



Keller Group plc
Interim Report 2013



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

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

With around 7,500 employees and a combined turnover of approximately £1.4 billion, we have unrivalled coverage in Europe, North America and Australia and a growing presence in Asia and the Middle East.

Chairman's statement

Financial overview¹

Our results for the six months ended 30 June 2013 show a much improved first-half performance, with three out of four of the Group's divisions significantly more profitable than in the same period last year.

Group revenue was up 5% at £644.6m (2012: £613.8m) and operating profit more than doubled to £28.6m (2012: £13.3m). The operating margin was 4.4%, compared with last year's 2.2%. This margin improvement reflects a combination of the successful completion of several major projects, cost reduction measures, benefits from the business improvement initiatives started in 2012 and relatively benign winter weather in North America.

Profit before tax was £26.8m (2012: £11.0m) and earnings per share were 28.1p (2012: 12.4p).

In light of these improved results and the Board's confidence in the future prospects of the business, the Board has decided to increase the interim dividend by 5% to 8.0p per share (2012: 7.6p). The dividend will be paid on 1 November 2013 to shareholders on the register at the close of business on 11 October 2013.

Cash generated from operations was £30.2m, substantially up on last year's £9.0m, as a result of the Group's improved profitability and the continuing focus on maximising cash generation. Net debt at 30 June 2013 was £24.5m (June 2012: £118.9m). This substantial reduction is in large part due to the receipt on 14 June 2013 of the £57.6m net proceeds from a placing of 6.6m shares in connection with the acquisition of the piling business of North American Energy Partners Inc. ('North American Piling'), which completed in July 2013, after the period end. Capital expenditure in the first half remained below depreciation at £19.5m (2012: £12.8m).

Post Balance Sheet Event - Acquisition of North American Piling

As noted above, on 12 July we completed the acquisition of North American Piling for an initial consideration of CDN\$227.5m (£144.0m) on a cash and debt free basis and up to a further CDN\$92.5m (£58.5m) of deferred consideration, contingent upon financial performance in the next three years.

One of Canada's largest foundations businesses, North American Piling has been providing piling services for over 25 years, with a particular focus in recent years on the Alberta oil sands region. The business employs approximately 400 staff and in the year ended 31 March 2013 reported revenue of CDN\$236.5m (£149.7m) and operating profit of CDN\$38.5m (£24.4m). This exceptionally strong result is not expected to be repeated in the current year.

The acquisition was funded through a combination of the net proceeds of the placing of 6.6m new ordinary shares in the Company, together with the drawdown of some of the available funds under existing bank facilities and a new US\$150m facility.

Transaction costs of £4.9m associated with the acquisition have been included as an exceptional item in these accounts.

Operational overview

North America

In the US, which remains by far our single biggest market, the value of total construction expenditure in the year to date was up 6% compared with the same period last year². Residential construction was the main driver of the overall market growth, with single family homes up 24% in the first half compared with the same period in 2012. Private non-residential construction expenditure was broadly flat and, within this, the power segment contracted for the first time in several years, but commercial building grew 8% year-on-year. Public expenditure on construction, however, continued to decline, down 5% on the same period last year.

Against this market backdrop, our North American operations reported revenue of £308.0m (2012: £270.1m), with revenue on a constant currency basis 11% ahead of last year. Operating profit was much improved at £16.5m (2012: £7.6m).

US

Our US piling companies had an excellent first half, benefitting from positive momentum in the construction market in parts of the US and a strong operational performance. Two major transmission line projects on which

¹ All figures are stated before exceptional items. Exceptional items comprise £4.9m of transaction costs for the acquisition of the piling business of North American Energy Partners Inc. and £4.5m of previously unprovided contingent consideration related to the 2010 acquisition of Waterway Constructions Group Pty Ltd ('Waterway').

² The US Census Bureau of the Department of Commerce, 1 July 2013.

Chairman's statement

continued

Case and McKinney worked in joint venture – the PSE&G North Central Reliability Project and the NSTAR Lower SEMA project – were important contributors to this strong first-half result, the first of these having been completed in the period and the second nearing completion.

Whilst there are no transmission line projects of the same magnitude in the current order book and competition in the segment is growing, we remain optimistic about future prospects in this part of the market, where we have worked hard to position ourselves as an established and reliable contractor. Other segments in which we see good opportunities include roads, transportation and housing.

The first-half performance for Hayward Baker varied quite significantly across its diverse regions and sectors, reflecting the variance in local market conditions. The West Coast, for example, where the market remains challenging, fared less well than many other regions. Overall, progress was encouraging, with good contributions from several large contracts including Thornton Quarry in the Chicago area, where we have been undertaking extensive grouting works as part of a programme of reservoir and related tunnel upgrades. This has been a multi-year contract which is now nearing completion.

The Hayward Baker result also benefitted from a strong performance on the I-635 Managed Lanes Project in Dallas, Texas, where it is installing earth retention systems for the new managed high-occupancy vehicle lanes. With the recent award of \$16m (£11m) of additional work on this project, the total contract value to Hayward Baker now stands at \$56m (£37m), making this its largest current contract.

The resource being deployed on the I-635 project was acquired through Hayward Baker's acquisition of Olden, a preferred supplier to the Texas Department of Transport. Another reasonably recent US acquisition which is thriving under Keller ownership is HB Wick Drains, which is having a very strong year with projects in the US and Canada, as well as being instrumental in the transfer of wick drain technology to other parts of the Keller Group.

At Suncoast, both revenue and profit in the first half were well ahead of last year, as the business continued to take full advantage of the growth in US housing starts and recent buoyancy in the Houston high-rise market. Suncoast has been steadily increasing production to meet this growing demand and plans to re-start fabrication at its Miami facility in the second half of the year.

Canada

For some time we have identified Canada as a key target market. In January of this year, we acquired Geo-Foundations Contractors, Inc. ('Geo-Foundations'), a Toronto-based specialist geotechnical contractor for CDN\$9.2m (£5.7m). Geo-Foundations principally serves eastern Canada, where it specialises in geotechnical services which are still relatively new to the Canadian market. The integration is progressing well with the business making a strong start to the year and management remains confident that the developing co-operation between Geo-Foundations and Hayward Baker will deliver significant business benefits over time.

As mentioned above, our presence has now been significantly scaled up through the acquisition of North American Piling. This acquisition gives Keller a market leading position in Canada and further consolidates our position as the clear market leader in North America.

Europe, Middle East & Africa (EMEA)

Economic uncertainty in Europe continues to hold back significant recovery in its principal construction markets. The German market, having remained fairly resilient until now, is starting to look more challenging, with fewer major projects around and strong competition for the prevailing small to medium-sized contracts. In the UK, whilst some commentators are voicing growing optimism on the state of the construction market, our experience is that actual improvement is fragile and from a very low base. In Poland, which together with Germany and the UK accounts for more than half of the EMEA division's revenue, conditions remain challenging. Elsewhere, in our markets in the Middle East, we are slowly starting to see more projects getting underway.

Despite the challenging market conditions and extensive flooding in central Europe which stopped many of our sites for two weeks in June, revenue from our EMEA division increased to £185.5m (2012: £160.6m) and it reported an operating profit of £1.8m (2012: loss of £2.8m). On a constant currency basis, revenue was up 12% on the previous year.

Whilst the flooding caused some disruption to operations, it should also present us with a number of opportunities, such as the flood defence works executed by Keller along the River Danube, which have successfully prevented flooding and are now expected to be followed up by similar projects. Improving flood protection was also one of the objectives for the renewal of the power station at Rühligh

Chairman's statement

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in Aarau, Switzerland, where Keller has been engaged since April in the design and build of a sealing wall, using secant jet grouted columns.

In Poland, the first six months of the year saw the near-completion of our works on the Gdansk road tunnel project, where we have constructed access ramps and launching/receiving chambers for the tunnel boring machine. Many of the resources from this project will be moved to our largest contract to date in Russia, which was awarded in March of this year. The RUB 1.6bn (£35m) contract involves the preparation of a very large complete excavation pit for a new residential complex located in central Moscow.

In many parts of Europe, measures to mitigate the effects of the challenging market conditions are on-going, including consolidating certain smaller business units, rationalising facilities and, where necessary, reducing our headcount. The improved EMEA results in the first half of this year in part reflect these self-help measures taken both during 2012 and this year.

The results also reflect good contract selection, including targeting contracts in a number of French- and Spanish-speaking territories, where we have been able to follow established international clients and to deploy resources which are under-utilised in their home markets. Examples of such projects include ground improvement works, using rigid inclusions, for a new slave memorial conference and exhibition centre at Guadeloupe in the French West Indies.

In the Middle East we are seeing some increase in activity and our operations in the region have generally performed better than in the same period last year. Significant contracts in the region in the first half have included one in Bahrain where, over 10 months, we constructed secant piled access shafts for the drilling of sewage lines, as part of the Muharraq Sewage Treatment Plant renewal project. Here, the quality and punctuality of our work on the shafts led to us being awarded additional work installing some 200 piles for the intermediate lifting station.

Asia

In the first six months, we experienced mixed conditions in our markets in Asia, with construction in some parts of the region seemingly in a holding pattern whilst wider economic issues are being addressed. As we expected, the first half results for our Asian division did not equal last year's very strong results, with reported revenue of £44.4m (2012: £59.0m) and operating profit of £4.8m, compared to £6.1m in the first half last year. However, a good operational performance meant that the division recorded a high operating margin of almost 11%.

A strong contribution from Malaysia helped to underpin the division's results, with good performances on a number of projects in connection with Kuala Lumpur's new Mass Rapid Transport system. In a market which remains buoyant, the business has also established itself as a piling contractor as well as a ground improvement specialist, helped by the completion in the period of the £30m Vale contract, on time, to budget and within the strict safety and quality criteria set for the project.

The Singapore market has been rather more variable, although we have seen some good opportunities, such as the Ophir Road project, where Resource Piling is installing foundations for a large commercial scheme. Improving co-operation between Resource Piling and other parts of the division makes us well positioned to compete effectively for the region's large and complex projects which can be optimised by our packaged solutions.

India remains a challenging market, where the risk of non-payment has continued to rise. By very careful contract selection and close monitoring of stage payments, our local management has managed this risk well; however, the impact is to impede the growth of our business in India in the short-term, until the wider economic issues are resolved.

We are working on our first contract in Hong Kong for many years, where we now have four rigs on site. The project involves installing stone columns for the new Hong Kong Link Road project. We have also been awarded our first ground improvement contract in Indonesia, to install stone columns for a new fuel oil terminal on Karimun Island.

Across the region as a whole, the outlook for our business remains positive.

Chairman's statement

continued

Australia

With the deferral of some high profile resource-related projects in the region, the resources sector of Australia's construction market has lost some of its buoyancy and there has been no improvement in the weak commercial and infrastructure sectors.

Against this background, the first-half performance of our Australian business has been encouraging, with reported revenue of £106.7m (2012: £124.1m) and operating profit of £8.8m, compared to £4.5m in the first half last year. On a constant currency basis, revenue was down 15% on last year. The increase in the first-half margin compared with the same period last year reflects better overall contract performance, which has resulted from continuous improvements in risk management.

A major contributor to these results was Waterway, the Group's 2010 acquisition, which had a very strong half year, underpinned by an exceptional finish on the Australia Pacific LNG contract for the design and build of a materials offloading facility. The final value of the contract, undertaken in a 50:50 joint venture with a local civil construction company, rose to A\$159m (£105m), including safety and early completion bonuses.

In light of Waterway's very strong performance, previously unprovided deferred consideration of £4.5m will become payable in August of this year and has been included as an exceptional item in these accounts. The total deferred consideration expected to be payable is now £5.2m.

Following a quiet first half, our Australian ground improvement business has recently mobilised to deliver a large ground works package in connection with a new stadium in Perth. The contract is being undertaken in a 50:50 joint venture with a local partner and will include wick drain technology, introduced with support from Hayward Baker.

Work commenced in May on the substantial Wheatstone contract, which is progressing to plan with four rigs now in production.

Outlook

Looking ahead, conditions in our construction markets around the world remain mixed.

Whilst we remain optimistic about the opportunities in prospect, order intake has been somewhat slower in the past two months. As a result of this and the recent completion of several major projects, the period-end order book for work to be executed over the next 12 months is now slightly below the same time last year. We therefore expect revenue in the second half to be broadly flat year on year, after adjusting for the effect of acquisitions. However, through careful contract selection and further benefit from our business improvement initiatives, we also expect to report an improved margin, taking us closer towards our 6% target.

Accordingly, the Group's results for the full year are expected to be towards the top end of current market expectations.

Roy A Franklin
Chairman
29 July 2013

Consolidated income statement

for the half year ended 30 June 2013

	Note	Half year to 30 June 2013 Before exceptional items £m	Half year to 30 June 2013 Exceptional items (Note 4) £m	Half year to 30 June 2013 Total £m	Half year to 30 June 2012 Total £m	Year to 31 December 2012 Total £m
Revenue	3	644.6	-	644.6	613.8	1,317.5
Operating costs		(616.0)	(9.4)	(625.4)	(600.5)	(1,269.2)
Operating profit	3	28.6	(9.4)	19.2	13.3	48.3
Finance income		0.9	-	0.9	1.4	3.3
Finance costs		(2.7)	-	(2.7)	(3.7)	(8.1)
Profit before taxation		26.8	(9.4)	17.4	11.0	43.5
Taxation	5	(8.3)	-	(8.3)	(3.1)	(13.5)
Profit for the period		18.5	(9.4)	9.1	7.9	30.0
Attributable to:						
Equity holders of the parent		18.2	(9.4)	8.8	8.0	29.5
Minority interests		0.3	-	0.3	(0.1)	0.5
		18.5	(9.4)	9.1	7.9	30.0
Earnings per share						
Basic earnings per share	7	28.1p		13.6p	12.4p	45.9p
Diluted earnings per share	7	27.7p		13.4p	12.2p	45.0p

Consolidated statement of comprehensive income

for the half year ended 30 June 2013

	Half year to 30 June 2013 £m	Half year to 30 June 2012 £m	Year to 31 December 2012 £m
Profit for the period	9.1	7.9	30.0
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	3.0	(5.3)	(5.9)
Net investment hedge (losses)/gains	(2.5)	0.7	(0.5)
Cash flow hedge (losses)/gains taken to equity	(5.9)	0.8	4.4
Cash flow hedge transfers to income statement	5.9	(0.8)	(4.4)
Items that will not be reclassified subsequently to profit or loss:			
Actuarial losses on defined benefit pension schemes	(1.8)	(0.7)	(2.8)
Tax on actuarial losses on defined benefit pension schemes	0.4	0.2	0.7
Other comprehensive income for the period, net of tax	(0.9)	(5.1)	(8.5)
Total comprehensive income for the period	8.2	2.8	21.5
Attributable to:			
Equity holders of the parent	7.8	3.5	21.4
Minority interests	0.4	(0.7)	0.1
	8.2	2.8	21.5

Consolidated balance sheet

as at 30 June 2013

	Note	Half year to 30 June 2013 £m	Half year to 30 June 2012 £m	Year to 31 December 2012 £m
Assets				
Non-current assets				
Intangible assets		100.2	99.3	97.2
Property, plant and equipment		251.9	253.0	248.5
Deferred tax assets		8.7	5.9	9.3
Other assets		16.6	16.3	14.9
		377.4	374.5	369.9
Current assets				
Inventories		65.6	40.3	41.3
Trade and other receivables		390.0	375.7	347.1
Current tax assets		11.1	9.5	6.9
Cash and cash equivalents	8	90.8	42.0	57.0
		557.5	467.5	452.3
Total assets		934.9	842.0	822.2
Liabilities				
Current liabilities				
Loans and borrowings	8	(8.6)	(6.9)	(3.5)
Current tax liabilities		(8.3)	(6.5)	(11.2)
Trade and other payables		(327.3)	(270.4)	(290.8)
Provisions		(11.4)	(9.9)	(8.1)
		(355.6)	(293.7)	(313.6)
Non-current liabilities				
Loans and borrowings	8	(106.7)	(154.0)	(104.7)
Retirement benefit liabilities		(20.2)	(17.5)	(18.2)
Deferred tax liabilities		(19.8)	(21.3)	(18.5)
Provisions		(5.8)	(5.1)	(4.4)
Other liabilities		(39.9)	(29.2)	(27.1)
		(192.4)	(227.1)	(172.9)
Total liabilities		(548.0)	(520.8)	(486.5)
Net assets		386.9	321.2	335.7
Equity				
Share capital		7.3	6.6	6.6
Share premium account		38.1	38.1	38.1
Capital redemption reserve		7.6	7.6	7.6
Translation reserve		37.0	38.5	36.6
Other reserve		56.9	–	–
Retained earnings		235.3	221.2	236.7
Equity attributable to equity holders of the parent		382.2	312.0	325.6
Minority interests		4.7	9.2	10.1
Total equity		386.9	321.2	335.7

Condensed consolidated statement of changes in equity for the half year ended 30 June 2013

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Translation reserve £m	Other reserve £m	Retained earnings £m	Minority interests £m	Total equity £m
At 30 June 2012	6.6	38.1	7.6	38.5	–	221.2	9.2	321.2
At 31 December 2012	6.6	38.1	7.6	36.6	–	236.7	10.1	335.7
Total comprehensive income	–	–	–	0.4	–	7.4	0.4	8.2
Share-based payments	–	–	–	–	–	1.0	–	1.0
Share capital issued	0.7	–	–	–	56.9	–	–	57.6
Dividends	–	–	–	–	–	(9.8)	(0.2)	(10.0)
Acquisition of minority interest	–	–	–	–	–	–	(5.6)	(5.6)
At 30 June 2013	7.3	38.1	7.6	37.0	56.9	235.3	4.7	386.9

Consolidated cash flow statement

for the half year ended 30 June 2013

	Note	Half year to 30 June 2013 £m	Half year to 30 June 2012 £m	Year to 31 December 2012 £m
Cash flows from operating activities				
Operating profit		19.2	13.3	48.3
Depreciation of property, plant and equipment		21.9	21.0	42.1
Amortisation of intangible assets		0.9	0.7	1.5
Loss/(profit) on sale of property, plant and equipment		0.9	(0.1)	0.8
Other non-cash movements		6.2	1.0	2.5
Foreign exchange (gains)/losses		(0.6)	0.2	(1.0)
Operating cash flows before movements in working capital		48.5	36.1	94.2
Increase in inventories		(24.5)	(3.8)	(5.2)
Increase in trade and other receivables		(30.4)	(46.8)	(21.3)
Increase in trade and other payables		33.2	23.1	44.2
Change in provisions, retirement benefit and other non-current liabilities		3.4	0.4	(3.5)
Cash generated from operations		30.2	9.0	108.4
Interest paid		(2.3)	(2.5)	(4.6)
Income tax paid		(14.7)	(2.4)	(10.7)
Net cash inflow from operating activities		13.2	4.1	93.1
Cash flows from investing activities				
Interest received		0.4	0.1	0.5
Proceeds from sale of property, plant and equipment		0.5	0.6	1.9
Acquisition of subsidiaries, net of cash acquired		(11.5)	–	–
Acquisition of property, plant and equipment		(19.5)	(12.8)	(33.7)
Acquisition of intangible assets		–	(0.3)	(0.9)
Net cash outflow from investing activities		(30.1)	(12.4)	(32.2)
Cash flows from financing activities				
Proceeds from the issue of share capital		57.6	0.5	–
Capital contribution from minority shareholder		–	–	1.7
New borrowings		–	22.4	20.5
Repayment of borrowings		(2.9)	(9.5)	(60.0)
Payment of finance lease liabilities		(0.2)	(0.1)	(0.7)
Dividends paid		(10.0)	(9.8)	(15.4)
Net cash inflow/(outflow) from financing activities		44.5	3.5	(53.9)
Net increase/(decrease) in cash and cash equivalents		27.6	(4.8)	7.0
Cash and cash equivalents at beginning of period		54.8	43.3	43.3
Effect of exchange rate fluctuations		0.9	(0.9)	4.5
Cash and cash equivalents at end of period	8	83.3	37.6	54.8

Notes to the condensed financial statements

1 Basis of preparation

The condensed financial statements included in this interim financial report have been prepared in accordance with IAS 34, 'Interim Financial Reporting', as adopted by the European Union. 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 2012. The same accounting policies and presentation are followed in the financial statements that were applied in the preparation of the Company's published consolidated financial statements for the year ended 31 December 2012, except for:

- the adoption of IAS 19, 'Employee Benefits' which changes the way defined benefit plans are accounted for. There is no material change as a result of adopting the standard and the impact of adopting IAS 19, 'Employee Benefits' has been reflected in the current period income statement. The comparative periods have not been restated.
- the adoption of IAS 1, 'Financial Statement Presentation' which requires items within Other Comprehensive Income to be classified as whether they may be reclassified subsequently to profit or loss or not.
- the adoption of IFRS 13, 'Fair Value Measurement'. There is no material change as a result of adopting the standard.

The figures for the year ended 31 December 2012 are not statutory accounts but have been extracted from the Group's statutory accounts for that financial year. The auditor's report on those accounts was not qualified and did not contain statements under section 498(2) or (3) of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies and has been made available on the Company's website at www.keller.co.uk.

The financial information in this interim financial report for the half years ended 30 June 2013 and 30 June 2012 has neither been reviewed, nor audited.

The key risks and uncertainties facing the Group, as explained in the Group's Annual Report for the year ended 31 December 2012, continue to be: market cycles, tendering and management of projects, acquisitions, safety and people.

2 Foreign currencies

The exchange rates used in respect of principal currencies are:

	Average for period			Period end		
	Half year to 30 June 2013	Half year to 30 June 2012	Year to 31 December 2012	Half year to 30 June 2013	Half year to 30 June 2012	Year to 31 December 2012
US dollar	1.54	1.58	1.58	1.52	1.56	1.62
Euro	1.18	1.22	1.23	1.17	1.24	1.22
Singapore dollar	1.92	1.99	1.98	1.93	1.99	1.98
Australian dollar	1.52	1.53	1.53	1.66	1.54	1.56

Notes to the condensed financial statements

continued

3 Segmental analysis

The Group is managed as four geographical divisions and has only one major product or service: specialist ground engineering services. This is reflected in the Group's management structure and in the segment information reviewed by the Chief Operating Decision Maker. There have been no material changes to the assets and liabilities of these segments since the year end. Revenue and operating profit of the four reportable segments is given below:

	Revenue			Operating profit		
	Half year to 30 June 2013 £m	Half year to 30 June 2012 £m	Year to 31 December 2012 £m	Half year to 30 June 2013 £m	Half year to 30 June 2012 £m	Year to 31 December 2012 £m
North America	308.0	270.1	581.9	16.5	7.6	32.0
EMEA ¹	185.5	160.6	358.6	1.8	(2.8)	2.2
Asia	44.4	59.0	118.6	4.8	6.1	9.5
Australia	106.7	124.1	258.4	8.8	4.5	8.7
	644.6	613.8	1,317.5	31.9	15.4	52.4
Central items and eliminations	–	–	–	(3.3)	(2.1)	(4.1)
Before exceptional items	644.6	613.8	1,317.5	28.6	13.3	48.3
Exceptional items (Note 4)	–	–	–	(9.4)	–	–
	644.6	613.8	1,317.5	19.2	13.3	48.3

¹ Europe, Middle East and Africa

4 Exceptional items

Exceptional items relate to £4.9m of transaction costs incurred to 30 June 2013 for the acquisition of the piling business of North American Energy Partners Inc. and £4.5m of previously unprovided contingent consideration payable in respect of the acquisition of Waterway Constructions Group Pty Ltd, due to its better than expected performance during the period.

5 Taxation

Taxation, representing management's best estimate of the average annual effective income tax rate expected for the full year, based on the profit before tax and exceptional items is: 31% (half year ended 30 June 2012: 28%; year ended 31 December 2012: 31%).

6 Dividends paid to equity holders of the parent

Ordinary dividends on equity shares:

	Half year to 30 June 2013 £m	Half year to 30 June 2012 £m	Year to 31 December 2012 £m
Amounts recognised as distributions to equity holders in the period:			
Interim dividend for the year ended 31 December 2012 of 7.6p (2011: 7.6p) per share	–	–	4.9
Final dividend for the year ended 31 December 2012 of 15.2p (2011: 15.2p) per share	9.8	9.8	9.8
	9.8	9.8	14.7

In addition to the above, an interim ordinary dividend of 8.0p per share (2012: 7.6p) will be paid on 1 November 2013 to shareholders on the register at 11 October 2013. 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.

Notes to the condensed financial statements

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7 Earnings per share

Earnings per share before exceptional items of 28.1p was calculated based on earnings of £18.2m and the weighted average number of ordinary shares in issue during the half year of 64.7m.

Earnings per share of 13.6p (half year ended 30 June 2012: 12.4p; year ended 31 December 2012: 45.9p) was calculated based on earnings of £8.8m (half year ended 30 June 2012: £8.0m; year ended 31 December 2012: £29.5m) and the weighted average number of ordinary shares in issue during the half year of 64.7m (half year ended 30 June 2012: 64.3m; year ended 31 December 2012: 64.3m).

Diluted earnings per share before exceptional items of 27.7p was calculated based on earnings of £18.2m and the adjusted weighted average number of ordinary shares in issue during the half year of 65.6m.

Diluted earnings per share of 13.4p (half year ended 30 June 2012: 12.2p; year ended 31 December 2012: 45.0p) was calculated based on earnings of £8.8m (half year ended 30 June 2012: £8.0m; year ended 31 December 2012: £29.5m) and the adjusted weighted average number of ordinary shares in issue during the half year of 65.6m (half year ended 30 June 2012: 65.4m; year ended 31 December 2012: 65.5m).

8 Analysis of closing net debt

	As at 30 June 2013 £m	As at 30 June 2012 £m	As at 31 December 2012 £m
Bank balances	90.2	41.3	50.3
Short-term deposits	0.6	0.7	6.7
Cash and cash equivalents in the balance sheet	90.8	42.0	57.0
Bank overdrafts	(7.5)	(4.4)	(2.2)
Cash and cash equivalents in the cash flow statement	83.3	37.6	54.8
Bank and other loans	(107.4)	(155.7)	(105.5)
Finance leases	(0.4)	(0.8)	(0.5)
Closing net debt	(24.5)	(118.9)	(51.2)

9 Share capital and reserves

	As at 30 June 2013 £m	As at 30 June 2012 £m	As at 31 December 2012 £m
Allotted, called up and fully paid			
Equity share capital:			
73,099,735 ordinary shares of 10p each (30 June 2012: 66,473,235; 31 December 2012: 66,499,735)	7.3	6.6	6.6

The Company has one class of ordinary shares, which carries no rights to fixed income. There are no restrictions on the transfer of these shares. On 14 June 2013 the Group issued 6,600,000 new ordinary shares of 10p each for a total non-cash consideration (shares in a company which received the placing proceeds) of £57.6m net of £1.2m of issue costs. Merger relief has been applied under section 612 of the Companies Act 2006, with the premium on the shares issued allocated initially to a merger reserve and then to an other reserve on redemption of the shares in the company that received the placing proceeds.

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

The total number of shares held in Treasury was 2.2m (half year to 30 June 2012: 2.2m; year ended 31 December 2012: 2.2m).

Notes to the condensed financial statements

continued

10 Related party transactions

On 3 April 2013, the Group acquired the remaining minority shareholding of Keller-Terra S.L. for a cash consideration of €6.7m (£5.6m). For the period ended 30 June 2013, Keller-Terra S.L. and its subsidiaries generated revenue of £8.9m (half year to 30 June 2012: £9.2m; year ended 31 December 2012: £18.9m).

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

11 Post balance sheet events

On 12 July 2013, the Group acquired the piling business of North American Energy Partners Inc. for an initial cash consideration of CDN\$227.5m (£144.0m) with up to a further CDN\$92.5m (£58.5m) payable in deferred contingent consideration depending upon the financial performance of the acquired piling business in the three year period following acquisition. The revenue generated by the acquired piling business for the year ended 31 March 2013 was CDN\$236.5m (£149.7m). At the date of issuing these condensed financial statements it is impracticable to make all of the disclosures required under IFRS 3, 'Business Combinations (Revised)'. The required disclosures will be made in the year end financial statements.



Responsibility statement

We confirm that to the best of our knowledge:

- a) the condensed set of financial statements has been prepared in accordance with IAS 34 – Interim Financial Reporting;
- b) the interim management report includes a fair review of the information required by DTR 4.2.7R – indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year; and
- c) the interim management report includes a fair review of the information required by DTR 4.2.8R – disclosure of related party transactions and changes therein.

By order of the Board

J R Atkinson
Chief Executive

J W G Hind
Finance Director

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