

Keller Group plc
Full Year Results for the year ended 31 December 2012

Keller Group plc (“Keller” or “the Group”), the international ground engineering specialist, is pleased to announce its full-year results for the year ended 31 December 2012.

Results summary:		
	2012	2011
Revenue	£1,317.5m	£1,154.3m
EBITDA	£91.9m	£71.4m
Operating profit	£48.3m	£28.9m
Profit before tax	£43.5m	£21.9m
Earnings per share	45.9p	24.8p
Cash generated from operations	£108.4m	£54.8m
Total dividend per share	22.8p	22.8p

Highlights include:

- Record revenue of £1,317.5m (2011: £1,154.3m), up 14%
- Profit before tax doubled to £43.5m (2011: £21.9m)
- Business improvement initiatives yielding good results
- Earnings per share of 45.9p (2011: 24.8p)
- Strong cash generation reduces year-end net debt to £51.2m (2011: £102.5m), representing 0.6x EBITDA (2011: 1.4x)
- Total dividend maintained at 22.8p, with dividend cover of 2.0x (2011: 1.1x)

Justin Atkinson, Keller Chief Executive said:

“These results reflect an improved performance in three of our four divisions, driven by a combination of the self-help measures taken across the Group and a strong performance by our business in North America, where market conditions continue to improve. Whilst our EMEA division faced very challenging markets across most of Europe, resulting in a first-half loss, its performance improved as the year progressed and it made a profit for the year as a whole.

“Overall, we are confident that 2013 will be another year of progress and that the measures we have taken, and continue to take, will further improve and develop our business.”

For further information, please contact:

Keller Group plc

www.keller.co.uk

Justin Atkinson, Chief Executive
James Hind, Finance Director

020 7616 7575

Finsbury

Gordon Simpson, Rowley Hudson

020 7251 3801

*A presentation for analysts will be held at 9.30am at The London Stock Exchange,
10 Paternoster Square, London, EC4M 7LS*

*A live audio webcast will be available from 9.30 am and, on demand, from 2.00 pm at
<http://www.keller.co.uk/keller/investor/result-centre/latest-results/>*

*Print resolution images are available for the media to download from
www.vismedia.co.uk*

Notes to Editors:

Keller is the world's largest independent ground engineering specialist, providing technically advanced and cost-effective foundation solutions to the construction industry. With annual revenue of £1.3bn, Keller has approximately 7,000 staff world-wide.

Keller is the clear market leader in the US and Australia; it has prime positions in most established European markets; and a strong profile in many developing markets.

Chairman's Statement

Results

Group revenue rose by 14% to £1,317.5m (2011: £1,154.3m) and the operating profit increased to £48.3m, compared with the previous year's £28.9m, resulting in an improved operating margin of 3.7% (2011: 2.5%). Profit before tax increased to £43.5m (2011: £21.9m) and earnings per share were 45.9p (2011: 24.8p).

These results reflect an improved performance in three of our four divisions, driven by a combination of the self-help measures taken across the Group and a strong performance by our business in North America, where market conditions continue to improve. Whilst our EMEA division faced very challenging markets across most of Europe, resulting in a first-half loss, its performance improved as the year progressed and it made a profit for the year as a whole.

Cash flow and net debt¹

The Group's continued focus on maximising cash flow yielded an excellent result, with £108.4m of cash generated from operations (2011: £54.8m), representing 118% of EBITDA (2011: 77%).

After net capital expenditure of £32.7m (2011: £37.4m), net debt at the end of the year was £51.2m (2011: £102.5m), which represents 0.6x EBITDA (2011: 1.4x).

The financial position of the Group remains very strong. There is comfortable headroom in the Group's main financing facilities, which run to 2015, and we continue to operate well within all of our financial covenants.

Dividends

The Board has recommended a final dividend of 15.2p per share (2011: 15.2p per share), to be paid on 31 May 2013 to shareholders on the register at 5 April 2013. Together with the interim dividend paid of 7.6p, this brings the total dividend per share for the year to 22.8p (2011: 22.8p). Dividend cover for the full year was 2.0x (2011: 1.1x).

Strategy and Business Improvement

For many years, our strategy – to extend further our global leadership in specialist ground engineering through both organic growth and targeted acquisitions – has served the Group well and we remain committed to this strategy.

Throughout 2012, as well as pursuing our long-term strategic goals, we have concentrated on maximising the value from our existing operations, by restructuring and cutting costs in our most challenging markets and driving through the Group-wide business improvement initiatives on which we embarked last year. We have targeted large and complex projects and those contracts with a high element of value added; heightened our focus on risk management; and improved our use of plant and equipment. These initiatives, together with others undertaken at a local level, have all contributed towards the improved results.

Employees

Over the past 12 months, I have been impressed by our employees and their capacity for continuous improvement. They have also been highly supportive of our efforts to enhance our safety performance and I am particularly pleased that we are able to report an improvement in our accident record. I would like to thank all of our employees for contributing to this result and I wish them a safe and successful year in 2013.

¹ Net debt represents total loans and borrowings less cash and short-term deposits.

Board

During the year, we have continued the process of refreshing the Board. In May 2012, Pedro López Jiménez stepped down as a Non-executive Director, having served for more than nine years on the Board. Paul Withers joined the Board in December and took over as Senior Independent Director from Gerry Brown. Gerry will be stepping down at the 2013 AGM and, on behalf of the whole Board, I thank him for the significant contribution that he has made since joining Keller in 2001.

Outlook

Looking ahead, we expect to encounter varied economic conditions across our global construction markets in 2013. Assuming no deterioration in the wider US fiscal position, we are optimistic about a continued steady strengthening of the North American construction markets, building on the recovery in the residential sector. We anticipate that the significant and ongoing economic uncertainty in Europe will continue to impede a recovery in its construction markets in the near term. In general, we expect to find good opportunities in Australia and Asia, although in some regions, following a very strong 2012, we may see a period of consolidation in 2013, before strong growth resumes.

For the Group as a whole, contract awards remain at a healthy level. Excluding work to be undertaken in more than twelve months' time, the order book at the end of January 2013 was similar to its value one year earlier.

Overall, we are confident that 2013 will be another year of progress and that the measures we have taken, and continue to take, will further improve and develop our business.

Operating Review

Conditions in our major markets

Taken as a whole, US construction expenditure in 2012 was 9% ahead of 2011, although there were significant variations between regions and sectors. The US residential market ended 2012 on a positive note, with housing starts at a level not seen since June 2008 and a significant strengthening of the Housing Market Index². Private non-residential construction was up 15%, whereas publicly-funded construction was down by 3%, marking the third consecutive year of decline. Within private non-residential construction, the power and manufacturing segments remained particularly strong.

In Europe, conditions remained very challenging in most of our markets, particularly those in Southern Europe. Within the Middle East, Saudi Arabia remained steady and there were signs of increased activity in other parts of the region.

Elsewhere, in Australia the 'two-speed' construction market continued to mirror the underlying economy, offering good opportunities for projects related to the resources sector, but weaker demand across the infrastructure, commercial and residential sectors. Our Asian markets remained strong overall, helped by several sizeable, government-funded infrastructure projects in Singapore and Malaysia.

² The Housing Market Index compiled by the National Association of Home Builders.

Operations

North America

Results summary:		
	2012	2011
Revenue	£581.9m	£471.1m
Operating profit	£32.0m	£12.0m
Operating margin	5.5%	2.5%

Our total revenue from North America was up by 22% in local currency, well ahead of the growth in the overall market. Although the trading environment remains competitive in many regions and sectors, the overall improvement in market conditions, together with the success of two of our regional strategic initiatives – to increase our exposure to Canada and the US transmission-line segment – helped to lift the operating margin to 5.5% from the previous year’s 2.5%.

The full-year operating profit of £32.0m (2011: £12.0m) reflects improvements across the board, with all five businesses well ahead of the previous year.

Throughout the year, our North American business has been implementing a new enterprise resource planning (ERP) system which is being progressively rolled-out across this division. The ERP system requires the standardisation of certain procedures and will facilitate further co-operation between our foundation companies in the region.

Hayward Baker

Following the leadership changes last year in Hayward Baker, management has continued to streamline and refocus the business, enabling it to make the most of the improving market conditions. In particular, the company has made good progress in those regions which can take advantage of strong demand in the energy, health care and industrial markets.

One of the local strategic initiatives which contributed towards the improved North American result was the increased penetration of Canada, which we consider to be a market with good, long-term potential. Having steadily built up its Canadian business over the past two years, Hayward Baker completed some sizeable jobs there in 2012, including a soil mixing contract for a tank expansion project in Alberta.

At the start of 2013, the Group acquired Geo-Foundations Contractors, Inc. (‘Geo-Foundations’), a Toronto-based specialist geotechnical contractor. Geo-Foundations principally serves eastern Canada, where it offers design-build solutions across the construction industry. The business specialises in micro-piling, ground anchors, and specialty grouting services which, whilst well established in the US, are still relatively new to the Canadian market. A combination of increasing market acceptance of these techniques in Canada, along with the introduction of ground improvement techniques and assistance from Hayward Baker, is expected to fuel significant growth over time.

North American Piling Companies

Despite continuing overcapacity in some regions and market segments, margins in the Group’s North American piling companies have benefited from the refocusing of our business and our emphasis on growing market segments.

One such segment has been the vibrant transmission-line market. In 2012 we undertook around \$75m (£47m) of transmission line related work, compared with less than \$10m (£6m) in the previous year. The largest of these projects was a \$41m (£25m) contract for Public Service Electric and Gas in New Jersey, for which we are installing drilled shafts to support new monopole towers. The contract is being undertaken jointly by Case and McKinney, who are now also working together on a smaller transmission-line project for NStar in Massachusetts. Whilst we expect this market segment to remain strong for the next few years, the supply base is expanding and it is therefore unlikely that the volume of our work associated with transmission-line projects will repeat to the same degree in 2013.

In the latter part of 2012, after a long and deep decline, we started to see signs of recovery in the Miami construction market, one of the first regions to go into recession. This will benefit in particular HJ, whose base business in Miami is also beginning to recover.

Suncoast

2012 brought a much improved outcome at Suncoast, after a breakeven result in 2011. Throughout the year, Suncoast steadily increased its production to take full advantage of the upturn in residential construction. With the housing market beginning to recover, the business is now able to reap the rewards of a significantly lower cost base and improved operational efficiency, following a number of years of restructuring and downsizing. Suncoast’s revenue was up by 35% compared to the previous year and the business reported a profit for the first time in five years.

Europe, Middle East & Africa (EMEA)

Results summary:		
	2012	2011
Revenue	£358.6m	£384.8m
Operating profit	£2.2m	£8.4m
Operating margin	0.6%	2.2%

After a loss of £2.8m in the first half of the year, the EMEA division made a sound recovery to end the year in profit. In local currency, full-year revenue was broadly flat whilst operating profit was well down.

Europe

In general, conditions in our more mature European markets remained very challenging, with many public works still on hold under government austerity programmes and the number of privately-funded projects constrained by continued economic uncertainty.

These market conditions were reflected in a very slow start to the year. Accordingly, across the division, we reduced costs and streamlined businesses to a size and structure commensurate with their reduced markets. Proactive co-ordination between companies in the division led to increased sharing of equipment and movements of well-trained and experienced staff to cope with the fluctuations of demand across the region. These and other measures helped to improve operational efficiency and to return the division to profit.

The improved second-half performance was also helped by the contributions from our large infrastructure projects in Poland and London.

In Poland, we have been working on a £30m contract to construct access ramps and Tunnel Boring Machine ('TBM') launching/receiving chambers for a new road tunnel under the Dead Vistula river in Gdańsk. We are constructing diaphragm walls along the access ramps and TBM chambers and using advanced jet grouting technology to install large diameter soilcrete columns. Despite the technical complexity of the project, our work was around 70% complete by the end of the year and the excavation was prepared in time for the installation of the TBM.

In London, the works at Victoria Station comprise the installation of around 2,400 jet grout columns to allow approximately 400 metres of new tunnels to be excavated to connect the new and existing ticket halls. The interlocking jet grout columns are being used to form a two-metre annulus around the line of the tunnel excavation which will both stabilise the ground and act as a barrier to water ingress. By the end of the year, around 1,000 grout columns had been installed and our work is set to meet the targeted completion date in spring 2014.

Our second major London project is at Crossrail, where we are currently undertaking two contracts with a combined value to Keller of around £30m: the first for compensation grouting works around Tottenham Court Road and Bond Street underground stations; and the other to carry out structural monitoring, geotechnical instrumentation and surveying works, employing the Getec monitoring system which was originally developed by Keller in Germany. Our works are expected to continue through to spring 2014.

We continue to look for opportunities in different geographies and in the second half of 2012 we completed our first job in Turkey, where we installed bored piles and stone columns for a new power plant in Erzin. Having established a strong reference project, we are now exploring opportunities to build on our initial success in this new market with good long-term potential.

Middle East

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 reaching execution. This, together with the increased marketing focus led by new management in our Middle East business, has been reflected in a recent improvement in contract awards and we anticipate having a busier year in the region in 2013.

Brazil

Our investment in piling equipment in 2012 has enabled us to expand the range of technologies that we offer to this market, with the inclusion of precast and driven cast in situ piling. We completed our first major piling job in the second half of the year with the support of experienced managers and operators from the UK. Although the expansion of our product range in the region has not been without its challenges, the business has got off to a good start in 2013 and we expect to penetrate this growing market further this year.

Asia

Results summary:		
	2012	2011
Revenue	£118.6m	£76.7m
Operating profit	£9.5m	£6.0m
Operating margin	8.0%	7.8%

Overall, our key markets in Asia remained strong throughout the year and our companies there performed well.

Asean Region

An excellent result from our Malaysian business was helped by the contribution from our major design and build contract to install the foundations for a large iron ore distribution facility in Lumut, for Vale. The full package included ground improvement, heavy foundations and foundations-related civil works. Our piling works are now complete, with earthworks, drainage and stone columns continuing through to the end of April 2013.

The introduction of piling services in Malaysia was enabled by the deployment of equipment and key people from other parts of the Group, most notably from Resource Piling in Singapore, whilst the Malaysian team gained the requisite knowledge and experience. Since completing the piling project in Lumut, we have been awarded our second large piling contract in Malaysia, which is now underway.

In Singapore we had a good year, helped by a much-improved result from Resource Piling which benefited from a strengthened management team, together with the upturn in public housing construction. Increasingly, our two subsidiaries in Singapore are working closely to identify opportunities for combining their products in a single, packaged foundation solution.

The Singapore business has also been instrumental in winning a significant contract in Hong Kong, the Group's first for many years. The project involves installing around 200,000 linear metres of stone columns for the Hong Kong Link Road project.

India

As we reported at the half year, economic growth in India slowed down considerably in 2012, reaching a recent low of 5.5%. In addition, the construction market continues to face project financing challenges due to growing levels of debt and high interest rates. Accordingly, some large infrastructure projects have been put on hold and collecting cash on those which do proceed has required increased focus. Nonetheless, our subsidiary in India has continued to trade profitably and has remained cash positive in these difficult trading conditions.

Australia

Results summary:	2012	2011
Revenue	£258.4m	£221.7m
Operating profit	£8.7m	£6.7m
Operating margin	3.4%	3.0%

The improved Australian result was helped by a return to profitability at Piling Contractors and the best-ever year at Waterways.

The Waterways result was boosted by an excellent performance on the Australia Pacific LNG project, where we were responsible for the design and construction of the materials offloading facility. The total value of the contract, undertaken in a 50:50 joint venture with a local civil construction company, rose significantly from A\$86m (£55m) to A\$150m (£96m) with a number of scope increases. The team achieved early completion, three months ahead of the original schedule and completed 380,000 man hours without a lost-time incident. In addition to our ability to execute large projects with effective risk management, this successful contract demonstrates the value of the Waterways acquisition, which is now well integrated into the Group.

Other parts of Keller Australia faced tougher market conditions, particularly KGE which suffered from the cancellation of resource-related contracts valued at A\$40m (£26m), following a fall in the price of iron ore. Accordingly, KGE has taken decisive measures to reduce overheads in order to remain profitable. Iron ore prices have since largely recovered and the progress of coal- and LNG-related projects has been maintained.

In November, we successfully completed our test piling programme for the major Wheatstone on-shore piling project and all major supply and services contracts have now been awarded. However, full mobilisation is not now expected before June, due to delays in our customer's preparatory works in this extremely remote region of Western Australia.

Business Improvement

This time last year, we outlined a programme of initiatives, together with some internal changes, which were designed to deliver improvements to the Group's business and profitability. These were principally focussed on: increasing our revenue and profit from large projects; further improvement of the Group's risk management; and accelerating our global transfer of technologies. We also said that we would be redoubling our efforts on a number of regional initiatives which were already in progress, including an increased sector focus on US transmission lines; and expansion in Brazil, Canada and India.

We have made good progress in most of these areas, including the following notable successes:

- in 2012, we earned more revenue and profit from large projects than ever before;
- all divisions or regions improved their risk management diligence and processes, which resulted in fewer poorly-performing contracts and contributed towards an improvement in the Group's operating margin;
- we successfully introduced piling into Brazil and Malaysia, with support from other parts of the Group;
- we transferred more plant and equipment between regions, reducing our capital expenditure requirement;
- we significantly increased our market share in transmission-line related work in the US and did so profitably; and
- we developed our business in the strong Canadian market, by organically growing our existing Canadian subsidiary and by the acquisition, at the start of 2013, of Geo-Foundations.

We will continue to build on these successes in 2013 as part of our continuous improvement programme.

Financial review

Results

Trading results

The Group's total revenue in 2012 was £1,317.5m, an increase of 14% on 2011. Stripping out the effects of foreign exchange movements, 2012 revenue was 16% up on 2011, with significant increases in all regions apart from EMEA.

EBITDA was £91.9m, compared to £71.4m in 2011 and operating profit was £48.3m, a significant increase on the £28.9m in 2011. The Group operating margin increased from 2.5% to 3.7%, in part reflecting the benefits of the cost reductions and the business improvement initiatives announced in February 2012. The 2012 results have also benefitted from a good performance on several large projects.

In North America, which represented 44% of Group revenue, operating profit increased from £12.0m in 2011 to £32.0m in 2012. This was largely attributable to the much improved profitability of the Group's North American foundation contracting businesses, which are benefitting from an improvement in the US private non-residential construction sector. In addition, Suncoast, which broke even in 2011, returned to profitability in 2012 and is now showing the benefits of many years of operational improvements as the US residential market continues its steady recovery from all-time low levels of activity.

In EMEA, many of our European markets remain very challenging. However, there have been some recent signs of increased activity levels in the Middle East. Across our EMEA division, we have cut costs and restructured businesses to a size and structure commensurate with current market conditions.

Operating profit in Asia has increased from £6.0m in 2011 to £9.5m in 2012, helped by an excellent performance on the major contract for Vale in Malaysia. In Australia, operating profit increased from £6.7m in 2011 to £8.7m in 2012. This improved performance is largely attributable to an excellent performance by Waterways and Piling Contractors being restored to profitability in 2012.

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

Net finance costs

Net finance costs decreased from £7.0m in 2011 to £4.8m in 2012. This decrease mainly reflects the lower average levels of debt during 2012, as well as the lower non-cash items required to be included in net finance costs under IFRS.

Tax

The Group's underlying effective tax rate was 31%, up from 25% in 2011, primarily as a result of a much larger proportion of the Group's profit being derived from higher tax countries, notably the United States.

Earnings and dividends

Earnings per share (EPS) increased to 45.9p (2011: 24.8p). The Board has recommended a final dividend of 15.2p per share, which brings the total dividend to be paid out of 2012 profits to 22.8p, the same as last year. The 2012 dividend is covered 2.0 times by earnings.

Cash flow

The Group has always placed a high priority on cash generation and the active management of working capital. In 2012, cash generated from operations was £108.4m, representing 118% of EBITDA. Year-end working capital was £97.6m, £22.2m less than at the end of 2011 despite the higher 2012 revenue. Capital expenditure totalled £33.7m, which compares to depreciation of £42.1m.

Financing

At 31 December 2012, net debt amounted to £51.2m (2011: £102.5m). Based on net assets of £335.7m, year-end gearing was 15%, down from 31% 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, and a £170m multi-currency syndicated revolving credit facility expiring in April 2015. At the year end, the Group had undrawn committed and uncommitted borrowing facilities totalling £153.2m.

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.

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 next triennial actuarial valuation.

The 2012 year-end IAS 19 valuation of the UK scheme showed assets of £34.4m, liabilities of £41.1m and a pre-tax deficit of £6.7m.

In Germany and Austria, the defined benefit arrangements only apply to certain employees who joined the Group prior to 1998. There are no segregated funds to cover these defined benefit obligations and the respective liabilities are included on the Group balance sheet. These totalled £11.5m at 31 December 2012.

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, 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 and intra-Group loan repayments. 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 2012, 77% 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 2012.

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.

Consolidated income statement

For the year ended 31 December 2012

		2012	2011
	Note	£m	£m
Revenue	3	1,317.5	1,154.3
Operating costs		(1,269.2)	(1,125.4)
Operating profit	3	48.3	28.9
Finance income		3.3	2.1
Finance costs		(8.1)	(9.1)
Profit before taxation		43.5	21.9
Taxation		(13.5)	(5.5)
Profit for the period		30.0	16.4
Attributable to:			
Equity holders of the parent		29.5	15.9
Minority interests		0.5	0.5
		30.0	16.4
Earnings per share			
Basic earnings per share	4	45.9p	24.8p
Diluted earnings per share	4	45.0p	24.4p

Consolidated statement of comprehensive income

For the year ended 31 December 2012

		2012	2011
		£m	£m
Profit for the period		30.0	16.4
Other comprehensive income			
Exchange differences on translation of foreign operations		(5.9)	(6.3)
Net investment hedge (losses)/gains		(0.5)	0.3
Cash flow hedge gains taken to equity		4.4	-
Cash flow hedge transfers to income statement		(4.4)	-
Actuarial (losses)/gains on defined benefit pension schemes		(2.8)	1.1
Tax on actuarial losses/(gains) on defined benefit pension schemes		0.7	(0.3)
Other comprehensive income for the period, net of tax		(8.5)	(5.2)
Total comprehensive income for the period		21.5	11.2
Attributable to:			
Equity holders of the parent		21.4	10.9
Minority interests		0.1	0.3
		21.5	11.2

Consolidated balance sheet

As at 31 December 2012

	Note	2012 £m	2011 £m
ASSETS			
Non-current assets			
Intangible assets		97.2	100.6
Property, plant and equipment		248.5	266.1
Deferred tax assets		9.3	6.7
Other assets		14.9	15.8
		369.9	389.2
Current assets			
Inventories		41.3	37.3
Trade and other receivables		347.1	334.7
Current tax assets		6.9	10.5
Cash and cash equivalents		57.0	50.0
		452.3	432.5
Total assets	3	822.2	821.7
LIABILITIES			
Current liabilities			
Loans and borrowings		(3.5)	(8.4)
Current tax liabilities		(11.2)	(6.8)
Trade and other payables		(290.8)	(252.2)
Provisions		(8.1)	(9.7)
		(313.6)	(277.1)
Non-current liabilities			
Loans and borrowings		(104.7)	(144.1)
Retirement benefit liabilities		(18.2)	(17.7)
Deferred tax liabilities		(18.5)	(22.5)
Provisions		(4.4)	(4.0)
Other liabilities		(27.1)	(29.5)
		(172.9)	(217.8)
Total liabilities	3	(486.5)	(494.9)
NET ASSETS		335.7	326.8
EQUITY			
Share capital		6.6	6.6
Share premium account		38.1	38.1
Capital redemption reserve		7.6	7.6
Translation reserve		36.6	42.6
Retained earnings		236.7	222.7
Equity attributable to equity holders of the parent		325.6	317.6
Minority interests		10.1	9.2
Total equity		335.7	326.8

Consolidated statement of changes in equity

For the year ended 31 December 2012

	Share capital	Share premium account	Capital redemption reserve	Translation reserve	Hedging reserve	Retained earnings	Attributable to equity holders of parent	Minority interests	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m	£m
At 1 January 2011	6.6	38.0	7.6	48.4	-	220.1	320.7	10.1	330.8
Profit for the period	-	-	-	-	-	15.9	15.9	0.5	16.4
Other comprehensive income									
Exchange differences on translation of foreign operations	-	-	-	(6.1)	-	-	(6.1)	(0.2)	(6.3)
Net investment hedge gains	-	-	-	0.3	-	-	0.3	-	0.3
Actuarial gains on defined benefit pension schemes	-	-	-	-	-	1.1	1.1	-	1.1
Tax on actuarial gains on defined benefit pension schemes	-	-	-	-	-	(0.3)	(0.3)	-	(0.3)
Other comprehensive income for the period, net of tax	-	-	-	(5.8)	-	0.8	(5.0)	(0.2)	(5.2)
Total comprehensive income for the period									
	-	-	-	(5.8)	-	16.7	10.9	0.3	11.2
Dividends	-	-	-	-	-	(14.7)	(14.7)	(1.1)	(15.8)
Share-based payments	-	-	-	-	-	0.6	0.6	-	0.6
Share capital issued	-	0.1	-	-	-	-	0.1	-	0.1
Acquisition of minority interest	-	-	-	-	-	-	-	(0.1)	(0.1)
At 31 December 2011 and 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)
Actuarial losses on defined benefit pension schemes	-	-	-	-	-	(2.8)	(2.8)	-	(2.8)
Tax on actuarial losses on 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 minority shareholder	-	-	-	-	-	-	-	1.7	1.7
Acquisition of minority interest	-	-	-	-	-	-	-	(0.2)	(0.2)
At 31 December 2012	6.6	38.1	7.6	36.6	-	236.7	325.6	10.1	335.7

Consolidated cash flow statement

For the year ended 31 December 2012

	2012 £m	2011 £m
Cash flows from operating activities		
Operating profit	48.3	28.9
Depreciation of property, plant and equipment	42.1	41.0
Amortisation of intangible assets	1.5	1.5
Loss/(profit) on sale of property, plant and equipment	0.8	(0.3)
Other non-cash movements	2.5	3.2
Foreign exchange losses	(1.0)	-
Operating cash flows before movements in working capital	94.2	74.3
Increase in inventories	(5.2)	(5.0)
Increase in trade and other receivables	(21.3)	(5.2)
Increase/(decrease) in trade and other payables	44.2	(5.1)
Change in provisions, retirement benefit and other non-current liabilities	(3.5)	(4.2)
Cash generated from operations	108.4	54.8
Interest paid	(4.6)	(5.7)
Income tax paid	(10.7)	(3.8)
Net cash inflow from operating activities	93.1	45.3
Cash flows from investing activities		
Interest received	0.5	0.6
Proceeds from sale of property, plant and equipment	1.9	1.9
Acquisition of subsidiaries, net of cash acquired	-	(0.2)
Acquisition of property, plant and equipment	(33.7)	(37.7)
Acquisition of intangible assets	(0.9)	(1.6)
Acquisition of other non-current assets	-	(0.1)
Net cash outflow from investing activities	(32.2)	(37.1)
Cash flows from financing activities		
Proceeds from the issue of share capital	-	0.1
Capital contribution from minority shareholder	1.7	-
New borrowings	20.5	54.1
Repayment of borrowings	(60.0)	(40.3)
Payment of finance lease liabilities	(0.7)	(0.7)
Dividends paid	(15.4)	(15.8)
Net cash outflow from financing activities	(53.9)	(2.6)
Net increase in cash and cash equivalents	7.0	5.6
Cash and cash equivalents at beginning of period	43.3	39.1
Effect of exchange rate fluctuations	4.5	(1.4)
Cash and cash equivalents at end of period	54.8	43.3

1. Basis of preparation

The Group's 2012 results have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the EU.

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2012 or 2011 but is derived from the 2012 accounts. Statutory accounts for 2011 have been delivered to the Registrar of Companies. Those for 2012, prepared under IFRS as adopted by the EU, will be delivered to the Registrar of Companies and made available on the Company's website at www.keller.co.uk in April 2013. The auditors have reported on those accounts; their reports were (i) unqualified, (ii) did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their reports and (iii) did not contain statements under section 498(2) or (3) of the Companies Act 2006.

2. Foreign currencies

The exchange rates used in respect of principal currencies are:

	Average for period		Period end	
	2012	2011	2012	2011
US dollar	1.58	1.60	1.62	1.55
Euro	1.23	1.15	1.22	1.19
Singapore dollar	1.98	2.01	1.98	2.00
Australian dollar	1.53	1.55	1.56	1.52

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.

The Group changed its divisional management structure from 1 January 2012. This has resulted in identifying a new reportable segment, Asia. This was previously reported within Continental Europe, Middle East and Asia ('CEMEA'). In addition the UK segment has been merged with the CEMEA segment, which has now been renamed as Europe, Middle East and Africa ('EMEA'). The 2011 segmental analysis was presented under the new management structure in the 2011 annual report and accounts.

	2012	2012	2011	2011
	Revenue £m	Operating profit £m	Revenue £m	Operating profit £m
North America	581.9	32.0	471.1	12.0
EMEA ¹	358.6	2.2	384.8	8.4
Asia	118.6	9.5	76.7	6.0
Australia	258.4	8.7	221.7	6.7
	1,317.5	52.4	1,154.3	33.1
Central items and eliminations	-	(4.1)	-	(4.2)
	1,317.5	48.3	1,154.3	28.9

	2012	2012	2012	2012	2012	2012
	Segment assets £m	Segment liabilities £m	Capital employed £m	Capital additions £m	Depreciation and amortisation £m	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

	2011	2011	2011	2011	2011	2011
	Segment assets £m	Segment liabilities £m	Capital employed £m	Capital additions £m	Depreciation and amortisation £m	Tangible and intangible assets £m
North America	306.0	(101.5)	204.5	8.9	12.5	133.7
EMEA ¹	252.9	(113.3)	139.6	13.6	17.3	122.0
Asia	66.7	(14.0)	52.7	7.2	4.3	39.6
Australia	124.5	(41.0)	83.5	9.9	8.2	71.1
	750.1	(269.8)	480.3	39.6	42.3	366.4
Central items and eliminations ²	71.6	(225.1)	(153.5)	(0.3)	0.2	0.3
	821.7	(494.9)	326.8	39.3	42.5	366.7

¹ Europe, Middle East and Africa.

² Central items include net debt and tax balances.

4. Earnings per share

Basic and diluted earnings per share are calculated as follows:

	2012 Basic £m	2012 Diluted £m	2011 Basic £m	2011 Diluted £m
Earnings (after tax and minority interests), being net profits attributable to equity holders of the parent	29.5	29.5	15.9	15.9
	No. of shares Million	No. of shares Million	No. of shares Million	No. of shares Million
Weighted average of ordinary shares in issue during the year	64.3	64.3	64.3	64.3
Add: weighted average of shares under option during the year	-	1.2	-	1.0
Adjusted weighted average of ordinary shares in issue	64.3	65.5	64.3	65.3
	Pence	Pence	Pence	Pence
Earnings per share	45.9p	45.0p	24.8p	24.4p

5. Dividends payable to equity holders of the parent

Ordinary dividends on equity shares:

	2012 £m	2011 £m
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 December 2011 of 15.2p (2010: 15.2p) per share	9.8	9.8
Interim dividend for the year ended 31 December 2012 of 7.6p (2011: 7.6p) per share	4.9	4.9
	14.7	14.7

The Board have recommended a final dividend for the year ended 31 December 2012 of £9.8m, representing 15.2p (2011: 15.2p) per share. The proposed dividend is subject to approval by shareholders at the AGM and has not been included as a liability in these financial statements.

6. Capital and reserves

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 (2011: 2.2m). All shares issued related to share options exercised.

7. Related party transactions

Transactions between the parent, jointly controlled operations and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

During the year the Group undertook various contracts with a total value of £3.9m (2011: £2.3m) for GTCEISU Construcción, S.A., a connected person of Mr López Jiménez, who retired as a Director of the Company during the year. An amount of £5.6m (2011: £1.8m) is included in trade and other receivables in respect of amounts outstanding as at 31 December 2012.

During the year the Group made purchases from GTCEISU Construcción, S.A. with a total value of £2.0m (2011: £3.5m). An amount of £1.0m (2011: £1.0m) is included in trade and other payables in respect of amounts outstanding as at 31 December 2012.

Related party transactions were made on an arms-length basis. All amounts outstanding from related parties are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

The remuneration of the Directors, who are the key management personnel and related parties of the Group, is set out below in aggregate for each of the relevant categories specified in IAS 24 – Related Party Disclosures.

	2012	2011
	£m	£m
Short-term employee benefits	3.4	2.1
Post-employment benefits	0.3	0.2
	3.7	2.3

8. Post balance sheet events

On 2 January 2013, the Group acquired Geo-Foundations Contractors Inc ('Geo-Foundations'), a specialist geotechnical contractor based in Toronto, Canada, for a cash consideration of £5.7m. For the year ended 31 December 2012, Geo-Foundations generated revenues of £12.4m.