3 August 2021

Keller Group plc Interim Results for the half year ended 27 June 2021

Keller Group plc ('Keller' or 'the Group'), the world's largest geotechnical specialist contractor, announces its results for the half year ended 27 June 2021.

A better than expected performance in H1; strong momentum building into H2

	H1 2021 £m	H1 2020 £m	% change	Constant currency % change
Revenue	**984.1**	1,039.1	-5%	-
Underlying operating profit[1]	**39.5**	47.9	-18%	-9%
Underlying operating profit margin[1]	**4.0%**	4.6%	-60bps	n/a
Underlying diluted earnings per share[1]	**35.6p**	39.5p	-10%	1%
Net debt (bank covenant IAS 17 basis)[2]	**113.4**	155.1	-27%	-24%
Dividend per share	**12.6p**	12.6p	-	-
Statutory operating profit	**33.5**	28.0	20%	31%
Statutory profit before tax	**29.2**	20.8	41%	57%
Statutory diluted earnings per share	**28.2p**	13.8p	104%	125%
Statutory net debt (IFRS 16 basis)	**180.8**	232.4	-22%	-17%

[1] Underlying operating profit and underlying diluted earnings per share are non-statutory measures which provide readers of this Announcement with a balanced and comparable view of the Group's performance by excluding the impact of non-underlying items, as disclosed in note 7 of the interim condensed consolidated financial statements.
[2] Net debt is presented on a lender covenant basis excluding the impact of IFRS 16 as disclosed within the adjusted performance measures in the interim condensed consolidated financial statements.

Highlights

- A better than expected first half trading performance, despite the anticipated market-driven compression in contract margins as a result of COVID-19 and headwinds from foreign exchange
- Revenue of £984.1m was flat on a constant currency basis, with a slow Q1 followed by improved momentum in Q2
- Underlying operating profit decreased 9% to £39.5m, on a constant currency basis, after adjusting for a foreign exchange headwind of c£5m. The positive resolution of a historical claim in North America was more than offset by the anticipated impact of COVID-19, higher steel prices in the Suncoast business and unrecognised revenue on suspended contracts in Africa, predominantly a liquefied natural gas (LNG) contract in Mozambique
- Net debt (on a bank covenant IAS 17 basis) reduced by 27% to £113.4m, equating to net debt/EBITDA leverage ratio of 0.7x (H1 2020: 0.9x) driven by continued strong cash performance
- Further progress in operational safety evidenced by a 27% improvement in our overall accident frequency rate
- ESG: On climate action, one of the Group's 4 specific UN Sustainable Development Goals, we have now set ambitious net zero targets for all three of our emission scopes which will culminate in carbon neutrality by 2050 at the latest
- Execution of our strategy continued with the completion of restructuring actions in Europe and the acquisition of RECON Services, Inc in North America in July
- Maintained dividend of 12.6p, continuing the Group's uninterrupted record of maintaining or increasing the dividend since flotation in 1994

Outlook

- Our order book at the end of June up 11% to £1.2bn on the prior period and on a constant currency basis. A record high, reflecting the recovery of economic activity across our markets, particularly in North America and Europe
- The Group's performance for the full year is now anticipated to be materially ahead of the Board's previous expectations, with a modest second half bias

Michael Speakman, Chief Executive Officer, said:
"The first half of this year saw the greatest impact of the COVID-19 pandemic on the business and now we have passed this anticipated inflection point, as evidenced by our record order book, our confidence for the remainder of the year has increased. The Group has weathered the challenges of the last twelve months well, and our materially improved expectation for the full year provides a great foundation to build from as we embark on delivering the next phase of our strategy."

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A webcast for investors and analysts will be held at 08.30am BST on 3 August 2021 and will also be available later the same day on demand
https://www.investis-live.com/keller/60eecc362527a916004f0c6a/hyr21

Conference call:	**Accessing the telephone replay:**
Participants joining by telephone: United Kingdom 0800 640 6441 United Kingdom (Local) 020 3936 2999 All other locations +44 20 3936 2999 **Participant access code: 002293**	A recording will be available until 10 August 2021 UK: 020 3936 3001 All other locations: +44 20 3936 3001 **Access Code: 829417**

Notes to editors:
Keller is the world's largest geotechnical specialist contractor providing a wide portfolio of advanced foundation and ground improvement techniques used across the entire construction sector. With around 9,000 staff and operations across five continents, Keller tackles an unrivalled 6,000 projects every year, generating annual revenue of more than £2bn.

Cautionary statements:
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', 'could', 'may', 'should', 'expects', 'believes', 'intends', 'plans', 'potential', 'reasonably possible', 'targets', 'goal' or 'estimates'. By their very nature, forward-looking statements are inherently unpredictable, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to, changes in the economies and markets in which the Group operates; changes in the regulatory and competition frameworks in which the Group operates; the impact of legal or other proceedings against or which affect the Group; and changes in interest and exchange rates. For a more detailed description of these risks, uncertainties and other factors, please see the Principal risks and uncertainties section of the Strategic report in the Annual Report and Accounts. 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 of 1933 (as amended).

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Adjusted performance measures

In addition to statutory measures, a number of adjusted performance measures (APMs) are included in this Interim Announcement to assist investors in gaining a clearer understanding and balanced view of the Group's underlying results and in comparing performance. These measures are consistent with how business performance is measured internally.

The APMs used include underlying operating profit, underlying earnings before interest, tax, depreciation and amortisation, underlying net finance costs and underlying earnings per share, each of which are the equivalent statutory measure adjusted to eliminate the amortisation of acquired intangibles and other significant one-off items not linked to the underlying performance of the business. Further underlying constant exchange rate measures are given which eliminate the impact of currency movements by comparing the current measure against the comparative restated at this year's actual average exchange rates. Where APMs are given, these are compared to the equivalent measures in the prior year.

APMs are reconciled to the statutory equivalent, where applicable, in the adjusted performance measures section in this Announcement.

GROUP OVERVIEW

Financial performance

The Group performed well in the period, delivering a better than expected result despite foreign exchange headwinds and the impact of COVID-19 in terms of trading volume and margin compression.

The Group reported revenue of £984.1m, broadly flat on the prior period on a constant currency basis. As anticipated, the low level of activity at the end of 2020 continued into the early part of the year and gradually recovered through the second quarter as the success of the vaccination and lockdown programmes began to feed through to increased business confidence and improved market demand.

Underlying operating profit decreased to £39.5m, a reduction of 9% on a constant currency basis and against a very strong comparative performance last year. The positive resolution of a historical claim in North America was more than offset by the anticipated impact of COVID-19, higher steel prices in the Suncoast business and unrecognised revenue on suspended contracts in Africa, predominantly an LNG contract in Mozambique, which are subject to commercial resolution with clients.

Another strong cash performance has driven a 27% reduction in net debt (on a bank covenant IAS 17 basis) to £113.4m, equating to a net debt/EBITDA leverage ratio of 0.7x (H1 2020: 0.9x).

Operating performance

The slowdown of the global construction market that we highlighted previously led to lower trading volume at the end of 2020 and through the start of 2021. Whilst some countries continue to be impacted by COVID-19, notably Australia, India, the Middle East and parts of Europe, the success of vaccination and lockdown containment programmes in many other countries, most notably North America, has led to increased business confidence and improved market demand generally. However, the combination of increased activity and disrupted supply chains has caused some localised material shortages in some of our markets, affecting spot pricing and more importantly material availability.

In North America, our foundations business traded as expected, negatively impacted in the first quarter by COVID-19 and adverse weather whilst benefitting from the resolution of a historical claim in relation to a large civic project completed in 2017. Suncoast, the Group's post-tension business, was impacted by higher steel prices which were partially mitigated by strong demand from the residential single family home market. Moretrench Industrial, our business that operates in the highly regulated environmental remediation market, continued to make good progress in the period.

In Europe, our business activity at the start of the year was impacted by extreme winter weather and COVID-19 related project delays in several geographies, in addition to lower volumes following the exit from South America and the completion of a large oil refinery project in Mexico in 2020. Trading volumes benefitted from the High Speed 2 (HS2) rail project in the UK and the Sandbukta-Moss-Sastad (SMS2) rail project in Norway as well as other new projects across our European markets.

In AMEA (Asia-Pacific, Middle East and Africa), the ASEAN business continued to feel the impact of COVID-19 with reduced trading activity in the period, though we expect activity to pick up in the second half. Australia experienced a difficult first quarter due to unusually heavy rain on the East coast and cyclones on the West coast. Notwithstanding this, at Austral, the Cape Lambert project continued to progress well and we continued to benefit from securing additional mining-related projects, most recently work relating to Rio Tinto's Gudai-Darri iron-ore rail project. In Africa, the business was impacted by unrecognised revenue related to suspended projects, predominantly an LNG contract in Mozambique following an escalation in terrorist attacks in the local region. The suspended projects are subject to commercial resolution with clients. Business activity across the Middle East and South Africa is improving and whilst we expect this to continue during the course of this year, we expect the operating environment to remain challenging.

Strategy

In December 2019 we announced a revised strategy to be the preferred international geotechnical specialist contractor focused on sustainable markets and attractive projects, generating long-term value for our stakeholders. Local businesses will leverage the Group's scale and expertise to deliver engineered solutions and operational excellence, driving market share leadership in our selected segments.

We have continued to successfully execute this strategy in 2021. In Europe, as well as rightsizing the divisional head office, we have simplified the structure of the division by reducing the number of business units from six to five, with the merger of French Speaking Countries with Iberia and Latin America, to form a new South West Europe business unit, effective 1 July 2021. The latter action has already secured work through the combined business unit that would not have been won previously, and has also reduced costs.

In North America, in July we furthered our drive to gain market share in our chosen markets with the acquisition of RECON Services, Inc (RECON), a geotechnical and industrial services company headquartered in Houston, Texas. Similar to Keller's existing Florida-based Moretrench Industrial business, RECON is focused on environmental remediation activities and the geographic proximity of the two businesses will provide revenue synergies from cross-selling opportunities, both between the two businesses and also the Keller Foundations businesses, and some, primarily volume-based, cost synergies. The additional revenue synergies provide the opportunity to increase the Group's overall market share in the important Gulf Coast area where Keller has historically been relatively under-represented. The initial cash consideration was US$23m (£17m), and there is an expected earn-out of US$15m (£11m) relating to specific future contract wins.

Safety

As always, safety is a management priority and we have made continued progress in this regard in respect of both operational and COVID-19 safety during the global pandemic. This approach has enabled us to work in a safe and productive manner on sites wherever the local regulatory regime allows, using applicable personal protective equipment and social distancing.

At the start of the year, a tragic fatality occurred following an accident on a site in Austria in which we lost a long-serving and valued employee, and whilst it has been determined Keller was not at fault for the accident, as a result we have actively advanced our safety programme.

Our key safety metric, the accident frequency rate, improved by 27% year-on-year with 0.08 injuries per 100,000 hours worked and there was a 25% improvement in the total recordable incident rate. However, we are not complacent in this regard, despite an industry-leading performance, and we continue to prioritise the health and safety of our employees with a number of safety initiatives underway to leverage our experience and safety knowledge across the Group. As our number of recordable incidents decrease, it is ever more important to document proactive reports to identify and address hazardous situations before they occur. Year-on-year near miss reports are up and leadership site interaction is strong, even with the site access challenges created by COVID-19. Proactive reporting is the reporting of near miss events, events that could have caused damage or harm, and hazardous situations that if not addressed could lead to an incident.

ESG

To reflect the growing importance of Environmental, Social and Governance matters and provide greater focus and oversight on these issues, as announced on 30 July 2021, the Board has established two new Board Committees; the Environment Committee and the Social and Community Committee. In addition, the Audit and the Nomination Committees have been renamed the Audit and Risk Committee and the Nomination and Governance Committee respectively to better reflect their remits. Further detail with regard to the membership and terms of reference for these Committees can be found at www.keller.com

The company has identified safety, good governance, gender diversity and carbon reduction as the most important areas of sustainability that the Group can focus on globally. These align with UN Sustainable Development Goals 3, 5, 13 and 16. Furthermore, in respect of carbon reduction, the Executive team has set ambitious but achievable net zero

targets by 2050. We will be net zero across all three emission scopes by 2050; net zero on Scope 2 by 2030, net zero on Scope 1 by 2040 and net zero by 2050 on Keller originated Scope 3 (as opposed to client originated Scope 3). We have begun implementing the short, medium and long-term actions required to achieve these goals.

The Group has actively encouraged and supported employees to become vaccinated against COVID-19 wherever possible. In recognition of the benefit of free vaccination that many of the Group's employees and their families have received from their national governments, the Board has approved a funding contribution of £300,000 to UNICEF's COVID-19 Vaccines Appeal. This amount approximately equates to the cost of vaccinating the Keller workforce and their immediate families and will help UNICEF to deliver 1.9 billion doses of vaccines this year for frontline health workers, social workers, teachers and those at highest risk.

Management succession

James Hind, Divisional President of Keller North America, has informed the Board of his intention to retire at the end of 2021, after 18 years' service. James has been a highly effective member of the Executive team, from his appointment in 2003 as Finance Director of Keller Group plc and an Executive Director on the Board until 2020, through to his current appointment as Divisional President of Keller North America, a post he has held since 2018. Under his leadership and with the support of a strong Executive team, Keller North America has undergone significant transformation, with greatly enhanced organisational capability and accelerated collaboration.

Eric Drooff, currently Chief Operating Officer, Keller North America, will succeed James. Over the 29 years Eric has been with Keller North America he has demonstrated his strong leadership capabilities across the organisation and his dedication, passion and depth of geotechnical experience make him the best person to lead Keller North America.

Interim dividend

Keller has consistently increased or maintained its dividend over the 27 years since first listing on the London Stock Exchange, through successive market cycles. The Board has considered the financial strength of the Group, its significant liquidity position and its longer-term confidence in the performance of the business, and has decided it would be appropriate to maintain the 2021 interim dividend consistent with that declared in respect of 2020 and has approved the payment of an interim dividend of 12.6p in respect of the half year ended 27 June 2021, payable on 10 September 2021 to shareholders on the register as at 20 August 2021.

Outlook

Whilst, as anticipated, trading at the beginning of the year was slow, our major markets have more recently improved, as evidenced by our increased record order book, and this increased volume will more than offset the headwind of translational foreign exchange. Whilst residual COVID-19 related risk remains in some markets, we expect a continuing increase in business confidence and trading momentum as the year progresses, with the performance for the full year now anticipated to be materially ahead of the Board's previous expectations, with a modest second half bias.

The continued, diligent execution of our strategy to develop market leadership in our chosen focused geographies has positioned the Group well to exploit the post-pandemic recovery and to benefit from the positive medium and long-term market trends of urbanisation and infrastructure growth.

Operating review

North America

	H1 2021 £m	H1 2020 £m	Constant currency
Revenue	**581.7**	636.5	-
Underlying operating profit	**38.4**	38.6	+11%
Underlying operating margin	**6.6%**	6.1%	n/a
Order book[1]	**653.8**	605.2	+8%

[1] Comparative order book stated at constant currency.

In North America, revenue was flat on a constant currency basis, with the first quarter impacted by the COVID-19 related construction market slowdown and extreme adverse weather, particularly in Texas. Momentum across all markets improved in the second quarter, bringing first-half volumes in line with last year. Operating profit increased by 11% to £38.4m on a constant currency basis, mainly driven by the benefit from the resolution of a historical claim (c£7m) in relation to a large civic project completed in 2017, with a resultant 50 basis points improvement in operating margin. The accident frequency rate, our key metric for measuring safety performance, fell from 0.08 to 0.07, a 13% improvement.

In the foundations business, whilst revenue declined due to a slow first quarter, the business overall traded in line with our expectations for the first half and continued to benefit from our restructuring actions in 2020. In Canada, our business continued to grow, building on the new base established in Montreal and the restructure of the Alberta region, in 2020.

At Suncoast, the Group's post-tension business, the market increase in steel prices had a significant adverse impact on margins in the period, although these are expected to recover somewhat as new high-rise contracts are awarded. The margin impact was partially mitigated by record customer demand in the single family home sector and our ability to re-price in this segment in the relatively short term. Demand in the high-rise sector was muted due to the impact of COVID-19.

Moretrench Industrial, our business which operates in the highly regulated industrial and power segments, performed strongly and reported robust revenue and profit growth.

In July 2021, we announced the acquisition of RECON Services, Inc (RECON) a geotechnical and industrial services company headquartered in Houston, Texas, for an initial cash consideration of US$23m (£17m), and an expected earn-out of US$15m (£11m) relating to certain specific contract wins. RECON is a specialist geotechnical environmental remediation and industrial services contractor working principally for industrial clients, many in the petrochemical sector, predominantly along the Gulf and East coasts of the United States. Similar to Keller's existing Florida-based Moretrench Industrial business, RECON is focused on environmental remediation activities and the geographic proximity of the two businesses will provide revenue synergies from cross-selling opportunities, both between the two businesses and also the Keller foundations businesses. The additional revenue synergies provide the opportunity to increase the Group's overall market share in the important Gulf Coast area where Keller has historically been relatively under-represented, and where a significant pipeline of new projects is projected by the petrochemical sector. Cost synergies will also be achieved through this acquisition.

The order book for North America at the period end strengthened to £653.8m, up 8% on a constant currency basis, reflecting the improved momentum across all of the North American business units.

Europe

	H1 2021 £m	H1 2020[2] £m	Constant currency
Revenue	**242.0**	254.7	-4%
Underlying operating profit	**5.7**	7.1	-14%
Underlying operating margin	**2.4%**	2.8%	n/a
Order book[1]	**375.5**	285.3	+32%

[1] Comparative order book stated at constant currency.
[2] From 1 January 2021 Middle East and Africa business unit transferred to APAC division, to create Asia-Pacific, Middle East and Africa (AMEA) division. The remaining EMEA division became our Europe division.

In Europe, revenue decreased by 4% on a constant currency basis reflecting extreme winter weather during the first quarter, COVID-19 related project delays and the exit of non-core businesses in 2020. Underlying operating profit decreased by 14% to £5.7m, reflecting the reduced level of activity and weather-related inefficiencies and the mix of revenues and projects, in particular completion of a large oil refinery project in Mexico[3] that was ongoing in the prior period.

The accident frequency rate fell from 0.21 to 0.17, a 19% improvement. At the start of the year, a tragic fatality occurred following an accident on a site in Austria in which we lost a long-serving and valued employee. A thorough investigation was completed, and whilst it has been determined Keller was not at fault for the accident, as a result we have actively advanced our safety programme further.

South-East Europe and Nordics delivered revenue growth, with Austria, our first European business to be materially impacted by COVID-19 restrictions in early 2020, recovering well during the period. Norway benefitted from the SMS2 project, despite delays to the work schedule at the main project site.

The UK business, which was adversely impacted by the hesitant investment climate during the early part of 2020 following the 2019 general election and uncertainty around Brexit, has seen revenue levels recover well during the first half of 2021, including work on the HS2 rail project.

Central Europe and North East Europe were both impacted by lower volumes as a result of the harsh winter during the first quarter and low levels of activity and delays related to COVID-19.

Our French Speaking Countries business merged with Iberia and Latin America, to form a new South West Europe business unit[4], simplifying the structure of the new Europe division by reducing the number of business units from six to five, and lowering costs. During the first half period, the business was affected by adverse weather and delayed project starts as well as the withdrawal from South America. In addition, the completion in early 2021 of work on an oil refinery project in Mexico reduced revenue and profits compared to the prior period.

The Europe order book at the end of the period was £375.5m, up 32% on a constant currency basis. As well as the previously announced awards on HS2, the order book across our European businesses was generally higher at the period end compared to the 2020 year end, with momentum building across most European markets during the second quarter. As markets improved, supply chain pressures have impacted the cost and, more so, the availability of both raw materials, such as steel, concrete and cement, as well as suitably qualified employees. Managing these supply chain and employee challenges will be a focus area in the second half of 2021.

[3]Following the Europe restructure Mexico continued to be managed from Iberia.
[4]Effective 1 July 2021.

Asia-Pacific, Middle East and Africa (AMEA)

	H1 2021 £m	H1 2020[2] £m	Constant currency
Revenue	**160.4**	147.9	+8%
Underlying operating profit	**0.1**	5.9	-98%
Underlying operating margin	**0.1%**	4.0%	n/a
Order book[1]	**162.8**	187.2	-13%

[1] Comparative order book stated at constant currency.
[2] From 1 January 2021, the Middle East and Africa business unit transferred to APAC division, to create Asia-Pacific, Middle East and Africa (AMEA) division. The remaining EMEA division became our Europe division.

In AMEA, revenues increased by 8% on a constant currency basis, driven by Austral in Australia and India, partly offset by a decline in Middle East and Africa, the business unit that was transferred to the former APAC division to form AMEA in January 2021. Operating profit declined to £0.1m, primarily as a result of unrecognised revenue related to suspended projects in Africa, predominantly an LNG project in Mozambique following an escalation in terrorist attacks in the local region, and which are subject to commercial resolution with clients. The accident frequency rate declined from 0.06 to 0.03 in the period, a 50% improvement.

The ASEAN business continued to feel the impact of COVID-19 with continued market softness and the postponement of contracts, particularly in Malaysia and Indonesia. In Singapore, activity levels improved and the trading outlook for the business unit as a whole in the second half looks encouraging.

Austral's business delivered a strong performance in terms of both revenue and profit as it continued to deliver on Rio Tinto's Cape Lambert project in the Pilbara as well as other mining-related projects in the region, including Rio Tinto's Gudai-Darri rail project. The c£75m Cape Lambert project is due to complete by the end of 2021.

Our Keller Australia business was impacted by COVID-19 related project delays with interstate lockdowns in New South Wales and Victoria which constrained the movement of people and their access to work sites. At the start of the year the business was impacted by unusually heavy rain on the East Coast and cyclones in the Pilbara region on the West Coast.

Our India business performed strongly, growing in revenue and profit despite the continued impact of the second wave of COVID-19. Tendering levels improved with a number of large projects in the pipeline, though some project award decisions continued to be delayed due to the pandemic.

The Middle East and Africa business had a challenging trading period following the suspension of the LNG project in Mozambique and the COVID-19 related construction market slowdown across the business unit.

The AMEA order book at the end of the period was £162.8m, down 13%, on a constant currency basis. This is largely driven by the continued impact of COVID-19 across the Middle East, Africa, ASEAN and India. We expect tendering and trading activity to ramp up in the second half.

Chief Financial Officer's review

This report comments on the key financial aspects of the Group's interim results for the half year period ended 27 June 2021.

	H1 2021 £m	H1 2020 £m
Revenue	**984.1**	1,039.1
Underlying operating profit[1]	**39.5**	47.9
Underlying operating profit %[1]	**4.0%**	4.6%
Non-underlying items	**(6.0)**	(19.9)
Statutory operating profit	**33.5**	28.0

[1] Details of non-underlying items are set out in note 7 to the interim condensed consolidated financial statements. Reconciliations to statutory numbers are set out in the adjusted performance measures section on page 33.

Geographic segmentation

From 1 January 2021, the Middle East and Africa (MEA) business was transferred to the Asia-Pacific division, creating the Asia-Pacific, Middle East and Africa division (AMEA), and the remaining EMEA division became the Europe division. The 2020 comparative segmental analysis has been updated to reflect this change.

	Revenue £m		**Underlying operating profit[2] £m**		**Underlying operating profit margin[2] %**	
	H1 2021	H1 2020	**H1 2021**	H1 2020	**H1 2021**	H1 2020
Division						
North America	**581.7**	636.5	**38.4**	38.6	**6.6%**	6.1%
Europe	**242.0**	254.7	**5.7**	7.1	**2.4%**	2.8%
AMEA	**160.4**	147.9	**0.1**	5.9	**0.1%**	4.0%
Central	**—**	—	**(4.7)**	(3.7)	**—**	—
Group	**984.1**	1,039.1	**39.5**	47.9	**4.0%**	4.6%

[2] Details of non-underlying items are set out in note 7 of the interim condensed consolidated financial statements.

Revenue

Revenue of £984.1m (H1 2020: £1,039.1m) was 5.3% down on 2020 due to foreign exchange translation. On a constant currency basis, revenue was broadly in line with the prior year. Slower trading in the first quarter was offset by an increased momentum across the majority of markets in the second quarter.

North America reported flat revenues (at constant currency), negatively impacted by COVID-19 and extreme adverse weather conditions in Q1, offset by higher trading volumes in the second quarter. In Europe, revenue decreased by 3.6% (at constant currency) with lower activity levels due to the exit from non-core businesses, adverse weather in some geographies and the impact of the 2020 completion of an oil refinery project in Mexico. These were offset by the ramp-up of the HS2 rail project in the UK and SMS2 rail project in Norway. Revenue in AMEA increased by 7.8% on a constant currency basis, despite activity levels in the Middle East being impacted by COVID-19 delays, adverse weather conditions in Australia and the suspension of contracts in Africa, predominantly an LNG project in Mozambique following an escalation in terrorist attacks in the region. Notwithstanding this, revenue in the Austral business showed significant growth as the Cape Lambert project progressed well and positive revenue growth was achieved in India in a market adversely impacted by COVID-19.

We have a diversified spread of revenues across geographies, product lines, market segments and end customers. Customers are generally market specific and the largest customer represented less than 3% (H1 2020: 2%) of the Group's revenue for the half year. The top 10 customers represent 17% of the Group's revenue for the half year (H1 2020: 7%).

Underlying operating profit

The underlying operating profit of £39.5m was 17.5% behind prior year (H1 2020: £47.9m) and on a constant currency basis was 8.6% down on prior year.

North America underlying constant currency operating profit increased by 10.9% despite the negative impact of bad weather, COVID-19 and increasing steel prices at Suncoast, benefitting from the resolution of a historical claim in relation to a large civic project completed in 2017. Europe constant currency operating profit decreased by 14.3%, reflecting the exit from non-core businesses, weaker volumes in Central Europe, North-East Europe and Iberia and Latin America, and the completion of a large oil refinery project in Mexico, partly offset by the ramp-up of HS2 and SMS2. AMEA constant currency operating profit decreased by 98.1% in H1 2021, largely as a result of the suspension of an LNG project in Mozambique and the impact of delayed projects in Australia and the Middle East. However, growth in operating profit was achieved in the Austral and India business units.

Share of post-tax results from joint ventures

The Group recognised a post-tax profit of £0.3m in the period (H1 2020: £0.2m) from its share of the post-tax results from joint ventures. No dividends (H1 2020: £0.5m) were received from joint ventures in the period.

Statutory operating profit

Statutory operating profit, comprising underlying operating profit of £39.5m (H1 2020: £47.9m) and non-underlying items comprising net costs of £6.0m (H1 2020: £19.9m net costs), increased by 19.6% to £33.5m (H1 2020: £28.0m).

Net finance costs

Net finance costs decreased by 40.2% to £4.3m (H1 2020: £7.2m), as a result of consistent tight working capital management and reduced borrowing rates during the half year in 2021. The cash generative nature of the Group's businesses is demonstrated by the 44.9% decrease over prior half year of the average net borrowings, excluding IFRS 16 lease liabilities, which reduced from £223.9m during the half year to 28 June 2020 to £123.4m during the half year to 27 June 2021.

Taxation

The Group's underlying effective tax rate decreased to 27% (H1 2020: 29%). The overall rate is determined by a range of factors but the reduction is mainly as a result of the change in profit mix across the various tax jurisdictions in which we operate and a reduction in provisions made against recognising deferred tax assets compared to 2020.

Cash tax paid in the period of £11.9m was an increase of £5.4m over prior year (H1 2020: £6.5m). The difference is mainly due to the timing and phasing of tax payments which do not necessarily relate to the period in which the profits are earned. Further details on tax are set out in note 8 of the interim condensed consolidated financial statements.

The UK Government has announced an increase in the UK corporation tax rate to 25% from 19% with effect from 1 April 2023. This change has an immaterial impact on the deferred tax asset recognised in the UK.

In the event that proposed US tax increases are enacted before 31 December 2021, the impact of revaluing existing net deferred tax liabilities would increase our overall tax rate for 2021.

Non-underlying items

Details of non-underlying items are included in note 7 to the interim condensed consolidated financial statements.

Amortisation of acquired intangibles
The £0.4m (H1 2020: £2.5m) charge for amortisation of acquired intangible assets relates primarily to the Moretrench acquisition (H1 2020: Moretrench and Austral acquisitions).

Non-underlying operating costs
Non-underlying operating costs were £6.3m (H1 2020: £18.1m).

Exceptional restructuring costs of £3.1m (H1 2020: £7.8m) have been incurred during the period; £2.6m related to the continuation of the strategic project to rationalise the Europe division and £0.9m related to restructuring costs incurred to streamline KGS, the in-house equipment manufacturer. These costs were partly offset by a credit of £0.4m from an underspend of prior year provisions for restructuring costs in North America.

The Cyntech Anchors business in Canada was disposed of on 28 June 2021, resulting in £1.9m of non-underlying costs including asset write-downs and additional impairments recorded on classification of the business as held for sale, which reflect anticipated proceeds under the planned sale. In the previous period a loss of £10.0m was recognised on disposal of the Group's Brazil operation.

Also included is contingent consideration payable of £1.3m due to the resolution of a historical claim in relation to a large civic project completed in 2017.

Non-underlying other operating income
Non-underlying other operating income of £0.7m (H1 2020: £0.7m) is contingent consideration receivable in relation to the Wannenwetsch disposal, completed in 2020. The proceeds of £0.7m received in the previous period were received on final settlement of a contributory claim relating to an exceptional contract dispute.

Non-underlying taxation
A non-underlying tax credit of £0.6m (H1 2020: £1.2m credit) relates to the tax benefit on non-underlying charges which are expected to be deductible.

Earnings per share

Underlying diluted earnings per share decreased by 9.9% to 35.6p (H1 2020: 39.5p) in line with the lower operating profit partly offset by a reduced interest charge and a reduced effective tax rate in the period. Statutory diluted earnings per share was 28.2p (H1 2020: 13.8p).

Dividend

The Group's dividend policy is to increase the dividend sustainably whilst allowing the Group to be able to grow, or as a minimum, maintain, the level of dividend through market cycles. The dividend policy is therefore impacted by the performance of the Group, which is subject to the Group's principal risks and uncertainties as well as the level of headroom on the Group's borrowing facilities, future cash commitments and investment plans.

Reflecting the financial strength of the Group, its significant liquidity position and the longer-term confidence in the performance of the business the Board has decided to maintain the 2021 half-year dividend consistent with that declared in respect of 2020 and have recommended an interim dividend of 12.6p per share (H1 2020: 12.6p per share).

Acquisitions and disposals

There were no material acquisitions or disposals in the period ended 27 June 2021.

Working capital

Overall, a good working capital performance resulted in total net working capital decreasing by £3.9m in the half year (H1 2020: £7.9m decrease). This was offset by a decrease in provisions and retirement benefits of £7.1m (H1 2020: £16.7m increase), reflecting utilisations and legal settlements in the period.

Prior-year balance sheet restatement

As a result of a reclassification at 31 December 2020 of contract provisions from other payables to provisions and end of service scheme liabilities from provisions to retirement benefit liabilities within the classification of liabilities, the comparative consolidated balance sheet as at 28 June 2020 has been restated. Consequently, with regard to contract provisions, the Group has increased current provisions by £27.7m, increased non-current provisions by £9.4m and reduced trade and other payables by £37.1m. With regard to end of service scheme liabilities, the Group has reduced current provisions by £0.6m, non-current provisions by £2.5m and increased retirement benefit liabilities by £3.1m. Further details on this are set out in note 18 of the interim condensed consolidated financial statements.

Capital expenditure

The Group manages capital expenditure tightly whilst investing in the upgrade and replacement of equipment where appropriate. Net capital expenditure of £26.4m (H1 2020: £24.9m) included proceeds from the sale of equipment of £5.5m (H1 2020: £2.9m). The asset replacement ratio, which is calculated by dividing gross capital expenditure, excluding sales proceeds on disposal of items of property, plant and equipment and those assets capitalised under IFRS 16, by the depreciation charge on owned property, plant and equipment was 101% (H1 2020: 83%).

Free cash flow

The Group's free cash flow of £26.9m (H1 2020: £74.1m) is more than sufficient to fund, in cash terms, the full value of the payment of the interim dividend of £9.1m (H1 2020: £9.1m). The basis of deriving free cash flow is set out below:

	H1 2021 £m	H1 2020[1] £m
Underlying operating profit	39.5	47.9
Depreciation and amortisation	44.5	47.0
Underlying EBITDA	**84.0**	94.9
Non-cash items	(0.7)	0.6
Dividends from joint ventures	-	0.5
Decrease in working capital	3.9	7.9
(Outflows)/inflows from provisions and retirement benefit liabilities	(7.1)	16.7
Net capital expenditure	(26.4)	(24.9)
Additions to right-of-use assets	(10.6)	(7.9)
Free cash flow before interest and tax	**43.1**	87.8
Free cash flow before interest and tax to underlying operating profit	**109%**	183%
Net interest paid	(4.3)	(7.2)
Cash tax paid	(11.9)	(6.5)
Free cash flow	**26.9**	74.1
Dividends paid to shareholders	(16.8)	-
Acquisitions	-	(0.1)
Non-underlying items	(1.7)	2.7
Right-of-use assets/lease liability modifications	0.8	(0.6)
Foreign exchange movements	2.5	(18.7)
Movement in net debt	**11.7**	57.4
Opening net debt	**(192.5)**	(289.8)
Closing net debt	**(180.8)**	(232.4)

[1] Trade and other payables, provisions, retirement benefit and other non-current liabilities presented here do not correspond to the published 2020 interim condensed consolidated financial statements. The comparative cash flow has been restated to reclassify contract provisions from other payables to provisions, as outlined in note 18 to the interim condensed consolidated financial statements.

Financing facilities and net debt

The Group's term debt and committed facilities principally comprise US private placements of US$125m (£94.2m) which mature between October 2021 and December 2024 and a £375m multi-currency syndicated revolving credit facility which matures in November 2025. At 27 June 2021, the Group had undrawn committed and uncommitted borrowing facilities totalling £302.3m comprising £250.2m of the unutilised portion of the revolving credit facility, £16.3m of other undrawn committed borrowing facilities and undrawn uncommitted borrowing facilities of £35.8m, as well as cash of £116.8m.

The most significant covenants in respect of the main borrowing facilities relate to the ratio of net debt to underlying EBITDA, underlying EBITDA interest cover and the Group's net worth. The covenants are required to be tested at the half year and the year end. The Group operates comfortably within all of its covenant limits. Net debt to underlying EBITDA leverage, calculated excluding the impact of IFRS 16, was 0.7x (H1 2020: 0.9x), well within the limit of 3.0x and at the lower end of the leverage target of between 0.5x-1.5x. Calculated on a statutory basis, including the impact of IFRS 16, net debt to EBITDA leverage was 0.9x at 27 June 2021 (H1 2020: 1.1x). Underlying EBITDA, excluding the impact of IFRS 16, to net finance charges for the period to 27 June 2021 was 30.5x (H1 2020: 12.7x), well above the limit of 4.0x.

On an IFRS 16 basis, gearing at 27 June 2021 was 44% (H1 2020: 53%).

The average month-end net debt during the period ended 27 June 2021, excluding IFRS 16 lease liabilities, was £123.4m (H1 2020: £223.9m) and the minimum headroom during this period on the Group's main banking facility was £250.2m (H1 2020: £129.4m), in addition to a cash balance at that time of £116.8m (H1 2020: £80.8m). The Group had no material discounting or factoring in place during the period. Given the relatively low value and short-term nature of the majority of the Group's projects, the level of advance payments are typically not significant.

At 27 June 2021 the Group had drawn upon uncommitted overdraft facilities of £4.5m (H1 2020: £7.6m) and had drawn £163.1m of bank guarantee facilities (H1 2020: £183.0m).

Retirement benefit liabilities

The primary defined benefit scheme is in the UK. The Group also has defined benefit retirement obligations in Germany and Austria and a number of end of service schemes in the Middle East that follow the same principles as a defined benefit scheme. The Group's net defined benefit liabilities as at 27 June 2021 were £23.0m (H1 2020: £32.6m, FY 2020: £31.1m). The reduction in the half year period was driven by an actuarial gain of £5.4m on the UK defined benefit scheme (H1 2020: £2.0m loss) reflecting an increase in the discount rate for scheme liabilities to 1.8% from 1.2% at 31 December 2020 and higher asset returns. During the period there was an actuarial gain of £0.4m on other schemes.

Post balance sheet events

On 28 June 2021, subsequent to the half year period to 27 June 2021, the Group disposed of its Cyntech Anchors operation in Canada, being 100% of the issued share capital of Keller Cyntech U.S. and Cyntech Anchors Ltd. In the half year period to 27 June 2021, £1.9m of non-underlying costs were recorded on classification of the business as held for sale.

On 13 July 2021, the Group acquired 100% of the issued share capital of RECON Services Inc, a geotechnical and industrial services company headquartered in Houston, Texas, USA, for an initial cash consideration of £17m (US$23m) and an expected earn-out of £11m (US$15m) relating to certain future contract wins.

Principal risks

The Group operates globally across many geotechnical market sectors and in varied geographic markets. The Group's performance and prospects may be affected by risks and uncertainties in relation to the industry and the environments in which it undertakes its operations around the world. The Group is alert to the challenges of managing risk and has systems and procedures in place across the Group to identify, assess and mitigate major business risks.

The principal risks and uncertainties are as follows:

- financial risks
  - the inability to finance our business;
- market risk
  - a rapid downturn in our markets;
- strategic risk
  - the failure to procure new contracts, losing market share;
  - ethical misconduct and non-compliance with regulations;
  - inability to maintain our technological product advantage;
  - changing environmental factors;
- operational risk
  - service or solution failure;
  - the ineffective execution of our projects;
  - causing a serious injury or fatality to an employee or member of the public;
  - not having the right skills to deliver and the risk of potential disruption in the business operations;
  - reputational damage and/or loss or corruption of data through external or internal technical threats and malicious action.

The Group's principal risks and uncertainties remain unchanged from the year end. For a more detailed description of these risks, uncertainties and other factors, please see the principal risks and uncertainties section of the Strategic report in the Annual Report and Accounts.

The important developments in managing our principal risks during 2021 are as follows:

- maintaining focus on managing the continued impact of COVID-19 on the business;
- continued focus on embedding risk management processes across all parts of the organisation;
- regularly reviewing our principal risks and the mitigating activities we are taking to ensure they accurately reflect the risks we are facing and how we are responding to those risks;
- continuing to review risk trends, including the consideration of emerging risks via horizon scanning and reviewing emerging legislation to ascertain how they may impact Keller;
- reviewing the impact of complying with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), including risk reporting.

The key areas of focus for the remainder of 2021 are as follows:

- finalising and deploying risk management process improvements needed to comply with TCFD requirements, deploying where possible or providing an explanation where not yet fully deployed. These improvements will also lead to continued improvement of the wider risk reporting and in turn support a more timely and robust decision-making process;
- we will be closely monitoring the following items through the regular review of risks across the business and any impact they may have on our principal risks for 2021 year-end reporting:
  - the continuing impact from COVID-19 in specific markets;
  - supply chain issues, including both scarcity of certain materials and the pricing impact of this; and
  - people issues, including the ability to hire post COVID-19 and movement across borders to deliver projects.

Statement of Directors' responsibilities

The interim financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the interim financial report in accordance with the Disclosure Guidance and Transparency Rules ('DTR') of the United Kingdom's Financial Conduct Authority ('FCA').

The DTR require that the accounting policies and presentation applied to the half yearly figures must be consistent with those applied in the latest published annual accounts, except where the accounting policies and presentation are to be changed in the subsequent annual accounts, in which case the new accounting policies and presentation should be followed, and the changes and the reasons for the changes should be disclosed in the Interim report, unless the FCA agrees otherwise.

The Directors confirm that to the best of their knowledge the condensed set of financial statements, which have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group, as required by DTR 4.2 and in particular include a fair review of:

• the important events that have occurred during the first half of the financial year and their impact on the interim condensed consolidated set of financial statements as required by DTR 4.2.7R;

• the principal risks and uncertainties for the remaining half of the year as required by DTR 4.2.7R; and

• related party transactions that have taken place in the first half of the current financial year and changes in the related party transactions described in the previous annual report that have materially affected the financial position or performance of the Group during the first half of the current financial year as required by DTR 4.2.8R.

The Directors of Keller Group plc are listed in the 2020 Annual Report and Accounts.

Approved by the Board of Keller Group plc and signed on its behalf by:

Michael Speakman
Chief Executive Officer

David Burke
Chief Financial Officer

2 August 2021

INDEPENDENT REVIEW REPORT TO KELLER GROUP PLC

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the Interim Results of Keller Group plc for the half-year period ended 27 June 2021 which comprises the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement, and the related explanatory notes. We have read the other information contained in the Interim Results and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the interim period ended 27 June 2021 is not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for Conclusion

We conducted our review in accordance with International Standard on Review Engagements 2410 (UK and Ireland) 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in note 2, the annual financial statements of the Group will be prepared in accordance with UK adopted IFRSs. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting'.

Responsibilities of the Directors

The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Auditor's responsibilities for the review of the financial information

In reviewing the half-yearly report, we are responsible for expressing to the company a conclusion on the condensed set of financial statements in the half-yearly financial report. Our conclusion, based on procedures that are less extensive than audit procedures, as described in the 'basis for conclusion' paragraph of this report.

Use of our report

This report is made solely to the company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Ernst & Young LLP
Reading
2 August 2021

Interim condensed consolidated income statement (unaudited)

For the half year period ended 27 June 2021

		2021			2020		
	Note	**Underlying £m**	**Non-underlying items (note 7) £m**	**Statutory £m**	Underlying £m	Non-underlying items (note 7) £m	Statutory £m
Revenue	4,5	**984.1**	**–**	**984.1**	1,039.1	–	1,039.1
Operating costs		**(944.9)**	**(6.3)**	**(951.2)**	(991.4)	(18.1)	(1,009.5)
Amortisation of acquired intangible assets		**–**	**(0.4)**	**(0.4)**	–	(2.5)	(2.5)
Other operating income		**–**	**0.7**	**0.7**	–	0.7	0.7
Share of post-tax results of joint ventures		**0.3**	**–**	**0.3**	0.2	–	0.2
Operating profit/(loss)	4	**39.5**	**(6.0)**	**33.5**	47.9	(19.9)	28.0
Finance income		**0.1**	**–**	**0.1**	0.4	–	0.4
Finance costs		**(4.4)**	**–**	**(4.4)**	(7.6)	–	(7.6)
Profit/(loss) before taxation		**35.2**	**(6.0)**	**29.2**	40.7	(19.9)	20.8
Taxation	8	**(9.5)**	**0.6**	**(8.9)**	(11.8)	1.2	(10.6)
Profit/(loss) for the period		**25.7**	**(5.4)**	**20.3**	28.9	(18.7)	10.2
Attributable to:							
Equity holders of the parent		**26.0**	**(5.4)**	**20.6**	28.7	(18.7)	10.0
Non-controlling interests		**(0.3)**	**–**	**(0.3)**	0.2	–	0.2
		25.7	**(5.4)**	**20.3**	28.9	(18.7)	10.2
Earnings per share							
Basic	10	**36.0p**		**28.5p**	39.8p		13.9p
Diluted	10	**35.6p**		**28.2p**	39.5p		13.8p

Interim condensed consolidated statement of comprehensive income (unaudited)

For the half year period ended 27 June 2021

	2021	2020
	£m	£m
Profit for the period	**20.3**	10.2
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange movements on translation of foreign operations	**(8.7)**	28.1
Transfer of translation reserve on disposal of subsidiary	**–**	2.9
Items that will not be reclassified subsequently to profit or loss:		
Remeasurements of defined benefit pension schemes	**5.8**	(2.0)
Tax on remeasurements of defined benefit pension schemes	**(0.9)**	0.4
Other comprehensive (loss)/income for the period, net of tax	**(3.8)**	29.4
Total comprehensive income for the period	**16.5**	39.6
Attributable to:		
Equity holders of the parent	**16.8**	39.4
Non-controlling interests	**(0.3)**	0.2
	16.5	39.6

Interim condensed consolidated balance sheet (unaudited)

As at 27 June 2021

	Note	**As at 27 June 2021 £m**	As at[1] 28 June 2020 £m	As at 31 December 2020 £m
Assets				
Non-current assets				
Goodwill and intangible assets		**116.9**	129.9	118.8
Property, plant and equipment	11	**417.7**	464.3	434.9
Investments in joint ventures		**4.6**	3.9	4.4
Deferred tax assets		**8.4**	15.0	10.3
Other assets		**25.6**	27.2	25.9
		573.2	640.3	594.3
Current assets				
Inventories		**74.5**	74.9	60.1
Trade and other receivables		**543.5**	573.3	503.9
Current tax assets		**8.2**	9.6	2.1
Cash and cash equivalents	12	**116.8**	129.0	66.3
Assets held for sale	13	**23.6**	–	8.7
		766.6	786.8	641.1
Total assets		**1,339.8**	1,427.1	1,235.4
Liabilities				
Current liabilities				
Loans and borrowings		**(65.9)**	(41.1)	(67.0)
Current tax liabilities		**(19.7)**	(31.7)	(17.1)
Trade and other payables		**(450.7)**	(416.0)	(381.7)
Provisions		**(44.7)**	(47.4)	(46.2)
Liabilities directly associated with assets held for sale	13	**(10.5)**	–	–
		(591.5)	(536.2)	(512.0)
Non-current liabilities				
Loans and borrowings		**(231.7)**	(320.3)	(191.8)
Retirement benefit liabilities	14	**(23.0)**	(32.6)	(31.1)
Deferred tax liabilities		**(20.4)**	(28.9)	(21.3)
Provisions		**(41.4)**	(48.3)	(47.2)
Other liabilities		**(20.3)**	(22.8)	(22.0)
		(336.8)	(452.9)	(313.4)
Total liabilities		**(928.3)**	(989.1)	(825.4)
Net assets		**411.5**	438.0	410.0
Equity				
Share capital	16	**7.3**	7.3	7.3
Share premium account		**38.1**	38.1	38.1
Capital redemption reserve		**7.6**	7.6	7.6
Translation reserve		**7.6**	50.1	16.3
Other reserve		**56.9**	56.9	56.9
Retained earnings		**290.6**	272.5	280.1
Equity attributable to equity holders of the parent		**408.1**	432.5	406.3
Non-controlling interests		**3.4**	5.5	3.7
Total equity		**411.5**	438.0	410.0

[1] Trade and other payables, provisions and retirement benefit liabilities presented here do not correspond to the published 2020 interim condensed consolidated financial statements. The comparative balance sheet has been restated to reclassify contract provisions from other payables to provisions and end of service schemes in the Middle East from provisions to retirement benefit liabilities, as outlined in note 18 to the interim financial statements.

Interim condensed consolidated statement of changes in equity (unaudited)

For the half year period ended 27 June 2021

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Translation reserve £m	Other reserve £m	Retained earnings £m	Non-controlling interests £m	Total equity £m
At 31 December 2020	**7.3**	**38.1**	**7.6**	**16.3**	**56.9**	**280.1**	**3.7**	**410.0**
Total comprehensive (loss)/income for the period	**–**	**–**	**–**	**(8.7)**	**–**	**25.5**	**(0.3)**	**16.5**
Dividends	**–**	**–**	**–**	**–**	**–**	**(16.8)**	**–**	**(16.8)**
Share-based payments	**–**	**–**	**–**	**–**	**–**	**1.8**	**–**	**1.8**
At 27 June 2021	**7.3**	**38.1**	**7.6**	**7.6**	**56.9**	**290.6**	**3.4**	**411.5**

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Translation reserve £m	Other reserve £m	Retained earnings £m	Non-controlling interests £m	Total equity £m
At 31 December 2019	7.3	38.1	7.6	19.1	56.9	263.2	5.3	397.5
Total comprehensive income for the period	–	–	–	31.0	–	8.4	0.2	39.6
Share-based payments	–	–	–	–	–	0.9	–	0.9
At 28 June 2020	7.3	38.1	7.6	50.1	56.9	272.5	5.5	438.0

Interim condensed consolidated cash flow statement (unaudited)

For the half year period ended 27 June 2021

	Note	**2021 £m**	2020[1] £m
Cash flows from operating activities			
Profit before taxation		**29.2**	20.8
Non-underlying items		**6.0**	19.9
Finance income		**(0.1)**	(0.4)
Finance costs		**4.4**	7.6
Underlying operating profit	4	**39.5**	47.9
Depreciation of property, plant and equipment		**44.2**	46.8
Amortisation of intangible assets		**0.3**	0.2
Share of post-tax results of joint ventures		**(0.3)**	(0.2)
Profit on sale of property, plant and equipment	11	**(1.5)**	(1.2)
Other non-cash movements		**1.2**	0.9
Foreign exchange (gains)/losses		**(0.1)**	0.5
Operating cash flows before movements in working capital and other underlying items		**83.3**	94.9
Increase in inventories		**(20.3)**	(2.5)
(Increase)/decrease in trade and other receivables		**(59.5)**	82.1
Increase/(decrease) in trade and other payables		**83.7**	(71.7)
(Decrease)/increase in provisions, retirement benefit and other non-current liabilities		**(7.1)**	16.7
Cash generated from operations before non-underlying items		**80.1**	119.5
Cash inflows from non-underlying items: contract disputes		**–**	0.7
Cash (outflows)/inflows from non-underlying items: restructuring costs		**(1.7)**	2.0
Cash generated from operations		**78.4**	122.2
Interest paid		**(2.6)**	(5.8)
Interest element of lease rental payments		**(1.5)**	(1.8)
Income tax paid		**(11.9)**	(6.5)
Net cash inflow from operating activities		**62.4**	108.1
Cash flows from investing activities			
Interest received		**0.1**	0.4
Proceeds from sale of property, plant and equipment		**5.5**	2.9
Proceeds on disposal of subsidiary, net of cash disposed	6	**–**	(0.1)
Acquisition of property, plant and equipment	11	**(31.7)**	(27.8)
Acquisition of intangible assets		**(0.2)**	–
Dividends received from joint ventures		**–**	0.5
Net cash outflow from investing activities		**(26.3)**	(24.1)
Cash flows from financing activities			
Increase in borrowings		**52.6**	–
Repayment of borrowings		**(7.4)**	(40.3)
Payment of lease liabilities		**(12.9)**	(12.6)
Dividends paid	9	**(16.8)**	–
Net cash inflow/(outflow) from financing activities		**15.5**	(52.9)
Net increase in cash and cash equivalents		**51.6**	31.1
Cash and cash equivalents at beginning of period		**61.6**	87.5
Effect of exchange rate movements		**(0.9)**	2.8
Cash and cash equivalents at end of period	12	**112.3**	121.4

[1] Trade and other payables, provisions, retirement benefit and other non-current liabilities presented here do not correspond to the published 2020 interim condensed consolidated financial statements. The comparative cash flow has been restated to reclassify contract provisions from other payables to provisions, as outlined in note 18 to the interim financial statements.

1. Corporate information

The interim condensed consolidated financial statements of Keller Group plc and its subsidiaries (collectively, 'the Group') for the half year period ended 27 June 2021 were authorised for issue in accordance with a resolution of the Directors on 2 August 2021.

Keller Group plc ('the company') is a limited company, incorporated and domiciled in the United Kingdom, whose shares are publicly traded on the London Stock Exchange. The registered office is located at 5th floor, 1 Sheldon Square, London W2 6TT. The Group is principally engaged in the provision of specialist geotechnical engineering services.

2. Basis of preparation

The condensed financial statements included in this interim financial report have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting'. They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2020. The interim report does not constitute statutory accounts. The financial information for the year ended 31 December 2020 does not constitute the Group's statutory financial statements for that period as defined in section 435 of the Companies Act 2006 but is instead an extract from those financial statements. The Group's financial statements for the year ended 31 December 2020 have been delivered to the Registrar of Companies. The Auditor's Report on those financial statements contained an unqualified opinion, did not draw attention to any matters by way of emphasis and did not contain any statement under section 498 of the Companies Act 2006. The annual financial statements for year ended December 2021 will be prepared in accordance with UK-adopted international accounting standards (UK adopted IFRSs).

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020.

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. There were no new standards, or amendments to standards, which are mandatory and relevant to the Group for the year ending 31 December 2021 which have a material effect on the interim consolidated financial statements.

Going concern

As part of the interim going concern review, management ran a series of downside scenarios on the latest forecast profit and cash flow projections to assess covenant headroom against available funding facilities for the period to 31 December 2022, a period of at least 12 months from when the interim financial statements are authorised for issue and aligning with the interval in which the Group's banking covenants are tested. This process involved constructing scenarios to reflect the Group's current assessment of its principal risks, including those that would threaten its business model, future performance, solvency or liquidity. The principal risks and uncertainties modelled by management align with those disclosed in the 2020 Annual Report and there have been no changes since in management's risk assessment. The following severe but plausible downside assumptions were modelled:

- Rapid downturn in the Group's markets resulting in up to a 10% decline in revenues.
- Ineffective execution of projects reducing profits by 1% of revenue.
- A combination of other principal risks and trading risks materialising together reducing profits by up to £22.0m over the period to 31 December 2022. These risks include costs of ethical misconduct and regulatory non-compliance, occurrence of an accident causing serious injury to an employee or member of the public, the cost of a product or solution failure and an unrecorded tax liability.
- Deterioration of working capital performance by 5% of six months' sales.

The financial and cash effects of these scenarios were modelled individually and in combination. The focus was on the ability to secure or retain future work and potential downward pressure on margins. Management applied sensitivities against projected revenue, margin and working capital metrics reflecting a series of plausible downside scenarios. Against the most negative scenario, mitigating actions were overlaid. These include a range of cost-cutting measures and overhead savings designed to preserve cash flows. Even in the most extreme downside scenario modelled, including an aggregation of all risks considered, which showed a reduction in the 12-month rolling operating profit to June 2022 of approximately 58% compared with the actual 12-month rolling operating profit to June 2021, the adjusted projections do not show a breach of covenants in respect of available funding facilities or any liquidity shortfall. Consideration was given to scenarios where covenants would be breached and the circumstances giving rise to these scenarios were considered extreme and remote. This process allowed the Board to conclude that the Group will continue

to operate on a going concern basis through to 31 December 2022. Accordingly, the interim consolidated financial statements are prepared on a going concern basis.

At 27 June 2021, the Group had undrawn committed and uncommitted borrowing facilities totalling £302.3m, comprising £250.2m of the unutilised portion of the revolving credit facility, £16.3m of other undrawn committed borrowing facilities and undrawn uncommitted borrowing facilities of £35.8m, as well as cash of £116.8m. At 27 June 2021 the Group's net debt to underlying EBITDA ratio (calculated on an IAS 17 covenant basis, as documented in the adjusted performance measures section) was 0.7x, well within the covenant limit of 3.0x.

3. Foreign currencies

The exchange rates used in respect of principal currencies are:

	Average for period			Period end		
	Half year period to 27 June 2021	Half year period to 28 June 2020	Year to 31 December 2020	**As at 27 June 2021**	As at 28 June 2020	As at 31 December 2020
US dollar	**1.39**	1.26	1.28	**1.39**	1.23	1.37
Canadian dollar	**1.73**	1.72	1.72	**1.71**	1.69	1.74
Euro	**1.15**	1.14	1.12	**1.16**	1.10	1.12
Singapore dollar	**1.85**	1.76	1.77	**1.87**	1.72	1.81
Australian dollar	**1.80**	1.92	1.86	**1.83**	1.80	1.78

4. Segmental analysis

In accordance with IFRS 8, the Group has determined its operating segments based upon the information reported to the Chief Operating Decision Maker. The Group comprises of three geographical divisions which have only one major product or service: specialist geotechnical services. North America, Europe, and Asia-Pacific, Middle East and Africa continue to be managed as separate geographical divisions. This is reflected in the Group's management structure and in the segment information reviewed by the Chief Operating Decision Maker.

	Half year period to 27 June 2021		Half year period to 28 June 2020[1]	
	Revenue £m	**Operating profit £m**	Revenue £m	Operating profit £m
North America	**581.7**	**38.4**	636.5	38.6
Europe	**242.0**	**5.7**	254.7	7.1
Asia-Pacific, Middle East and Africa	**160.4**	**0.1**	147.9	5.9
	984.1	**44.2**	1,039.1	51.6
Central items and eliminations	**–**	**(4.7)**	–	(3.7)
Before non-underlying items	**984.1**	**39.5**	1,039.1	47.9
Non-underlying items (note 7)	**–**	**(6.0)**	–	(19.9)
	984.1	**33.5**	1,039.1	28.0

	As at 27 June 2021					
	Segment assets £m	**Segment liabilities £m**	**Capital employed £m**	**Capital additions £m**	**Depreciation[3] and amortisation £m**	**Tangible and[4] intangible assets £m**
North America	**709.8**	**(289.0)**	**420.8**	**13.3**	**22.3**	**290.7**
Europe	**250.1**	**(159.5)**	**90.6**	**8.9**	**12.8**	**143.2**
Asia-Pacific, Middle East and Africa	**219.0**	**(101.6)**	**117.4**	**9.7**	**9.4**	**100.6**
	1,178.9	**(550.1)**	**628.8**	**31.9**	**44.5**	**534.5**
Central items and eliminations[2]	**160.9**	**(378.2)**	**(217.3)**	**–**	**–**	**0.1**
	1,339.8	**(928.3)**	**411.5**	**31.9**	**44.5**	**534.6**

	As at 28 June 2020[1]					
	Segment assets £m	Segment liabilities £m	Capital employed £m	Capital additions £m	Depreciation[3] and amortisation £m	Tangible and[4] intangible assets £m
North America	753.7	(248.2)	505.5	8.5	24.2	332.0
Europe	306.7	(187.6)	119.1	10.9	13.0	163.7
Asia-Pacific, Middle East and Africa	210.3	(97.9)	112.4	8.4	9.6	97.0
	1,270.7	(533.7)	737.0	27.8	46.8	592.7
Central items and eliminations[2]	156.4	(455.4)	(299.0)	–	0.2	1.5
	1,427.1	(989.1)	438.0	27.8	47.0	594.2

	As at 31 December 2020[1]					
	Segment assets £m	Segment liabilities £m	Capital employed £m	Capital additions £m	Depreciation[3] and amortisation £m	Tangible and[4] intangible assets £m
North America	670.3	(208.3)	462.0	26.9	47.7	304.0
Europe	264.0	(186.3)	77.7	24.6	25.9	147.3
Asia-Pacific, Middle East and Africa	223.6	(97.7)	125.9	21.5	20.7	101.8
	1,157.9	(492.3)	665.6	73.0	94.3	553.1
Central items and eliminations[2]	77.5	(333.1)	(255.6)	–	0.6	0.6
	1,235.4	(825.4)	410.0	73.0	94.9	553.7

[1] From 1 January 2021 the Middle East and Africa (MEA) business was transferred to the Asia-Pacific division, creating Asia-Pacific, Middle East and Africa division, and the remaining Europe, Middle East and Africa division became the Europe division. The 2020 comparative segmental information has been updated to reflect this change as it is consistent with the information reviewed by the Chief Operating Decision Maker.
[2] Central items include net debt and tax balances, which are managed at Group.
[3] Depreciation and amortisation excludes amortisation of acquired intangible assets.
[4] Tangible and intangible assets comprise goodwill, intangible assets and property, plant and equipment.

5. Revenue

The Group's revenue is derived from contracts with customers. In the following table, revenue is disaggregated by primary geographical market, being the Group's operating segments (see note 4) and timing of revenue recognition:

	Half year period to 27 June 2021			Half year period to 28 June 2020		
	Revenue recognised on performance obligations satisfied over time £m	**Revenue recognised on performance obligations satisfied at a point in time £m**	**Total revenue £m**	Revenue recognised on performance obligations satisfied over time £m	Revenue[1] recognised on performance obligations satisfied at a point in time £m	Total revenue £m
North America	**439.2**	**142.5**	**581.7**	493.9	142.6	636.5
Europe	**242.0**	**–**	**242.0**	254.7	–	254.7
Asia-Pacific, Middle East and Africa	**160.4**	**–**	**160.4**	147.9	–	147.9
	841.6	**142.5**	**984.1**	896.5	142.6	1,039.1

[1] During the second half of 2020 it was identified that all Suncoast revenue is recognised based on performance conditions satisfied at a point in time and so amounts misclassified at 28 June 2020 (£68.4m) have been re-presented to reflect the accounting treatment.

6. Disposals

No material disposals occurred during the half year period to 27 June 2021.

On 6 April 2020, the Group disposed of its Brazil operation, being 100% of the issued share capital of Keller Tecnogeo Fundacoes Ltda, for a cash consideration received of £0.5m (BRL3.0m). Additional consideration of £0.9m (BRL6.5m) was received in September 2020. The non-underlying loss on disposal for the period ending 28 June 2020 was £10.0m. The loss at 31 December 2020 was £9.2m, reflecting the additional proceeds and further disposal costs of £0.1m.

On 11 September 2020, the Group disposed of Wannenwetsch GmbH, a non-core business in Germany, for a cash consideration received of £2.4m (EUR2.6m). At 31 December 2020, the non-underlying loss on disposal reported was £0.9m. During the current period contingent consideration of £0.7m was agreed in accordance with the terms of the sale and purchase agreement, reducing the loss on sale to £0.2m.

7. Non-underlying items

Non-underlying items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group. They are items which are exceptional by their size and/or are non-trading in nature, including amortisation of acquired intangibles and other non-trading amounts, including those relating to acquisitions and disposals. Non-underlying items comprise the following:

	Half year period to 27 June 2021 £m	Half year period to 28 June 2020 £m
Exceptional restructuring costs	**(3.1)**	(7.8)
Loss on classification of disposal Group/disposal of operations	**(1.9)**	(10.0)
Contingent consideration payable: additional amounts provided	**(1.3)**	(0.2)
Acquisition costs	**–**	(0.1)
Non-underlying items in operating costs	**(6.3)**	(18.1)
Amortisation of acquired intangible assets	**(0.4)**	(2.5)
Contingent consideration received	**0.7**	–
Exceptional contract dispute	**–**	0.7
Non-underlying items in other operating income	**0.7**	0.7
Total non-underlying items in operating profit and before taxation	**(6.0)**	(19.9)
Taxation	**0.6**	1.2
Total non-underlying items after taxation	**(5.4)**	(18.7)

Exceptional restructuring costs of £3.1m comprise £2.6m in Europe, £0.9m of Central items and a credit of £0.4m in North America. In Europe, these costs arose as a continuation of the strategic project to rationalise the Europe division. The restructuring costs during the period comprised redundancy costs, property costs, asset impairments and costs of market exit which include project termination costs.

Centrally, £0.9m of restructuring costs were incurred in KGS, the in-house equipment manufacturer, as part of a plan to streamline the organisation. These costs comprised redundancy costs.

In 2020, restructuring costs of £7.8m comprised £4.6m in North America, as a result of exiting the Prairies region in Canada and a specific market rationalisation exercise in the US. £3.3m was incurred as a result of the rationalisation of the Franki Africa business and net £0.1m in Asia-Pacific (now Asia-Pacific, Middle East and Africa) related to the cessation of the Waterway operation, offset by a restructuring provision release in ASEAN in relation to the activities started in the second half of 2018. During the current period there was a restructuring provision release of £0.4m in the US relating to the rationalisation exercise.

The Cyntech Anchors business in Canada was disposed of on 28 June 2021, resulting in £1.9m of non-underlying costs including asset write-downs and additional impairments recorded on classification of the business as held for sale, which reflects anticipated proceeds under the planned sale.

In the previous period a loss on disposal of £10.0m was recognised on disposal of the Group's Brazil operation, see note 6 for further details.

Additional contingent consideration payable of £1.3m relates to the acquisition of the Geo Construction Group (Bencor) in 2015, following finalisation of items referenced in the sale and purchase agreement. In the previous period the contingent consideration payable related to the acquisition of the Geo Instruments US business in 2017.

Amortisation of acquired intangible assets primarily relates to the Moretrench acquisition. The prior period charge also includes amounts related to the Austral acquisition.

During the period £0.7m additional contingent consideration on performance of the business was agreed in relation to the Wannenwetsch disposal, see note 6 for further details.

The proceeds of £0.7m received in the previous period were received on final settlement of a contributory claim relating to an exceptional contract dispute.

8. Taxation

The Group's effective tax rate on underlying profit of 27.0% (2020: 29.0%) is calculated using management's best estimate of the average annual effective income tax rate expected for the full year. The average is calculated using the weighted average profit at jurisdictional rates. The tax credit on non-underlying items has been calculated by assessing the tax impact of each component of the charge to the income statement in the interim accounts.

The UK Government has announced an increase in the UK corporation tax rate to 25% from 19% with effect from 1 April 2023. This change has an immaterial impact on the deferred tax asset held in the UK.

The financing of Group companies includes some activities which are subject to exemptions under the UK's Controlled Foreign Company regime. On 2 April 2019, the European Commission announced that the UK's exemption rules are only partially justified and the UK tax authorities are required to recover tax which may constitute State Aid. The Group is managing enquiries from the UK tax authorities in relation to the matter and has made an application to the EU General Court to overturn the ruling. No provision has been made for any additional tax that might become payable as on the basis of professional advice received the Group believes that the original filing position will ultimately be agreed. The cumulative benefits recognised from the Controlled Foreign Company finance exemption are approximately £4.0m.

9. Dividends

Ordinary dividends on equity shares:

	Half year period to 27 June 2021 £m	Half year period to 28 June 2020 £m	Year to 31 December 2020 £m
Amounts recognised as distributions to equity holders in the period:			
Interim dividend for the year ended 31 December 2020 of 12.6p (2019: 12.6p) per share	**–**	–	9.1
Final dividend for the year ended 31 December 2020 of 23.3p per share (2019: 23.3p) per share	**16.8**	–	16.8
	16.8	–	25.9

In addition to the above, an interim ordinary dividend of 12.6p per share (2020: 12.6p) will be paid on 10 September 2021 to shareholders on the register at 20 August 2021. This proposed dividend has not been included as a liability in these financial statements and will be accounted for in the period in which it is paid.

10. Earnings per share

Basic earnings per share is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

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

Basic and diluted earnings per share are calculated as follows:

	Underlying earnings attributable to the equity holders of the parent		**Earnings attributable to equity holders of the parent**	
	Half year period to 27 June 2021	Half year period to 28 June 2020	**Half year period to 27 June 2021**	Half year period to 28 June 2020
Basic and diluted earnings (£m)	**26.0**	28.7	**20.6**	10.0
Weighted average number of shares (m)[1]				
Basic number of ordinary shares outstanding	**72.3**	72.1	**72.3**	72.1
Effect of dilution from:				
Share options and awards	**0.7**	0.6	**0.7**	0.6
Diluted number of ordinary shares	**73.0**	72.7	**73.0**	72.7
Earnings per share				
Basic earnings per share (p)	**36.0**	39.8	**28.5**	13.9
Diluted earnings per share (p)	**35.6**	39.5	**28.2**	13.8

[1] The weighted average number of shares takes into account the weighted average effect of changes in treasury shares during the year.

11. Property, plant and equipment

Property, plant and equipment comprises owned and leased assets.

	As at 27 June 2021 £m	As at 28 June 2020 £m	As at 31 December 2020 £m
Property, plant and equipment – owned	**352.3**	390.8	365.4
Right-of-use assets – leased	**65.4**	73.5	69.5
	417.7	464.3	434.9

During the half year period to 27 June 2021 the Group acquired property, plant and equipment with a cost of £31.7m (28 June 2020: £27.8m). Right-of-use asset additions during the period were £10.6m (28 June 2020: £7.9m). Assets with a net book value of £4.0m were disposed of during the half year period to 27 June 2021 (28 June 2020: £1.7m), resulting in a net gain on disposal of £1.5m (28 June 2020: £1.2m).

12. Analysis of closing net debt

	As at 27 June 2021 £m	As at 28 June 2020 £m	As at 31 December 2020 £m
Bank balances	**111.0**	123.6	64.2
Short-term deposits	**5.8**	5.4	2.1
Cash and cash equivalents in the balance sheet	**116.8**	129.0	66.3
Bank overdrafts	**(4.5)**	(7.6)	(4.7)
Cash and cash equivalents in the cash flow statement	**112.3**	121.4	61.6
Bank and other loans	**(223.8)**	(275.3)	(180.3)
Lease liabilities	**(69.3)**	(78.5)	(73.8)
Closing net debt	**(180.8)**	(232.4)	(192.5)

13. Assets held for sale

	As at 27 June 2021 £m	As at 28 June 2020 £m	As at 31 December 2020 £m
Assets held for sale	**23.6**	–	8.7
Liabilities directly associated with assets held for sale	**(10.5)**	–	–
	13.1	–	8.7

On 28 June 2021, subsequent to the half year period to 27 June 2021, the Group disposed of its Cyntech Anchors business in Canada. In the half year period to 27 June 2021, the business' assets and liabilities were classified as a disposal group held for sale and written down to the expected value of the proceeds to be received.

Also included within assets held for sale are £7.5m (31 December 2020: £8.7m) associated with the wind-down of the Waterway business and as a result of the restructuring activities in North America and Franki Africa. At 31 December 2020 assets held for sale of £8.7m also included assets associated with the sale of the Colcrete business which completed in January 2021.

The major classes of assets and liabilities comprising the disposal group, and other assets held for sale, are as follows:

	As at 27 June 2021 £m	**As at 27 June 2021 £m**	**As at 27 June 2021 £m**	As at 31 December 2020 £m
	Disposal group held for sale	**Other assets held for sale**	**Total**	Other assets held for sale
Plant, machinery and vehicles	**–**	**7.4**	**7.4**	7.9
Inventories	**3.4**	**0.1**	**3.5**	0.3
Trade and other receivables	**12.7**	**–**	**12.7**	0.3
Total assets classified as held for sale	**16.1**	**7.5**	**23.6**	8.7
Trade payables	**(1.4)**	**–**	**(1.4)**	–
Other liabilities	**(9.1)**	**–**	**(9.1)**	–
Total liabilities directly associated with assets held for sale	**(10.5)**	**–**	**(10.5)**	–
Net assets held for sale	**5.6**	**7.5**	**13.1**	8.7

14. Retirement benefit liabilities

The Group operates pension schemes in the UK and overseas. The primary defined benefit scheme is in the UK. The Group also has defined benefit retirement obligations in Germany and Austria and a number of end of service schemes in the Middle East that follow the same principles as a defined benefit scheme. For further information on the Group's pension schemes, refer to note 32 of the Group's financial statements for the year ended 31 December 2020.

The Group's net defined benefit liabilities as at 27 June 2021 were £23.0m (28 June 2020: £32.6m, 31 December 2020: £31.1m). The reduction in the half year period was driven by an actuarial gain of £5.4m on the UK defined benefit scheme (28 June 2020: £2.0m loss) reflecting an increase in the discount rate (27 June 2021: 1.8%, 31 December 2020: 1.2%). The discount rate is derived from the yield on a high quality corporate bond on a similar term to the liabilities; the corporate bond yield has increased at 27 June 2021 compared to 31 December 2020. Higher asset returns also contributed to the actuarial gain. During the period there was an actuarial gain of £0.4m on other schemes.

15. Financial assets and financial liabilities

Set out below is an overview of financial assets and liabilities held by the Group:

	As at 27 June 2021 £m	As at 28 June 2020 £m	As at 31 December 2020 £m
Financial assets measured at fair value through profit or loss			
Non-qualifying deferred compensation plan	**19.5**	17.5	18.3
Interest rate swaps	**4.4**	7.8	6.2
Contingent consideration receivable	**0.7**	–	–
Financial assets measured at amortised cost			
Trade receivables	**400.1**	434.5	393.4
Contract assets	**109.1**	92.9	71.3
Cash and cash equivalents	**116.8**	129.0	66.3
Financial liabilities at fair value through profit or loss			
Forward exchange contracts	**–**	–	(0.5)
Contingent consideration payable	**(3.6)**	(2.6)	(3.0)
Financial liabilities measured at amortised cost			
Trade payables	**(234.8)**	(227.6)	(169.3)
Contract liabilities	**(61.2)**	(49.5)	(43.9)
Bank and other loans	**(228.3)**	(284.1)	(185.0)
Lease liabilities	**(69.3)**	(78.5)	(73.8)

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, being derivatives, interest-bearing loans and borrowings, contingent consideration and payables, receivables and contract assets.

Derivatives
The fair value of interest rate and cross-currency swaps are calculated based on expected future principal and interest cash flows discounted using market rates prevailing at the balance sheet date. The valuation methods of the Group's derivative financial instruments carried at fair value are categorised as Level 2. Level 2 assets are financial assets and liabilities that do not have regular market pricing, but whose fair value can be determined based on other data values or market prices.

Interest-bearing loans and borrowings
Fair value is calculated based on expected future principal and interest cash flows discounted using appropriate discount 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 appropriate discount rates prevailing at the balance sheet date and the probability of contingent events and targets being achieved.

The valuation methods of the Group's contingent consideration carried at fair value are categorised as Level 3. Level 3 assets are financial assets and liabilities that are considered to be the most illiquid. Their values have been estimated using available management information including subjective assumptions. There has been additional contingent consideration payable provided of £1.3m during the half year period to 27 June 2021 relating to the acquisition of Geo Construction Group (Bencor) in 2015. Contingent consideration receivable of £0.7m was recognised during the period in relation to the Wannenwetsch disposal in 2020.

Payables, receivables and contract assets
For payables and receivables, the carrying amount is deemed to reflect the fair value.

16. Share capital and reserves

	As at 27 June 2021 £m	As at 28 June 2020 £m	As at 31 December 2020 £m
Allotted, called up and fully paid equity share capital 73,099,735 ordinary shares of 10p each (28 June 2020 and 31 December 2020: 73,099,735)	**7.3**	7.3	7.3

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

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

The other reserve is a non-distributable reserve created when merger relief was applied to an issue of shares under section 612 of the Companies Act 2006 to part fund the acquisition of Keller Canada. The reserve becomes distributable should Keller Canada be disposed of.

At 27 June 2021, the total number of shares held in treasury was 784,364 (28 June 2020: 1,001,590 and 31 December 2020: 889,733).

17. Related party transactions

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

18. Prior period restatement

In preparing the comparative consolidated balance sheet, the Group restated amounts reported previously in the interim condensed consolidated financial statements as a result of a reclassification of liabilities. This restatement is consistent with the like-for-like reclassification of comparative balances which were disclosed in the December 2020 Annual Report. Consistent with the restatement presented at the year end, there was no impact on the prior period consolidated income statement, cash flow statement or brought forward reserves.

Presented below is a reconciliation of the interim consolidated balance sheet previously reported as at 28 June 2020 to the restated 28 June 2020 balance sheet included for comparative purposes in the interim condensed consolidated financial statements for the period ended 27 June 2021:

	Note	28 June 2020 Presented £m	28 June 2020 Restatements £m	**28 June 2020 Restated £m**
Trade and other payables	a	(453.1)	37.1	**(416.0)**
Provisions	a,b	(20.3)	(27.1)	**(47.4)**
Current liabilities		(546.2)	10.0	**(536.2)**
Retirement benefit liabilities	b	(29.5)	(3.1)	**(32.6)**
Provisions	a,b	(41.4)	(6.9)	**(48.3)**
Non-current liabilities	a,b	(442.9)	(10.0)	**(452.9)**
Total liabilities		(989.1)	–	**(989.1)**

The 28 June 2020 interim condensed consolidated balance sheet previously reported has been restated as follows:

a) The Group previously classified contract provisions within trade and other payables. This classification has been revised and these have been reclassified to provisions. As a result, trade and other payables have decreased by £37.1m (30 June 2019: £28.3m), current provisions have increased by £27.7m (30 June 2019: £20.9m) and non-current provisions have increased by £9.4m (30 June 2019: £7.4m) to reflect the revised classification.

b) The Group previously classified end of service schemes in the Middle East within employee provisions. Following a review it was concluded these arrangements follow the same principles as a defined benefit scheme and are accounted for in accordance with IAS 19 ‘Employee Benefits’. As a result, current provisions have decreased by £0.6m, non-current provisions have decreased by £2.5m and retirement benefit liabilities have increased by £3.1m to reflect the revised classification. There was no material impact on the opening balances of the comparative period.

19. Post balance sheet events

On 28 June 2021, the Group disposed of its Cyntech Anchors operation in Canada, being 100% of the issued share capital of Keller Cyntech U.S. and Cyntech Anchors Ltd. In the half year period to 27 June 2021 £1.9m of non-underlying costs were recorded, representing impairment charges on classification of the business as held for sale. See note 13 for further details.

On 13 July 2021, the Group acquired 100% of the issued share capital of RECON Services Inc, a geotechnical and industrial services company headquartered in Houston, Texas, USA, for an initial cash consideration of £17m (US$23m) and an expected earn-out of £11m (US$15m) relating to certain future contract wins.

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

Adjusted performance measures

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

Adjusted performance measures have been used throughout this report to describe the Group's underlying performance. The Board and Executive Committee use these adjusted measures to assess the performance of the business as they consider them more representative of the underlying ongoing trading result and allow more meaningful comparison to prior periods.

Underlying measures

The term 'underlying' excludes the impact of items which are exceptional by their size and/or are non-trading in nature, including amortisation of acquired intangible assets and other non-trading amounts relating to acquisitions and disposals (collectively 'non-underlying items'), net of any associated tax. Underlying measures allow management and investors to compare performance without the potentially distorting effects of one-off items or non-trading items. Non-underlying items are disclosed separately in the interim financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group.

Constant currency measures

The constant currency basis ('constant currency') adjusts the comparative to exclude the impact of movements in exchange rates relative to sterling. This is achieved by retranslating the 2020 results of overseas operations into sterling at the 2021 average exchange rates.

A reconciliation between the underlying results and the reported statutory results is shown on the face of the consolidated income statement, with non-underlying items detailed in note 7. A reconciliation between the 2020 underlying result to the 2020 constant currency result is shown below and compared to the underlying 2021 performance:

Revenue by segment

	Statutory 2021	Statutory 2020	Impact of exchange movements 2020	Constant currency 2020	**Statutory change**	**Constant currency change**
	£m	£m	£m	£m	**%**	**%**
North America	**581.7**	636.5	(54.4)	582.1	**-9%**	**–**
Europe	**242.0**	254.7	(3.7)	251.0	**-5%**	**-4%**
Asia-Pacific, Middle East and Africa	**160.4**	147.9	0.9	148.8	**+8%**	**+8%**
Group	**984.1**	1,039.1	(57.2)	981.9	**-5%**	**–**

Underlying operating profit by segment

	Underlying 2021	Underlying 2020	Impact of exchange movements 2020	Constant currency 2020	**Underlying change**	**Constant currency change**
	£m	£m	£m	£m	**%**	**%**
North America	**38.4**	38.6	(3.9)	34.7	**-1%**	**+11%**
Europe	**5.7**	7.1	(0.5)	6.6	**-20%**	**-14%**
Asia-Pacific, Middle East and Africa	**0.1**	5.9	(0.2)	5.7	**-98%**	**-98%**
Central items	**(4.7)**	(3.7)	(0.1)	(3.8)	**n/a**	**n/a**
Group	**39.5**	47.9	(4.7)	43.2	**-18%**	**-9%**

Underlying operating margin

Underlying operating margin is underlying operating profit as a percentage of revenue.

Other adjusted measures

Where not presented and reconciled on the face of the interim condensed consolidated income statement, balance sheet or cash flow statement, the adjusted measures are reconciled to the IFRS statutory numbers below:

EBITDA (statutory)

	27 June 2021 £m	28 June 2020 £m
Operating profit before non-underlying items	**39.5**	47.9
Depreciation of owned property, plant and equipment	**31.4**	33.5
Depreciation of right-of-use assets	**12.8**	13.3
Amortisation of intangible assets	**0.3**	0.2
Underlying EBITDA	**84.0**	94.9
Non-underlying items in operating costs	**(6.3)**	(18.1)
Non-underlying items in other operating income	**0.7**	0.7
EBITDA	**78.4**	77.5

EBITDA (covenant basis)

	27 June 2021 £m	28 June 2020 £m
Statutory operating profit before non-underlying items	**39.5**	47.9
Impact of leases	**(1.2)**	(1.1)
Operating profit before non-underlying items	**38.3**	46.8
Depreciation of owned property, plant and equipment	**31.4**	33.5
Depreciation of right-of-use assets[1]	**0.1**	–
Amortisation of intangible assets	**0.3**	0.2
Underlying EBITDA	**70.1**	80.5
Non-underlying items in operating costs	**(6.3)**	(18.1)
Non-underlying items in other operating income	**0.7**	0.7
EBITDA	**64.5**	63.1

[1] Includes depreciation on legacy finance leases.

Net finance costs

	27 June 2021 £m	28 June 2020 £m
Finance income	**(0.1)**	(0.4)
Finance costs	**4.4**	7.6
Net finance costs (statutory)	**4.3**	7.2
Finance charge on lease liabilities[1]	**(1.4)**	(1.8)
Lender covenant adjustments	**(0.1)**	(0.6)
Net finance costs (covenant basis)	**2.8**	4.8

[1] Excluding legacy finance leases.

Net capital expenditure

	27 June 2021 £m	28 June 2020 £m	31 December 2020 £m
Acquisition of property, plant and equipment	**31.7**	27.8	72.5
Acquisition of intangible assets	**0.2**	–	0.5
Proceeds from sale of property, plant and equipment	**(5.5)**	(2.9)	(7.4)
Net capital expenditure[1]	**26.4**	24.9	65.6

[1] Includes depreciation on legacy finance leases.

Net debt

	27 June 2021 £m	28 June 2020 £m	31 December 2020 £m
Current loans and borrowings	**65.9**	41.1	67.0
Non-current loans and borrowings	**231.7**	320.3	191.8
Cash and cash equivalents	**(116.8)**	(129.0)	(66.3)
Net debt (statutory)	**180.8**	232.4	192.5
Lease liabilities[1]	**(67.4)**	(77.3)	(71.6)
Net debt (covenant basis)	**113.4**	155.1	120.9

[1] Excluding legacy finance leases.

Leverage ratio

The leverage ratio is calculated as net debt to underlying EBITDA.

Statutory

	27 June 2021 £m	28 June 2020 £m	31 December 2020 £m
Net debt	**180.8**	232.4	192.5
Underlying EBITDA	**194.1**	205.8	205.0
Leverage ratio (x)	**0.9**	1.1	0.9

Covenant basis

	27 June 2021 £m	28 June 2020 £m	31 December 2020 £m
Net debt	**113.4**	155.1	120.9
Underlying EBITDA	**164.8**	178.8	175.0
Leverage ratio (x)	**0.7**	0.9	0.7

Order book

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

Leases

IFRS 16 ‘Leases’ became effective from 1 January 2019. The financial impact of this standard compared to the accounting under the previous leasing standard, IAS 17, is excluded when calculating borrowing leverage under the principal lender covenants and is summarised in the table below:

	27 June 2021 £m	28 June 2020 £m	31 December 2020 £m
Lease charges removed	**14.0**	14.4	31.0
Depreciation and impairment of right-of-use assets	**(12.8)**	(13.3)	(28.7)
Increase in operating profit	**1.2**	1.1	2.3
Finance charge	**(1.5)**	(1.8)	(3.8)
Reduction in profit before tax	**(0.3)**	(0.7)	(1.5)
Tax effect	**0.1**	0.2	0.4
Reduction in profit for the period	**(0.2)**	(0.5)	(1.1)
Right-of-use assets at balance sheet date	**65.4**	73.5	69.5
Lease liabilities at balance sheet date[1]	**(69.3)**	(78.5)	(73.8)

[1] Included in the lease liabilities are £1.9m of legacy finance leases (28 June 2020: £1.2m, 31 December 2020: £2.2m). These covenants are calculated on a frozen GAAP basis, hence these amounts are not excluded when calculating the borrowing leverage under the principal lender covenants.