



Keller Group plc
Annual Report &
Accounts 2012

Our strengths

Global Scale

International footprint and financial strength

Local Focus

Excellent service

Design Capability

Tailored and value-engineered solutions

Broad Base

Diverse customer base and end markets

Partnership

Sharing added value with our customers

Consistent Values

Performance delivered safely and with integrity

Deep Experience

Huge knowledge base

Growth Credentials

Organic and acquisition growth record

Contents

Overview

- 2 Our businesses
- 3 Our services
- 4 Our business model
- 6 Principal risks and KPIs

Business Review

- 8 Chairman's statement
- 10 Operating review
 - North America
 - EMEA
 - Asia
 - Australia
- 16 Financial review
- 18 Board of Directors and Executive Committee
- 20 Social responsibility

Corporate Governance

- 27 Directors' report
- 29 Remuneration report
- 39 Corporate governance
- 45 Statement of Directors' responsibilities
- 46 Independent Auditor's report

Financial Statements

- 48 Consolidated financial statements
 - 48 Consolidated income statement
 - 48 Consolidated statement of comprehensive income
 - 49 Consolidated balance sheet
 - 50 Consolidated statement of changes in equity
 - 51 Consolidated cash flow statement
 - 52 Notes to the consolidated financial statements
 - 73 Company financial statements
 - 73 Company balance sheet
 - 74 Notes to the Company financial statements
 - 79 Financial record
-
- 80 Principal offices
 - IBC Secretary and advisers

Keller Group plc

Revenue from continuing operations £m

2012	1,317.5
2011	1,154.3
2010	1,068.9
2009	1,037.9
2008	1,196.6

Operating profit from continuing operations £m*

2012	48.3
2011	28.9
2010	43.3
2009	77.3
2008	119.4

Earnings per share from continuing operations pence*

2012	45.9
2011	24.8
2010	44.0
2009	78.8
2008	111.1

* 2010 results are stated before goodwill impairment.

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 7,000 employees and a combined turnover in excess of £1.3 billion, we have unrivalled coverage in Europe, North America and Australia and a growing presence in Asia and the Middle East.

Highlights

Revenue up by

+14%

Growth in three of four divisions

Operating profit up by

+67%

Operating margin up to 3.7% from 2.5%

US operating margin up to

5.5%

Continued market recovery in the US, the Group's single biggest market

Net debt of

£51.2m

Representing 0.6x EBITDA

Total dividend maintained at

22.8p

per share

Cash generated from operations up by

+98%

Representing 118% of EBITDA



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

Our businesses

This overview of our four business areas reflects our new reporting structure from January 2012.

North America

We are the market leader in North America, where we have had a market presence for over 25 years. Today, we operate from locations spanning the US and Canada.

Hayward Baker offers extensive ground engineering solutions across North America. In the US, **Case**, **McKinney** and **HJ** are heavy foundation specialists and **Suncoast** provides post-tension cable systems. **Geo-Foundations**, acquired in January 2013, specialises in micro-piling, ground anchors, and specialty grouting services, mainly in eastern Canada.

Together, they are able to combine their expertise and resources to take on some of North America's most demanding projects.

Revenue

£581.9m



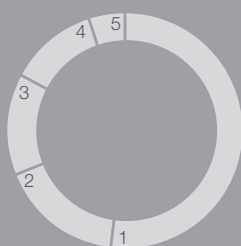
Operating profit*

£32.0m



* 2010 results are stated before goodwill impairment.

Revenue by business unit



1	Hayward Baker	52%
2	Suncoast	17%
3	McKinney	14%
4	Case	12%
5	HJ	5%

EMEA

Our EMEA division has operations across **Europe**, the **Middle East** and **Africa**, together with a developing business in Latin America. We operate as Keller in most of these regions.

A facility in Germany, which designs and manufactures our specialist plant, supports all of our operations worldwide.

Revenue

£358.6m

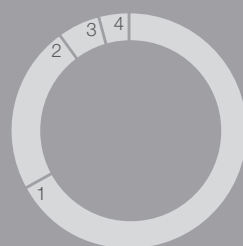


Operating profit

£2.2m



Revenue by region



1	Western Europe	67%
2	Eastern Europe	23%
3	Middle East	6%
4	Other	4%

Asia

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

Revenue

£118.6m

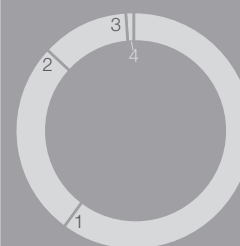


Operating profit

£9.5m



Revenue by region



1	Singapore	60%
2	Malaysia	27%
3	India	12%
4	Other	1%

Our services

Australia

Frankipile, Vibro-Pile and Piling Contractors offer a range of piling services. **Keller Ground Engineering** ('KGE') offers specialist ground improvement and geotechnical solutions. **Waterway Constructions** ('Waterway') specialises in foundations for, and the maintenance of, wharves, jetties and other marine structures. Although they specialise in different techniques, on very large or complex projects the companies may join forces under the **Keller Australia** brand.

Revenue

£258.4m



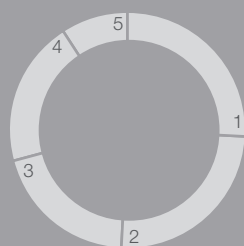
Operating profit*

£8.7m



* 2010 results are stated before goodwill impairment.

Revenue by business unit



1	Waterway	26%
2	Piling Contractors	25%
3	Frankipile	20%
4	Vibro-Pile	20%
5	KGE	9%

Piling and earth retention

Piling involves the installation of structural elements to transfer foundation loads through weak soils to stronger underlying ground. Keller offers a wide range of piling and earth retention systems including diaphragm walls and marine piles. Piles may be preformed and driven into the ground or cast in situ. Keller has installed piles underpinning many major building and civil engineering projects around the world.

Specialty grouting

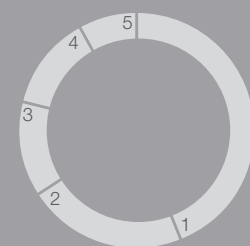
Specialty grouting strengthens target areas in the ground and controls ground water flow through rocks and soils by reducing their permeability.

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

Anchors, nails and minipiles

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

Approximate split of services



1	Piling and earth retention	44%
2	Ground improvement	22%
3	Anchors, nails and minipiles	13%
4	Specialty grouting	13%
5	Post-tension concrete	8%


Ground improvement

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

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

Post-tension concrete

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

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

Our business model

Our strategy

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

There are four key elements to our strategy:

Transfer of technologies and methods within our current geographic regions

2012 Achievements

- Introduction of piling in Malaysia
 - Technical support from EMEA
 - Equipment from Singapore, EMEA and Australia
 - Operational input from Singapore and Australia
- Introduction of piling in Brazil
 - Operational input from UK
- GETEC monitoring system, from Germany
 - successful deployment on London's Crossrail project

Design and build capability and offering alternative solutions

- Around 45% of 2012 revenue from design and build contracts

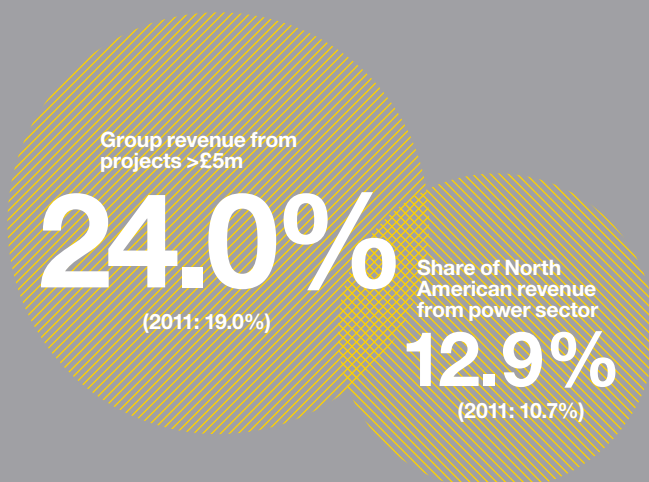
Expansion into new, higher-growth geographic regions

- Acquisition of Geo-Foundations (completed January 2013), building on Hayward Baker's organic growth in Canada
- Successful completion of first contract in Turkey
- First major contract in Hong Kong for many years
- Further development of fledgling businesses in Vietnam, Indonesia and Qatar
- Selective opportunities in French and Spanish speaking territories

Acquisition and development of new technologies and methods

- Geotextile sand columns
- Complete excavation pits
- Hollow precast piles

Contract award size 2012



Our business improvement initiatives

More major projects in progress during 2012 than in any previous year, including:

- Crossrail and Victoria Station Upgrade, London
- Gdansk Tunnel, Poland
- PSE&G Transmission Line, US
- Vale Distribution Facility, Malaysia
- Australia Pacific LNG Marine Off-loading Facility, Australia

Heightened focus on risk management, contributing to margin improvement

- Roll-out of new risk management framework

Acceleration of technology transfer

- Dedicated resource to add impetus

Drive to optimise equipment management

- Increased sharing of plant and equipment
- Reduced capital expenditure

Market drivers

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

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

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

Positioning

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

In addition, we will continue to grow our market share in sectors where the barriers to entry are highest and where we have capabilities which give us a clear competitive advantage:

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

Strengths

This review of our 2012 performance reflects our key strengths (see inside front cover), the combination of which sets us apart as a business.

We have a fundamental belief that we can best serve our local construction markets with a regional structure through which we are fully aligned with our customers.

Overlaying this structure are common goals, shared interests and excellent working relationships which drive the pooling of expertise and resources and the transfer of technologies.

These things, in turn, create synergies, making Keller Group more than the sum of its parts.

Our customers, markets and competition

Whether we are competing in local, national or international markets, which we describe in the table below, we have three categories of customer who may be responsible for selecting our services: (i) main contractors, for whom we act as a sub-contractor and through whom the majority of our work is awarded; (ii) consulting engineers, who generally act for the client and often specify the techniques to be used on a project; and (iii) the clients, or 'end customers', who may specify Keller as a preferred sub-contractor or occasionally contract with us direct.

Local

Competition

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

Types of project

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

Keller's advantage in this segment

Our regional structure and agile organisation enables us to compete with local players for small-to-medium sized contracts.

We typically work on around 5,000 contracts each year, of which around 85% have a value of less than £200,000.

National

(regional in larger countries such as the US and Australia)

Competition

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

Types of project

As local markets, plus foundations for larger structures and complex solutions for more difficult ground conditions.

Keller's advantage in this segment

We have a wide network of subsidiary companies and branch offices employing local people with knowledge of:

- national building codes
- local language and business culture
- local ground conditions.

International

Competition

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

Types of project

Very large scale, requiring capacity or expertise which may not be available in-country. Often direct foreign investment, where funders or clients choose to use contractors with whom they have worked in other parts of the world.

Keller's advantage in this segment

Largest independent operator with a global presence.

- Able to follow known customers into new geographic markets.
- Can pool resources and expertise from around the globe.
- Meet stringent quality, safety and ethical standards of blue chip customers.

Principal risks and KPIs

Risk	Description
<p>Market cycles</p> <p>The Group's broad base helps to mitigate against the risk of downturn in our markets</p> 	<p>Whilst our business will always be subject to economic cycles, market risk is reduced by the diversity of our markets, both in terms of geography and market segment.</p> <p>It is also partially offset by opportunities for consolidation in our highly fragmented markets. Typically, even where we are the clear leader, we still have a relatively small share of the market. Our ability to exploit these opportunities through bolt-on acquisitions is reflected in our track record of growing sales, and doing so profitably, across market cycles.</p>
<p>Tendering and management of projects</p> <p>Project risk is managed throughout the life of a project from the tendering stage to completion</p> 	<p>It is in the nature of our business that we continually assess and manage technical, and other operational, risks.</p> <p>Some of the controls we have in place, particularly at the crucial stage of tendering of contracts, are set out in the table opposite. Given the Group's relatively small average contract value (less than £200,000), it would be unusual for any one contract to materially affect the results of the Group. In fact, our largest contract in 2012 accounted for less than 3% of total revenue. Our ability to manage technical risks will generally be reflected in our profitability.</p>
<p>Acquisitions</p> <p>Our long-term growth track record is built on a combination of organic growth and acquisitions</p> 	<p>We recognise the risks associated with acquisitions and our approach to buying businesses aims to manage these to acceptable levels.</p> <p>First, we try to get to know a target company, often working in joint venture, to understand the operational and cultural differences and potential synergies. This is followed by a robust due diligence process, most of which is undertaken by our own managers, and we then develop a clear integration plan which takes account of the unique character of the target company.</p>
<p>Safety</p> <p>The construction industry in which we operate poses significant safety challenges, but we do not accept the inevitability of injury</p> 	<p>Keller is made up of businesses of varying sizes operating around the world, often in challenging environments.</p> <p>It is essential that, as we continue to grow and move into new regions, we can be sure that our approach to safety is equally rigorous, no matter whereabouts in the world, or on which projects, we are working.</p>
<p>People</p> <p>The accumulation of knowledge and experience is essential to helping our customers to find the best solutions</p> 	<p>The risk of losing, or not being able to attract, good people is key.</p> <p>We pride ourselves in having some of the best professional and skilled people in the industry, who are motivated by our culture and the opportunities for career growth.</p>

KPIs

Controls

<p>Revenue growth compared with market growth</p> <p>Definition and method of calculation Year-on-year sales growth in local currency compared with growth in the total regional construction market.</p> <p>As our work occurs at the start of the construction cycle, our revenue is a leading indicator for the construction market, whereas market comparators are based on the lagging indicator 'construction put in place'.</p>	<ul style="list-style-type: none"> • Strategy of geographic diversification: <ul style="list-style-type: none"> – operations in over 30 countries – growing presence in developing markets. • Broad customer base. • Services used across all industry segments: infrastructure, industrial, commercial, residential and environmental.
<p>Operating margin</p> <p>Definition and method of calculation Operating profit expressed as a percentage of revenue.</p>	<ul style="list-style-type: none"> • Risk Management Framework defines Minimum Standards in the control of project risk. • Risk-based tender approval process, with clear delegations of authority. • Independent review of tenders. • Training for staff in the typical risk issues they may face when tendering for jobs, negotiating contracts and executing work. • Legal review of unusual or onerous contract terms. • Project staff selected on the basis of their skills, experience of a particular type of project and their workload. • Establishment of 'centres of excellence'. • Formal handover meetings at each stage of the contract. • Formal daily reports generated and reviewed for each contract in progress. • Weekly cost reports produced for all projects and reviewed by next level management. • Periodic reviews of poorly performing contracts to establish lessons learned with the results communicated to all relevant staff.
<p>Return on net operating assets</p> <p>Definition and method of calculation Operating profit before impairment of intangibles expressed as a percentage of average net operating assets (including goodwill acquired through acquisitions).</p> <p>Net operating assets excludes net debt, tax balances, deferred consideration and net defined benefit pension liabilities.</p>	<ul style="list-style-type: none"> • Target companies are usually well known to Keller; and the operational and cultural differences and potential synergies are well understood. • Robust due diligence process, mostly undertaken by own management. • Clear integration plan, reflecting the unique character of the target company.
<p>Accident Frequency Rate ('AFR')</p> <p>Definition and method of calculation Accident frequency per 100,000 man hours.</p>	<ul style="list-style-type: none"> • Keller Safety Framework, 'Think Safe', incorporating our Safety Goal, Principles, Policy and Minimum Standards. • All business units undertake an annual safety assessment. • From these, safety improvement plans are developed and implemented. • Regular directors' and managers' safety tours reinforce the importance of safety.
<p>Staff turnover rate</p> <p>Definition and method of calculation The number of managerial, professional and technical staff leaving in the period, other than through redundancy or normal retirement, expressed as a percentage of employees in this category.</p>	<ul style="list-style-type: none"> • Excellent training and development opportunities. • Opportunities for career growth. • Good engagement and two-way communications. • Employees treated with dignity and respect.

Chairman's statement

Throughout 2012, as well as pursuing our long-term strategic goals, we have concentrated on maximising the value from our existing operations.

Results

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

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

Cash flow and net debt¹

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

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

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

Dividends

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

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

Strategy and business improvement

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

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

Employees

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

Board

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

Outlook

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

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

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

Roy Franklin

4 March 2013

Operating review

These results reflect an improved performance in three of our four divisions.

Conditions in our major markets

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

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

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

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

North America

Our total revenue from North America was up by 22% in local currency, well ahead of the growth in the overall market.

Although the trading environment remains competitive in many regions and sectors, the overall improvement in market conditions, together with the success of two of our regional strategic initiatives – to increase our exposure to Canada and the US transmission-line segment – helped to lift the operating margin to 5.5% from the previous year's 2.5%.

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

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

Hayward Baker

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

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

At the start of 2013, the Group acquired Geo-Foundations Contractors, Inc. ('Geo-Foundations'), a Toronto-based specialist geotechnical contractor. Geo-Foundations principally serves eastern Canada, where it offers design-build solutions across the construction industry. The business specialises in micro-piling, ground anchors, and specialty grouting services which, whilst well established in the US, are still relatively new to the Canadian market. A combination of increasing market acceptance of these

techniques in Canada, along with the introduction of ground improvement techniques and assistance from Hayward Baker, is expected to fuel significant growth over time.

North American piling companies

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

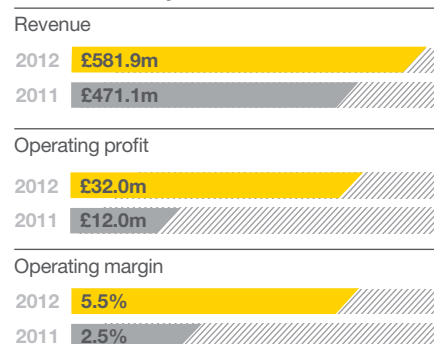
One such segment has been the vibrant transmission-line market. In 2012 we undertook around \$75m (£47m) of transmission-line related work, compared with less than \$10m (£6m) in the previous year. The largest of these projects was a \$41m (£25m) contract for Public Service Electric and Gas in New Jersey,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

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

Suncoast

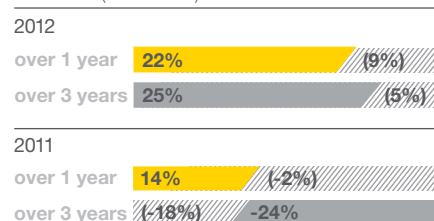
2012 brought a much improved outcome at Suncoast, after a breakeven result in 2011. Throughout the year, Suncoast steadily increased its production to take full advantage of the upturn in residential construction. With the housing market beginning to recover, the business is now able to reap the rewards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

Results summary and KPIs



For definitions, see page 7.

Our growth compared with the growth of our markets¹ (in brackets)

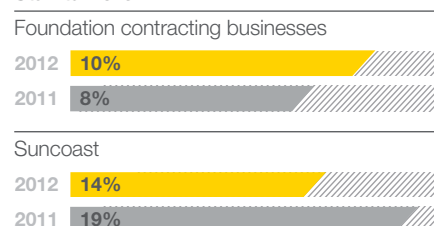


¹ Market growth for the total US construction market, from data published by the US Census Bureau of the Department of Commerce on 1 February 2013.

Return on net operating assets



Staff turnover



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

EMEA

After a loss of £2.8m in the first half of the year, the EMEA division made a sound recovery to end the year in profit.

In local currency, full-year revenue was broadly flat whilst operating profit was well down.

Europe

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

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

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

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

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

installed and our work is set to meet the targeted completion date in spring 2014.

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

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

Middle East

Although trading in the Middle East remained relatively subdued, there were signs of revival in some of our Middle Eastern markets, with an increasing number of large projects reaching execution. This, together with the increased marketing focus led by new management in our Middle East business, has been reflected in a recent improvement in contract awards and we anticipate having a busier year in the region in 2013.

Brazil

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

Results summary and KPIs

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

For definitions, see page 7.

Our growth compared with the growth of our markets¹ (in brackets)

2012	
over 1 year	(-3%) -4%
over 3 years	11% (-1%)
2011	
over 1 year	19% (2%)
over 3 years	(-8%) -16%

¹ Market growth in the construction markets in Austria, France, Germany, Poland, Spain and UK, (which together account for over 75% of revenue from EMEA) from estimates of real annual growth plus estimated change in construction prices published by Euroconstruct in December 2012.

Return on net operating assets

2012	1%
2011	5%

Staff turnover

2012	10%
2011	11%

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

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

Asean Region

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

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

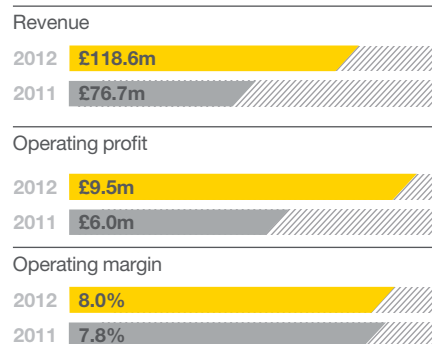
In Singapore we had a good year, helped by a much-improved result from Resource Piling which benefited from a strengthened management team, together with the upturn in public housing construction. Increasingly, our two subsidiaries in Singapore are working closely to identify opportunities for combining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

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

India

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

Results summary and KPIs



For definitions, see page 7.

Our growth compared with the growth of our markets

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

Return on net operating assets



Staff turnover



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

Australia

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

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

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

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

Results summary and KPIs

Revenue



Operating profit

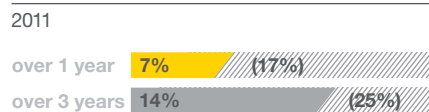
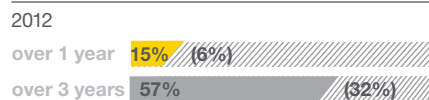


Operating margin



For definitions, see page 7.

Our growth compared with the growth of our markets¹ (in brackets)



¹ Market growth for the total Australian construction market, from data published by the Australian Bureau of Statistics in September 2012.

Return on net operating assets



Staff turnover



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

Business improvement

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

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

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

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

Justin Atkinson

4 March 2013

Financial review

The Group operating margin increased from 2.5% to 3.7%, in part reflecting the benefits of the cost reductions and the business improvement initiatives.

Results

Trading results

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

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

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

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

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

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

Net finance costs

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

Tax

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

Earnings and dividends

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

Cash flow

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

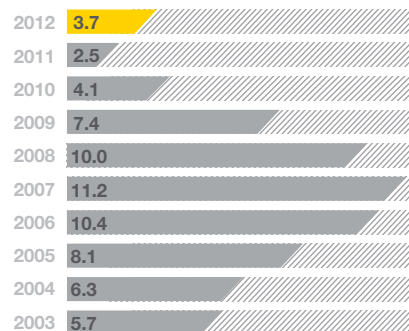
Financing

At 31 December 2012, net debt amounted to £51.2m (2011: £102.5m). Based on net assets of £335.7m, year-end gearing was 15%, down from 31% at the beginning of the year.

The Group's term debt and committed facilities mainly comprise US\$110m of US private placements, US\$70m of which is repayable in October 2014 and US\$40m of which is repayable in August 2018, and a £170m multi-currency syndicated revolving credit facility expiring in April 2015. At the year end, the Group had undrawn committed and uncommitted borrowing facilities totalling £153.2m.

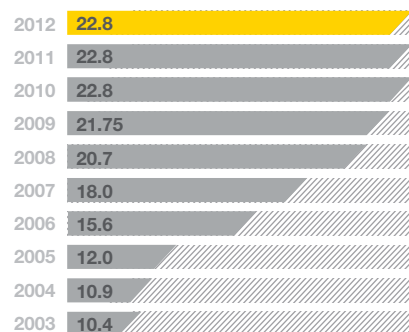
The most significant covenants in respect of our main borrowing facilities relate to the ratio of net debt to EBITDA, EBITDA interest cover and the Group's net worth. The Group is operating well within its covenant limits, as is illustrated in the table on page 17.

Operating margin from continuing operations %*



* 2010 stated before goodwill impairment.

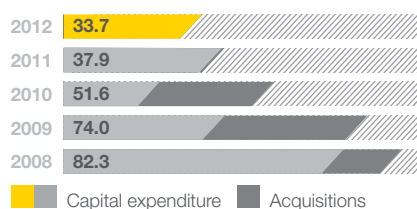
Dividend per share pence



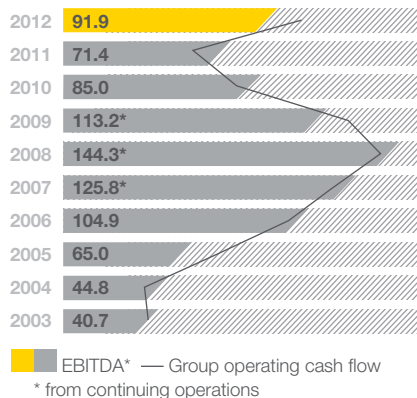
Test	Covenant limit	Current position*
Net debt: EBITDA	< 3x	0.8x
EBITDA interest cover	> 4x	17.5x
Net worth	> £200m	£325.6m

*Calculated in accordance with the covenant, with letters of credit included as net debt and certain adjustments to net interest.

Investment



Cash flow history-profits = cash



* from continuing operations

Capital structure

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

Pensions

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

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

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

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

Management of financial risks

Currency risk

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

The Group manages its currency flows to minimise currency transaction exchange risk. Forward contracts and other derivative financial instruments are used to hedge significant individual transactions. The majority of such currency flows within the Group relate to repatriation of profits and intra-Group loan repayments. The Group's foreign exchange cover is executed primarily in the UK.

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

Interest rate risk

Interest rate risk is managed by mixing fixed and floating rate borrowings depending upon the purpose and term of the financing. As at 31 December 2012, 77% of the Group's third-party borrowings bore interest at floating rates.

Credit risk

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

The Group has stringent procedures to manage counterparty risk and the assessment of customer credit risk is embedded in the contract tendering processes. Customer credit risk is mitigated by the Group's relatively small average contract size, its diversity, both geographically and in terms of end markets, and by taking out credit insurance in many of the countries in which the Group operates. No individual customer represented more than 5% of revenue in 2012.

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

James Hind

4 March 2013

Board of Directors



1



2



3



4



5



6



7



8



9



10

1 Justin Atkinson Chief Executive

Joined the Group in 1990. Group Financial Controller from 1995–99. Appointed Finance Director in 1999, Chief Operating Officer in 2003 and Chief Executive in 2004. Member of the Nomination Committee. Justin is a Chartered Accountant by training. Age 52.

2 James Hind Finance Director

Joined the Group in 2003 from D S Smith plc, where he was Group Financial Controller. Qualified as an accountant with Coopers & Lybrand, with whom he later spent two years in their New York office advising on mergers and acquisitions. Age 48.

3 Bob Rubright Managing Director North America

Joined the Group in 1984 with the Hayward Baker acquisition. Appointed President, Hayward Baker in 1994 and President, Keller Foundations Inc. in 1998. Appointed to the Board in 2003. Bob is a Geotechnical Engineer by training. Age 61.

4 Wolfgang Sondermann Director, Global Technology & Best Practice

A Geotechnical Engineer by training, Wolfgang joined the Group in 1986. Appointed Managing Director, Keller Holding GmbH in 1998. Managing Director, CEMEA in 2001 and Director, Global Technology & Best Practice in January 2012. Appointed to the Board in 2003. Age 62.

5 Roy Franklin Non-executive Chairman

Appointed to the Board in 2007 and as Chairman in 2009. Chairman of the Nomination Committee. Roy is a Non-executive Director of Norwegian-listed Statoil ASA and Australian-listed companies Santos Ltd and Boart Longyear Ltd. He is also an Advisory Board Member of Kerogen Capital and a Non-executive Director of privately held Cuadrilla Resources Holdings Limited. Formerly Chief Executive of Paladin Resources plc and Group Managing Director of Clyde Petroleum plc, following various senior management posts at BP. Roy is a Geologist by training. Age 59.

6 Gerry Brown Non-executive Director

Appointed to the Board in 2001. Gerry is a member of the Audit, Nomination, Remuneration and Health, Safety & Environment Committees. He is Chairman of NovaQuest Capital and NFT Distribution Holdings and was formerly Senior Independent Director of Forth Ports plc. After qualifying as an Economist, his executive career included directorships with Exel Logistics plc, TDG plc and Tibbett & Britten plc. Age 68.

7 Ruth Cairnie Non-executive Director

Appointed to the Board in 2010. Ruth is a member of the Nomination and Health, Safety & Environment Committees and is Chair of the Remuneration Committee. She is Executive Vice President Strategy & Planning at Royal Dutch Shell Plc. Her current role follows a number of senior international roles within Shell, including Vice President of their Global Commercial Fuels business and serving on the boards of Shell Pakistan Ltd and joint venture companies in Germany and Thailand. Ruth is a Physicist by qualification. Age 59.

8 Chris Girling Non-executive Director

Appointed to the Board and the Audit, Remuneration and Nomination Committees in 2011, Chris is Chairman of the Audit Committee. He is a Non-executive Director of Elementis plc, Arco Limited and Workspace Group PLC and the independent Chairman Trustee for Slaughter and May's pension fund. A Chartered Accountant by training, Chris was formerly Group Finance Director of Carillion plc. Age 59.

9 David Savage Non-executive Director

Appointed to the Board in 2011. David is a member of the Audit and Nomination Committees and is Chairman of the Health, Safety & Environment Committee. He is a Non-executive Director of Malaysian-listed Mudajaya Group Berhad, Executive Chairman of Stonehouse Constructions Limited, a privately-owned Singapore company, and Chairman and President of Kazax Minerals Inc, a Canadian-listed entity. He is also a Non-executive Director of Canadian-listed Abzu Gold Limited and Non-executive Deputy Chairman of Malaysian-listed Australaysia Reserves and Mineral Berhad. Formerly Chief Operating Officer for Australian-listed Leighton Holdings Limited. David is a Civil Engineer by qualification. Age 52.

10 Paul Withers Senior Independent Director

Appointed to the Board and as a member of the Audit, Nomination, Remuneration and Health, Safety & Environment Committees on 17 December 2012. Paul is a Non-executive Director of Devro Consulting PLC, Premier Farnell plc and Hyder Consulting PLC. A Mechanical Engineer by qualification, he was formerly Group Managing Director of BPB plc, the international building materials business, following various senior roles there. Age 56.

Executive Committee



1 Justin Atkinson
Chief Executive

See opposite for biography.

2 James Hind
Finance Director

See opposite for biography.

3 Bob Rubright
Managing Director
North America

See opposite for biography.

4 Wolfgang Sondermann
Director, Global Technology &
Best Practice

See opposite for biography.

11 Eduard Falk
Managing Director, EMEA

Joined the Group in 1987 and, following various senior management roles, appointed as Managing Director, Continental Europe in 2010 and as Managing Director, Europe, Middle East and Africa (EMEA) in 2012. Appointed to the Group Executive Committee in 2012. Eduard is a Geotechnical Engineer by training. Age 52.

12 Venu Raju
Managing Director, Asia

A Geotechnical Engineer by training, Venu joined the Group in 1994. Appointed as Managing Director, Keller Singapore & Malaysia in 1999 and as Business Unit Manager, Keller Far East in 2009. Appointed as Managing Director, Asia and to the Group Executive Committee in 2012. Age 51.

13 Mark Kliner
Chief Executive, Keller Australia

Joined the Group in 2006 when Keller acquired Piling Contractors. Appointed as Managing Director of Piling Contractors in 2007 and as CEO of Keller Australia in 2010. Appointed to the Group Executive Committee in 2012. Mark is a Civil and Structural Engineer by qualification. Age 49.

14 John Rubright
President, Hayward Baker

Joined the Group in 1986. Appointed as Senior Vice-President, Southern Region, of Hayward Baker in 2005 and as President of Hayward Baker in 2011. Appointed to the Group Executive Committee in 2012. John is a Civil Engineer by qualification. Age 49.

15 Jim De Waele
Business Unit Manager,
North West Europe

A Civil Engineer by qualification, Jim joined the Group in 2008 as Managing Director, Keller UK from Stent Foundations, where he had been Managing Director. Appointed as Business Unit Manager, North West Europe and to the Group Executive Committee in 2012. Age 45.

Social responsibility

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

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

In 2011, we introduced our Business Conduct Programme, which aims to increase awareness of the Group's policies and practices relating to health and safety; competition; the environment; equal opportunities; harassment; bribery, corruption and fraud; gifts and hospitality; price-sensitive information; and whistle-blowing. Briefings and training for managers, professionals and other customer-facing staff were completed during 2012 and the Code of Business Conduct and Whistle-blowing Policy were issued and briefed out to all employees. Refresher training is now being prepared for roll-out during 2013.

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

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



01 Safety

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



02 Environment

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



03 Workplace and people

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



04 Communities

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

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



01 Safety

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

Safety systems and risk reduction

Keller remains committed to delivering safe geotechnical engineering solutions for our globally diverse customers. As a way of maintaining this commitment, each year we set ourselves challenging targets associated with safety and, in so doing, re-affirm our commitment to ensuring that all our employees go home safely.

Nevertheless, achieving our ultimate safety goal of 'zero injuries through the effective management of safety in all our operations' requires constant attention, focus and leadership from our people. In recognition of this, in 2010 we launched a Group-wide framework referred to as 'Think Safe'. In 2011 we saw this framework starting to embed in the business; and during 2012 we developed, piloted and implemented a bespoke assessment tool for assessing levels of compliance with the framework across the Group.

Each business unit completed a safety assessment against the seven core elements of the 'Think Safe' framework. The results were aggregated to better understand those areas where we are strong and compliant and those where we still need to focus our effort. Overall, the business has adopted the framework well, with over 90% of business units achieving a score of level three or more, defined as a 'good' level of compliance. Elements that were consistently strong included 'Leadership', 'Management Systems' and 'Monitoring', with average scores of around 3.4. This outcome suggests that we are now developing a strong and committed

leadership cadre, have safety management systems in place across the business and are monitoring compliance with those systems.

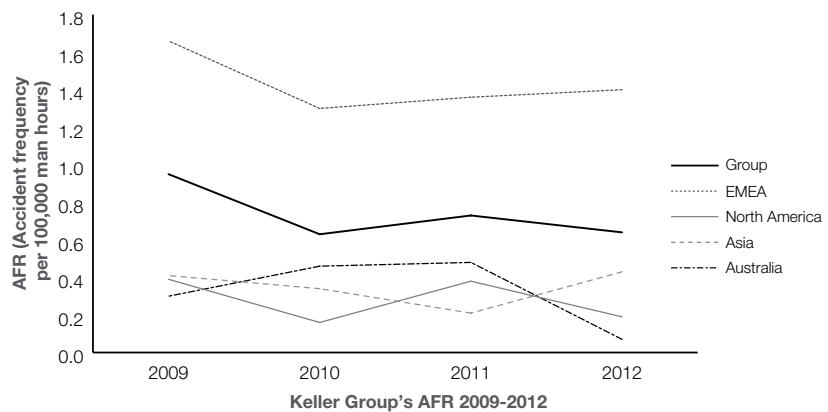
Divisional Managing Directors and their direct reports also carried out a programme of safety tours across the Group to reinforce the commitment to, and provide visibility of, safety leadership. All four divisions completed their programmes successfully.

In addition, with the assistance of independent experts in hazard analysis, we conducted a review of all accidents occurring over the past three years, to improve our understanding of the risks associated with particular activities and the most common precursors to accidents. This work has informed our safety agenda for 2013.

Safety performance

In 2012 our safety performance across the Group improved in terms of our Accident Frequency Rate from a Group average of 0.73 to 0.60 (AFR = accident frequency /100,000 person hours) with no fatalities (see chart below). This is encouraging as it was achieved against a backdrop of improvements in the reporting of near misses and over three-day accidents and a difficult economic operating environment.

The evidence gathered would also suggest that the severity of accidents is slowly reducing. In 2011, the proportion of incidents resulting in major injuries or fatalities was 48%, whilst in 2012, this value reduced to 30%¹.



¹ This includes high potential near misses ('HiPos')



01 Safety

continued

When comparing ourselves with other companies, we also appear to be better than average in terms of performance. Using the most current available data from Eurostat, the 2011 AFR for the European Union (all industries) is 0.8, compared with 0.6 for the Keller Group in 2012. That said, we are still some way from our ultimate goal of zero injuries.

Safety initiatives

We also focused on leading indicators of safety performance over the year, by encouraging initiatives which either raise awareness, improve understanding, or remove risk from our operations. Below are a few examples of such initiatives from the four divisions.

North America

Hayward Baker, our largest US business, held a 'drillers school' where they took a number of existing trained drill rig operators and went through a structured programme of hands-on revision and updating of knowledge. The course was deemed a major success by all who attended. It is critical to achieving our safety goal that we constantly challenge ourselves and upgrade the competencies of our people.

EMEA

Within the UK, a safety leadership programme was launched which included carrying out a cultural survey of all staff to better understand the attitudes and behaviours that lead to unsafe acts. This was followed up by a suite of training and development workshops that were successful in aligning management's vision with what is practical operationally.

In December 2012, Keller Germany implemented an Environmental Management System fulfilling the requirements of ISO 14001.

Asia

Keller Asia held a major conference in Kuala Lumpur during 2012. It brought together key employees and a mix of academics, operators and designers from across the region to challenge existing ways of working. Among other things, it addressed the technical safety of our designs, as well as operational solutions which could potentially remove the person from a high-hazard environment.

Australia

Three of Keller's Australian businesses – Piling Contractors, Vibro-Pile and Keller Ground Engineering – all achieved certification in 2013 to Australian Standard (AS) 4801 – Safety Management Systems. Frankpile is expected to gain this accreditation as well as ISO 14001 Environmental Management Systems in early 2013. On achievement of this, 100% of our Australian operating companies will have Safety Management Systems certification, as Waterway Constructions has held AS 4801, as well as ISO 14001 and 9000, accreditation for a number of years. This will provide a solid and consistent base from which the Australian businesses will continue to develop and improve their safety systems for all employees.

Group initiatives

During the year, we appointed a Group Health, Safety & Environment ('HSE') Director to provide leadership, a focus on, and assistance in, developing collaboration tools across the business. Whilst his first priority has been on safety, he will progressively step up his involvement in driving forward the Group's environmental agenda.

In 2012 we also established the HSE Committee as a formal committee of the Board. It has a mandate to set policy and Group-level objectives and to provide the necessary assurance to the Board that progress against our performance targets continues to be made. The Committee comprises four Non-executive Directors who, together, have accumulated significant experience of safety-critical work environments. Their meetings are normally also attended by the Chairman, Chief Executive and HSE Director.

Safety targets

Having carried out a formal review of our safety performance through the self-assessment programme, we identified a number of areas on which we need to focus if we are to continue to improve our safety. In setting our safety targets going forward, we have adopted a philosophy of evolutionary, rather than revolutionary, change. We believe that this approach – building on existing initiatives and

programmes by extending them slightly in either scope or application – will give us the best results.

From the analysis of our hazards, risks and controls and the assessments, we have identified the following areas for special attention during 2013:

Divisional targets

- Each division/business unit will draft and implement a safety improvement plan based on the outcomes of the self-assessment and their own identified priority areas. The objective, over a number of years in some cases, is to achieve or maintain a level four score against our assessment tool.
- Each division/business unit will undertake an annual self-assessment, a sample of which will be independently audited to ensure consistency.
- Each member of the Executive Committee and their direct reports will carry out and document four safety tours during the year and close out at least 90% of the previous year's material findings.

Group targets

- At the Group-level we will improve communication and collaboration, by:
 - piloting an HSE web portal for communication and collaboration;
 - communicating our ten 'Think Safe Rules' across the Group in a structured and co-ordinated manner;
 - producing three HSE Newsletters during 2013;
 - holding a safety conference; and
 - developing an awards programme for operators and safety professionals.

In addition, we aim to complete the following specialist risk-reduction initiatives:

- explore risk reduction opportunities from plant and equipment; and
- improve accident investigation techniques and our understanding of safety cost/benefits.



02 Environment

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

Overview

The Group's environmental policy focuses on two key objectives:

- reducing the impact of our operations on the natural environment; and
- helping our customers to meet their environmental needs.

In our operations, we want to reduce our environmental impacts and eliminate environmental incidents by identifying, assessing and controlling environmental risks at our job sites, workshops and yards. We also want to find new ways of reducing our consumption of energy, water and high carbon content materials; and to minimise our waste and harmful emissions. Costs of waste disposal, energy and construction materials are expected to continue to increase over the long term, so managing our environmental inputs and outputs is also integral to reducing site operational costs and increasing efficiency.

Wherever we can, we want to work with our customers and the end users of our products and services to achieve environmentally sustainable solutions by, for example:

- offering a broad range of foundation solutions, including various low carbon alternatives;
- offering techniques to improve ground and environmental conditions, such as flood control, soil erosion control, decontamination and containment of contamination; and
- in some cases, we can help customers to make informed choices by providing calculations to show the relative carbon footprints of alternative techniques.

Our environmental policy can be found on our website (www.keller.co.uk).

Environmental performance

There were no significant environmental incidents within the Group during 2012. In the main, environmental management focused on compliance with national and customer requirements, but with pockets of more proactive activity led at the divisional level.

For example, across the EMEA division we have continued the process of fitting devices to our equipment to record fuel efficiency of individual items of plant and

raise the awareness of operators of how they can save fuel. Around 80 devices were fitted in 2012.

Our UK business has made good progress against its 2010-2012 targets to reduce by 10% (i) greenhouse gas emissions at its fixed installations; and (ii) its use of potable water at its depots and offices. The actual reductions achieved were 46% and 9% respectively. The business has also continued to make good progress in reducing dust and noise through improvements in site methods and machinery. Good examples of this can be seen at the Crossrail and Victoria Station projects, where we are working in close proximity to the public and where the noise and dust levels have been reduced to very low levels.

Products and services with environmental benefits

As well as trying to reduce our own operational environmental impacts, our businesses offer a variety of techniques and services which can help their customers to meet their environmental needs.

In most of the regions where we work, we offer our customers a choice between traditional foundations and more sustainable alternatives. Many of our ground engineering techniques have lower environmental impacts than the more traditional foundation techniques with which they compete. For example, our stone columns, using only inert stone, are generally considered to be environmentally friendly alternatives to the steel or concrete products for which they are often substitutes.

Apart from stone columns, we commonly use other displacement systems, such as driven cast in situ piling and dynamic compaction, which create no spoil and therefore eliminate transport movements to and from landfill sites. The soft-facing reinforcing systems offered by Phi Group in the UK as an alternative to sheet piling also reduce the need to remove soil and replace with expensive filling. Instead, softwood timber can be used to create steeper retaining walls, enabling greater land use. All Phi Group's timber is from a renewable material source, with a lower carbon footprint than sheet piling.



02 Environment

continued

We also continue to explore ways of reducing the amount of carbon content in our foundations solutions, such as increasing the proportion of recycled materials used, reducing our energy consumption where this is an option and increasing our use of locally sourced materials. We use recycled concrete aggregate for stone columns in Singapore and our UK business has used crushed concrete, recycled glass and bottom waste incinerator 'ash', using recycled aggregates in over 50% of its vibro foundations. It has also introduced into its piling range hollow-centred piles, which deliver a 25% saving on material with no significant reduction in capacity.

Carbon calculators and carbon offset

We can also provide customers with calculations of the embodied carbon associated with our solutions and the ability to offset embedded carbon through the JP Morgan Climate Care scheme. This scheme supports low carbon sustainable developments, such as hydroelectric power, improved farming and techniques to reduce deforestation. To ensure a consistency of approach, we have developed Group guidelines for calculating greenhouse gas emissions emitted by Keller products.

Products to stabilise the natural environment and for the environmental sector

Some Keller products are designed specifically to stabilise ground environmental conditions, such as techniques for slope stabilisation, decontamination or containment of contamination and the preparation of brownfield sites. We also continue to work on a significant number of land reclamation and dam remediation schemes.

In addition, Keller ground improvement products and services are often supplied to the environmental sector, such as wind energy and biofuel companies, and so are enabling the development of third parties' environmentally beneficial technologies.

Carbon reporting

We show the Scope 1 and 2 absolute tonnes equivalent CO₂ for our UK business below.

We are not subject to the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme in the UK, as our energy usage falls well below the scheme's threshold.

	CO ₂ e (tonnes)	
	2012	2011
Scope 1 – direct emissions		
Fossil fuel use on site	90	60
Owned road vehicles	1,053	1,148
Scope 2 – indirect emissions		
'electricity and imports'		
Electricity	409	428
Total	1,552	1,636
Absolute tonnes equivalent		
CO ₂ per £m of revenue	25	31

From 2013, we will be subject to the requirements of the Greenhouse Gas Emissions (Directors' Reports) Regulations 2013 (the 'Regulations'). We have considered our current internal reporting of energy consumed in our businesses against the requirements of the Regulations and we believe that we will be able to comply with the Regulations in our 2013 annual report, by reporting our Scope 1 and 2 emissions for the Group as a whole.



03 Workplace and people

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

Being a responsible employer

Keller employs around 7,000 people worldwide, most of whom are working in front-line roles meeting with, and delivering for, our customers. We are only as good as our employees, which is why we want to be known as a responsible employer which people are proud to join.

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

Diversity

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

Given our broad geographic footprint and our policy of employing local managers, we are culturally very diverse as a Group.

Gender diversity at the Board level is discussed in the corporate governance report on page 40. Below Board level, women represent 7% of our senior managers (being managing directors and their direct reports, or equivalent) and 7% of our engineers and contract managers. Our research of others in our sector indicates that these numbers are not unusual for our industry.

During 2012 we surveyed our women managers to identify what they perceive as the barriers which might prevent some women from joining the Group or progressing within it; and how they can best be supported to meet their career goals within Keller. The results showed that around 80% of respondents thought that Keller offers a female-friendly working environment, although a number of barriers to progress were identified. Mentoring and

flexible working were seen by respondents as two of the most appropriate ways to improve the promotion of women to senior management positions and we are exploring how these might be introduced in parts of the Group where they are not already in place.

Communications and training

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

We are committed to providing training and development opportunities which enable employees to perform at their best and increase their contribution to the Group. In addition to safety, technical and competency-based training, management training programmes operate at a divisional level. For example, within EMEA, Keller UK, which has been an 'Investors in People' employer since 2005, has a development programme called 'Keller Futures' which includes management leadership modules specifically aimed at improving skills, competencies and behaviours of site supervisors, engineers and middle managers.

At the Group level, we run a strategic development programme, through which every two years some 20 to 25 senior managers from around the Group participate in three modules, each lasting one week.

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

One of the ways in which we measure how well we are doing as an employer is to measure our staff turnover and this key performance indicator for each division is shown in the operating review.



04 Communities

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

Geotechnical community

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

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

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

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

Many of our senior managers play key roles in the geotechnical construction industry's professional associations and activities around the world, getting involved in writing building codes, specifications, guidelines, and industry-wide safety initiatives.

Wider community

In terms of engagement with the wider community in which we work, we are generally working for a main contractor, who is the party responsible for consulting with any community affected by the project. Also, our work comes right at the start of a project and we are typically on and off the project very quickly; and our job sites are often in remote locations, where we have no interface with members of the public. There are occasions when we are working in built-up areas or in proximity to the public, such as the London Crossrail and Victoria Station Upgrade projects referred to above, and on any such projects in particular we strive to reduce our noise and dust levels and to conduct our work in a considerate manner.

Typically, where we have some community engagement, it is by supporting our employees when they get involved with community groups and local charities. The benefit of these activities is twofold: for the business there is benefit in terms of company profile and employee satisfaction and development; and there is also a direct benefit to the communities concerned.

In the UK, we operate a matching scheme, whereby donations made by employees to registered charities are matched by the company. We also organise Work in the Community days, where employees can give up some of their working time to support worthwhile projects.

Looking to the future

Ultimately, we want to be a sustainable business which earns the respect of all of our stakeholders by taking seriously our wider responsibilities. This is a long journey and 2012 marked further progress along the way. Looking ahead, we aim to bring greater definition to our sustainability agenda, as we continue to invest in our people, systems and processes to enhance both our business performance and our reputation as a good corporate citizen.

Directors' report

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

The Directors present their annual report on the affairs of the Group, together with the audited consolidated accounts and Auditor's report for the year ended 31 December 2012. The corporate governance report set out on pages 39 to 44 and the statement of directors' responsibilities set out on page 45 form part of this report.

Principal activities

The Group's principal activity during the year continued to be specialist ground engineering.

Business review

The Directors are required by the Companies Act 2006 to include a business review in this report. The information which fulfils the requirements of the business review can be found in the Chairman's statement, operating review, financial review, business model, principal risks and key performance indicators ('KPIs') and social responsibility sections of the Annual Report, which are incorporated by reference into this Directors' report.

Risks

The key business risks and uncertainties affecting the Group relate to market cycles; the tendering and management of contracts; health and safety; acquisitions; and people. These are explained more fully on pages 6 and 7.

The Group is geographically diverse and is managed as a series of local businesses. In the Board's opinion, the Group's business model helps to balance the risks intrinsic in the business. For example, the Group typically works in over 30 countries, undertaking approximately 5,000 contracts a year and, accordingly, it is not dependent on any one individual contract or customer.

The Group's financial risk management objectives and policies are discussed in the financial review on page 17.

Results and dividends

The results for the year, showing a profit before taxation of £43.5m (2011: £21.9m), are set out on page 48.

The Directors recommend a final dividend of 15.2p per share to be paid on 31 May 2013, to members on the register at the

close of business on 5 April 2013. An interim dividend of 7.6p per share was paid on 1 November 2012. The total dividend for the year of 22.8p (2011: 22.8p) will amount to £14.7m (2011: £14.7m).

Capital structure

Details of the share capital, together with details of the movements in the Company's issued share capital during the year, are shown in note 23: Share capital and reserves. The Company has one class of ordinary shares which are listed on the London Stock Exchange ('Ordinary Shares'). Ordinary Shares carry no right to a fixed income; and each Ordinary Share carries the right to one vote at general meetings of the Company.

There are no specific restrictions on the size of a shareholding, nor on the transfer of shares, which are both governed by the articles of association and the prevailing law. The Directors are not aware of any agreements between shareholders that may result in restrictions on voting rights and the transfer of securities. No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

During the period under review, the Company did not re-purchase any of its shares. At 31 December 2012, the Directors had authority under a shareholders' resolution approved at the Annual General Meeting ('AGM') held on 18 May 2012 to purchase through the market up to 6,648,324 Ordinary Shares on terms set out in that resolution. This authority expires at the conclusion of the 2013 AGM.

Details of employee share schemes are set out in note 27: Share-based payments. Shares held by the Keller Group plc Employee Benefit Trust are not voted.

Directors

The names and biographical details of the Directors who hold office at the date of this report are given on page 18. All served throughout the year, other than Mr Paul Withers who joined the Board on 17 December 2012.

Mr Pedro López Jiménez, who served on the Board from 2003, retired as a Director of the Company on 18 May 2012.

Retirement and re-election

In accordance with the recommendations of the 2010 UK Corporate Governance Code of the Financial Reporting Council (the 'Code'), all Directors will offer themselves for re-election at the 2013 AGM, other than Mr Gerry Brown who has now served for more than ten years on the Board and will retire at the AGM. In addition, Mr Paul Withers, having been appointed since the last AGM, will offer himself for election for the first time.

The rules governing the election and re-election of Directors may be found in the corporate governance report on page 39. The powers of Directors of the Company are as set out in the Company's articles of association.

Directors' interests

The interests of Directors holding office at the end of the year in the issued ordinary share capital of the Company were as follows:

Director	At 31 December 2012 Ordinary Shares	At 31 December 2011 Ordinary Shares
J R Atkinson	202,693	202,693
E G F Brown	17,000	24,840
L R Cairnie	6,000	6,000
R A Franklin	6,000	6,000
C F Girling	3,000	3,000
J W G Hind	67,434	67,434
R M Rubright	107,000	107,000
D G Savage	–	–
W Sondermann	90,000	90,000
P N Withers	10,000	–

As at the date of this report, the Directors of the Company had an interest, beneficially and non-beneficially, in an aggregate of 509,127 Ordinary Shares representing 0.79% of the Company's total voting rights.

Directors' conflicts of interest are discussed in the corporate governance report on page 40.

Directors' indemnities

The Company's articles of association indemnify the Directors out of the assets of the Company in the event that they suffer any loss or liability in the execution of their duties as Directors, subject to the provisions of the Companies Act 2006.

Directors' report

continued

Substantial shareholdings

At 4 March 2013, the Company had been notified in accordance with chapter 5 of the Disclosure and Transparency Rules of the Financial Services Authority of the following voting rights of shareholders in the Company:

	Number of Ordinary Shares	Percentage of the Company's total voting rights
BlackRock Inc*	6,139,283	9.54%
Franklin Resources Inc	3,408,196	5.30%
Schroders plc	3,148,747	4.89%
Baillie Gifford & Co	3,251,556	5.05%
BlackRock Special Situations Fund	2,365,848	3.68%
Legal & General Group plc	2,524,957	3.92%

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

Research and development

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

Corporate governance

This is the subject of a separate report on pages 39 to 44 which details the Company's compliance with the Code. The remuneration report is set out on pages 29 to 38.

Social responsibility

The Group's approach to employee involvement, training, equal opportunities and health, safety and the environment is set out in the social responsibility report on pages 20 to 26.

Going concern

The Group is in a very sound financial position, having continued its consistent track record of converting profits into cash. It has significant committed facilities and is operating well within all the associated financial covenants. Accordingly, the

Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing the annual financial statements.

Further information regarding the financial position of the Company, its cash flows, liquidity position and borrowing facilities is given in the financial review on pages 16 and 17. In addition, note 22: Financial instruments describes the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

Payments to suppliers

The Group's policy in relation to all of its suppliers is to settle terms of payment when agreeing the terms of the transaction and to abide by those terms, so long as it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. The Group does not follow any code or statement on payment practice.

At 31 December 2012 the Group had 62 days' (2011: 59 days') purchases outstanding.

Political and charitable contributions

No contributions were made to any political party during the year (2011: £nil). Donations made by the Group in the UK for charitable purposes were £1,851 (2011: £300) with charitable donations of £153,921 (2011: £106,000) made by the Group as a whole.

Change of control

The Group's main banking facilities contain provisions that, upon 15 days' notice being given to the Group, the lender may exercise its discretion to require immediate repayment of the loans on a change of control and cancel all commitments under the agreement.

Certain other commercial agreements, entered into in the normal course of business, include change of control provisions.

There are no agreements providing for compensation for the Directors or employees on a change of control.

Directors' and officers' liability insurance

During the period under review, the Group maintained insurance for its directors and officers in respect of liabilities which could arise on the discharge of their duties.

Annual General Meeting

The 2013 AGM of the Company will take place at the offices of Investec, 2 Gresham Street, London, EC2V 7QP at 11.00am on Thursday, 23 May 2013. The full wording of the resolutions to be tabled at the meeting is set out in the Notice of AGM.

Disclosure of information to auditors

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

Auditors

In accordance with section 489 of the Companies Act 2006, a resolution for the reappointment of KPMG Audit Plc as Auditors to the Company is to be proposed at the forthcoming AGM.

On behalf of the Board

Jackie Holman

Secretary

4 March 2013

Registered Office:

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

Remuneration report

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

Letter from Ruth Cairnie, Chair of the Remuneration Committee

Dear Shareholder

On behalf of the Board, I am pleased to present the Directors' remuneration report for 2012, my first year as Chair of the Remuneration Committee. This report explains the Group's remuneration policy and provides details of the remuneration paid to Executive and Non-executive Directors for services to the Company during the year.

This is the second year in which we are reporting under the terms of the 2010 UK Corporate Governance Code. We remain committed to good corporate governance and, to this end, we have also this year adopted some of the best practice and new disclosure requirements for directors' pay as set out in the forthcoming legislation (the 'New Regulations'), although we shall not formally report under the New Regulations until next year. We also want to continue our constructive dialogue with shareholders on remuneration issues and we shall be engaging with our major shareholders in 2013 ahead of seeking shareholder approval for a new long-term incentive plan, as the present plan will expire in 2014.

Last year, as part of our focus on ensuring that remuneration policy is aligned to both our strategy and the Company's risk profile, we introduced formal shareholding guidelines for Executive Directors and clawback provisions to the annual bonus arrangements and the long-term incentive share plan. Both these measures were effective from the start of 2012. More information is set out in the report regarding the alignment of remuneration policy to long-term shareholder value, strategy and the management of risk.

2012 has been a year of improved performance for the Group, with both revenue and operating profit significantly higher than the previous year, partly as a result of a number of well-executed business improvement initiatives led by the Executive Directors, which are described on page 15. This performance has been reflected in the share price, which rose from 254.1p at the start of the year to 693.5p at the year end.

In determining remuneration levels, the Committee has taken account of market conditions, the performance of the Company, responsibility to shareholders and good corporate governance. It has also considered trends in remuneration across the Group as a whole, to ensure that Executive Directors' remuneration does not move out of line with that of the wider workforce. Having taken all of these things into account, basic salaries of Executive Directors for 2013 have increased by 3% and other elements of their remuneration package are unchanged.

A resolution to approve the Directors' remuneration report will be proposed at the forthcoming Annual General Meeting ('AGM') of the Company, which I hope you will support. If, in the meantime, you have any queries regarding the matters set out in this report, I will be available at the AGM to answer questions.

Ruth Cairnie Chair of the Remuneration Committee

Introduction

In preparing this report, the Remuneration Committee of the Board of Keller Group plc (the 'Committee') has complied with the Companies Act 2006, (the 'Act') including Schedule 8 to the Accounting Regulations (the 'Regulations') and the UK Corporate Governance Code as set out at www.frc.org.uk/corporate/ukcgcode.cfm (the 'Code').

The Regulations require the Auditors to report to the Company's members on the 'auditable part' of the remuneration report and to state whether, in their opinion, that part of the report has been properly prepared in accordance with the Act. The report has therefore been divided into two sections: one setting out the forward looking policy, within the unaudited part of the report; and the other setting out how the policy has been implemented in the year under review, within the audited information. Within the unaudited section, the report deals with the remuneration policy which is to be followed from 1 January 2013.

Unaudited information Remuneration policy

The Committee is firmly of the view that the remuneration policy at Keller has two key purposes: firstly, to provide a clear link between performance and reward and ensure that the Executive Directors' interests are closely aligned with those of our shareholders. Accordingly, when performance has been disappointing, remuneration has reduced sharply and, equally, it is appropriate for improved performance to be reflected in higher rewards. Secondly, the remuneration policy should help us to attract, retain and motivate high calibre executives to manage the business and deliver against our strategy. The Committee believes that the remuneration policy, which will apply to the 2013 financial year, is correctly positioned to meet these two objectives.

Executive Directors are assessed individually on their performance against a mix of financial and personal strategic objectives so that their remuneration is directly related to their performance.

Remuneration report continued

The Committee has adopted the principle that basic salary should be set broadly in line with the median for executives in a role of comparable standing and that Executive Directors should be able to achieve total remuneration at the market upper quartile level when justified by exceptional performance.

Benchmarking of remuneration is not carried out annually, but is a tool used by the Committee from time to time to ensure that remuneration remains competitive. As five years have elapsed since the last full benchmarking exercise, the Committee is of the view that a further benchmarking exercise should be undertaken during 2013. Other than where benchmarking reveals a significant misalignment with market rates, Executive Directors' basic salaries increase broadly in line with salary increases across the Group, although there may be regional differences reflecting local market and trading conditions.

Alignment of remuneration with Company strategy and risk

In the Committee's view, the alignment between strategy, risk and remuneration is vital to the success of the Company. To achieve alignment, the remuneration packages of Executive Directors are leveraged, with an appropriate percentage geared to the achievement of stretching performance targets. These targets are designed to encourage the delivery of the strategy which, in turn,

will lead to improved performance and superior shareholder returns; and to do so in a way that is consistent with the Company's risk profile and its business ethos.

As part of its focus on ensuring alignment of remuneration to strategy and risk, the Committee has adopted shareholding guidelines for Executive Directors. In addition, a clawback provision has been incorporated into both the annual and long-term incentives – again, focusing senior managers on the long-term results of the Company, strengthening the alignment with shareholders and promoting the right behaviours. The Committee is of the view that its policy for incentives is compatible with the Company's risk policies and systems.

Elements of remuneration

There are five main elements of the remuneration package for Executive Directors and selected senior managers: basic salary, performance-related annual bonus, long-term incentive plan, pension arrangements and other benefits. Only basic salary is pensionable. The table below summarises these elements, how they link to strategy and are designed to discourage excessive risk-taking, their operation and performance metrics. There are no changes of policy proposed for 2013.

Remuneration element	Purpose and link to strategy	Operation	Maximum	Performance metrics	Changes for 2013
Basic salary – Fixed cash compensation, dependent upon experience and responsibilities	– Positioned broadly at the median level to ensure adequate retention – Sufficient for executives to not rely on earning incentives	– Reviewed annually effective 1 January – Periodic benchmarking – Pay and conditions throughout the Group taken into account when determining any increase	– No maximum, but positioned broadly at the median – Generally increases linked to average increases for the wider workforce, unless promotion or role change applies	– N/A	– For 2013 basic salaries will increase by 3%
Annual cash bonus – Short-term incentive – up to 100% of salary; varies in accordance with achievement of annual financial and personal strategic objectives – Medium-term incentive – bonus in excess of 100% of basic salary (up to a maximum of 150% of salary) deferred for three years	– Drives and rewards annual performance – Part deferral, together with link to share price, focuses on medium-term performance and alignment with shareholders – A mix of financial and personal strategic objectives ensures a broad focus on different elements of Company performance	– Performance measures and weighting complement the business plan – Targets are reviewed annually and relate to financial and non-financial targets in the business plan – Not pensionable – Bonus up to 100% of salary payable in full for very strong performance – Bonus in excess of 100% of salary only payable for genuinely exceptional performance – Deferred element satisfied in cash, adjusted in line with share price movements over the three-year deferral period, commencing on the last day of the year to which the bonus relates.	– Maximum 150% of salary – Target payout 50% of salary (one third of maximum)	– Growth in profit before tax ('PBT') – Growth in earnings per share ('EPS') – Average net debt target – Personal strategic objectives	– No changes

Remuneration element	Purpose and link to strategy	Operation	Maximum	Performance metrics	Changes for 2013
Long-term incentive plan – Variable long-term remuneration paid in shares – Focuses on long-term financial performance as well as stock market out-performance, through targets based on EPS growth and relative total shareholder return (TSR)	– Retention through delivery of potentially significant deferred remuneration – A considerable part of potential remuneration is linked to long-term Group performance – Retention of vested shares (linked to shareholding guidelines) enables meaningful shareholdings to be built up, aligning interests of senior managers and shareholders	– Award released after three years – Performance measured over three financial years	– Award of 100% of basic annual salary each year – 200% of salary where the Committee determines that exceptional circumstances exist (e.g. on recruitment) – Target vesting 55% of salary	– For up to 50% of an award: annual growth in EPS of RPI+4% to RPI+9% over three years	– No changes to metrics or to size of awards
Pension – Salary supplement, defined benefit plan and defined contribution plan	– Provides for employee welfare and retirement needs – Defined benefit (DB) plan in the UK closed to future benefit accrual in 2006 – Replaced with lower-risk defined contribution (DC) plans	– CEO receives a salary supplement since DB plan closure in 2006 – Other Executive Directors participate in DC plans – Dr Sondermann also participates in a DB plan established in Germany	– No formal maximum, but no plans to exceed current percentages of basic salary	– N/A	– No changes
Other benefits – Company car or car allowance; – Private health care; life assurance; and long-term disability insurance.	– Access to company car to facilitate effective travel – Insured benefits to support the individual and their family to minimise disruption to day to day business e.g. from illness	– Car and payment of its operating expenses, or car allowance – Benefits provided through third-party providers	– N/A	– N/A	– No changes
Executive shareholding guidelines	– Alignment of interests with shareholders	– Executive Directors to hold shares with a value equivalent to 100% of salary	– N/A	– N/A	– No changes
Clawback	– Promotes achievement of targets and performance through acceptable behaviours – Discourages performance and achievement of targets by 'any means'	– Allows clawback of remuneration paid in situations of material misstatement, error and gross misconduct	– N/A	– N/A	– No changes

Remuneration report continued

Environmental, social and governance matters

The Committee takes account of the handling of environmental, social and governance risks when setting performance targets; for example, in 2012 by providing that up to 15% of the total annual bonus potential was at risk if specific personal safety objectives were not met.

The Board may allow Executive Directors to accept external appointments; however, in accordance with the Code, the Board will not agree to a full-time executive taking on more than one non-executive directorship, or the chairmanship of any company. None of the Executive Directors held external appointments during 2012.

Differences in policy for Executive Directors and other employees

Whilst the main elements of remuneration referred to in the table on pages 30 and 31 are broadly reflected in the remuneration of the Group's senior managers, regional differences in some elements reflect local custom and practice. Participation in the Group's long-term incentive plan is not offered outside of the senior

management group and, other than the US Retention Plan, which is offered to some 25 managers in North America, annual bonus plans have no deferred element. Generally, remuneration packages are designed to be locally competitive and appropriate to the jurisdiction in which they apply.

Total remuneration mix

An appropriate balance is maintained between fixed remuneration and variable (performance-related) remuneration. Fixed remuneration is made up of basic salary, pension and other benefits. Variable remuneration is made up of an appropriate mix of short-term and long-term incentives (further details of which are given below). At 'target' performance (i.e. assuming that 50% of salary is payable under the annual bonus and that 55% of the performance share awards vest), 51% of the package for each of the Executive Directors, excluding pension and other benefits, comprises variable elements. If performance-linked elements pay out in full, the proportion of the variable elements increases to 71% of the total package, excluding pension and other benefits.

Further details of the remuneration policy are set out below:

(i) Basic salary

Name	Salary for 2013 in local currency	Increase from 2012	Salary for 2012	% increase in workforce
J R Atkinson	£445,900	3%	£432,900	At least equivalent to regional inflation rate; on average across regions 3-4%
J W G Hind	£320,800	3%	£311,500	
R M Rubright	\$637,600	3%	\$619,000	
W Sondermann	€415,400	3%	€403,300	

(ii) Performance-related annual bonus

The bonus targets for 2012 and actual performance against each target are set out in the implementation section of the report on page 37.

The financial targets for 2013 are based on the same performance metrics as those which applied in 2012. The actual targets for 2013 are considered to be commercially sensitive and accordingly they are not disclosed in this report, but will be disclosed retrospectively.

(iii) Long-term incentive share plan 2013 awards

Having considered carefully the grant levels, taking account of the share price and the performance conditions, grants will be made to Executive Directors in 2013 over shares worth 100% of salary (the same level of award as in 2012).

The Committee has also considered carefully the range of growth targets for awards in 2013 and, despite the baseline from which future performance will be measured being raised significantly in 2012, it has decided to retain the same targets as have been adopted since 2007.

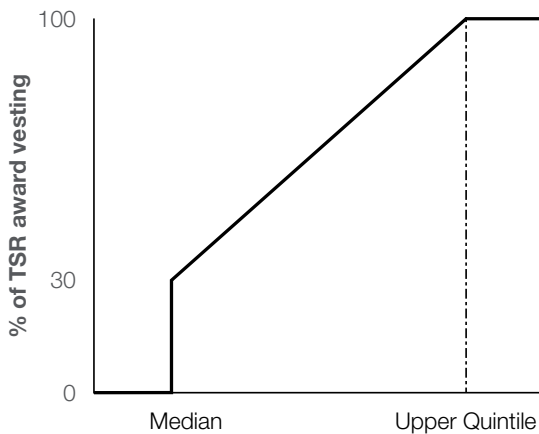
Specific details of the performance conditions applying to long-term incentive awards are set out in the following table:

Plan terms	Terms of award	Additional detail
Performance period	Three years	<ul style="list-style-type: none"> Performance is measured over a single three-year period, with the shareholder return at the end of the period being the average over the last three months of the performance period. No retesting.
Performance targets	50% of award EPS 50% of award TSR	<ul style="list-style-type: none"> EPS is earnings per share before amortisation and impairment of intangible assets and exceptional items, as calculated from the Company's Annual Report and Accounts. TSR performance is compared to the companies comprising the FTSE All-Share Index (as it has been for awards granted since 2007). TSR calculations are independently performed for the Committee by New Bridge Street ('NBS') (a trading name of Aon plc).

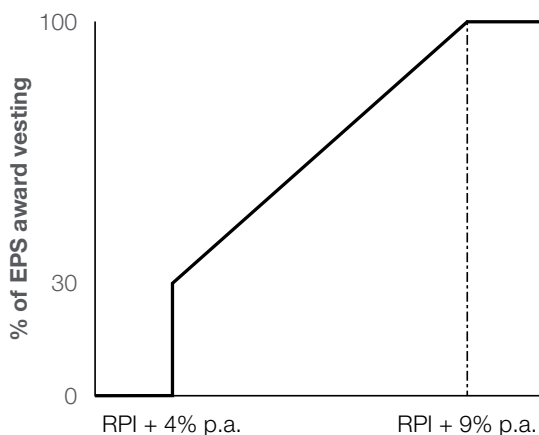
2013 targets

The sliding scale ranges for the EPS and TSR conditions for 2013 are set out below. Performance is measured over a three-year period:

Relative TSR vesting schedule



EPS vesting schedule



The Committee expects that long-term incentive share awards will be satisfied by shares purchased in the market, either specifically to satisfy these awards or shares previously purchased and held in treasury.

The above policy continues to apply to previously granted long-term incentive awards which have not yet vested, as disclosed on page 38.

(iv) Pension arrangements

Justin Atkinson is a member of the Keller Group Pension Scheme (the 'Scheme'). The Scheme provides a pension based upon a percentage of final salary and pensions for dependants on death in service or following retirement.

The table on page 37 shows Justin Atkinson's accrued Scheme benefits. The Scheme closed to future benefit accrual with effect from 31 March 2006, since when he has received a salary supplement in lieu of a Company contribution to an alternative pension arrangement. The salary supplement is not taken into account in determining bonuses or any other form of remuneration.

Wolfgang Sonderrmann is a member of the DB pension arrangements established by Keller Grundbau GmbH. His accrued benefits under these arrangements are included in the table on page 37.

Wolfgang Sonderrmann is also a member of a DC scheme, as are James Hind and Bob Rubright.

Remuneration report continued

Exit payments and service contracts

In accordance with general market practice, it is the Company's policy that Executive Directors should have contracts with an indefinite term providing for a maximum of one year's notice. However, it may be necessary occasionally to offer longer initial notice periods to attract new directors, provided that the notice period shall reduce to one year after the initial period.

Service contracts between the Company (or other companies in the Group*) and individuals who served as Executive Directors at any time during the year are summarised below. All are rolling contracts.

Director	Date of service contract	Notice period	Termination payment	Remuneration entitlements	Change of control
J R Atkinson	6 March 2003	12 months	Maximum of basic annual salary plus the fair value of benefits for the unexpired portion of the notice period, subject to mitigation	A pro-rata bonus may also become payable for the period up to the termination date, along with vesting for outstanding share awards in certain circumstances – see below	As on termination
J W G Hind	16 May 2003				
R M Rubright	8 August 1977 (modified by a memorandum of employment dated 12 May 2003)				
W Sondermann	12 February 1998 (modified by memoranda of employment dated 5 March 2004 and 20 December 2011)			In all cases, performance targets would apply	

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

Consultation and engagement

When finalising the current policy for Executive Directors, the Committee considers pay and conditions elsewhere in the Group. The 3% increase in salary for the Chief Executive in 2013 compares with an average increase across the Group of 3-4%. However, when considering salary increases of the Executive Directors with those of the wider workforce, it should be noted that the workforce employed across the Group's geographically diverse businesses is not a homogenous group and its pay and conditions are designed to be competitive in, and appropriate to, the local employment market. The Committee does not seek the views of employees on its remuneration policy.

The Committee does engage with its major shareholders, as appropriate. No views were expressed by shareholders during the year on the level of remuneration paid to Executive Directors and at the Company's 2012 AGM, over 98% of shareholders voted in favour of the Directors' Remuneration Report. The Company's long-term incentive plan will expire in 2014 and, during 2013, the Committee intends to consult with major shareholders on new arrangements which will be proposed at the 2014 AGM, as well as on executive remuneration matters more generally.

The table below shows the year-on-year change in profit after tax, compared with changes in dividends and aggregate staff costs, as set out in note 5: Employees.

Relevant importance of spend on pay

	2011 £'000	2012 £'000	Percentage change
Profit after tax	16,400	30,000	45%
Dividends	14,700	14,700	0%
Aggregate staff costs	317,500	325,000	2%

Non-executive Directors

All Non-executive Directors have specific terms of engagement, the dates of which are set out below. In the case of Gerry Brown, who was appointed before 1 October 2003, the initial appointment period is 12 months and thereafter the appointment is subject to three months' notice by either party. All appointments made after that date are for an initial three-year period, and thereafter are subject to review by the Nomination Committee, unless terminated by either party on three months' notice. There are no provisions for compensation payable in the event of early termination.

Director	Date of engagement letter	Unexpired term (months as at 4 March 2013)
E G F Brown	18 January 2002	Rolling contract (3 months' notice)
L R Cairnie	8 April 2010	3 months
R A Franklin	17 July 2007 (and 28 July 2009 as Chairman, renewed on 19 June 2012)	30 months
C F Girling	11 February 2011	12 months
P J López Jiménez	21 January 2003	N/A – retired May 2012
D G Savage	1 August 2011	17 months
P N Withers	17 December 2012	33 months

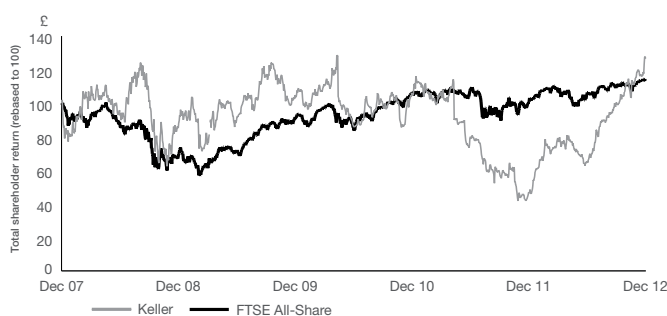
The determination of the Non-executive Directors' remuneration, including that of the Chairman, has been delegated by the Board to the Executive Directors, who are guided by independent surveys of fees paid to non-executive directors of similar companies. The fees paid to Non-executive Directors in the year, shown on page 36, are inclusive of the additional work performed for the Company in respect of membership of the Board Committees and reflect the time commitment and responsibilities of their roles. Non-executive Directors cannot participate in any of the Company's short- or long-term incentive arrangements.

The Non-executive Directors fees for 2013 have increased by approximately 3%.

Relative performance

The graph below shows the Company's performance, measured by TSR, compared with the performance of the FTSE All-Share Index. This index has been selected because it best reflects the Company's international nature and size. The graph looks at the value, by the end of 2012, of £100 invested in Keller on 31 December 2007 compared with the value of £100 invested in the FTSE All-Share Index.

Total Shareholder Return



Application of the policy in the year under review

Remuneration Committee

The Company has established a Remuneration Committee (the 'Committee') in accordance with the recommendations of the Code. The names of members of the Committee during the year are given below. The Committee was chaired by Gerry Brown until 17 April 2012, when Ruth Cairnie took over as Chair. All members served on the Committee throughout the year, except where indicated.

Committee members

L R Cairnie (Chairman)
E G Brown
C F Girling
P N Withers (since 17 December 2012)

No member of the Committee has any personal financial interest (other than as a shareholder), conflict of interest arising from cross-directorships or day-to-day involvement in running the business. Other than Gerry Brown, who has served on the Board for more than ten years and is therefore no longer deemed to be independent under the Code, all members of the Committee were independent throughout the period of their membership. As noted in the Directors' report, Gerry will be standing down at the AGM. Given their diverse backgrounds, the Board believes that the members of the Committee are able to offer an informed and balanced view on executive remuneration issues.

Terms of reference and remit of the Committee

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

Responsibilities:

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

The Committee met twice during the year. Attendance at Committee meetings is shown in the corporate governance statement on page 41.

Evaluation of Committee work

In accordance with the recommendations of the Code, the Board's policy is to formally review its performance and that of its Committees and Directors annually, with the assistance of an external facilitator at least every three years.

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

During the year, the Committee has received advice on Executive Directors' remuneration from NBS. NBS, which was re-appointed by the Committee during the year, having first been appointed in 2003, has also advised the Company on the valuation of share-based payments. Neither NBS, nor any of its associated companies, have provided any other services to the Company. Total fees payable to NBS for work conducted in the year amounted to £22,000, which was charged based on hourly rates.

Remuneration report continued

Audited information

Directors' emoluments for the year ended 31 December 2012

Director	Basic salary & fees 2012 £000	Benefits 2012 £000	Annual bonus 2012 £000	Sub-total emoluments 2012 £000	Sub-total emoluments 2011 £000	Value of vested LTIP ⁶ 2012 £000	Pension contribution 2012 £000	Total 2012 £000	Total 2011 £000
Executive									
J R Atkinson ¹	433	16	372	821	436	–	230	1,051	622
J W G Hind ²	311	13	277	601	351	–	56	657	405
R M Rubright ^{3,4}	392	18	498	908	460	–	59	967	520
W Sondermann ^{3,5}	328	12	266	606	420	–	58	664	477
Non-executive									
E G Brown	49	–	–	49	48	–	–	49	48
L R Cairnie	47	–	–	47	41	–	–	47	41
R A Franklin	150	–	–	150	146	–	–	150	146
C F Girling	49	–	–	49	39	–	–	49	39
P J López Jiménez	18	–	–	18	41	–	–	18	41
D G Savage	49	–	–	49	17	–	–	49	17
R T Scholes	–	–	–	–	20	–	–	–	20
P N Withers	2	–	–	2	–	–	–	2	–
	1,828	59	1,413	3,300	2,019	–	403	3,703	2,376

¹ The pension contribution noted above in respect of Justin Atkinson relates to (i) a salary supplement in lieu of a Company pension contribution of £130,000 (2011: £126,000) following the closure of the Scheme to future benefit accrual in 2006; and (ii) the increase in his accrued pension during the year multiplied by 20, totalling £ 100,000, (2011: £60,000). The total emoluments figure for Justin Atkinson for 2011 has been restated on this basis.

² The pension contribution noted above in respect of James Hind includes £19,000 paid in 2012 as a salary supplement, in order that total (employee and employer) contributions did not exceed the annual tax-allowable limit.

³ Bob Rubright and Wolfgang Sondermann are paid in US dollars and euros respectively. Their basic salaries for 2013 and 2012, expressed in local currency, are shown on page 32.

⁴ The annual bonus of £498,000 noted above for Bob Rubright includes £105,840 which is deferred. This amount, which will be adjusted in line with movements in the Company's share price over the three-year deferral period, will be paid in 2016.

⁵ The pension contribution noted above in respect of Wolfgang Sondermann relates to (i) a DC scheme pension contribution of £55,000 (2011: £57,000) and (ii) the increase in his accrued pension during the year under a DB plan, multiplied by 20, totalling £3,000 (2011: nil).

⁶ No shares have vested in relation to the performance period ended 31 December 2012.

During the year, £20,000 was paid to Mike Martin, a former Director of the Company, for services provided to Group companies.

Below Board remuneration

In 2012 there were 100 senior managers who were paid basic salaries of between £100,000 and £300,000 per annum.

Salary £000	Number of senior managers
100 – 150	77
151 – 200	18
201 – 250	4
251 – 300	1

Salaries are paid in local currencies and at levels determined by market practice in those jurisdictions.

2012 Annual Bonus Payments

The financial targets, together with the actual performance achieved against each target, are set out in the table opposite. The Committee did not exercise any discretion in relation to the financial performance targets. In addition, an element of bonus was linked to personal strategic objectives. This element related to up to 40% of salary for Justin Atkinson, James Hind and Bob Rubright and up to 80% of salary for Wolfgang Sondermann. In each case, up to 15% of total bonus was at risk if leading safety targets were not met.

Director	2012 financial performance targets				2012 actual financial performance				2012 personal performance
	Group EPS (up to 45%)	Group PBT (up to 45%)	Group average net debt (up to 20%)	–	Group EPS	Group PBT	Group average net debt	–	
J R Atkinson	27.0p	£25.0m	£110.0m	–	45.9p	£43.5m	£109.3m	–	Personal strategic objectives (up to 40%)
Threshold	27.0p	£25.0m	£110.0m	–	32%	31%	1%	–	
Maximum	57.0p	£55.0m	£90.0m	–					
Actual									
Awarded									22%
J W G Hind	27.0p	£25.0m	£110.0m	–	45.9p	£43.5m	£109.3m	–	Personal strategic objectives (up to 40%)
Threshold	27.0p	£25.0m	£110.0m	–	32%	31%	1%	–	
Maximum	57.0p	£55.0m	£90.0m	–					
Actual									
Awarded									25%
R M Rubright	27.0p	£25.0m	\$17.5m	Divisional average net debt (up to 20%) \$247.0m	45.9p	£43.5m	\$56.3m	\$236.1m	Personal strategic objectives (up to 40%)
Threshold	27.0p	£25.0m	\$50.0m		9%	9%	70%	11%	
Maximum	57.0p	£55.0m							
Actual									
Awarded									28%
W Sondermann	27.0p	£25.0m	£110.0m	–	45.9p	£43.5m	£109.3m	–	Personal strategic objectives (up to 80%)
Threshold	27.0p	£25.0m	£110.0m	–	20%	20%	0%	–	
Maximum	57.0p	£55.0m	£90.0m	–					
Actual									
Awarded									41%

Directors' pension rights

Company pension contributions for Executive Directors to defined contribution schemes were as follows:

Director	2012 £000	2011 £000	2012 contribution as % of salary
J W G Hind ¹	37	54	12%
R M Rubright	59	60	15%
W Sondermann	55	57	17%
Total	151	171	

¹ In addition, in 2012 James Hind received a salary supplement of £19,000 in lieu of pension contributions.

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

Director	Transfer value of accrued benefit at beginning of year £000	Transfer value of accrued benefit at end of year £000	Increase in transfer value during the year less member contributions £000	Accrued pension at end of year £000	Increase in accrued pension including inflation £000	Increase in accrued pension excluding inflation £000	Transfer value of increase in accrued pension excluding inflation less member contributions £000
J R Atkinson	2,004	2,202	198	103	5	0	0
W Sondermann	82	98	16	4	0	0	1

Remuneration report continued

Directors' shareholdings

The Committee introduced a formal shareholding requirement for Executive Directors for 2012 and future years. Set out below are the shareholdings of Directors as at 31 December 2012 against the guidelines.

Director	Shares held at 31/12/2012	Shares subject to LTIP performance conditions at 31/12/2012	Share ownership guidelines as a % of salary	*Actual ownership as a % of salary and whether requirement met at 31/12/2012
Executive				
J R Atkinson	202,693	232,508	100%	325% – yes
J W G Hind	67,434	167,296	100%	150% – yes
R M Rubright	107,000	202,885	100%	189% – yes
W Sondermann	90,000	188,367	100%	190% – yes
Non-executive				
E G F Brown	17,000	–	n/a	n/a
L R Cairnie	6,000	–	n/a	n/a
R A Franklin	6,000	–	n/a	n/a
C F Girling	3,000	–	n/a	n/a
D G Savage	–	–	n/a	n/a
P N Withers	10,000	–	n/a	n/a

*Reflects closing price on 31 December 2012 of 693.5p.

Directors' interests in the Performance Share Plan

	Awards held at 1 January 2012	Awards granted during the year	Awards exercised during the year	Awards lapsed during the year	Awards held at 31 December 2012	Exercise price (per exercise)	Date from which exercisable	Expiry date
J R Atkinson								
5 March 2009	82,495	–	–	82,495	–	100.0p	05/03/12	04/09/12
5 March 2010	62,232	–	–	–	62,232	100.0p	05/03/13	04/09/13
3 March 2011	67,936	–	–	–	67,936	100.0p	03/03/14	02/09/14
1 March 2012	–	102,340	–	–	102,340	100.0p	01/03/15	31/08/15
J W G Hind								
5 March 2009	59,356	–	–	59,356	–	100.0p	05/03/12	04/09/12
5 March 2010	44,776	–	–	–	44,776	100.0p	05/03/13	04/09/13
3 March 2011	48,879	–	–	–	48,879	100.0p	03/03/14	02/09/14
1 March 2012	–	73,641	–	–	73,641	100.0p	01/03/15	31/08/15
R M Rubright								
5 March 2009	72,557	–	–	72,557	–	100.0p	05/03/12	04/09/12
5 March 2010	54,734	–	–	–	54,734	100.0p	05/03/13	04/09/13
3 March 2011	59,463	–	–	–	59,463	100.0p	03/03/14	02/09/14
1 March 2012	–	88,688	–	–	88,688	100.0p	01/03/15	31/08/15
W Sondermann								
5 March 2009	59,124	–	–	59,124	–	100.0p	05/03/12	04/09/12
5 March 2010	50,419	–	–	–	50,419	100.0p	05/03/13	04/09/13
3 March 2011	55,041	–	–	–	55,041	100.0p	03/03/14	02/09/14
1 March 2012	–	82,907	–	–	82,907	100.0p	01/03/15	31/08/15

The market value of the shares on the dates of grant were: 5 March 2009: 523.0p; 5 March 2010: 655.5p; 3 March 2011: 610.0p; and 1 March 2012: 405.2p.

The 2009, 2010, 2011 and 2012 awards are subject to two performance conditions linked to EPS and TSR, as detailed on page 33.

In the three-year performance period ended 31 December 2012, EPS growth was negative and the Company's TSR ranked number 430 out of 547 live companies in the FTSE All-Share Index, the TSR comparator group for the 2010 grant. Accordingly, none of the performance share awards granted on 5 March 2010 will be exercisable.

The market value of the shares at 31 December 2012 was 693.5p and the range during the year was 265.0p to 700.0p.

There have been no variations to the terms and conditions or performance criteria for share options or performance share awards granted to Executive Directors during the financial year.

On behalf of the Board

Ruth Cairnie
Chair
Remuneration Committee
4 March 2013

Corporate governance

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

The Company is committed to maintaining high standards of corporate governance. The Board recognises that it is accountable to the Company's shareholders for corporate governance and this statement describes how the Company has applied the principles of the 2010 Corporate Governance Code as set out at www.frc.org.uk/corporate/ukcgcode.cfm (the 'Code'). Last year the Code was revised (resulting in the '2012 Code') and in this report we have adopted some of the new disclosure requirements set out in the 2012 Code, although we shall not formally report under the 2012 Code until next year. Throughout the year to 31 December 2012, save as otherwise explained in the paragraph headed 'Compliance with the Code' on page 43, the Board believes that the Company was in compliance with the provisions of the Code. The Company was a smaller company, as defined in the Code, throughout the year immediately prior to the reporting year.

The Board

The Group is controlled through its Board of Directors. The Board's main roles are: to create value for shareholders; to provide entrepreneurial leadership of the Group; to approve the Group's strategic objectives; and to ensure that the necessary financial and other resources are made available to enable those objectives to be met. The Board has a schedule of matters reserved for its approval, which it most recently reviewed in February 2012.

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

The roles of the Chairman and Chief Executive

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

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

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

The Chief Executive is responsible for the following matters:

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

Directors and Directors' independence

The Board currently comprises the Chairman, five other Non-executive Directors and four Executive Directors. The names of the Directors at the date of this report, together with their biographical details, are set out on page 18. All of these Directors served throughout the year, with the exception of Paul Withers who was appointed to the Board on 17 December 2012. In addition, Pedro López Jiménez served on the Board until 18 May 2012.

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

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

Roy Franklin was independent at the time of his appointment as Chairman on 1 August 2009. His other professional commitments are as detailed on page 18.

Gerry Brown is no longer considered to be independent under the Code, having served on the Board for more than ten years. Gerry will stand down at the 2013 AGM, having been replaced as Senior Independent Director by Paul Withers in December 2012.

Pedro López Jiménez, who retired from the Board in May 2012, was also not considered to be independent under the Code, given his association with GTCEISU Construcción, S.A., which is a 49% shareholder in Keller-Terra S.L. and was a 5.6% shareholder in the Company, until Pedro's retirement.

The Board considers all the other Non-executive Directors to have been independent of management throughout the year and, accordingly, the Company had at least two independent Non-executive Directors on the Board throughout 2012.

Corporate governance

continued

There is an agreed procedure for any Director of the Company (whether executive or non-executive and either individually or collectively), to obtain independent professional advice. All Directors have unrestricted access to the Company Secretary and Chairman. The Company Secretary is responsible for advising the Board, through the Chairman, on all governance matters.

Directors' conflicts of interests

Section 175 of the Companies Act 2006 provides that directors have a statutory duty to avoid a situation in which they have, or can have, an interest that conflicts, or possibly may conflict, with the interests of the company. During the year, the Board conducted its annual review of the interests of the Directors. The Board once again reviewed, and formally approved, David Savage's interests in Stonehouse Constructions Limited and Mudajaya Group Berhad, both of which are potential customers of Group companies but are not considered to present an actual conflict with his role as a Non-executive Director of the Company.

Board meetings

The Board had nine meetings during the year. A table showing attendance at these meetings, and at meetings of Board Committees, is set out on page 41. It is usual for Directors who cannot attend a given meeting to share their views on the business of the meeting in advance with the Chairman or the Senior Independent Director.

As part of our policy of holding at least one Board meeting a year at an operational location, one of the Board meetings in 2012 was held in Germany and another was at an operational site in London, giving the Board an opportunity to receive presentations on the regions' markets and prospects and to meet some of the Group's senior managers.

Since September 2012, Board papers have been distributed by way of a secure electronic portal. Documents are normally made available on the portal five business days in advance of the meeting. The portal enables the Directors to receive papers quickly and to review these at a time convenient to them. It houses a secure reading room in which key data and documents are kept, which is maintained by the Company Secretary and is regularly updated.

Board diversity

The Company recognises the need for, and benefits of, diversity on its Board to provide the necessary range of background, experience, values and perspectives to optimise the decision-making process.

Gender is seen as one important aspect of diversity to which the Chairman and the Nomination Committee must pay due regard when deciding upon the most appropriate composition of the Board.

The Board has established a range of backgrounds, capabilities and experiences that are critical for the overall Board composition and this forms the key objective and basis for the search and assessment of candidates for future positions. Within this context,

in the ongoing process of refreshing the Board, the Company continues to encourage and welcome interest from women, as from other candidates who will add to the Board's diversity. Against this overriding objective, the Company does not currently propose to set targets for the percentage of women or other aspects of diversity on its Board in future years.

Professional development

On appointment, Directors are provided with induction training and information about the Group, the role of the Board and the matters reserved for its decision, the terms of reference and membership of the Board Committees and the latest financial information about the Group. This is supplemented by meetings with the Company's legal and other professional advisers, where appropriate, visits to key locations and meetings with certain senior executives to develop the Directors' understanding of the business.

Throughout their period of office, Non-executive Directors are continually updated on the Group's business, its markets, social responsibility matters and other changes affecting the Group and the industry in which it operates, including changes to the legal and governance environment and the obligations on themselves as Directors. In 2012, the Directors received updates on various best practice, regulatory and legislative developments, including 2012 revisions to the UK Corporate Governance Code; new health and safety case law; proposed greenhouse gas emissions reporting; and proposed changes to directors' remuneration reporting regulations.

Performance evaluation and re-election

In accordance with the recommendations of the Code, in late 2011 the Board appointed an independent facilitator to assist in a review of the performance of the Board, its Committees and Directors.

As part of the review, present and former Board members, senior managers and a number of external advisers who interact with the Board were interviewed. The review covered the composition of the Board, including its size, range of experience and skills, international complexion and gender balance, all of which are relevant to its balance and diversity; the quality of the information the Board receives; how it operates as a team and manages conflicts; the focus of Board business and how to make more time for key issues such as strategy, risk management and succession; defining the Board's role and its relationship with the wider business and divisional management; the operation of the Committees of the Board and their responsibilities and remits; and the Group's vision and values.

Findings of the review process were reported and discussed with the Board in 2012 and various suggestions were considered and, where appropriate, implemented. Following this process, the Chairman has confirmed that the Directors standing for election at this year's AGM continue to perform effectively and to demonstrate commitment to their roles.

Given the changes to the Board over the year, another externally facilitated performance evaluation, under the leadership of the Chairman, is now underway.

Relations with shareholders

Throughout the year, the Chief Executive and Finance Director regularly meet with, and make presentations to, institutional investors in the UK, Continental Europe and the US. These include meetings following the announcement of the annual and interim results with the Company's largest institutional shareholders on an individual basis. During the year, a Capital Markets Day was hosted in London for analysts and investors. Keller's four Divisional Managing Directors provided an update on how the Group's strategy was being implemented and current developments within the four divisions. Their presentations were published simultaneously on the Company's website. All major shareholders have the opportunity on request to meet the Chairman, the Senior Independent Director or, on appointment, any new Non-executive Directors. On a regular basis, the Board is apprised of the views of the investment community through the circulation of brokers' research notes and feedback from analysts and investors, supplemented by occasional investor perception surveys.

The AGM is attended by all the Directors and shareholders are invited to ask questions during the meeting and to meet with Directors after the formal proceedings have ended. The Notice of the AGM, detailing all proposed resolutions, is posted to shareholders at least 20 working days prior to the meeting.

The Group maintains a corporate website, containing a wide range of information of interest to investors, including presentations to institutional investors and analysts.

The website is updated with all formal communications to the investment community immediately following their release through a recognised news service.

Board committees

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

	Board	Audit	Remuneration	Nomination	Health, Safety & Environment
J R Atkinson	9/9	-	-	3/3	-
E G F Brown	9/9	4/4	2/2	3/3	2/3
L R Cairnie	8/9	1/1	2/2	2/3	3/3
R A Franklin	9/9	-	-	3/3	-
C F Girling	8/9	4/4	2/2	3/3	-
J W G Hind	9/9	-	-	-	-
R M Rubright	9/9	-	-	-	-
D G Savage	9/9	4/4	2/2	3/3	3/3
W Sondermann	8/9	-	-	-	-
P N Withers	1/1	-	-	-	-

Committee terms of reference

The Board has four regular Committees focusing on Remuneration; Audit; Nominations; and Health, Safety & Environment. Their Terms of Reference were reviewed and updated during the year.

Cross membership ensures that decisions of the four Committees are consistent and, where appropriate, integrated.

Remuneration Committee

The names of members of the Committee during the year are given below. The Committee was chaired by Gerry Brown until 19 April 2012, when Ruth Cairnie was appointed as Chair. All members served on the Committee throughout the year, except where indicated.

Remuneration Committee members

E G F Brown (Chairman until 19 April 2012)
L R Cairnie (Chair from 19 April 2012)
C F Girling
D G Savage (until 19 April 2012)
P N Withers (from 17 December 2012)

Except for Gerry Brown, all members of the Committee were independent throughout the period of their membership.

This Committee is responsible for agreeing with the Board the framework and policy for the remuneration of the Group's executive management and for determining the remuneration packages of the Executive Directors. A more detailed examination of the Committee's work during the year is given on page 35 of the Directors' remuneration report.

Nomination Committee

The Nomination Committee is chaired by the Chairman of the Board, except to the extent that it deals with succession to the chairmanship of the Board, in which case the Senior Independent Director assumes this role. The names of members of the Committee during the year are given below. All members served on the Committee throughout the year, except where indicated.

Nomination Committee members

R A Franklin (Chairman)
J R Atkinson
E G F Brown
L R Cairnie
C F Girling
D G Savage
P N Withers (from 17 December 2012)

The Nomination Committee's role is to monitor the composition and balance of the Board and recommend to the Board the appointment of new Directors. Where appointments to the Board are under consideration, the Committee will normally employ external search consultants, except where exceptional internal candidates have already been identified.

Corporate governance

continued

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

- reviewing the overall structure and composition of the Board;
- reviewing the senior management succession plans;
- recommending to the Board the appointment of Paul Withers as Senior Independent Director, following a formal, rigorous and transparent search process, conducted by external consultants;
- conducting an appraisal of the performance of the Chairman and recommending the renewal of the Chairman's appointment for a further period of three years (meeting chaired and evaluation led by Gerry Brown).

Audit Committee

The Audit Committee was chaired throughout the year by Chris Girling, a Chartered Accountant. The names of members of the Committee during the year are given below. All served on the Committee throughout the year except where indicated and all apart from Gerry Brown were considered by the Company to be independent. The Board has satisfied itself that at least one member of the Committee has recent and relevant financial experience.

Audit Committee members

C F Girling (Chairman)

E G F Brown

L R Cairnie (until 19 April 2012)

D G Savage

P N Withers (from 17 December 2012)

This Committee assists the Board in discharging its responsibility for ensuring that the Group's financial systems provide accurate and up-to-date information on its financial position and that the Group's published financial statements represent a true and fair reflection of this position. It also reviews annually the Group's systems of internal control and the processes for monitoring and evaluating the risks facing the Group.

This Committee met four times during the year, with the Company's external Auditors (the 'Auditors') in attendance and on at least two of these occasions, the Committee met privately with the Auditors without management being present.

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

- reviewing an annual report on the Group's system of internal control and its effectiveness and receiving updates on key risk areas of financial control;
- reviewing and approving the Auditors' engagement letter and audit fee;
- reviewing the Group's draft financial statements prior to Board approval and the Auditors' reports thereon;
- reviewing the scope and results of the audit, its cost-effectiveness and the independence and objectivity of the Auditors;
- approving a rolling three-year programme of independent reviews of aspects of the Group's operations and financial controls and receiving reports on all reviews carried out during the year;
- reviewing compliance with the Group's business conduct programme;

- reviewing the Group's whistle-blowing policy and monitoring the procedures in place for employees to be able to raise matters of possible impropriety;
- receiving reports on whistle-blowing incidents;
- receiving a briefing on the Group's tax position and tax risk management programme;
- receiving briefings on various technical issues, such as accounting standards and their practical consequences for Keller;
- reviewing the Committee's effectiveness and its terms of reference;
- reviewing the Group's policy on employment of the Auditors for non-audit services;
- reviewing the need for an internal audit function; and
- reviewing the Group's policy on the employment of former employees of the Auditors.

Significant issues considered by the Committee in relation to the financial statements focused on the key estimates and judgements in connection with construction contracts in progress, claims on construction contracts, the value of pension liabilities, fair values of net assets acquired in business combinations and goodwill impairment tests. These are discussed in more detail within the 'Accounting estimates and judgements' section of note 2: Principal accounting policies.

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

The Committee's annual evaluation of the Auditors focused on: the calibre of the audit firm (including reputation, presence in the industry, size, resources and geographic spread); its quality control processes; the quality of the team assigned to the audit; the audit scope, fee and audit communications; and the governance and independence of the audit firm.

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

A detailed assessment of the amounts and relationship of audit and non-audit fees and services is carried out each year and the Board has developed and implemented specific rules regulating the placing of non-audit services to the Auditors, which should prevent any impairment of independence.

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

Health, Safety & Environment ('HSE') Committee

The Committee was formally created as a Board Committee, chaired by David Savage, on 19 April 2012. The names of members of the Committee are given below and all served from 19 April until the end of the year, except where indicated.

HSE Committee members

D G Savage (Chairman)
E G F Brown
L R Cairnie
P N Withers (from 17 December 2012)

Justin Atkinson and the Group HSE Director attend all meetings of the Committee.

The purpose of the Committee is to assist the Board in fulfilling its oversight responsibilities in relation to health, safety and environmental matters arising out of the activities of the Company and its subsidiaries.

The Committee is responsible for monitoring and reviewing the Group's Health and Safety Framework and Environmental Policy in line with applicable laws and regulations. It also evaluates and oversees the quality and integrity of the Company's reporting to external stakeholders concerning health, safety and environmental matters.

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

- approving the Group's safety strategy and the 2012 health, safety and environment plan;
- receiving a briefing on the implementation of the 'Think Safe' programme in the UK business;
- visiting two operational sites and reviewing the safety culture and conditions on site;
- receiving safety performance reports and updates on progress against the 2012 health, safety and environment plan; and
- receiving updates on regulatory and legal developments.

Business conduct

The Group takes pride in its good reputation and track record globally. The Business Conduct Programme which was initiated in 2011, seeks to promote honesty, fairness and integrity in relations between employees and their work colleagues, customers, suppliers, competitors and the communities in which they work. A training programme was introduced throughout the organisation and a new whistle-blowing hotline to facilitate the raising of any concerns, either by employees or external whistle-blowers was put in place. The process of training and raising awareness of the Business Conduct Programme has continued throughout 2012 and, save for induction training for new joiners, initial training has been completed, with refresher training now being planned for 2013.

Internal audit

In 2010, PricewaterhouseCoopers was appointed to undertake a structured programme of independent, outsourced reviews of all material business units at least once every three to four years. During 2012, the Audit Committee received and considered reports from PricewaterhouseCoopers which detailed the progress against

the agreed work programme for 2012. This programme covered reviews of business units in eight countries, which together represented approximately 15% of the Group's turnover for the year. In October, the Committee formally reviewed the effectiveness of these arrangements, concluding that the internal audit arrangements were appropriate and effective.

Compliance with the Code

The Board believes that the Company was compliant with the Code throughout the year, save for the fact that Gerry Brown, who is not considered to be independent under the Code, was Chairman of the Remuneration Committee until April 2012 and has remained on all four of the Board Committees, in the interest of continuity and given the considerable contribution that he makes to their work.

Following the 2013 AGM, at which Gerry will be standing down, the Company expects to be able to report full compliance with the Code in future years, including Code Provision B.1.2 as it relates to FTSE 350 companies.

Internal control

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

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

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

(a) Risk identification and evaluation

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

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

(b) Authorisation procedures

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

Corporate governance

continued

(c) Management of project risk

Project risk is managed throughout the life of a contract from the bidding stage to completion.

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

The Group's project risk management systems were reviewed during 2012 and a new Risk Management Framework was developed, which is being implemented throughout the Group.

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

Further detail on the management of project risk is provided in the section headed 'Principal risks and KPIs' on pages 6 and 7.

(d) Health and Safety

There is a regular reporting, monitoring and review of health and safety matters to the HSE Committee and the Board.

(e) Budgeting and forecasting

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

(f) Financial reporting

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

(g) Cash control

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

(h) Investments and capital expenditure

All significant investment decisions, including capital expenditure, are referred to the appropriate divisional or Group authority level.

(i) Independent reviews

The Group has a structured programme of independent, outsourced reviews, covering tendering, operational processes and internal financial controls. The intention is to conduct an independent review of all material business units at least once every three to four years. As discussed in the section headed 'Audit Committee', since 2010 this programme has been undertaken by PricewaterhouseCoopers. The programme is approved and monitored by the Audit Committee, which reviews the findings of each such exercise.

(j) Self-certification

Once a year, managers are asked to confirm the adequacy of the systems of internal financial and non-financial controls for which they are responsible; and their compliance with Group policies, local laws and regulations; and to report any control weaknesses identified in the past year.

(k) Business conduct

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

(l) Whistle-blowing procedures

Employees are encouraged to raise genuine concerns about malpractice at the earliest possible stage and a confidential whistle-blowing hotline and e-mail address is available. Any issues raised are thoroughly investigated and reported back to the Audit Committee.

The management of financial risks is described in the financial review and the management of the principal risks and uncertainties facing the Group is described in the operating review.

Statement of Directors' responsibilities

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

Statement of Directors' responsibilities in respect of the annual report and the financial statements

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

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

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of their profit or loss for that period. In preparing each of the Group and Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs, as adopted by the EU;
- for the Company financial statements, state whether the applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

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

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' report, Directors' remuneration report and corporate governance statement that complies with that law and those regulations.

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

Responsibility statement of the Directors in respect of the annual report and the financial statements

We confirm that to the best of our knowledge:

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

Signed on behalf of the Board

Justin Atkinson
Chief Executive

James Hind
Finance Director
4 March 2013

Independent Auditor's report to the members of Keller Group plc

We have audited the financial statements of Keller Group plc for the year ended 31 December 2012 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement and the related notes. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2012 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Statement set out in the Corporate Governance Report with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

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

Under the Listing Rules we are required to review:

- the Directors' statement, set out in the Directors' Report, in relation to going concern;
- the part of the Corporate Governance Statement in the Corporate Governance Report relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

Andrew Marshall (Senior Statutory Auditor) for and on behalf of KPMG Audit Plc, Statutory Auditor Chartered Accountants

15 Canada Square
London, E14 5GL
4 March 2013



Financial Statements

48	Consolidated financial statements
48	Consolidated income statement
48	Consolidated statement of comprehensive income
49	Consolidated balance sheet
50	Consolidated statement of changes in equity
51	Consolidated cash flow statement
52	Notes to the consolidated financial statements
73	Company financial statements
73	Company balance sheet
74	Notes to the Company financial statements
79	Financial record
<hr/>	
80	Principal offices
IBC	Secretary and advisers

Consolidated income statement

For the year ended 31 December 2012

	Note	2012 £m	2011 £m
Revenue	3	1,317.5	1,154.3
Operating costs	4	(1,269.2)	(1,125.4)
Operating profit	3	48.3	28.9
Finance income	6	3.3	2.1
Finance costs	7	(8.1)	(9.1)
Profit before taxation		43.5	21.9
Taxation	8	(13.5)	(5.5)
Profit for the period		30.0	16.4
Attributable to:			
Equity holders of the parent		29.5	15.9
Minority interests		0.5	0.5
		30.0	16.4
Earnings per share			
Basic earnings per share	10	45.9p	24.8p
Diluted earnings per share	10	45.0p	24.4p

Consolidated statement of comprehensive income

For the year ended 31 December 2012

	Note	2012 £m	2011 £m
Profit for the period		30.0	16.4
Other comprehensive income			
Exchange differences on translation of foreign operations		(5.9)	(6.3)
Net investment hedge (losses)/gains	22	(0.5)	0.3
Cash flow hedge gains taken to equity	22	4.4	–
Cash flow hedge transfers to income statement	22	(4.4)	–
Actuarial (losses)/gains on defined benefit pension schemes	28	(2.8)	1.1
Tax on actuarial losses/(gains) on defined benefit pension schemes	8	0.7	(0.3)
Other comprehensive income for the period, net of tax		(8.5)	(5.2)
Total comprehensive income for the period		21.5	11.2
Attributable to:			
Equity holders of the parent		21.4	10.9
Minority interests		0.1	0.3
		21.5	11.2

Consolidated balance sheet

As at 31 December 2012

	Note	2012 £m	2011 £m
Assets			
Non-current assets			
Intangible assets	11	97.2	100.6
Property, plant and equipment	12	248.5	266.1
Deferred tax assets	8	9.3	6.7
Other assets	13	14.9	15.8
		369.9	389.2
Current assets			
Inventories	15	41.3	37.3
Trade and other receivables	16	347.1	334.7
Current tax assets		6.9	10.5
Cash and cash equivalents	18	57.0	50.0
		452.3	432.5
Total assets	3	822.2	821.7
Liabilities			
Current liabilities			
Loans and borrowings	22	(3.5)	(8.4)
Current tax liabilities		(11.2)	(6.8)
Trade and other payables	19	(290.8)	(252.2)
Provisions	20	(8.1)	(9.7)
		(313.6)	(277.1)
Non-current liabilities			
Loans and borrowings	22	(104.7)	(144.1)
Retirement benefit liabilities	28	(18.2)	(17.7)
Deferred tax liabilities	8	(18.5)	(22.5)
Provisions	20	(4.4)	(4.0)
Other liabilities	21	(27.1)	(29.5)
		(172.9)	(217.8)
Total liabilities	3	(486.5)	(494.9)
Net assets	3	335.7	326.8
Equity			
Share capital	23	6.6	6.6
Share premium account		38.1	38.1
Capital redemption reserve	23	7.6	7.6
Translation reserve		36.6	42.6
Retained earnings		236.7	222.7
Equity attributable to equity holders of the parent		325.6	317.6
Minority interests		10.1	9.2
Total equity		335.7	326.8

These financial statements were approved by the Board of Directors and authorised for issue on 4 March 2013. They were signed on its behalf by:

J R Atkinson
Chief Executive

J W G Hind
Finance Director

Consolidated statement of changes in equity

For the year ended 31 December 2012

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Translation reserve £m	Hedging reserve £m	Retained earnings £m	Attributable to equity holders of the parent £m	Minority interests £m	Total equity £m
At 1 January 2011	6.6	38.0	7.6	48.4	–	220.1	320.7	10.1	330.8
Profit for the period	–	–	–	–	–	15.9	15.9	0.5	16.4
Other comprehensive income									
Exchange differences on translation of foreign operations	–	–	–	(6.1)	–	–	(6.1)	(0.2)	(6.3)
Net investment hedge gains	–	–	–	0.3	–	–	0.3	–	0.3
Actuarial gains on defined benefit pension schemes	–	–	–	–	–	1.1	1.1	–	1.1
Tax on actuarial gains on defined benefit pension schemes	–	–	–	–	–	(0.3)	(0.3)	–	(0.3)
Other comprehensive income for the period, net of tax	–	–	–	(5.8)	–	0.8	(5.0)	(0.2)	(5.2)
Total comprehensive income for the period	–	–	–	(5.8)	–	16.7	10.9	0.3	11.2
Dividends	–	–	–	–	–	(14.7)	(14.7)	(1.1)	(15.8)
Share-based payments	–	–	–	–	–	0.6	0.6	–	0.6
Share capital issued	–	0.1	–	–	–	–	0.1	–	0.1
Acquisition of minority interest	–	–	–	–	–	–	–	(0.1)	(0.1)
At 31 December 2011 and 1 January 2012	6.6	38.1	7.6	42.6	–	222.7	317.6	9.2	326.8
Profit for the period	–	–	–	–	–	29.5	29.5	0.5	30.0
Other comprehensive income									
Exchange differences on translation of foreign operations	–	–	–	(5.5)	–	–	(5.5)	(0.4)	(5.9)
Net investment hedge losses	–	–	–	(0.5)	–	–	(0.5)	–	(0.5)
Cash flow hedge gains taken to equity	–	–	–	–	4.4	–	4.4	–	4.4
Cash flow hedge transfers to income statement	–	–	–	–	(4.4)	–	(4.4)	–	(4.4)
Actuarial losses on defined benefit pension schemes	–	–	–	–	–	(2.8)	(2.8)	–	(2.8)
Tax on actuarial losses on defined benefit pension schemes	–	–	–	–	–	0.7	0.7	–	0.7
Other comprehensive income for the period, net of tax	–	–	–	(6.0)	–	(2.1)	(8.1)	(0.4)	(8.5)
Total comprehensive income for the period	–	–	–	(6.0)	–	27.4	21.4	0.1	21.5
Dividends	–	–	–	–	–	(14.7)	(14.7)	(0.7)	(15.4)
Share-based payments	–	–	–	–	–	1.3	1.3	–	1.3
Capital contribution from minority shareholder	–	–	–	–	–	–	–	1.7	1.7
Acquisition of minority interest	–	–	–	–	–	–	–	(0.2)	(0.2)
At 31 December 2012	6.6	38.1	7.6	36.6	–	236.7	325.6	10.1	335.7

Consolidated cash flow statement

For the year ended 31 December 2012

	Note	2012 £m	2011 £m
Cash flows from operating activities			
Operating profit		48.3	28.9
Depreciation of property, plant and equipment		42.1	41.0
Amortisation of intangible assets		1.5	1.5
Loss/(profit) on sale of property, plant and equipment		0.8	(0.3)
Other non-cash movements		2.5	3.2
Foreign exchange losses		(1.0)	–
Operating cash flows before movements in working capital		94.2	74.3
Increase in inventories		(5.2)	(5.0)
Increase in trade and other receivables		(21.3)	(5.2)
Increase/(decrease) in trade and other payables		44.2	(5.1)
Change in provisions, retirement benefit and other non-current liabilities		(3.5)	(4.2)
Cash generated from operations		108.4	54.8
Interest paid		(4.6)	(5.7)
Income tax paid		(10.7)	(3.8)
Net cash inflow from operating activities		93.1	45.3
Cash flows from investing activities			
Interest received		0.5	0.6
Proceeds from sale of property, plant and equipment		1.9	1.9
Acquisition of subsidiaries, net of cash acquired		–	(0.2)
Acquisition of property, plant and equipment		(33.7)	(37.7)
Acquisition of intangible assets		(0.9)	(1.6)
Acquisition of other non-current assets		–	(0.1)
Net cash outflow from investing activities		(32.2)	(37.1)
Cash flows from financing activities			
Proceeds from the issue of share capital		–	0.1
Capital contribution from minority shareholder		1.7	–
New borrowings		20.5	54.1
Repayment of borrowings		(60.0)	(40.3)
Payment of finance lease liabilities		(0.7)	(0.7)
Dividends paid		(15.4)	(15.8)
Net cash outflow from financing activities		(53.9)	(2.6)
Net increase in cash and cash equivalents		7.0	5.6
Cash and cash equivalents at beginning of period		43.3	39.1
Effect of exchange rate fluctuations		4.5	(1.4)
Cash and cash equivalents at end of period	18	54.8	43.3

Notes to the consolidated financial statements

1 General information

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

2 Principal accounting policies

Statement of compliance

The consolidated financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU.

The Company has elected to prepare its parent company financial statements in accordance with UK GAAP; these are presented on pages 73 to 78.

Basis of preparation

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

The consolidated financial statements are prepared on a going concern basis as set out in the Directors' report on page 28.

Changes in accounting policies and disclosures

(a) New and amended standards adopted by the Group:

There is no significant financial impact on the Group financial statements of the new standards, amendments and interpretations that are in issue and mandatory for the financial year ending 31 December 2012:

- Amendments to IFRS 7, 'Financial instruments: Disclosures' (effective for annual periods beginning on or after 1 July 2011)
- Amendments to IFRS 1, 'First time adoption' (effective for annual periods beginning on or after 1 July 2011)
- Amendment to IAS 12, 'Income taxes' (effective for annual periods beginning on or after 1 January 2012)

(b) New standards, amendments and interpretations issued but not effective for the financial year ending 31 December 2012:

- Amendments to IAS 19, 'Employee benefits' changes the way defined benefit plans are accounted for and the disclosures required for such employee benefits. There will be no significant change to the Group pension cost as a result of implementing this standard. The Group intends to adopt the amendments no later than the accounting period beginning 1 January 2013 (effective for annual periods beginning on or after 1 January 2013)
- IFRS 10, 'Consolidated financial statements' changes the definition of control in determining the scope of consolidation, assisting in particular the determination of control where this is difficult to assess. Given there are few, if any, entities in the Group where control is difficult to assess, there is likely to be no significant impact on the Group financial statements (effective for annual periods beginning on or after 1 January 2014)

- IFRS 11, 'Joint arrangements' introduces new categories of joint arrangements, being joint operations or joint ventures. Joint operations will be proportionally consolidated and joint ventures will be accounted for using the equity method. There are no material joint arrangements that are expected to be classified as joint ventures and therefore implementing this standard is unlikely to have a significant impact on the Group financial statements (effective for annual periods beginning on or after 1 January 2014)
- IFRS 12, 'Disclosure of interests in other entities' combines the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities within a comprehensive disclosure standard. The Group intends to adopt IFRS 12 no later than the accounting period beginning 1 January 2014 (effective for annual periods beginning on or after 1 January 2014)
- IFRS 13, 'Fair value measurement' explains how to measure fair value by providing a new definition and introducing a single set of requirements for almost all fair value measurements, clarifies how to measure fair value when a market becomes less active and requires additional disclosures when fair values are used. The standard does not extend the use of fair values but provides guidance on how it should be used when required or permitted by other IFRSs. There is likely to be no significant impact on the Group financial statements as a result of implementing the standard and the Group intends to adopt the disclosure requirements of IFRS 13 no later than the accounting period beginning 1 January 2013 (effective for annual periods beginning on or after 1 January 2013)
- Amendments to IAS 1, 'Financial statement presentation' regarding additional disclosure of other comprehensive income. The Group intends to adopt the amendment to IAS 1 no later than the accounting period beginning 1 January 2013 (effective for annual periods beginning on or after 1 July 2012)
- Amendments to IAS 27, 'Separate financial statements'. There have been no substantial changes from the previous version of the standard (effective for annual periods beginning on or after 1 January 2014)
- Amendments to IAS 28, 'Investments in associates and joint ventures' regarding accounting for joint ventures using the equity method. Implementing this standard is unlikely to have a significant impact on the Group financial statements (effective for annual periods beginning on or after 1 January 2014)
- Amendments to IFRS 7, 'Financial Instruments: Disclosures' adds new disclosures about financial instruments. The Group intends to adopt IFRS 7 no later than the accounting period beginning 1 January 2013 (effective for annual periods beginning on or after 1 January 2013)
- Amendments to IAS 32, 'Financial Instruments: Presentation' provides new guidance on offsetting financial assets and liabilities. The Group intends to adopt IAS 32 no later than the accounting period beginning 1 January 2014 (effective for annual period beginning on or after 1 January 2014)

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

2 Principal accounting policies continued

Basis of consolidation

The consolidated financial statements consolidate the accounts of the parent and its subsidiary undertakings (collectively 'the Group') made up to 31 December each year. Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Where subsidiary undertakings were acquired or sold during the year, the accounts include the results for the part of the year for which they were subsidiary undertakings using the acquisition method of accounting. Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Jointly controlled operations

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

Revenue recognition

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

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

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

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

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

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

Leases

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

Property, plant and equipment acquired under finance leases are capitalised in the balance sheet at the lower of fair value or present value of minimum lease payments and depreciated in accordance with the Group's accounting policy. The capital element of the

leasing commitment is included as obligations under finance leases. The rentals payable are apportioned between interest, which is charged to the income statement, and capital, which reduces the outstanding obligation.

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

Foreign currencies

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

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

The exchange rates used in respect of principal currencies are:

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

Interest income and expense

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

Employee benefit costs

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

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

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

Taxation

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

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

Notes to the consolidated financial statements

Continued

2 Principal accounting policies continued

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

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

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

Property, plant and equipment

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

Depreciation

Depreciation is not provided on freehold land.

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

The rates of depreciation used are:

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

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

Business combinations

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

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

Goodwill and other intangible assets

Goodwill

Goodwill arising on consolidation, representing the difference between the fair value of the purchase consideration and the fair value of the identifiable net assets of the subsidiary undertaking at the date of acquisition, is capitalised as an intangible asset.

The fair value of identifiable net assets in excess of the fair value of purchase consideration is credited to the income statement in the year of acquisition.

Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is reviewed for impairment annually and whenever there is an indication that the goodwill may be impaired in accordance with IAS 36, with any impairment losses being recognised immediately in the income statement. Goodwill arising prior to 1 January 1998 was taken directly to equity in the year in which it arose. Such goodwill has not been reinstated on the balance sheet.

Other intangible assets

Intangible assets, other than goodwill, include purchased licences, software, patents, trademarks, customer contracts and non-compete undertakings. Intangible assets are capitalised at cost and amortised on a straight line basis over their useful economic lives from the date that they are available for use and are stated at cost less accumulated amortisation and impairment losses. Useful economic lives do not exceed seven years.

Intangible assets acquired in a business combination are accounted for initially at fair value.

Impairment of assets excluding goodwill

At each balance sheet date the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Capital work in progress

Capital work in progress represents expenditure on property, plant and equipment in the course of construction. Transfers are made to other property, plant and equipment categories when the assets are available for use.

Inventories

Inventories are measured at the lower of cost and estimated net realisable value with due allowance being made for obsolete or slow-moving items.

Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition.

2 Principal accounting policies continued

Financial instruments

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

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

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

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

Hedges are accounted for as follows:

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

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

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

Trade receivables

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

Trade payables

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

Borrowings

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

Provisions

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

Financial guarantees

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

Share-based payment

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

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

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

Segmental reporting

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

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

Dividends

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

Notes to the consolidated financial statements

Continued

2 Principal accounting policies continued

Accounting estimates and judgements

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

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

The key estimates and judgements in drawing up the Group's consolidated financial statements are in connection with construction contracts in progress, claims on construction contracts, the valuation of pension liabilities, fair values of net assets acquired in business combinations and goodwill impairment tests.

The Group's approach to estimates and judgements relating to construction contracts and claims is set out in the revenue recognition policy above. The main factors considered when making those estimates and judgements include the likely outcome of negotiations of variations, expectations regarding the recovery of any cost over-runs, the likelihood of successful claims by or against the Group, including the potential for liquidated damages, and the extent to which any claims against the Group are covered by insurance.

Note 28 sets out the principal assumptions underlying the valuation of the Group's defined benefit liabilities which include the discount rate, expected return on assets, rate of inflation and mortality rates. These assumptions were set on the advice of the relevant schemes' actuaries having regard to current market conditions, past history and factors specific to the schemes. A reduction in the discount rate of 0.1% would increase the deficit in the schemes by £0.8m whilst a reduction in the inflation assumption of 0.1% would decrease the deficit by £0.8m.

Key uncertainties in estimating the fair value of net assets acquired in business combinations include the market value of tangible assets and the identification and measurement of separable intangible assets.

As explained in note 11, goodwill has been assessed for impairment by comparing its carrying value with the present value of the discounted cash flows expected to be generated by the relevant cash generating units. Principal areas of uncertainty in respect of valuations are around forecast cash flows and the discount rate. The discount rates used are based on the weighted average cost of capital of comparable entities, adjusted as necessary to reflect the financing and risk associated with the asset being tested.

3 Segmental analysis

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

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

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

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

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

¹ Europe, Middle East and Africa.

² Central items include net debt and tax balances.

Notes to the consolidated financial statements

Continued

4 Operating costs

	Note	2012 £m	2011 £m
Raw materials and consumables		404.0	343.2
Staff costs	5	325.0	317.5
Other operating charges		448.8	376.1
Amortisation of intangibles		1.5	1.5
Operating lease expense:			
Land and buildings		7.5	10.0
Plant, machinery and vehicles		40.3	36.1
Depreciation:			
Owned property, plant and equipment		41.9	40.6
Property, plant and equipment held under finance leases		0.2	0.4
		1,269.2	1,125.4
Other operating charges include:			
Redundancy and other reorganisation costs		5.3	2.0
Fees payable to the Company's auditor for the audit of the Company's annual accounts		0.1	0.1
Fees payable to the Company's auditor for other services:			
The audit of the Company's subsidiaries, pursuant to legislation		0.9	0.9
Tax compliance services		0.4	0.4

5 Employees

The aggregate staff costs of the Group were:	2012 £m	2011 £m
Wages and salaries	286.1	278.3
Social security costs	30.5	30.8
Other pension costs	8.4	8.4
	325.0	317.5

These costs include Directors' remuneration. Disclosures on Directors' remuneration, required by the Companies Act 2006 and those specified for audit by the Financial Services Authority are on pages 36 to 38 within the Directors' remuneration report and form part of these financial statements.

The average number of persons, including Directors, employed by the Group during the year was:	2012 Number	2011 Number
North America	2,414	2,436
EMEA	2,510	2,537
Asia	907	850
Australia	959	934
	6,790	6,757

6 Finance income

	2012 £m	2011 £m
Bank and other interest receivable	0.5	0.3
Expected return on pension scheme assets	1.4	1.5
Other finance income	1.4	0.3
	3.3	2.1

7 Finance costs

	2012 £m	2011 £m
Interest payable on bank loans and overdrafts	3.3	3.8
Interest payable on other loans	1.4	1.0
Interest payable on finance leases	–	0.1
Pension interest cost	2.2	2.5
Other finance costs	1.2	1.7
	8.1	9.1

8 Taxation

	2012 £m	2011 £m
Current tax expense		
Current year	18.4	2.2
Prior years	–	(3.3)
Total current tax	18.4	(1.1)
Deferred tax expense		
Current year	(2.1)	4.6
Prior years	(2.8)	2.0
Total deferred tax	(4.9)	6.6
	13.5	5.5

UK corporation tax is calculated at 24.5% (2011: 26.5%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The effective tax rate can be reconciled to the UK corporation tax rate of 24.5% as follows:	2012 %	2011 %
UK corporation tax rate of 24.5% (2011: 26.5%)	24.5	26.5
Tax charged overseas at rates other than 24.5% (2011: 26.5%)	4.7	3.4
Tax losses	3.9	(2.8)
Permanent differences	4.5	3.7
Adjustment to tax charge in respect of previous periods	(6.6)	(5.8)
Effective tax rate	31.0	25.0

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

	Unused tax losses £m	Accelerated capital allowances £m	Retirement benefit obligations £m	Other employee related liabilities £m	Bad debts £m	Other temporary differences £m	Total £m
At 1 January 2011	(2.9)	31.1	(2.6)	(12.4)	(3.6)	(1.2)	8.4
(Credit)/charge to the income statement	(1.9)	4.2	0.3	(0.3)	0.7	3.6	6.6
Charge to equity	–	–	0.3	–	–	–	0.3
Exchange differences	–	(0.1)	0.3	–	–	0.3	0.5
At 31 December 2011 and 1 January 2012	(4.8)	35.2	(1.7)	(12.7)	(2.9)	2.7	15.8
Charge/(credit) to the income statement	0.2	(2.0)	0.4	(0.6)	(0.6)	(2.3)	(4.9)
Credit to equity	–	–	(0.7)	–	–	–	(0.7)
Exchange differences	(0.2)	(1.9)	0.3	0.7	–	0.1	(1.0)
Reclassification	–	–	–	3.0	–	(3.0)	–
At 31 December 2012	(4.8)	31.3	(1.7)	(9.6)	(3.5)	(2.5)	9.2

The following is the analysis of the deferred tax balances for financial reporting:	2012 £m	2011 £m
Deferred tax liabilities	18.5	22.5
Deferred tax assets	(9.3)	(6.7)
	9.2	15.8

At the balance sheet date, the Group had unused tax losses of £19.5m (2011: £11.1m) available for offset against future profits, on which no deferred tax asset has been recognised. Of these losses, £16.1m (2011: £10.6m) may be carried forward indefinitely.

At the balance sheet date the aggregate of temporary differences associated with investments in subsidiaries, branches and joint ventures for which no deferred tax liability has been recognised is £39.0m (2011: £77.0m). The unprovided deferred tax liability in respect of these timing differences is £1.0m (2011: £1.4m).

Notes to the consolidated financial statements

Continued

9 Dividends payable to equity holders of the parent

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

The Board have recommended a final dividend for the year ended 31 December 2012 of £9.8m, representing 15.2p (2011: 15.2p) per share. The proposed dividend is subject to approval by shareholders at the AGM on 23 May 2013 and has not been included as a liability in these financial statements.

10 Earnings per share

	2012 Basic £m	2012 Diluted £m	2011 Basic £m	2011 Diluted £m
Basic and diluted earnings per share are calculated as follows:				
Earnings (after tax and minority interests), being net profits attributable to equity holders of the parent	29.5	29.5	15.9	15.9
	Number of shares Million	Number of shares Million	Number of shares Million	Number of shares Million
Weighted average of ordinary shares in issue during the year	64.3	64.3	64.3	64.3
Add: weighted average of shares under option during the year	–	1.2	–	1.0
Adjusted weighted average of ordinary shares in issue	64.3	65.5	64.3	65.3
	2012 Pence	2012 Pence	2011 Pence	2011 Pence
Earnings per share	45.9p	45.0p	24.8p	24.4p

11 Intangible assets

	Goodwill £m	Other intangible assets £m	Total £m
Cost			
At 1 January 2011	124.1	14.0	138.1
Additions	–	1.6	1.6
Reassessment	(6.1)	–	(6.1)
Exchange differences	(0.4)	(0.1)	(0.5)
At 31 December 2011 and 1 January 2012	117.6	15.5	133.1
Additions	–	0.9	0.9
Exchange differences	(3.4)	(0.4)	(3.8)
At 31 December 2012	114.2	16.0	130.2
Accumulated amortisation and impairment			
At 1 January 2011	21.9	9.4	31.3
Amortisation charge for the year	–	1.5	1.5
Exchange differences	(0.1)	(0.2)	(0.3)
At 31 December 2011 and 1 January 2012	21.8	10.7	32.5
Amortisation charge for the year	–	1.5	1.5
Exchange differences	(0.8)	(0.2)	(1.0)
At 31 December 2012	21.0	12.0	33.0
Carrying amount			
At 31 December 2012	93.2	4.0	97.2
At 31 December 2011 and 1 January 2012	95.8	4.8	100.6
At 1 January 2011	102.2	4.6	106.8

The reassessment of £6.1m in 2011 relates to the revision of management's estimates of the amount of further contingent consideration payable in respect of Resource Piling which was acquired in October 2009.

In 2012, for impairment testing purposes goodwill has been allocated to 15 separate cash generating units ('CGUs'). Of these, the carrying amount of goodwill allocated to three individual CGUs (Suncoast, HJ Foundations and Keller Limited) is significant in comparison to the total carrying amount of goodwill and comprises 60% of the total. The carrying amounts allocated to three further CGUs, taken together, comprise a further 27% of the total. The relevant CGUs and the carrying amount of the goodwill allocated to each are as set out below, together with the pre-tax discount rate and medium-term growth rate used in their value in use calculations described on page 62:

Cash generating unit	Geographical segment	2012 Carrying value £m	2012 Pre-tax discount rate %	2012 Forecast growth rate %	2011 Carrying value £m	2011 Pre-tax discount rate %	2011 Forecast growth rate %
Suncoast	North America	26.5	14.0	3.0	27.7	16.3	4.0
HJ Foundations	North America	17.1	17.6	3.0	17.9	16.5	3.0
Keller Limited	EMEA	12.1	13.6	2.0	12.1	14.0	2.0
Waterway	Australia	9.0	17.3	1.0	9.2	18.0	3.0
Hayward Baker	North America	8.5	17.9	3.0	8.9	14.3	3.0
Resource Piling	Asia	8.1	12.4	2.0	8.0	12.4	3.0
Other	Various	11.9			12.0		
		93.2			95.8		

Notes to the consolidated financial statements

Continued

11 Intangible assets continued

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

The Group's businesses operate in cyclical markets, some of which are expected to face uncertain conditions over the next couple of years. The most important factors in the value in use calculations, however, are the forecast revenues and gross margins during the forecast period and the discount rates applied to future cash flows. The key assumptions underlying the cash flow forecasts are therefore the extent of the revenue recovery in the forecast five-year period and the gross margins assumed throughout the forecast period. The discount rates used in the value in use calculations are based on the weighted average cost of capital of companies comparable to the relevant CGUs.

Management considers all the forecast improvements in sales, margins and profits to be reasonably achievable given recent performance, the expected recovery, over time, in market conditions and the historic trading results of the relevant CGUs. Cash flows beyond 2017 have been extrapolated using a steady growth rate of between 1% and 3% (shown in the table above), which does not exceed the long-term average growth rates for the markets in which the relevant CGUs operate.

The macroeconomic assumptions underlying most of the forecasts are for a gradual recovery to more normal, mid-cycle, market conditions by 2017. Clearly, in the event that this assumption proves significantly over-optimistic and specific countries experience a continued severe and prolonged depression, such that demand for the Group's products is materially below long-term historic levels for a significant number of years, this would adversely impact the forecast cash flows and more than likely lead to impairments of goodwill. The extent of such impairments however is impossible to predict at this stage.

If, as management considers probable, the medium-term macroeconomic background assumed proves not to be significantly over-optimistic, management believes that any reasonably possible change in the key assumptions on which the recoverable amounts of the CGUs identified above are based would not cause any of their carrying amounts to exceed their recoverable amounts.

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

Suncoast (North America)

Suncoast's revenues are primarily linked to US residential construction spend and the forecast cash flows assume the slight increase during 2010 and 2011 and the strong growth in 2012 is the beginning of a steady recovery in US residential construction. Revenues forecast for 2017 are consistent with national US housing starts of around 1.4 million in that year, which is consistent with the 1.5 million which third-party forecasts generally assume to be the average annual requirement for new homes in the US based on expected demographic trends. Gross margins are forecast to remain stable over the forecast period, at a level some way below that earned in the five years prior to the recent recession, despite considerable operational improvements at Suncoast in recent years.

HJ Foundation (North America)

Revenues for 2013 are forecast to be slightly below 2012 actual revenues, with revenue growing steadily from 2014 for the remainder of the forecast period. Gross margins are forecast to improve in 2013 and then remain stable for the remainder of the forecast period, at a level consistent with other Keller North America piling companies. Revenues and gross margins forecast for 2017 remain well below those achieved in the boom of 2005 and 2006. Management considers the forecast 2017 revenues and gross margins reasonably achievable given recent performance and the expected recovery in HJ's traditional south Florida market, consistent with external construction forecasts. In addition, HJ has the ability to leverage off the wider Keller North America network to grow its revenues outside its traditional south Florida market as US commercial construction recovers.

Keller Limited (UK)

The forecast cash flows assume that revenues will be boosted in 2013 by the significant infrastructure work currently being undertaken. In 2014, revenues are forecast to reduce with a slow recovery anticipated, in line with the general UK construction market, over the remainder of the forecast period. Forecast margins are consistent with the historic average for the business.

Waterway (Australia)

The forecast cash flows of Waterway assume revenues will reduce in 2013 as a result of a very large project being completed in early 2013. Growth in revenues over the remainder of the forecast period is in line with that achieved by the business over the past three years. Forecast margins are consistent with the historic average for the business.

Hayward Baker (North America)

Hayward Baker is geographically diverse and has revenue broadly spread across non-residential construction markets as a whole. The forecast cash flows assume a gradual continuation of the recovery in revenues and profits seen in 2011 and 2012. The forecast revenue growth to 2017 is based on external forecasts for the relevant construction markets. Forecast margins are consistent with the historic average for the business.

Resource Piling (Singapore)

The forecast cash flows of Resource Piling assume revenues will decrease in 2013 reflecting a temporary slowdown in the Singapore construction market. From 2014, revenues are expected to grow gradually over the remainder of the forecast period, in line with the growth achieved by the business since acquisition by the Group in October 2009. Forecast margins are consistent with the historic average for the business.

12 Property, plant and equipment

	Land and buildings £m	Plant, machinery and vehicles £m	Capital work in progress £m	Total £m
Cost				
At 1 January 2011	40.4	451.2	0.9	492.5
Additions	0.8	36.5	0.4	37.7
Disposals	(0.2)	(5.9)	–	(6.1)
Reclassification	–	0.1	(0.1)	–
Exchange differences	(0.5)	(5.5)	(0.1)	(6.1)
At 31 December 2011 and 1 January 2012	40.5	476.4	1.1	518.0
Additions	1.0	33.0	–	34.0
Disposals	(0.8)	(9.4)	(0.2)	(10.4)
Reclassification	–	4.3	(0.6)	3.7
Exchange differences	(1.1)	(13.0)	–	(14.1)
At 31 December 2012	39.6	491.3	0.3	531.2
Accumulated depreciation				
At 1 January 2011	7.8	209.7	–	217.5
Charge for the year	1.0	40.0	–	41.0
Disposals	(0.1)	(4.4)	–	(4.5)
Exchange differences	(0.1)	(2.0)	–	(2.1)
At 31 December 2011 and 1 January 2012	8.6	243.3	–	251.9
Charge for the year	0.8	41.3	–	42.1
Disposals	(0.5)	(7.2)	–	(7.7)
Reclassification	–	3.7	–	3.7
Exchange differences	(0.2)	(7.1)	–	(7.3)
At 31 December 2012	8.7	274.0	–	282.7
Carrying amount				
At 31 December 2012	30.9	217.3	0.3	248.5
At 31 December 2011 and 1 January 2012	31.9	233.1	1.1	266.1
At 1 January 2011	32.6	241.5	0.9	275.0

The net book value of plant, machinery and vehicles includes £0.2m (2011: £1.4m) in respect of assets held under finance leases.

The Group had contractual commitments for the acquisition of property, plant and equipment of £2.7m (2011: £4.3m) at the balance sheet date. These amounts were not included in the balance sheet at the year end.

13 Other non-current assets

	2012 £m	2011 £m
Fair value of derivative financial instruments	2.0	3.6
Other assets	12.9	12.2
	14.9	15.8

Notes to the consolidated financial statements

Continued

14 Investments

The Company's principal operating subsidiary undertakings at 31 December 2012 were as follows:

Subsidiary undertaking	Country of incorporation	Subsidiary undertaking	Country of incorporation
Keller Limited	UK	Keller Polska Sp. z o.o.	Poland
Hayward Baker Inc	USA	Keller Specialni Zakladani, spol. s.r.o.	Czech Republic
Case Foundation Company	USA	Keller Ground Engineering India Private Ltd	India
Case Atlantic Company	USA	Keller (Malaysia) Sdn. Bhd	Malaysia
McKinney Drilling Company LLC	USA	Keller Foundations (South East Asia) Pte Ltd	Singapore
Suncoast Post-Tension Ltd	USA	Resource Piling Pte Ltd	Singapore
HJ Foundation Company	USA	Keller Turki Company Ltd	Saudi Arabia
Keller Grundbau GmbH	Germany	Frankipile Australia Pty Ltd	Australia
Keller Fondations Spéciales SAS	France	Vibro-Pile (Aust.) Pty Ltd	Australia
Keller Grundbau Ges.mbh	Austria	Piling Contractors Pty Ltd	Australia
Keller-Terra S.L.	Spain	Waterway Constructions Group Pty Ltd	Australia
Keller Grundläggning AB	Sweden	Keller Ground Engineering Pty Ltd	Australia
Keller Fondazioni S.r.l.	Italy		

Each of the above subsidiary undertakings is directly or indirectly wholly owned by the Company apart from Keller-Terra S.L., which is 51% owned by Keller Holdings Ltd, and Keller Turki Company Ltd, which is 65% owned by Keller Grundbau GmbH. Keller Limited is held directly by the Company. All other shareholdings are held by intermediate subsidiary undertakings. All companies are engaged in the principal activities of the Group, as defined in the Directors' report.

15 Inventories

	2012 £m	2011 £m
Raw materials and consumables	29.9	26.4
Work in progress	0.3	0.3
Finished goods	11.1	10.6
	41.3	37.3

16 Trade and other receivables

	2012 £m	2011 £m
Trade receivables	291.5	279.1
Construction work in progress	32.8	35.7
Other receivables	14.9	13.2
Prepayments	7.9	6.7
	347.1	334.7

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

	2012 £m	2011 £m
The movement in the provision for bad and doubtful debt is as follows:		
At 1 January	28.0	27.1
Used during the period	(5.7)	(5.0)
Additional provisions	16.2	9.8
Unused amounts reversed	(4.8)	(3.7)
Exchange differences	(0.9)	(0.2)
At 31 December	32.8	28.0

	2012 £m	2011 £m
The ageing of trade receivables that were past due but not impaired was as follows:		
Overdue by less than 30 days	55.8	49.7
Overdue by between 31 and 90 days	21.7	25.1
Overdue by more than 90 days	23.8	26.9
	101.3	101.7

17 Construction contracts

	2012 £m	2011 £m
Construction contracts in progress at balance sheet date:		
Aggregate amount of costs incurred and recognised profits (less recognised losses) to date	609.6	499.5
Retentions withheld by customers	59.5	51.8
Advances received	0.2	1.6

Construction contract revenue recognised in the year in accordance with IAS 11 totalled £1,218.5m (2011: £1,082.9m).

18 Cash and cash equivalents

	2012 £m	2011 £m
Bank balances	50.3	48.4
Short-term deposits	6.7	1.6
Cash and cash equivalents in the balance sheet	57.0	50.0
Bank overdrafts	(2.2)	(6.7)
Cash and cash equivalents in the cash flow statement	54.8	43.3

Bank balances include £4.2m (2011: £nil) of cash held within jointly controlled operations.

19 Trade and other payables

	2012 £m	2011 £m
Trade payables	132.2	123.1
Other taxes and social security payable	11.6	8.6
Other payables	117.4	91.7
Accruals	29.6	28.8
	290.8	252.2

Other payables includes contract accruals and advance billings.

20 Provisions

	Employee provisions £m	Restructuring provisions £m	Other provisions £m	Total £m
At 1 January 2012	10.1	0.7	2.9	13.7
Charge for the year	5.2	0.8	–	6.0
Applied	(4.1)	(0.6)	–	(4.7)
Reversed unused	–	–	(2.0)	(2.0)
Exchange differences	(0.5)	–	–	(0.5)
At 31 December 2012	10.7	0.9	0.9	12.5
To be settled within one year	6.6	0.6	0.9	8.1
To be settled after one year	4.1	0.3	–	4.4
At 31 December 2012	10.7	0.9	0.9	12.5

Employee provisions comprise obligations to employees other than retirement or post-retirement obligations. Other provisions are in respect of legal and other disputes in various Group companies. The majority of provisions are expected to be utilised within five years.

21 Other non-current liabilities

	2012 £m	2011 £m
Fair value of derivative financial instruments	15.8	18.7
Other liabilities	11.3	10.8
	27.1	29.5

Notes to the consolidated financial statements

Continued

22 Financial instruments

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

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

Credit risk

The Group's principal financial assets are trade and other receivables and bank and cash balances. These represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group has stringent procedures to manage counterparty risk and the assessment of customer credit risk is embedded in the contract tendering processes. Customer credit risk is mitigated by the Group's relatively small average contract size and its diversity, both geographically and in terms of end markets. As a result, no customer represented more than 5% of sales in 2012. The counterparty risk on bank and cash balances is managed by limiting the aggregate amount of exposure to any such institution by reference to their credit rating and by regular review of these ratings. The ageing of trade receivables that were past due but not impaired is shown in note 16.

Currency risk

The Group faces currency risk principally on its net assets, of which a large proportion is in currencies other than sterling. The Group aims to reduce the impact that retranslation of these net assets might have on the consolidated balance sheet, by matching the currency of its borrowings, where possible, with the currency of its assets.

The Group manages its currency flows to minimise currency transaction exchange risk. Forward contracts and other derivative financial instruments are used as appropriate to hedge significant individual transactions. The majority of such currency flows within the Group relate to repatriation of profits and intra-group loan payments. The Group's foreign exchange cover is executed primarily in the UK.

At 31 December 2012, the fair value of foreign exchange forward contracts outstanding was £nil (2011: £0.1m).

Interest rate risk

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

Liquidity risk and capital management

The Group's capital structure is kept under constant review, taking account of the need for, availability and cost of various sources of finance. The capital structure of the Group consists of net debt, as shown on page 67, and equity attributable to equity holders of the parent as shown in the consolidated balance sheet. The Group maintains a balance between certainty of funding and a flexible, cost effective financing structure with all main borrowings being from committed facilities. The Group's policy continues to be to ensure that its capital structure is appropriate to support this balance and the Group's operations.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group's debt and committed facilities mainly comprise a US\$70m private placement repayable in 2014, a US\$40m private placement

repayable in 2018 and a £170m syndicated revolving credit facility expiring in 2015. These facilities are subject to certain covenants linked to the Group's financing structure, specifically regarding the ratios of debt and interest to profit. The Group has complied with these covenants throughout the period.

At the year end, the Group also had other committed and uncommitted borrowing facilities totalling £59.0m (2011: £92.6m) to support local requirements.

Private placements

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

The US private placement loans are accounted for on an amortised cost basis, adjusted for the impact of hedge accounting (as described below), and retranslated at the spot exchange rate at each period end. The carrying value of the private placement liabilities at 31 December 2012 was £70.8m (2011: £49.4m).

Hedging

The 2004 US\$70m fixed rate private placement liabilities were swapped into floating rates, US\$45m by means of US dollar interest rate swaps and US\$25m through a dollar euro cross-currency and interest rate swap (together, 'the 2004 swaps'). The 2004 swaps have the same maturity as the private placement loans. The fair value of the 2004 swaps at 31 December 2012 represented an asset of £2.0m (2011: £3.6m) which is included in other non-current assets.

The US\$45m 2004 interest rate swaps have been designated as fair value hedges of the Group's exposure to changes in the fair value of US\$45m of the US private placement loans arising from changes in US interest rates. The US\$ leg of the 2004 cross-currency interest rate swap has been designated a fair value hedge of the Group's exposure to changes in fair value of US\$25m of the private placement loans arising from changes in sterling dollar exchange rates and US interest rates. The effective portion of the change in fair value of these hedging instruments during the year, a loss of £1.9m (2011: £0.6m loss), has been taken to the income statement along with the equal and opposite movement in fair value of the corresponding hedged items.

US\$45m of the private placement liabilities, together with the euro leg of the 2004 cross-currency interest rate swap, are designated as net investment hedges of the Group's dollar and euro-denominated net assets. The effective portion of the change in fair value of these hedging instruments during the year, a gain of £0.3m (2011: £0.3m gain), has been taken to the translation reserve through other comprehensive income along with the foreign exchange gains and losses arising on retranslation of the dollar- and euro-denominated assets they hedge.

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

22 Financial instruments continued

The fair value of the 2006 swaps at 31 December 2012 represented a liability of £13.4m (2011: £18.6m) included in other non-current liabilities. The effective portion of changes in the fair value of the 2006 swaps, a gain of £5.2m (2011: £nil), has been taken to the hedging reserve and fully recycled through the income statement during the year.

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

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

All hedges are tested for effectiveness every six months using the cumulative dollar offset method. All hedging relationships remained effective during the year. The ineffective portion of the movement in the fair value of the hedging instruments was £nil (2011: £nil).

Effective interest rates and maturity analysis

In respect of interest-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they mature. The undiscounted cash flows of these financial instruments are not materially different from their carrying values.

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

	2011	2011	2011	2011	2011	2011	2011
	Effective interest rate %	Due within 1–2 years £m	Due within 2–5 years £m	Due after more than 5 years £m	Total non-current £m	Due within 1 year £m	Total £m
Bank overdrafts	6.3	–	–	–	–	(6.7)	(6.7)
Bank loans*	3.6	(0.5)	(93.9)	(0.3)	(94.7)	(1.4)	(96.1)
Other loans	2.0	–	(49.1)	–	(49.1)	–	(49.1)
Obligations under finance leases*	8.3	(0.1)	(0.2)	–	(0.3)	(0.3)	(0.6)
Total loans and borrowings		(0.6)	(143.2)	(0.3)	(144.1)	(8.4)	(152.5)
Bank balances	1.0	–	–	–	–	48.4	48.4
Short-term deposits*	3.0	–	–	–	–	1.6	1.6
Net debt		(0.6)	(143.2)	(0.3)	(144.1)	41.6	(102.5)
Derivative financial instruments		–	(15.1)	–	(15.1)	–	(15.1)

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

Loans and borrowings consist of the following:

	2012 £m	2011 £m
US\$70m private placement (due October 2014)	46.1	49.4
US\$40m private placement (due August 2018)	24.7	–
£170m syndicated revolving credit facility (expiring April 2015)	33.0	95.3
Bank overdrafts	2.2	6.7
Obligations under finance leases	0.5	0.6
Other loans and borrowings	1.7	0.5
Total loans and borrowings	108.2	152.5

Notes to the consolidated financial statements

Continued

22 Financial instruments continued

In addition, there were non-interest-bearing financial liabilities comprising trade and other payables of £261.2m (2011: £223.4m) which were payable within one year and contingent consideration in respect of acquisitions taking place on or after 1 January 2011 of £0.7m (2011: £0.7m) which were payable within one year.

The Group had unutilised committed banking facilities of £108.1m at 31 December 2012 (2011: £60.0m). This mainly comprised the unutilised portion of the Group's £170m facility which expires on 16 April 2015. In addition, the Group had unutilised uncommitted borrowing facilities totalling £45.1m at 31 December 2012 (2011: £73.6m). All of these borrowing facilities are unsecured. Future obligations under finance leases totalled £0.5m (2011: £0.6m), including interest of £nil (2011: £nil).

Fair values

The fair values of the Group's financial assets and liabilities are not materially different from their carrying values. The following summarises the major methods and assumptions used in estimating the fair values of financial instruments:

Derivatives

The fair value of interest rate and cross-currency swaps is calculated based on expected future principal and interest cash flows discounted using market rates prevailing at the balance sheet date. In 2012 and in 2011, the valuation methods of all of the Group's derivative financial instruments carried at fair value are categorised as Level 2. Level 2 is defined as inputs, other than quoted prices (unadjusted) in active markets for identical assets or liabilities, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Interest-bearing loans and borrowings

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

Contingent consideration

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

Trade and other payables and receivables and construction work in progress

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

Interest rate and currency profile

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

	2012 Sterling	2012 USD	2012 Euro	2012 SGD	2012 AUD	2012 Total
Weighted average fixed debt interest rate	-	-	5.0%	-	-	n/a
Weighted average fixed debt period (years)	-	-	5.6	-	-	n/a

	2012 £m	2012 £m	2012 £m	2012 £m	2012 £m	2012 £m
Fixed rate financial liabilities	-	-	(25.2)	-	-	(25.2)
Floating rate financial liabilities	(7.4)	(32.4)	(32.9)	-	(10.3)	(83.0)
Financial assets	1.3	6.1	26.3	9.7	13.6	57.0
Net debt	(6.1)	(26.3)	(31.8)	9.7	3.3	(51.2)

	2011 Sterling	2011 USD	2011 Euro	2011 AUD	2011 Total
Weighted average fixed debt interest rate	-	-	8.3%	-	n/a
Weighted average fixed debt period (years)	-	-	1.7	-	n/a

	2011 £m	2011 £m	2011 £m	2011 £m	2011 £m
Fixed rate financial liabilities	-	-	(0.6)	-	(0.6)
Floating rate financial liabilities	(36.5)	(52.7)	(46.3)	(16.4)	(151.9)
Financial assets	0.5	4.2	41.6	3.7	50.0
Net debt	(36.0)	(48.5)	(5.3)	(12.7)	(102.5)

Sensitivity analysis

At 31 December 2012, it is estimated that a general increase of one percentage point in interest rates would decrease the Group's profit before taxation by approximately £0.3m (2011: £1.4m). The impact of interest rate swaps has been included in this calculation.

It is estimated that a general increase of ten percentage points in the value of sterling against other principal foreign currencies would have decreased the Group's profit before taxation by approximately £3.8m for the year ended 31 December 2012 (2011: £2.7m). This sensitivity relates to the impact of retranslation of foreign earnings only. The impact on the Group's earnings of currency transaction exchange risk is not significant.

23 Share capital and reserves

	2012 £m	2011 £m
Allotted, called up and fully paid		
Equity share capital:		
66,499,735 ordinary shares of 10p each (2011: 66,483,235)	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. All shares issued in the year related to share options that were exercised.

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

The total number of shares held in Treasury was 2.2m (2011: 2.2m). All shares issued related to share options exercised.

24 Related party transactions

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

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

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

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

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

	2012 £m	2011 £m
Key management personnel compensation comprised:		
Short-term employee benefits	3.4	2.1
Post-employment benefits	0.3	0.2
	3.7	2.3

25 Commitments

(a) Capital commitments

Capital expenditure contracted for at the end of the reporting period but not yet incurred was £2.7m (2011: £4.3m) and relates to property, plant and equipment purchases.

(b) Operating lease commitments

At the balance sheet date the Group's total commitments for future minimum lease payments under non-cancellable operating leases were as follows:

	2012 Land and buildings £m	2012 Plant, machinery and vehicles £m	2012 Total £m	2011 Land and buildings £m	2011 Plant, machinery and vehicles £m	2011 Total £m
Payable within one year	8.0	6.3	14.3	7.9	5.8	13.7
Payable between one and five years inclusive	15.3	8.9	24.2	17.2	8.0	25.2
Payable in over five years	2.7	0.2	2.9	3.3	0.1	3.4
	26.0	15.4	41.4	28.4	13.9	42.3

Notes to the consolidated financial statements

Continued

26 Contingent liabilities

The Group has entered into bonds in the normal course of business relating to contract tenders, advance payments, contract performance and the release of retentions.

The Company and certain of its subsidiary undertakings have entered into a number of guarantees, the effects of which are to guarantee or cross-guarantee certain bank borrowings and other liabilities of other Group companies.

There are claims arising in the normal course of trading, which involve or may involve litigation. All amounts which the Directors consider will become payable on account of such claims have been fully accrued in these accounts.

At 31 December 2012 the Group had standby letters of credit outstanding totalling £25.3m (2011: £24.3m).

27 Share-based payments

The Group has two share option plans, the 2001 Plans and the Performance Share Plan.

Details of the terms and conditions of the Performance Share Plan are set out in the Directors' remuneration report on pages 29 to 38.

Under the 2001 Plans, the option price is the average of the share price for the three days preceding the date of grant. Under the Performance Share Plan, all awards have an exercise price of £1 per exercise. Options outstanding are as follows:

	2001 Plans Options	2001 Plans Weighted average exercise price	Performance Share Plan Options
Outstanding at 1 January 2011	40,000	243.7p	990,532
Granted during 2011	–	–	355,180
Forfeited during 2011	(5,000)	251.0p	–
Lapsed during 2011	–	–	(271,574)
Exercised during 2011	(10,000)	231.5p	–
Outstanding at 31 December 2011 and 1 January 2012	25,000	251.0p	1,074,138
Granted during 2012	–	–	548,476
Forfeited during 2012	–	–	–
Lapsed during 2012	(2,500)	251.0p	(388,527)
Exercised during 2012	(16,500)	251.0p	–
Outstanding at 31 December 2012	6,000	251.0p	1,254,087
Exercisable at 1 January 2011	40,000	243.7p	3,750
Exercisable at 31 December 2011 and 1 January 2012	25,000	251.0p	3,750
Exercisable at 31 December 2012	6,000	251.0p	3,750

Exercises occurred throughout the year. The average share price during the year was 466.7p.

Under IFRS 2, the fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on a stochastic model. The contractual life of the option is used as an input into this model, with expectations of early exercise being incorporated into the model.

The inputs into the stochastic model are as follows:

	2012	2011
Weighted average share price	425.0p	610.0p
Weighted average exercise price	0.0p	0.0p
Expected volatility	41.3%	44.4%
Expected life	3 years	3 years
Risk free rate	0.58%	1.48%
Expected dividend yield	5.36%	3.74%

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

The recognition and measurement principles in IFRS 2 have not been applied to options granted before 7 November 2002 in accordance with the transitional provisions in IFRS 1 and IFRS 2.

The Group recognised total expenses (included in operating costs) of £1.3m (2011: £0.6m) related to equity-settled, share-based payment transactions.

The weighted average fair value of options granted in the year was 314.1p (2011: 448.7p).

28 Retirement benefit liabilities

The Group operates several pension schemes in the UK and overseas.

In the UK, the Group operates the Keller Group Pension Scheme, a defined benefit scheme, which has been closed to new members since 1999 and was closed to all future benefit accrual with effect from 31 March 2006. Under the scheme employees are normally entitled to retirement benefits on attainment of a retirement age of 65.

The Group has two UK defined contribution retirement benefit schemes. There were no contributions outstanding in respect of these schemes at 31 December 2012 (2011: £nil). The total UK defined contribution pension charge for the year was £0.9m (2011: £0.8m).

The Group also has defined benefit retirement obligations in Germany and Austria. These obligations are funded on the Group's balance sheet.

The Group operates a defined contribution scheme for employees in North America, where the Group is required to match employee contributions up to a certain level in accordance with the scheme rules. The total North America pension charge for the year was £2.3m (2011: £1.7m).

In Australia there is a defined contribution scheme where the Group is required to ensure that a prescribed level of superannuation support of an employee's notional base earnings is made. This prescribed level of support is currently 9% (2011: 9%). The total Australian pension charge for the year was £4.5m (2011: £4.5m).

Details of the Group's defined benefit schemes are as follows:	The Keller Group Pension Scheme (UK) Year ended 31 December 2012 £m	The Keller Group Pension Scheme (UK) Year ended 31 December 2011 £m	German and Austrian Schemes Year ended 31 December 2012 £m	German and Austrian Schemes Year ended 31 December 2011 £m
Present value of the scheme liabilities	(41.1)	(38.0)	(11.5)	(11.9)
Present value of assets	34.4	32.2	–	–
Deficit in the scheme	(6.7)	(5.8)	(11.5)	(11.9)

The value of the scheme liabilities has been determined by the actuary using the following assumptions:	31 December 2012 %	31 December 2011 %	31 December 2012 %	31 December 2011 %
Discount rate	4.4	4.7	3.5	4.5
Expected return on scheme assets	4.5	4.6	n/a	n/a
Rate of increase in pensions in payment	2.8	3.0	2.0	2.0
Rate of increase in pensions in deferment	2.3	2.2	2.0	2.0
Rate of inflation	2.8	3.0	2.0	2.0

The mortality rate assumptions are based on published statistics. The average remaining life expectancy, in years, of a pensioner retiring at the age of 65 at the balance sheet date is:

	The Keller Group Pension Scheme (UK) Year ended 31 December 2012	The Keller Group Pension Scheme (UK) Year ended 31 December 2011	German and Austrian Schemes Year ended 31 December 2012	German and Austrian Schemes Year ended 31 December 2011
Male currently aged 65	21.6	20.3	19.1	18.9
Female currently aged 65	23.7	22.8	23.2	23.0

The assets of the schemes were as follows:	Value as at 31 December 2012 £m	Value as at 31 December 2011 £m	Value as at 31 December 2012 £m	Value as at 31 December 2011 £m
Equities	22.0	20.6	n/a	n/a
Bonds	12.4	11.6	n/a	n/a
	34.4	32.2	n/a	n/a

The expected return on scheme assets is a weighted average of the assumed long-term returns of the relevant asset classes. Equity returns are developed based on the selection of an appropriate risk premium above the risk-free rate which is measured in accordance with the yield on government bonds. Bond returns are selected by reference to the yields on government and corporate debt as appropriate to the scheme's holdings of these instruments.

Notes to the consolidated financial statements

Continued

28 Retirement benefit liabilities continued

	The Keller Group Pension Scheme (UK) Year ended 31 December 2012 £m	The Keller Group Pension Scheme (UK) Year ended 31 December 2011 £m	German and Austrian Schemes Year ended 31 December 2012 £m	German and Austrian Schemes Year ended 31 December 2011 £m
Changes in scheme liabilities				
Opening balance	(38.0)	(38.0)	(11.9)	(12.7)
Current service cost	–	–	(0.1)	(0.3)
Interest cost	(1.7)	(2.0)	(0.5)	(0.5)
Curtailement	–	–	0.4	–
Benefits paid	1.3	1.5	1.1	0.9
Exchange differences	–	–	0.3	0.2
Actuarial (losses)/gains	(2.7)	0.5	(0.8)	0.5
Closing balance	(41.1)	(38.0)	(11.5)	(11.9)
Changes in scheme assets				
Opening balance	32.2	30.6	–	–
Expected return on scheme assets	1.4	1.5	–	–
Employer contributions	1.4	1.5	–	–
Benefits paid	(1.3)	(1.5)	–	–
Actuarial gains	0.7	0.1	–	–
Closing balance	34.4	32.2	–	–
Actual return on scheme assets	2.1	1.6	–	–
Statement of comprehensive income (SOCl)				
Actuarial gains from assets	0.7	0.1	–	–
Actuarial (losses)/gains from liabilities	(2.7)	0.5	(0.8)	0.5
Net actuarial (losses)/gains	(2.0)	0.6	(0.8)	0.5
Cumulative actuarial losses	(13.3)	(11.3)	(2.6)	(1.8)
Expense/(income) recognised in the income statement				
Current service cost	–	–	0.1	0.3
Curtailement	–	–	(0.4)	–
Operating (income)/costs	–	–	(0.3)	0.3
Interest cost	1.7	2.0	0.5	0.5
Expected return on scheme assets	(1.4)	(1.5)	–	–
Expense recognised in the income statement	0.3	0.5	0.2	0.8
Movements in the balance sheet liability				
Net liability at start of year	5.8	7.4	11.9	12.7
Expense recognised in the income statement	0.3	0.5	0.2	0.8
Employer contributions	(1.4)	(1.5)	–	–
Benefits paid	–	–	(1.1)	(0.9)
Exchange differences	–	–	(0.3)	(0.2)
Actuarial losses/(gains) recognised in SOCl	2.0	(0.6)	0.8	(0.5)
Net liability at end of year	6.7	5.8	11.5	11.9

The expected return on the average value of the assets over the year was calculated using the long-term average rate of return expected over the remaining term of the scheme's liabilities. The contributions expected to be paid during 2013 are £1.5m.

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

	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Present value of defined benefit obligations	(52.6)	(49.9)	(50.7)	(48.0)	(39.9)
Fair value of scheme assets	34.4	32.2	30.6	27.8	26.3
Deficit in the schemes	(18.2)	(17.7)	(20.1)	(20.2)	(13.6)
Experience adjustments on scheme liabilities	(3.5)	1.0	(2.6)	(7.7)	4.4
Experience adjustments on scheme assets	0.7	0.1	1.3	(0.2)	(2.7)

29 Post balance sheet events

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

Company balance sheet

As at 31 December 2012

	Note	2012 £m	2011 £m
Fixed assets			
Intangible assets	4	0.1	0.2
Tangible fixed assets	5	0.2	0.2
Investments	6	127.3	127.3
		127.6	127.7
Current assets			
Debtors*	7	292.6	301.3
Cash and bank balances		–	0.8
Creditors: amounts falling due within one year	8	(10.8)	(5.4)
Net current assets*		281.8	296.7
Total assets less current liabilities		409.4	424.4
Creditors: amounts falling due after more than one year	9	(138.3)	(179.2)
Retirement benefits	15	(1.2)	(1.0)
Net assets		269.9	244.2
Capital and reserves			
Called up share capital	10	6.6	6.6
Share premium account	12	38.1	38.1
Capital redemption reserve	12	7.6	7.6
Profit and loss account	12	217.6	191.9
Shareholders' funds	11	269.9	244.2

* Debtors and net current assets include debtors recoverable after more than one year of £283.8m (2011: £294.7m).

These financial statements were approved by the Board of Directors and authorised for issue on 4 March 2013.

They were signed on its behalf by:

J R Atkinson
Chief Executive

J W G Hind
Finance Director

Notes to the Company financial statements

1 Significant accounting policies

These financial statements have been prepared under the historical cost convention in accordance with applicable accounting standards of UK Generally Accepted Accounting Practice.

The Company has taken the exemption granted under SI 2008/489 not to disclose non-audit fees paid to its auditors.

The following accounting policies have been applied consistently.

The principal accounting policies adopted under UK GAAP are the same as the Group's accounting policies under International Financial Reporting Standards except for those listed below:

Basis of accounting

No profit and loss account is presented for the Company as permitted by Section 408 of the Companies Act 2006.

Retirement benefits

The Company operates a defined benefit pension scheme, and also makes payments into defined contribution schemes for employees.

The liability in respect of the defined benefit scheme is the present value of the defined benefit obligations at the balance sheet date, calculated using the projected unit credit method, less the fair value of the scheme's assets.

The Company has applied the requirements of FRS 17 recognising the current service cost and interest on scheme liabilities in the profit and loss account, and actuarial gains and losses in reserves.

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

Investments

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

Deferred taxation

Except where otherwise required by FRS 19, full provision without discounting is made for all timing differences which have arisen but not reversed at the balance sheet date.

Tangible fixed assets

Tangible fixed assets principally consist of leasehold improvements which are depreciated over the term of the lease.

2 Employees

The Company has no employees other than the Directors. Directors' remuneration and details of their share-based payments are disclosed in the Directors' remuneration report on pages 29 to 38.

3 Dividends paid

Ordinary dividends paid on equity shares are disclosed in note 9 to the consolidated financial statements.

4 Intangible assets

	Development costs £m	Total £m
Cost		
At 1 January 2012	0.3	0.3
Additions	–	–
At 31 December 2012	0.3	0.3
Accumulated amortisation		
At 1 January 2012	0.1	0.1
Amortisation charge for the year	0.1	0.1
At 31 December 2012	0.2	0.2
Carrying amount		
At 1 January 2012	0.2	0.2
At 31 December 2012	0.1	0.1

5 Tangible fixed assets

	Leasehold improvements £m	Total £m
Cost		
At 1 January 2012	0.4	0.4
Additions	–	–
At 31 December 2012	0.4	0.4
Accumulated depreciation		
At 1 January 2012	0.2	0.2
Charge for the year	–	–
At 31 December 2012	0.2	0.2
Carrying amount		
At 1 January 2012 and 31 December 2012	0.2	0.2

6 Investments

The Company's principal investments are disclosed in note 14 to the consolidated financial statements.

7 Debtors

	2012 £m	2011 £m
Amounts owed by subsidiary undertakings	290.4	297.5
Other debtors	2.2	3.8
	292.6	301.3
Included in the above are amounts falling due after more than one year in respect of:		
Amounts owed by subsidiary undertakings	281.8	291.1
Other debtors	2.0	3.6
	283.8	294.7

The majority of transactions with subsidiary undertakings are with subsidiaries that are 100% owned by the Group. The only exception to this is £92,637 (2011: £277,200) of costs that were recharged by the Company during the year to Keller-Terra S.L., which is 51% owned by the Group. £92,637 (2011: £nil) of these costs are included in Amounts owed by subsidiary undertakings.

Notes to the Company financial statements

Continued

8 Creditors: amounts falling due within one year

	2012 £m	2011 £m
Bank overdraft	4.7	–
Amounts owed to subsidiary undertakings	1.4	0.9
Other creditors	3.7	4.0
Accruals	1.0	0.5
	10.8	5.4

9 Creditors: amounts falling due after more than one year

	2012 £m	2011 £m
Bank loans	28.8	83.5
Other loans	69.5	47.6
Other creditors	15.8	18.7
Amounts owed to subsidiary undertakings	24.2	29.4
	138.3	179.2
Bank and other loans are repayable as follows:		
Between two and five years	73.6	131.1
After five years	24.7	–
	98.3	131.1

The Company had unutilised committed banking facilities of £98.9m at 31 December 2012 (2011: £50.4m). This comprised the unutilised portion of the Company's £170m revolving credit facility which expires in April 2015.

10 Share capital

Details of the Company's share capital are given in note 23 to the consolidated financial statements.

11 Reconciliation of movements in shareholders' funds

	2012 £m	2011 £m
Profit for the financial year	39.5	3.8
Net actuarial losses	(0.4)	–
Dividends	(14.7)	(14.7)
Issue of new shares	–	0.1
Share-based payments	1.3	0.6
Net movements in shareholders' funds	25.7	(10.2)
Shareholders' funds at 1 January	244.2	254.4
Shareholders' funds at 31 December	269.9	244.2

All shares issued relate to share options that were exercised.

12 Reserves

	Share premium account £m	Capital redemption reserve £m	Profit and loss account £m	Total £m
At 1 January 2012	38.1	7.6	191.9	237.6
Profit for the financial year	–	–	39.5	39.5
Net actuarial losses	–	–	(0.4)	(0.4)
Dividends	–	–	(14.7)	(14.7)
Share-based payments	–	–	1.3	1.3
At 31 December 2012	38.1	7.6	217.6	263.3

Of the profit and loss account reserve, an amount of £100.8m attributable to profits arising on an intra-group reorganisation is not distributable.

13 Share-based payments

Details of the Company's share option plans are given in note 27 to the consolidated financial statements.

14 Contingent liabilities

The Company and certain of its subsidiary undertakings have entered into a number of guarantees in the ordinary course of business, the effects of which are to guarantee or cross-guarantee certain bank borrowings and other liabilities of other Group companies. At 31 December 2012, the Company's liability in respect of the guarantees against bank borrowings amounted to £16.4m (2011: £19.3m). In addition, standby letters of credit outstanding totalled £25.3m (2011: £24.3m). No amounts were paid or liabilities incurred relating to these guarantees during 2012 (2011: £nil).

15 Retirement benefit schemes

In the UK, the Company participates in the Keller Group Pension Scheme, a defined benefit scheme, details of which are given in note 28 to the consolidated financial statements. The Company's share of the present value of the assets of the scheme at the date of the last actuarial valuation on 5 April 2011 was £5.0m and the actuarial valuation showed a funding level of 82%.

Details of the actuarial methods and assumptions, as well as steps taken to address the deficit in the scheme, are given in note 28 to the consolidated financial statements.

There were no contributions outstanding in respect of the defined contribution schemes at 31 December 2012 (2011: £nil).

Details of the Company's share of the Keller Group Pension Scheme are as follows:	2012 £m	2011 £m
Present value of the scheme liabilities	(7.1)	(6.6)
Present value of assets	5.9	5.6
Deficit in the scheme	(1.2)	(1.0)

The assets of the scheme were as follows:	2012 £m	2011 £m
Equities	3.8	3.6
Bonds	2.1	2.0
	5.9	5.6

Notes to the Company financial statements

Continued

15 Retirement benefit schemes continued

	2012 £m	2011 £m
Changes in scheme liabilities		
Opening balance	(6.6)	(6.1)
Interest cost	(0.2)	(0.3)
Benefits paid	0.2	0.2
Actuarial losses	(0.5)	(0.4)
Closing balance	(7.1)	(6.6)
Changes in scheme assets		
Opening balance	5.6	4.9
Expected return on scheme assets	0.2	0.3
Employer contributions	0.2	0.2
Benefits paid	(0.2)	(0.2)
Actuarial gains	0.1	0.4
Closing balance	5.9	5.6
Actual return on scheme assets	0.3	0.3
Statement of total recognised gains and losses (STRGL)		
Actuarial gains from assets	0.1	0.4
Actuarial losses from liabilities	(0.5)	(0.4)
Net actuarial losses	(0.4)	-
Cumulative actuarial losses	(1.6)	(1.2)
Expense recognised in the profit and loss account		
Interest cost	0.2	0.3
Expected return on scheme assets	(0.2)	(0.3)
Expense recognised in the profit and loss account	-	-
Movements in the balance sheet liability		
Net liability at start of year	1.0	1.2
Expense recognised in the profit and loss account	-	-
Employer contributions	(0.2)	(0.2)
Actuarial losses recognised in STRGL	0.4	-
Net liability at end of year	1.2	1.0

The expected return on the average value of the assets over the year was calculated using the long-term average rate of return expected over the remaining term of the scheme's liabilities. The contributions expected to be paid during 2013 are £0.2m.

The history of experience adjustments on scheme assets and liabilities is as follows:

	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Present value of defined benefit obligations	(7.1)	(6.6)	(6.1)	(5.8)	(4.6)
Fair value of scheme assets	5.9	5.6	4.9	4.4	4.2
Deficit in the scheme	(1.2)	(1.0)	(1.2)	(1.4)	(0.4)
Experience adjustments on scheme liabilities	(0.5)	(0.4)	(0.2)	(1.1)	0.6
Experience adjustments on scheme assets	0.1	0.4	0.2	(0.1)	(0.4)

Financial record

	2003 ¹ £m	2004 £m	2005 £m	2006 £m	2007 £m	2008 £m	2009 £m	2010 £m	2011 £m	2012 £m
Consolidated income statement										
Continuing operations										
Revenue	505.4	526.2	685.2	857.7	955.1	1,196.6	1,037.9	1,068.9	1,154.3	1,317.5
EBITDA ²	40.7	44.8	65.0	104.9	125.8	144.3	113.2	85.0	71.4	91.9
Operating profit ²	28.9	33.3	55.3	89.3	107.4	119.4	77.3	43.3	28.9	48.3
Net finance costs	(4.0)	(4.0)	(4.6)	(5.6)	(4.2)	(6.2)	(2.6)	(3.7)	(7.0)	(4.8)
Profit before taxation ²	24.9	29.3	50.7	83.7	103.2	113.2	74.7	39.6	21.9	43.5
Taxation	(11.3)	(12.0)	(20.4)	(30.7)	(35.9)	(35.9)	(22.6)	(11.0)	(5.5)	(13.5)
Profit for the period before exceptional items	13.6	17.3	30.3	53.0	67.3	77.3	52.1	28.6	16.4	30.0
Exceptional items ³	–	–	–	3.8	–	–	–	(17.1)	–	–
Profit for the period	13.6	17.3	30.3	56.8	67.3	77.3	52.1	11.5	16.4	30.0
Consolidated balance sheet										
Working capital	39.9	44.2	46.5	54.8	55.7	92.2	85.0	106.7	119.8	97.6
Property, plant and equipment	82.2	80.9	90.4	114.6	155.8	254.7	264.4	275.0	266.1	248.5
Intangible and other non-current assets	57.0	51.8	55.7	66.3	94.5	124.3	131.8	122.9	116.4	112.1
Net debt	(60.7)	(58.7)	(40.9)	(38.6)	(54.5)	(84.6)	(78.8)	(94.0)	(102.5)	(51.2)
Other net assets/liabilities	(20.8)	(27.2)	(34.5)	(38.0)	(40.0)	(84.0)	(79.1)	(79.8)	(73.0)	(71.3)
Net assets	97.6	91.0	117.2	159.1	211.5	302.6	323.3	330.8	326.8	335.7
Key performance indicators										
Basic earnings per share from continuing operations (pence) ²	24.8	23.3	43.8	79.0	97.6	111.1	78.8	44.0	24.8	45.9
Dividend per share	10.4	10.9	12.0	15.6	18.0	20.7	21.8	22.8	22.8	22.8
Operating margin ²	5.7%	6.3%	8.1%	10.4%	11.2%	10.0%	7.4%	4.1%	2.5%	3.7%
Return on net operating assets ^{2,4}	23%	27%	42%	58%	56%	43%	24%	12%	7%	12%
Net debt: EBITDA	1.5x	1.3x	0.6x	0.4x	0.4x	0.6x	0.7x	1.1x	1.4x	0.6x

¹ The basis of preparation for the 2003 consolidated financial statements was UK GAAP.

² Before exceptional items.

³ Exceptional items consist of non-recurring tax credits and goodwill impairment charges (after tax).

⁴ Calculated as operating profit² expressed as a percentage of average working capital and property, plant and equipment.

Principal offices

North America

Case Foundation Company
1325 West Lake Street
Roselle
Illinois 60172
Telephone +1 630 529 2911
www.casefoundation.com

Hayward Baker Inc
1130 Annapolis Road
Suite 202
Odenton
Maryland 21113
Telephone +1 410 551 8200
www.haywardbaker.com

H J Foundation
8275 NW 80 Street
Miami
Florida 33166
Telephone +1 305 592 8181
www.hjfoundation.com

McKinney Drilling Company
1130 Annapolis Road
Suite 103
Odenton
Maryland 21113
Telephone +1 410 874 1235
www.mckinneydrilling.com

Suncoast Post-Tension Ltd
509 N. Sam Houston Parkway
East
Suite 400
Houston
Texas 77060
Telephone +1 281 668 1840
www.suncoast-pt.com

South America

**Keller Engenharia
Geotécnica Ltda**
Rua Victor Civitá
66 – Ed. 04. Salas 225–227
Rio Office Park – Barra da Tijuca
Cep:22775-044 Rio de Janeiro –
RJ – Brasil
Telephone +55 21 3535 9911
www.kellerbrasil.com.br

Europe

Keller Fondations Spéciales
2 rue Denis Papin
CS 69224 Duttlenheim
67129 Molsheim Cedex
France
Telephone +33 3 88599200
www.keller-france.com

Keller Grundbau GmbH
Kaiserleistrasse 8
63067 Offenbach
Germany
Telephone +49 69 80510
www.kellergrundbau.de

Keller Grundbau Ges.mmbH
Mariahilfer Strasse 127a
1150 Wien
Austria
Telephone +43 1 8923526
www.kellergrundbau.at

Keller Limited
Oxford Road
Ryton-on-Dunsmore
Coventry CV8 3EG
Telephone +44 2 476 511 266
www.keller-uk.com

Keller Polska Sp. z o.o.
ul. Poznańska 172
05-850
Ozarów Mazowiecki
Warsaw
Poland
Telephone +48 22 733 8270
www.keller.com.pl

Keller-Terra S.L.
C/Miguel Yuste, No. 45 bis
E28037 Madrid
Spain
Telephone +34 91 423 7561
www.kellerterra.com

Asia

**Keller Foundations (SE Asia)
Pte Ltd**
18 Boon Lay Way
#04–104 Tradehub 21
Singapore 60 99 66
Telephone +65 6316 8500
www.kellerfareast.com

**Keller Ground Engineering
India Pvt. Ltd.**
1st Floor, Eastern Wing
Economist House
S-15, First Cross Road
Guindy Industrial Estate,
Chennai 600032, India
Telephone +91 44 2250 1850/1
www.kellerfareast.com

Keller (Malaysia) Sdn. Bhd.
B5-10 Block B, Plaza Dwtasik
Bandar Sri Permaisuri
56000 Kuala Lumpur
Malaysia
Telephone +603 9173 3198
www.kellerfareast.com

Resource Piling Pte Ltd
No1 Upper Aljunied Link (Block A)
#07-06 Joo Seng Warehouse
Singapore 367901
Telephone +65 6382 3400
www.resource-piling.com.sg

Middle East

Keller Grundbau GmbH
UAE Region
Office No. 408
Al Mansour Building
Damascus Street, Al Qusais
Dubai
Telephone +971 4 2575 188
www.kellergrundbau.ae

Keller Turki Co. Ltd
P.O. Box 718
Dammam 31421
Saudi Arabia
Telephone +966 3833 3997

Australia

Frankpile Australia Pty Ltd
Level 1
4 Burbank Place
Baulkham Hills
New South Wales 2153
Telephone +61 2 8866 1100
www.franki.com.au

**Keller Ground Engineering
Pty Ltd**
Level 1
4 Burbank Place
Baulkham Hills
New South Wales 2153
Telephone +61 2 8866 1155
www.kellerge.com.au

Piling Contractors Pty Ltd
5 Jacque Court
P.O. Box 346
Lawnton
Queensland 4501
Telephone +61 7 3285 5900
www.pilingcontractors.com.au

Vibro-Pile (Aust.) Pty Ltd
Building 4, Level 2
540 Springvale Road
Glen Waverley
Mulgrave
Victoria 3170
Telephone +61 3 9590 2600
www.vibropile.com.au

Waterway Constructions Pty Ltd

Level 1, 104 Victoria Road
Rozelle
NSW 2039
Telephone +61 2 9555 2211
www.waterway.com.au

Secretary and advisers

Company secretary

J F Holman

Registered office

Capital House
25 Chapel Street
London NW1 5DH

Registered number

2442580

Joint brokers

Jefferies Hoare Govett
Vintners Place
68 Upper Thames Street
London EC4V 3BJ

Investec Investment Banking

2 Gresham Street
London EC2V 7QP

Auditors

KPMG Audit Plc
Chartered Accountants
8 Salisbury Square
London EC4Y 8BB

Principal bankers

Lloyds TSB Bank plc
25 Gresham Street
London EC2V 7HN

Legal advisers

DLA Piper UK LLP
3 Noble Street
London EC2V 7EE

Financial public relations advisers

RLM Finsbury
Tenter House
45 Moorfields
London EC2 9AE

Registrars

Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA



Keller Group plc
Capital House
25 Chapel Street
London NW1 5DH
Telephone +44 20 7616 7575
www.keller.co.uk