For immediate release *Monday, 2 March 2015*

Keller Group plc
Results for the year ended 31 December 2014

Keller Group plc ("Keller" or "the Group"), the international ground engineering specialist, is pleased to announce its results for the year ended 31 December 2014.

Results summary:				
	2014	2013	**% change**	**Constant currency % change**
Revenue	**£1,599.7m**	£1,438.2m	**+11%**	**+20%**
EBITDA*	**£141.9m**	£124.2m	**+14%**	**+24%**
Operating profit*	**£92.0m**	£77.8m	**+18%**	**+30%**
Profit before tax*	**£85.1m**	£74.1m	**+15%**	**+24%**
Earnings per share*	**75.3p**	73.0p	**+3%**	**+11%**
Cash generated from operations	**£165.4m**	£132.0m	**+25%**	**+36%**
Total dividend per share	**25.2p**	24.0p	**+5%**	**n/a**

** stated before exceptional items of £56.9m (2013: £22.1m) before tax*

Highlights include:

- Record revenue of £1,599.7m (2013: £1,438.2m), up 11%
- Operating profit* increased by 18% to £92.0m, despite an adverse currency impact of £9.3m
- Operating margin* raised to 5.8% (2013: 5.4%)
- Profit before tax* increased to £85.1m (2013: £74.1m)
- Earnings per share* of 75.3p (2013: 73.0p)
- Cash from operations of £165.4m, representing 117% of EBITDA* (2013: 106%)
- Total dividend per share of 25.2p (2013: 24.0p), an increase of 5%

Justin Atkinson, Keller Chief Executive said:

"The 2014 results demonstrate the continued strength of the Group's business model. Our breadth of geographies and capabilities puts us in a good position to pursue future growth which, coupled with strong risk management and ongoing self-help measures, positions us well for the future.

Whilst conditions in our main markets remain mixed, the gradual upturn in the US, our largest market, the continuing improvements in our operating performance and our strong order book mean that the Group is set for another year of good progress in 2015."

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A presentation for analysts will be held at 9.30am at The London Stock Exchange, 10 Paternoster Square, London EC4M 7LS
A live audio webcast will be available from 9.30am and, on demand, from 2.00pm at *http://www.keller.co.uk/investors/results-centre/latest-results/summary.aspx*
Print resolution images are available for the media to download from www.vismedia.co.uk

Notes to Editors:
Keller is the world's largest independent ground engineering specialist, providing technically advanced and cost-effective foundation solutions to the construction industry. With annual revenue of £1.6bn, Keller has approximately 9,000 staff world-wide.

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

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

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

There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to, changes in the economies and markets in which the Group operates; changes in the regulatory and competition frameworks in which the Group operates; the impact of legal or other proceedings against or which affect the Group; and changes in interest and exchange rates.

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

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

This document is not an offer to sell, exchange or transfer any securities of Keller Group plc or any of its subsidiaries and is not soliciting an offer to purchase, exchange or transfer such securities in any jurisdiction. Securities may not be offered, sold or transferred in the United States absent registration or an applicable exemption from the registration requirements of the US Securities Act of 1933 (as amended).

Chairman's statement

Results[1]

I am pleased to report a strong set of results for 2014. Group revenue rose by 11% to £1,599.7m (2013: £1,438.2m). While this increase benefitted from acquisitions made in the second half of 2013, this benefit was broadly offset by the adverse impact of the strengthening of sterling on the translation of the Group's overseas revenues. Despite an adverse currency impact of £9.3m, operating profit increased to £92.0m, 18% up on the £77.8m in the previous year and profit before tax increased to £85.1m (2013: £74.1m). Earnings per share were 75.3p (2013: 73.0p).

We delivered another increase in the Group operating margin from 5.4% in 2013 to 5.8%, marking further progress in raising the margin towards our through-the-cycle target of 6.5%. The margin uplift reflects improving conditions in some of our markets, most notably the US, a continuing drive for improvements in all aspects of the business and a good performance on several major projects.

Cash generated from operations was £165.4m, representing 117% of EBITDA (2013: 106%). 2014 was the third year in a row that cash generated from operations has exceeded EBITDA, reflecting the Group's relentless focus on improving working capital ratios across the business and ensuring profits turn into cash.

Year-end net debt was £102.2m (2013: £143.7m), representing 0.7x EBITDA. Net capital expenditure was £61.0m, up on last year's £42.6m and amounting to 1.2x depreciation. This return to a more normal level of capital expenditure reflects higher revenues generally and the Group's ongoing investment in higher growth markets.

During 2014, the Group refinanced its syndicated revolving credit facilities and raised new debt in the US private placement market. A £250m revolving credit facility expiring in September 2019 was agreed in July, replacing both the £170m facility expiring in April 2015 and the US$150m facility expiring in July 2017. In the fourth quarter, the Group raised US$125m of new US private placement funds repayable in 2021 and 2024, US$70m of which was used to repay maturing borrowings.

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

Exceptional items

The 2014 result includes an exceptional charge relating to the settlement of a dispute on a completed contract of £54.0m and a number of much smaller non-trading exceptional items relating to acquisitions, which are required to be expensed under IFRS.

The contract dispute relates to a project that the Group's UK subsidiary, Keller Limited, completed in 2008. The dispute was subject to litigation proceedings involving a number of parties, but these were settled in February 2015. The final cost to Keller is subject to a number of remedial and other actions to be undertaken as part of the settlement agreement. The exceptional charge represents management's best estimate of the net cost to Keller before taking account of future recoveries under applicable insurances, as these cannot be recognised under IFRS.

After taking account of these exceptional items, the Group's post-tax result for the year was a loss of £1.2m (2013: profit of £30.1m).

Dividends

As a result of these improved underlying results, the Board's confidence in the business going forward and its commitment to a progressive dividend policy, the Board has decided to recommend a final dividend of 16.8p per share (2013: 16.0p per share), to be paid on 8 June 2015 to shareholders on the register at 13 March 2015. Together with the interim dividend paid of 8.4p, this brings the total dividend per share for the year to 25.2p (2013: 24.0p), an increase of 5%. Dividend cover, before exceptional items, for the full year was 3.0x (2013: 3.0x).

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[1] *results stated before exceptional items of £56.9m (2013: £22.1m) before tax. These relate to a provision for the settlement of a contract dispute and non-trading costs relating to acquisitions.*

Strategy
The Group's strategy remains to extend further our global leadership in specialist ground engineering through both organic growth and targeted acquisitions. We aim to deliver this through expanding in higher growth markets, developing and transferring technologies, offering design/build and alternative solutions and through a programme of business improvement initiatives.

Board
In June 2014, we announced the appointment of Nancy Tuor Moore as an independent Non-executive Director to the Board and Chairman of our Health, Safety and Environment Committee. Nancy's extensive international business experience, together with her proven record in winning and safely delivering both global and local contracts, will enable her to make a significant contribution to the Keller Board.

In September 2014, Justin Atkinson announced his intention to retire as the Company's CEO by the end of 2015 and we have commenced a search process to identify his successor. That search is in progress and we will notify shareholders as soon as we reach a conclusion. Meanwhile, Justin continues to deliver the Group's strategy with the full support of the Board and his Executive management team.

Employees
Over 9,000 employees have contributed to the strong performance of the Group during 2014. On behalf of the directors, I would like to thank them for their hard work and efforts. As a Board, we will continue to provide leadership and oversight in respect of the Keller culture, creating an environment in which our employees can thrive.

Outlook
After a relatively quiet period in the summer of 2014, the Group's contract awards have picked up in recent months. As a result, the order book at the end of January is 8% higher than at the same time last year. This increase is spread across all the Group's divisions except Australia, where the Wheatstone contract, the largest in Keller's history, is now largely complete.

The 2014 results demonstrate the continued strength of the Group's business model. Our breadth of geographies and capabilities puts us in a good position to pursue future growth which, coupled with strong risk management and ongoing self-help measures, positions us well for the future.

Whilst conditions in our main markets remain mixed, the gradual upturn in the US, our largest market, continuing improvements in our operating performance and our strong order book mean that the Group is set for another year of good progress in 2015.

Operating review
In 2014, the management team delivered strongly against the Group's strategy. A combination of improving conditions in the US, our business improvement initiatives and our risk management programme delivered further growth in revenue and operating profit. Revenue of £1.6 billion was an all-time high for the Group and we increased the operating margin to 5.8%, marking good progress towards achieving our through-the-cycle target of 6.5%.

Update on business improvement initiatives

Safety
Safety remains paramount in our business and the Group's "Think Safe" programme continues to drive improvements and raise awareness. Whilst we are pleased to report that the Group's AFR reduced from 0.61 to 0.39 during 2014, one of our employees died in a work-related accident whilst on a jobsite in Ghana in mid-June. Such a tragic event reminds us of why we must be relentless in our efforts to eliminate work-related accidents and increases our resolve to redouble our efforts on all aspects of the Group's safety programme. To that end, the Group's "Think Safe" programme is being updated and relaunched later in 2015.

Large contracts
The more ambitious development projects and infrastructure plans that have started to appear on the world markets in the past few years are an indication of the impact of population growth and related urbanisation. Recognising this market trend, for the last three years we have been targeting larger contracts, which in our specialist market start at just £5m, to supplement the small to medium sized contracts which we perform as a matter of routine.

In 2014, we significantly increased the number of orders of larger contracts and during the year 25% of revenue was from such contracts. We expect to make further progress in this area.

Risk management
Three years ago we increased our focus on risk management including the creation of the post of Group Technology & Best Practice Director. Since that time local risk systems and procedures have been refreshed, a Risk Management Framework has been introduced, our Bid Appraisal System has been updated and KPIs for poorly performing contracts have been introduced. As a result of these actions, the trend in improved contract performance has continued. Although the exceptional contract dispute in the UK predated this recent period, lessons have been learned from this project and have been disseminated throughout the Group.

Equipment
We have been working hard over recent years to improve the utilisation of our equipment by transferring equipment to where it is most needed, scrapping our older or obsolete machinery and by investing in newer equipment. This has meant that capital expenditure has increased in 2014 to be above depreciation, a level we expect to continue for the foreseeable future throughout business cycles. We have a small plant facility in Southern Germany where we manufacture a limited amount of proprietary equipment which cannot be bought on the open market and which we believe gives us a significant competitive advantage. We have committed to further investment in this facility in 2015.

Technology
Keller is the global leader in many technologies and has the broadest range of products in the industry. Much of the Group's growth over the years has come from transferring technologies from one geography to another. Developing and transferring technologies therefore continues to be a major focus for us and is important for securing future growth.

We identify opportunities for technology transfer, promote centres of excellence, organise training and workshops in new technologies and then facilitate and co-ordinate research and development. Examples of successful technology transfers in the year include introducing geotechnical products to our relatively new business in Africa and introducing driven piling into our Asian businesses.

Conditions in our major markets
In the US, expenditure in private non-residential construction increased significantly for the second year, with good growth in most segments. In the residential market, housing starts were up 9% year on year although this was primarily driven by multi-family homes as growth in single family starts paused in the second half of the year. Perhaps most encouragingly, 2014 saw a return to growth in public expenditure on construction, with year on year spend up 2% after four years of decline.

In Canada, construction activity in the Western Canadian resources markets remains subdued but demand in the commercial and infrastructure segments is holding up well.

Conditions in most of our European markets remain challenging, particularly in Southern Europe. Looking at Keller's most important markets, there are some reasonable prospects in both Poland and Austria, despite the overall markets being relatively quiet; demand for our services in Germany remains flat; and the UK is the one market which has returned to steady, albeit slow, growth.

There are good opportunities in the Middle East but the market remains very competitive. Since we acquired Franki Africa in November 2013, the construction market in South Africa has picked up. Whilst there are some exciting opportunities elsewhere in the continent, a number of them are in the oil and gas arena and their timing is therefore uncertain.

Construction expenditure in the Group's Asian markets remains generally robust. There are a number of significant infrastructure projects in Singapore and the Malaysian construction market is buoyant. In India, we are continuing to see signs of increasing confidence after a couple of relatively slow years.

In Australia, construction expenditure across virtually all segments, including the resources sector, has been subdued for some time and there are no significant signs of this changing in the short term. The exception has been in LNG, where Keller has won and performed successfully a number of large projects, including the Wheatstone project, although the foundation works for the LNG plants under construction in Australia are now effectively complete. Whilst there are some significant infrastructure projects on the horizon, these are unlikely to come to fruition in 2015.

Operations

North America

Results summary*:		
	2014	2013
Revenue	**£775.6m**	£699.4m
Operating profit	**£59.9m**	£51.6m
Operating margin	**7.7%**	7.4%

** before exceptional items*

In North America our total revenue increased by 11% as market conditions continued to improve in our largest market. Adjusting for acquisitions and translation differences, like-for-like revenue was up 11%. The full year operating profit of £59.9m (2013: £51.6m) reflects further improved profitability in our US foundation contracting businesses and a solid contribution from our Canadian businesses.

US

Our US business had a strong second half, building on the good progress made in the first half as construction activity continues to gradually improve across the country.

Our largest North American business, Hayward Baker, finished the year strongly. Its business model of performing a wide range of small to medium sized contracts across a broad range of products and geographies benefitted from better conditions across the market. In addition to this base business workload, there has been an increasing number of larger contracts performed in recent years, in line with the Group's strategy. The largest contract undertaken in the year, where scope changes have taken the total value to US$56m (£36m), was the I-635 highway expansion project in Dallas where Hayward Baker is installing earth retention systems for new high-occupancy managed lanes.

Good progress has been made on the Elliott Bay seawall project in Seattle, a project valued at US$41m (£25m), where the business is performing jet grouting to depths of 85 feet to provide seismic stability and foundation support for the repair and maintenance of a 0.7 mile section of the 100 year old seawall. Hayward Baker also worked successfully with HJ, our piling business based in Miami, to deliver projects at Oceana Bal Harbour and One Ocean with augercast, wet soil mixing, sheet piling and tie back anchor technology. This is an excellent example of combining the local presence of one company with the products and solutions of another to give a competitive advantage in the market place.

Our other piling companies, Case and McKinney, performed well in the year. McKinney had a good broad based result across the southern and eastern states and Case, which undertakes larger contracts, worked on projects such as the foundations for a mixed use high rise building on the Chicago River and the installation of catenary poles on an AMTRAK high speed rail line in the north-east.

Suncoast continued to experience improving profitability despite the slight softening of the single family home market in the summer. Suncoast's high–rise business performed particularly well on the back of more commercial developments and a significant increase in multi-family home starts, as an increasing number of people choose to live in such accommodation.

Canada

In order to consolidate operations and speed up the transfer of technology into the Canadian marketplace, in the second half of the year we successfully merged our Toronto-based geotechnical business, Geo-Foundations, into the larger Keller Canada. This move, which led to some cost savings in the Toronto area, has resulted in a more focussed business in eastern Canada. After a disappointing first half, the Canadian results improved in the second half with full year revenue of approximately C$190m and an operating margin of around 5%.

Europe, Middle East & Africa (EMEA)

Results summary*:		
	2014	2013
Revenue	**£451.5m**	£399.2m
Operating profit	**£12.9m**	£6.8m
Operating margin	**2.9%**	1.7%

** before exceptional items*

Revenue in EMEA as a whole increased by 13% in 2014, largely due to the acquisition of Franki Africa in November 2013. Like-for-like revenue was 5% up on 2013. Operating profit nearly doubled and the margin increased by 1.2% to 2.9%, reflecting the benefit of management self-help measures.

Europe
Despite the continued challenging markets in Europe, our businesses improved their performance through a focus on cost control, risk management and careful contract selection.

Our Polish business had a particularly good year, much improved on the prior period as the infrastructure market offered some good opportunities despite a competitive backdrop. Germany also reported an excellent result as it continues to adapt to the difficult climate in which it operates.

The UK successfully completed its large projects at Crossrail and Victoria Station.

After a very difficult winter-affected first half, the Austrian business picked up in the second half and finished the year ahead of 2013. Work performed during the year included a technically complex project at the Semmering railway tunnel in the south of the country. On 23 February 2015, Keller Austria announced another large infrastructure rail contract, a major €31.2m (£23.1m) project on the Koralm railway line between Graz and Klagenfurt.

The results were not as good in Southern Europe with the French market weak and business remaining very challenging on the Iberian Peninsula. Our Iberian business returned a small loss on revenues 20% lower than the previous year.

The European business has continued to move people and equipment around the region to those areas where there is more work and to support our major projects initiative. A good example of this was in reallocating resources from Eastern Europe to the Caspian region following the award of the major project in that area last December.

Middle East and Africa
Competition in the Middle East remains tough but the Group increased both its revenue and profit from the region. This performance was aided by a good result in Saudi Arabia and a number of contract wins in Qatar where, from a standing start, we are building a reputation for reliability and quality.

Franki Africa performed in line with expectations in its first year as a Keller subsidiary. The integration has been successfully completed and a number of technology workshops have been held to introduce Keller's grouting and ground improvement technologies into the region. We have already successfully performed some jet grouting jobs in South Africa. Elsewhere, the Group has undertaken significant contracts in a number of other African countries, most notably Ghana and Algeria.

Latin America
We have carefully expanded our sales network to cover the key markets in Latin America: Rio de Janeiro and Sao Paulo in Brazil, Chile, Peru, Panama and Mexico. Our business in Brazil is now well established and, elsewhere, we have carried out a number of small projects involving small diameter techniques, piling and ground improvement works.

Asia

Results summary:		
	2014	2013
Revenue	**£111.3m**	£96.2m
Operating profit	**£8.3m**	£9.0m
Operating margin	**7.5%**	9.4%

Revenue grew by 16% in Asia and by more than 20% on a constant currency basis, helped by investment in people and equipment and the transfer of technologies. The reduction in the operating margin in 2014 reflects the impact of one major project that was bid and successfully delivered in the year at a lower than average margin.

ASEAN region

Keller's Malaysian business had another excellent year operating in a strong construction market. During the year, we further expanded our piling business in Malaysia and established a presence in Johor, a province just over the border from Singapore which is currently benefitting from substantial industrial and commercial investment. As previously announced, in August we acquired a small Malaysian driven piling business, Ansah, broadening our product offering in the region. Keller Malaysia now offers a full range of foundation services and civil works.

In Singapore, Resource Piling completed the major Sengkang hospital project ahead of schedule, on budget and safely. The project included a number of different technologies such as piling, diaphragm wall construction and micro-tunnelling. In January 2015, we were awarded a major contract at Changhi airport comprising vibrocompaction of the ground as part of the land preparation works for a major expansion of the airport. The contract is for a total amount of S$56m (£28m).

India

Keller India had a much improved performance in 2014 and prospects for 2015 look encouraging. We completed a number of large design and build LNG-related projects to schedule and safely during the year using both bored piling and ground improvement technologies.

Australia

Results summary:		
	2014	2013
Revenue	**£261.3m**	£243.4m
Operating profit	**£15.7m**	£15.6m
Operating margin	**6.0%**	6.4%

Australian dollar revenue increased by 21% and operating profit by 14%. However, when translated into sterling at the relevant exchange rates revenue was up only 7% and operating profit was flat. The operating margin declined somewhat as the 2013 result benefitted from an excellent result on the conclusion of a major project.

Waterway Construction had a successful 2014 working on contracts such as the Brisbane City Council wharf upgrade programme and the Overseas Passenger Terminal in Sydney Harbour. The other Australian businesses, however, found the year more challenging, mainly due to the subdued state of the market.

The piling for the onshore LNG processing plant at Wheatstone, the Group's largest ever project, is almost complete with 24,000 piles safely delivered and for which we have received the Chevron Project Director's Award for outstanding performance and the Bechtel Model Safety and Behaviour Award. With the challenging market conditions and the completion of Wheatstone representing the last of the foundations work on LNG projects under construction in Australia, the year ahead for Keller Australia will be difficult. Management has already begun to implement a number of self-help initiatives to streamline the business and to obtain cost savings and efficiencies in their management of equipment.

Frankipile received an award for Sustainable Achievement and Leadership from Exxon Mobil in relation to their work on a major LNG project in Papua New Guinea.

Financial review

Results

Trading results[1]
Group revenue for the year was up 11% on 2013. Stripping out the adverse effects of foreign exchange movements and adjusting for acquisitions, 2014 revenue was 12% up on 2013, with increases in all divisions.

EBITDA was £141.9m, compared to £124.2m in 2013, and operating profit was £92.0m, an increase of 18% on the £77.8m in 2013. The Group operating margin increased from 5.4% to 5.8%. This is due to a combination of the continuing benefits of our business improvement initiatives and improving market conditions in some countries, most notably the US from where Keller derives over 40% of its revenue.

In North America as a whole, which represented 49% of Group revenue, operating profit increased from £51.6m in 2013 to £59.9m in 2014. This was largely attributable to the further improved profitability of the Group's US foundation contracting businesses, which are benefitting from the gradual improvement in the US private non-residential construction sector. There was also a solid contribution from our Canadian businesses, despite more challenging market conditions.

In EMEA, conditions in our key markets remain mixed and in those regions where there have been signs of improvement, recovery continues to be somewhat fragile. Despite this, both revenue and operating profit for EMEA were higher than in 2013, helped by the November 2013 acquisition of Franki Africa. The operating margin has also benefitted from our ongoing business improvement initiatives.

Revenue increased in Asia by 16%, with the operating margin decreasing from 9.4% in 2013 to 7.5%. In constant currency terms, however, the Asian operating profit was unchanged year on year. The reduction in margin was mainly due to one large contract which was bid and successfully delivered at a lower than average margin.

In Australia, the sterling-denominated results have been affected by the further weakening of the Australian dollar. Australian dollar revenue and operating profit increased by 21% and 14% respectively, compared to 7% and 1% when translated into sterling at the average exchange rate. This underlying improvement is mainly due to a strong performance on the Wheatstone contract, the largest project the Group has ever performed.

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

Net finance costs
Net finance costs before exceptional items increased from £3.7m in 2013 to £6.9m in 2014. This increase is mainly due to higher average net debt in 2014 as a result of investing nearly £200m in acquisitions in the second half of 2013.

Tax
The Group's effective tax rate before exceptional items was 35%, up from 32% in 2013. The increase mainly reflects the different geographic mix of profits, with a higher proportion of the Group's 2014 profit before tax being earned in the US, a country with a high corporate tax rate. The increase in the effective tax rate is also due to the impact of some prior year items.

Earnings and dividends
Earnings per share (EPS) before exceptional items increased to 75.3p (2013: 73.0p), an increase of 3%.

[1] results stated before exceptional items of £56.9m (2013: £22.1m) before tax. These relate to a provision for the settlement of a contract dispute and non-trading costs relating to acquisitions.

This is significantly below the 15% increase in the Group's profit before tax because of a combination of the higher effective tax rate in 2014, a £1.0m increase to £1.8m in the profit attributable to minorities and a 5% increase in the average number of shares in issue.

The Board has recommended a final dividend of 16.8p per share, which brings the total dividend to be paid out of 2014 profits to 25.2p, a 5% increase on 2013. The 2014 dividend is covered 3.0 times by earnings before exceptional items.

Exceptional items

The 2014 result includes an exceptional charge relating to the settlement of a dispute on a completed contract of £54.0m and a number of much smaller non-trading exceptional items relating to acquisitions, which are required to be expensed under IFRS.

The contract dispute relates to a project that the Group's UK subsidiary, Keller Limited, completed in 2008. The dispute was subject to litigation proceedings involving a number of parties, but these were settled in February 2015. The final cost to Keller is subject to a number of remedial and other actions to be undertaken as part of the settlement agreement. The exceptional charge represents management's best estimate of the net cost to Keller before taking account of future recoveries under applicable insurances, as these cannot be recognised under IFRS.

The non-trading exceptional items relating to acquisitions totalled £2.9m before tax, mainly comprising £6.6m of amortisation of acquired intangible assets and £0.5m of costs relating to acquisitions, partly offset by a £4.7m credit in respect of previously provided contingent consideration which the Group no longer expects to pay, mainly relating to the acquisition of Keller Canada.

Cash flow and financing

The Group has always placed a high priority on cash generation and the active management of working capital. We are therefore pleased to report that in 2014 cash generated from operations was £165.4m, representing 117% (2013: 106%) of EBITDA before exceptional items. This continues the Group's excellent record of converting profits into cash. Year-end working capital was £104.1m, which is well below the level at the end of 2013. Capital expenditure totalled £61.0m, up on last year's £42.6m.

At 31 December 2014, net debt amounted to £102.2m (2013: £143.7m). Based on net assets of £346.3m, year-end gearing was 30%, compared to 39% at the beginning of the year.

The Group refinanced most of its debt and financing facilities during 2014, extending maturities, further diversifying the sources of finance and improving a number of key terms. A new five year £250m revolving credit facility was agreed in July, replacing a £170m facility expiring in April 2015 and a US$150m facility expiring in July 2017. Later in the year, the Group raised US$125m through a private placement with US institutions, the proceeds of which were used in part to repay US$70m of private placement borrowings which matured in October 2014. The Group's term debt and committed facilities now mainly comprise US$165m of US private placements maturing between 2018 and 2024 and the £250m multi-currency syndicated revolving credit facility expiring in September 2019.

At the year end, the Group had undrawn committed and uncommitted borrowing facilities totalling £197.4m.

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

Capital structure

The Group's capital structure is kept under constant review, taking account of the need for and 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 2014, when the market value of the scheme's assets was £35.8m and the scheme was 77% funded on an ongoing basis. Following the valuation, the level of contributions increased marginally to £1.6m a year, a level which will be reviewed following the next triennial actuarial valuation.

The 2014 year-end IAS 19 valuation of the UK scheme showed assets of £38.2m, liabilities of £49.8m and a pre-tax deficit of £11.6m.

In Germany and Austria, the defined benefit arrangements only apply to certain employees who joined the Group prior to 1991. The IAS19 valuation of the defined benefit obligation totalled £13.8m at 31 December 2014. There are no segregated funds to cover these defined benefit obligations and the respective liabilities are included on the Group balance sheet.

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 other net assets. The majority of the Group's borrowings are held in US dollars, Canadian dollars, Euros and South African rand, in order to provide a hedge against these currency net assets.

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

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

Interest rate risk
Interest rate risk is managed by mixing fixed and floating rate borrowings depending upon the purpose and term of the financing. As at 31 December 2014, 85% 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 2014.

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

Consolidated income statement
For the year ended 31 December 2014

	Note	2014 Before exceptional items £m	2014 Exceptional items (Note 5) £m	2014 £m	2013 Before exceptional items £m	2013 Exceptional items (Note 5) £m	2013 £m
Revenue	3	**1,599.7**	**-**	**1,599.7**	1,438.2	-	1,438.2
Operating costs		**(1,507.7)**	**(56.7)**	**(1,564.4)**	(1,360.4)	(21.7)	(1,382.1)
Operating profit	3	**92.0**	**(56.7)**	**35.3**	77.8	(21.7)	56.1
Finance income		**1.5**	**-**	**1.5**	3.1	-	3.1
Finance costs		**(8.4)**	**(0.2)**	**(8.6)**	(6.8)	(0.4)	(7.2)
Profit before taxation		**85.1**	**(56.9)**	**28.2**	74.1	(22.1)	52.0
Taxation		**(29.7)**	**0.3**	**(29.4)**	(23.8)	1.9	(21.9)
Profit/(loss) for the period		**55.4**	**(56.6)**	**(1.2)**	50.3	(20.2)	30.1
Attributable to:							
Equity holders of the parent		**53.6**	**(56.6)**	**(3.0)**	49.5	(20.2)	29.3
Non-controlling interests		**1.8**	**-**	**1.8**	0.8	-	0.8
		55.4	**(56.6)**	**(1.2)**	50.3	(20.2)	30.1
Earnings/(loss) per share							
Basic	7	**75.3p**		**(4.2)p**	73.0p		43.2p
Diluted	7	**74.2p**		**(4.2)p**	71.9p		42.6p

Consolidated statement of comprehensive income
For the year ended 31 December 2014

	2014 £m	2013 £m
(Loss)/profit for the period	**(1.2)**	30.1
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**(3.8)**	(23.9)
Net investment hedge gains/(losses)	**2.0**	(3.0)
Cash flow hedge (losses)/gains taken to equity	**(6.1)**	1.8
Cash flow hedge transfers to income statement	**6.1**	(1.8)
Items that will not be reclassified subsequently to profit or loss:		
Remeasurements of defined benefit pension schemes	**(4.1)**	(5.7)
Tax on remeasurements of defined benefit pension schemes	**0.2**	1.1
Other comprehensive income for the period, net of tax	**(5.7)**	(31.5)
Total comprehensive income for the period	**(6.9)**	(1.4)
Attributable to:		
Equity holders of the parent	**(8.6)**	(1.9)
Non-controlling interests	**1.7**	0.5
	(6.9)	(1.4)

Consolidated balance sheet
As at 31 December 2014

	Note	**2014 £m**	2013 £m
ASSETS			
Non-current assets			
Intangible assets		**183.5**	187.9
Property, plant and equipment		**295.6**	281.9
Deferred tax assets		**10.0**	7.9
Other assets		**19.9**	14.9
		509.0	492.6
Current assets			
Inventories		**48.6**	62.0
Trade and other receivables		**408.7**	414.5
Current tax assets		**4.0**	5.4
Cash and cash equivalents		**85.6**	53.3
		546.9	535.2
Total assets	3	**1,055.9**	1,027.8
LIABILITIES			
Current liabilities			
Loans and borrowings		**(2.7)**	(48.7)
Current tax liabilities		**(13.9)**	(8.8)
Trade and other payables		**(353.2)**	(352.4)
Provisions		**(50.0)**	(11.3)
		(419.8)	(421.2)
Non-current liabilities			
Loans and borrowings		**(185.1)**	(148.3)
Retirement benefit liabilities		**(25.4)**	(23.1)
Deferred tax liabilities		**(19.7)**	(21.9)
Provisions		**(23.3)**	(4.8)
Other liabilities		**(36.3)**	(35.9)
		(289.8)	(234.0)
Total liabilities	3	**(709.6)**	(655.2)
Net assets	3	**346.3**	372.6
EQUITY			
Share capital	8	**7.3**	7.3
Share premium account		**38.1**	38.1
Capital redemption reserve	8	**7.6**	7.6
Translation reserve		**8.3**	10.0
Other reserve	8	**56.9**	56.9
Retained earnings		**224.5**	247.9
Equity attributable to equity holders of the parent		**342.7**	367.8
Non-controlling interests		**3.6**	4.8
Total equity		**346.3**	372.6

Consolidated statement of changes in equity

For the year ended 31 December 2014

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Translation reserve £m	Other reserve £m	Hedging reserve £m	Retained earnings £m	**Attributable to equity holders of the parent £m**	Non-controlling interests £m	**Total equity £m**
At 1 January 2013	6.6	38.1	7.6	36.6	-	-	236.7	**325.6**	10.1	**335.7**
Profit for the period	-	-	-	-	-	-	29.3	**29.3**	0.8	**30.1**
Other comprehensive income										
Exchange differences on translation of foreign operations	-	-	-	(23.6)	-	-	-	**(23.6)**	(0.3)	**(23.9)**
Net investment hedge losses	-	-	-	(3.0)	-	-	-	**(3.0)**	-	**(3.0)**
Cash flow hedge gains taken to equity	-	-	-	-	-	1.8	-	**1.8**	-	**1.8**
Cash flow hedge transfers to income statement	-	-	-	-	-	(1.8)	-	**(1.8)**	-	**(1.8)**
Remeasurements of defined benefit pension schemes	-	-	-	-	-	-	(5.7)	**(5.7)**	-	**(5.7)**
Tax on remeasurements of defined benefit pension schemes	-	-	-	-	-	-	1.1	**1.1**	-	**1.1**
Other comprehensive income for the period, net of tax	-	-	-	(26.6)	-	-	(4.6)	**(31.2)**	(0.3)	**(31.5)**
Total comprehensive income for the period	-	-	-	(26.6)	-	-	24.7	**(1.9)**	0.5	**(1.4)**
Dividends	-	-	-	-	-	-	(15.4)	**(15.4)**	(0.2)	**(15.6)**
Share-based payments	-	-	-	-	-	-	1.9	**1.9**	-	**1.9**
Share capital issued	0.7	-	-	-	56.9	-	-	**57.6**	-	**57.6**
Acquisition of non-controlling interest	-	-	-	-	-	-	-	**-**	(5.6)	**(5.6)**
At 31 December 2013 and 1 January 2014	7.3	38.1	7.6	10.0	56.9	-	247.9	**367.8**	4.8	**372.6**
(Loss)/profit for the period	-	-	-	-	-	-	(3.0)	**(3.0)**	1.8	**(1.2)**
Other comprehensive income										
Exchange differences on translation of foreign operations	-	-	-	(3.7)	-	-	-	**(3.7)**	(0.1)	**(3.8)**
Net investment hedge gains	-	-	-	2.0	-	-	-	**2.0**	-	**2.0**
Cash flow hedge losses taken to equity	-	-	-	-	-	(6.1)	-	**(6.1)**	-	**(6.1)**
Cash flow hedge transfers to income statement	-	-	-	-	-	6.1	-	**6.1**	-	**6.1**
Remeasurements of defined benefit pension schemes	-	-	-	-	-	-	(4.1)	**(4.1)**	-	**(4.1)**
Tax on remeasurements of defined benefit pension schemes	-	-	-	-	-	-	0.2	**0.2**	-	**0.2**
Other comprehensive income for the period, net of tax	-	-	-	(1.7)	-	-	(3.9)	**(5.6)**	(0.1)	**(5.7)**
Total comprehensive income for the period	-	-	-	(1.7)	-	-	(6.9)	**(8.6)**	1.7	**(6.9)**
Dividends	-	-	-	-	-	-	(17.4)	**(17.4)**	(0.6)	**(18.0)**
Share-based payments	-	-	-	-	-	-	1.9	**1.9**	-	**1.9**
Acquisition of non-controlling interest	-	-	-	-	-	-	(1.0)	**(1.0)**	(2.3)	**(3.3)**
At 31 December 2014	7.3	38.1	7.6	8.3	56.9	-	224.5	**342.7**	3.6	**346.3**

Consolidated cash flow statement

For the year ended 31 December 2014

	2014 £m	2013 £m
Cash flows from operating activities		
Operating profit before exceptional items	**92.0**	77.8
Depreciation of property, plant and equipment	**48.0**	45.0
Amortisation of intangible assets	**1.9**	1.4
Profit on sale of property, plant and equipment	**(0.3)**	(0.3)
Other non-cash movements	**8.9**	7.1
Foreign exchange losses	**0.1**	-
Operating cash flows before movements in working capital	**150.6**	131.0
Decrease/(increase) in inventories	**13.9**	(22.5)
Decrease/(increase) in trade and other receivables	**11.2**	(37.4)
(Decrease)/increase in trade and other payables	**(0.1)**	65.5
Change in provisions, retirement benefit and other non-current liabilities	**(10.2)**	(4.6)
Cash generated from operations	**165.4**	132.0
Interest paid	**(10.1)**	(5.4)
Income tax paid	**(28.4)**	(21.5)
Net cash inflow from operating activities	**126.9**	105.1
Cash flows from investing activities		
Interest received	**0.5**	0.4
Proceeds from sale of property, plant and equipment	**3.5**	3.6
Acquisition of subsidiaries, net of cash acquired	**(5.0)**	(200.4)
Acquisition of property, plant and equipment	**(63.6)**	(44.8)
Acquisition of intangible assets	**(0.9)**	(1.4)
Net cash outflow from investing activities	**(65.5)**	(242.6)
Cash flows from financing activities		
Proceeds from the issue of share capital	**-**	57.6
New borrowings	**95.3**	118.5
Repayment of borrowings	**(103.6)**	(24.2)
Payment of finance lease liabilities	**(1.2)**	(0.7)
Dividends paid	**(18.0)**	(15.6)
Net cash (outflow)/inflow from financing activities	**(27.5)**	135.6
Net increase/(decrease) in cash and cash equivalents	**33.9**	(1.9)
Cash and cash equivalents at beginning of period	**50.7**	54.8
Effect of exchange rate fluctuations	**1.0**	(2.2)
Cash and cash equivalents at end of period	**85.6**	50.7

1. Basis of preparation

The Group's 2014 results have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the EU.

The same accounting policies and presentation are followed in the financial statements that were applied in the preparation of the Company's published consolidated financial statements for the year ended 31 December 2013, except for the adoption of:

— IFRS 10, 'Consolidated financial statements'
— IFRS 11, 'Joint arrangements'
— IFRS 12, 'Disclosure of interests in other entities'
— Amendments to IAS 27, 'Separate financial statements'
— Amendments to IAS 28, 'Investments in associates and joint ventures'
— Amendments to IAS 32, 'Financial instruments: Presentation'
— Amendments to IAS 36, 'Impairment of assets'
— Amendments to IAS 39, 'Financial instruments: Recognition and measurement'

There is no significant impact on the Group financial statements as a result of adopting these new and amended standards. There are no standards, amendments or interpretations that are in issue but not yet effective that are expected to have a significant impact on the Group financial statements.

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2014 or 2013 but is derived from the 2014 accounts. Statutory accounts for 2013 have been delivered to the Registrar of Companies. Those for 2014, prepared under IFRS as adopted by the EU, will be delivered to the Registrar of Companies and made available on the Company's website at www.keller.co.uk in March 2015. The auditors have reported on those accounts; their reports were (i) unqualified, (ii) did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their reports and (iii) did not contain statements under section 498(2) or (3) of the Companies Act 2006.

2. Foreign currencies

The exchange rates used in respect of principal currencies are:

	Average for period		Period end	
	2014	2013	**2014**	2013
US dollar	**1.65**	1.56	**1.55**	1.65
Canadian dollar	**1.82**	1.61	**1.81**	1.76
Euro	**1.24**	1.18	**1.28**	1.20
Singapore dollar	**2.09**	1.96	**2.05**	2.09
Australian dollar	**1.83**	1.62	**1.90**	1.86

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.

	2014 Revenue £m	**2014 Operating profit £m**	2013 Revenue £m	2013 Operating profit £m
North America	**775.6**	**59.9**	699.4	51.6
EMEA[1]	**451.5**	**12.9**	399.2	6.8
Asia	**111.3**	**8.3**	96.2	9.0
Australia	**261.3**	**15.7**	243.4	15.6
	1,599.7	**96.8**	1,438.2	83.0
Central items and eliminations	**-**	**(4.8)**	-	(5.2)
Before exceptional items	**1,599.7**	**92.0**	1,438.2	77.8
Exceptional items (Note 5)	**-**	**(56.7)**	-	(21.7)
	1,599.7	**35.3**	1,438.2	56.1

	2014 Segment assets £m	**2014 Segment liabilities £m**	**2014 Capital employed £m**	**2014 Capital additions £m**	**2014 Depreciation and amortisation £m**	**2014 Tangible and intangible assets £m**
North America	**499.4**	**(159.9)**	**339.5**	**23.3**	**17.2**	**251.6**
EMEA[1]	**283.3**	**(215.2)**	**68.1**	**23.1**	**18.9**	**127.4**
Asia	**84.7**	**(29.4)**	**55.3**	**10.8**	**5.5**	**47.4**
Australia	**85.1**	**(44.2)**	**40.9**	**7.3**	**8.2**	**52.6**
	952.5	**(448.7)**	**503.8**	**64.5**	**49.8**	**479.0**
Central items and eliminations [2]	**103.4**	**(260.9)**	**(157.5)**	**-**	**0.1**	**0.1**
	1,055.9	**(709.6)**	**346.3**	**64.5**	**49.9**	**479.1**

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

1 Europe, Middle East and Africa.

2 Central items includes net debt and tax balances.

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

	Revenue		**Non-current non-financial assets[3]**	
	2014 £m	2013 £m	**2014 £m**	2013 £m
United States	**666.5**	604.0	**155.9**	137.6
Australia	**261.3**	243.4	**52.6**	56.3
Canada	**108.2**	94.9	**122.2**	122.0
United Kingdom (country of domicile)	**67.5**	70.1	**19.2**	20.4
Other	**496.2**	425.8	**145.0**	148.4
	1,599.7	1,438.2	**494.9**	484.7

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

4. Acquisitions

2014 acquisitions

On 14 August 2014, the Group acquired the trade and selected assets of Ansah Sdn Bhd, a business based in Kuantan, Malaysia, for an initial cash consideration of £3.5m (RM19.0m). £1.4m (RM7.6m) of the purchase price relates to property, plant and equipment, with the remaining purchase price allocated to goodwill. Contingent consideration of up to £1.5m (RM8.0m) is payable based on total earnings before interest and tax in the three-year period following acquisition. The full amount of contingent consideration is currently provided for.

On 15 May 2014, the Group acquired the remaining 45% minority shareholding of Keller Engenharia Geotecnica Ltda in Brazil for a cash consideration of £2.8m (R$10.7m) at a premium of £1.0m (R$4.1m) to net book value, which has been taken directly to reserves.

2013 acquisitions

	Keller Canada			Franki Africa			Geo-Foundations			**Total**		
	Carrying amount £m	Fair value adjust-ment £m	Fair value £m	Carrying amount £m	Fair value adjust-ment £m	Fair value £m	Carrying amount £m	Fair value adjust-ment £m	Fair value £m	**Carrying amount £m**	**Fair value adjust-ment £m**	**Fair value £m**
Net assets acquired												
Intangible assets	-	31.5	31.5	2.2	3.2	5.4	-	0.4	0.4	**2.2**	**35.1**	**37.3**
Property, plant and equipment	32.9	1.3	34.2	19.0	-	19.0	1.9	1.3	3.2	**53.8**	**2.6**	**56.4**
Cash and cash equivalents	-	-	-	4.2	-	4.2	0.2	-	0.2	**4.4**	**-**	**4.4**
Receivables	19.7	(0.4)	19.3	14.3	-	14.3	4.0	-	4.0	**38.0**	**(0.4)**	**37.6**
Other assets	9.6	-	9.6	4.6	-	4.6	0.4	-	0.4	**14.6**	**-**	**14.6**
Loans and borrowings	(3.8)	-	(3.8)	(2.4)	-	(2.4)	(0.5)	-	(0.5)	**(6.7)**	**-**	**(6.7)**
Deferred tax	-	(2.0)	(2.0)	(0.7)	(0.8)	(1.5)	(0.4)	(0.4)	(0.8)	**(1.1)**	**(3.2)**	**(4.3)**
Other liabilities	(4.2)	-	(4.2)	(13.0)	(0.9)	(13.9)	(0.9)	-	(0.9)	**(18.1)**	**(0.9)**	**(19.0)**
	54.2	30.4	84.6	28.2	1.5	29.7	4.7	1.3	6.0	**87.1**	**33.2**	**120.3**
Goodwill			74.8			2.9			-			**77.7**
Total consideration			159.4			32.6			6.0			**198.0**
Satisfied by												
Initial cash consideration			151.2			31.8			6.0			**189.0**
Contingent consideration			8.2			0.8			-			**9.0**
			159.4			32.6			6.0			**198.0**

On 1 January 2013, the Group acquired 100% of the share capital of Geo-Foundations Contractors, Inc. ('Geo-Foundations'), a business based in Toronto, Canada. The fair value of the intangible assets acquired represents the fair value of customer contracts at the date of acquisition. A further amount of up to £4.4m (C$8m) is payable based on total earnings before interest, tax, depreciation and amortisation in the five year period following acquisition. As the payment is contingent on continued employment of the vendors until the entitlement date, this arrangement is treated as remuneration for post-acquisition services and amounts expected to be paid are accrued over the five-year period.

On 12 July 2013, the Group acquired selected assets and businesses that comprised the piling division of North American Energy Partners, Inc. (collectively 'Keller Canada'), a business based in Edmonton, Canada. The fair value of the intangible assets acquired represents the fair value of customer relationships, customer contracts at the date of acquisition, patents and trade names. Goodwill arising on acquisition is attributable to the knowledge and expertise of the assembled workforce, the expectation of future contracts and customer relationships and the opportunity to expand the use of more advanced Group technologies into a growth market. Contingent consideration of up to £51.1m (C$92.5m) is payable based on total earnings before interest, tax, depreciation and amortisation in the three-year period following acquisition.

On 21 November 2013, the Group acquired selected assets and businesses that comprised the geotechnical division of Esorfranki Limited (collectively 'Franki Africa'), a business based in Johannesburg, South Africa. The fair value of the intangible assets acquired represents the fair value of customer contracts at the date of acquisition and trade names. Goodwill arising on acquisition is attributable to the knowledge and expertise of the assembled workforce, operating synergies that arise from the Group's strengthened market position and the opportunity for the Group to accelerate its expansion in Africa using an established business. Contingent consideration of up to £8.3m (R150m) is payable based on total earnings before interest, tax, depreciation and amortisation in the three-year period following acquisition.

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

5. Exceptional items

Exceptional items are items which are exceptional by their size or are non-trading in nature, including those relating to acquisitions. Exceptional items comprise the following:

	2014 £m	2013 £m
Contract dispute	**54.0**	-
Amortisation of acquired intangible assets	**6.6**	6.7
Acquisition costs	**0.5**	5.9
Contingent consideration and payments	**(4.7)**	6.0
Goodwill impairments	**-**	3.1
Other	**0.3**	-
Exceptional items in operating costs	**56.7**	21.7
Exceptional finance costs	**0.2**	0.4
	56.9	22.1

The contract dispute relates to a project that the Group's UK subsidiary, Keller Limited, completed in 2008. The dispute was subject to litigation proceedings involving a number of parties, but these were settled in February 2015. The final cost to Keller is subject to a number of remedial and other actions to be undertaken as part of the settlement agreement and the value of the property following these remedial actions. The exceptional charge represents management's best estimate of the net cost to Keller before taking account of future recoveries under applicable insurances, as these cannot be recognised under IFRS. The majority of these costs expect to be incurred within the next two years.

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

The contingent consideration and payments credit in 2014 mainly relates to the release of previously provided contingent consideration for the acquisition of Keller Canada which the Group no longer expects to pay. In the prior year, the contingent consideration and payments charge primarily related to £4.8m (A$7.8m) of previously unprovided contingent consideration paid in respect of the acquisition of Waterway Constructions Group Pty Ltd due to its better than expected performance in the period since acquisition.

Goodwill impairments in 2013 mainly relate to Keller Specialni Zakladani, spol. s.r.o. (Czech Republic).

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

6. Dividends payable to equity holders of the parent

Ordinary dividends on equity shares:

	2014 £m	2013 £m
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 December 2013 of 16.0p (2012: 15.2p) per share	**11.4**	9.8
Interim dividend for the year ended 31 December 2014 of 8.4p (2013: 8.0p) per share	**6.0**	5.6
	17.4	15.4

The Board has recommended a final dividend for the year ended 31 December 2014 of £12.0m, representing 16.8p (2013: 16.0p) per share. The proposed dividend is subject to approval by shareholders at the AGM on 14 May 2015 and has not been included as a liability in these financial statements.

7. Earnings per share

Basic and diluted earnings/(loss) per share are calculated as follows:

	2014 Basic before exceptional items £m	**2014 Diluted before exceptional items £m**	**2014 Basic £m**	**2014 Diluted £m**	2013 Basic before exceptional items £m	2013 Diluted before exceptional items £m	2013 Basic £m	2013 Diluted £m
Earnings/(loss) (after tax and non-controlling interests), being net profits/(losses) attributable to equity holders of the parent	**53.6**	**53.6**	**(3.0)**	**(3.0)**	49.5	49.5	29.3	29.3

	No. of shares Million	**No. of shares Million**	**No. of shares Million**	**No. of shares Million**	No. of shares Million	No. of shares Million	No. of shares Million	No. of shares Million
Weighted average of ordinary shares in issue during the year	**71.2**	**71.2**	**71.2**	**71.2**	67.8	67.8	67.8	67.8
Add: weighted average of shares under option during the year	**-**	**1.0**	**-**	**1.0**	-	1.1	-	1.1
Adjusted weighted average of ordinary shares in issue	**71.2**	**72.2**	**71.2**	**72.2**	67.8	68.9	67.8	68.9

	Pence	**Pence**	**Pence**	**Pence**	Pence	Pence	Pence	Pence
Earnings/(loss) per share	**75.3**	**74.2**	**(4.2)**	**(4.2)**	73.0	71.9	43.2	42.6

8. Share capital and reserves

	2014 £m	2013 £m
Allotted, called up and fully paid		
Equity share capital:		
73,099,735 ordinary shares of 10p each (2013: 73,099,735)	**7.3**	7.3

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

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

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

The total number of shares held in Treasury was 1.8m (2013: 2.2m).

9. Related party transactions

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

The remuneration of the Directors, who are the key management personnel and related parties of the Group, is set out below:

Key management personnel compensation comprised:	**2014 £m**	2013 £m
Short-term employee benefits	**2.0**	3.4
Post-employment benefits	**0.1**	0.1
Share-based payments	**0.9**	1.0
	3.0	4.5