8**	**68.9**	**67.8**	**68.9**	64.3	65.5
	2013 Pence	**2013 Pence**	**2013 Pence**	**2013 Pence**	2012 Pence	2012 Pence
Earnings per share	**73.0**	**71.9**	**43.2**	**42.6**	45.9	45.0

13 Intangible assets

	Goodwill £m	Other intangible assets: Arising on acquisition £m	Other intangible assets: Other £m	**Total £m**
Cost				
At 1 January 2012	117.6	–	15.5	**133.1**
Additions	–	–	0.9	**0.9**
Exchange differences	(3.4)	–	(0.4)	**(3.8)**
At 31 December 2012 and 1 January 2013	114.2	–	16.0	**130.2**
Additions	77.4	37.3	1.4	**116.1**
Exchange differences	(11.3)	(3.6)	(0.8)	**(15.7)**
At 31 December 2013	180.3	33.7	16.6	**230.6**
Accumulated amortisation and impairment				
At 1 January 2012	21.8	–	10.7	**32.5**
Amortisation charge for the year	–	–	1.5	**1.5**
Exchange differences	(0.8)	–	(0.2)	**(1.0)**
At 31 December 2012 and 1 January 2013	21.0	–	12.0	**33.0**
Impairment charge for the year	3.1	–	–	**3.1**
Amortisation charge for the year	–	6.7	1.4	**8.1**
Exchange differences	(0.3)	(0.5)	(0.7)	**(1.5)**
At 31 December 2013	23.8	6.2	12.7	**42.7**
Carrying amount				
At 31 December 2013	156.5	27.5	3.9	**187.9**
At 31 December 2012 and 1 January 2013	93.2	–	4.0	**97.2**
At 1 January 2012	95.8	–	4.8	**100.6**

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

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

In 2013, for impairment testing purposes goodwill has been allocated to 15 separate cash-generating units ('CGUs'). Of these, the carrying amount of goodwill allocated to four individual CGUs (Keller Canada, Suncoast, HJ Foundations and Keller Limited) is significant in comparison to the total carrying amount of goodwill and comprises 78% of the total. The carrying amounts allocated to three further CGUs, taken together, comprise a further 15% of the total. The relevant CGUs and the carrying amount of the goodwill allocated to each are as set out below, together with the pre-tax discount rate and medium-term growth rate used in their value in use calculations described on page 80:

Cash-generating unit	**Geographical segment**	**2013 Carrying value £m**	**2013 Pre-tax discount rate %**	**2013 Forecast growth rate %**	2012 Carrying value £m	2012 Pre-tax discount rate %	2012 Forecast growth rate %
Keller Canada	North America	**66.8**	**11.5**	**2.0**	–	–	–
Suncoast	North America	**26.1**	**13.0**	**3.0**	26.5	14.0	3.0
HJ Foundations	North America	**16.8**	**16.9**	**3.0**	17.1	17.6	3.0
Keller Limited	EMEA	**12.1**	**13.0**	**2.0**	12.1	13.6	2.0
Waterway	Australia	**7.5**	**16.2**	**1.0**	9.0	17.3	1.0
Hayward Baker	North America	**8.4**	**16.3**	**3.0**	8.5	17.9	3.0
Resource Piling	Asia	**7.7**	**11.8**	**2.0**	8.1	12.4	2.0
Other	Various	**11.1**			11.9		
		156.5			93.2		

Notes to the consolidated financial statements
Continued

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

The Group's businesses operate in cyclical markets, some of which are expected to continue to face uncertain conditions over the next couple of years. The most important factors in the value in use calculations, however, are the forecast revenues and gross 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 gross margins assumed throughout the forecast period. The discount rates used in the value in use calculations are based on the weighted average cost of capital of companies comparable to the relevant CGUs, adjusted as necessary to reflect the risk associated with the asset being tested.

Management considers all the forecast revenues, margins and profits to be reasonably achievable given recent performance and the historic trading results of the relevant CGUs. Cash flows beyond 2018 have been extrapolated using a steady growth rate of between 1% and 3% (shown in the table above), which does not exceed the long-term average growth rates for the markets in which the relevant CGUs operate.

Management believes that, with the exception of Keller Limited (UK), any reasonably possible change in the key assumptions on which the recoverable amounts of the CGUs identified above are based would not cause any of their carrying amounts to exceed their recoverable amounts. Keller Limited (UK) is the CGU where there is the most uncertainty surrounding the projections used in the value in use calculation. Although revenues are forecast to reduce in 2014 as two significant contracts currently being undertaken are completed, the assumptions underlying the forecasts in subsequent years are for a gradual recovery to more normal, mid-cycle, market conditions by 2018. Clearly, in the event that this assumption proves over-optimistic and the UK construction market experiences a prolonged depression, such that demand for our products is materially below long-term historic levels, this would adversely impact the forecast cash flows and may lead to an impairment of goodwill. Based on the value in use calculation, the recoverable amount of Keller Limited (UK) exceeds the carrying amount by £9.2m. In order for the recoverable amount to equal the carrying amount, forecast revenues in each year would have to decrease by 4%, which represents a -0.2% compound annual growth rate over the period from 2014 to 2018 or assumed gross margins in each year would have to decrease by 1.2%.

Additional specific information relating to the value in use calculations for CGUs with significant goodwill are as follows:

Keller Canada (Canada)
Keller Canada is the CGU formed from the acquisition of the piling division of North American Energy Partners, Inc. as set out in note 4. The forecast cash flows of Keller Canada assume revenues will grow steadily over the forecast period consistent with the long-term growth expected from the Canadian construction market. Forecast margins are below the long-term historic average for the business.

Suncoast (US)
Suncoast's revenues are primarily linked to US residential construction spend and the forecast cash flows assume the increases during 2010 and 2011 and the strong growth in 2012 and 2013 is the beginning of a steady recovery in US residential construction. Revenues forecast for 2018 are consistent with national US housing starts of around 1.4 million in that year, below the 1.5 million which third-party forecasts generally assume to be the average annual requirement for new homes in the US based on expected demographic trends. Gross margins are forecast to remain stable over the forecast period.

HJ Foundations (US)
HJ Foundations' revenues grew significantly during 2013, which is a strong sign that the south Florida construction market is recovering. Revenues are forecast to grow steadily over the forecast period. Gross margins are also forecast to improve steadily over the forecast period as the market continues to improve. Revenues and gross margins forecast for 2018 remain well below those achieved in the boom of 2005 and 2006.

Keller Limited (UK)
In 2014, revenues are forecast to reduce as two significant contracts currently being undertaken are completed. A gradual recovery is anticipated, in line with the general UK construction market, over the remainder of the forecast period. Forecast margins are consistent with the historic average for the business.

Waterway (Australia)
The forecast cash flows of Waterway assume revenues will return to growth in 2014 following the decline in 2013 as a result of a very large project boosting revenues in 2012. Revenues are forecast to grow steadily over the remainder of the forecast period. Forecast margins are consistent with the historic average for the business.

Hayward Baker (US)
Hayward Baker is geographically diverse and has revenue broadly spread across non-residential construction markets as a whole. The forecast cash flows assume a gradual continuation of the recovery in revenues and profits seen over the last three years. The forecast revenue growth to 2018 is based on external forecasts for the relevant construction markets. Forecast margins are consistent with the historic average for the business.

Resource Piling (Singapore)
The forecast cash flows of Resource Piling assume revenues will increase in 2014 as a result of a large contract currently being undertaken. From 2014, revenues are expected to grow gradually over the remainder of the forecast period as the Singapore construction market recovers from the temporary slowdown experienced last year. Forecast margins are consistent with the historic average for the business.

14 Property, plant and equipment

	Land and buildings £m	Plant, machinery and vehicles £m	Capital work in progress £m	**Total £m**
Cost				
At 1 January 2012	40.5	476.4	1.1	**518.0**
Additions	1.0	33.0	–	**34.0**
Disposals	(0.8)	(9.4)	(0.2)	**(10.4)**
Reclassification	–	4.3	(0.6)	**3.7**
Exchange differences	(1.1)	(13.0)	–	**(14.1)**
At 31 December 2012 and 1 January 2013	39.6	491.3	0.3	**531.2**
Additions	3.2	41.6	–	**44.8**
Disposals	(1.1)	(10.0)	–	**(11.1)**
Acquired with subsidiaries	1.2	53.6	–	**54.8**
Exchange differences	(0.5)	(27.9)	–	**(28.4)**
At 31 December 2013	42.4	548.6	0.3	**591.3**
Accumulated depreciation				
At 1 January 2012	8.6	243.3	–	**251.9**
Charge for the year	0.8	41.3	–	**42.1**
Disposals	(0.5)	(7.2)	–	**(7.7)**
Reclassification	–	3.7	–	**3.7**
Exchange differences	(0.2)	(7.1)	–	**(7.3)**
At 31 December 2012 and 1 January 2013	8.7	274.0	–	**282.7**
Charge for the year	0.9	44.1	–	**45.0**
Disposals	(0.1)	(7.7)	–	**(7.8)**
Exchange differences	–	(10.5)	–	**(10.5)**
At 31 December 2013	9.5	299.9	–	**309.4**
Carrying amount				
At 31 December 2013	32.9	248.7	0.3	**281.9**
At 31 December 2012 and 1 January 2013	30.9	217.3	0.3	**248.5**
At 1 January 2012	31.9	233.1	1.1	**266.1**

The net book value of plant, machinery and vehicles includes £5.2m (2012: £0.2m) in respect of assets held under finance leases.

The Group had contractual commitments for the acquisition of property, plant and equipment of £3.1m (2012: £2.7m) at the balance sheet date. These amounts were not included in the balance sheet at the year end.

15 Other non-current assets

	2013 £m	2012 £m
Fair value of derivative financial instruments	**–**	2.0
Other assets	**14.9**	12.9
	14.9	14.9

Notes to the consolidated financial statements
Continued

16 Investments
The Company's principal operating subsidiary undertakings at 31 December 2013 were as follows:

Subsidiary undertaking	Country of incorporation
Keller Limited	UK
Hayward Baker Inc	USA
Case Foundation Company	USA
McKinney Drilling Company LLC	USA
Suncoast Post-Tension Ltd	USA
HJ Foundation Company	USA
Keller Foundations Ltd	Canada
Cyntech Construction Ltd	Canada
Geo-Foundations Contractors, Inc.	Canada
Keller Grundbau GmbH	Germany
Keller Fondations Spéciales SAS	France
Keller Grundbau Ges.mbH	Austria
Keller Cimentaciones S.L.U. (previously Keller-Terra S.L.)	Spain
Keller Grundläggning AB	Sweden

Subsidiary undertaking	Country of incorporation
Keller Fondazioni S.r.l.	Italy
Keller Polska Sp. z o.o.	Poland
Keller Specialni Zakladani, spol. s.r.o.	Czech Republic
Keller Ground Engineering India Private Ltd	India
Keller (Malaysia) Sdn. Bhd	Malaysia
Keller Foundations (South East Asia) Pte Ltd	Singapore
Resource Piling Pte Ltd	Singapore
Keller Turki Company Ltd	Saudi Arabia
Franki Geotechnical (Pty) Ltd	South Africa
Frankipile Australia Pty Ltd	Australia
Vibro-Pile (Aust.) Pty Ltd	Australia
Piling Contractors Pty Ltd	Australia
Waterway Constructions Group Pty Ltd	Australia
Keller Ground Engineering Pty Ltd	Australia

Each of the above subsidiary undertakings is directly or indirectly wholly owned by the Company apart from Keller Turki Company Ltd, which is 65% owned by Keller Grundbau GmbH. Keller Limited is held directly by the Company. All other shareholdings are held by intermediate subsidiary undertakings. All companies are engaged in the principal activities of the Group, as defined in the Directors' report.

The Company has taken advantage of the exemption in s410 of the Companies Act 2006 to disclose a list comprising solely the principal operating subsidiaries. A full list of subsidiaries will be sent to Companies House with the next annual return.

17 Inventories

	2013 £m	2012 £m
Raw materials and consumables	**45.7**	29.9
Work in progress	**2.1**	0.3
Finished goods	**14.2**	11.1
	62.0	41.3

18 Trade and other receivables

	2013 £m	2012 £m
Trade receivables	**336.9**	291.5
Construction work in progress	**56.6**	32.8
Other receivables	**11.2**	14.9
Prepayments	**8.4**	7.9
Fair value of derivative financial instruments	**1.4**	–
	414.5	347.1

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

The movement in the provision for bad and doubtful debt is as follows:	2013 £m	2012 £m
At 1 January	**32.8**	28.0
Acquired with subsidiaries	**0.8**	–
Used during the period	**(4.0)**	(5.7)
Additional provisions	**13.3**	16.2
Unused amounts reversed	**(13.5)**	(4.8)
Exchange differences	**(0.4)**	(0.9)
At 31 December	**29.0**	32.8

The ageing of trade receivables that were past due but not impaired was as follows:	2013 £m	2012 £m
Overdue by less than 30 days	**65.9**	55.8
Overdue by between 31 and 90 days	**36.5**	21.7
Overdue by more than 90 days	**25.9**	23.8
	128.3	101.3

19 Construction contracts

Construction contracts in progress at balance sheet date:	2013 £m	2012 £m
Aggregate amount of costs incurred and recognised profits (less recognised losses) to date	**637.0**	609.6
Retentions withheld by customers	**23.9**	18.8
Advances received	**1.9**	0.2

Construction contract revenue recognised in the year in accordance with IAS 11 totalled £1,319.3m (2012: £1,218.5m).

20 Cash and cash equivalents

	2013 £m	2012 £m
Bank balances	**50.5**	50.3
Short-term deposits	**2.8**	6.7
Cash and cash equivalents in the balance sheet	**53.3**	57.0
Bank overdrafts	**(2.6)**	(2.2)
Cash and cash equivalents in the cash flow statement	**50.7**	54.8

Bank balances include £nil (2012: £4.2m) of cash held within jointly controlled operations.

21 Trade and other payables

	2013 £m	2012 £m
Trade payables	**169.5**	132.2
Other taxes and social security payable	**7.6**	11.6
Other payables	**139.7**	117.4
Accruals	**33.6**	29.6
Fair value of derivative financial instruments	**2.0**	–
	352.4	290.8

Other payables includes contract accruals and advance billings.

22 Provisions

	Employee provisions £m	Restructuring provisions £m	Other provisions £m	Total £m
At 1 January 2013	10.7	0.9	0.9	**12.5**
Charge for the year	3.4	0.2	4.0	**7.6**
Used during the period	(2.4)	–	(0.1)	**(2.5)**
Unused amounts reversed	(0.8)	–	–	**(0.8)**
Exchange differences	(0.6)	–	(0.1)	**(0.7)**
At 31 December 2013	10.3	1.1	4.7	**16.1**
To be settled within one year	5.7	0.9	4.7	**11.3**
To be settled after one year	4.6	0.2	–	**4.8**
At 31 December 2013	10.3	1.1	4.7	**16.1**

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. The majority of provisions are expected to be utilised within five years.

23 Other non-current liabilities

	2013 £m	2012 £m
Fair value of derivative financial instruments	**14.9**	15.8
Other liabilities	**21.0**	11.3
	35.9	27.1

Other liabilities include contingent consideration of £8.5m (2012: £0.7m).

Notes to the consolidated financial statements
Continued

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

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

Currency risk
The Group faces currency risk principally on its net assets, most of which are in currencies other than sterling. The Group aims to reduce the impact that retranslation of these net assets might have on the consolidated balance sheet, by matching the currency of its borrowings, where possible, with the currency of its assets. The majority of the Group's borrowings are held in US dollars, Canadian dollars, euros and Australian 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.

At 31 December 2013, the fair value of foreign exchange forward contracts outstanding was £nil (2012: £nil).

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

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

The Group has stringent procedures to manage counterparty risk and the assessment of customer credit risk is embedded in the contract tendering processes. Customer credit risk is mitigated by the Group's relatively small average contract size, its diversity, both geographically and in terms of end markets, and by taking out credit insurance in many of the countries in which the Group operates. No individual customer represented more than 5% of revenue in 2013. The counterparty risk on bank and cash balances is managed by limiting the aggregate amount of exposure to any one institution by reference to their credit rating and by regular review of these ratings. The ageing of trade receivables that were past due but not impaired is shown in note 18.

Liquidity risk and capital management
The Group's capital structure is kept under constant review, taking account of the need for, availability and cost of various sources of finance. The capital structure of the Group consists of net debt, as shown on page 85, and equity attributable to equity holders of the parent as shown in the consolidated balance sheet. The Group maintains a balance between certainty of funding and a flexible, cost effective financing structure with all main borrowings being from committed facilities. The Group's policy continues to be to ensure that its capital structure is appropriate to support this balance and the Group's operations.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group's debt and committed facilities mainly comprise a US$70m private placement repayable in 2014, a US$40m private placement repayable in 2018, a £170m syndicated revolving credit facility expiring in 2015 and a US$150m syndicated revolving credit facility expiring in 2017. 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 £68.5m (2012: £59.0m) to support local requirements.

Private placements
In October 2004, US$70m was raised through a private placement with US institutions. The proceeds of the issue of US$70m 5.48% notes due 2014 were used to refinance existing debt. In August 2012, a further US$40m was raised through a private placement with US institutions. The proceeds of the issue of US$40m 5.0% notes due 2018 were used to repay existing debt.

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 2013 was £68.5m (2012: £70.8m).

Hedging
The 2004 US$70m fixed rate private placement liabilities were swapped into floating rates, US$45m by means of US dollar interest rate swaps and US$25m through a dollar euro cross-currency and interest rate swap (together, 'the 2004 swaps'). The 2004 swaps have the same maturity as the private placement liability. The fair value of the 2004 swaps at 31 December 2013 represented an asset of £1.4m (2012: £2.0m) and a liability of £1.1m (2012: £nil) which are included in Trade and other receivables and Trade and other payables respectively.

The US$45m 2004 interest rate swaps have been designated as fair value hedges of the Group's exposure to changes in the fair value of US$45m of the US private placement loans arising from changes in US interest rates. The US$ leg of the 2004 cross-currency interest rate swap has been designated a fair value hedge of the Group's exposure to changes in fair value of US$25m of the private placement loans arising from changes in sterling dollar exchange rates and US interest rates. The effective portion of the change in fair value of these hedging instruments during the year, a loss of £1.4m (2012: £1.9m loss), has been taken to the income statement along with the equal and opposite movement in fair value of the corresponding hedged items.

24 Financial instruments continued

US$45m of the private placement liabilities, together with the euro leg of the 2004 cross-currency interest rate swap, are designated as net investment hedges of the Group's dollar and euro-denominated net assets. The effective portion of the change in fair value of these hedging instruments during the year, a loss of £0.3m (2012: £0.3m gain), has been taken to the translation reserve through other comprehensive income along with the foreign exchange gains and losses arising on retranslation of the dollar- and euro-denominated assets they hedge.

In June 2006, US$185m of floating rate intra-Group debt was swapped into sterling floating rates by means of dollar sterling cross-currency interest rate swaps ('the 2006 swaps'). The 2006 swaps have the same maturity as the intra-Group debt and have been designated as cash flow hedges of the Company's exposure to the variability of cash flows on the intra-Group debt resulting from changes in foreign exchange rates.

The fair value of the 2006 swaps at 31 December 2013 represented a liability of £11.3m (2012: £13.4m) included in other non-current liabilities. The effective portion of changes in the fair value of the 2006 swaps, a gain of £2.1m (2012: £5.2m), has been taken to the hedging reserve and fully recycled through the income statement during the year.

The 2012 US$40m fixed rate private placement liabilities were swapped into sterling by means of dollar sterling cross-currency fixed interest rate swaps. Also, on the same date, £25.5m of sterling was swapped into euros by means of sterling euro cross-currency fixed interest rate swaps. The interest rate swaps ('the 2012 swaps') have the same maturity as the private placement liability. The dollar sterling swaps have been designated as cash flow hedges of the Company's exposure to the variability of cash flows on the private placement resulting from changes in foreign exchange rates and the sterling euro swaps have been designated as net investment hedges of the Group's euro-denominated net assets.

The fair value of the 2012 swaps at 31 December 2013 represented a liability of £3.6m (2012: £1.7m) included in other non-current liabilities. The effective portion of the changes in the fair value of the dollar sterling swaps, a loss of £0.3m (2012: £0.8m), has been taken to the hedging reserve and fully recycled through the income statement during the year. The effective portion of the changes in the fair value of the sterling euro swaps, a loss of £1.6m (2012: £0.8m), has been taken to the translation reserve through other comprehensive income along with the foreign exchange gains and losses arising on retranslation of the euro-denominated assets they hedge.

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 (2012: £nil).

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.

	2013 Effective interest rate %	**2013 Due within 1–2 years £m**	**2013 Due within 2–5 years £m**	**2013 Due after more than 5 years £m**	**2013 Total non-current £m**	**2013 Due within 1 year £m**	**2013 Total £m**
Bank overdrafts	**2.0**	**–**	**–**	**–**	**–**	**(2.6)**	**(2.6)**
Bank loans*	**2.9**	**(37.0)**	**(82.8)**	**(0.5)**	**(120.3)**	**(0.2)**	**(120.5)**
Other loans*	**2.9**	**–**	**(24.2)**	**–**	**(24.2)**	**(44.3)**	**(68.5)**
Obligations under finance leases*	**7.5**	**(0.8)**	**(1.5)**	**(1.5)**	**(3.8)**	**(1.6)**	**(5.4)**
Total loans and borrowings		**(37.8)**	**(108.5)**	**(2.0)**	**(148.3)**	**(48.7)**	**(197.0)**
Bank balances	**1.6**	**–**	**–**	**–**	**–**	**50.5**	**50.5**
Short-term deposits*	**3.7**	**–**	**–**	**–**	**–**	**2.8**	**2.8**
Net debt		**(37.8)**	**(108.5)**	**(2.0)**	**(148.3)**	**4.6**	**(143.7)**
Derivative financial instruments		**–**	**(14.9)**	**–**	**(14.9)**	**(0.6)**	**(15.5)**

	2012 Effective interest rate %	2012 Due within 1–2 years £m	2012 Due within 2–5 years £m	2012 Due after more than 5 years £m	2012 Total non-current £m	2012 Due within 1 year £m	2012 Total £m
Bank overdrafts	3.2	–	–	–	–	(2.2)	(2.2)
Bank loans*	2.9	(0.3)	(33.2)	(0.2)	(33.7)	(1.0)	(34.7)
Other loans*	2.8	(46.1)	–	(24.7)	(70.8)	–	(70.8)
Obligations under finance leases*	8.3	(0.1)	(0.1)	–	(0.2)	(0.3)	(0.5)
Total loans and borrowings		(46.5)	(33.3)	(24.9)	(104.7)	(3.5)	(108.2)
Bank balances	0.8	–	–	–	–	50.3	50.3
Short-term deposits*	2.4	–	–	–	–	6.7	6.7
Net debt		(46.5)	(33.3)	(24.9)	(104.7)	53.5	(51.2)
Derivative financial instruments		2.0	(14.1)	(1.7)	(13.8)	–	(13.8)

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

Notes to the consolidated financial statements
Continued

24 Financial instruments continued

Loans and borrowings consist of the following:	2013 £m	2012 £m
US$70m private placement (due October 2014)	**44.3**	46.1
US$40m private placement (due August 2018)	**24.2**	24.7
£170m syndicated revolving credit facility (expiring April 2015)	**36.4**	33.0
US$150m syndicated revolving credit facility (expiring July 2017)	**82.4**	–
Bank overdrafts	**2.6**	2.2
Obligations under finance leases	**5.4**	0.5
Other loans and borrowings	**1.7**	1.7
Total loans and borrowings	**197.0**	108.2

In addition, there were non-interest-bearing financial liabilities comprising trade and other payables of £316.8m (2012: £261.2m) which were payable within one year. Contingent consideration in respect of acquisitions taking place on or after 1 January 2010 which were payable within one year is £nil (2012: £0.7m) and payable between two and five years is £8.5m (2012: £nil).

The Group had unutilised committed banking facilities of £122.6m at 31 December 2013 (2012: £108.1m). This mainly comprised the unutilised portion of the Group's £170m facility which expires on 16 April 2015. In addition, the Group had unutilised uncommitted borrowing facilities totalling £42.7m at 31 December 2013 (2012: £45.1m). All of these borrowing facilities are unsecured. Future obligations under finance leases totalled £6.0m (2012: £0.5m), including interest of £0.6m (2012: £nil).

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 2013 and in 2012, the valuation methods of all of the Group's derivative financial instruments carried at fair value are categorised as Level 2. Level 2 is defined as inputs, other than quoted prices (unadjusted) in active markets for identical assets or liabilities, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Interest-bearing loans and borrowings
Fair value is calculated based on expected future principal and interest cash flows discounted using market rates prevailing at the balance sheet date.

Contingent consideration
Fair value is calculated based on the amounts expected to be paid, determined by reference to forecasts of future performance of the acquired businesses discounted using market rates prevailing at the balance sheet date and the probability of contingent events and targets being achieved.

In 2013 and in 2012, the valuation methods of all of the Group's contingent consideration carried at fair value are categorised as Level 3. Level 3 inputs are unobservable inputs for the asset or liability.

The significant unobservable inputs used in the fair value measurement of the Group's contingent consideration are forecast revenue growth rates (2013: 5%–11%), forecast EBITDA margins (2013: 9%–13%) and pre-tax discount rates (2013: 12%–22%).

The following table shows a reconciliation from the opening to closing balances for Level 3 fair values:	Contingent consideration £m
At 1 January 2013	**0.7**
Charge for the year (note 7)	**4.8**
Assumed within business combinations (note 4)	**9.0**
Payments	**(5.5)**
Unwind of contingent consideration (note 7)	**0.4**
Exchange differences[1]	**(0.9)**
At 31 December 2013	**8.5**

[1] Included in other comprehensive income.

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

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

24 Financial instruments continued

Interest rate and currency profile

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

	2013 Sterling	2013 USD	2013 Euro	2013 CAD	2013 Other[1]	2013 Total
Weighted average fixed debt interest rate	–	–	5.0%	6.9%	–	n/a
Weighted average fixed debt period (years)	–	–	4.6	2.4	–	n/a

	2013 £m	2013 £m	2013 £m	2013 £m	2013 £m	2013 £m
Fixed rate financial liabilities	–	–	(25.4)	(2.9)	–	(28.3)
Floating rate financial liabilities	(2.6)	(31.2)	(21.2)	(98.3)	(15.4)	(168.7)
Financial assets	1.0	5.6	9.0	2.6	35.1	53.3
Net debt	(1.6)	(25.6)	(37.6)	(98.6)	19.7	(143.7)

	2012 Sterling	2012 USD	2012 Euro	2012 CAD	2012 Other[1]	2012 Total
Weighted average fixed debt interest rate	–	–	5.0%	–	10.0%	n/a
Weighted average fixed debt period (years)	–	–	5.6	–	3.0	n/a

	2012 £m	2012 £m	2012 £m	2012 £m	2012 £m	2012 £m
Fixed rate financial liabilities	–	–	(25.0)	–	(0.2)	(25.2)
Floating rate financial liabilities	(7.4)	(32.4)	(32.8)	–	(10.4)	(83.0)
Financial assets	1.3	6.1	15.2	–	34.4	57.0
Net debt	(6.1)	(26.3)	(42.6)	–	23.8	(51.2)

[1] Included within other floating rate financial liabilities are AUD revolver loans of £3.6m (2012: £10.3m) and ZAR revolver loans of £9.3m (2012: £nil). Included within other financial assets are AUD cash balances of £9.5m (2012: £13.6m) and SGD cash balances of £6.2m (2012: £5.5m).

Sensitivity analysis

At 31 December 2013, it is estimated that a general increase of one percentage point in interest rates would decrease the Group's profit before taxation by approximately £1.2m (2012: £0.3m). The impact of interest rate swaps has been included in this calculation.

It is estimated that a general increase of ten percentage points in the value of sterling against other principal foreign currencies would have decreased the Group's profit before taxation and exceptional items by approximately £7.1m for the year ended 31 December 2013 (2012: £3.8m). This sensitivity relates to the impact of retranslation of foreign earnings only. The impact on the Group's earnings of currency transaction exchange risk is not significant.

25 Share capital and reserves

	2013 £m	2012 £m
Allotted, called up and fully paid		
Equity share capital:		
73,099,735 ordinary shares of 10p each (2012: 66,499,735)	7.3	6.6

The Company has one class of ordinary shares, which carries no rights to fixed income. There are no restrictions on the transfer of these shares.

On 14 June 2013, the Group issued 6,600,000 new ordinary shares of 10p each for a total non-cash consideration (shares in a company which received the placing proceeds) of £57.6m net of £1.2m of issue costs. Merger relief has been applied under section 612 of the Companies Act 2006, with the premium on the shares issued allocated initially to a merger reserve and then to an other reserve on redemption of the shares in the company that received the placing proceeds.

All other shares issued in the year related to share options that were exercised.

The capital redemption reserve is a non-distributable reserve created when the Company's shares were redeemed or purchased other than from the proceeds of a fresh issue of shares.

The total number of shares held in Treasury was 2.2m (2012: 2.2m).

Notes to the consolidated financial statements
Continued

26 Related party transactions
Transactions between the parent, its subsidiaries and jointly controlled operations, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

On 3 April 2013, the Group acquired the remaining 49% minority shareholding of Keller-Terra S.L. for a cash consideration of £5.6m (€6.7m) from GTCEISU Construcción, S.A., a connected person of Mr López Jiménez, who retired as a Director of the Company during 2012.

During the year, the Group undertook various contracts with a total value of £nil (2012: £3.9m) for GTCEISU Construcción, S.A. An amount of £nil (2012: £5.6m) is included in trade and other receivables in respect of amounts outstanding as at 31 December 2013. During the year, the Group made purchases from GTCEISU Construcción, S.A. with a total value of £nil (2012: £2.0m). An amount of £nil (2012: £1.0m) is included in trade and other payables in respect of amounts outstanding as at 31 December 2013.

Related party transactions were made on an arms-length basis and no guarantees have been given or received.

The remuneration of the Directors, who are the key management personnel and related parties of the Group, is set out in note 6.

27 Commitments
(a) Capital commitments
Capital expenditure contracted for at the end of the reporting period but not yet incurred was £3.1m (2012: £2.7m) and relates to property, plant and equipment purchases.

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

	2013 Land and buildings £m	**2013 Plant, machinery and vehicles £m**	**2013 Total £m**	2012 Land and buildings £m	2012 Plant, machinery and vehicles £m	2012 Total £m
Payable within one year	**8.8**	**6.6**	**15.4**	8.0	6.3	14.3
Payable between one and five years inclusive	**17.6**	**5.8**	**23.4**	15.3	8.9	24.2
Payable in over five years	**5.0**	**–**	**5.0**	2.7	0.2	2.9
	31.4	**12.4**	**43.8**	26.0	15.4	41.4

28 Contingent liabilities
Claims against the Group arise in the normal course of trading. Some of these claims involve or may involve litigation and, in a few instances, the total amounts claimed against the Group may be significant in relation to the size of the related contract. However, the amounts agreed, if any, are generally less than the total amount claimed, in many cases significantly so, and are normally covered by the Group's insurance arrangements. The Directors' best estimate, based on their knowledge as at the date of these accounts, of the likely amounts payable by the Group on account of such claims has been accrued in these accounts.

The Group has entered into bonds in the normal course of business relating to contract tenders, advance payments, contract performance, the release of retentions and the Group's insurance arrangements.

The Company and certain of its subsidiary undertakings have entered into a number of guarantees in the ordinary course of business, the effects of which are to guarantee or cross-guarantee certain bank borrowings and other liabilities of other Group companies.

At 31 December 2013, the Group had standby letters of credit outstanding totalling £17.5m (2012: £25.3m).

28 Contingent liabilities continued

The following subsidiaries have taken the exemption from having their financial statements audited on the basis that Keller Group plc has provided a guarantee of these subsidiaries' liabilities in respect of their financial year ended 31 December 2013 under sections 479A to 479C of the Companies Act 2006:

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

29 Share-based payments

The Group has two share option plans, the 2001 Plans and the Performance Share Plan.

Details of the terms and conditions of the Performance Share Plan are set out in the Directors' remuneration report on pages 40 to 56.

Under the 2001 Plans, the option price is the average of the share price for the three days preceding the date of grant. Under the Performance Share Plan, all awards have an exercise price of £1 per exercise. Options outstanding are as follows:

	2001 Plans Options	2001 Plans Weighted average exercise price	Performance Share Plan Options
Outstanding at 1 January 2012	25,000	251.0p	1,074,138
Granted during 2012	–	–	548,476
Lapsed during 2012	(2,500)	251.0p	(388,527)
Exercised during 2012	(16,500)	251.0p	–
Outstanding at 31 December 2012 and 1 January 2013	6,000	251.0p	1,234,087
Granted during 2013	–	–	306,182
Lapsed during 2013	(6,000)	251.0p	(355,185)
Outstanding at 31 December 2013	–	–	1,185,084
Exercisable at 1 January 2012	25,000	251.0p	3,750
Exercisable at 31 December 2012 and 1 January 2013	6,000	251.0p	3,750
Exercisable at 31 December 2013	–	–	3,750

Exercises occurred throughout the year. The average share price during the year was 950.1p.

Under IFRS 2, the fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of share options granted is measured based on a stochastic model. The contractual life of the option is used as an input into this model, with expectations of early exercise being incorporated into the model.

The inputs into the stochastic model are as follows:	**2013**	2012
Weighted average share price	**944.0p**	425.0p
Weighted average exercise price	**0.0p**	0.0p
Expected volatility	**39.0%**	41.3%
Expected life	**3 years**	3 years
Risk free rate	**0.62%**	0.58%
Expected dividend yield	**2.40%**	5.36%

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 recognition and measurement principles in IFRS 2 have not been applied to options granted before 7 November 2002 in accordance with the transitional provisions in IFRS 1 and IFRS 2.

The Group recognised total expenses (included in operating costs) of £1.9m (2012: £1.3m) related to equity-settled, share-based payment transactions.

The weighted average fair value of options granted in the year was 795.4p (2012: 314.1p).

Notes to the consolidated financial statements
Continued

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 2011), the Group has agreed to continue to pay annual contributions of £1.5m.

The Group has two UK defined contribution retirement benefit schemes. There were no contributions outstanding in respect of these schemes at 31 December 2013 (2012: £nil). The total UK defined contribution pension charge for the year was £1.0m (2012: £0.9m).

The Group also has defined benefit retirement obligations in Germany and Austria. Under these schemes, employees are entitled to retirement benefits on attainment of a retirement age of 65, provided they have 15 years of employment with the Group. The amount of benefit payable depends on the grade of employee and the number of years of service, up to a maximum of 40 years. Benefits under these schemes are no longer granted to new employees and 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 £2.5m (2012: £2.3m).

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 9.25% (2012: 9%). The total Australian pension charge for the year was £4.1m (2012: £4.5m).

Details of the Group's defined benefit schemes are as follows:	**The Keller Group Pension Scheme (UK) Year ended 31 December 2013 £m**	The Keller Group Pension Scheme (UK) Year ended 31 December 2012 £m	**German and Austrian Schemes Year ended 31 December 2013 £m**	German and Austrian Schemes Year ended 31 December 2012 £m
Present value of the scheme liabilities	**(44.7)**	(41.1)	**(13.4)**	(11.5)
Present value of assets	**35.0**	34.4	**–**	–
Deficit in the scheme	**(9.7)**	(6.7)	**(13.4)**	(11.5)

The value of the scheme liabilities has been determined by the actuary using the following assumptions:	**31 December 2013 %**	31 December 2012 %	**31 December 2013 %**	31 December 2012 %
Discount rate	**4.5**	4.4	**2.7**	3.5
Interest on assets	**4.5**	4.5	**n/a**	n/a
Rate of increase in pensions in payment	**3.5**	2.8	**2.0**	2.0
Rate of increase in pensions in deferment	**2.7**	2.3	**2.0**	2.0
Rate of inflation	**3.5**	2.8	**2.0**	2.0

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

	The Keller Group Pension Scheme (UK) Year ended 31 December 2013	The Keller Group Pension Scheme (UK) Year ended 31 December 2012	**German and Austrian Schemes Year ended 31 December 2013**	German and Austrian Schemes Year ended 31 December 2012
Male currently aged 65	**21.7**	21.6	**18.8**	19.1
Female currently aged 65	**23.9**	23.7	**22.8**	23.2

30 Retirement benefit liabilities continued

The assets of the schemes were as follows:	**The Keller Group Pension Scheme (UK) Value as at 31 December 2013 £m**	The Keller Group Pension Scheme (UK) Value as at 31 December 2012 £m	**German and Austrian Schemes Value as at 31 December 2013 £m**	German and Austrian Schemes Value as at 31 December 2012 £m
Equities	**22.8**	22.0	**n/a**	n/a
Gilts	**6.0**	–	**n/a**	n/a
Bonds	**6.2**	12.4	**n/a**	n/a
	35.0	34.4	**n/a**	n/a

	The Keller Group Pension Scheme (UK) Year ended 31 December 2013 £m	The Keller Group Pension Scheme (UK) Year ended 31 December 2012 £m	**German and Austrian Schemes Year ended 31 December 2013 £m**	German and Austrian Schemes Year ended 31 December 2012 £m
Changes in scheme liabilities				
Opening balance	**(41.1)**	(38.0)	**(11.5)**	(11.9)
Current service cost	**(0.1)**	–	**(0.2)**	(0.1)
Interest cost	**(1.8)**	(1.7)	**(0.4)**	(0.5)
Curtailment	**–**	–	**–**	0.4
Benefits paid	**1.8**	1.3	**0.6**	1.1
Exchange differences	**–**	–	**(0.3)**	0.3
Changes to demographic assumptions	**–**	(1.2)	**–**	–
Changes to financial assumptions	**(3.5)**	(1.5)	**(1.6)**	(0.8)
Closing balance	**(44.7)**	(41.1)	**(13.4)**	(11.5)
Changes in scheme assets				
Opening balance	**34.4**	32.2	**–**	–
Interest on assets	**1.5**	1.4	**–**	–
Employer contributions	**1.5**	1.4	**–**	–
Benefits paid	**(1.8)**	(1.3)	**–**	–
Return on plan assets less interest	**(0.6)**	0.7	**–**	–
Closing balance	**35.0**	34.4	**–**	–
Actual return on scheme assets	**0.9**	2.1	**–**	–
Statement of comprehensive income (SOCI)				
Return on plan assets less interest	**(0.6)**	0.7	**–**	–
Changes to demographic assumptions	**–**	(1.2)	**–**	–
Changes to financial assumptions	**(3.5)**	(1.5)	**(1.6)**	(0.8)
Remeasurements of defined benefit plans	**(4.1)**	(2.0)	**(1.6)**	(0.8)
Cumulative remeasurements of defined benefit plans	**(17.4)**	(13.3)	**(4.2)**	(2.6)
Expense recognised in the income statement				
Current service cost	**0.1**	–	**0.2**	0.1
Curtailment	**–**	–	**–**	(0.4)
Operating costs/(income)	**0.1**	–	**0.2**	(0.3)
Net pension interest cost	**0.3**	0.3	**0.4**	0.5
Expense recognised in the income statement	**0.4**	0.3	**0.6**	0.2
Movements in the balance sheet liability				
Net liability at start of year	**6.7**	5.8	**11.5**	11.9
Expense recognised in the income statement	**0.4**	0.3	**0.6**	0.2
Employer contributions	**(1.5)**	(1.4)	**–**	–
Benefits paid	**–**	–	**(0.6)**	(1.1)
Exchange differences	**–**	–	**0.3**	(0.3)
Remeasurements of defined benefit plans	**4.1**	2.0	**1.6**	0.8
Net liability at end of year	**9.7**	6.7	**13.4**	11.5

Notes to the consolidated financial statements
Continued

30 Retirement benefit liabilities continued
A reduction in the discount rate of 0.1% would increase the deficit in the schemes by £0.9m, whilst a reduction in the inflation assumption of 0.1% would decrease the deficit by £0.8m.

The weighted average duration of the defined benefit obligation is approximately 16.5 years for the UK scheme and 11.6 years for the German and Austrian schemes.

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

	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
Present value of defined benefit obligations	**(58.1)**	(52.6)	(49.9)	(50.7)	(48.0)
Fair value of scheme assets	**35.0**	34.4	32.2	30.6	27.8
Deficit in the schemes	**(23.1)**	(18.2)	(17.7)	(20.1)	(20.2)
Experience adjustments on scheme liabilities	**(5.1)**	(3.5)	1.0	(2.6)	(7.7)
Experience adjustments on scheme assets	**(0.6)**	0.7	0.1	1.3	(0.2)

Company balance sheet
As at 31 December 2013

	Note	2013 £m	2012 £m
Fixed assets			
Intangible assets	4	**0.1**	0.1
Tangible fixed assets	5	**0.1**	0.2
Investments	6	**127.8**	127.3
		128.0	127.6
Current assets			
Debtors*	7	**347.7**	292.6
Creditors: amounts falling due within one year	8	**(53.7)**	(10.8)
Net current assets*		**294.0**	281.8
Total assets less current liabilities		**422.0**	409.4
Creditors: amounts falling due after more than one year	9	**(85.1)**	(138.3)
Net assets excluding pension liabilities		**336.9**	271.1
Pension liabilities	15	**(1.6)**	(1.2)
Net assets		**335.3**	269.9
Capital and reserves			
Called up share capital	10	**7.3**	6.6
Share premium account	12	**38.1**	38.1
Capital redemption reserve	12	**7.6**	7.6
Other reserve	12	**56.9**	–
Profit and loss account	12	**225.4**	217.6
Shareholders' funds	11	**335.3**	269.9

* Debtors and net current assets include debtors recoverable after more than one year of £307.1m (2012: £283.8m).

These financial statements were approved by the Board of Directors and authorised for issue on 3 March 2014.
They were signed on its behalf by:

J R Atkinson
Chief Executive

J W G Hind
Finance Director

Notes to the Company financial statements

1 Significant accounting policies

These financial statements have been prepared under the historical cost convention in accordance with applicable accounting standards of UK Generally Accepted Accounting Practice.

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

The following accounting policies have been applied consistently.

The principal accounting policies adopted under UK GAAP are the same as the Group's accounting policies under International Financial Reporting Standards, except for those listed below:

Basis of accounting

No profit and loss account is presented for the Company as permitted by Section 408 of the Companies Act 2006.

Pension liabilities

The Company operates a defined benefit pension scheme, and also makes payments into defined contribution schemes for employees.

The liability in respect of the defined benefit scheme is the present value of the defined benefit obligations at the balance sheet date, calculated using the projected unit credit method, less the fair value of the scheme's assets.

The Company has applied the requirements of FRS 17 recognising the current service cost and interest on scheme liabilities in the profit and loss account, and actuarial gains and losses in reserves.

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

Investments

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

Deferred taxation

Except where otherwise required by FRS 19, full provision without discounting is made for all timing differences which have arisen but not reversed at the balance sheet date.

Tangible fixed assets

Tangible fixed assets principally consist of leasehold improvements which are depreciated over the term of the lease.

Accounting developments

FRS 100, 101 and 102 were recently issued by the Financial Reporting Council. FRS 100 sets out the application of financial reporting requirements in the UK and FRS 101, 'IFRS with reduced disclosures' outlines the reduced disclosure framework available for use by qualifying entities choosing to report under IFRS. FRS 102 is applicable in the UK and is known as 'new UK GAAP'. The mandatory effective date for the new framework of reporting is for accounting periods beginning on or after 1 January 2015. The Company will apply either FRS 101 ('IFRS with reduced disclosures') or FRS 102 ('new UK GAAP'). An analysis is currently being undertaken to identify the most appropriate option.

2 Employees

The Company has no employees other than the Directors. Directors' remuneration and details of their share-based payments are disclosed in note 6 to the consolidated financial statements.

3 Dividends paid

Ordinary dividends paid on equity shares are disclosed in note 11 to the consolidated financial statements.

4 Intangible assets

	Development costs £m	**Total £m**
Cost		
At 1 January 2013	0.3	**0.3**
At 31 December 2013	0.3	**0.3**
Accumulated amortisation		
At 1 January 2013	0.2	**0.2**
At 31 December 2013	0.2	**0.2**
Carrying amount		
At 1 January 2013	0.1	**0.1**
At 31 December 2013	0.1	**0.1**

5 Tangible fixed assets

	Leasehold improvements £m	**Total £m**
Cost		
At 1 January 2013	0.4	**0.4**
At 31 December 2013	0.4	**0.4**
Accumulated depreciation		
At 1 January 2013	0.2	**0.2**
Charge for the year	0.1	**0.1**
At 31 December 2013	0.3	**0.3**
Carrying amount		
At 1 January 2013	0.2	**0.2**
At 31 December 2013	0.1	**0.1**

6 Investments

The Company's principal investments are disclosed in note 16 to the consolidated financial statements.

7 Debtors

	2013 £m	2012 £m
Amounts owed by subsidiary undertakings	**345.9**	290.4
Other debtors	**1.8**	2.2
	347.7	292.6
Included in the above are amounts falling due after more than one year in respect of:		
Amounts owed by subsidiary undertakings	**307.1**	281.8
Other debtors	**–**	2.0
	307.1	283.8

Notes to the Company financial statements
Continued

8 Creditors: amounts falling due within one year

	2013 £m	2012 £m
Bank overdraft	**0.5**	4.7
Other loans	**44.3**	–
Amounts owed to subsidiary undertakings	**1.2**	1.4
Other creditors	**6.7**	3.7
Accruals	**1.0**	1.0
	53.7	10.8

9 Creditors: amounts falling due after more than one year

	2013 £m	2012 £m
Bank loans	**20.5**	28.8
Other loans	**24.2**	69.5
Other creditors	**14.9**	15.8
Amounts owed to subsidiary undertakings	**25.5**	24.2
	85.1	138.3
Bank and other loans are repayable as follows:		
Between two and five years	**44.7**	73.6
After five years	**–**	24.7
	44.7	98.3

The Company had unutilised committed banking facilities of £113.4m at 31 December 2013 (2012: £98.9m). This comprised the unutilised portion of the Company's £170m and US$150m revolving credit facilities, which expire in April 2015 and July 2017 respectively.

10 Share capital
Details of the Company's share capital is given in note 25 to the consolidated financial statements.

11 Reconciliation of movements in shareholders' funds

	2013 £m	2012 £m
Profit for the financial year	**21.9**	39.5
Net actuarial losses	**(0.6)**	(0.4)
Dividends	**(15.4)**	(14.7)
Issue of new shares	**57.6**	–
Share-based payments	**1.9**	1.3
Net movements in shareholders' funds	**65.4**	25.7
Shareholders' funds at 1 January	**269.9**	244.2
Shareholders' funds at 31 December	**335.3**	269.9

12 Reserves

	Share premium account £m	Capital redemption reserve £m	Other reserve £m	Profit and loss account £m	**Total £m**
At 1 January 2013	38.1	7.6	–	217.6	**263.3**
Profit for the financial year	–	–	–	21.9	**21.9**
Net actuarial losses	–	–	–	(0.6)	**(0.6)**
Dividends	–	–	–	(15.4)	**(15.4)**
Issue of new shares	–	–	56.9	–	**56.9**
Share-based payments	–	–	–	1.9	**1.9**
At 31 December 2013	38.1	7.6	56.9	225.4	**328.0**

Details of the other reserve are included in note 25 to the consolidated financial statements.

Of the profit and loss account reserve, an amount of £100.8m attributable to profits arising on an intra-Group reorganisation is not distributable.

13 Share-based payments

Details of the Company's share option plans are given in note 29 to the consolidated financial statements.

14 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 2013, the Company's liability in respect of the guarantees against bank borrowings amounted to £108.4m (2012: £16.4m). In addition, standby letters of credit outstanding totalled £17.5m (2012: £25.3m). No amounts were paid or liabilities incurred relating to these guarantees during 2013 (2012: £nil).

In addition, as set out in note 28 to the consolidated financial statements, the Company has provided a guarantee of certain subsidiaries' liabilities to take the exemption from having their financial statements audited under sections 479A to 479C of the Companies Act 2006.

15 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 2011 was £5.0m and the actuarial valuation showed a funding level of 82%.

Details of the actuarial methods and assumptions, as well as steps taken to address the deficit in the scheme, are given in note 30 to the consolidated financial statements.

There were no contributions outstanding in respect of the defined contribution schemes at 31 December 2013 (2012: £nil).

Details of the Company's share of the Keller Group Pension Scheme are as follows:	**2013 £m**	2012 £m
Present value of the scheme liabilities	**(7.3)**	(7.1)
Present value of assets	**5.7**	5.9
Deficit in the scheme	**(1.6)**	(1.2)

The assets of the scheme were as follows:	**2013 £m**	2012 £m
Equities	**3.7**	3.8
Gilts	**1.0**	–
Bonds	**1.0**	2.1
	5.7	5.9

Notes to the Company financial statements
Continued

15 Retirement benefit schemes continued

	2013 £m	2012 £m
Changes in scheme liabilities		
Opening balance	**(7.1)**	(6.6)
Interest cost	**(0.3)**	(0.2)
Benefits paid	**0.3**	0.2
Actuarial losses	**(0.2)**	(0.5)
Closing balance	**(7.3)**	(7.1)
Changes in scheme assets		
Opening balance	**5.9**	5.6
Expected return on scheme assets	**0.3**	0.2
Employer contributions	**0.2**	0.2
Benefits paid	**(0.3)**	(0.2)
Actuarial (losses)/gains	**(0.4)**	0.1
Closing balance	**5.7**	5.9
Actual return on scheme assets	**(0.1)**	0.3
Statement of total recognised gains and losses (STRGL)		
Actuarial (losses)/gains from assets	**(0.4)**	0.1
Actuarial losses from liabilities	**(0.2)**	(0.5)
Net actuarial losses	**(0.6)**	(0.4)
Cumulative actuarial losses	**(2.2)**	(1.6)
Expense recognised in the profit and loss account		
Interest cost	**0.3**	0.2
Expected return on scheme assets	**(0.3)**	(0.2)
Expense recognised in the profit and loss account	**–**	–
Movements in the balance sheet liability		
Net liability at start of year	**1.2**	1.0
Expense recognised in the profit and loss account	**–**	–
Employer contributions	**(0.2)**	(0.2)
Actuarial losses recognised in STRGL	**0.6**	0.4
Net liability at end of year	**1.6**	1.2

The expected return on the average value of the assets over the year was calculated using the long-term average rate of return expected over the remaining term of the scheme's liabilities. The contributions expected to be paid during 2013 are £0.2m.

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

	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
Present value of defined benefit obligations	**(7.3)**	(7.1)	(6.6)	(6.1)	(5.8)
Fair value of scheme assets	**5.7**	5.9	5.6	4.9	4.4
Deficit in the scheme	**(1.6)**	(1.2)	(1.0)	(1.2)	(1.4)
Experience adjustments on scheme liabilities	**(0.2)**	(0.5)	(0.4)	(0.2)	(1.1)
Experience adjustments on scheme assets	**(0.4)**	0.1	0.4	0.2	(0.1)

Financial record

	2004 £m	2005 £m	2006 £m	2007 £m	2008 £m	2009 £m	2010 £m	2011 £m	2012 £m	**2013 £m**
Consolidated income statement										
Continuing operations										
Revenue	526.2	685.2	857.7	955.1	1,196.6	1,037.9	1,068.9	1,154.3	1,317.5	**1,438.2**
EBITDA[1]	44.8	65.0	104.9	125.8	144.3	113.2	85.0	71.4	91.9	**124.2**
Operating profit[1]	33.3	55.3	89.3	107.4	119.4	77.3	43.3	28.9	48.3	**77.8**
Net finance costs[1]	(4.0)	(4.6)	(5.6)	(4.2)	(6.2)	(2.6)	(3.7)	(7.0)	(4.8)	**(3.7)**
Profit before taxation[1]	29.3	50.7	83.7	103.2	113.2	74.7	39.6	21.9	43.5	**74.1**
Taxation[1]	(12.0)	(20.4)	(30.7)	(35.9)	(35.9)	(22.6)	(11.0)	(5.5)	(13.5)	**(23.8)**
Profit for the period before exceptional items	17.3	30.3	53.0	67.3	77.3	52.1	28.6	16.4	30.0	**50.3**
Exceptional items[2]	–	–	3.8	–	–	–	(17.1)	–	–	**(20.2)**
Profit for the period	17.3	30.3	56.8	67.3	77.3	52.1	11.5	16.4	30.0	**30.1**
Consolidated balance sheet										
Working capital	44.2	46.5	54.8	55.7	92.2	85.0	106.7	119.8	97.6	**124.1**
Property, plant and equipment	80.9	90.4	114.6	155.8	254.7	264.4	275.0	266.1	248.5	**281.9**
Intangible and other non-current assets	51.8	55.7	66.3	94.5	124.3	131.8	122.9	116.4	112.1	**202.8**
Net debt	(58.7)	(40.9)	(38.6)	(54.5)	(84.6)	(78.8)	(94.0)	(102.5)	(51.2)	**(143.7)**
Other net assets/liabilities	(27.2)	(34.5)	(38.0)	(40.0)	(84.0)	(79.1)	(79.8)	(73.0)	(71.3)	**(92.5)**
Net assets	91.0	117.2	159.1	211.5	302.6	323.3	330.8	326.8	335.7	**372.6**
Key performance indicators										
Basic earnings per share from continuing operations (pence)[1]	23.3	43.8	79.0	97.6	111.1	78.8	44.0	24.8	45.9	**73.0**
Dividend per share (pence)	10.9	12.0	15.6	18.0	20.7	21.8	22.8	22.8	22.8	**24.0**
Operating margin[1]	6.3%	8.1%	10.4%	11.2%	10.0%	7.4%	4.1%	2.5%	3.7%	**5.4%**
Return on net operating assets[1,3]	27%	42%	58%	56%	43%	24%	12%	7%	12%	**16%**
Net debt: EBITDA	1.3x	0.6x	0.4x	0.4x	0.6x	0.7x	1.1x	1.4x	0.6x	**1.2x**

[1] Before exceptional items.
[2] Exceptional items consist of non-recurring tax credits, goodwill impairment charges and other non-trading items relating to acquisitions which are required to be expensed under IFRS.
[3] Calculated as operating profit expressed as a percentage of average working capital and property, plant and equipment.

Principal offices

North America

Case Foundation Company
1325 West Lake Street
Roselle
Illinois 60172
Telephone +1 630 529 2911
www.casefoundation.com

Geo-Foundations Contractors Inc
302 Main Street North
Acton
Ontario
Canada
L7J 1W9
Telephone +1 888 846 7858
www.geo-foundations.com

Hayward Baker Inc
7550 Teague Road
Suite 300
Hanover
Maryland 21076
Telephone +1 410 551 8200
www.haywardbaker.com

HJ Foundations
8275 NW 80 Street
Miami
Florida 33166
Telephone +1 305 592 8181
www.hjfoundation.com

Keller Foundations Ltd
Zone 3, Acheson Industrial Area
2-53016 – HWY.60
Acheson
Alberta
T7X 5A7
Telephone +1 780 960 6700
www.kellerfoundations.ca

McKinney Drilling Company
7550 Teague Road
Suite 300
Hanover
Maryland 21076
Telephone +1 410 874 1235
www.mckinneydrilling.com

Suncoast Post-Tension Ltd
509 N. Sam Houston Parkway East
Suite 400
Houston
Texas 77060
Telephone +1 281 668 1840
www.suncoast-pt.com

South America

Keller Engenharia
Geotécnica Ltda
Rua Victor Civitá
66 – Ed. 04. Salas 225–227
Rio Office Park – Barra da Tijuca
Cep:22775-044 Rio de Janeiro – RJ – Brasil
Telephone +55 21 3535 9911
www.kellerbrasil.com.br

Europe

Keller Cimentaciones S.L.U.
C/Miguel Yuste, No. 45 bis
E28037 Madrid
Spain
Telephone +34 91 423 7561
www.keller-cimentaciones.com

Keller Fondations Spéciales
2 rue Denis Papin
CS 69224 Duttlenheim
67129 Molsheim Cedex
France
Telephone +33 3 88599200
www.keller-france.com

Keller Grundbau GmbH
Kaiserleistrasse 8
63067 Offenbach
Germany
Telephone +49 69 80510
www.kellergrundbau.de

Keller Grundbau Ges.mbH
Mariahilfer Strasse 127a
1150 Wien
Austria
Telephone +43 1 8923526
www.kellergrundbau.at

Keller Limited
Oxford Road
Ryton-on-Dunsmore
Coventry CV8 3EG
Telephone +44 2 476 511 266
www.keller-uk.com

Keller Polska Sp. z o.o.
ul. Poznánska 172
05-850
Ozarów Mazowiecki
Warsaw
Poland
Telephone +48 22 733 8270
www.keller.com.pl

Middle East

Keller Grundbau GmbH
UAE Region
Office No. 408
Al Mansour Building
Damascus Street, Al Qusais
Dubai
Telephone +971 4 2575 188
www.kellergrundbau.ae

Keller Turki Co. Ltd
P.O. Box 718
Dammam 31421
Saudi Arabia
Telephone +966 3833 3997

Asia

Keller Foundations (SE Asia) Pte Ltd
18 Boon Lay Way
#04–104 Tradehub 21
Singapore 60 99 66
Telephone +65 6316 8500
www.kellerfareast.com

Keller Ground Engineering India Pvt. Ltd.
7th Floor, Eastern Wing
Centennial Square 6A
Dr. Ambedkar Road
Kodambakkam
Chennai
600024
Tel. +91 44 2480 7500
www.kellerfareast.com

Keller (Malaysia) Sdn. Bhd.
B5-10 Block B, Plaza Dwitasik
Bandar Sri Permaisuri
56000 Kuala Lumpur
Malaysia
Telephone +603 9173 3198
www.kellerfareast.com

Resource Piling Pte Ltd
No1 Upper Aljunied Link (Block A)
#07-06 Joo Seng Warehouse
Singapore 367901
Telephone +65 6382 3400
www.resource-piling.com.sg

Africa

Franki Geotechnical (Pty) Ltd
688 Main Pretoria Road
Wynberg
Sandton
South Africa 2090
Telephone: +27 11 531 2700
www.franki.co.za

Australia

Frankipile Australia Pty Ltd
Level 1
4 Burbank Place
Baulkham Hills
New South Wales 2153
Telephone +61 2 8866 1100
www.franki.com.au

Keller Ground Engineering Pty Ltd
Level 1
4 Burbank Place
Baulkham Hills
New South Wales 2153
Telephone +61 2 8866 1155
www.kellerge.com.au

Piling Contractors Pty Ltd
5 Jacque Court
Lawnton
Queensland 4501
Telephone +61 7 3285 5900
www.pilingcontractors.com.au

Vibro-Pile (Aust.) Pty Ltd
Building 4, Level 2
540 Springvale Road
Glen Waverley
Victoria 3150
Telephone +61 3 9590 2600
www.vibropile.com.au

Waterway Constructions Group Pty Ltd
Level 1, 104 Victoria Road
Rozelle
NSW 2039
Telephone +61 2 9555 2211
www.waterway.com.au

Secretary and advisers

Company secretary
K A A Porritt

Registered office
Capital House
25 Chapel Street
London NW1 5DH

Registered number
2442580

Joint brokers
Jefferies Hoare Govett
Vintners Place
68 Upper Thames Street
London EC4V 3BJ

Investec Investment Banking
2 Gresham Street
London EC2V 7QP

Auditors
KPMG Audit Plc
Chartered Accountants
15 Canada Square
London E14 5GL

Principal bankers
Lloyds Bank plc
25 Gresham Street
London EC2V 7HN

Legal advisers
DLA Piper UK LLP
3 Noble Street
London EC2V 7EE

Financial public relations advisers
RLM Finsbury
Tenter House
45 Moorfields
London EC2 9AE

Registrars
Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA

Designed and produced by Rare Corporate Design www.rarecorporate.co.uk

Keller Group plc
Capital House
25 Chapel Street
London NW1 5DH
Tel +44 (0)20 7616 7575

www.keller.co.uk