5 March 2024

Keller Group plc audited Preliminary Results for the year ended 31 December 2023

Keller Group plc ('Keller' or 'the Group'), the world's largest geotechnical specialist contractor, announces its results for the year ended 31 December 2023.

Record results provide a new foundation for long term growth

	2023 £m	2022 £m	% change	Constant currency % change
Revenue	**2,966.0**	2,944.6	+1%	+1%
Underlying operating profit[1]	**180.9**	108.6	+67%	+67%
Underlying operating profit margin[1]	**6.1%**	3.7%	+240bps	
Underlying profit before tax[1]	**153.4**	93.5	+64%	
Underlying diluted earnings per share[1]	**153.9p**	100.7p	+53%	
Free cash flow	**103.2**	(33.8)	+405%	
Net debt (bank covenant IAS 17 basis)[2]	**146.2**	218.8	-33%	
Total dividends for the year per share	**45.2p**	37.7p	+20%	
Statutory operating profit	**153.1**	67.8	126%	
Statutory profit before tax	**125.6**	56.3	123%	
Statutory diluted earnings per share	**120.5p**	62.4p	93%	
Net cash inflow from operating activities	**197.0**	54.8	259%	
Statutory net debt (IFRS 16 basis)	**237.3**	298.9	-21%	

1 Underlying operating profit, underlying profit before tax and underlying diluted earnings per share are non-statutory measures which provide readers of this announcement with a balanced and comparable view of the Group's performance by excluding the impact of non-underlying items, as disclosed in note 9 of the consolidated financial statements

2 Net debt is presented on a lender covenant basis excluding the impact of IFRS 16 as disclosed within the adjusted performance measures in the consolidated financial statements

Highlights

- Record performance with significant progress made in key measures of financial performance:-
  - Revenue of £2,966.0m, similar to prior year
  - Underlying operating profit c.80% higher than the five year average
  - Underlying operating profit margin over 6% for the first time in eight years
  - Underlying ROCE at 22.8% (2022: 14.9%), the highest for 15 years
  - Free cash generation of over £100m, accelerating leverage reduction to the bottom of the target range
- Underlying operating profit increased to £180.9m, up 67% (at constant currency) and underlying operating profit margin increased to 6.1% (2022: 3.7%); largely driven by an improved foundations performance and resilient Suncoast pricing in the NA business, together with a strong performance at Keller Australia, partly offset by a disappointing performance in Europe
- Underlying EPS of 153.9p, up 53%, driven by higher operating profit partially offset by increased finance costs and a higher effective tax rate
- Statutory operating profit up 126% to £153.1m
- Statutory diluted EPS of 120.5p, up 93%
- Strong recovery in free cash flow, with an inflow of £103.2m (2022: £33.8m outflow), driven by improved profitability
- Net debt[2] reduced by 33% to £146.2m (2022: £218.8m), equating to net debt/EBITDA leverage ratio of 0.6x (2022:1.2x), towards the lower end of the Group's 0.5x-1.5x target range
- Robust year-end order book of £1.5bn
- Safety: accident frequency rate (AFR) was flat year on year; small increase in injuries in AMEA offset by an improvement in Europe

- Further successful execution of strategy with continued portfolio rationalisation including the strategic decision to exit from Cyntech Tanks, Egypt, Sub-Saharan Africa and Kazakhstan
- In recognition of the excellent performance in the year and the Group's future prospects, the Board is recommending a rebasing of the dividend by increasing the total dividend for 2023 by 20%

Michael Speakman, Chief Executive Officer said:

"In 2023 the Group delivered a record set of financial results, establishing a new foundation for future long term growth and supporting a material rebasing of the dividend with a full year increase of 20%. Whilst political and macro-economic uncertainties will undoubtedly remain and impact our markets in the short term, our current level of trading together with our robust order book mean that we enter the new year with confidence.

The strong momentum of the business is encouraging and whilst inevitably there will be fluctuations across the Group, our diverse revenues and improved operational delivery underpin our expectation that 2024 will be another year of underlying progress.

The significant improvement in business performance and continued disciplined execution of our strategy, will provide both resilience in the short term and drive growth in the long term, through both organic and targeted M&A opportunities. Accordingly, we view the Group's prospects with increased confidence."

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A webcast for investors and analysts will be held at 09.00 GMT on 5 March 2024 and will also be available later the same day on demand

https://www.investis-live.com/keller/65c36af3d0d5201200a20f51/drwe

Conference call:	**Accessing the telephone replay:**
Participants joining by telephone: UK (Toll-Free): 0800 358 1035 UK(Local): +44 (0)20 3936 2999 All other locations: +44 20 3936 2999 **Participant access code: 966988**	A replay will be available until 12 March 2024 UK (Toll-Free): 0800 304 5227 UK: +44 (0)20 3936 3001 **Access Code: 685714**

Notes to editors:
Keller is the world's largest geotechnical specialist contractor providing a wide portfolio of advanced foundation and ground improvement techniques used across the entire construction sector. With around 10,000 staff and operations across five continents, Keller tackles an unrivalled 6,000 projects every year, generating annual revenue of more than £2bn.

LEI number: 549300QO4MBL43UHSN10. Classification: 1.1 (Annual financial and audit reports)

Adjusted performance measures

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

The APMs used include underlying operating profit, underlying earnings before interest, tax, depreciation and amortisation, underlying net finance costs and underlying earnings per share, each of which are the equivalent statutory measure adjusted to eliminate the amortisation of acquired intangibles and other significant one-off items not linked to the underlying performance of the business. Net debt (bank covenant IAS 17 basis) is provided as a key measure for measuring bank covenant compliance and is calculated as the equivalent statutory measure adjusted to exclude the additional lease liabilities relating to the adoption of IFRS 16. Further underlying constant exchange rate measures are given which eliminate the impact of currency movements by comparing the current measure against the comparative restated at this year's actual average exchange rates. Where APMs are given, these are compared to the equivalent measures in the prior year.

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

Chief Executive Officer's review

Overview

Keller has delivered an outstanding performance in 2023, with consecutive upgrades to market expectations during the year, culminating in significant advancements in key measures of financial performance. Revenue and underlying operating profit set new records for the Group whilst ROCE was the highest in 15 years and all evidence our improved project execution.

The management actions taken in the second half of 2022, to improve project performance in North America generated a significant and sustainable improvement in performance in 2023 and was the main driver of the Group's very strong results. In addition, better than expected pricing resilience at Suncoast and a strong performance on infrastructure projects at Keller Australia more than offset a very disappointing project and business performance in Europe, particularly in the Nordic region.

The increased profitability, on a consistent level of revenue and working capital, generated a strong cashflow performance and a continued reduction in leverage, which is now at the bottom end of our target range of 0.5x-1.5x.

In recognition of the excellent performance in the year and the Group's future growth prospects, the Board is recommending a rebasing of the dividend with an increase in the total dividend for 2023 of 20%, which would bring the total dividends for the year to 45.2p (2022: 37.7p).

Financial performance

Group revenue at £2,966.0m (2022: £2,944.6m) was similar to the prior year, while underlying operating profit was up 67%, to £180.9m (2022: £108.6m), some 80% higher than the average underlying operating profit over the last five years. Underlying operating margin increased to 6.1% (2022: 3.7%), the highest for eight years. Cashflow generation also saw a significant improvement, compared to the prior year, as a result of stable working capital performance, generating increased free cashflow of £103.2m and a significant reduction in net debt (IAS 17 lender covenant basis) to £146.2m (2022: £218.8m). This equated to a net debt/EBITDA ratio of 0.6x (2022: 1.2x), at the lower end of our leverage target range of 0.5x-1.5x.

Operational performance

In North America, revenue declined by 6% (on a constant currency basis) largely as a result of the completion of the large LNG project at RECON at the start of the period, and a slow-down in residential housing, impacting volume at Suncoast where revenues were down by c.14%. Our foundations business increased revenues by c.6%, notwithstanding an increase in our bidding discipline. Underlying operating profit in North America more than doubled to £169.6m, driven primarily by a material and sustainable improvement in operational performance in the foundations business, following the management actions taken in the second half of 2022. These included the introduction of standard operating procedures, an upgraded project performance review process, a new variation order tracking system and new management across some of the business units. The foundations business experienced higher than normal returns on three large projects, also benefitting profitability. These one-off gains were partially offset by losses from legacy contracts, legal claims and a reduced performance in Canada. The division also benefited from better than expected resilient pricing at Suncoast, which is now unwinding as expected. The increase in profitability saw underlying operating margin increase to 9.6% (2022: 4.3%).

In Europe, although revenue increased modestly by 4.2% on a constant currency basis, this reflected a very mixed backdrop with widespread weak demand in the residential and commercial sectors offset by revenue from larger projects in the infrastructure sector. Underlying operating profit reduced significantly, down 94.0% on a constant currency basis, primarily as a result of poor project performance and cost management in the Nordic region and also an increasingly competitive environment across Europe in a declining market. The adverse mix of contracts in the UK and the increasingly competitive market conditions particularly in North East Europe, also contributed to the underlying operating margin reducing to 0.3% (2022: 4.5%). The adverse project performance in the Nordics is not expected to continue into 2024 and management actions have been taken to drive improvement there and the region more generally.

In AMEA, revenues increased by 34.1% on a constant currency basis, driven by record volumes in Keller Australia as a result of a strong infrastructure market; delivery of the first works order at the NEOM project in Saudi Arabia and robust trading in India. Underlying operating profit increased significantly to £22.6m driven primarily by the increased volume and much improved operational execution and profitability in Keller Australia. The Middle East, including NEOM, showed a modest uplift compared with prior year. While Austral returned to a sustainable profit in the second half of the year, this was insufficient to offset the significant loss on legacy contracts experienced in the first half of the year. The overall operating margin for the division increased to 4.4% (2022: 1.7%).

Strategy

In 2023, we were effective in executing our strategy to be the preferred international geotechnical specialist contractor focused on sustainable markets and attractive projects, generating long-term value for our stakeholders. Our local businesses leverage the Group’s scale and expertise to deliver engineered solutions and operational excellence, driving market share leadership in our selected segments.

The benefit of our strategy has been evidenced by our improved performance compared with recent years, with the Group delivering a significant increase in both its operational and financial performance.

Progress on strategic priorities in 2023

We have made considerable progress in recent years, rationalising, restructuring and refining the Group’s geographic and service offering to create a more focused and higher quality portfolio of businesses. During 2023 we made the strategic decision to exit Cyntech Tanks, Egypt, Sub-Saharan Africa and Kazakhstan, all small non-core, economically uncertain markets which do not align with our strategy. We continue to evaluate our portfolio and potential further incremental rationalisation. In Saudi Arabia we obtained full control over our joint-venture business in the country to enable us to take advantage of future opportunities in the region.

In North America, we restructured three related business units into one; the Central, Southeast and Florida business units were combined to become South Central. This consolidation provided the opportunity to increase both the effectiveness and efficiency of expertise and key resources, and exemplifies the pursuit of operational leverage and economies of scale which is a key aspect of our strategy.

We continued to focus our efforts on our operational execution across all our businesses, as evidenced by recent results, and we made further progress implementing the enterprise resource planning (ERP) system, Project Performance Management (PPM) and several other initiatives that will incrementally improve operational execution in the medium term.

Strategic priorities for 2024

Having established a refreshed and more resilient base for our business, we are looking to grow market share within our existing geographic footprint, through both organic investment and targeted bolt-on M&A. We will be customer focused locally through our branch structure and obtain the benefit of operational leverage by gaining high quality, leading market share in our chosen markets. Organic investment will include initiatives to increase the cross selling of existing services into established branches that don’t currently provide those services, and investing in our people to build on our technical expertise and influence. The Group’s disciplined approach to M&A activity will be focussed on expanding the service offering and building critical mass in key markets, and will be biased towards markets with higher rates of growth.

We will offer our customers alternative designs and engineered solutions that meet their specifications whilst reducing the total cost to the client and, wherever possible, also reducing the environmental impact of project.

We will continue evaluating our portfolio of assets to identify opportunities for divestment or consolidation.

We remain committed to investing in key growth areas that align with our long-term strategic objectives to focus on sustainable markets and attractive projects, generating long-term value for our stakeholders.

Sustainability and Environmental, Social and Governance (ESG)

We base our ESG and sustainability approach on the UN Sustainable Development Goals (SDGs). We particularly focus on those SDGs that are most closely aligned to Keller’s core business and where we can have the greatest impact. We divide these SDGs into global initiatives, which we target across the Group, and local initiatives that are more relevant to our local business units and markets.

We are progressing well against the carbon reduction targets we set out two years ago to achieve net zero by 2050. We will be net zero across all three emission scopes by 2050; net zero on Scope 2 by 2030, net zero on Scope 1 by 2040 and net zero by 2050 on Operational Scope 3 (covering business travel, material transport and waste disposal). The short, medium and long-term actions required to achieve these goals are in progress and in some instances we are ahead of target, particularly around our Scope 2 carbon reduction. The Group reduced emissions by 48% from our 2019 baseline, significantly ahead of our target of 38%.

Scope 1 emissions covers our direct emissions from fuel use. We successfully deployed our new KB0-E electric rig, which together with a number of hired electric 3rd party rigs have enabled us to begin to reduce life cycle emissions in areas where decarbonised electricity grids are available.

Scope 3 emissions, covering all other indirect emissions, mostly arise from our supply chain. In 2023, we trained our engineers to calculate and reduce the emissions from our use of cement and steel and we have started to develop an action plan to decarbonise our cement design mixes.

On climate risks and opportunities, we continue to model and mitigate both our transition and physical risks. In terms of more local environmental initiatives, we led a project to highlight how the geotechnical sector can help contribute to the circular economy and on water reduction at site in our MEA business.

The Group's safety focus remains relentless, and our key safety metric, the accident frequency rate (AFR), was flat year on year, with a small increase in injuries in AMEA offset by an improvement in Europe. There have been a number of important initiatives in the year including a Group wide assurance programme to ensure safety policies, procedures and culture are truly embedded in operations. The second Global Safety Week was successful and a recently refreshed management safety visit process has been launched with encouraging results. The employee traction and general progress on almost all the safety programmes in the year have been encouraging.

Our Inclusion Commitments serve as the blueprint for setting priorities and fostering alignment and progress across the entire Group. In 2023, these commitments became more deeply ingrained within the fabric of our company. This is crucial as we endeavour to cultivate a workplace that is increasingly diverse, equitable, and inclusive.

Regarding partnerships, we remain committed to collaborating with organisations dedicated to driving positive change and those that align with our focus on the UN SDGs. In pursuit of this objective, we have a three-year partnership with UNICEF UK, providing a funding contribution of £250,000 in 2023 towards its Core Resources for Children initiative. Keller's unrestricted funding enables UNICEF to swiftly respond to emergencies worldwide. Additionally, throughout Europe and across the Group, our employees continue to show support for 'Fundacja KELLER', a charitable foundation established by Keller. This foundation specifically aids our Ukrainian employees and their families who have been impacted by the ongoing conflict.

People

Paul Leonard has been appointed President North America, and will join the Group shortly. Paul, a highly experienced industry professional with a long tenure at Exxon, was most recently at Wood Group PLC in the role of President of Transformation for the Global Consulting business. He is a seasoned expert in energy and construction, with a proven track record in project delivery, and will build on the recent improved performance in the division.

We constantly review the way in which we manage and structure the Group in order to respond most effectively to our evolving markets, and maximise the potential benefits of our strategy. Recently we have made the decision to restructure two of our divisions, Europe and AMEA (Asia-Pacific, Middle East and Africa). The responsibility of the Middle East Business Unit (including NEOM) will transfer to Europe to create the Europe and Middle East Division (EME). Peter Wyton, who has 33 years of industry experience and has most recently and successfully led the AMEA Division, will become the President of EME. The balance of the former AMEA Division, will form a newly created Asia-Pacific (APAC) Division and will be led by Deepak Raj. Deepak has been with Keller for 20 years and most recently led the turnaround of the Austral business in Australia. There is no impact of this restructuring on our North America Division.

In our ongoing commitment to excellence and growth, we remain steadfast in developing our most valuable asset, our people. Through structured programs like the Project Manager Academy, Field Leadership Academy, and several other leadership initiatives, we are dedicated to nurturing and advancing the skills of our people, and have made several internal promotions to important roles within the Group. This focus on in-role development, coupled with the right opportunities for exposure within the organisation, has created many opportunities for internal advancement.

At the core of our operations and achievements lies our diverse and talented team, our people are at the heart of everything we do. This past year, which was both challenging and successful, showcased the tremendous dedication, hard work and expertise of our teams. As we reflect on the year's journey, we extend our gratitude to all our people around the world for their unwavering commitment and exceptional performance.

Growing the dividend

Keller has a notable 30-year history of a maintained or growing dividend with a CAGR of just under 9% since flotation in 1994, and is only one of a few FTSE listed companies to have consistently paid a dividend over such a period.

The Group has a dividend policy to pay a dividend that is sustainable and grows over time which we have managed to do through both the global financial crisis and the COVID19 pandemic.

In recognition of the excellent performance in the year and Keller's future prospects, the Board is recommending a rebasing of the dividend with an increase in the total dividend for 2023 of 20%. This follows the 5% increase in the interim dividend and would bring the total amount of dividends for the year to 45.2p (2022: 37.7p). If approved, the proposed 2023 final dividend of 31.3p (2022: 24.5p) will be paid on 28 June 2024 to shareholders on the register as at the close of business on 31 May 2024. Following this rebasing, it is expected that there will be a resumption of more typical levels of dividend growth thereafter with the overall objective of maintaining a progressive dividend over the cycle.

Outlook

In 2023 the Group delivered a record set of financial results, establishing a new foundation for future long term growth and supporting a material rebasing of the dividend with a full year increase of 20%. Whilst political and macro-economic uncertainties will undoubtedly remain and impact our markets in the short term, our current level of trading together with our robust order book mean that we enter the new year with confidence.

The strong momentum of the business is encouraging and whilst inevitably there will be fluctuations across the Group, our diverse revenues and improved operational delivery underpin our expectation that 2024 will be another year of underlying progress.

The significant improvement in business performance and continued disciplined execution of our strategy, will provide both resilience in the short term and drive growth in the long term, through both organic and targeted M&A opportunities. Accordingly, we view the Group's prospects with increased confidence.

Operating review

North America

	2023 **£m**	2022 £m	Constant currency
Revenue	**1,770.0**	1,896.1	-6.4%
Underlying operating profit	**169.6**	82.0	+107.8%
Underlying operating margin	**9.6%**	4.3%	+530bps
Order book	**904.6**	761.3	+24.6%

In North America, revenue was down by 6.4% (on a constant currency basis) largely driven by the completion of the large LNG project at RECON at the start of the period, and a slow-down in residential housing affecting Suncoast, where revenues were down by c.14%. Our foundations business increased revenues by c. 6%, with an increase in our bidding discipline. Underlying operating profit more than doubled to £169.6m, driven by a material and sustainable improvement in operational performance in the foundations business, better than expected pricing resilience at Suncoast and the strong contribution from three large projects in the foundations business. However, these one-off gains were partially offset by losses from legacy contracts, legal claims and a reduced performance in Canada. This resulted in underlying operating margin increasing to 9.6%. The accident frequency rate, our key safety metric, remained flat versus the prior period at 0.09.

The foundations business had an outstanding year. Management actions taken in the second half of 2022 have resulted in a sustainable improvement in operational performance. These include the introduction of standard operating procedures, an upgraded project performance review process, a new variation order tracking system and new management across some of the business units. The supply chain disruption that had previously impacted productivity across the market in the prior period abated, also bolstering performance in the year. In addition, the business benefited from the contribution from three large projects that were particularly well executed, and delivered materially higher than normal levels of contract profitability which are considered one-off in nature and not expected to repeat at these levels in 2024.

Suncoast had a very strong year, despite the macro headwinds contributing to lower volumes in the residential sector. Whilst revenue was down versus the prior year, profitability increased due to resilient pricing in the high rise sector. This large, non-recurring benefit is unwinding, as the lag between movement in input costs and the impact on pricing normalises in 2024 as expected. Overall the foundations business is expected to sustain its improved underlying operational performance in 2024.
Moretrench Industrial, our business which operates in the highly regulated industrial, environmental and power segments, delivered revenue and profit in line with expectations and the prior year. At RECON, the geoenvironmental and industrial services company, revenue and profit declined as expected following the completion of the large LNG contract in the Gulf of Mexico.

The order book for North America at the period end was at £904.6m, up 24.6% (on a constant currency basis) from the closing position at the end of 2022. The increase year on year is predominantly driven by several high value contracts.

Europe

	2023 £m	2022 £m	Constant currency
Revenue	**686.0**	649.3	+4.2%
Underlying operating profit	**1.8**	29.1	-93.9%
Underlying operating margin	**0.3%**	4.5%	-420bps
Order book	**317.6**	347.5	-7.3%

In Europe, revenue increased modestly by 4.2% on a constant currency basis, while underlying operating profit reduced significantly, down 94% on a constant currency basis, reflecting tough markets and some challenging projects.

In general, across the division, operations continued to be affected by ongoing weak demand in the residential and commercial sectors which has resulted in lower volumes in these sectors. However, revenue from larger projects in the infrastructure sector has more than offset these shortfalls. Underlying operating margin reduced to 0.3% (2022: 4.5%) as a result of the ongoing competitive market environment and reduced margin performance on some particularly challenging contracts. The accident frequency rate reduced from 0.26 to 0.20.

Our North-East Europe business, which comprises Poland and the Baltic countries, was affected by both economic and political uncertainty impacting investor confidence and project spend in the run up to the Polish election. As a consequence revenue was significantly behind a strong prior year comparable. Profit was down on the prior year on the lower volume and the tightening of margins in the challenging market. Towards the end of the year volumes increased, in part driven by work relating to CPK in Poland, a large government funded project that will include the construction of a new highspeed rail and road network across Poland, and may also include a new airport.

South-East Europe and Nordics delivered further revenue growth in 2023. The largest gains were reported in Norway, Sweden and Switzerland largely from rail and road infrastructure projects, and in Hungary, where a number of industrial sector projects were successfully completed. In the Nordic countries, work has progressed on the two substantial multi-year infrastructure contracts, though both projects encountered challenges which created a drag on margins. Performance in the Nordics region generally was significantly below expectations, impacted by contract performance and cost management issues, and as a result we have made changes to the management team and restructured the cost base.

Our UK business continued to make good progress in the year on the High Speed 2 rail contract with lower levels of project revenue against the prior period reflecting the phasing of work. Increased volumes were achieved in the core UK foundations business, which benefitted from the completion of a large industrial project in the North East of England, albeit business unit margins were affected by the mix of work performed.

In Central Europe, revenue increased in the period, helped by work delivered on a large rail project in Germany that commenced in the fourth quarter. Margins were adversely affected by market pressure in the residential and commercial sector and the associated weighting towards infrastructure work.

South West Europe delivered growth in both revenue and operating profit. The Iberian markets were affected by lower levels of revenue, with the uncertainty of Spanish elections in the year affecting local decision making on project investments. France performed well and the strategic cross selling of products across the South Western Europe markets continues to be a key driver of growth.

As part of our continuing strategic review of our asset portfolio, we took the decision to exit the Kazakhstan market.

Despite various actions taken in response to the prevailing macro-economic conditions, financial performance for the division, as a whole, during 2023 was disappointing. Specifically, we have taken action in the Nordics businesses to address contract performance and cost issues. The continuing focus on the infrastructure sector provides ongoing project opportunities until we see a recovery in the residential and commercial sectors. In 2024 we expect market conditions to remain challenging, however we anticipate an improvement in operating margin.

The Europe order book at the end of the period was £317.6m, -7.3% lower than the prior year on a constant currency basis, as a result of the completion of work on some large multi-year infrastructure projects.

Asia-Pacific, Middle East and Africa (AMEA)

	2023 £m	2022 £m	Constant currency
Revenue	**510.0**	399.2	+34.1%
Underlying operating profit	**22.6**	6.6	+253.2%
Underlying operating margin	**4.4%**	1.7%	+270bps
Order book	**266.9**	298.4	-5.1%

In AMEA, revenues increased by 34.1% on a constant currency basis, driven by record volumes in Keller Australia, delivery of the first works order at NEOM and robust trading in India. Underlying operating profit increased significantly to £22.6m driven by higher volumes as well as improved operational execution in Keller Australia, the NEOM project and the return to profit in the second half at Austral. The accident frequency rate increased slightly to 0.04.

Keller Australia delivered a record performance with high levels of volume driven by federal and state government spending, particularly in the infrastructure sector, combined with improved operational execution. It is expected the federal and state government spending will begin to ease through 2024.

Austral, as anticipated, returned to a sustainable profit in the second half, this was insufficient to offset the significant loss on legacy contracts experienced in the first half of the year. The new management team has done an excellent job in turning the business around and resetting the business for future growth. The leadership team has been restructured and strengthened. New processes were introduced, increasing, the level of scrutiny of project reviews, improving the reliability of forecasts and driving improved profitability. In 2024, a full year of profit is expected.

In ASEAN, the market recovery has been slower than expected, with continued market softness and low levels of activity, particularly in Malaysia and Indonesia. Volumes were broadly in line with prior year with lower levels of profitability due to high levels of competition and project mix. It is expected that trading will improve in 2024 as previously delayed projects come on stream.

Keller India performed well, delivering revenue and profit growth in the period. New contract wins in the industrial, manufacturing and commercial sectors supported the business's continued leading position in the petrochemical sector.

After a soft first half, our MEA business performed ahead of expectations with a strong end to the period particularly in UAE and Saudi Arabia. At NEOM, following the signing of the overall Framework Agreement in 2022, we completed the first Works Order in relation to The Line, in the first quarter of 2023, worth c. £40m. While we await further work orders in relation to The Line we have redeployed resources elsewhere. At Trojena, the winter resort development at NEOM, we have recently been awarded a work package worth c.US$80m and we have mobilised to site with work expected to be completed by the end of 2024. We continue to take a measured and disciplined approach to the opportunities provided by the project.

We continually review our portfolio and have taken the strategic decision to exit Egypt and our remaining businesses in Sub-Sahara Africa.

The AMEA order book at the end of the period was at £266.9m, down 5.1% (on a constant currency basis) on the prior year. The decrease is predominantly driven by the depletion in the order book at Keller Australia as major projects progressed.

Chief Financial Officer's review

This report comments on the key financial aspects of the Group's 2023 results.

	2023 £m	2022 £m
Revenue	**2,966.0**	2,944.6
Underlying operating profit[1]	**180.9**	108.6
Underlying operating profit %[1]	**6.1%**	3.7%
Non-underlying items in operating profit	**(27.8)**	(40.8)
Statutory operating profit	**153.1**	67.8
Statutory operating profit %	**5.2%**	2.3%

1 Details of non-underlying items are set out in note 9 to the consolidated financial statements. Reconciliations to statutory numbers are set out in the adjusted performance measures section.

Revenue and underlying operating profit split by geography

	Revenue £m		**Underlying operating profit[1] £m**		**Underlying operating profit margin[1] %**	
Year ended	**2023**	2022	**2023**	2022	**2023**	2022
Division						
North America	**1,770.0**	1,896.1	**169.6**	82.0	**9.6%**	4.3%
Europe	**686.0**	649.3	**1.8**	29.1	**0.3%**	4.5%
AMEA	**510.0**	399.2	**22.6**	6.6	**4.4%**	1.7%
Central	**-**	-	**(13.1)**	(9.1)	**-**	-
Group	**2,966.0**	2,944.6	**180.9**	108.6	**6.1%**	3.7%

2 Details of non-underlying items are set out in note 9 to the consolidated financial statements. Reconciliations to statutory numbers are set out in the adjusted performance measures section.

Revenue

Revenue of £2,966.0m (2022: £2,944.6m) was up 1% at actual foreign exchange rates and at constant currency, driven by increased trading volumes in AMEA and to a lesser extent Europe, offset by a reduction in North America. In North America, revenue reduced by 6.4% on a constant currency basis driven by the completion of the large LNG project at RECON at the start of the period. In AMEA, revenues increased by 34.1% on a constant currency basis, driven by record volumes in Keller Australia, delivery of the first works order at NEOM and robust trading in Keller India. In Europe, revenue increased modestly by 4.2%, on a constant currency basis, reflecting widespread weak demand in the residential and commercial sectors offset by revenue from larger projects in the infrastructure sector.

We have a diversified spread of revenues across geographies, product lines, market segments and end customers. Customers are generally market specific and, consistent with the prior year, the largest customer represented less than 4% of the Group's revenue. The top 10 customers represent 15% of the Group's revenue (2022: 17%). The Group worked on c.5,500 projects in the year with 51% (2022: 54%) of contracts having a value between £25,000 and £250,000, demonstrating a low customer concentration and a wide project portfolio.

Underlying operating profit

The underlying operating profit of £180.9m was 67% up on prior year (2022: £108.6m) on an actual and constant currency basis. In North America, underlying operating profit more than doubled to £169.6m (2022: £82.0m), due to a sustainable improvement in the operational performance in the foundations business, better than expected pricing resilience at Suncoast and the contribution from three large projects in the foundations business. In Europe, underlying operating profit reduced significantly to £1.8m (2022: £29.1m) as a result of reduced margin performance on some particularly challenging contracts in the Nordics region and the increasingly competitive environment across Europe in a declining market. In AMEA, underlying operating profit increased significantly to £22.6m (2022: £6.6m), driven by higher volumes as well as improved operational execution and profitability in Keller Australia, uplift in the Middle East (including NEOM) and the return to profit in the second half at Austral.

Share of post-tax results from joint ventures

The Group recognised an underlying post-tax profit of £0.8m in the year (2022: £1.5m) from its share of the post-tax results from joint ventures. The share of the post-tax amortisation charge of £0.6m (2022: £1.2m) arising from the acquisition of NordPile by our joint venture KFS Oy in 2021 is included as a non-underlying item. No dividends (2022: nil) were received from joint ventures in the year.

Statutory operating profit

Statutory operating profit comprising underlying operating profit of £180.9m (2022: £108.6m) and non-underlying items comprising net costs of £27.8m (2022: £40.8m), increased by 126% to £153.1m (2022: £67.8m). The increase in statutory operating profit is a reflection of the increase in underlying operating profit in 2023, combined with a decrease in non-underlying operating costs. The non-underlying costs are set out in further detail below.

Net finance costs

Net underlying finance costs increased by 82% to £27.5m (2022: £15.1m). The increase was driven predominantly by the increase in underlying interest rates, despite a decrease in the average net debt levels through the year. In August, the Group received the proceeds from a new $300m private placement of loan notes, which were used to repay existing borrowings. The Group’s borrowings are now largely at fixed interest rates. The average net borrowings, excluding IFRS 16 lease liabilities, during the year were £224.8m (2022: £252.1m).

Taxation

The Group’s underlying effective tax rate increased to 25% (2022: 22%), largely due to the change in the profit mix of where the Group is subject to tax. Cash tax paid in the year increased from £5.9m to £72.7m. The significant increase in tax paid is driven by the increased profitability in the US, resulting in tax paid of c£46m (2022: £1m). In addition, Keller delayed the payment of its FY22 tax bill (c£24m) to 2023 as it was expecting a law change to materialise before the payment became due. As the law did not change, the tax payable for FY22 was settled in 2023. Further details on tax are set out in note 12 of the consolidated financial statements.

Non-underlying items

The items below have been excluded from the underlying results and further details of non-underlying items are included in note 9 to the financial statements. The total non-underlying items in operating profit in the year decreased to £27.8m (2022: £40.8m), due to the reduction in amortisation of acquired intangible assets and the non-repeat of historic contract costs in the year.

	2023 £m	2022 £m
ERP implementation costs	**7.5**	6.3
Goodwill impairment	**12.1**	12.5
Exceptional restructuring costs	**2.8**	5.3
Impairment of trade receivables related to restructuring	**0.4**	0.3
Loss on disposal of operations	**0.1**	-
Exceptional historic contract dispute	**-**	3.5
Claims related to closed business	**-**	2.5
Contingent consideration: additional amounts provided	**-**	0.1
Change in fair value of contingent consideration	**-**	(0.7)
Acquisition costs	**-**	0.2
Amortisation of acquired intangible assets	**5.1**	10.3
Amortisation of joint venture acquired intangibles	**0.6**	1.2
Gain on sale of assets held for sale	**(0.8)**	-
Contingent consideration received	**-**	(0.7)
Total non-underlying items in operating profit	**27.8**	40.8
Non-underlying items in finance income	**-**	(3.6)
Total non-underlying items before taxation	**27.8**	37.2
Non-underlying taxation	**(3.0)**	(9.0)
Total non-underlying items	**24.8**	28.2

Non-underlying items in operating profit

The Group is continuing the strategic project to implement a new cloud computing enterprise resource planning (ERP) system across the Group. As this is a complex implementation, project costs are expected to be incurred over a total period of five years. Non-underlying ERP costs of £7.5m (2022: £6.3m) include only costs relating directly to the implementation, including external consultancy costs and the cost of the dedicated implementation team. Non-underlying costs does not include operational post-deployment costs such as licence costs for businesses that have transitioned.

The goodwill impairment of £12.1m (2022: £12.5m) relates to the UK business where a downward revision to the medium-term forecast has resulted in the full impairment of the goodwill as the forward projections did not fully support the carrying value of the goodwill. Goodwill impairment in the prior year of £12.5m related to Austral and the Swedish business.

Exceptional restructuring costs of £2.8m (2022: £5.3m) in the year, comprises £0.5m (2022: £1.9m) in the Europe Division and £2.3m (2022: credit of £0.6m) in AMEA. In Europe, the costs related to the scheduled exit of the Kazakhstan business, and in AMEA, costs arose from the mothballing of the Egypt business. In 2022, we also incurred restructuring costs in North America (£3.4m) and in the centre (£0.6m). In addition, the exit from Kazakhstan resulted in a £0.4m impairment of trade receivables, in 2022 we incurred a £0.3m impairment in respect of trade receivables in Ukraine.

A loss on disposal of £0.1m was realised on the disposal of the Cyntech Tanks business in Canada in October 2023.

The £0.8m gain on disposal of assets held for sale relates primarily to the sale of assets owned by the now closed Waterway business in Australia. Impairment charges for these assets had previously been charged to non-underlying items in prior periods and therefore the corresponding profit on disposal of the assets is also recognised as a non-underlying item.

The classification of costs as non-underlying is a management judgement and is reviewed on a regular basis.

Amortisation of acquired intangibles

The £5.1m (2022: £10.3m) charge for amortisation of acquired intangible assets relates to the RECON, Nordwest Fundamentering, GKM Consultants and Moretrench acquisitions. In addition we have incurred £0.6m (2022: £1.2m) of amortisation of joint venture intangibles which relates to NordPile, an acquisition by the Group's joint venture interest KFS Finland Oy.

Non-underlying taxation

A non-underlying tax credit of £3.0m (2022: £9.0m) relates entirely to the tax impact of the non-underlying loss for the year. In 2022, £4.7m of the credit related to the tax impact of the non-underlying loss and the £4.3m remainder of the credit arose from the reversal of the valuation allowance against deferred tax assets in Canada that was recognised through the non-underlying tax charge in prior years.

Earnings per share

Underlying diluted earnings per share increased by 53% to 153.9p (2022: 100.7p) driven by higher operating profit partially offset by the increase in finance costs and a higher effective tax rate in the year. Statutory diluted earnings per share was 120.5p (2022: 62.4p) which includes the impact of the non-underlying items.

Dividend

The Board has recommended a final dividend of 31.3p per share (2022: 24.5p per share) which, following the interim dividend for 2023 of 13.9p (2022: 13.2p), brings the total dividend for the year to 45.2p (2022: 37.7p), an increase of 20%. The 2023 dividend earnings cover, before non-underlying items, was 3.4x (2022: 2.7x). If approved, the proposed 2023 final dividend of 31.3p (2022: 24.5p) will be paid on 28 June 2024 to shareholders on the register as at the close of business on 31 May 2024.

Keller Group plc has distributable reserves of £190.8m at 31 December 2023 (2022: £122.1m) that are available to support the dividend policy, which comfortably covers the proposed final dividend for 2023 of £22.7m. Keller Group plc is a non-trading investment company that derives its profits from dividends paid by subsidiary companies. The dividend policy is therefore impacted by the performance of the Group, which is subject to the Group's principal risks and uncertainties as well as the level of headroom on the Group's borrowing facilities and future cash commitments and investment plans.

Free cash flow

The Group's free cash flow was an inflow of £103.2m (2022: outflow of £33.8m) of the improvement was driven by the reversal of the increased working capital demands in the prior year. Free cash flow has also been impacted by the timing of US tax payments. The basis of deriving free cash flow is set out below.

Free cash flow

	2023 £m	2022 £m
Underlying operating profit	180.9	108.6
Depreciation, amortisation and impairment	112.2	97.0
Underlying EBITDA	**293.1**	205.6
Non-cash items	(4.0)	(1.1)
Decrease/(increase) in working capital	2.7	(110.5)
Increase/(decrease) in provisions and retirement benefit liabilities	12.1	(13.4)
Net capital expenditure	(73.6)	(73.5)
Additions to right-of-use assets	(33.9)	(24.8)
Free cash flow before interest and tax	**196.4**	(17.7)
Free cash flow before interest and tax to underlying operating profit	**109%**	(16%)
Net interest paid	(20.5)	(10.2)
Cash tax paid	(72.7)	(5.9)
Free cash flow	**103.2**	(33.8)
Dividends paid to shareholders	(27.7)	(26.4)
Purchase of own shares	(3.4)	(1.2)
Acquisitions	(0.2)	(22.4)
Business disposals	1.3	0.7
Transactions with non-controlling interests	(6.4)	-
Non-underlying items	(12.4)	(6.2)
Cash flows from derivative instruments	2.0	-
Fair value movements in net debt	-	2.6
Right-of-use assets/lease liability modifications	(8.7)	(1.6)
Foreign exchange movements	13.9	(17.3)
Movement in net debt	**61.6**	(105.6)
Opening statutory net debt	**(298.9)**	(193.3)
Closing statutory net debt	**(237.3)**	(298.9)

Working capital

Net working capital decreased by £2.7m (2022: increase of £110.5m) reflecting a significant reduction in inventory levels at Suncoast partially offset by a decrease in trade and other payables. The net movement comprises £26.8m decrease in inventories and a £1.5m decrease in trade and other receivables, offset by a decrease in trade and other payables of £25.6m.

An increase in provisions and retirement benefit liabilities improved the working capital by £12.1m (2022: decrease of £13.4m). This reflects an increase in provisions, as the amounts provided for contract and legal disputes exceeded the amounts settled, with fewer large legal or contract disputes settled in the year. This excludes the cash outflow on restructuring provisions and other items included in non-underlying costs which are presented within non-underlying items in the free cash flow calculation.

Capital expenditure

The Group manages capital expenditure tightly whilst investing in the upgrade and replacement of equipment where appropriate. Net capital expenditure, excluding leased assets, of £73.6m (2022: £73.5m) was net of proceeds from the sale of equipment of £20.9m (2022: £8.2m). The asset replacement ratio, which is calculated by dividing gross capital expenditure, excluding sales proceeds on disposal of items of property, plant and equipment and those assets capitalised under IFRS 16, by the depreciation charge on owned property, plant and equipment, was 115% (2022: 115%).

Acquisitions and transactions with non-controlling interests

The Group purchased a 35% interest in the shares of our Saudi Arabian subsidiary, Keller Turki Company Limited, increasing our ownership interest to 100%. An initial cash consideration of £6.4m was paid to the non-controlling shareholders and a contingent consideration has been agreed which is valued at £9.3m at the balance sheet date.

The accounting for the acquisition, of Nordwest Fundamentering in 2022 was finalised in the year, giving rise to prior period measurement adjustments which are set out in note 5 to the consolidated financial statements. In 2022, outflows for acquisitions, net of cash and debt acquired, included £3.2m for GKM Consultants Inc and £6.8m for Nordwest Fundamentering. Deferred and contingent consideration in respect of prior period acquisitions of £0.2m (2022: £12.4m) was paid in the year.

Financing facilities and net debt

The Group's total net debt of £237.3m (2022: £298.9m) comprises loans and borrowings of £297.1m (2022: £319.0m), lease liabilities of £91.6m (2022: £81.0m) net of cash and cash equivalents of £151.4m (2022: £101.1m). The Group's term debt and committed facilities principally comprises US private placement notes repayable in December 2024 ($75m), in August 2030 ($120m) and in August 2033 ($180m) and a £375m multi-currency syndicated revolving credit facility, which matures in November 2025. At the year end, the Group had undrawn committed and uncommitted borrowing facilities totalling £425.2m (2022: £273.7m).

The most significant covenants in respect of the main borrowing facilities relate to the ratio of net debt to underlying EBITDA, underlying EBITDA interest cover and the Group's net worth. The covenants are required to be tested at the half year and the year end. The Group operates comfortably within all of its covenant limits. Net debt to underlying EBITDA leverage, calculated excluding the impact of IFRS 16, was 0.6x (2022: 1.2x), well within the covenant limit of 3.0x and within the Group's leverage target of between 0.5x-1.5x. Calculated on a statutory basis, including the impact of IFRS 16, net debt to EBITDA leverage was 0.8x at 31 December (2022: 1.5x). Underlying EBITDA, excluding the impact of IFRS 16, to net finance charges was 12.3x (2022: 15.7x), well above the limit of 4.0x.

On an IFRS 16 basis, year-end gearing, defined as statutory net debt divided by net assets, was 46% (2022: 60%).

The average month-end net debt during 2023, excluding IFRS 16 lease liabilities, was £224.8m (2022: £252.1m). The Group had no material discounting or factoring in place during the year. Given the relatively low value and short-term nature of the majority of the Group's projects, the level of advance payments is typically not significant, although we have negotiated advance payments on larger projects such as NEOM.

At 31 December 2023 the Group had drawn upon uncommitted overdraft facilities of £2.4m (2022: £6.9m) and had drawn £199.7m of bank guarantee facilities (2022: £190.6m).

Provision for pension

The Group has defined benefit pension arrangements in the UK, Germany and Austria.

The Group's UK defined benefit scheme is closed to future benefit accrual. The most recent actuarial valuation of the UK scheme was as at 5 April 2023, which recorded the market value of the scheme's assets at £45.2m and the scheme being 98% funded on an ongoing basis. Given the funding level, contributions will cease from August 2024, with a total of £1.7m to be paid in 2024. Contributions will be reviewed following the next triennial actuarial valuation to be prepared as at 5 April 2026. The 2023 year-end IAS 19 valuation of the UK scheme showed assets of £46.0m, liabilities of £41.8m and a pre-tax surplus of £4.2m before an IFRIC 14 adjustment to reflect the minimum funding requirement for the scheme, which adjusts the closing position to a deficit of £1.5m.

In Germany and Austria, the defined benefit arrangements only apply to certain employees who joined the Group before 1997. The IAS 19 valuation of the defined benefit obligation totalled £12.6m at 31 December (2022: £13.2m). 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.

The Group has a number of end of service schemes in the Middle East as required by local laws and regulations. The amount of benefit payable depends on the current salary of the employee and the number of years of service. These retirement obligations are funded on the Group's balance sheet and obligations are met as and when required by the Group. The IAS 19 valuation of the defined benefit obligation totalled £3.6m at 31 December 2023 (2022: £3.5m).

Currencies

The Group is exposed to both translational and, to a lesser extent, transactional foreign currency gains and losses through movements in foreign exchange rates as a result of its global operations. The Group's primary currency exposures are US dollar, Canadian dollar, euro and Australian dollar.

As the Group reports in sterling and conducts the majority of its business in other currencies, movements in exchange rates can result in significant currency translation gains or losses. This has an effect on the primary statements and associated balance sheet metrics, such as net debt and working capital.

A large proportion of the Group's revenues are matched with corresponding operating costs in the same currency. The impacts of transactional foreign exchange gains or losses are consequently mitigated and are recognised in the period in which they arise.

The following exchange rates applied during the current and prior year:

	2023		2022	
	Closing	**Average**	Closing	Average
USD	**1.27**	**1.24**	1.21	1.24
CAD	**1.69**	**1.68**	1.63	1.61
EUR	**1.15**	**1.15**	1.12	1.17
AUD	**1.87**	**1.87**	1.76	1.78

Treasury policies

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 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 majority of the Group's borrowings are held in US dollar.

The Group manages its currency flows to minimise 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 treasury risk management is performed at the Group's head office.

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. At 31 December 2023 the majority of borrowings were fixed rate.

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 Group liabilities. These represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group recognises impairment losses on trade receivables where there is uncertainty over the amount we can recover from customers. The amount recognised in underlying costs of £21.3m (2022: £2.9m) has increased as a result of specific impairments relating to customers in financial difficulty or amounts where cash receipts have been delayed due to customer disputes.

The Group has procedures to manage counterparty risk and the assessment of customer credit risk is embedded in the contract tendering processes. The counterparty risk on bank and cash balances is managed by limiting the aggregate amount of exposure to any one institution by reference to its credit rating and by regular review of these ratings.

Return on capital employed

Return on capital employed is defined at Group level as underlying operating profit divided by the accounting value of equity attributable to equity holders of the parent plus net debt plus retirement benefit liabilities. Return on capital employed in 2023 was 22.8% (2022: 14.9%).

Consolidated income statement

For the year ended 31 December 2023

		2023			2022[1]		
		Underlying	**Non-underlying items (note 9)**	**Statutory**	Underlying	Non-underlying items (note 9)	Statutory
	Note	**£m**	**£m**	**£m**	£m	£m	£m
Revenue	3,4	**2,966.0**	**—**	**2,966.0**	2,944.6	—	2,944.6
Operating costs	6	**(2,764.6)**	**(22.5)**	**(2,787.1)**	(2,834.6)	(29.7)	(2,864.3)
Net impairment loss on trade receivables and contract assets	7	**(21.3)**	**(0.4)**	**(21.7)**	(2.9)	(0.3)	(3.2)
Amortisation of acquired intangible assets		**—**	**(5.1)**	**(5.1)**	—	(10.3)	(10.3)
Other operating income		**—**	**0.8**	**0.8**	—	0.7	0.7
Share of post-tax results of joint ventures	17	**0.8**	**(0.6)**	**0.2**	1.5	(1.2)	0.3
Operating profit/(loss)	3	**180.9**	**(27.8)**	**153.1**	108.6	(40.8)	67.8
Finance income	10	**1.8**	**—**	**1.8**	0.5	3.6	4.1
Finance costs	11	**(29.3)**	**—**	**(29.3)**	(15.6)	—	(15.6)
Profit/(loss) before taxation		**153.4**	**(27.8)**	**125.6**	93.5	(37.2)	56.3
Taxation	12	**(38.8)**	**3.0**	**(35.8)**	(20.3)	9.0	(11.3)
Profit/(loss) for the year		**114.6**	**(24.8)**	**89.8**	73.2	(28.2)	45.0
Attributable to:							
Equity holders of the parent		**114.2**	**(24.8)**	**89.4**	74.2	(28.2)	46.0
Non-controlling interests	34	**0.4**	**—**	**0.4**	(1.0)	—	(1.0)
		114.6	**(24.8)**	**89.8**	73.2	(28.2)	45.0
Earnings per share							
Basic	14	**156.9p**		**122.8p**	102.1p		63.3p
Diluted	14	**153.9p**		**120.5p**	100.7p		62.4p

[1] The prior period columns have been reclassified to show net impairment loss on trade receivables and contract assets separate from operating costs, where they were reported in previous periods. The inclusion of this information is considered useful for the users of the Annual Report and Accounts based on the material movements in the current period. Further details of the reclassified amounts are outlined in note 7 to the consolidated financial statements.

Consolidated statement of comprehensive income

For the year ended 31 December 2023

	Note	**2023 £m**	2022 £m
Profit for the year		**89.8**	45.0
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange movements on translation of foreign operations		**(28.3)**	46.3
Cash flow hedge gain taken to equity		**1.9**	—
Cash flow hedge transfers to income statement		**(0.2)**	—
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of defined benefit pension schemes	33	**(0.2)**	2.8
Tax on remeasurements of defined benefit pension schemes	12	**(0.1)**	(0.6)
Other comprehensive (loss)/income for the year, net of tax		**(26.9)**	48.5
Total comprehensive income for the year		**62.9**	93.5
Attributable to:			
Equity holders of the parent		**62.7**	94.0
Non-controlling interests		**0.2**	(0.5)
		62.9	93.5

Consolidated balance sheet

As at 31 December 2023

	Note	2023 £m	2022 (Restated)[1] £m
Assets			
Non-current assets			
Goodwill and intangible assets	15	**114.6**	137.9
Property, plant and equipment	16	**480.2**	486.5
Investments in joint ventures	17	**4.5**	4.4
Deferred tax assets	12	**36.8**	15.1
Other assets	18	**66.8**	60.8
		702.9	704.7
Current assets			
Inventories	19	**93.3**	124.4
Trade and other receivables	20	**721.8**	764.6
Current tax assets		**6.3**	5.0
Cash and cash equivalents	21	**151.4**	101.1
Assets held for sale	22	**1.6**	2.8
		974.4	997.9
Total assets	3	**1,677.3**	1,702.6
Liabilities			
Current liabilities			
Loans and borrowings	26	**(86.8)**	(34.2)
Current tax liabilities		**(35.5)**	(53.2)
Trade and other payables	23	**(553.6)**	(585.6)
Provisions	24	**(59.1)**	(52.7)
		(735.0)	(725.7)
Non-current liabilities			
Loans and borrowings	26	**(301.9)**	(365.8)
Retirement benefit liabilities	33	**(17.7)**	(20.8)
Deferred tax liabilities	12	**(7.8)**	(5.3)
Provisions	24	**(73.7)**	(66.9)
Other liabilities	25	**(23.2)**	(21.3)
		(424.3)	(480.1)
Total liabilities	3	**(1,159.3)**	(1,205.8)
Net assets	3	**518.0**	496.8
Equity			
Share capital	28	**7.3**	7.3
Share premium account		**38.1**	38.1
Capital redemption reserve	28	**7.6**	7.6
Translation reserve		**29.8**	57.9
Other reserve	28	**56.9**	56.9
Hedging reserve		**1.7**	—
Retained earnings		**373.9**	326.7
Equity attributable to equity holders of the parent		**515.3**	494.5
Non-controlling interests	34	**2.7**	2.3
Total equity		**518.0**	496.8

1 The 31 December 2022 consolidated balance sheet has been restated in respect of prior period business combination measurement adjustments, as outlined in note 5 to the consolidated financial statements.

These consolidated financial statements were approved by the Board of Directors and authorised for issue on 4 March 2024.

They were signed on its behalf by:

Michael Speakman
Chief Executive Officer

David Burke
Chief Financial Officer

Consolidated statement of changes in equity

For the year ended 31 December 2023

	Share capital (note 28) £m	Share premium account £m	Capital redemption reserve (note 28) £m	Translation reserve £m	Other reserve (note 28) £m	Hedging reserve (note 26) £m	Retained earnings £m	**Attributable to equity holders of the parent £m**	Non-controlling interests (note 34) £m	**Total equity £m**
At 31 December 2021	7.3	38.1	7.6	12.1	56.9	—	303.2	**425.2**	2.8	**428.0**
Profit/(loss) for the year	—	—	—	—	—	—	46.0	**46.0**	(1.0)	**45.0**
Other comprehensive income										
Exchange movements on translation of foreign operations	—	—	—	45.8	—	—	—	**45.8**	0.5	**46.3**
Remeasurements of defined benefit pension schemes	—	—	—	—	—	—	2.8	**2.8**	—	**2.8**
Tax on remeasurements of defined benefit pension schemes	—	—	—	—	—	—	(0.6)	**(0.6)**	—	**(0.6)**
Other comprehensive income for the year, net of tax	—	—	—	45.8	—	—	2.2	**48.0**	0.5	**48.5**
Total comprehensive income/(loss) for the year	—	—	—	45.8	—	—	48.2	**94.0**	(0.5)	**93.5**
Dividends	—	—	—	—	—	—	(26.4)	**(26.4)**	—	**(26.4)**
Purchase of own shares for ESOP trust	—	—	—	—	—	—	(1.2)	**(1.2)**	—	**(1.2)**
Share-based payments	—	—	—	—	—	—	2.9	**2.9**	—	**2.9**
At 31 December 2022	**7.3**	**38.1**	**7.6**	**57.9**	**56.9**	**—**	**326.7**	**494.5**	**2.3**	**496.8**
Profit for the year	—	—	—	—	—	—	89.4	**89.4**	0.4	**89.8**
Other comprehensive income										
Exchange movements on translation of foreign operations	—	—	—	(28.1)	—	—	—	**(28.1)**	(0.2)	**(28.3)**
Cash flow hedge gain taken to equity	—	—	—	—	—	1.9	—	**1.9**	—	**1.9**
Cash flow hedge transfers to income statement	—	—	—	—	—	(0.2)	—	**(0.2)**	—	**(0.2)**
Remeasurements of defined benefit pension schemes	—	—	—	—	—	—	(0.2)	**(0.2)**	—	**(0.2)**
Tax on remeasurements of defined benefit pension schemes	—	—	—	—	—	—	(0.1)	**(0.1)**	—	**(0.1)**
Other comprehensive loss for the year, net of tax	—	—	—	(28.1)	—	1.7	(0.3)	**(26.7)**	(0.2)	**(26.9)**
Total comprehensive (loss)/ income for the year	—	—	—	(28.1)	—	1.7	89.1	**62.7**	0.2	**62.9**
Dividends	—	—	—	—	—	—	(27.7)	**(27.7)**	—	**(27.7)**
Transactions with non-controlling interests	—	—	—	—	—	—	(15.2)	**(15.2)**	0.2	**(15.0)**
Purchase of own shares for ESOP trust	—	—	—	—	—	—	(3.4)	**(3.4)**	—	**(3.4)**
Share-based payments	—	—	—	—	—	—	4.4	**4.4**	—	**4.4**
At 31 December 2023	**7.3**	**38.1**	**7.6**	**29.8**	**56.9**	**1.7**	**373.9**	**515.3**	**2.7**	**518.0**

Consolidated cash flow statement

For the year ended 31 December 2023

	Note	**2023** **£m**	2022 £m
Cash flows from operating activities			
Profit before taxation		**125.6**	56.3
Non-underlying items	9	**27.8**	40.8
Finance income	10	**(1.8)**	(4.1)
Finance costs	11	**29.3**	15.6
Underlying operating profit	3	**180.9**	108.6
Depreciation/impairment of property, plant and equipment	16	**111.8**	96.6
Amortisation of intangible assets	15	**0.4**	0.4
Share of underlying post-tax results of joint ventures	17	**(0.8)**	(1.5)
Profit on sale of property, plant and equipment		**(4.4)**	(3.3)
Other non-cash movements (including charge for share-based payments)		**3.3**	3.7
Foreign exchange gains		**(2.1)**	—
Operating cash flows before movements in working capital and other underlying items		**289.1**	204.5
Decrease/(increase) in inventories		**26.8**	(44.2)
Decrease/(increase) in trade and other receivables		**1.5**	(110.0)
(Decrease)/increase in trade and other payables		**(25.6)**	43.7
Increase/(decrease) in provisions, retirement benefit and other non-current liabilities		**12.1**	(13.4)
Cash generated from operations before non-underlying items		**303.9**	80.6
Cash outflows from non-underlying items: ERP costs		**(7.5)**	(5.4)
Cash outflows from non-underlying items: contract disputes		**(3.7)**	—
Cash outflows from non-underlying items: restructuring costs		**(1.2)**	(0.6)
Cash outflows from non-underlying items: acquisition costs		—	(0.2)
Cash generated from operations		**291.5**	74.4
Interest paid		**(16.2)**	(10.1)
Interest element of lease rental payments		**(5.6)**	(3.6)
Income tax paid		**(72.7)**	(5.9)
Net cash inflow from operating activities		**197.0**	54.8
Cash flows from investing activities			
Interest received		**1.8**	4.0
Proceeds from sale of property, plant and equipment		**20.9**	8.2
Proceeds on disposal of businesses	5	**1.3**	0.7
Acquisition of businesses, net of cash acquired	5	**(0.2)**	(20.2)
Acquisition of property, plant and equipment	16	**(94.3)**	(81.6)
Acquisition of other intangible assets	15	**(0.2)**	(0.1)
Net cash outflow from investing activities		**(70.7)**	(89.0)
Cash flows from financing activities			
Increase in borrowings		**241.2**	99.3
Cash flows from derivative instruments		**2.0**	0.2
Repayment of borrowings		**(245.1)**	(1.4)
Payment of lease liabilities		**(28.3)**	(29.5)
Transactions with non-controlling interest		**(6.4)**	—
Purchase of own shares for ESOP trust		**(3.4)**	(1.2)
Dividends paid	13	**(27.7)**	(26.4)
Net cash (outflow)/inflow from financing activities		**(67.7)**	41.0
Net increase in cash and cash equivalents		**58.6**	6.8
Cash and cash equivalents at beginning of year		**94.2**	81.8
Effect of exchange rate movements		**(3.8)**	5.6
Cash and cash equivalents at end of year	21	**149.0**	94.2

Notes to the consolidated financial statements

1 Corporate information

The consolidated financial statements of Keller Group plc and its subsidiaries (collectively, the ‘Group’) for the year ended 31 December 2023 were authorised for issue in accordance with the resolution of the Directors on 4 March 2024.

Keller Group plc (the ‘company’) is a public limited company, incorporated and domiciled in the United Kingdom, whose shares are publicly traded on the London Stock Exchange. The registered office is located at 2 Kingdom Street, London W2 6BD. The Group is principally engaged in the provision of specialist geotechnical services.

2 Material accounting policy information

Basis of preparation

In accordance with the Companies Act 2006, these consolidated financial statements have been prepared and approved by the Directors in accordance with UK adopted international accounting standards. The company prepares its parent company financial statements in accordance with FRS 101.

The financial information for the year ended 31 December 2022 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The independent auditors' report on the full financial statements for the year ended 31 December 2022 was unqualified and did not contain an emphasis of matter paragraph or any statement under section 498 of the Companies Act 2006. This announcement does not constitute the Group’s full financial statements for the year ended 31 December 2023.

The consolidated financial statements have been prepared on an historical cost basis, except for derivative financial instruments that have been measured at fair value. The carrying values of recognised assets and liabilities that are designated as hedged items in fair value hedges that would otherwise be carried at amortised cost are adjusted to recognise changes in the fair values attributable to the risks that are being hedged in effective hedge relationships. The consolidated financial statements are presented in pounds sterling and all values are rounded to the nearest hundred thousand, expressed in millions to one decimal point, except when otherwise indicated.

Prior period business combination measurement adjustment

Under IFRS 3 ‘Business Combinations’ there is a measurement period of no longer than 12 months in which to finalise the valuation of the acquired assets and liabilities. During the measurement period, the acquirer shall retrospectively adjust the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date. During the measurement period, the acquirer shall also recognise additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date.

In the year to 31 December 2022, the Group acquired Nordwest Fundamentering AS. Adjustments to the provisional fair values were made during the measurement period, as set out in note 5. The impact of the measurement period adjustments has been applied retrospectively, meaning that the results and financial position for the year to 31 December 2022 have been restated.

Going concern

In August 2023, the Group received proceeds from a new $300m private placement of loan notes. These were used to repay existing borrowings. At 31 December 2023, the Group had undrawn committed and uncommitted borrowing facilities totalling £425.2m, comprising £375m of the unutilised portion of the revolving credit facility, £2.8m of other undrawn committed borrowing facilities and undrawn uncommitted borrowing facilities of £47.4m, as well as cash and cash equivalents of £149.0m. At 31 December 2023, the Group’s net debt to underlying EBITDA ratio (calculated on an IAS 17 covenant basis) was 0.6x, well within the limit of 3.0x.

The Group has prepared a forecast of financial projections for the three-year period to 31 December 2026. The forecast underpins the going concern assessment which has been made for the period through to 31 March 2025, a period of at least 12 months from when the financial statements are authorised for issue and aligning with the period in which the Group’s banking covenants are tested. The base case reflects the assumptions made by the Group with respect to key project wins, organic growth and a focus on cost reduction. The forecast shows significant headroom and supports the position that the Group can operate within its available banking facilities and covenants throughout this period.

The Group’s revolving credit facility falls due in November 2025, eight months after the going concern period assessed by management. Management assumed the Group will continue to have access to this funding throughout the going concern period and the three year viability period, on the basis that the Group will either renew the facility or have sufficient time to agree an alternative source of finance on comparable terms.

For the going concern assessment, management ran a series of downside scenarios over the base case forecast to assess covenant headroom against available funding facilities. This process involved constructing scenarios to reflect the Group’s current assessment of its principal risks, including those that would threaten its business model, future performance, solvency or liquidity. The principal risks and uncertainties modelled by management align with those disclosed within this Annual Report and Accounts.

The following severe but plausible downside assumptions were modelled:

- Rapid downturn in the Group's markets resulting in up to a 10% decline in revenues;
- Failure to procure new contracts whilst maintaining appropriate margins reducing profits by 0.5% of revenue;
- Ineffective execution of projects reducing profits by 1% of revenue;
- A combination of other principal risks and trading risks materialising together reducing profits by up to £20.1m over the period to 31 March 2025. These risks include changing environmental factors, costs of ethical misconduct and regulatory non-compliance, occurrence of an accident causing serious injury to an employee or member of the public and the cost of a product or solution failure; and
- Deterioration of working capital performance by 5% of six months' sales.

The financial and cash effects of these scenarios were modelled individually and in combination. The focus was on the ability to secure or retain future work and potential downward pressure on margins. Management applied sensitivities against projected revenue, margin and working capital metrics reflecting a series of plausible downside scenarios. Against the most negative scenario, mitigating actions were overlaid. These include a range of cost-cutting measures and overhead savings designed to preserve cash flows.

Even in the most extreme downside scenario incorporating an aggregation of all risks considered, which showed a decrease in operating profit of 26.4% and an increase in net debt of 26.7% against the Group's latest forecast profit and cash flow projections for the review period up to 31 March 2025, the adjusted projections do not show a breach of covenants in respect of available funding facilities or any liquidity shortfall. Consideration was given to scenarios where covenants would be breached and the circumstances giving rise to these scenarios were considered extreme and remote.

This process allowed the Board to conclude that the Group will continue to operate on a going concern basis for the period through to the end of March 2025, a period of at least 12 months from when the financial statements are authorised for issue. Accordingly, the consolidated financial statements are prepared on a going concern basis.

Climate change

In preparing the consolidated financial statements, management has considered the impact of climate change, particularly in the context of the risks identified in our Task Force on Climate-related Disclosures (TCFD) disclosure. The output from the scenario analysis has been considered, particularly the financial reporting judgements and estimates in respect of the following areas:

- Estimates of future cash flows used in impairment assessments of the carrying value of goodwill;
- The useful economic life of plant, equipment and other intangible assets; and
- Going concern and viability of the Group over the next three years.

Although the scenario analysis identified a risk of stranded assets as a result of increased emission standards, this was in one extreme downside scenario and we have not adjusted the useful economic life of any plant or equipment as a result. Whilst there is currently no change, management are aware of the variable risks arising from climate change and will regularly assess these risks against judgement and estimates made in preparation of the Group's financial statements.

Changes in accounting policies and disclosures

New and amended standards and interpretations

The following applicable amendments became effective during the year to 31 December 2023:

- Amendments to IAS 8 'Definition of Accounting Estimates'
- Amendments to IAS 1 and IFRS Practice Statement 2 'Disclosure of Accounting Policies'.
- Amendments to IAS 12 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction'
- Amendments to IAS 12 'International Tax Reform-Pillar Two Model Rules'.

The Group has not early adopted any standard, interpretation or amendment that has been issued but are not yet effective.

IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts is a new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure, replacing IFRS 4 Insurance Contracts. The Group has identified that the Standard will impact the results of its captive insurance company as it issues re-insurance contracts, however since the contracts insure other group companies and there are therefore no insurance contracts on a consolidated basis and no transfer of significant insurance risk to the group, there is therefore no impact on the Group's consolidated financial statements.

Amendments to IAS 8 'Definition of Accounting Estimates'

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments had no impact on the Group's consolidated financial statements.

Amendments to IAS 1 and IFRS Practice Statement 2 ‘Disclosure of Accounting Policies’

The amendments to IAS 1 and IFRS Practice Statement 2 *Making Materiality Judgements* provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments have had no material impact on the Group’s consolidated financial statements.

Amendments to IAS 12 ‘Deferred Tax related to Assets and Liabilities arising from a Single Transaction’

The amendment to IAS 12 *Income Tax* narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities. The amendments had no impact on the Group’s consolidated financial statements.

Amendments to IAS 12 ‘International Tax Reform-Pillar Two Model Rules’

The amendments to IAS 12 have been introduced in response to the OECD’s BEPS Pillar Two rules and include:

- A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
- Disclosure requirements for affected entities to help users of the financial statements better understand an entity’s exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The UK Government enacted Finance (No 2) Act 2023 on 11 July 2023, which includes the Pillar Two legislation introducing a multinational top up tax and a domestic minimum top up tax in line with the minimum 15% rate in the OECD’s Pillar Two rules. The rules will apply to the Group for the financial year commencing on 1 January 2024. The Group has applied the exemption in the amendments to IAS 12 (issued in May 2023) and has neither recognised nor disclosed information about deferred tax assets and liabilities related to Pillar Two income taxes.

Basis of consolidation

The consolidated financial statements consolidate the accounts of the parent and its subsidiary undertakings to 31 December each year. Subsidiaries are entities controlled by the company. Control exists when the company has power over an entity, exposure to variable returns from its involvement with the entity and the ability to use its power over the entity to affect its returns. 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 expense arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Joint operations

Where the Group undertakes contracts jointly with other parties, these are accounted for as joint operations as defined by IFRS 11. In accordance with IFRS 11, the Group accounts for its own share of assets, liabilities, revenues and expenses measured according to the terms of the joint operations agreement.

Joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. The consolidated financial statements incorporate a share of the results, assets and liabilities of joint ventures using the equity method of accounting, whereby the investment is carried at cost plus post-acquisition changes in the share of net assets of the joint venture, less any provision for impairment. Losses in excess of the consolidated interest in joint ventures are not recognised except where the Group has a constructive commitment to make good those losses. The results of joint ventures acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Summary of material accounting policy information

Foreign currencies

The Group’s consolidated financial statements are presented in pounds sterling, which is also the parent company’s functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group’s entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in the consolidated income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

Group companies

On consolidation, the assets and liabilities of foreign operations are translated into pounds sterling at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the dates of the transactions. The exchange movements arising on translation for consolidation are recognised in other comprehensive income (OCI). On disposal of a foreign operation, the component of the translation reserve relating to that particular foreign operation is reclassified to profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the average rate.

The exchange rates used in respect of principal currencies are:

Average rates	**2023**	2022
US dollar	**1.24**	1.24
Canadian dollar	**1.68**	1.61
Euro	**1.15**	1.17
Singapore dollar	**1.67**	1.70
Australian dollar	**1.87**	1.78

Year-end rates	**2023**	2022
US dollar	**1.27**	1.21
Canadian dollar	**1.69**	1.63
Euro	**1.15**	1.12
Singapore dollar	**1.68**	1.62
Australian dollar	**1.87**	1.76

Revenue from construction contracts

The Group’s operations involve the provision of specialist geotechnical services. The majority of the Group’s revenue is derived from construction contracts. Typically, the Group’s construction contracts consist of one performance obligation; however, for certain contracts (for example where contracts involve separate phases or products that are not highly interrelated) multiple performance obligations exist. Where multiple performance obligations exist, total revenue is allocated to performance obligations based on the relative standalone selling prices of each performance obligation.

For each contract, revenue is the amount that is expected to be received from the customer. Revenue is typically invoiced in stages during the contracts, however smaller contracts are usually invoiced on completion. Variable consideration and contract modifications are assessed on a contract-by-contract basis, according to the terms, facts and circumstances of the project. Variable consideration is recognised only to the extent that it is highly probable that there will not be a significant reversal.

The effects of contract modifications, including claims to customers, are recognised only when the Group considers there is an enforceable right to consideration, therefore no revenue is recognised until this point. Operating expenses in relation to customer modifications are recognised as incurred. Factors indicating an enforceable right to consideration will vary from country to country but usually includes written confirmation from the customer. In certain circumstances, uncertainty over whether a project will be completed or not will mean that it is not appropriate to recognise contracted revenues.

Revenue attributed to each performance obligation is recognised based on either the input or the output method. The output method is the Group’s default revenue recognition approach. The input method is generally used for longer-term, more complex contracts. These methods best reflect the transfer of benefits to the customer.

- **Output method:** revenue is recognised on the direct measurement of progress based on output, such as units of production relative to the total number of contracted production units.
- **Input method:** revenue is recognised on the percentage of completion with reference to cost. The percentage of completion is calculated based on the costs incurred to date as a percentage of the total costs expected to satisfy the performance obligation. Estimates of revenues, costs or extent of progress towards completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in the percentage of completion calculation in the period in which the circumstances that give rise to the revision become known.

Where the Group becomes aware that a loss may arise on a contract, and that loss is probable, full provision is made in the consolidated balance sheet based on the estimated unavoidable costs of meeting the obligations of the contract, where these exceed the economic benefits expected to be received. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

Incremental bid/tender costs and fulfilment costs are not material to the overall contract and are expensed as incurred.

Any revenues recognised in excess of billings are recognised as contract assets within trade and other receivables. Any payments received in excess of revenue recognised are recognised as contract liabilities within trade and other payables.

Revenue from the sale of goods and services

The Group's revenue recognised from the sale of goods and services primarily relates to certain parts of the North America business. These contracts typically have a single performance obligation, or a series of distinct performance obligations that are substantially the same. There are typically two types of contract:

- **Delivery of goods:** revenue for such contracts is recognised at a point in time, on delivery of the goods to the customer.
- **Delivery of goods with installation and/or post-delivery services:** revenue for these contracts is recognised at a point in time by reference to the date on which the goods are installed and/or accepted by the customer.

Taxes

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income. Current income tax relating to items recognised directly in equity is recognised in equity and not in the consolidated income statement.

The Group provides for future liabilities in respect of uncertain tax positions where additional tax may become payable in future periods. Such provisions are based on management's best judgement of the probability of the outcome in reaching agreement with the relevant tax authorities. For further information refer to note 12.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities, and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax is recognised 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 or deferred tax liabilities.

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 OCI, in which case the related deferred tax is also dealt with in equity or in OCI.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Interest income and expense

All interest income and expense is recognised in the income statement on an accruals basis, using the effective interest method.

Employee benefit costs

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

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 where applicable. The Group recognises the administration costs, current service cost and interest on scheme net liabilities in the income statement, and remeasurements of defined benefit plans in OCI in full in the period in which they occur. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans. Where there is no legal right to a refund from the plan, the liability is calculated as the minimum funding requirement to the plan that exists at the balance sheet date.

The Group also has long service arrangements in certain overseas countries. These are accounted for in accordance with IAS 19 'Employee Benefits' and accounting follows the same principles as for a defined benefit scheme.

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

Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Further details are set out in note 16 for impairments recognised in the year. Subsequent expenditure on property, plant and equipment is capitalised when it enhances or improves the condition of the item of property, plant and equipment beyond its original assessed standard of performance. Maintenance expenditure is expensed as incurred.

Depreciation

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

Buildings	50 years
Plant and equipment	3 to 12 years
Motor vehicles	4 years
Computers	3 years

Depreciation is not provided for on freehold land.

An item of property, plant and equipment is derecognised upon disposal (ie at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted where appropriate.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets (less than £3,000). The Group recognises lease liabilities to make payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (ie the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and estimated useful lives as follows:

Land and buildings	3 to 15 years
Plant and equipment	2 to 8 years
Motor vehicles	3 to 5 years

Right-of-use assets are tested for impairment in accordance with IAS 36 ‘Impairment of Assets’.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date, if the interest rate implicit in the lease is not readily determinable. The incremental borrowing rate applied to each lease is determined by taking into account the risk-free rate of the country where the asset under lease is located, matched to the term of the lease and adjusted for factors such as the credit risk profile of the lessee. Incremental borrowing rates applied to individual leases range from 1.07% to 15.05%.

After the commencement date, the amount of lease liabilities is increased to reflect the addition of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (eg changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. The Group’s lease liabilities are included in interest-bearing loans and borrowings. Refer to note 26 for details.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of plant, machinery and vehicles (ie those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low asset value (below £3,000). Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at the fair value at the acquisition date. Acquisition-related costs are expensed as incurred and included in administrative expenses. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of cost of an acquisition over the fair value of the Group's share of the identifiable net assets acquired, including assets identified as intangibles on acquisition, is recorded as goodwill.

The results of subsidiaries which have been disposed are included up to the effective date of disposal.

Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred. After initial recognition, goodwill is measured at cost less any 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, any impairment losses are 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. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGUs) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

Other intangible assets

Intangible assets, other than goodwill, include purchased licences, software (including internally generated software), customer relationships, customer contracts and trade names. 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. The estimated useful economic lives are as follows:

Licences	1 to 4 years
Software	3 to 7 years
Patents	2 to 7 years
Customer relationships	5 to 7 years
Customer contracts	1 to 2 years
Trade names	5 to 7 years

Software-as-a-service arrangements

The Group's current SaaS arrangements are arrangements in which the Group does not control the underlying software used in the arrangement.

Software development costs incurred to configure or customise application software provided under a cloud computing arrangement and associated fees are recognised as operating expenses as and when the services are received where the costs represent a distinct service provided to the Group.

When such costs incurred do not provide a distinct service, the costs are recognised as expenses over the duration of the SaaS contract. The Group capitalises other software costs when the requirements of IAS 38 'Intangible Assets' are satisfied, including configuration and customisation costs which are distinct and within the control of the Group. Such software costs are capitalised and carried at cost less any accumulated amortisation and impairment, and amortised on a straight-line basis over the period which the developed software is expected to be used.

Amortisation commences when the development is complete and the asset is available for use and is included in the operating costs item of the consolidated income statement. The amortisation is reviewed at least at the end of each reporting period and any changes are treated as changes in accounting estimates.

Impairment of assets excluding goodwill

The carrying values of property, plant and equipment, right-of-use assets and other intangibles are reviewed for impairment when events or changes in circumstances indicate the carrying value may be impaired. If any such indication exists, the recoverable amount, being the lower of their carrying amount and fair value less costs to sell, of the asset is estimated in order to determine the extent of impairment loss.

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 allowance 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.

Write-downs to net realisable value are made for slow-moving, damaged or obsolete items based on evaluations made at the local level by reference to frequency of stock turnover or specific factors affecting the items concerned.

Assets held for sale

Assets are classified as held for sale if their carrying amount will be recovered by sale rather than by continuing use in the business. Assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell, with reference to comparable market transactions. Assets that are classified as held for sale are not depreciated.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument. The principal financial assets and liabilities of the Group are as follows:

(a) Trade receivables and trade payables

Trade receivables are initially recorded at fair value and subsequently measured at cost and reduced by allowances for estimated irrecoverable amounts.

Trade receivables and contract assets are stated net of expected credit losses (ECLs). At each reporting date, the Group evaluates the estimated recoverability of trade receivables and contract assets and records allowances for ECLs based on experience.

The Group applies the simplified approach to measurement of ECLs in respect of trade receivables, which requires expected lifetime losses to be recognised from initial recognition of the receivable. Immediately after an individual trade receivable or contract asset is assessed to be unlikely to be recovered, an impairment is recognised as the difference between the carrying amount of the receivable and the present value of estimated future cash flows. Customer specific factors are considered when identifying impairments, which can include the geographic location and credit rating of a customer.

Where there are no specific concerns over recovery, other than the increasing age of a trade receivable or contract asset balance past payment terms, the Group uses a provision matrix, where provision rates are based on days past due. The provision matrix used reflects estimates based on past experience, current economic factors and consideration of forward looking estimates of economic conditions. Generally, trade receivables are written-off completely if past due for more than 180 days. Default is defined as the point where there is no further legal address available for the Group to recover the receivable amount.

The information about the ECLs on the Group's trade receivables and contract assets is disclosed in note 20.

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

(b) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and on hand and short-term deposits with a maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management. Bank overdrafts are included within financial liabilities in current liabilities in the balance sheet.

(c) Bank and other borrowings

Interest-bearing bank and other borrowings are recorded at the fair value of the proceeds received, net of direct issue costs. Subsequent to initial recognition, borrowings are stated at amortised cost, where applicable.

Bank or other borrowings are derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated income statement.

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, ie to realise the assets and settle the liabilities simultaneously.

(d) Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments to manage interest rate risk and to hedge fluctuations in foreign currencies in accordance with its risk management policy. In cases where these derivative instruments are significant, hedge accounting is applied as described below. The Group does not use derivative financial instruments for speculative purposes.

Derivatives are initially recognised in the balance sheet at fair value on the date the derivative contract is entered into and are subsequently remeasured at reporting periods to their fair values. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Changes in the fair value of the effective portion of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income (OCI). Changes in the fair value of the ineffective portion of cash flow hedges are recognised in the income statement. Amounts originally recognised in OCI are transferred to the income statement when the underlying transaction occurs or if the transaction results in the recognition of a non-financial asset or liability, the amount accumulated in equity is included in the initial cost or carrying amount of the hedged asset or liability.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in OCI is retained in equity until the hedged transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in OCI is transferred to the income statement in the period.

For the purpose of hedge accounting, hedges are classified as:

- Cash flow hedges when hedging the exposure or variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable transaction.
- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability.
- Hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is ‘an economic relationship’ between the hedged item and the hedging instrument.
- The effect of credit risk does not ‘dominate the value changes’ that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Provisions

Provisions have been made for employee-related liabilities, restructuring commitments, onerous contracts, insured liabilities and legal claims, and other property-related commitments. These are recognised as management’s best estimate of the expenditure required to settle the Group’s liability at the reporting date.

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 and the amount of the obligation can be estimated reliably. If the effect is material, expected future cash flows are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to unwinding the discount is recognised as a finance cost. Details of provisions are set out in note 24.

Provisions for insured liabilities and legal claims include the full estimated value of the liability. Any related insurance reimbursement asset that is virtually certain to be received is separately presented gross within trade and other receivables or other non-current assets on the consolidated balance sheet.

Contingent liabilities

Contingent liabilities are possible obligations of the Group of which the timing and amount are subject to significant uncertainty. Contingent liabilities are not recognised in the consolidated balance sheet, unless they are assumed by the Group as part of a business combination. They are however disclosed, unless they are considered to be remote. If a contingent liability becomes probable and the amount can be reliably measured it is no longer treated as contingent and recognised as a liability on the balance sheet.

Contingent assets

Contingent assets are possible assets of the Group of which the timing and amount are subject to significant uncertainty. Contingent assets are not recognised in the consolidated balance sheet. They are however disclosed, when they are considered to be probable. A contingent asset is recognised in the financial statements when the inflow of economic benefits is virtually certain.

Share-based payments

The Group operates a number of equity-settled executive and employee share plans. For all grants of share options and awards, the fair value of the employee services received in exchange for the grant of share options is recognised as an expense, calculated using appropriate option pricing models. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions, with a corresponding increase in retained earnings. The charge is adjusted to reflect expected actual levels of options vesting due to non-market conditions.

Shares purchased and held in trust in connection with the Group's share schemes are deducted from retained earnings. No gain or loss is recognised within the income statement on the market value of these shares compared with the original cost.

Segmental reporting

During the year the Group comprised three geographical divisions which have only one major product or service: specialist geotechnical services. North America; Europe; and Asia-Pacific, Middle East and Africa continue to be managed as separate geographical divisions. This is reflected in the Group's management structure and in the segment information reviewed by the Chief Operating Decision Maker.

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.

Non-underlying items

Non-underlying items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group. They are items which are exceptional by their size and/or are non-trading in nature, including amortisation of acquired intangibles, goodwill impairment, restructuring costs and other non-trading amounts, including those relating to acquisitions and disposals. Tax arising on these items, including movement in deferred tax assets arising from non-underlying provisions, is also classified as a non-underlying item.

Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies, reported amounts of assets and liabilities, revenue and expenses and the accompanying disclosures, and the disclosure of contingent liabilities. The estimates 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. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. Actual results may also differ from these estimates.

The estimates 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 assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Construction contracts

The Group's approach to key estimates and judgements relating to construction contracts is set out in the revenue recognition policy. In the Group consolidated balance sheet this impacts contract assets, contract liabilities and contract provisions (refer to notes 4 and 24). As described in the policy the default revenue recognition approach is the output method. When revenue is recognised based on the output method, there is little judgement involved in accounting for construction contracts as the amount of revenue that has not been certified/accepted by the client is typically small and is usually based on volumes achieved at agreed rates. These contracts can still be subject to claims and variations resulting in an adjustment to the revenue recognised.

When revenue is recognised based on the input (cost) method, the main factors considered when making estimates and judgements include the cost of the work required to complete the contract in order to estimate the percentage completion, and the outcome of claims raised against the Group by customers or third parties. The Group performed around 5,500 contracts during 2023, at an average revenue of approximately £540,000 and a typical range of between £25,000 and £10m in value. The majority of contracts were completed in the year and therefore there are no estimates involved in accounting for these. For contracts that are not complete at year end and revenue is recognised on the input method, the Group estimates the total costs to complete in order to measure progress and therefore how much revenue to recognise, which may impact the contract asset or liability recorded in the balance sheet.. The actual total costs incurred on these contracts will differ from the estimate at 31 December and it is reasonably possible that outcomes on these contracts within the next year could be materially different in aggregate to those estimated. Total contract assets are £90.9m and contract liabilities are £90.9m at 31 December 2023

However, due to the level of uncertainty and timing across a large portfolio of contracts, which will be at different stages of their contract life, it is not practical to provide a quantitative analysis of the aggregated judgements that are applied at a portfolio level. The estimated costs to complete are management's best estimate at this point in time and no individual estimate or judgement is expected to have a materially different outcome.

In the case of loss-making contracts, a full provision is made based on the estimated unavoidable costs of meeting the obligations of the contract, where these exceed the economic benefits expected to be received. The process for estimating the total cost to complete is the same as for in progress profitable contracts, and will include management's best estimate of all labour, equipment and materials costs required to complete the contracted work. All cost to complete estimates involve judgement over the likely future cost of labour, equipment and materials and the impact of inflation is included if material. The amount included within provisions in respect of contract provisions is £41.2m (2022: £37.8m).

As stated in the revenue recognition accounting policy, variable consideration is assessed on a contract-by-contract basis, according to the terms, facts and circumstances of the project. Variable consideration is recognised only to the extent that it is highly probable that there will not be a significant reversal; management judgement is required in order to determine when variable consideration is highly probable. Uncertainty over whether a project will be completed or not can mean that it is appropriate to treat the contracted revenue as variable consideration.

Non-underlying items

Non-underlying items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group. They are items which are exceptional by their size and/or are non-trading in nature, including amortisation of acquired intangibles, goodwill impairment, restructuring costs and other non-trading amounts, including those relating to acquisitions and disposals. Tax arising on these items, including movement in deferred tax assets arising from non-underlying provisions, is also classified as a non-underlying item.

The Group exercises judgement in assessing whether restructuring items and the ERP implementation costs should be classified as non-underlying. This assessment covers the nature of the item, cause of the occurrence and scale of impact of that item on the reported performance. Typically, management will categorise restructuring costs incurred to exit a specific geography as non-underlying, in addition restructuring programmes which are incremental to normal operations undertaken to add value to the business are included in non-underlying items. The value of exceptional restructuring costs in 2023 (£2.8m) is lower than in 2022 (£5.3m). ERP implementation costs are categorised as non-underlying due to the scale and length of the project. The nature of the project and costs incurred are reviewed on a regular basis to assess the appropriateness of the classification as a non-underlying cost.

Carrying value of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy set out above. Impairment exists when the carrying value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value-in-use. The fair value less costs of disposal calculation is based on available market data for transactions conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The Group estimates the recoverable amount based on value-in-use calculations. The value-in-use calculation is based on a discounted cash flow (DCF) model. The cash flows are derived from the relevant budget and forecasts for the next three years, including a terminal value assumption. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash inflows, growth rates and maintainable earnings assumed within the calculation.

In 2023, management noted sensitivity in the headroom available for Keller Canada. The DCF for this CGU is sensitive to the future successful execution of the CGU's business plans to consistently meet forecasted margins (which assumes a significant improvement in operating performance compared with 2023) by improving project delivery and revenue growth. Refer to note 15 for further information.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses and other timing differences to the extent that it is probable that future taxable profits will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits (based on the same Board-approved information to support the going concern and goodwill impairment assessments). The Group uses judgement in assessing the recoverability of deferred tax assets, for which the significant assumption is forecast taxable profits. A 10% shortfall in expected profits would have a proportional impact on the value of the deferred tax assets recoverable. Deferred tax assets recognised on unused tax losses were £10.7m at 31 December 2023 (2022: £14.5m). Refer to note 12 for further information.

Insurance and legal provisions

The recognition of provisions for insurance and legal disputes is subject to a significant degree of estimation. In making its estimates, management seek specialist input from legal advisers and the Group's insurance claims handler to estimate the most likely legal outcome. Provisions are reviewed regularly and amounts updated where necessary to reflect developments in the disputes. The ultimate liability may differ from the amount provided depending on the outcome of court proceedings and settlement negotiations or if investigations bring to light new facts. Refer to note 24 for further information.

3 Segmental analysis

During the year the Group was managed as three geographical divisions and has only one major product or service: specialist geotechnical services. This is reflected in the Group's management structure and in the segment information reviewed by the Chief Operating Decision Maker.

	2023 Revenue £m	**2023** Operating profit £m	2022 Revenue £m	2022 Operating profit £m
North America	**1,770.0**	**169.6**	1,896.1	82.0
Europe	**686.0**	**1.8**	649.3	29.1
Asia-Pacific, Middle East and Africa	**510.0**	**22.6**	399.2	6.6
	2,966.0	**194.0**	2,944.6	117.7
Central items	**—**	**(13.1)**	—	(9.1)
Underlying	**2,966.0**	**180.9**	2,944.6	108.6
Non-underlying items (note 9)	**—**	**(27.8)**	—	(40.8)
	2,966.0	**153.1**	2,944.6	67.8

2023	**Segment assets £m**	**Segment liabilities £m**	**Capital employed £m**	**Capital additions £m**	**Depreciation[2] and amortisation £m**	**Tangible[3] and intangible assets £m**
North America	**929.9**	**(302.9)**	**627.0**	**42.1**	**56.5**	**347.3**
Europe	**317.1**	**(224.1)**	**93.0**	**22.1**	**30.7**	**141.1**
Asia-Pacific, Middle East and Africa	**235.8**	**(138.2)**	**97.6**	**30.3**	**23.9**	**105.6**
	1,482.8	**(665.2)**	**817.6**	**94.5**	**111.1**	**594.0**
Central items[1]	**194.5**	**(494.1)**	**(299.6)**	**—**	**1.1**	**0.8**
	1,677.3	**(1,159.3)**	**518.0**	**94.5**	**112.2**	**594.8**

2022[4]	Segment assets £m	Segment liabilities £m	Capital employed £m	Capital additions £m	Depreciation[2] and amortisation £m	Tangible[3] and intangible assets £m
North America	1,016.3	(349.1)	667.2	33.8	54.6	352.5
Europe	338.9	(208.0)	130.9	23.2	27.8	159.6
Asia-Pacific, Middle East and Africa	251.1	(163.4)	87.7	24.7	13.7	109.6
	1,606.3	(720.5)	885.8	81.7	96.1	621.7
Central items[1]	96.3	(485.3)	(389.0)	—	0.9	2.7
	1,702.6	(1,205.8)	496.8	81.7	97.0	624.4

1 Central items include net debt and tax balances, which are managed by the Group.
2 Depreciation and amortisation excludes amortisation of acquired intangible assets.
3 Tangible and intangible assets comprise goodwill, intangible assets and property, plant and equipment.
4 The 31 December 2022 consolidated balance sheet has been restated in respect of the prior year business combination measurement adjustments, as outlined in note 5 to the consolidated financial statements.

Revenue analysed by country:

	2023 £m	2022 £m
United States	**1,644.0**	1,758.0
Australia	**279.4**	228.4
Germany	**146.3**	115.9
Canada	**125.2**	137.9
United Kingdom	**125.1**	127.4
Other	**646.0**	577.0
	2,966.0	2,944.6

Non-current assets[1] analysed by country:

	2023 £m	2022 £m
United States	**342.6**	343.5
Australia	**62.3**	67.0
Germany	**52.4**	54.3
Canada	**44.5**	46.6
Austria	**33.2**	34.9
Other	**131.1**	143.3
	666.1	689.6

1 Excluding deferred tax assets

4 Revenue

The Group's revenue is derived from contracts with customers. In the following table, revenue is disaggregated by primary geographical market, being the Group's operating segments (see note 3) and timing of revenue recognition:

	2023			2022		
	Revenue recognised on performance obligations satisfied over time £m	**Revenue recognised on performance obligations satisfied at a point in time £m**	**Total revenue £m**	Revenue recognised on performance obligations satisfied over time £m	Revenue recognised on performance obligations satisfied at a point in time £m	Total revenue £m
North America	**1,355.0**	**415.0**	**1,770.0**	1,434.7	461.4	1,896.1
Europe	**686.0**	**—**	**686.0**	649.3	—	649.3
Asia-Pacific, Middle East and Africa	**510.0**	**—**	**510.0**	399.2	—	399.2
	2,551.0	**415.0**	**2,966.0**	2,483.2	461.4	2,944.6

The final contract value will not always have been agreed at the year end. The contract value, and therefore revenue allocated to a performance obligation, may change subsequent to the year end as variations and claims are agreed with the customer. The amount of revenue recognised in 2023 from performance obligations satisfied in previous periods is £12.4m (2022: £15.7m).

The Group's order book comprises the unexecuted elements of orders on contracts that have been awarded. Where a contract is subject to variations, only secured variations are included in the reported order book. As at 31 December 2023, the total order book is £1,489.1m (2022: £1,407.1m).

The order book for contracts with a total duration over one year is £462.5m (2022: £384.5m). Revenue on these contracts is expected to be recognised as follows:

	2023 £m	2022 £m
Less than one year	**363.4**	289.3
One to two years	**93.3**	87.1
More than two years	**5.8**	8.1
	462.5	384.5

The following table provides information about trade receivables, contract assets and contract liabilities arising from contracts with customers:

	2023 £m	2022 £m
Trade receivables	**583.1**	615.5
Contract assets	**90.9**	105.3
Contract liabilities	**(90.9)**	(85.6)

Trade receivables include invoiced amounts for retentions, which are balances typically payable at the end of a construction project, when all contractual performance obligations have been met, and are therefore received over a longer period of time. Included in the trade receivables balance is £156.9m (2022: £121.3m) in respect of retentions anticipated to be receivable within one year. Included in non-current other assets is £22.7m (2022: £16.3m) anticipated to be receivable in more than one year. All contract assets and liabilities are current.

Significant changes in the contract assets and liabilities during the year are as follows:

	2023		2022	
	Contract assets £m	**Contract liabilities £m**	Contract assets £m	Contract liabilities £m
As at 1 January	**105.3**	**(85.6)**	99.2	(46.5)
Revenue recognised in the current year	**985.8**	**299.7**	911.2	824.2
(Disposed)/acquired with businesses	**(0.8)**	**—**	0.6	—
Amounts transferred to trade receivables	**(995.3)**	**—**	(914.1)	—
Cash received/invoices raised for performance obligations not yet satisfied	**—**	**(309.1)**	—	(858.9)
Exchange movements	**(4.1)**	**4.1**	8.4	(4.4)
As at 31 December	**90.9**	**(90.9)**	105.3	(85.6)

5 Acquisitions and disposals

Acquisitions

Current year

There were no material acquisitions during the year to 31 December 2023.

Prior year acquisitions

GKM Consultants Inc.

On 1 May 2022, the Group acquired 100% of the issued share capital of GKM Consultants Inc., an instrumentation and monitoring provider in Quebec, Canada, for an initial cash consideration of £3.3m (CAD$5.3m). In addition, contingent consideration is payable dependent on the cumulative EBITDA in the three-year period post-acquisition.

At the acquisition date, the fair value of the contingent consideration was £1.2m (CAD $2.0m), based on expected cashflows generated by the business over a three year period at that point in time. At 31 December 2022, the fair value of the contingent consideration was revised to £0.9m with the reduction in the amount payable recognised in the income statement as a non-underlying item in that year. The maximum value of the contingent consideration is £1.2m, the minimum payable would be zero.

The fair value of intangible assets acquired represents the fair value of customer contracts at the date of acquisition, customer relationships and the tradename. 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 operating synergies that arise from the Group's strengthened market position. The goodwill is not expected to be deductible for tax purposes.

Nordwest Fundamentering AS

On 15 November 2022, the Group acquired 100% of the issued share capital of Nordwest Fundamentering AS, a small specialist geotechnical contractor provider in Norway, for an initial cash consideration of £5.5m (NOK65m). In addition, deferred consideration of £0.5m (NOK6m) is payable. Due to the timing of the acquisition, the review of the fair value of net assets acquired was performed in H1 2023. The provisional value of net assets acquired was £1.0m at acquisition date, resulting in a goodwill and other intangibles value of £5.3m.

Prior period business combination measurements adjustments

Under IFRS 3 'Business Combinations' there is a measurement period of no longer than 12 months in which to finalise the valuation of the acquired assets and liabilities. During the measurement period, the acquirer retrospectively adjusts the provisional amounts recognised at the acquisition date to reflect any new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date.

The valuation of Nordwest Fundamentering AS acquired assets is now final and the adjustments to the provisional fair values that were made during the measurement period are set out in the table below:

	Provisional fair value recognised on acquisition £m	Adjustments during measurement period £m	**Revised provisional fair value recognised on acquisition £m**
Assets			
Intangible assets[1]	–	0.9	**0.9**
Property, plant and equipment	0.3	–	**0.3**
Property, plant and equipment – right of use asset	2.1	–	**2.1**
Trade and other receivables	1.5	–	**1.5**
Cash and cash equivalents	1.1	–	**1.1**
	5.0	0.9	**5.9**
Liabilities			
Trade and other payables	(1.5)	–	**(1.5)**
Current tax liabilities[2]	–	(0.7)	**(0.7)**
Loans and borrowings, including lease liabilities	(2.2)	–	**(2.2)**
Deferred tax liabilities	(0.3)	–	**(0.3)**
	(4.0)	(0.7)	**(4.7)**
Total identifiable net assets	1.0	0.2	**1.2**
Goodwill	5.3	(0.2)	**5.1**
Total consideration	6.3	–	**6.3**
Satisfied by:			
Initial cash consideration	5.5	–	**5.5**
Initial valuation of contingent consideration	0.5	–	**0.5**
Purchase price adjustment	0.3	–	**0.3**
	6.3	–	**6.3**

1 The adjustment to intangible assets relates to the revised valuation of the tradename and customer relationships acquired.
2 The adjustment to current tax liabilities relates to the updated tax liability due from pre-acquisition profits.

The impact of these adjustments has been applied retrospectively, meaning that the financial position for the year to 31 December 2022 has been restated. The adjustments did not result in any impact on the income statement for the year ended 31 December 2022. A summary of the purchase price adjustments made for the 2022 acquisitions are set out in the table below.

Acquisition	Goodwill £m	Acquired intangible assets £m	Acquired deferred tax liabilities £m	Fair value of other identifiable assets and liabilities £m	Consideration paid £m	Cash acquired £m	Non-cash elements £m	Net cash outflow £m
Nordwest Fundamentering AS	5.1	0.9	(0.3)	0.6	6.3	1.1	0.8	4.4

Disposals

On 10 November 2023, the Group disposed of its Cyntech Tanks operation in Canada, a part of Cyntech Construction Ltd, for a total consideration of £1.5m (CAD$2.6m), consisting of the sale price of £1.3m (CAD$2.2m) and further sale price adjustments to be paid from the Escrow amount of £0.2m (CAD$0.4m). A non-underlying loss on disposal of £0.1m (CAD$0.2m) was recognised.

In 2022, a contingent consideration of £0.7m was received in accordance with the terms of the sale and purchase agreement of Wannenwetsch GmbH, which was disposed of in 2020.

6 Operating costs

	Note	**2023** **£m**	2022[1] £m
Raw materials and consumables		**954.0**	1,054.3
Staff costs	8	**739.7**	699.8
Other operating charges		**774.6**	777.5
Amortisation of intangible assets	15	**0.4**	0.5
Expenses relating to short-term leases and leases of low-value assets		**184.7**	201.7
Depreciation:			
Owned property, plant and equipment	16a	**81.8**	71.1
Right-of-use assets	16b	**29.4**	29.7
Underlying operating costs		**2,764.6**	2,834.6
Non-underlying items	9	**22.5**	29.7
Statutory operating costs		**2,787.1**	2,864.3
Other operating charges include:			
Redundancy and other reorganisation costs		**—**	—
Fees payable to the company's auditor for the audit of the company's Annual Report and Accounts		**1.4**	1.4
Fees payable to the company's auditor for other services:			
The audit of the company's subsidiaries, pursuant to legislation		**2.1**	2.0
Other assurance services		**0.1**	0.1

1 The net impairment loss on trade receivables and contract assets has been reclassified on the face of the income statement and separated from operating costs, where it was reported in previous periods. Further details of the reclassified amounts are outlined in note 7 to the consolidated financial statements. The restatement explained in note 20 has caused a consequential increase of £12.8m in the amount reported above for Other operating charges for the prior period.

7 Net impairment loss on trade receivables and contract assets

The net impairment loss on trade receivables and contract assets is made up of movements in the allowance for expected credit losses of trade receivables and contract assets as follows:

	2023 **£m**	2022[1] £m
Additional provisions	**29.4**	13.8
Unused amounts reversed	**(7.7)**	(10.6)
Net impairment loss[2]	**21.7**	3.2

1 The net impairment loss on trade receivables and contract assets has been reclassified and separated from operating costs, where it was reported in previous periods.
2 Of this amount £16.8m (2022: £11.5m) is subject to enforcement activity.

Further information on the Group's allowance for expected credit losses of trade receivables and contract assets and on the Group's expected credit loss rates for the 2022 and 2023 financial years can be found in note 20 Trade and other receivables.

8 Employees

The aggregate staff costs of the Group were:

	2023 £m	2022 £m
Wages and salaries	**643.5**	606.7
Social security costs	**66.2**	66.7
Other pension costs	**25.6**	23.1
Share-based payments	**4.4**	3.3
	739.7	699.8

These costs include Directors' remuneration. Fees payable to Non-executive Directors totalled £0.5m (2022: £0.5m).

In the United States, the Coronavirus Aid, Relief, and Economic Security Act allowed employers to defer the payment of the employer's share of social security taxes otherwise required to be paid between 27 March and 31 December 2020. The payment of the deferred taxes is required in two instalments; the first half was paid on 3 January 2022 and the remainder was paid on 3 January 2023.

The average number of staff, including Directors, employed by the Group during the year was:

	2023 Number	2022 Number
North America	**4,413**	4,604
Europe	**2,924**	3,043
Asia-Pacific, Middle East and Africa	**2,152**	2,174
	9,489	9,821

9 Non-underlying items

Non-underlying items include items which are exceptional by their size and/or are non-trading in nature, including amortisation of acquired intangibles, goodwill impairment, restructuring costs and other non-trading amounts, including those relating to acquisitions and disposals. Tax arising on these items, including movement in deferred tax assets arising from non-underlying provisions, is also classified as a non-underlying item. These are detailed in the table below.

As underlying results include the benefits of restructuring programmes and acquisitions but exclude significant costs (such as major restructuring costs and the amortisation of acquired intangible assets) they should not be regarded as a complete picture of the Group's financial performance, which is presented in its total statutory results. The exclusion of non-underlying items may result in underlying earnings being materially higher or lower than total statutory earnings. In particular, when significant impairments and restructuring charges are excluded, underlying earnings will be higher than total statutory earnings.

	2023 £m	2022 £m
ERP implementation costs	**7.5**	6.3
Goodwill impairment	**12.1**	12.5
Exceptional restructuring costs	**2.8**	5.3
Impairment of trade receivables related to restructuring	**0.4**	0.3
Loss on disposal of operations	**0.1**	-
Exceptional historic contract dispute	**-**	3.5
Claims related to closed business	**-**	2.5
Contingent consideration: additional amounts provided	**-**	0.1
Change in fair value of contingent consideration	**-**	(0.7)
Acquisition costs	**-**	0.2
Non-underlying items in operating costs (including net impairment loss on trade receivables and contract assets)	**22.9**	30.0
Amortisation of acquired intangible assets	**5.1**	10.3
Gain on sale of assets held for sale	**(0.8)**	-
Contingent consideration received	**-**	(0.7)
Non-underlying items in other operating income	**(0.8)**	(0.7)
Amortisation of joint venture acquired intangibles	**0.6**	1.2
Total non-underlying items in operating profit	**27.8**	40.8
Non-underlying items in finance income	**-**	(3.6)
Total non-underlying items before taxation	**27.8**	37.2
Taxation	**(3.0)**	(9.0)
Total non-underlying items after taxation	**24.8**	28.2

Non-underlying items in operating costs

ERP implementation costs
The Group is continuing the strategic project to implement a new cloud computing enterprise resource planning (ERP) system across the Group. Due to the size, nature and incidence of the relevant costs expected to be incurred, the costs are presented as a non-underlying item, as they are not reflective of the underlying performance of the Group. As this is a complex implementation, project costs are expected to be incurred over a total period of five years, of which 2023 was the third year. Non-underlying ERP costs of £7.5m (2022: £6.3m) include only costs relating directly to the implementation including external consultancy costs and the cost of the dedicated implementation team. Non-underlying costs does not include operational post-deployment costs such as licence costs for businesses that have transitioned.

Goodwill impairment
The goodwill impairment of £12.1m relates to Keller Limited, the UK Foundations business, following uncertainty over the future profitability of the cash-generating unit after the completion of a substantial customer contract. Refer to note 15 for further information.

In 2022, the goodwill impairment of £12.5m was related to Austral (£7.7m) due to uncertainty over the future profitability of the cash-generating unit following the discovery of the financial reporting fraud; and Sweden (£4.8m) due to a downward revision to the medium-term forecast as forward projections did not fully support the carrying value of the goodwill.

Exceptional restructuring costs
Exceptional restructuring costs of £2.8m comprise £0.5m in the Europe division, and £2.3m in the Asia-Pacific, Middle East and Africa (AMEA) division. In Europe, the costs relate to the exit from Kazakhstan, and in AMEA the costs relate to the closure of the Egypt business. In addition, the exit from Kazakhstan resulted in a £0.4m impairment of trade receivables.

The Group exercises judgement in assessing whether restructuring items should be classified as non-underlying. This assessment covers the nature of the item, cause of the occurrence and scale of impact of that item on the reported performance. Typically, management will categorise restructuring costs incurred to exit a specific geography as non-underlying, in addition restructuring programmes which are incremental to normal operations undertaken to add value to the business are included in non-underlying items. The value of exceptional restructuring costs in 2023 (£2.8m) is lower than in 2022 (£5.3m).

In 2022, exceptional restructuring costs of £5.3m comprised £3.4m in the North America Division, £1.8m in the Europe Division, a credit of £0.6m in AMEA and £0.7m incurred centrally. In North America, the costs arose as a result of a management and property reorganisation within the parts of the business located in Texas. Costs include redundancy costs and property duplication costs. In Europe, the costs related to the scheduled exit of the Ivory Coast and Morocco businesses, including asset impairments and redundancy costs. In AMEA, the credit arose from restructuring costs provided for in prior years as costs incurred were lower than originally anticipated. In 2022, an impairment charge of £0.3m by the North-East Europe Business Unit was in respect of trade receivables in Ukraine that were not expected to be recovered due to the ongoing conflict.

Loss on disposal of operations
On 10 November 2023, the Group disposed of its Cyntech Tanks operation in Canada, a part of Cyntech Construction Ltd, for a total consideration of £1.5m, consisting of the sale price of £1.3m and further sale price adjustments to be paid from the Escrow amount of £0.2m. A loss on disposal of £0.1m was recognised.

Exceptional historic contract dispute and claims related to closed business
In 2022, the £3.5m exceptional charge was related to a provision made for additional legal costs relating to the historical Avonmouth contract dispute following a negotiation with insurers during that year. In addition, a £2.5m provision for a legal claim in respect of a closed business was recognised.

Contingent consideration
In 2022, additional contingent consideration payable of £0.1m related to the acquisition of the Geo Instruments US business in 2017.

Acquisition costs
Acquisition costs of £0.2m in 2022 comprised professional fees relating to the NWF acquisition in Norway and centrally incurred project costs.

Amortisation of acquired intangible assets
Amortisation of acquired intangible assets of £5.1m relates to the amortisation charge on assets acquired in the RECON, GKM, Moretrench and NWF acquisitions. The amortisation in 2022 of £10.3m relates to the RECON, GKM, Moretrench and Voges acquisitions.

Non-underlying items in other operating income
The gain on disposal of assets held for sale of £0.8m relates primarily to the sale of assets owned by the now closed Waterway business in Australia as mentioned in note 22. Impairment charges for these assets had previously been charged to non-underlying items in prior periods and therefore the corresponding profit on disposal of the assets is also recognised as a non-underlying item.

During 2022, the second and final instalment of contingent consideration was received in relation to the Wannenwetsch disposal in September 2020, in accordance with the terms of the sale and purchase agreement. The first instalment was received during 2021.

Amortisation of joint venture acquired intangibles
Amortisation of joint venture intangibles relates to NordPile, an acquisition by the Group's joint venture interest KFS Finland Oy on 8 September 2021.

Non-underlying finance income
In 2022, the Group entered into an interest rate derivative with the purpose of hedging a highly probable forecast transaction. The forecast transaction did not take place and as a result the amount arising from the hedging instrument was recognised in the income statement. This resulted in the

recognition of £3.6m of finance income which was included in non-underlying as it was material in size and was not reflective of the underlying finance income and costs of the Group.

Non-underlying taxation
Refer to note 12 for details of the non-underlying tax items.

10 Finance income

	2023 £m	2022 £m
Bank and other interest receivable	**1.6**	0.3
Net pension interest income	**—**	0.1
Other finance income	**0.2**	0.1
Underlying finance income	**1.8**	0.5
Non-underlying finance income	**—**	3.6
Total finance income	**1.8**	4.1

11 Finance costs

	2023 £m	**2022 £m**
Interest payable on bank loans and overdrafts	**12.6**	7.8
Interest payable on other loans	**8.6**	2.4
Interest on lease liabilities	**5.6**	3.6
Net pension interest cost	**0.3**	0.1
Other interest costs	**1.8**	1.5
Total interest costs	**28.9**	15.4
Unwinding of discount on provisions	**0.4**	0.2
Total finance costs	**29.3**	15.6

12 Taxation

	2023 £m	2022 £m
Current tax expense:		
Current year	**54.6**	46.6
Prior years	**0.4**	(2.5)
Total current tax	**55.0**	44.1
Deferred tax expense:		
Current year	**(18.7)**	(32.0)
Prior years	**(0.5)**	(0.8)
Total deferred tax	**(19.2)**	(32.8)
	35.8	11.3

UK corporation tax is calculated at 23.5% (2022: 19%) 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 23.5% (2022: 19%) as follows:

	2023			2022		
	Underlying £m	**Non-underlying items (note 9) £m**	**Statutory £m**	Underlying £m	Non-underlying items (note 9) £m	Statutory £m
Profit/(loss) before tax	**153.4**	**(27.8)**	**125.6**	93.5	(37.2)	56.3
UK corporation tax charge/(credit) at 23.5% (2022: 19%)	**36.0**	**(6.5)**	**29.5**	17.8	(7.1)	10.7
Tax charged at rates other than 23.5% (2022: 19%)	**4.3**	**(0.2)**	**4.1**	3.1	(1.0)	2.1
Tax losses and other deductible temporary differences not recognised	**10.1**	**0.6**	**10.7**	6.6	0.8	7.4
Utilisation of tax losses and other deductible temporary differences previously unrecognised	**(7.4)**	**—**	**(7.4)**	(0.7)	(4.3)	(5.0)
Permanent differences	**(4.3)**	**3.1**	**(1.2)**	(2.8)	2.6	(0.2)
Adjustments to tax charge in respect of previous periods	**(0.1)**	**—**	**(0.1)**	(3.3)	—	(3.3)
Other	**0.2**	**—**	**0.2**	(0.4)	—	(0.4)
Tax charge/(credit)	**38.8**	**(3.0)**	**35.8**	20.3	(9.0)	11.3
Effective tax rate	**25.3%**	**10.6%**	**28.5%**	21.7%	24.2%	20.1%

The increase in the effective tax rate on underlying profits of 25% from the 2022 rate of 22% is largely due to increased profits in the US (which are taxed at a higher combined federal and state tax rate), non-deductible accounting provisions in Saudi Arabia and material accounting losses in Sweden, Norway and Poland where no deferred tax asset is recognised.

The tax credit of £3.0m on non-underlying items has been calculated by assessing the tax impact of each component of the charge to the income statement and applying the jurisdictional tax rate that applies to that item. The effective tax rate in 2023 on non-underlying items is lower than the effective tax rate on underlying items due to the inclusion of costs for which there is no corresponding tax credit. In 2022, £4.7m of the non-underlying tax credit related to the tax impact of the non-underlying loss for the year. The remainder of the FY22 credit arose from the reversal of the valuation allowance against deferred tax assets in Canada that was recognised through the non-underlying tax charge in prior years.

The Group is subject to taxation in over 40 countries worldwide and the risk of changes in tax legislation and interpretation from tax authorities in the jurisdictions in which it operates. The assessment of uncertain positions is subjective and subject to management's best judgement of the probability of the outcome in reaching agreement with the relevant tax authorities. Where tax positions are uncertain, provisions are made where necessary, based on interpretation of legislation, management experience and appropriate professional advice. Management do not expect the outcome of these estimates to be materially different from the position taken.

The UK government enacted Finance (No 2) Act 2023 on 11 July 2023, which includes the Pillar Two legislation introducing a multinational top up tax and a domestic minimum top up tax in line with the minimum 15% rate in the OECD's Pillar Two rules. The rules will apply to the Group for the financial year commencing on 1 January 2024. The UK legislation has also adopted the OECD's transitional Pillar Two safe harbour rules which, if applicable, will deem the top up tax for a jurisdiction to be nil based on available Country-by-Country Reporting data.

The Group has performed an assessment of the potential exposure to Pillar Two top up taxes, based on the most recent Country-by-Country Reporting, and FY24 country specific PBT forecasts for the constituent entities in the Group. Based on the assessment, the Pillar Two effective tax rates in most of the jurisdictions in which the Group operates are above 15%. There are however a limited number of jurisdictions where the transitional safe harbour relief may not apply and the Pillar Two effective tax rate is close to the 15% threshold. The Group does not expect a material exposure to Pillar Two top up taxes for these jurisdictions.

The Group has applied the exemption in the amendments to IAS 12 (issued in May 2023) and has neither recognised nor disclosed information about deferred tax assets or liabilities relating to Pillar Two income taxes.

The following are the major deferred tax liabilities and assets recognised by the Group and the movements 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[1] temporary differences £m	**Total £m**
At 1 January 2022	(13.0)	38.2	(4.2)	(6.3)	(8.7)	13.5	19.5
(Credit)/charge to the income statement	(1.0)	(31.2)	0.3	0.9	(0.3)	(1.6)	**(32.9)**
Charge to other comprehensive income	—	—	0.6	—	—	—	**0.6**
Acquisition and disposal of businesses	—	—	—	—	—	0.8	**0.8**
Exchange movements	(0.5)	3.9	0.1	(0.7)	(1.1)	0.6	**2.3**
Other reallocations/transfers	—	—	—	—	—	(0.1)	**(0.1)**
At 31 December 2022	(14.5)	10.9	(3.2)	(6.1)	(10.1)	13.2	**(9.8)**
(Credit)/charge to the income statement	3.1	(11.9)	0.7	(6.7)	2.8	(7.2)	**(19.2)**
Charge to other comprehensive income	—	—	0.1	—	—	—	**0.1**
Exchange movements	0.7	0.0	0.1	0.4	0.3	(1.6)	**(0.1)**
At 31 December 2023	**(10.7)**	**(1.0)**	**(2.3)**	**(12.4)**	**(7.0)**	**4.4**	**(29.0)**

1 Other temporary differences are mainly in respect of intangible assets and contract provisions.

The movement from a net deferred tax asset of £9.8m at 31 December 2022 to £29.0m at 31 December 2023 is largely as a result of the timing of the deductibility of R&D expenditure for US tax purposes. R&D expenditure is capitalised for tax purposes and amortised over five years.

Deferred tax assets include amounts of £36.8m (2022: £15.1m) where recovery is based on forecasts of future taxable profits that are expected to be available to offset the reversal of the associated temporary differences. The deferred tax assets arise predominantly in the US (£29.3m) Australia (£3.7m), Canada (£2.1m), India (£1.0m) and the UK (£0.7m). The amount of profits in each territory which are necessary to be realised over the forecast period to support these assets are £115m, £12m, £7m, £4m and £3m. Canadian tax rules currently allow tax losses to be carried forward up to 20 years. Australia and the UK allow losses to be carried forward indefinitely. The recovery of deferred tax assets has been assessed by reviewing the likely timing and level of future taxable profits. The period assessed for recovery of assets is appropriate for each territory having regard to the specific facts and circumstances and the probability of achieving forecast profitability. A 10% shortfall in expected profits would have a proportional impact on the value of the deferred tax assets recoverable.

The following is the analysis of the deferred tax balances:

	2023 £m	2022 £m
Deferred tax liabilities	**7.8**	5.3
Deferred tax assets	**(36.8)**	(15.1)
	(29.0)	(9.8)

At the balance sheet date, the Group had unused tax losses of £137.6m (2022: £140.9m), mainly arising in Canada, Australia, Malaysia and the UK, available for offset against future profits, on which no deferred tax asset has been recognised. Of these losses, £84.0m (2022: £118.2m) may be carried forward indefinitely. Of the remaining losses, £15.6m expire in 2025, £3.4m expire in 2028 and £34.6m expire in 2035.

At the balance sheet date, the aggregate of other deductible temporary differences for which no deferred tax asset has been recognised was £4.4m (2022: £18.0m). These differences have no expiry term.

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 £373.9m (2022: £335.0m), on the basis that the Group can control the reversal of temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. The unprovided deferred tax liability in respect of these timing differences is £10.0m (2022: £10.2m).

13 Dividends payable to equity holders of the parent

Ordinary dividends on equity shares:

	2023 **£m**	2022 £m
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 December 2022 of 24.5p (2021: 23.3p) per share	**17.7**	16.8
Interim dividend for the year ended 31 December 2023 of 13.9p (2022: 13.2p) per share	**10.0**	9.6
	27.7	26.4

The Board has recommended a final dividend for the year ended 31 December 2023 of £22.7m, representing 31.3p (2022: 24.5p) per share. The proposed dividend is subject to approval by shareholders at the Annual General Meeting on 15 May 2024 and has not been included as a liability in these financial statements.

14 Earnings per share

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

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

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

Basic and diluted earnings per share are calculated as follows:

	Underlying earnings attributable to the equity holders of the parent		**Earnings attributable to the equity holders of the parent**	
	2023	2022	**2023**	2022
Basic and diluted earnings (£m)	**114.2**	74.2	**89.4**	46.0
Weighted average number of ordinary shares (m)[1]				
Basic number of ordinary shares outstanding	**72.8**	72.7	**72.8**	72.7
Effect of dilution from:				
Share options and awards	**1.4**	1.0	**1.4**	1.0
Diluted number of ordinary shares outstanding	**74.2**	73.7	**74.2**	73.7
Earnings per share				
Basic earnings per share (p)	**156.9**	102.1	**122.8**	63.3
Diluted earnings per share (p)	**153.9**	100.7	**120.5**	62.4

1 The weighted average number of shares takes into account the weighted average effect of changes in treasury shares during the year. The weighted average number of shares excludes those held in the Employee Share Ownership Plan Trust and those held in treasury, which for the purpose of this calculation are treated as cancelled.

15 Goodwill and intangible assets

	Goodwill	Trade names	Customer contracts and relationships	Other intangibles	**Total**
	£m	£m	£m	£m	**£m**
Cost					
At 1 January 2022	225.5	32.7	44.6	22.4	**325.2**
Additions	—	—	—	0.1	**0.1**
Acquired with businesses[1,2]	6.9	0.7	1.5	—	**9.1**
Exchange movements	15.8	1.4	1.8	4.6	**23.6**
At 31 December 2022 and 1 January 2023[1]	248.2	34.8	47.9	27.1	**358.0**
Additions	—	—	—	0.2	**0.2**
Exchange movements	(9.6)	(2.0)	(2.7)	(0.2)	**(14.5)**
At 31 December 2023	238.6	32.8	45.2	27.1	**343.7**
Accumulated amortisation and impairment					
At 1 January 2022	105.0	26.8	32.2	21.7	**185.7**
Impairment charge for the year	12.5	—	—	—	**12.5**
Amortisation charge for the year[1]	—	1.6	8.7	0.4	**10.7**
Exchange movements	5.4	0.6	0.8	4.4	**11.2**
At 31 December 2022 and 1 January 2023[1]	122.9	29.0	41.7	26.5	**220.1**
Impairment charge for the year	12.1	—	—	—	**12.1**
Amortisation charge for the year	—	1.7	3.4	0.4	**5.5**
Exchange movements	(4.0)	(1.8)	(2.5)	(0.3)	**(8.6)**
At 31 December 2023	131.0	28.9	42.6	26.6	**229.1**
Carrying amount					
At 1 January 2022	120.5	5.9	12.4	0.7	**139.5**
At 31 December 2022 and 1 January 2023[1]	125.3	5.8	6.2	0.6	**137.9**
At 31 December 2023	107.6	3.9	2.6	0.5	114.6

1 The 31 December 2022 consolidated balance sheet has been restated in respect of prior period business combination measurement adjustments, as outlined in note 5 to the consolidated financial statements.
2 In the 2022 financial year, goodwill arising on acquisition of business relates to the acquisition of Nordwest Fundamentering AS.

Other intangibles represent internally developed software and licences. There are no indicators of impairment for assets relating to trade names, customer contracts and relationships or other intangibles as at 31 December 2023.

For the purposes of impairment testing, goodwill has been allocated to seven (2022: ten) separate cash-generating units (CGUs). The carrying amount of goodwill allocated to the five CGUs with the largest goodwill balances is significant in comparison to the total carrying amount of goodwill and comprises 99% of the total (2022: 95%). 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:

		2023			2022		
CGU	Geographical segment	**Carrying value £m**	**Pre-tax discount rate[1] %**	**Forecast growth rate %**	Carrying value £m	Pre-tax discount rate[1] %	Forecast growth rate %
Keller US	North America	**49.4**	**15.2**	**2.0**	51.9	13.6	2.0
Suncoast	North America	**33.9**	**15.2**	**2.0**	35.5	13.5	2.0
Keller Canada	North America	**13.2**	**13.8**	**2.0**	13.7	12.7	2.0
Keller Limited	Europe	—	—	—	12.1	13.2	2.0
Other	North America and Europe	**11.1**			12.1		
		107.6			125.3		

1 Pre-tax discount rates and forecast growth rates are defined by market.

The recoverable amount of the goodwill allocated to each CGU has been calculated on a value-in-use basis. The calculations use cash flow projections based on financial budgets and forecasts approved by management and cover a three-year period.

The Group's businesses operate in a diverse geographical set of markets, some of which are expected to continue to face uncertain conditions in future years. The most important factors in the value-in-use calculations are the forecast revenues and operating margins during the forecast period, the growth rates and discount rates applied to future cash flows. The key assumptions underlying the cash flow forecasts are revenue and operating margins assumed throughout the forecast period. Revenue and operating margins are prepared as part of the Group's three-year forecast in line with the Group's annual business planning process. The Group's budget for 2024 and financial projections for 2025 and 2026 were approved by the Board, and have been used as the basis for input into the value-in-use calculation.

Management considers all the forecast revenues, margins and profits to be reasonably achievable given recent performance and the historic trading results of the relevant CGUs. A margin for historical forecasting error has also been factored into the value-in-use model. Cash flows beyond 2026 which are deemed to be on a continuing basis have been extrapolated using the forecast growth rates above and do not exceed the long-term average growth rates for the markets in which the relevant CGUs operate. The growth rates used in the Group's value-in-use calculation into perpetuity are based on forecasted growth in the construction sector in each region where a CGU is located and adjusted for longer-term compound annual growth rates for each CGU as estimated by management. 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, adjusted as necessary to reflect the risk associated with the asset being tested.

Management's assessment for Keller Canada is sensitive to the future successful execution of CGU's business plans to consistently meet forecasted margins (which assumes a significant improvement in operating performance compared with 2023) by improving project delivery and revenue growth.

The goodwill in Keller Limited, included in the table above, was impaired by £12.1m during 2023. The goodwill is impaired due to the uncertainty in the CGU's business plans to address the quantum of reduction in revenue volumes, margins and profits following scheduled completion of HS2 projects within the next twelve months.

For the remaining CGUs, management believes that any reasonable possible change in the key assumptions on which the recoverable amounts of the CGUs are based would not cause any of their carrying amounts to exceed their recoverable amounts.

A number of sensitivities were run on the projections to identify the changes required in each of the key assumptions that, in isolation, would give rise to an impairment of the following goodwill balances.

CGU	Geographical segment	Increase in[1] discount rate %	Reduction in[1] future growth rate %	Reduction in final year cash flow %
Keller US	North America	35.6	76.8	97.5
Suncoast	North America	111.2	n/a	119.4
Keller Canada	North America	7.4	9.6	50.1

1 The increase in discount rate and reduction in future growth rate are presented as gross movements.

16 Property, plant and equipment

Property, plant and equipment comprises owned and leased assets.

	Note	**2023 £m**	2022 £m
Property, plant and equipment – owned assets	16a	**394.9**	409.5
Right-of-use assets – leased assets	16b	**85.3**	77.0
At 31 December		**480.2**	486.5

16 a) Property, plant and equipment – owned assets

	Land and buildings £m	Plant, machinery and vehicles £m	Capital work in progress £m	**Total £m**
Cost				
At 1 January 2022	69.0	910.9	5.5	**985.4**
Additions	1.9	72.4	7.3	**81.6**
Acquired with businesses	—	0.7	—	**0.7**
Disposals	—	(34.8)	—	**(34.8)**
Net transfers to held for sale	—	(1.5)	—	**(1.5)**
Reclassification	—	2.2	(2.2)	**—**
Exchange movements	5.3	68.2	0.6	**74.1**
At 31 December 2022 and 1 January 2023	76.2	1,018.1	11.2	**1,105.5**
Additions	4.3	85.3	4.7	**94.3**
Transfer from leased assets (note 16 b))	—	0.8	—	**0.8**
Disposals	(0.6)	(69.8)	(0.1)	**(70.5)**
Net transfers to held for sale[1]	—	(1.7)	—	**(1.7)**
Disposed with the business[2]	—	(0.8)	—	**(0.8)**
Reclassification	1.2	5.8	(7.0)	**—**
Exchange movements	(2.5)	(37.3)	(0.6)	**(40.4)**
At 31 December 2023	78.6	1,000.4	8.2	**1087.2**
Accumulated depreciation and impairment				
At 1 January 2022	21.9	588.0	—	**609.9**
Charge for the year	1.9	69.2	—	**71.1**
Disposals	—	(30.1)	—	**(30.1)**
Net transfers to held for sale	—	(1.2)	—	**(1.2)**
Exchange movements	1.6	44.7	—	**46.3**
At 31 December 2022 and 1 January 2023	25.4	670.6	—	**696.0**
Charge for the year	3.1	78.7	—	**81.8**
Disposals	(0.2)	(57.3)	—	**(57.5)**
Net transfers to held for sale[1]	—	(0.2)	—	**(0.2)**
Disposed with the business[2]	—	(0.4)	—	**(0.4)**
Exchange movements	(0.8)	(26.6)	—	**(27.4)**
At 31 December 2023	27.5	664.8	—	**692.3**
Carrying amount				
At 1 January 2022	47.1	322.9	5.5	**375.5**
At 31 December 2022 and 1 January 2023	50.8	347.5	11.2	**409.5**
At 31 December 2023	51.1	335.6	8.2	**394.9**

1 The carrying amount of assets held for sale at the balance sheet date are detailed in note 22.
2 Assets disposed with the Cyntech Tanks operation in Canada as detailed in note 5.

The Group had contractual commitments for the acquisition of property, plant and equipment of £12.0m (2022: £17.6m) at the balance sheet date. These amounts were not included in the balance sheet at the year end.

16 b) Right-of-use assets – leased assets

The Group has lease contracts for various items of land and buildings, plant, machinery and vehicles used in its operations. Leases of land and buildings generally have lease terms between three and 15 years, while plant, machinery and vehicles generally have lease terms between two and eight years. The Group's obligations under its leases are secured by the lessor's title to the lease assets. Generally, the Group is restricted from assigning and sub-leasing its leased assets. There are several lease contracts that include extension and termination options.

The Group has certain leases of machinery with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Set out below are the carrying amounts of the right-of-use assets recognised and the movements during the year:

	Land and buildings £m	Plant, machinery and vehicles £m	**Total £m**
At 1 January 2022	42.9	25.0	**67.9**
Additions	5.9	18.9	**24.8**
Acquired with businesses	—	2.1	**2.1**
Depreciation expense	(14.1)	(15.6)	**(29.7)**
Impairment reversal	—	4.2	**4.2**
Contract modifications	6.0	(4.4)	**1.6**
Exchange movements	3.4	2.7	**6.1**
At 31 December 2022 and 1 January 2023	44.1	32.9	**77.0**
Additions	18.0	15.9	**33.9**
Transfers to property, plant & equipment	—	(0.8)	**(0.8)**
Depreciation expense	(14.7)	(14.7)	**(29.4)**
Impairment expense	(0.6)	—	**(0.6)**
Contract modifications	7.3	1.4	**8.7**
Exchange movements	(2.1)	(1.4)	**(3.5)**
At 31 December 2023	52.0	33.3	**85.3**

The carrying amounts of lease liabilities (included within note 26 within loans and borrowings) and the movements during the year are set out in note 27.

17 Investments in joint ventures

The Group's investment in joint ventures relates to a 50% interest in the ordinary shares of KFS Finland Oy, an entity incorporated in Finland.

	2023 £m
At 1 January 2023	**4.4**
Share of underlying post-tax results	**0.8**
Share of non-underlying post-tax results (note 9)	**(0.6)**
Exchange movements	**(0.1)**
At 31 December 2023	**4.5**

	2022 £m
At 1 January 2022	4.0
Share of underlying post-tax results	1.5
Share of non-underlying post-tax results (note 9)	(1.2)
Exchange movements	0.1
At 31 December 2022	4.4

In 2023, KFS Finland Oy earned total revenue of £19.0m (2022: £20.7m) and a statutory profit after tax for the year of £0.2m (2022: £0.3m).

The joint venture had no contingent liabilities or commitments as at 31 December 2023 (2022: £nil).

Aggregate amounts relating to joint ventures:

	2023			2022		
	Underlying £m	**Non-underlying items (note 9) £m**	**Statutory £m**	Underlying £m	Non-underlying items (note 9) £m	Statutory £m
Revenue	**19.0**	**—**	**19.0**	20.7	—	20.7
Operating costs[1]	**(18.0)**	**(0.6)**	**(18.6)**	(19.2)	(1.2)	(20.4)
Operating profit/(loss)	**1.0**	**(0.6)**	**0.4**	1.5	(1.2)	0.3
Finance costs	**(0.2)**	**—**	**(0.2)**	(0.1)	—	(0.1)
Profit/(loss) before taxation	**0.8**	**(0.6)**	**0.2**	1.4	(1.2)	0.2
Taxation	**(0.1)**	**0.1**	**—**	0.1	—	0.1
Share of post-tax results	**0.7**	**(0.5)**	**0.2**	1.5	(1.2)	0.3

1 Included within operating costs is depreciation on owned assets of £0.9m (2022: £1.1m).

	KFS Finland Oy (100% of results)		Group's portion of the joint venture	
	2023	2022	**2023**	2022
	£m	£m	**£m**	£m
Non-current assets	**16.0**	18.0	**8.0**	9.0
Cash and cash equivalents	**3.2**	1.4	**1.6**	0.7
Other current assets	**3.0**	4.4	**1.5**	2.2
Total assets	**22.2**	23.8	**11.1**	11.9
Other current liabilities	**(3.8)**	(3.4)	**(1.9)**	(1.7)
Non-current loans and borrowings	**(9.0)**	(10.8)	**(4.5)**	(5.4)
Other non-current liabilities	**(0.4)**	(0.8)	**(0.2)**	(0.4)
Total liabilities	**(13.2)**	(15.0)	**(6.6)**	(7.5)
Share of net assets	**9.0**	8.8	**4.5**	4.4

18 Other non-current assets

	2023	2022
	£m	£m
Non-qualifying deferred compensation plan assets	**20.5**	19.4
Customer retentions	**22.7**	16.3
Other assets	**1.6**	1.7
Insurance receivables	**22.0**	23.4
	66.8	60.8

A non-qualifying deferred compensation plan (NQ) is available to US employees, whereby an element of eligible employee bonuses and salary is deferred over a period of four to six years. The plan allows participants to receive tax relief for contributions beyond the limits of the tax-free amounts allowed per the 401k defined contribution pension plan. The plan is administered by a professional investment provider with participants able to select their investments from an approved listing. An amount equal to each participant's compensation deferral is transferred into a trust and invested in various marketable securities. The related trust assets are not identical to investments held on behalf of the employee but are invested in similar funds with the objective that performance of the assets closely tracks the liabilities. The investments held in the trust are designated solely for the purpose of paying benefits under the non-qualified deferred compensation plan. The investments in the trust would however be available to all unsecured general creditors in the event of insolvency.

The value of both the employee investments and those held in trust by the company are measured using Level 1 inputs per IFRS 13 ('quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date') based on published market prices at the end of the period. Adjustments to the fair value are recorded within net finance costs in the consolidated income statement.

At 31 December 2023, non-current assets in relation to the investments held in the trust were £20.5m (2022: £19.4m). The fair value movement on these assets was £2.2m (2022: £3.5m). During the period proceeds from the sale of NQ-related investments were £nil (2022: £nil). At 31 December 2023, non-current liabilities in relation to the participant investments were £14.3m (2022: £14.7m). These are accounted for as financial liabilities at fair value through profit or loss. The fair value movement on these liabilities was £2.6m (2022: £3.5m). During the year £0.6m (2022: £1.2m) of compensation was deferred.

Further details on insurance receivables are given in note 24.

19 Inventories

	2023	2022
	£m	£m
Raw materials and consumables	**58.9**	56.3
Work in progress	**1.0**	1.9
Finished goods	**33.4**	66.2
	93.3	124.4

During 2023, £1.3m (2022: £2.0m) of inventory write-downs were recognised as an expense for inventories carried at net realisable value. This is recognised within operating costs in the consolidated income statement.

During 2023, inventory balances decreased by £31.1m (2022: £52.3m increase), which was made up of cashflow movements of £26.8m (2022:£(44.2)m), foreign exchange movements of £4.2m (2022: £(7.5)m) and other non-cash movements of £0.1m (2022: £(0.6)m).

20 Trade and other receivables

	2023	2022
	£m	£m
Trade receivables	**583.1**	615.5
Contract assets	**90.9**	105.3
Other receivables	**21.7**	20.7
Prepayments	**26.1**	23.1
	721.8	764.6

During 2023, trade and other receivable balances decreased by £42.8m (2022: £179.1m increase), which was made up of cashflow movements of £1.5m (2022: £(110.0)m), foreign exchange movements of £33.0m (2022: £57.1m) and other non-cash movements of £8.3m (2022: £12.0m).

Further details on insurance receivables included within other receivables are given in note 24.

Trade receivables and contract assets included in the balance sheet are shown net of expected credit loss provisions as detailed in note 2.

The movement in the allowance for expected credit losses of trade receivables and contract assets is as follows:

	2023	2022 (Restated)
	£m	£m
At 1 January	**36.0**	34.8
Used during the year	**(10.8)**	(4.4)
Additional provisions	**29.4**	13.8
Unused amounts reversed	**(7.7)**	(10.6)
Acquisition with businesses	**—**	0.2
Exchange movements	**(1.8)**	2.2
At 31 December	**45.1**	36.0

During the year, the Financial Reporting Council ("FRC") reviewed the Group's Annual Report and Accounts for the year ended 31 December 2022. The FRC's review was limited to the Group's Annual Report and Accounts for the year ended 31 December 2022 and did not benefit from a detailed understanding of underlying transactions and therefore provided no assurance that they are correct in all material respects. Following completion of the review, the Directors have concluded to restate the opening allowance for expected credit losses of trade receivables and contract assets of the prior period by £18.9m and the amounts presented in the Unused amounts reversed. The restatement has no impact on the value of the allowance as at 31 December 2022 and has no impact on the statement of financial position at 31 December 2022. The restatement has caused a consequential increase of £12.8m in the amount reported in note 6 for Other operating charges for the prior period.

Set out below is information about the credit risk exposure on the Group's trade receivables and contract assets, detailing past due but not impaired, based on agreed terms and conditions with the customer:

	2023					
	Contract assets	**Trade receivables and non-current customer retentions**				
		Days past due				
	Total	**Current**	**<30 days**	**31-90 days**	**>90 days**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Expected credit loss rate	1%	1%	1%	1%	46%	7%
Estimated total gross carrying amount at default	92.2	402.8	109.8	57.9	79.1	649.6
Allowance for expected credit loss	(1.3)	(5.9)	(1.0)	(0.3)	(36.6)	(43.8)
Carry amount as shown in the balance sheet	**90.9**	**396.9**	**108.8**	**57.6**	**42.5**	**605.8**

	2022					
	Contract assets	Trade receivables and non-current customer retentions				
		Days past due				
	Total	Current	<30 days	31-90 days	>90 days	Total
	£m	£m	£m	£m	£m	£m
Expected credit loss rate	1%	1%	0%	0%	43%	5%
Estimated total gross carrying amount at default	106.4	395.9	112.3	91.2	67.3	666.7
Allowance for expected credit loss	(1.1)	(5.3)	(0.3)	(0.4)	(28.9)	(34.9)
Carry amount as shown in the balance sheet	105.3	390.6	112.0	90.8	38.4	631.8

The Group's expected credit loss rate for trade receivables and non-current customer retentions that were more than 90 days past due increased from 43% in 2022 to 46% in 2023. This was as a result of specific provisions that were provided in relation to both customers struggling financially and contractual disputes leading to failure of recovery. The other expected credit loss rates were in line with the prior year.

21 Cash and cash equivalents

	2023	2022
	£m	£m
Bank balances	**105.2**	97.0
Short-term deposits	**46.2**	4.1
Cash and cash equivalents in the balance sheet	**151.4**	101.1
Bank overdrafts	**(2.4)**	(6.9)
Cash and cash equivalents in the cash flow statement	**149.0**	94.2

Cash and cash equivalents include £4.4m (2022: £8.5m) of the Group's share of cash and cash equivalents held by joint operations, and £1.1m (2022: £1.4m) of restricted cash which is subject to local country restrictions as it is held as collateral in support of bank guarantees.

22 Assets held for sale

	2023	2022
	£m	£m
Plant and machinery	**1.6**	2.8
	1.6	2.8

During 2023, £1.1m (2022: £0.9m) of the North American assets, £1.4m of the Waterway assets and £0.1m of the South African assets were disposed of for a total cash consideration of £4.2m resulting in a gain from the disposal of assets of £1.6m, which is included in operating costs.

At 31 December 2023, assets held for sale comprises of an electric crane in Australia costing £1.5m which was added during the period and remaining £0.1m of assets in North America.

23 Trade and other payables

	2023	2022
	£m	£m
Trade payables	**155.5**	229.4
Other taxes and social security payable	**16.8**	21.5
Other payables	**153.0**	139.4
Contract liabilities	**90.9**	85.6
Accruals	**137.1**	109.7
Fair value of derivative financial instruments	**0.3**	**—**
	553.6	585.6

Other payables includes contingent and deferred consideration of £1.7m (2022: £0.8m), interest payable of £6.1m (2022: £2.0m), non-qualifying compensation plan liabilities of £3.3m (2022: £1.7m) and contract specific accruals of £119.1m (2022: £117.6m).

During 2023, trade and other payable balances decreased by £32.0m (2022: £77.6m increase), which was made up of cashflow movements of £25.6m (2022: £(43.7)m), foreign exchange movements of £22.0m (2022: £(39.2)m) and other non-cash movements of £(15.6)m (2022: £5.3m).

24 Provisions

	Employee provisions £m	Restructuring provisions £m	Contract provisions £m	Insurance and legal provisions £m	Other provisions £m	**Total £m**
As at 31 December 2022	10.4	4.1	37.8	65.0	2.3	**119.6**
Charge for the year	2.5	5.9	31.1	16.6	0.6	**56.7**
Used during the year	(2.3)	(3.5)	(21.2)	(5.8)	(0.1)	**(32.9)**
Unused amounts reversed	(0.3)	(0.3)	(5.2)	(1.8)	—	**(7.6)**
Unwinding of discount	—	—	—	0.4	—	**0.4**
Exchange movements	(0.7)	(0.1)	(1.3)	(1.0)	(0.3)	**(3.4)**
At 31 December 2023	**9.6**	**6.1**	**41.2**	**73.4**	**2.5**	**132.8**
Current	3.2	6.1	29.5	17.9	2.4	**59.1**
Non-current	6.4	—	11.7	55.5	0.1	**73.7**
At 31 December 2023	**9.6**	**6.1**	**41.2**	**73.4**	**2.5**	**132.8**

Employee provisions

Employee provisions relate to various liabilities in respect of employee rights and benefits, including the workers' compensation scheme in North America and long service leave benefits in Australia.

At 31 December 2023, the provision in respect of workers' compensation was £6.5m (2022: £7.1m). A provision is recognised when an employee informs the company of a workers' compensation claim. The provision is measured based on information provided by the workers' compensation insurer. The actual costs that may be incurred in respect of these claims are dependent on the assessment of an employee's claim and potential medical expenses, with timing of outflows variable depending on the claim.

At 31 December 2023, the provision in respect of long service leave was £2.0m (2022: £1.9m). A provision is recognised at the point an employee joins the company, with an adjustment made to factor the likelihood that the employee will remain in continuous service with the company to meet the threshold to receive the benefits. It is measured on an IAS 19 basis, at the present value of expected future benefit for services provided by employees up to the reporting date. The actual costs that may be incurred are dependent on the length of service for employees and amended for any starters and leavers. The provision is utilised when the leave is taken by the employee or when unused leave is paid on termination of employment.

Employee provisions also includes an amount of £0.8m (2022: £0.8m) in respect of social security contributions on share options. This provision is utilised as the options are exercised by employees, which occurs when the awards vest. The provision covers three years of open share options and will be utilised each year as the options vest.

Restructuring provisions

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring, has raised a valid expectation in those individuals affected and liabilities have been identified. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring.

The restructuring provisions in 2023 include amounts provided in the year for the exit from the Egypt business, as well as amounts not yet settled from restructuring projects provided in the prior year. The provisions comprise mainly amounts for redundancy costs. Estimates may differ from the actual charges depending on the finalisation of redundancy amounts. These provisions are expected to be utilised within the next 12 months.

Contract provisions

Contract provisions include onerous contracts where the forecast costs of completing the contract exceed the revenue and provision for potential remediation costs that we believe are probable to incur .

Provision for onerous contracts is made in full when such losses are foreseen, based on the estimated unavoidable costs of meeting the obligations of the contract, where these exceed the economic benefits expected to be received. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. The actual loss incurred is uncertain until the project has been completed, and the actual costs incurred to complete the contract could be higher or lower than estimated in the calculation of the provision. The majority of this balance is expected to be utilised in the next 12 months, given the general short-term nature of contracts.

Provision for potential remediation costs typically arise after the completion of a project through a customer claim or dispute. The provision reflects our estimate of costs to be incurred in relation to the dispute, some disputes can take a long period of time to resolve and the actual amount incurred could be higher or lower than our provision, so there is uncertainty over both the amount and the timing of the expected cash outflows. The non-current element of the provision relates to disputes we expect will take longer than a year to resolve.

Insurance and legal provisions

Insurance and legal provisions comprises the liability for legal claims against the Group, including those that are retained within the Group's captive insurer (the 'captive'). The captive covers both public liability and professional indemnity claims for the Group. The captive covers liabilities below an upper limit above which third-party insurance applies. They also include matters relating to separate legal issues which are not covered by the captive, including claims arising from civil matters which could result in penalties and legal costs. By their nature the amounts and timings of any outflows are difficult to predict.

Provisions for insurance and legal claims are made based on the best estimate of the likely total settlement value of a claim against the Group. Management seek specialist input from legal advisers and the Group's insurance claims handler to estimate the most likely legal outcome. The outcome of legal negotiations is inherently uncertain; as a result, there can be no guarantee that the assumptions used to estimate the provision will result in an accurate prediction of the actual costs that may be incurred.

A provision is recognised when it is judged likely that a legal claim will result in a payment to the claimant and the amount of the claim can be reliably estimated. Provisions are utilised as insurance claims are settled, which may take a number of years. A separate insurance receivable is recognised to the extent that confirmed third-party insurance is expected to cover any element of an estimated claim value and is virtually certain to be recovered. The asset is recognised within other non-current assets (refer to note 18) and trade and other receivables (refer to note 20). Management considers that there are no instances of reimbursable assets which are probable in nature.

Other provisions

Other provisions are in respect of property dilapidation arising from lease obligations and other operational provisions. Where a lease includes a 'make-good' requirement, provision for the cost is recognised as the obligation is incurred, either at the commencement of the lease or as a consequence of using the asset, and the cost of the expected work required can be reliably estimated. These are expected to be utilised over the relevant lease term which ranges from 3 to 15 years across the Group.

25 Other non-current liabilities

	2023 £m	2022 £m
Non-qualifying compensation plan liabilities	**14.3**	14.7
Other liabilities	**8.9**	6.6
	23.2	21.3

Other liabilities include deferred and contingent consideration of £8.9m (2022: £1.1m) and £nil (2022: £5.2m) in respect of US social security tax deferrals, refer to note 8 for further information.

Refer to note 18 for further information on the non-qualifying deferred compensation plan.

26 Financial instruments

Exposure to credit, interest rate and currency risks arise in the normal course of the Group's business and have been identified as risks for the Group. 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.

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 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 majority of the Group's borrowings are held in sterling and US dollars.

The Group manages its currency flows to minimise transaction exchange risk. Forward contracts are used to hedge significant individual transactions. The majority of such currency flows within the Group relate to the repatriation of profits, intra-group loan repayments and any foreign currency cash flows associated with acquisitions. The Group's treasury risk management is performed at the Group's head office.

As at 31 December 2023, the fair value of outstanding foreign exchange forward contracts was £0.3m (2022: £nil) included in current liabilities.

Interest rate risk

Our objectives are to add stability to the interest expense and to manage our exposure to interest rate movements. To accomplish these objectives, we primarily use external debt and have previously used interest rate swaps as part of our interest rate risk management strategy.

Interest rate risk is managed by either fixed or floating rate borrowings dependent upon the purpose and term of the financing.

As at 31 December 2023, approximately 99% (2022: 80%) of the Group's third-party borrowings were at fixed interest rates.

Hedging currency risk and interest rate risk

The Group currently hedges currency risk and has previously hedged interest rate risk. Where hedging instruments are used to hedge significant individual transactions, the Group ensures that the critical terms, including dates, currencies, nominal amounts, interest rates and lengths of interest periods, are matched. The Group uses both qualitative and quantitative methods to confirm this and to assess the effectiveness of the hedge.

Interest rate swaps were in place at the beginning of 2022, to hedge the interest rate risk on the existing US Private placement notes. These interest rate swaps were closed out during 2022. There are no derivatives or other hedging instruments in place at the balance sheet date held for the purpose of hedging interest rate risk.

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 Group exposures. These represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group has procedures to manage counterparty risk and the assessment of customer credit risk is embedded in the contract tendering processes. 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 review of these ratings.

Customer credit risk is mitigated by the Group's relatively small average contract size and diversity, both geographically and in terms of end markets. No individual customer represented more than 4% of revenue in 2023 (2022: 6%). The ageing of trade receivables that were past due but not impaired is shown in note 20.

The Group evaluates each new customer and assesses their creditworthiness before any contract is undertaken.

The Group reviews customer receivables (including contract assets) on an ageing basis and provides against expected unrecoverable amounts. Experience has shown the level of historical provision required to be relatively low. Credit loss provisioning reflects past experience, economic factors and specific conditions.

The Group's estimated exposure to credit risk for trade receivables and contract assets is disclosed in note 20. This amount is the accumulation of several years of provisions for known or expected credit losses.

Liquidity risk and capital management

The Group's capital structure is kept under constant review, taking into account the need for availability and cost of various sources of funding. The capital structure of the Group consists of net debt and equity as shown in the consolidated balance sheet. The Group maintains a balance between the certainty of funding and a flexible, cost-effective financing structure, with all main borrowings being from committed facilities. The Group's policy ensures 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 $75m private placement repayable in December 2024, a US$120m private placement repayable in August 2030, a US$180m private placement repayable in August 2033 and a £375m syndicated revolving credit facility expiring in November 2025.

The private placement debt and revolving credit facility are subject to certain covenants linked to the Group's financing structure, specifically regarding the ratios of net debt and interest to profit. The covenants are calculated on an IAS 17 basis, EBITDA to net debt leverage must be below three times and EBITDA interest cover must be above four times. The Group has complied with these covenants throughout the year.

At the year end, the Group also had other borrowing facilities available of £50.2m (2022: £75.8m).

Private placements

In August 2023, $120m and $180m were raised through a private placement with US institutions. The proceeds of the issue of $120m Series A notes 6.38% due 2030 and $180m Series B notes 6.42% due 2033 were used to repay a $115m bilateral term loan facility and to repay drawings from the revolving credit facility. The US private placement notes are accounted for on an amortised cost basis and are retranslated at the exchange rate at each period end. The carrying value of the $120m and $180m private placement liabilities at 31 December 2023 were £94.2m and £141.2m, respectively.

In December 2014, $75m was raised through a private placement with US institutions. The proceeds of the issue of $75m Series B notes 4.17% due 2024 was used to refinance maturing private placements. The US private placement note are accounted for on an amortised cost basis and are retranslated at the exchange rate at each period end. The carrying value of the $75m private placement liability at 31 December 2023 was £58.5m (2022: £62.0m).

Hedging

The Group entered into a Treasury lock on 28 April 2023 designated as a cash flow hedge against the highly probable cash outflows for the US private placement notes issued in August 2023. A Treasury lock is a synthetic forward sale of a US Treasury note, which is settled in cash based upon the difference between an agreed-upon treasury rate and the prevailing treasury rate at settlement. Such Treasury locks are entered into to effectively fix the underlying treasury rate component of an upcoming debt issuance. The Treasury lock was settled on 26 May 2023.

All hedges are tested for effectiveness every six months. All hedging relationships remained effective during the year while they were in place.

Accounting classifications

	2023 £m	2022 £m
Financial assets measured at fair value through profit or loss		
Non-qualifying deferred compensation plan	**20.5**	19.4
Financial assets measured at amortised cost		
Trade receivables	**583.1**	615.5
Contract assets	**90.9**	105.3
Cash and cash equivalents	**151.4**	101.1
Financial liabilities at fair value through profit or loss		
Contingent consideration payable	**(10.0)**	(0.9)
Forward contracts	**(0.3)**	—
Financial liabilities measured at amortised cost		
Trade payables	**(155.5)**	(229.4)
Contract liabilities	**(90.9)**	(85.6)
Bank and other loans	**(297.1)**	(319.0)
Lease liabilities	**(91.6)**	(81.0)
Deferred consideration payable	**(0.7)**	(1.0)

Effective interest rates and maturity analysis

In respect of financial liabilities, the following table indicates their effective interest rates and undiscounted contractual cash flows at the balance sheet date:

	2023						
	Effective interest rate %	**Due within 1 year £m**	**Due within 1-2 years £m**	**Due within 2-5 years £m**	**Due after more than 5 years £m**	**Total £m**	**Carrying amount as shown in the balance sheet £m**
Bank loans and overdrafts	**2.5%**	**(2.8)**	**(0.4)**	**(0.1)**	**—**	**(3.3)**	**(3.2)**
Other loans	**6.0%**	**(76.5)**	**(15.1)**	**(45.4)**	**(287.9)**	**(424.9)**	**(293.9)**
Lease liabilities	**—**	**(31.0)**	**(24.4)**	**(36.7)**	**(16.3)**	**(108.4)**	**(91.6)**
Contract liabilities	**—**	**(90.9)**	**—**	**—**	**—**	**(90.9)**	**(90.9)**
Trade payables	**—**	**(155.5)**	**—**	**—**	**—**	**(155.5)**	**(155.5)**
Contingent and deferred consideration	**—**	**(1.7)**	**(3.0)**	**(7.4)**	**—**	**(12.1)**	**(10.7)**
		(358.4)	**(42.9)**	**(89.6)**	**(304.2)**	**(795.1)**	**(645.8)**

	2022						
	Effective interest rate %	Due within 1 year £m	Due within 1-2 years £m	Due within 2-5 years £m	Due after more than 5 years £m	Total £m	Carrying amount as shown in the balance sheet £m
Bank loans and overdrafts	5.0	(10.4)	(0.4)	(245.7)	(0.1)	(256.6)	(256.4)
Bonds and other loans	4.2	(3.2)	(64.6)	—	—	(67.8)	(62.6)
Lease liabilities	—	(28.3)	(21.4)	(32.9)	(7.1)	(89.7)	(81.0)
Contract liabilities	—	(85.6)	—	—	—	(85.6)	(85.6)
Trade payables	—	(229.4)	—	—	—	(229.4)	(229.4)
Contingent consideration	—	(0.8)	(1.1)	—	—	(1.9)	(1.9)
		(357.7)	(87.5)	(278.6)	(7.2)	(731.0)	(716.9)

Loans and borrowings analysis

	2023 £m	2022 £m
$75m private placement (due December 2024)	**(58.5)**	(62.0)
$120m private placement (due August 2030)	**(94.2)**	—
$180m private placement (due August 2033)	**(141.2)**	—
£375m syndicated revolving credit facility (expiring November 2025)	**—**	(248.1)
Bank overdrafts	**(2.4)**	(6.9)
Other bank borrowings	**(0.8)**	(1.4)
Other loans	**—**	(0.6)
Lease liabilities (note 27)	**(91.6)**	(81.0)
Total loans and borrowings	**(388.7)**	(400.0)

The Group has substantial borrowing facilities available to it. The undrawn committed facilities available at 31 December 2023 amounted to £377.8m (2022: £227.6m). This mainly comprised the Group's unutilised £375m revolving credit facility, which expires on 23 November 2025. In addition, the Group had undrawn uncommitted borrowing facilities totalling £47.4m at 31 December 2023 (2022: £46.1m). Other uncommitted bank borrowing facilities are normally reaffirmed by the banks annually, although they can theoretically be withdrawn at any time. Facilities totalling £nil (2022: £1.5m) are secured against certain assets. Future obligations under finance leases on a former IAS 17 basis totalled £0.5m (2022: £0.9m), including interest of £0.1m (2022: £0.1m).

Changes in loans and borrowings were as follows:

	2022 £m	Cash flows £m	Other[1] £m	New leases £m	Foreign exchange movements £m	Fair value changes £m	2023 £m
Bank overdrafts	(6.9)	4.5	—	—	—	—	**(2.4)**
Bank loans	(249.5)	244.5	(1.1)	—	5.3	—	**(0.8)**
Private placements	(62.0)	(241.2)	0.6	—	8.7	—	**(293.9)**
Other loans	(0.6)	0.6	—	—	—	—	**—**
Lease liabilities (note 27)	(81.0)	33.9	(14.3)	(33.9)	3.7	—	**(91.6)**
Total loans and borrowings	(400.0)	42.3	(14.8)	(33.9)	17.7	—	**(388.7)**

1 Other comprises disposals and contract modifications and interest accretion on lease liabilities and the amortisation of deferred financing costs on bank loans.

Changes in loans and borrowings in the prior year were as follows:

	2021 £m	Cash flows £m	Other[1] £m	New leases £m	Acquisition of businesses £m	Foreign exchange movements £m	Fair value changes £m	2022 £m
Bank overdrafts	(0.9)	(5.9)	—	—	—	(0.1)	—	**(6.9)**
Bank loans	(140.9)	(98.2)	(0.5)	—	(0.1)	(9.8)	—	**(249.5)**
Other loans	(58.8)	0.3	—	—	—	(6.5)	2.4	**(62.6)**
Lease liabilities (note 27)	(75.4)	33.1	(5.2)	(24.8)	(2.1)	(6.6)	—	**(81.0)**
Total loans and borrowings	(276.0)	(70.7)	(5.7)	(24.8)	(2.2)	(23.0)	2.4	**(400.0)**
Derivative financial instruments	2.6	(0.2)	—	—	—	—	(2.4)	—

1 Other comprises disposals and contract modifications and interest accretion on lease liabilities and the amortisation of deferred financing costs on bank loans.

There was no impact of IBOR reform on the Group in the year.

Cash flow hedges

At 31 December 2023, the Group held foreign exchange forward contracts to hedge exposures to changes in foreign currency rates. The net value of instruments held was £0.3m (2022: £nil).

	2023							
	Maturity				**Carrying amount**			
	<1 year £m	**1-2 years £m**	**2-5 years £m**	**>5 years £m**	**Asset £m**	**Liability £m**	**Change in fair value used for calculating hedge ineffectiveness £m**	**Nominal amount $m**
Forward exchange forwards	**(0.3)**	**—**	—	**—**	—	**(0.3)**	**—**	(0.3)

	2022							
	Maturity				Carrying amount		Change in fair value used for calculating hedge ineffectiveness	Nominal amount
	<1 year	1-2 years	2-5 years	>5 years	Asset[1]	Liability		
	£m	£m	£m	£m	£m	£m	£m	$m
Forward exchange forwards	—	—	—	—	—	—	—	—

Fair value hedges

At 31 December 2023, the Group held no instruments to hedge exposures to changes in interest rates (2022: £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; being derivatives, interest-bearing loans and borrowings, contingent and deferred consideration and payables, receivables and contract assets, cash and cash equivalents.

Derivatives

The fair values of foreign currency forward contracts are calculated based on achieved contract rates compared to the prevailing market rates at the balance sheet date. The valuation methods of all of the Group's derivative financial instruments carried at fair value are categorised as Level 2. Level 2 assets are financial assets and liabilities that do not have regular market pricing, but whose fair value can be determined based on other data values or market prices.

Interest-bearing loans and borrowings

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

Contingent and deferred consideration

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

The valuation methods of the Group's contingent consideration carried at fair value are categorised as Level 3. Level 3 assets are financial assets and liabilities that are considered to be the most illiquid. Their values have been estimated using available management information, including subjective assumptions. The individually significant unobservable inputs used in the fair value measurement of the Group's contingent consideration as at 31 December 2023 are the estimation of future profits at Keller Arabia and at GKM in order to determine the expected outcome of the earnout arrangement.

The following table shows a reconciliation from the opening to closing balances for contingent and deferred consideration:

	2023	2022
	£m	£m
At 1 January	**1.9**	12.7
Acquisition of businesses (note 5)	**—**	1.7
Non-controlling interest (note 34)	**9.3**	—
Additional amounts provided (note 9)	**—**	0.1
Paid during the period	**(0.2)**	(12.3)
Fair value in the income statement during the period (note 9)	**—**	(0.7)
Exchange movements	**(0.3)**	0.4
At 31 December	**10.7**	1.9

On 29 August 2023, the Group acquired the 35% interest in the voting shares of Keller Turki Company Limited. A contingent consideration is payable annually between the years 2023 and 2027, dependent on the qualifying revenue generated by the business for each of those years. The fair value of the contingent consideration as at 31 December 2023 was £9.3m (SAR 43.2m).

On 1 May 2022, the Group acquired GKM Consultants Inc. Contingent consideration is payable dependent on the cumulative EBITDA in the three-year period post acquisition. The fair value of the contingent consideration was recognised at the date of acquisition at £1.2m, but subsequently reduced following movements in its fair value to £0.9m at 31 December 2022. On 15 November 2022, the Group acquired Nordwest Fundamentering AS and the deferred contingent consideration payable relating to this acquisition is £0.5m.

Additional deferred consideration provided of £0.2m relates to the Voges Drilling acquisition in 2021.

Total contingent and deferred consideration of £0.2m was paid during the period in respect of the Voges Drilling acquisition in 2021.

There were no fair value movements during the year. In 2022, fair value movements of £0.7m related to a fair value adjustment of the RECON contingent consideration on finalisation of the amount payable of £0.3m and the reduction in the GKM payable noted above of £0.4m.

Payables, receivables and contract assets

For payables, receivables and contract assets with an expected maturity of one year or less, the carrying amount is deemed to reflect the fair value.

Non-qualifying deferred compensation plan assets and liabilities

The value of both the employee investments and those held in trust by the company are measured using Level 1 inputs per IFRS 13 ('quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date') based on published market prices at the end of the period. Adjustments to the fair value of the assets and related liabilities are recorded within net finance costs in the consolidated income statement.

Refer to note 18 for further information on the non-qualifying deferred compensation plan.

Interest rate and currency profile

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

	2023						
	GBP	**USD**	**EUR**	**CAD**	**AUD**	**Other**	**Total**
Weighted average fixed debt interest rate (%)	—	**6.0**	**1.4**	—	—	—	**5.9**
Weighted average fixed debt period (years)	—	**6.7**	**1.3**	—	—	—	**6.9**

	2023						
	GBP	**USD**	**EUR**	**CAD**	**AUD**	**Other**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Fixed rate financial liabilities	—	**(293.9)**	**(0.8)**	—	—	—	**(294.7)**
Floating rate financial liabilities	—	**(1.4)**	**(1.0)**	—	—	—	**(2.4)**
Lease liabilities	**(2.1)**	**(57.8)**	**(10.2)**	**(5.6)**	**(3.7)**	**(12.2)**	**(91.6)**
Cash and cash equivalents	**59.7**	**14.6**	**17.5**	**6.2**	**6.7**	**46.7**	**151.4**
Net debt	**57.6**	**(338.5)**	**5.5**	**0.6**	**3.0**	**34.5**	**(237.3)**
Trade receivables	**6.8**	**375.7**	**38.1**	**46.0**	**26.0**	**90.5**	**583.1**
Trade payables	**(4.6)**	**(71.2)**	**(24.4)**	**(3.3)**	**(4.0)**	**(48.0)**	**(155.5)**

	2022						
	GBP	**USD**	**EUR**	**CAD**	**AUD**	**Other**	**Total**
Weighted average fixed debt interest rate (%)	—	4.2	1.4	—	—	3.5	4.1
Weighted average fixed debt period (years)	—	2.0	3.2	—	—	0.1	2.0

	2022						
	GBP	**USD**	**EUR**	**CAD**	**AUD**	**Other**	**Total**
	£m	£m	£m	£m	£m	£m	£m
Fixed rate financial liabilities	—	(62.0)	(1.4)	—	—	(0.6)	(64.0)
Floating rate financial liabilities	(75.3)	(153.8)	(0.2)	—	(25.6)	(0.1)	(255.0)
Lease liabilities	(2.9)	(48.4)	(10.4)	(4.4)	(4.6)	(10.3)	(81.0)
Cash and cash equivalents	7.1	4.4	14.9	4.7	11.6	58.4	101.1
Net debt	(71.1)	(259.8)	2.9	0.3	(18.6)	47.4	(298.9)
Trade receivables	7.2	409.5	39.8	58.1	27.0	73.9	615.5
Trade payables	(6.9)	(120.3)	(32.6)	(13.0)	(9.2)	(47.4)	(229.4)

Sensitivity analysis

At 31 December 2023, it is estimated that a general movement of one percentage point in interest rates would increase or decrease the Group's profit before taxation by approximately £nil (2022: £1.5m).

It is estimated that a general increase of 10 percentage points in the value of sterling against other principal foreign currencies would have decreased the Group's profit before taxation and non-underlying items by approximately £14m for the year ended 31 December 2023 (2022: £8.8m). The estimated impact of a 10 percentage point decrease in the value of sterling is an increase of £17m (2022: £7.2m) in the Group's profit before taxation and non-underlying items. 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. These sensitivities assume all other factors remain constant.

27 Lease liabilities

Set out below are the carrying amounts of lease liabilities (included within note 26 within loans and borrowings) and the movements during the year:

	2023 £m	2022 £m
At 1 January	**81.0**	75.4
Additions	**33.9**	24.9
Acquired with businesses	**—**	2.1
Contract modifications	**8.7**	1.6
Interest expense	**5.6**	3.6
Payments	**(33.9)**	(33.1)
Exchange movements	**(3.7)**	6.5
At 31 December	**91.6**	81.0
Current	**25.9**	24.5
Non-current	**65.7**	56.5

28 Share capital and reserves

	2023 £m	2022 £m
Allotted, called up and fully paid equity share capital:		
73,099,735 ordinary shares of 10p each (2022: 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.

The capital redemption reserve of £7.6m is a non-distributable reserve created when the company's shares were redeemed or purchased other than from the proceeds of a fresh issue of shares.

The other reserve of £56.9m is a non-distributable reserve created when merger relief was applied to an issue of shares under section 612 of the Companies Act 2006 to part-fund the acquisition of Keller Canada. The reserve becomes distributable should Keller Canada be disposed of.

As at 31 December 2023, the total number of shares held in treasury was 323,133 (2022: 328,954).
During the year to 31 December 2023, 500,000 ordinary shares were purchased by the Keller Group Employee Benefit Trust (2022: 135,050 purchase) to be used to satisfy future obligations of the company under the Keller Group plc Long Term Incentive Plan and 515,119 shares were utilised to satisfy the obligation in the year (2022: nil). This brings the total ordinary shares held by the Employee Benefit Trust to 537,171 (2022: 552,290). The cost of the market purchases was £3.4m (2022: £1.2m).

There is a dividend waiver in place for both shares held in treasury and by the Keller Group Employee Benefit Trust.

29 Related party transactions

Transactions between the parent, its subsidiaries and joint operations, which are related parties, have been eliminated on consolidation. Other related party transactions are disclosed below:

Compensation of key management personnel

The remuneration of the Board and Executive Committee, who are the key management personnel, comprised:

	2023 £m	2022 £m
Short-term employee benefits	**8.2**	4.5
Post-employment benefits	**0.3**	0.3
Termination payments	—	0.4
	8.5	5.2

Other related party transactions

As at 31 December 2023, there was a net balance of £0.1m (2022: £0.1m) owed by the joint venture. These amounts are unsecured, have no fixed date of repayment and are repayable on demand.

30 Commitments

Capital commitments

Capital expenditure contracted for at the end of the reporting period but not yet incurred was £12.0m (2022: £17.6m) and relates to property, plant and equipment purchases.

31 Guarantees, contingent liabilities and contingent assets

Claims and disputes arise, both in the normal course of business and in relation to the historic construction activities of the Group, some of which lead to litigation or arbitration procedures. Such claims are predominantly covered by the Group's insurance arrangements. The Group recognises provisions for liabilities when it is more likely than not that a settlement will be required and the value of such a payment can be reliably estimated.

At 31 December 2023, the Group had outstanding standby letters of credit and surety bonds for the Group's captive and other global insurance arrangements totalling £24.5m (2022: £28.1m). The Group enters into performance and advance payment bonds and other undertakings in the ordinary course of business, using guarantee facilities with financial institutions to provide these bonds to customers. At 31 December 2023, the Group has £182.7m outstanding related to performance and advanced payment bonds (2022: £190.6m). These are treated as a contingent liability until such time it becomes probable that payment will be required under the individual terms of each arrangement. It is judged to be a remote possibility that a payment will be required under any of the current performance or advance payment bonds.

At 31 December 2023, the Group had no contingent assets (2022: £nil).

32 Share-based payments

The Group operates a Long Term Incentive Plan (the 'Plan'). Under the Plan, Executive Directors and certain members of senior management are granted nil-cost share options with a vesting period of three years. The awards are exercised automatically on vesting, in addition the Executive Directors are subject to a two-year post-vesting holding period.

Performance share awards are granted to Executive Directors and key management personnel which are subject to performance conditions including total shareholder return, earnings per share, return on capital employed and operating profit margin. Conditional awards are granted under which senior management receive shares subject only to service conditions, ie the requirement for participants to remain in employment with the Group over the vesting period. Participants are entitled to receive dividend equivalents on these awards.

Outstanding awards are as follows:

	Number
Outstanding at 1 January 2022	1,974,436
Granted during 2022	817,381
Lapsed during 2022	(365,677)
Exercised during 2022	(448,963)
Outstanding at 31 December 2022 and 1 January 2023	**1,977,177**
Granted during 2023	**840,572**
Lapsed during 2023	**(208,543)**
Exercised during 2023	**(520,940)**
Outstanding at 31 December 2023	**2,088,266**
Exercisable at 1 January 2022	—
Exercisable at 31 December 2022 and 1 January 2023	—
Exercisable at 31 December 2023	**—**

The average share price during the year was 756.5p (2022: 759.3p).

Under IFRS 2, the fair value of services received in return for share awards granted is measured by reference to the fair value of share options granted. The estimate of the fair value of share awards granted is measured based on a stochastic model. The contractual life of the award 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:

	2023	2022
Share price at grant	**660.0p**	800.0p
Weighted average exercise price	**0.0p**	0.0p
Expected volatility	**39.6%**	41.2%
Expected life	**3 years**	3 years
Risk-free rate	**3.22%**	1.35%
Expected dividend yield	**0.00%**	0.00%

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 Group recognised total expenses (included in operating costs) of £4.5m (2022: £2.9m) related to equity-settled, share-based payment transactions.

The weighted average fair value of options granted in the year was 555.7p (2022: 724.2p). Options outstanding at the year-end have a weighted average remaining contractual life of 1.2 years (2022: 1.2 years).

The awards, which are taken as shares, are intended to be satisfied from shares held under the Keller Group Employee Benefit Trust (the 'Trust') or from treasury shares held. The shares held by the Trust are accounted for as a deduction from equity in retained earnings. At 31 December 2023, 537,171 (2022: 552,290) ordinary shares were held by the Trust with a value of £3.9m (2022: £4.9m).

33 Retirement benefit liabilities

The Group operates pension schemes in the UK and overseas.

In the UK, the Group operates the Keller Group Pension Scheme (the '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 Scheme is subject to UK pensions legislation which, inter alia, provides for the regulation of work-based pension schemes by The Pensions Regulator. The trustees are aware of and adhere to the Codes of Practice issued by The Pensions Regulator. The Scheme trustees currently comprise one member-nominated trustee and two employer-nominated trustees. An employer-nominated trustee is also the Chair of the trustees. The Scheme exposes the Group to actuarial risks, such as longevity risk, interest rate risk and market (investment) risk, which are managed through the investment strategy to acceptable levels established by the trustees. The Scheme can invest in a wide range of asset classes including equities, bonds, cash, property, alternatives (including private equity, commodities, hedge funds, infrastructure, currency, high yield debt and derivatives) and annuity policies. Any investment in derivative instruments is only made to contribute to a reduction in the overall level of risk in the portfolio or for the purposes of efficient portfolio management. With effect from the most recent actuarial valuation date (5 April 2023), the Group has agreed to pay a contribution of £1.7m in total, paid in monthly instalments from January to August 2024. Contributions will then cease, subject to a review of the level of employer contributions at the next actuarial review in 2026.

Between 1990 and 1997, the Scheme members accrued a Guaranteed Minimum Pension (GMP). This amount differed between men and women in accordance with the rules which were applicable at that time. On 26 October 2018, there was a court judgement (in the case of Lloyds Banking Group Pensions Trustees Limited v Lloyds Bank PLC) that confirmed that GMP is to be made equal for men and women. In 2018, the estimated increase in the Scheme's liabilities was £1.3m, which was recognised as a past service cost in 2018 as a charge to non-underlying items. On 20 November 2020, there was an updated judgement requiring an allowance to be made for past transfers. The estimated increase in the Scheme's liability in respect of this is less than £0.1m. These estimates remain appropriate for 2022. The actual cost may differ when the GMP equalisation exercise is complete.

A potentially landmark judgement was handed down in the High Court case of Virgin Media vs NTL Trustees in June 2023. The judge in this case ruled that, where benefit changes were made without a valid 'section 37' certificate from the scheme actuary, those changes could be considered void. It is anticipated that the ruling will be appealed. The Keller Group Pension Scheme was contracted out of the additional state pension between 1997 and 2016 and made scheme amendments during this period. The Scheme trustees have not yet investigated the scheme's historic documentation to confirm whether they hold the relevant s37 certificates, until this review has been completed we are unable to determine the impact of this judgement.

The Group has two UK defined contribution retirement benefit schemes. There were no contributions outstanding in respect of these schemes at 31 December 2023 (2022: £nil). The total UK defined contribution pension charge for the year was £1.8m (2022: £1.6m).

The Group has defined benefit retirement obligations in Germany and Austria. Under these schemes, employees are entitled to retirement benefits on attainment of a retirement age of 65, provided they have either five or ten years of employment with the Group, depending on the area or field they are working in. The amount of benefit payable depends on the grade of the employee and the number of years of service. Benefits under these schemes only apply to employees who joined the Group prior to 1997. These defined benefit retirement obligations are funded on the Group's balance sheet and obligations are met as and when required by the Group.

The Group has a number of end of service schemes in the Middle East as required by local laws and regulations. The amount of benefit payable depends on the current salary of the employee and the number of years of service. These retirement obligations are funded on the Group's balance sheet and obligations are met as and when required by the Group.

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 £8.6m (2022: £8.1m).

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 11.0% (2022: 10.5%). The total Australian pension charge for the year was £4.8m (2022: £4.6m).

Details of the Group's defined benefit schemes are as follows:

	The Keller Group Pension Scheme (UK) 2023 £m	The Keller Group Pension Scheme (UK) 2022 £m	**German,[1] Austrian and other schemes 2023 £m**	German,[1] Austrian and other schemes 2022 £m
Present value of the scheme liabilities	**(41.8)**	(39.0)	**(16.2)**	(16.7)
Fair value of assets	**46.0**	42.2	**—**	—
Surplus/(deficit) in the scheme	**4.2**	3.2	**(16.2)**	(16.7)
Irrecoverable surplus	**(5.7)**	(7.3)	**—**	—
Net defined benefit liability	**(1.5)**	(4.1)	**(16.2)**	(16.7)

1 Included in this balance is £3.6m (2022: £3.5m) in relation to the end of service schemes in the Middle East.

For the Keller Group Pension Scheme, based on the net deficit of the Scheme as at 31 December 2023 and the committed payments under the Schedule of Contributions agreed on 15 December 2023, there is a irrecoverable surplus of £5.7m (2022: £7.3m). Management is of the view that, based on the Scheme rules, it does not have an unconditional right to a refund of a surplus under IFRIC 14, and therefore an additional balance sheet liability in respect of a 'minimum funding requirement' has been recognised. The minimum funding requirement is calculated using the agreed total remaining contribution of £1.5m, contributions will cease from August 2024. The contributions will be reviewed following the next actuarial review to be prepared as at 5 April 2026.

The value of the scheme liabilities has been determined by the actuary using the following assumptions:

	The Keller Group Pension Scheme (UK)	The Keller Group Pension Scheme (UK)	**German and Austrian schemes**	German and Austrian schemes
	2023	2022	**2023**	2022
	%	%	**%**	%
Discount rate	**4.6**	4.8	**3.4**	3.5
Interest on assets	**4.6**	4.8	**—**	—
Rate of increase in pensions in payment	**3.5**	3.4	**2.5**	2.5
Rate of increase in pensions in deferment	**2.8**	2.7	**6.9**	8.3
Rate of inflation	**3.4**	3.3	**6.9**	8.3

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 Penson Scheme (UK)	The Keller Group Pension Scheme (UK)	**German and Austrian schemes**	German and Austrian schemes
	2023	2022	**2023**	2022
Male currently aged 65	**21.2**	21.0	**22.4**	19.9
Female currently aged 65	**24.0**	23.4	**25.3**	23.3

The assets of the schemes were as follows:

	The Keller Group Pension Scheme (UK)	The Keller Group Pension Scheme (UK)	**German, Austrian and other schemes**	German, Austrian and other schemes
	2023	2022	**2023**	2022
	£m	£m	**£m**	£m
Equities	**6.6**	7.8	**—**	—
Target return funds[1]	**6.0**	5.0	**—**	—
Bonds	**18.7**	13.6	**—**	—
Liability driven investing (LDI) portfolios[2]	**14.0**	12.9	**—**	—
Cash	**0.7**	2.9	**—**	—
	46.0	42.2	**—**	—

1 A diversified growth fund split between mainly UK listed equities, bonds and alternative investments which are capped at 20% of the total fund.

2 A portfolio of gilt and swap contracts, backed by investment-grade credit instruments, that is designed to hedge the majority of the interest rate and inflation risks associated with the Schemes' obligations.

	The Keller Group Pension Scheme (UK)	The Keller Group Pension Scheme (UK)	**German,[1] Austrian and other schemes**	German,[1] Austrian and other schemes
	2023	2022	**2023**	2022
	£m	£m	**£m**	£m
Changes in scheme liabilities				
Opening balance	**(39.0)**	(58.3)	**(16.7)**	(18.9)
Current service cost	**—**	—	**(1.2)**	(0.8)
Interest cost	**(1.8)**	(1.1)	**(0.5)**	—
Benefits paid	**2.1**	2.1	**1.7**	1.0
Exchange movements	**—**	—	**0.5**	(0.8)
Experience loss on defined benefit obligation	**(1.0)**	(0.5)	**—**	—
Changes to demographic assumptions	**(0.7)**	—	**—**	—
Changes to financial assumptions	**(1.4)**	18.8	**—**	2.8
Closing balance	**(41.8)**	(39.0)	**(16.2)**	(16.7)
Changes in scheme assets				
Opening balance	**42.2**	63.7	**—**	—
Interest on assets	**2.0**	1.2	**—**	—
Administration costs	**(0.3)**	(0.2)	**—**	—
Employer contributions	**2.9**	2.8	**—**	—
Benefits paid	**(2.1)**	(2.1)	**—**	—
Return on plan assets less interest	**1.3**	(23.2)	**—**	—
Closing balance	**46.0**	42.2	**—**	—
Actual return on scheme assets	**3.3**	(22.0)	**—**	—
Statement of comprehensive income				
Return on plan assets less interest	**1.3**	(23.2)	**—**	—
Experience loss on defined benefit obligation	**(1.0)**	(0.5)	**—**	—
Changes to demographic assumptions	**(0.7)**	—	**—**	—
Changes to financial assumptions	**(1.4)**	18.8	**—**	2.8
Change in irrecoverable surplus	**1.6**	4.9	**—**	—
Remeasurements of defined benefit plans	**(0.2)**	—	**—**	2.8

Cumulative remeasurements of defined benefit plans	**(25.8)**	(25.6)	**(6.4)**	(6.4)
Expense recognised in the income statement				
Current service cost	**—**	—	**(1.2)**	(0.8)
Administration costs	**(0.3)**	(0.2)	**—**	—
Operating costs	**(0.3)**	(0.2)	**(1.2)**	(0.8)
Net pension interest cost	**0.2**	0.1	**(0.5)**	—
Expense recognised in the income statement	**(0.1)**	(0.1)	**(1.7)**	(0.8)
Movements in the balance sheet liability				
Net liability at start of year	**4.1**	6.8	**16.7**	18.9
Expense recognised in the income statement	**0.1**	0.1	**1.7**	0.8
Employer contributions	**(2.9)**	(2.8)	**—**	—
Benefits paid	**—**	—	**(1.7)**	(1.0)
Exchange movements	**—**	—	**(0.5)**	0.8
Remeasurements of defined benefit plans	**0.2**	—	**—**	(2.8)
Net liability at end of year	**1.5**	4.1	**16.2**	16.7

1 Other comprises end of service schemes in the Middle East of £3.6m (2022: £3.5m).

A reduction in the discount rate of 0.5% would increase the deficit in the schemes by £2.6m (2022: reduction in the discount rate of 0.5% would increase the deficit in the scheme by £2.5m), whilst a reduction in the inflation assumption of 0.5%, including its impact on the revaluation in deferment and pension increases in payment, would decrease the deficit by £1.3m (2022: reduction in the inflation assumption of 0.5% would decrease the deficit by £1.3m). A decrease in the mortality rate by one year would decrease the deficit in the schemes by £1.8m. Note that these sensitivities do not include end of service schemes in the Middle East as these are not material to the Group.

The weighted average duration of the defined benefit obligation is approximately 13 years for the UK scheme and 12 years for the German and Austrian schemes. The history of experience adjustments on scheme assets and liabilities for all the Group's defined benefit pension schemes, including the end of service schemes in the Middle East, are as follows:

	2023	2022	2021	2020	2019
	£m	£m	£m	£m	£m
Present value of defined benefit obligation	**(58.0)**	(55.7)	(77.2)	(86.9)	(81.1)
Fair value of scheme assets	**46.0**	42.2	63.7	58.0	52.2
Deficit in the schemes	**(12.0)**	(13.5)	(13.5)	(28.9)	(28.9)
Irrecoverable surplus	**(5.7)**	(7.3)	(12.2)	(2.2)	(1.8)
Net defined benefit liability	**(17.7)**	(20.8)	(25.7)	(31.1)	(30.7)
Experience adjustments on scheme liabilities	**(3.1)**	21.1	6.6	(7.9)	(8.2)
Experience adjustments on scheme assets	**1.3**	(23.2)	4.6	6.1	5.4

34 Non-controlling interests

Financial information of subsidiaries that have a material non-controlling interest is provided below:

Name	Country of incorporation	**2023**	2022
Keller Fondations Speciales SPA	Algeria	**49%**	49%
Keller Turki Company Limited	Saudi Arabia	**0%**	35%

(Loss)/profit attributable to non-controlling interests:

	2023	2022
	£m	£m
Keller Fondations Speciales SPA	**(0.2)**	(0.5)
Keller Turki Company Limited	**0.4**	(0.3)
Other interests	**0.2**	(0.2)
	0.4	(1.0)

Share of net assets of non-controlling interests:

	2023	2022
	£m	£m
Keller Fondations Speciales SPA	**2.4**	2.7
Keller Turki Company Limited	**—**	(0.6)
Other interests	**0.3**	0.2
	2.7	2.3

On 29 August 2023, the Group acquired the 35% interest in the voting shares of Keller Turki Company Limited, increasing its ownership interest to 100%. An initial cash consideration of £6.4m (SAR 30m) was paid to the non-controlling shareholders. In addition, a contingent consideration has been agreed as part of the purchase agreement and is payable annually between the years 2023 and 2027, dependent on the qualifying revenue generated by the business for each of those years. The fair value of the contingent consideration was £9.3m (SAR 43.2m) based on expected revenue generated by the business over that period, which is the maximum amount of contingent consideration payable.

The carrying value of the net assets of Keller Turki Company Limited was £0.2m (SAR 0.8m). Following is a schedule of additional interest acquired in Keller Turki Company Limited.

	£m
Cash consideration paid to non-controlling shareholders	**6.4**
Contingent consideration	**9.3**
Group loan	**(0.7)**
Carrying value of the additional interest in Keller Turki Company Limited	**0.2**
Difference recognised in retained earnings	**15.2**

Aggregate amounts relating to material non-controlling interests:

	2023 £m Keller Fondations Speciales SPA	2023 £m Keller Turki Company Limited	2022 £m Keller Fondations Speciales SPA	2022 £m Keller Turki Company Limited
Revenue	**0.9**	**14.3**	0.1	4.6
Operating costs	**(1.0)**	**(13.9)**	(0.6)	(4.9)
Operating loss	**(0.1)**	**0.4**	(0.5)	(0.3)
Finance costs	**—**	**—**	—	—
Loss before taxation	**(0.1)**	**0.4**	(0.5)	(0.3)
Taxation	**(0.1)**	**—**	—	—
Loss attributable to non-controlling interests	**(0.2)**	**0.4**	(0.5)	(0.3)

	2023 £m Keller Fondations Speciales SPA	2023 £m Keller Turki Company Limited	2022 £m Keller Fondations Speciales SPA	2022 £m Keller Turki Company Limited
Non-current assets	**0.6**	**—**	0.8	0.7
Current assets	**2.4**	**—**	2.8	6.0
Current liabilities	**(0.6)**	**—**	(0.9)	(6.2)
Non-current liabilities	**—**	**—**	—	(1.1)
Share of net assets/(liabilities)	**2.4**	**—**	2.7	(0.6)

35 Post balance sheet events

On 1 March we announced a change to the Group’s divisional structure. The Middle East and NEOM business units will move from the current Asia-Pacific, Middle East and Africa (AMEA) division and combine with Europe to create a new Europe and Middle East Division (EME). The AMEA division will become the Asia-Pacific division. This is a non-adjusting post balance sheet event and there is no impact to the balance sheet at 31 December 2023.

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

Adjusted performance measures

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

As a result, adjusted performance measures have been used throughout the Annual Report and Accounts to describe the Group's underlying performance. The Board and Executive Committee use these adjusted measures to assess the performance of the business because they consider them more representative of the underlying ongoing trading result and allow more meaningful comparison to prior year.

Underlying measures

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

Constant currency measures

The constant currency basis ('constant currency') adjusts the comparative to exclude the impact of movements in exchange rates relative to sterling. This is achieved by retranslating the 2022 results of overseas operations into sterling at the 2023 average exchange rates.

A reconciliation between the underlying results and the reported statutory results is shown on the face of the consolidated income statement, with non-underlying items detailed in note 9 to the consolidated financial statements. A reconciliation between the 2022 underlying result and the 2022 constant currency result is shown below and compared to the underlying 2023 performance:

Revenue by segment

	2023	2022				
	Statutory	Statutory	Impact of exchange movements	Constant currency	**Statutory change**	**Constant currency change**
	£m	£m	£m	£m	**%**	**%**
North America	**1,770.0**	1,896.1	(5.6)	1,890.5	**-7%**	**-6%**
Europe	**686.0**	649.3	8.9	658.2	**+6%**	**+4%**
Asia-Pacific, Middle East and Africa	**510.0**	399.2	(18.8)	380.4	**+28%**	**+34%**
Group	**2,966.0**	2,944.6	(15.5)	2,929.1	**+1%**	**+1%**

Underlying operating profit by segment

	2023	2022				
	Underlying	Underlying	Impact of exchange movements	Constant currency	**Underlying change**	**Constant currency change**
	£m	£m	£m	£m	**%**	**%**
North America	**169.6**	82.0	(0.4)	81.6	**+107%**	**+108%**
Europe	**1.8**	29.1	0.5	29.6	**-94%**	**-94%**
Asia-Pacific, Middle East and Africa	**22.6**	6.6	(0.2)	6.4	**+243%**	**+253%**
Central items	**(13.1)**	(9.1)	0.1	(9.0)	**n/a**	**n/a**
Group	**180.9**	108.6	—	108.6	**+67%**	**+67%**

Underlying operating margin

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

Other adjusted measures

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

EBITDA (statutory)

	2023 £m	2022 £m
Underlying operating profit	**180.9**	108.6
Depreciation and impairment of owned property, plant and equipment	**81.8**	71.1
Depreciation and impairment of right-of-use assets	**30.0**	25.5
Amortisation of intangible assets	**0.4**	0.4
Underlying EBITDA	**293.1**	205.6
Non-underlying items in operating costs (excluding goodwill impairment)	**(10.8)**	(17.6)
Non-underlying items in other operating income	**0.8**	0.7
EBITDA	**283.1**	188.7

EBITDA (IAS 17 covenant basis)

	2023 £m	2022 £m
Underlying operating profit	**180.9**	108.6
Depreciation and impairment of owned property, plant and equipment	**81.8**	71.1
Depreciation and impairment of right-of-use assets	**30.0**	25.5
Legacy IAS 17 operating lease charges	**(33.8)**	(27.9)
Amortisation of intangible assets	**0.4**	0.4
Underlying EBITDA	**259.3**	177.7
Non-underlying items in operating costs (excluding goodwill impairment)	**(10.8)**	(17.6)
Non-underlying items in other operating income	**0.8**	0.7
EBITDA	**249.3**	160.8

Net finance costs

	2023 £m	2022 £m
Finance income	**(1.8)**	(0.5)
Underlying finance costs	**29.3**	15.6
Net finance costs (statutory)	**27.5**	15.1
Exclude: Finance charge on lease liabilities[1]	**(5.6)**	(3.6)
Lender covenant adjustments	**(0.8)**	(0.2)
Net finance costs (IAS 17 covenant basis)	**21.1**	11.3

1 Excluding legacy IAS 17 finance leases.

Net capital expenditure

	2023 £m	2022 £m
Acquisition of property, plant and equipment	**94.3**	81.6
Acquisition of other intangible assets	**0.2**	0.1
Proceeds from sale of property, plant and equipment	**(20.9)**	(8.2)
Net capital expenditure	**73.6**	73.5

Net debt

	2023 £m	2022 £m
Current loans and borrowings	**86.8**	34.2
Non-current loans and borrowings	**301.9**	365.8
Cash and cash equivalents	**(151.4)**	(101.1)
Net debt (statutory)	**237.3**	298.9
Lease liabilities[1]	**(91.1)**	(80.1)
Net debt (IAS 17 covenant basis)	**146.2**	218.8

1 Excluding legacy IAS 17 finance leases.

Leverage ratio

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

Statutory

	2023 £m	2022 £m
Net debt	**237.3**	298.9
Underlying EBITDA	**293.1**	205.6
Leverage ratio (x)	**0.8**	1.5

IAS 17 covenant basis

	2023 £m	2022 £m
Net debt	**146.2**	218.8
Underlying EBITDA	**259.3**	177.7
Leverage ratio (x)	**0.6**	1.2

Order book

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

Free cash flow

The calculation of free cash flow is set out in the CFO section of the Strategic report and is reconciled to movements in the consolidated cash flow statement and other movements in net debt as set out below.

	2023 £m	2022 £m
Net cash inflow from operating activities	**197.0**	54.8
Net cash outflow from investing activities	**(70.7)**	(89.0)
Exclude:		
Cash inflows from non-underlying items – contract dispute	**3.7**	—
Cash inflows from non-underlying items – ERP costs	**7.5**	5.4
Cash inflows from non-underlying items – restructuring costs	**1.2**	0.6
Cash inflows from non-underlying items – acquisition costs	**—**	0.2
Acquisition of subsidiaries, net of cash acquired	**0.2**	20.2
Disposal of subsidiaries	**(1.3)**	(0.7)
Include:		
Increase in net debt from new leases	**(33.9)**	(24.8)
Increase in net debt from amortisation of deferred finance costs	**(0.5)**	(0.5)
Free cash flow	**103.2**	(33.8)

Financial record

	2014 £m	2015 £m	2016 £m	2017 £m	2018 £m	2019 £m	2020 £m	2021 £m	2022[1] £m	**2023 £m**
Consolidated income statement										
Continuing operations										
Revenue	1,599.7	1,562.4	1,780.0	2,070.6	2,224.5	2,300.5	2,062.5	2,222.5	2,944.6	**2,966.0**
Underlying EBITDA	141.9	155.5	158.6	177.2	167.5	198.4	205.0	185.9	205.6	**293.1**
Underlying operating profit	92.0	103.4	95.3	108.7	96.6	103.8	110.1	88.5	108.6	**180.9**
Underlying net finance costs	(6.9)	(7.7)	(10.2)	(10.0)	(16.1)	(22.5)	(13.2)	(8.9)	(15.1)	**(27.5)**
Underlying profit before taxation	85.1	95.7	85.1	98.7	80.5	81.3	96.9	79.6	93.5	**153.4**
Underlying taxation	(29.7)	(33.0)	(29.8)	(24.7)	(22.5)	(22.4)	(28.3)	(18.9)	(20.3)	**(38.8)**
Underlying profit for the year	55.4	62.7	55.3	74.0	58.0	58.9	68.6	60.7	73.2	**114.6**
Non-underlying items[2]	(56.6)	(36.4)	(7.3)	13.5	(71.8)	(37.2)	(27.5)	(5.1)	(28.2)	**(24.8)**
Profit/(loss) for the year	(1.2)	26.3	48.0	87.5	(13.8)	21.7	41.1	55.6	45.0	**89.8**
Underlying EBITDA (IAS 17 covenant basis)	141.9	155.5	158.6	177.2	167.5	170.8	175.0	153.2	177.7	**259.3**
Consolidated balance sheet										
Working capital	104.1	97.1	152.5	181.3	225.4	200.9	180.3	149.6	303.4	**261.5**
Property, plant and equipment	295.6	331.8	405.6	399.2	422.0	460.6	434.9	443.4	486.5	**480.2**
Intangible and other non-current assets	203.4	183.0	218.2	198.3	179.5	192.3	183.5	232.0	203.1	**185.9**
Net debt (statutory)	(102.2)	(183.0)	(305.6)	(229.5)	(286.2)	(289.8)	(192.5)	(193.3)	(298.9)	**(237.3)**
Other net liabilities	(154.6)	(94.9)	(41.1)	(77.1)	(114.2)	(166.5)	(196.2)	(203.7)	(197.3)	**(172.3)**
Net assets	346.3	334.0	429.6	472.2	426.5	397.5	410.0	428.0	496.8	**518.0**
Net debt (IAS 17 covenant basis)	(102.2)	(183.0)	(305.6)	(229.5)	(286.2)	(213.1)	(120.9)	(119.4)	(218.8)	**(146.2)**
Underlying key performance indicators										
Diluted earnings per share from continuing operations (p)	74.2	85.4	74.8	101.8	79.1	81.3	96.3	84.2	100.7	**153.9**
Dividend per share (p)	25.2	27.1	28.5	34.2	35.9	35.9	35.9	35.9	37.7	**45.2**
Operating margin	5.8%	6.6%	5.4%	5.2%	4.3%	4.5%	5.3%	4.0%	3.7%	**6.1%**
Return on capital employed[3]	18.3%	20.5%	15.3%	15.1%	13.2%	14.4%	16.4%	13.9%	14.9%	**22.8%**
Net debt: EBITDA (statutory)	0.7x	1.2x	1.9x	1.3x	1.7x	1.5x	0.9x	1.0x	1.5x	**0.8x**
Net debt: EBITDA (IAS 17 covenant basis)	0.7x	1.2x	1.9x	1.3x	1.7x	1.2x	0.7x	0.8x	1.2x	**0.6x**

1 Intangible and other non-current assets and other net liabilities presented here do not correspond to the published 2022 consolidated financial statements. The consolidated balance sheet has been restated in respect of prior period measurement business combinations adjustments.

2 Non-underlying items are items which are exceptional by their size and/or are non-trading in nature and are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial position of the Group.

3 Calculated as underlying operating profit expressed as a percentage of average capital employed. 'Capital employed' is net assets before non-controlling interests plus net debt and net defined benefit retirement liabilities.